



Rustenburg Local Municipality

**Rustenburg Local Municipality
Consolidated Annual Financial Statements
for the year ended 30/06/2022**

Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30/06/2022

General Information

Legal form of entity	Municipality (MFMA) : Category B
Mayoral committee	
Executive Mayor	Mabale-Huma, S S K (Executive Mayor) Mogomotsi, K (Speaker) Mabe, L L (Single-Whip)
Mayoral Committee Members	Pule, S (MMC: Integrated Development Planning) Libe, K (MMC: Special Projects) Mputle, V (MMC: Public Safety) Phutu, K (MMC: Local Economic Development) Xatasi, N (MMC: Community Development) Gaonakala, M (MMC: Corporate Support Services) Pule, L (MMC: Roads and Transport) Rampou, T (MMC: Technical and Infrastructure Services) Marekoa, B (MMC: Planning and Human Settlements) Nke, R (MMC: Budget and Treasury)
Capacity	High Capacity
Accounting Officer	Makona, V
Chief Finance Officer (CFO)	Mdhuli, V (Acting)
Registered office	Missionary Mpheni House Cnr, Nelson Mandela & Beyers Naude Drives Rustenburg 0299
Postal address	P O Box 16 Rustenburg 0300
Bankers	ABSA BANK (Primary Bank)
Auditors	Auditor-General of South Africa (AGSA)

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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)

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the 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 30/06/2023 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 113, which have been prepared on the going concern basis, were approved by the accounting officer on 30 September 2022.



Mr. Victor Makona
Municipal Manager

Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30/06/2022

Statement of Financial Position as at 30/06/2022

		Economic entity		Controlling entity	
	Note(s)	2022	2021 Restated*	2022	2021 Restated*
Assets					
Current Assets					
Inventories	12	54 113	50 366	54 113	50 366
Finance lease receivables	8	-	-	361	303
Operating lease asset	9	31	50	31	50
Receivables from exchange transactions	13&15	455 652	206 782	432 832	190 132
Receivables from non-exchange transactions	14&15	43 941	56 752	43 941	56 752
Cash and cash equivalents	16	755 237	506 025	513 386	411 333
		1 308 974	819 975	1 044 664	708 936
Non-Current Assets					
Investment property	3	109 445	151 736	109 445	151 736
Property, plant and equipment	4	8 959 055	9 324 283	8 406 199	8 750 870
Intangible assets	5	90	157	90	157
Heritage assets	6	1 374	1 374	1 374	1 374
Investments	7	695	814	696	815
Finance lease receivables	8	-	-	929	1 290
		9 070 659	9 478 364	8 518 733	8 906 242
Total Assets		10 379 633	10 298 339	9 563 397	9 615 178
Liabilities					
Current Liabilities					
Other financial liabilities	20	36 068	38 655	36 068	38 655
Finance lease obligation	18	11 077	-	11 077	-
Payables from exchange transactions	22	1 116 203	1 119 398	1 268 887	1 338 116
VAT payable	23	272 263	166 368	274 883	168 381
Consumer deposits	24	60 253	54 733	60 253	54 733
Employee benefit obligation	10	5 984	5 633	5 984	5 633
Unspent conditional grants and receipts	19	167 521	48 353	167 521	48 353
Provisions	21	167 542	148 907	167 542	148 907
		1 836 911	1 582 047	1 992 215	1 802 778
Non-Current Liabilities					
Other financial liabilities	20	276 897	312 965	276 897	312 965
Finance lease obligation	18	12 057	-	12 057	-
Employee benefit obligation	10	155 864	148 962	155 864	148 962
Provisions	21	76 547	70 766	76 547	70 766
		521 365	532 693	521 365	532 693
Total Liabilities		2 358 276	2 114 740	2 513 580	2 335 471
Net Assets		8 021 357	8 183 599	7 049 817	7 279 707
Reserves					
Revaluation reserve	17	264 590	264 761	-	-
Accumulated surplus		7 756 767	7 918 838	7 049 817	7 279 707
Total Net Assets		8 021 357	8 183 599	7 049 817	7 279 707

* See Note 48

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Consolidated Annual Financial Statements for the year ended 30/06/2022

Statement of Financial Performance

		Economic entity		Controlling entity	
	Note(s)	2022	2021 Restated*	2022	2021 Restated*
Revenue					
Revenue from exchange transactions					
Service charges	25	4 230 992	3 106 338	4 155 346	3 040 888
Rental of facilities and equipment	26	11 447	10 010	11 447	10 010
Interest received (trading)		404 002	334 744	404 002	334 744
Agency services		33 406	26 858	33 406	26 858
Licences and permits		23 931	2 760	23 931	2 760
Other income	27	16 039	40 239	16 039	16 516
Interest received - investment	28	29 122	19 809	23 071	17 250
Total revenue from exchange transactions		4 748 939	3 540 758	4 667 242	3 449 026
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	29	486 412	425 268	486 412	425 268
Transfer revenue					
Government grants & subsidies	31	1 166 982	1 308 925	1 166 982	1 308 925
Fines, Penalties and Forfeits		19 427	16 284	19 427	16 284
Total revenue from non-exchange transactions		1 672 821	1 750 477	1 672 821	1 750 477
Total revenue		6 421 760	5 291 235	6 340 063	5 199 503
Expenditure					
Employee related costs	32	(763 399)	(774 567)	(760 217)	(769 951)
Remuneration of councillors	33	(59 114)	(60 406)	(59 114)	(60 406)
Depreciation and amortisation	34	(600 336)	(618 000)	(566 134)	(578 954)
Finance costs	36	(59 457)	(84 985)	(59 449)	(79 611)
Rentals		-	(4 063)	-	(4 063)
Bulk purchases	37	(3 431 250)	(2 462 358)	(3 576 974)	(2 622 596)
Contracted services	38	(212 410)	(144 850)	(212 410)	(144 850)
Transfers and Subsidies	30	(63 068)	(50 247)	(68 152)	(50 247)
General Expenses	39	(462 735)	(386 222)	(334 968)	(271 351)
Total expenditure		(5 651 769)	(4 585 698)	(5 637 418)	(4 582 029)
Operating surplus		769 991	705 537	702 645	617 474
Gain on disposal of assets and liabilities		9	10	-	-
Fair value adjustments	40	11	21	11	21
Actuarial gains/losses	10	13 052	19 519	13 052	19 519
Impairment loss	35	(945 282)	(759 030)	(945 599)	(756 082)
		(932 210)	(739 480)	(932 536)	(736 542)
Deficit for the year		(162 219)	(33 943)	(229 891)	(119 068)

* See Note 48

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Consolidated Annual Financial Statements for the year ended 30/06/2022

Statement of Changes in Net Assets

Figures in Rand Thousand	Revaluation reserve	Accumulated surplus	Total net assets
Economic entity			
Opening balance as previously reported	265 353	7 397 824	7 663 962
Adjustments			
Correction of errors	-	554 958	554 958
Balance at 01/07/2020 as restated*	265 353	7 952 782	8 218 135
Changes in net assets			
Surplus for the year - Previously reported	-	351 789	351 789
Impairment adjustment for the year	(260)	-	(260)
Revaluation surplus	(332)	-	(332)
Total changes	(592)	351 789	351 197
Restated balance before adjustments	264 761	8 304 571	8 569 332
Adjustments			
Correction of errors	-	(385 585)	(385 585)
Restated* Balance as at 01/07/2021 restated*	264 761	7 918 986	8 183 747
Changes in net assets			
Surplus for the year	-	(162 219)	(162 219)
Impairment adjustment for the year	(26)	-	(26)
Revaluation surplus	(145)	-	(145)
Total changes	(171)	(162 219)	(162 390)
Balance as at 30/06/2022	264 590	7 756 767	8 021 357
Note(s)	17		
Controlling entity			
Opening balance as previously reported	-	6 816 908	6 816 908
Adjustments			
Correction of errors	-	581 866	581 866
Balance as at 01/07/2020 restated*	-	7 398 774	7 398 774
Changes in net assets			
Surplus for the year - Previously reported	-	265 944	265 944
Total changes	-	265 944	265 944
Restated balance before adjustments	-	7 664 718	7 664 718
Adjustments			
Correction of errors	-	(385 010)	(385 010)
Balance as at 01 July 2021 restated*	-	7 279 708	7 279 708
Changes in net assets			
Surplus for the year	-	(229 891)	(229 891)
Total changes	-	(229 891)	(229 891)
Balance as at 30/06/2022	-	7 049 817	7 049 817

* See Note 48

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Cash Flow Statement

		Economic entity		Controlling entity	
Figures in Rand Thousand	Note(s)	2022	2021 Restated*	2022	2021 Restated*
Cash flows from operating activities					
Receipts					
Sale of goods and services		3 617 746	2 755 337	3 548 573	2 688 269
Grants		1 166 982	1 308 925	1 166 982	1 308 925
Interest income		433 124	354 553	427 073	351 994
Other receipts		59 397	59 283	59 397	35 560
		5 277 249	4 478 098	5 202 025	4 384 748
Payments					
Employee costs		(818 688)	(832 845)	(815 506)	(828 229)
Suppliers		(3 870 833)	(3 140 814)	(3 954 217)	(3 151 330)
Finance costs		(1 714)	(21 502)	(1 706)	(21 502)
Other payments		(69 833)	(66 775)	(75 359)	(66 451)
		(4 761 068)	(4 061 936)	(4 846 788)	(4 067 512)
Net cash flows from operating activities	42	516 181	416 162	355 237	317 236
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(205 914)	(367 310)	(186 578)	(353 170)
Proceeds from sale of property, plant and equipment	4	24 126	6 509	18 575	6 509
Net cash flows from investing activities		(181 788)	(360 801)	(168 003)	(346 661)
Cash flows from financing activities					
Repayment of other financial liabilities		(38 655)	(123 220)	(38 655)	(68 469)
Interest paid		(36 467)	(43 426)	(36 467)	(38 052)
Finance lease payments		(10 178)	(4 871)	(10 178)	(4 871)
Realisation / (Withdrawal) of financial assets		119	(39)	119	(39)
Net cash flows from financing activities		(85 181)	(171 556)	(85 181)	(111 431)
Net increase in cash and cash equivalents		249 212	(116 195)	102 053	(140 856)
Cash and cash equivalents at the beginning of the year		506 025	622 220	411 333	552 189
Cash and cash equivalents at the end of the year	16	755 237	506 025	513 386	411 333

* See Note 48

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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				
Economic entity				
Statement of Financial Performance				
Revenue				
Revenue from exchange transactions				
Service charges	4 468 854	4 230 992	(237 862)	60
Rental of facilities and equipment	12 078	11 447	(631)	60
Interest received (trading)	411 621	404 002	(7 619)	60
Agency services	154 983	33 406	(121 577)	60
Licences and permits	12 401	23 931	11 530	60
Other income	17 556	16 039	(1 517)	60
Interest received - investment	25 149	29 122	3 973	60
Total revenue from exchange transactions	5 102 642	4 748 939	(353 703)	
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	496 067	486 412	(9 655)	60
Transfer revenue				
Government grants & subsidies	1 338 221	1 166 982	(171 239)	60
Fines, Penalties and Forfeits	9 269	19 427	10 158	60
Total revenue from non-exchange transactions	1 843 557	1 672 821	(170 736)	
Total revenue	6 946 199	6 421 760	(524 439)	
Expenditure				
Employee related costs	(840 503)	(763 399)	77 104	60
Remuneration of councillors	(68 229)	(59 114)	9 115	60
Depreciation and amortisation	(492 870)	(600 336)	(107 466)	60
Impairment loss	(793 908)	(945 282)	(151 374)	60
Finance costs	(84 328)	(59 457)	24 871	60
Repairs and maintenance	(148 785)	(116 615)	32 170	60
Bulk purchases	(2 966 815)	(3 431 250)	(464 435)	60
Contracted Services	(535 669)	(212 410)	323 259	60
Transfers and Subsidies	(19 502)	(63 068)	(43 566)	60
General Expenses	(249 127)	(346 120)	(96 993)	60
Total expenditure	(6 199 736)	(6 597 051)	(397 315)	
Operating deficit	746 463	(175 291)	(921 754)	
Gain on disposal of assets	6 200	9	(6 191)	60
Fair value adjustments	-	11	11	60
Actuarial losses	-	13 052	13 052	60
	6 200	13 072	6 872	
Surplus / (Deficit) before taxation	752 663	(162 219)	(914 882)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	752 663	(162 219)	(914 882)	

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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				
Controlling entity				
Statement of Financial Performance				
Revenue				
Revenue from exchange transactions				
Service charges	4 262 398	4 155 346	(107 052)	60
Rental of facilities and equipment	12 078	11 447	(631)	60
Interest received (trading)	411 621	404 002	(7 619)	60
Agency services	154 983	33 406	(121 577)	60
Licences and permits	12 401	23 931	11 530	60
Other income	17 556	16 039	(1 517)	60
Interest received - investment	21 054	23 071	2 017	60
Total revenue from exchange transactions	4 892 091	4 667 242	(224 849)	
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	496 067	486 412	(9 655)	60
Transfer revenue				
Government grants & subsidies	1 338 221	1 166 982	(171 239)	60
Fines, Penalties and Forfeits	9 269	19 427	10 158	60
Total revenue from non-exchange transactions	1 843 557	1 672 821	(170 736)	
Total revenue	6 735 648	6 340 063	(395 585)	
Expenditure				
Employee related costs	(840 503)	(760 217)	80 286	60
Remuneration of councillors	(68 229)	(59 114)	9 115	60
Depreciation and amortisation	(454 373)	(566 134)	(111 761)	60
Impairment loss	(793 908)	(945 599)	(151 691)	60
Finance costs	(84 112)	(59 449)	24 663	60
Repairs and maintenance	(148 785)	(101 788)	46 997	60
Bulk purchases	(2 966 815)	(3 576 974)	(610 159)	60
Contracted Services	(535 669)	(212 410)	323 259	60
Transfers and Subsidies	(19 502)	(68 152)	(48 650)	60
General Expenses	(112 168)	(233 180)	(121 012)	60
Total expenditure	(6 024 064)	(6 583 017)	(558 953)	
Operating deficit	711 585	(242 954)	(954 539)	
Gain on disposal of assets	6 200	-	(6 200)	60
Fair value adjustments	-	11	11	60
Actuarial losses	-	13 052	13 052	60
	6 200	13 063	6 863	
Surplus / (Deficit) before taxation	717 785	(229 891)	(947 676)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	717 785	(229 891)	(947 676)	

Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30/06/2022

Accounting Policies

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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Accounting Policies

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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Accounting Policies

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:

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:

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

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
VAT Payable

Category

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

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]

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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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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.

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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.

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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.

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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.

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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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Accounting Policies

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

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

Consolidated Annual Financial Statements for the year ended 30/06/2022

Accounting Policies

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 recognises the full amount of revenue at the transaction date. Subsequent to initial recognition and measurement, the municipality assesses the collectability of the revenue and recognises an impairment loss.

Government Grants and other grants

Equitable share allocation is 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

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Accounting Policies

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

Consolidated Annual Financial Statements for the year ended 30/06/2022

Accounting Policies

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

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

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 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.

1.35 Non living resources

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted. Non-living 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	
2022	2021	2022	2021

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 01/07/2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	01/04/2009	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	01/04/2009	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01/04/2009	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01/04/2023	Unlikely there will be a material impact

3. Investment property

Economic entity			2022	2021
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	
Investment property	118 915	(9 470)	109 445	166 517

Controlling entity			2022	2021
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	
Investment property	118 915	(9 470)	109 445	166 517

Reconciliation of investment property - Economic entity - 2022

	Opening balance	Disposals	Transfers received	Impairments	Depreciation	Total
Investment property	151 736	(694)	(32 217)	(149)	(9 231)	109 445

Reconciliation of investment property - Economic entity - 2021

	Opening balance	Disposals	Depreciation	Total
Investment property	165 516	(278)	(13 502)	151 736

Reconciliation of investment property - Controlling entity - 2022

	Opening balance	Disposals	Transfers received	Impairments	Depreciation	Total
Investment property	151 736	(694)	(32 217)	(149)	(9 231)	109 445

Rustenburg Local Municipality

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Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

3. Investment property (continued)

Reconciliation of investment property - Controlling entity - 2021

	Opening balance	Disposals	Depreciation	Total
Investment property	165 516	(278)	(13 502)	151 736

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

Consolidated Annual Financial Statements for the year ended 30/06/2022

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

4. Property, plant and equipment

Economic entity	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 558 723	-	1 558 723	1 552 389	-	1 552 389
Buildings	1 519 083	(1 145 214)	373 869	1 498 881	(1 052 601)	446 280
Plant and machinery	63 967	(45 775)	18 192	63 077	(33 262)	29 815
Furniture and fixtures	55 327	(28 661)	26 666	21 562	(16 039)	5 523
Transport Assets	244 534	(130 961)	113 573	240 560	(99 499)	141 061
Office equipment	58 497	(44 127)	14 370	66 806	(34 540)	32 266
Bins and containers	1 817	(1 476)	341	1 838	(1 335)	503
Other	2 815	(2 354)	461	2 815	(2 137)	678
Electrical Equipment	11 309	-	11 309	16 662	-	16 662
Infrastructure - Sewerage	1 052 512	(651 764)	400 748	1 037 873	(622 569)	415 304
Infrastructure - Electricity	1 398 741	(737 812)	660 929	1 394 744	(691 040)	703 704
Infrastructure - Roads and Transport	6 673 587	(2 726 685)	3 946 902	6 498 548	(2 415 892)	4 082 656
Infrastructure - Water	1 450 520	(988 752)	461 768	1 381 856	(956 238)	425 618
Infrastructure - Work in progress	818 348	-	818 348	898 411	-	898 411
Rustenburg Water Services Trust	1 265 967	(713 111)	552 856	1 252 994	(679 581)	573 413
Bulk Water Assets						
Total	16 175 747	(7 216 692)	8 959 055	15 929 016	(6 604 733)	9 324 283

Controlling entity	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 558 723	-	1 558 723	1 552 389	-	1 552 389
Buildings	1 519 083	(1 145 214)	373 869	1 498 881	(1 052 601)	446 280
Plant and machinery	63 967	(45 775)	18 192	63 077	(33 262)	29 815
Furniture and fixtures	55 327	(28 661)	26 666	21 562	(16 039)	5 523
Transport Assets	244 534	(130 961)	113 573	240 560	(99 499)	141 061
Office equipment	58 497	(44 127)	14 370	66 806	(34 540)	32 266
Bins and containers	1 817	(1 476)	341	1 838	(1 335)	503
Other	2 815	(2 354)	461	2 815	(2 137)	678
Electrical Equipment	11 309	-	11 309	16 662	-	16 662
Infrastructure - Sewerage	1 052 512	(651 764)	400 748	1 037 873	(622 569)	415 304
Infrastructure - Electricity	1 398 741	(737 812)	660 929	1 394 744	(691 040)	703 704
Infrastructure - Roads and Transport	6 673 587	(2 726 685)	3 946 902	6 498 548	(2 415 892)	4 082 656
Infrastructure - Water	1 450 520	(988 752)	461 768	1 381 856	(956 238)	425 618
Infrastructure - Work in progress	818 348	-	818 348	898 411	-	898 411
Total	14 909 780	(6 503 581)	8 406 199	14 676 022	(5 925 152)	8 750 870

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Notes to the Consolidated Annual Financial Statements

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2022

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	1 552 389	-	(5 682)	12 016	-	-	-	-	1 558 723
Buildings	446 280	-	-	20 202	-	-	(91 382)	(1 231)	373 869
Plant and machinery	29 815	987	(96)	-	-	-	(12 477)	(37)	18 192
Furniture and fixtures	5 523	33 764	-	-	-	-	(12 613)	(8)	26 666
Transport assets	141 061	3 864	(108)	-	-	-	(25 612)	(5 632)	113 573
Office equipment	32 266	4 351	(12 661)	-	-	-	(9 466)	(120)	14 370
Bins and containers	503	-	(28)	-	-	-	(134)	-	341
Other	678	-	-	-	-	-	(217)	-	461
Electrical Equipment	16 662	-	-	-	-	(5 353)	-	-	11 309
Infrastructure - Sewerage	415 304	14 639	-	-	-	-	(28 643)	(552)	400 748
Infrastructure - Electricity	703 704	3 998	-	-	-	-	(39 136)	(7 637)	660 929
Infrastructure - Roads and Transport	4 082 656	175 039	-	-	-	-	(309 263)	(1 530)	3 946 902
Infrastructure - Water	425 618	68 664	-	-	-	-	(27 668)	(4 846)	461 768
Work in progress	898 411	187 707	-	-	(267 770)	-	-	-	818 348
Rustenburg Water Trust Bulk Water Assets	573 413	19 336	(5 551)	-	-	-	(34 202)	(140)	552 856
	9 324 283	512 349	(24 126)	32 218	(267 770)	(5 353)	(590 813)	(21 733)	8 959 055

Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30/06/2022

Notes to the Consolidated Annual Financial Statements

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	1 554 017	4 340	(5 968)	-	-	-	-	1 552 389
Buildings	515 202	27 749	-	-	-	(96 671)	-	446 280
Plant and machinery	42 255	543	-	-	-	(12 983)	-	29 815
Furniture and fixtures	6 858	1 562	(44)	-	-	(2 853)	-	5 523
Transport assets	168 063	1 089	(396)	-	-	(27 695)	-	141 061
Office equipment	40 901	1 642	(101)	-	-	(10 176)	-	32 266
Bins and containers	687	-	-	-	-	(184)	-	503
Other	1 079	-	-	-	-	(401)	-	678
Electrical Equipment	11 322	-	-	-	5 340	-	-	16 662
Infrastructure - Sewerage	434 824	8 785	-	-	-	(28 305)	-	415 304
Infrastructure - Electricity	734 715	8 756	-	-	-	(39 767)	-	703 704
Infrastructure - Roads and Transport	4 322 186	40 092	-	-	-	(279 622)	-	4 082 656
Infrastructure - Water	473 949	13 092	-	-	-	(61 423)	-	425 618
Work in progress	658 231	344 998	-	(104 818)	-	-	-	898 411
Rustenburg Water Trust Bulk Water Assets	599 190	14 140	-	-	-	(39 046)	(871)	573 413
	9 563 479	466 788	(6 509)	(104 818)	5 340	(599 126)	(871)	9 324 283

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Notes to the Consolidated Annual Financial Statements

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2022

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	1 552 389	-	(5 682)	12 016	-	-	-	-	1 558 723
Buildings	446 280	-	-	20 202	-	-	(91 382)	(1 231)	373 869
Plant and machinery	29 815	987	(96)	-	-	-	(12 477)	(37)	18 192
Furniture and fixtures	5 523	33 764	-	-	-	-	(12 613)	(8)	26 666
Transport assets	141 061	3 864	(108)	-	-	-	(25 612)	(5 632)	113 573
Office equipment	32 266	4 351	(12 661)	-	-	-	(9 466)	(120)	14 370
Bins and containers	503	-	(28)	-	-	-	(134)	-	341
Other	678	-	-	-	-	-	(217)	-	461
Electrical Equipment	16 662	-	-	-	-	(5 353)	-	-	11 309
Infrastructure - Sewerage	415 304	14 639	-	-	-	-	(28 643)	(552)	400 748
Infrastructure - Electricity	703 704	3 998	-	-	-	-	(39 136)	(7 637)	660 929
Infrastructure - Roads and Transport	4 082 656	175 039	-	-	-	-	(309 263)	(1 530)	3 946 902
Infrastructure - Water	425 618	68 664	-	-	-	-	(27 668)	(4 846)	461 768
Work in progress	898 411	187 707	-	-	(267 770)	-	-	-	818 348
	8 750 870	493 013	(18 575)	32 218	(267 770)	(5 353)	(556 611)	(21 593)	8 406 199

Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30/06/2022

Notes to the Consolidated Annual Financial Statements

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	1 554 017	4 340	(5 968)	-	-	-	1 552 389
Buildings	515 202	27 749	-	-	-	(96 671)	446 280
Plant and machinery	42 255	543	-	-	-	(12 983)	29 815
Furniture and fixtures	6 858	1 562	(44)	-	-	(2 853)	5 523
Transport assets	168 063	1 089	(396)	-	-	(27 695)	141 061
Office equipment	40 901	1 642	(101)	-	-	(10 176)	32 266
Bins and containers	687	-	-	-	-	(184)	503
Other	1 079	-	-	-	-	(401)	678
Electrical Equipment	11 322	-	-	-	5 340	-	16 662
Infrastructure - Sewerage	434 824	8 785	-	-	-	(28 305)	415 304
Infrastructure - Electricity	734 715	8 756	-	-	-	(39 767)	703 704
Infrastructure - Roads and Transport	4 322 186	40 092	-	-	-	(279 622)	4 082 656
Infrastructure - Water	473 949	13 092	-	-	-	(61 423)	425 618
Infrastructure - Work in progress	658 231	344 998	-	(104 818)	-	-	898 411
	8 964 289	452 648	(6 509)	(104 818)	5 340	(560 080)	8 750 870

Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30/06/2022

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

4. Property, plant and equipment (continued)

Property, plant and equipment in the process of being constructed or developed

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Upgrading of the bulk sewer lines to the WWTW (Western Area) [Project suspended due to non performance by the contractor]	6 992	6 992	6 992	6 992
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	16 745	16 745	16 745
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	16 057	16 057	16 057
Waterkloof Substation-Inter Connection To New Eskom Switching Station , (Infra) [Project delays due to contractual disagreements]	48 003	48 003	48 003	48 003
Construction of RRT Station - Contractor A (Land & Bld, Comm) [Project delays due to contractual disagreements]	245 160	273 791	245 160	273 791
Upgrading of roads and stormwater in Lefaragatlhe [Contract terminated due to non performance by the contractor]	3 194	-	3 194	-
CONSTRUCTION OF ROADS AND STORM WATER PHASE 4 WARD 39 [Contract terminated due to non performance by the contractor]	8 637	-	8 637	-
	-	-	-	-
	420 722	437 522	420 722	437 522

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	4 249	6 726	4 249	6 726
Infrastructure - Electricity	20 563	25 920	20 563	25 920
Infrastructure - Roads	45 522	23 807	45 522	23 807
Infrastructure - Sewerage	268	1 230	268	1 230
Infrastructure - Water	3 483	-	3 483	-
Office Equipment	27 206	5 377	27 206	5 377
Transport assets	497	-	497	-
Rustenburg Water Services Trust Bulk Water Assets	14 827	9 901	-	-
	116 615	72 961	101 788	63 060

Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30/06/2022

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

4. Property, plant and equipment (continued)

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.

5. Intangible assets

Economic entity			2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment
Computer software, other	222	(132)	90	222	(65)	157		
Controlling entity			2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment
Computer software, other	222	(132)	90	222	(65)	157		

Reconciliation of intangible assets - Economic entity - 2022

	Opening balance	Amortisation	Total
Computer software, other	157	(67)	90

Reconciliation of intangible assets - Economic entity - 2021

	Opening balance	Amortisation	Total
Computer software, other	222	(65)	157

Reconciliation of intangible assets - Controlling entity - 2022

	Opening balance	Amortisation	Total
Computer software, other	157	(67)	90

Reconciliation of intangible assets - Controlling entity - 2021

	Opening balance	Amortisation	Total
Computer software, other	222	(65)	157

Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30/06/2022

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

5. Intangible assets (continued)

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 30/06/2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand thousand	Economic entity		Controlling entity	
	2022	2021	2022	2021

6. Heritage assets

Economic entity	2022			2021		
	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
Total	1 374	-	1 374	1 374	-	1 374

Controlling entity	2022			2021		
	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
Total	1 374	-	1 374	1 374	-	1 374

Reconciliation of heritage assets Economic entity - 2022

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

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
	1 374	1 374

Reconciliation of heritage assets Controlling entity - 2022

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

Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30/06/2022

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

6. Heritage assets (continued)

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
	1 374	1 374

7. Investments

Name of company	Carrying amount 2022	Carrying amount 2021	Carrying amount 2022	Carrying amount 2021
Listed Shares - Sanlam	695	814	695	814
Unlisted - Municipal Entity	-	-	1	1
	695	814	696	815

Detail

Market value of listed investment is R695 (2021: R814). The municipal entity is the Rustenburg Water Services Trust. The Trusts objective is to procure the design, construction, implementation, operation and maintenance of the Rustenburg, Bospoort and the Boitekong water supply scheme. 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.

8. Finance lease receivables

Present value of minimum lease payments due

- within one year	-	-	361	303
- in second to fifth year inclusive	-	-	929	1 290
	-	-	1 290	1 593
Non-current assets	-	-	929	1 290
Current assets	-	-	361	303
	-	-	1 290	1 593

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	31	50	31	50
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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 30/06/2022

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021
9. Operating lease asset (liability) (continued)				
Balance at beginning of year	50	65	50	65
Operating Lease Revenue recorded	(19)	(15)	(19)	(15)
	31	50	31	50
Up to 1 year	37	34	37	34
2 to 5 years	9	46	9	46
	46	80	46	80

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 R19 (2021: R15)

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 30/06/2022

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

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 2022 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)	1 294	1 293	1 294	1 293
In-service Non-members (Employees)	406	355	406	355
Continuation Members (Retirees, widowers and orphans)	130	126	130	126
	1 830	1 774	1 830	1 774

The liability in respect of past

	161 849	154 596	161 849	154 596
In-service Members	94 972	90 688	94 972	90 688
In-service: Non members	3 899	3 375	3 899	3 375
Continuation Members (Retirees, widowers and orphans)	62 978	60 533	62 978	60 533

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	(161 848)	(154 595)	(161 848)	(154 595)
Non-current liabilities	(155 864)	(148 962)	(155 864)	(148 962)
Current liabilities	(5 984)	(5 633)	(5 984)	(5 633)
	(161 848)	(154 595)	(161 848)	(154 595)

Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30/06/2022

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

10. Employee benefit obligations (continued)

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

Opening balance	154 595	142 635	154 595	142 635
Benefits paid	(5 694)	(5 846)	(5 694)	(5 846)
Net (income) / expense recognised in the statement of financial performance	12 947	17 806	12 947	17 806
	161 848	154 595	161 848	154 595

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

Current service cost	7 361	6 588	7 361	6 588
Interest cost	15 337	14 635	15 337	14 635
Actuarial (gains) losses	(9 751)	(3 417)	(9 751)	(3 417)
	12 947	17 806	12 947	17 806

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11,82 %	10,10 %	11,82 %	10,10 %
Medical cost trend rates	8,44 %	6,84 %	8,44 %	6,84 %
Expected increase in salaries	3,12 %	3,05 %	3,12 %	3,05 %
Expected increase in healthcare costs	5,96 %	4,76 %	5,96 %	4,76 %
Future changes in maximum state healthcare benefits	5,54 %	5,10 %	5,54 %	5,10 %

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 11.82% per annum has been used. The corresponding index-linked yield at this term is 4.10%. 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 2022.

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 30/06/2022

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

10. Employee benefit obligations (continued)

Other assumptions

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

	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022
Accrued liability	89 771	96 711	142 636	154 596	161 849
Actuarial Gains / (Losses)	3 461	(2 490)	(41 157)	3 417	9 751
	-	-	-	-	-

Sensitivity Analysis on Current-service and interest cost for the year ending 30 June 2022	Current-service cost	Interest cost	Total
Central Assumptions	7 361	15 337	22 698
Health care inflation (+1%)	8 191	16 510	24 701
Health care inflation (-1%)	6 302	13 858	20 160
Discount rate (+1%)	6 090	14 659	20 749
Discount rate (-1%)	9 010	16 078	25 088
Post-retirement mortality (+1 years)	7 186	14 908	22 094
Post-retirement mortality (-1 years)	7 532	15 761	23 293
Average retirement age (-1 year)	7 659	16 241	23 900
Continuation of membership at retirement (-10%)	6 315	13 964	20 279
	-	-	-

Sensitivity Analysis on the Accrued Liability - Assumptions & Change for the year ending 30 June 2022	In-service	Retired	Total
Central Assumptions	-	-	161 849
Health care inflation (+1%)	-	-	172 120
Health care inflation (-1%)	-	-	148 508
Discount rate (+1%)	-	-	141 770
Discount rate (-1%)	-	-	186 854
Post-retirement mortality (+1 years)	-	-	157 585
Post-retirement mortality (-1 years)	-	-	166 049
Average retirement age (-1 years)	-	-	171 238
Continuation of membership at retirement (-10%)	-	-	147 529
	-	-	-

Expected contributions for the year ending 30 June 2022

Opening balance	161 849
Estimate - benefits to be paid	(5 984)
Estimate - Net (income) / expense	<u>26 238</u>
Estimate Balance - 30 June 2023	182 103

Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30/06/2022

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

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	13 962	10 183	13 962	10 183
Water	415	447	415	447
Unsold Properties Held for Resale	39 736	39 736	39 736	39 736
	54 113	50 366	54 113	50 366

Consumables stores consists of maintenance materials and spare parts.

13. Receivables from exchange transactions

Prepaid expenses	33 954	33 950	33 886	33 886
Consumer debtors - Electricity	103 698	131 112	103 698	131 112
Consumer debtors - Water	48 909	19 868	26 157	3 282
Consumer debtors - Sewerage	8 847	8 027	8 847	8 027
Consumer debtors - Refuse	8 510	5 340	8 510	5 340
Consumer debtors - Other	251 734	8 485	251 734	8 485
	455 652	206 782	432 832	190 132

Fair value of trade and other receivables

Trade and other receivables	455 652	206 782	432 832	190 132
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Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30/06/2022

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

13. Receivables from exchange transactions (continued)

Receivables from exchange transactions past due but not impaired

At 30 June 2022, R340 277 (2021: R15 834) were past due but not impaired.

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

2 months past due	340 277	15 834	340 277	15 834
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Trade and other receivables impaired

As of 30/06/2022, Receivables from exchange transactions of R6 518 225 (2021: R5 589 283) were impaired and provided for.

14. Receivables from non-exchange transactions

Fines	7 944	13 010	7 944	13 010
Sundry Debtors	7 556	4 785	7 556	4 785
Insurance Claims	694	694	694	694
Consumer debtors - Rates	27 747	38 263	27 747	38 263
	43 941	56 752	43 941	56 752
Gross Balance - Fines	29 672	21 831	29 672	21 831
Allowance for Impairment - Fines	(21 728)	(8 821)	(21 728)	(8 821)
Net Balance - Fines	7 944	13 010	7 944	13 010

Gross Balance - Property Rates	557 854	472 893	557 854	472 893
Allowance for Impairment - Property Rates	(530 107)	(434 630)	(530 107)	(434 630)
Net Balance - Property Rates	27 747	38 263	27 747	38 263
	-	-	-	-

The average credit period for Receivables is 30 days. Interest is charged once a capital balance is outstanding for more than 30 days (1 month) at the time of the billing run. Interest is charged at prime +1% for property rates interest and prime + 2% for services interest rate of the capital 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

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

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. Receivables from traffic fines and property rates are part of this note but are disclosed separately in line with GRAP 108: Statutory receivables.

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Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

14. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions past due but not impaired

At 30/06/2022, R1 771 (2021: R2 013) were past due but not impaired.

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

2 months past due	1 771	2 013	1 771	2 013
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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.

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	557 854	472 893	557 854	472 893
Consumer debtors - Electricity	904 779	899 114	904 779	899 114
Consumer debtors - Water	2 313 612	1 823 569	2 290 860	1 806 983
Consumer debtors - Sewerage	572 213	488 867	572 213	488 867
Consumer debtors - Refuse	606 152	520 413	606 152	520 413
Consumer debtors - Other	2 543 167	2 030 152	2 543 167	2 030 152
	7 497 777	6 235 008	7 475 025	6 218 422

Less: Allowance for impairment

Consumer debtors - Rates	(530 107)	(434 630)	(530 107)	(434 630)
Consumer debtors - Electricity	(801 081)	(768 002)	(801 081)	(768 002)
Consumer debtors - Water	(2 264 703)	(1 803 701)	(2 264 703)	(1 803 701)
Consumer debtors - Sewerage	(563 366)	(480 840)	(563 366)	(480 840)
Consumer debtors - Refuse	(597 642)	(515 073)	(597 642)	(515 073)
Consumer debtors - Other	(2 291 433)	(2 021 667)	(2 291 433)	(2 021 667)
	(7 048 332)	(6 023 913)	(7 048 332)	(6 023 913)

Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30/06/2022

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021
15. Consumer debtors disclosure (continued)				
Net balance				
Consumer debtors - Rates	27 747	38 263	27 747	38 263
Consumer debtors - Electricity	103 698	131 112	103 698	131 112
Consumer debtors - Water	48 909	19 868	26 157	3 282
Consumer debtors - Sewerage	8 847	8 027	8 847	8 027
Consumer debtors - Refuse	8 510	5 340	8 510	5 340
Consumer debtors - Other	251 734	8 485	251 734	8 485
	449 445	211 095	426 693	194 509
Rates				
Current (0 -30 days)	21 051	29 945	21 051	29 945
31 - 60 days	4 926	6 305	4 926	6 305
61 - 90 days	1 770	2 013	1 770	2 013
	27 747	38 263	27 747	38 263
Electricity				
Current (0 -30 days)	82 432	95 831	82 432	95 831
31 - 60 days	10 771	24 784	10 771	24 784
61 - 90 days	10 495	10 497	10 495	10 497
	103 698	131 112	103 698	131 112
Water				
Current (0 -30 days)	39 632	17 743	16 880	1 157
31 - 60 days	5 912	1 094	5 912	1 094
61 - 90 days	3 365	1 031	3 365	1 031
	48 909	19 868	26 157	3 282
Sewerage				
Current (0 -30 days)	5 805	4 865	5 805	4 865
31 - 60 days	2 056	2 182	2 056	2 182
61 - 90 days	986	980	986	980
	8 847	8 027	8 847	8 027
Refuse				
Current (0 -30 days)	5 562	2 483	5 562	2 483
31 - 60 days	2 016	2 035	2 016	2 035
61 - 90 days	932	822	932	822
	8 510	5 340	8 510	5 340
Other				
Current (0 -30 days)	-	7 659	-	7 659
31 - 60 days	40 357	228	40 357	228
61 - 90 days	36 251	598	36 251	598
> 90 days	175 126	-	175 126	-
	251 734	8 485	251 734	8 485

Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30/06/2022

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

15. Consumer debtors disclosure (continued)

Summary of debtors by customer classification

Household and other

Current (0 -30 days)	193 835	82 901	193 835	82 901
31 - 60 days	129 227	113 946	129 227	113 946
61 - 90 days	108 739	98 382	108 739	98 382
> 90 days	5 745 129	5 270 681	5 745 129	5 270 681
	6 176 930	5 565 910	6 176 930	5 565 910
Less: Allowance for impairment	(6 094 032)	(5 489 859)	(6 094 032)	(5 489 859)
	82 898	76 051	82 898	76 051

Industrial/ commercial

Current (0 -30 days)	58 457	309 171	35 705	292 585
31 - 60 days	62 870	39 192	62 870	39 192
61 - 90 days	64 006	22 487	64 006	22 487
> 90 days	764 397	144 088	764 397	144 088
	949 730	514 938	926 978	498 352
Less: Allowance for impairment	(590 588)	(385 519)	(590 588)	(385 519)
	359 142	129 419	336 390	112 833

National and provincial government

Current (0 -30 days)	28 094	4 852	28 094	4 852
31 - 60 days	7 998	6 116	7 998	6 116
61 - 90 days	8 114	4 027	8 114	4 027
> 90 days	326 910	139 165	326 910	139 165
	371 116	154 160	371 116	154 160
Less: Allowance for impairment	(363 711)	(148 535)	(363 711)	(148 535)
	7 405	5 625	7 405	5 625

16. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	13	13	13	13
Bank balances	731 663	482 909	489 812	388 217
Short-term deposits	23 561	23 103	23 561	23 103
	755 237	506 025	513 386	411 333

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 30/06/2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand thousand	Economic entity		Controlling entity	
	2022	2021	2022	2021

16. Cash and cash equivalents (continued)

The economic entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30/06/2022	30/06/2021	30/06/2020	30/06/2022	30/06/2021	30/06/2020
Primary Bank Account - ABSA - Main Branch Rustenburg - Account Number 1220000458	36 500	34 985	19 297	51 326	70 721	62 833
Landfill Bank Account - ABSA - Account Number 4093972008	2 437	1 837	1 174	2 437	1 837	1 174
Housing Bank Account - ABSA - Main Branch Rustenburg - 4054617192	2 356	2 339	136 117	2 356	2 339	136 117
Reserves Bank Account -ABS A - Main Branch Rustenburg - 9330627743	40 496	36 579	34 362	40 094	36 217	34 118
Deposits Bank Account - A BSA- Main Branch Rustenburg -9330627793	2	820	796	2	818	794
Conditional Grants Bank Account - ABSA - Main Branch Rustenburg - 9330627858	348 987	231 271	284 167	347 599	230 603	283 181
Traffic Fines Bank Account -A BSA - Main Branch Rustenburg - 4 050672659	46 317	45 689	12 033	45 998	45 682	12 033
Distribution Reserve Account - ABSA - Account number 4061024001	37 366	22 830	5 917	37 366	22 830	5 917
Distribution Call Account -A BSA - Account number 4077517288	204 485	71 862	8 855	204 485	71 862	8 855
ABSA - MainBranch Rustenburg - 4071196779	-	-	-	-	-	-
Total	718 946	448 212	502 718	731 663	482 909	545 022

	Economic entity		Controlling entity	
	2022	2021	2022	2021
Absa Call Account	404	692	404	692
Absa	5 910	5 667	5 910	5 667
Standard Bank	593	583	593	583
Kagiso Asset Management	6 866	6 656	6 866	6 656
Sanlam	9 198	8 915	9 198	8 915
Absa Guarantee Deposits	590	590	590	590
Total	23 561	23 103	23 561	23 103

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

Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30/06/2022

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021
17. Revaluation reserve				
Opening balance	264 761	265 353	-	-
Impairment adjustment for the year	(26)	(260)	-	-
Revaluation Surplus	(145)	(332)	-	-
	264 590	264 761	-	-

18. Finance lease obligation

Minimum lease payments due

- within one year	11 077	-	11 077	-
- in second to fifth year inclusive	12 057	-	12 057	-
Present value of minimum lease payments	23 134	-	23 134	-

Non-current liabilities	12 057	-	12 057	-
Current liabilities	11 077	-	11 077	-
	23 134	-	23 134	-

Finance Lease Liabilities relates to IT Equipment with lease terms of 36 months. The effective interest rates on Finance Leases is 8.5%. Capitalised Lease Liabilities are secured over the items of IT equipment leased.

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

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

National Government Grants - Municipal Infrastructure Grant (MIG)	94 824	26 385	94 824	26 385
Provincial Government Grants - Department of Sports, Arts and Culture (DSAC Library)	39	-	39	-
Provincial Government Grants - Extended Public Works Programme (EPWP)	-	990	-	990
Provincial Government Grants - LG Seta	2 122	2 122	2 122	2 122
Other: EEDG	207	2 698	207	2 698
National Government Grants - Public Transport Network Grant (PTNG)	39 788	7 211	39 788	7 211
National Government Grants - Municipal Water Infrastructure Grant (MWIG)	29 242	4 698	29 242	4 698
National Government Grants - Integrated National Electrification Programme (INEP)	22	411	22	411
National Government Grants - Neighbourhood Development Programme (NDP)	1 277	3 838	1 277	3 838
	167 521	48 353	167 521	48 353

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

Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30/06/2022

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021
20. Other financial liabilities				
At amortised cost				
INCA	14 206	20 006	14 206	20 006
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 30-1798-2317	-	3 131	-	3 131
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	-	2 993
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	194 156	212 666	194 156	212 666
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	104 603	112 824	104 603	112 824
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%				
	312 965	351 620	312 965	351 620
Total other financial liabilities	312 965	351 620	312 965	351 620
Non-current liabilities				
At amortised cost	276 897	312 965	276 897	312 965
Current liabilities				
At amortised cost	36 068	38 655	36 068	38 655

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 30/06/2022

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

21. Provisions

Reconciliation of provisions - Economic entity - 2022

	Opening Balance	Additions	Total
Environmental rehabilitation	152 417	19 622	172 039
Long Service Awards	67 256	4 794	72 050
	219 673	24 416	244 089

Reconciliation of provisions - Economic entity - 2021

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation	128 071	24 346	-	152 417
Long Service Awards	76 549	-	(9 293)	67 256
	204 620	24 346	(9 293)	219 673

Reconciliation of provisions - Controlling entity - 2022

	Opening Balance	Additions	Total
Environmental rehabilitation	152 417	19 622	172 039
Long Service Awards	67 256	4 794	72 050
	219 673	24 416	244 089

Reconciliation of provisions - Controlling entity - 2021

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation	128 071	24 346	-	152 417
Long Service Awards	76 549	-	(9 293)	67 256
	204 620	24 346	(9 293)	219 673

Non-current liabilities	76 547	70 766	76 547	70 766
Current liabilities	167 542	148 907	167 542	148 907
	244 089	219 673	244 089	219 673

Environmental rehabilitation provision

In terms of the licensing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R260 561 to restore the site at the end of its useful life, estimated to be 27 years for the Waterval landfill site. An inflation rate of 6.02% 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 11.56% was used in determining the Net Present Value.

Long Service Awards

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.

Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30/06/2022

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

21. Provisions (continued)

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried at 30 June 2022 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 2022:

Discount rate - 11.08%
General salary inflation - 7.32%
Net discount rate - 3.50%

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 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 11.08% 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 4.00%. 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 2022. The duration of the total liability was estimated to be 9.25 years.

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	67 255	76 549	67 255	76 549
Current service cost	6 236	7 056	6 236	7 056
Interest cost	5 939	5 422	5 939	5 422
Actuarial losses / (gains)	(3 302)	(16 101)	(3 302)	(16 101)
Employer Benefit Vesting	(4 078)	(5 671)	(4 078)	(5 671)
Present Value of Fund Obligation at the end of the Year	72 050	67 255	72 050	67 255

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

Present value of unfunded obligations	72 050	67 255	72 050	67 255
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The amount recognised in the Statement of Financial Performance are as follows:

Current service cost	6 236	7 056	6 236	7 056
Interest cost	5 939	5 422	5 939	5 422
Actuarial losses / (gains)	(3 302)	(16 101)	(3 302)	(16 101)

Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30/06/2022

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021
21. Provisions (continued)				
Post-Retirement Benefit included in Statement of Financial Performance	8 873	(3 623)	8 873	(3 623)

History of Liability	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022
Accrued Liability	48 159	28 457	76 549	67 255	72 050
Actuarial Gains / (Losses)	(154)	26 937	(47 139)	16 101	3 302

	-	-	-	-	-
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Sensitivity Analysis on Current-service and interest Costs for the year ending 30 June 2022 - Assumptions and Change			Current-service cost	Interest cost	Total
General assumptions	-	-	6 236	5 939	12 175
General salary inflation (+1%)	-	-	6 750	6 358	13 108
General salary inflation (-1%)	-	-	5 775	5 559	11 334
Discount rate (+1%)	-	-	5 820	6 150	11 970
Discount rate (-1%)	-	-	6 705	5 687	12 392
Average retirement age (+2yrs)	-	-	6 740	6 524	13 264
Average retirement age (-2 yrs)	-	-	5 688	5 294	10 982
Withdrawal rates (x2)	-	-	4 512	4 582	9 094
Withdrawal rates (x0.5)	-	-	7 493	6 875	14 368
	-	-	-	-	-

Sensitivity Analysis on the Unfunded Accrued Liability (in R millions) for the year ended 30 June 2022 - Assumptions & Change					Liability
Central assumptions	-	-	-	-	72 050
General salary inflation (+1%)	-	-	-	-	76 598
General salary inflation (-1%)	-	-	-	-	67 904
Discount rate (+1%)	-	-	-	-	67 820
Discount rate (-1%)	-	-	-	-	76 770
Average retirement age (+2 yrs)	-	-	-	-	78 644
Average retirement age (-2 yrs)	-	-	-	-	64 572
Withdrawal rates (x2yrs)	-	-	-	-	57 259
Withdrawal rates (x0.5yrs)	-	-	-	-	82 108
	-	-	-	-	-

22. Payables from exchange transactions

Trade payables	705 730	664 221	858 414	882 939
Payments received in advanced	161 815	140 979	161 815	140 979
Accrued leave pay	91 653	88 373	91 653	88 373
Accrued bonus	15 420	14 701	15 420	14 701
Unallocated Deposits	91 054	151 982	91 054	151 982
Retentions	50 531	59 142	50 531	59 142
	1 116 203	1 119 398	1 268 887	1 338 116

Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30/06/2022

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

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 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 management of the municipality is of the opinion that the carrying value of payables from exchange transactions approximate their fair values.

23. VAT payable

VAT payable	272 263	166 368	274 883	168 381
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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	60 253	54 733	60 253	54 733
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Guarantees

Guarantees held in lieu of electricity and water	29 090	29 288	29 090	29 288
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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	3 277 928	2 334 875	3 277 928	2 334 875
Sale of water	596 638	463 464	520 992	398 014
Sewerage and sanitation charges	189 648	161 597	189 648	161 597
Refuse removal	166 778	146 402	166 778	146 402
	4 230 992	3 106 338	4 155 346	3 040 888

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 30/06/2022

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021
26. Rental of facilities and equipment				
Premises				
Rental Revenue from Halls	476	262	476	262
Rental Revenue from Buildings	10 051	9 321	10 051	9 321
	10 527	9 583	10 527	9 583
Facilities and equipment				
Rental Revenue from Amenities	810	327	810	327
Rental Revenue from Other Facilities	110	100	110	100
	920	427	920	427
	11 447	10 010	11 447	10 010
27. Other income				
Building Plan Fees	1 519	1 069	1 519	1 069
Application for clearance certificate	-	10	-	10
Reconnection fees	3 446	4	3 446	4
Cemetery Fees	1 008	1 137	1 008	1 137
Advertising Signs	64	1 430	64	1 430
Photocopies	41	15	41	15
Tender Documents	-	32	-	31
Town Planning Fees	-	89	-	161
Surplus cash	2	28	2	28
Sundry Income	9 958	36 364	9 958	12 570
Swimming pool fees	1	61	1	61
	16 039	40 239	16 039	16 516
28. Interest recieved - other				
Interest revenue				
Investments	29 122	19 809	22 904	17 054
Finance leases	-	-	167	196
	29 122	19 809	23 071	17 250

Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30/06/2022

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

29. Property rates

Rates received

Residential	195 473	184 434	195 473	184 434
Commercial	266 903	222 323	266 903	222 323
State	8 863	12 810	8 863	12 810
Agriculture	15 173	5 701	15 173	5 701
	486 412	425 268	486 412	425 268

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

Other subsidies

Community Projects	729	742	729	742
Rustenburg Water Service Trust	-	-	5 084	-
Rustenburg Transit - Bus Operating Company	62 339	49 505	62 339	49 505
	63 068	50 247	68 152	50 247

Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30/06/2022

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021
31. Government grants and subsidies				
Operating grants				
Equitable share	808 419	861 905	808 419	861 905
National - Financial Management Grant	1 650	1 700	1 650	1 700
Provincial - Seta: EPWP training	6 388	4 432	6 388	4 432
Provincial - LG Seta	-	43	-	43
	816 457	868 080	816 457	868 080
Capital grants				
National: Municipal Infrastructure Grant (MIG)	154 405	204 196	154 405	204 196
National: Neighbourhood Development Programme (NDP)	2 907	162	2 907	162
Grants from private Org - EEDG	4 293	1 802	4 293	1 802
National Public Transport Network Grant (PTNG)	173 861	157 071	173 861	157 071
Provincial: Department of Sports, Arts and Culture (DSAC Library)	1 323	1 162	1 323	1 162
National Municipal Water Infrastructure Grant (MWIG)	5 758	68 142	5 758	68 142
National: Integrated National Electrification Program (INEP)	7 978	8 310	7 978	8 310
	350 525	440 845	350 525	440 845
	1 166 982	1 308 925	1 166 982	1 308 925

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	1 650	1 700	1 650	1 700
Conditions met - transferred to revenue	(1 650)	(1 700)	(1 650)	(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	26 385	5 414	26 385	5 414
Current-year receipts	249 229	230 583	249 229	230 583
Conditions met - transferred to revenue	(154 405)	(204 198)	(154 405)	(204 198)
Roll over not allowed	(26 385)	(5 414)	(26 385)	(5 414)
	94 824	26 385	94 824	26 385

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

Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30/06/2022

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

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	-	561	-	561
Current-year receipts	1 361	1 161	1 361	1 161
Conditions met - transferred to revenue	(1 322)	(1 161)	(1 322)	(1 161)
Roll over not allowed	-	(561)	-	(561)
	39	-	39	-

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 disadvantage communities) through a recapitalised programme at provincial level in support of local government and national initiatives.

Provincial: Expanded Public Works Programme Integrated Grant (EPWP)

Balance unspent at beginning of year	990	-	990	-
Current-year receipts	6 388	5 422	6 388	5 422
Conditions met - transferred to revenue	(6 388)	(4 432)	(6 388)	(4 432)
Roll over not allowed	(990)	-	(990)	-
	-	990	-	990

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	2 122	2 165	2 122	2 165
Conditions met - transferred to revenue	-	(43)	-	(43)
	2 122	2 122	2 122	2 122

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

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

Balance unspent at beginning of year	2 698	-	2 698	-
Current-year receipts	4 500	4 500	4 500	4 500
Conditions met - transferred to revenue	(4 293)	(1 802)	(4 293)	(1 802)
Roll over not allowed	(2 698)	-	(2 698)	-

Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30/06/2022

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

31. Government grants and subsidies (continued)

	207	2 698	207	2 698
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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	7 211	125 856	7 211	125 856
Current-year receipts	213 649	164 282	213 649	164 282
Conditions met - transferred to revenue	(173 861)	(157 071)	(173 861)	(157 071)
Roll over not allowed	(7 211)	(125 856)	(7 211)	(125 856)
	39 788	7 211	39 788	7 211

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

National: MWIG

Balance unspent at beginning of year	4 698	6 589	4 698	6 589
Current-year receipts	35 000	72 840	35 000	72 840
Conditions met - transferred to revenue	(5 758)	(68 142)	(5 758)	(68 142)
Roll over not allowed	(4 698)	(6 589)	(4 698)	(6 589)
	29 242	4 698	29 242	4 698

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

National: Integrated National Electrification Programme (INEP)

Balance unspent at beginning of year	411	6 720	411	6 720
Current-year receipts	8 000	2 000	8 000	2 000
Conditions met - transferred to revenue	(7 978)	(8 309)	(7 978)	(8 309)
Roll over not allowed	(411)	-	(411)	-
	22	411	22	411

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

National: Neighbourhood Development Programme (NDP)

Balance unspent at beginning of year	3 838	17 716	3 838	17 716
Current-year receipts	4 184	4 000	4 184	4 000
Conditions met - transferred to revenue	(2 907)	(162)	(2 907)	(162)
Roll over not allowed	(3 838)	(17 716)	(3 838)	(17 716)
	1 277	3 838	1 277	3 838

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

National: Disaster Management

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).

Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30/06/2022

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

31. Government grants and subsidies (continued)

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

Rustenburg Local Municipality

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Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021
32. Employee related costs				
Basic	483 623	476 252	480 441	471 636
Bonus	35 640	34 571	35 640	34 571
Medical aid - company contributions	44 571	44 881	44 571	44 881
UIF	3 781	3 553	3 781	3 553
WCA	-	3 765	-	3 765
SDL	6 678	5 438	6 678	5 438
Pension	85 550	85 297	85 550	85 297
Industrial Council Levy	283	416	283	416
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	41 504	33 025	41 504	33 025
Housing benefits and allowances	2 387	2 298	2 387	2 298
Overtime payment	5 764	14 539	5 764	14 539
Other Employee Cost	37 508	55 951	37 508	55 951
Defined Benefit Plan Expense	3 824	-	3 824	-
	751 113	759 986	747 931	755 370

Remuneration of Municipal Manager

Annual Remuneration	1 988	2 074	1 988	2 074
Acting allowance	18	-	18	-
Contributions to UIF, Medical and Pension Funds	146	116	146	116
	2 152	2 190	2 152	2 190

Remuneration of Chief Financial Officer

Annual Remuneration	1 708	1 740	1 708	1 740
Car Allowance	-	82	-	82
Contributions to UIF, Medical and Pension Funds	107	2	107	2
	1 815	1 824	1 815	1 824

Remuneration of Director: Community Development

Annual Remuneration	1 699	1 724	1 699	1 724
Car Allowance	96	96	96	96
Contributions to UIF, Medical and Pension Funds	20	2	20	2
	1 815	1 822	1 815	1 822

Remuneration of Director: Corporate Services

Annual Remuneration	534	1 738	534	1 738
Car Allowance	-	82	-	82
Acting Allowance	58	4	58	4
Contributions to UIF, Medical and Pension Funds	29	2	29	2
	621	1 826	621	1 826

Remuneration of Director: Local Economic Development

Annual Remuneration	1 903	1 820	1 903	1 820
Acting Allowance	6	-	6	-
Contributions to UIF, Medical and Pension Funds	22	2	22	2
	1 931	1 822	1 931	1 822

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	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

32. Employee related costs (continued)

Remuneration of Director: Planning and Human Settlements

Annual Remuneration	1 615	1 627	1 615	1 627
Car Allowance	180	180	180	180
Acting Allowance	32	-	32	-
Contributions to UIF, Medical and Pension Funds	20	21	20	21
	1 847	1 828	1 847	1 828

Remuneration of Director: Technical and Infrastructure Services

Annual Remuneration	-	1 385	-	1 385
Acting Allowance	151	61	151	61
Contributions to UIF, Medical and Pension Funds	-	1	-	1
	151	1 447	151	1 447

Remuneration of Director: Public Safety

Annual Remuneration	1 386	1 411	1 386	1 411
Car Allowance	329	329	329	329
Acting Allowance	8	-	8	-
Contributions to UIF, Medical and Pension Funds	97	82	97	82
	1 820	1 822	1 820	1 822

Remuneration of Director: Rust Rapid Transport

Acting Allowance	134	-	134	-
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Total employee related cost	-	763 399	774 567	760 216	769 951
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33. Remuneration of councillors

Executive Major	1 384	1 383	1 384	1 383
Speaker	1 138	1 548	1 138	1 548
Mayoral Committee Members	11 369	9 944	11 369	9 944
Chief Whip	1 086	81	1 086	81
Councillors	37 798	42 140	37 798	42 140
Company Contributions to UIF, Medical and Pension Funds	6 339	5 310	6 339	5 310
	59 114	60 406	59 114	60 406

34. Depreciation and amortisation

Property, plant and equipment	591 038	605 428	556 836	566 382
Investment property	9 231	12 507	9 231	12 507
Intangible assets	67	65	67	65
	600 336	618 000	566 134	578 954

Rustenburg Local Municipality

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Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

35. Impairment of assets

Impairments

Property, plant and equipment	21 856	611	21 741	-
With the assessment of the useful life and inspection of the asset conditions impairments were recognised.				
Inventories	7 699	1 451	7 699	1 451
During the inventory count obsolete stock were identified and provided for.				
Consumer Debtors	903 252	747 493	903 252	747 493
Recoverability of receivables from exchange and non-exchange transactions were assessed and provision for impairment were identified.				
Receivables from non-exchange revenue	12 475	9 475	12 907	7 138
Recoverability of IGRAP receivables were assessed and provision for impairment were identified.				
	945 282	759 030	945 599	756 082

36. Finance costs

Employee benefits	21 276	20 057	21 276	20 057
Finance leases	2 441	164	2 441	164
Loans and Payables at amortised cost	34 026	43 262	34 026	37 888
Late payment of tax	8	2 115	-	2 115
Other interest - Eskom	1 706	9 722	1 706	9 722
Other interest	-	9 665	-	9 665
	59 457	84 985	59 449	79 611

37. Bulk purchases

Electricity	3 027 327	2 091 259	3 027 327	2 091 259
Water	403 923	371 099	549 647	531 337
	3 431 250	2 462 358	3 576 974	2 622 596

38. Contracted services

Training	-	105	-	105
Professional fees	99 262	43 412	99 262	43 412
Security services	29 313	23 625	29 313	23 625
Valuation services	4 321	-	4 321	-
Other Contractors	52 681	77 708	52 681	77 708
RRT Operator Compensation	26 833	-	26 833	-
	212 410	144 850	212 410	144 850

Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30/06/2022

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021
39. General expenses				
Advertising	2 496	1 431	2 496	1 431
Auditors remuneration	15 293	13 569	14 270	12 671
Bank charges	4 761	4 771	4 752	4 762
Commission paid	51 487	51 877	51 487	51 877
Consumables	21 875	8 885	21 875	8 885
Entertainment	66	18	66	18
Legal Costs	1 780	298	-	-
Hire	7 183	234	7 183	234
Insurance	12 589	8 577	11 776	7 868
Marketing	95	24	95	24
Contribution for landfill sites	19 620	24 347	19 620	24 347
Printing and stationery	3 993	4 429	3 993	4 429
Repairs and maintenance	116 615	72 961	101 788	63 060
Subscriptions and membership fees and levies	9 885	16 750	9 885	16 750
Telephone and fax	5 436	4 250	5 436	4 250
Transport and freight	25 861	23 749	25 861	23 749
Travelling Subsistence	275	26	275	26
Assets written off	19 267	-	19 267	-
Water	105 567	100 861	-	-
Consumption expenditure	466	1 270	466	1 270
Bad debts written off	-	34 404	-	34 404
Strategic Planning	3 643	1 985	-	-
License fees	9 119	209	9 022	13
Ward committee	3 388	7 104	3 380	7 090
Chemicals	-	55	-	55
Other expenses	21 975	4 138	21 975	4 138
	462 735	386 222	334 968	271 351

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	11	21	11	21

41. Auditors' remuneration

Fees	15 293	13 569	14 270	12 671
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Rustenburg Local Municipality

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Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021
42. Cash generated from operations				
Deficit	(162 219)	(33 943)	(229 891)	(119 068)
Adjustments for:				
Depreciation and amortisation	600 818	606 955	566 615	568 243
Gain on disposal of assets	(9)	(10)	-	-
Fair value adjustments	(11)	(21)	(11)	(21)
Finance costs	36 467	43 426	36 467	38 052
Impairment loss	945 282	759 030	945 599	754 631
Movements in operating lease assets	19	15	19	15
Movements in employee benefit obligations	7 253	11 960	7 253	11 960
Movements in provisions	24 416	15 053	24 416	15 053
Changes in working capital:				
Inventory	(3 747)	(4 734)	(3 747)	(4 734)
Receivables from exchange and non-exchange transactions	(1 159 476)	(814 582)	(1 153 444)	(814 749)
Payables from Exchange transactions and other payables	227 388	(166 987)	161 961	(132 146)
	516 181	416 162	355 237	317 236

43. Financial instruments disclosure

Categories of financial instruments

Economic entity - 2022

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	421 698	421 698
Receivables from non-exchange transactions	-	43 941	43 941
Cash and cash equivalents	755 237	-	755 237
Investments	695	-	695
Guarantees	29 090	-	29 090
	785 022	465 639	1 250 661

Financial liabilities

	At amortised cost	Total
Other financial liabilities	312 965	312 965
Payables from exchange transactions	1 116 203	1 116 203
Consumer Deposits	60 253	60 253
VAT Payable	272 263	272 263
	1 761 684	1 761 684

Economic entity - 2021

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	172 832	172 832
Receivables from non-exchange transactions	-	56 752	56 752
Cash and cash equivalents	506 025	-	506 025
Investments	814	-	814

Rustenburg Local Municipality

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Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021
43. Financial instruments disclosure (continued)				
Guarantees		29 268	-	29 268
		536 107	229 584	765 691

Financial liabilities

	At amortised cost	Total
Other financial liabilities	351 620	351 620
Payables from exchange transactions	1 119 398	1 119 398
Consumer deposits	54 733	54 733
VAT Payable	166 368	166 368
	1 692 119	1 692 119

Controlling entity - 2022

Financial assets

	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	398 946	-	398 946
Receivables from non-exchange transactions	-	43 941	-	43 941
Cash and cash equivalents	513 386	-	-	513 386
Investments	695	-	1	696
Finance lease receivables	-	1 290	-	1 290
Guarantees	29 090	-	-	29 090
	543 171	444 177	1	987 349

Financial liabilities

	At amortised cost	Total
Other financial liabilities	312 965	312 965
Payables from exchange transactions	1 268 888	1 268 888
Consumer Deposits	60 253	60 253
VAT Payable	274 883	274 883
	1 916 989	1 916 989

Controlling entity - 2021

Financial assets

	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	156 246	-	156 246
Receivables from non-exchange transactions	-	56 752	-	56 752
Cash and cash equivalents	411 333	-	-	411 333
Investments	814	-	1	815
Finance lease receivables	-	1 593	-	1 593
Guarantees	29 268	-	-	29 268
	441 415	214 591	1	656 007

Financial liabilities

Rustenburg Local Municipality

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Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

43. Financial instruments disclosure (continued)

	At amortised cost	Total
Other financial liabilities	351 620	351 620
Payables from exchange transactions	1 338 117	1 338 117
Consumer Deposits	54 733	54 733
VAT Payable	168 381	168 381
	1 912 851	1 912 851

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

30 June 2022 - Economic entity	< 1 year	1 to 2 years	2 to 5 years	5+ years	Total
Other financial liabilities	36 068	40 001	118 476	118 420	312 965
Payables from exchange transactions	1 116 203	-	-	-	1 116 203
Consumer deposits	60 253	-	-	-	60 253
Finance lease obligation	11 077	12 057	-	-	23 134
VAT Payable	272 263	-	-	-	272 263
	1 495 864	52 058	118 476	118 420	1 784 818

30 June 2021 - Economic entity	< 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	1 119 398	-	-	-	1 119 398
Consumer deposits	54 733	-	-	-	54 733
VAT Payable	166 368	-	-	-	166 368
	1 379 154	36 068	40 001	236 896	1 692 119

30 June 2022 - Controlling entity	< 1 year	1 to 2 years	2 to 5 years	5+ years	Total
Other financial liabilities	36 068	40 001	118 476	118 420	312 965
Payables from exchange transactions	1 268 888	-	-	-	1 268 888
Consumer deposits	60 253	-	-	-	60 253
Finance lease obligation	11 077	12 057	-	-	23 134
VAT Payable	274 883	-	-	-	274 883
	1 651 169	52 058	118 476	118 420	1 940 123

30 June 2021 - Controlling entity	< 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	1 338 117	-	-	-	1 338 117
Consumer deposits	54 733	-	-	-	54 733
VAT Payable	168 381	-	-	-	168 381
	1 599 886	36 068	40 001	236 896	1 912 851

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	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

44. Commitments

Commitments in respect of Capital Expenditure

Already contracted for but not provided for

• Approved and contracted for	78 511	124 571	77 400	121 540
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Total capital commitments

Approved and contracted for	78 511	124 571	77 400	121 540
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	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

45. Contingencies

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021
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	6 586	6 586	6 586
GCF Forklifts and Truck Centre (Pty) Ltd / RLM. Application by GCF for payment for services rendered.	-	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	24 962	24 962	24 962
RLM/ Makgotamishe. RLM has been issued with summons for payment.	71 763	71 763	71 763	71 763
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 / Novel Enterprises. Application for payment of the outstanding amounts for the supply of water tankers in various areas in Rustenburg.	2 515	1 994	2 515	1 994
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.	2 641	3 993	2 641	3 993
Aecom SA (Pty) Ltd / RLM. Claim for payment of professional service rendered –Waste disposal transfer station – R6 818 289-20	8 618	7 912	8 618	7 912
Gabtu Project Management and Construction CC / RLM. Review and setting aside of the tender and claim for damages.	4 815	1 288	4 815	1 288
Lesley Molema /RLM. Review Application against the Arbitrator	2 557	2 557	2 557	2 557

Rustenburg Local Municipality

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Figures in Rand thousand	Economic entity		Controlling entity	
	2022	2021	2022	2021
45. Contingencies (continued)				
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.	783	700	783	700
Waterlink Warehouse (PTY) LTD // RLM – CASE NO: 106/2016. Water link Warehouse (Pty) Ltd had issued Summons 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:	1 640	2 353	1 640	2 353
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	-	51 535
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
Crystal Lagoon Investments 43 CC // RLM. Application for a refund that was paid under protest in order to obtain Clearance Certificate.	384	250	384	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
Ms Mbolekwa - Pupuma. Unfair suspension	1 625	1 093	1 625	1 093
Obadia Mokonyama. Unfair Dismissal	-	515	-	515
SAMWU obo (Mfolwe, Mongae, Lephogole) / RLM: Unfair Dismissal	8 467	4 704	8 467	4 704
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 Mokgatle // 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.	50	-	50	-
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

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Figures in Rand thousand	Economic entity		Controlling entity	
	2022	2021	2022	2021
45. Contingencies (continued)				
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
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	2 600	2 600	2 600
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	64 669	64 669	64 669
RWA Plant Hire / RLM. Claim against municipality based on alleged payment of truck license.	36	42	36	42
Lithadika CC t/a LT Services / RLM. Claim in respect of services rendered.	196	227	196	227
Orlando Ignatius Ntsala / RLM. Claim for unpaid invoices.	1 241	1 482	1 241	1 482
Mabaso ZA / RLM & Minister of Police. Action for unlawful arrest and detention.	523	422	523	422
Sepumo Primary Cooperative / RLM. Plaintiff issued summons against RLM citing nonpayment for services rendered.	397	397	397	397
Promptique Trading / RLM. Nonpayment for services rendered.	-	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.	2 850	3 099	2 850	3 099
Losaba Services CC / RLM. Claim in respect of services rendered.	1 836	2 137	1 836	2 137
ESKOM HOLDINGS SOC LTD / RLM. The municipality is disputing claims made by Eskom for unpaid invoices	28 495	28 495	28 495	28 495
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	1 205	1 205

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Figures in Rand thousand	Economic entity		Controlling entity	
	2022	2021	2022	2021
45. Contingencies (continued)				
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
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	19 244	19 244
RLM / MWENZI SERVICE STATION. DAMAGES – R 14 000 000.00	14 000	-	14 000	-
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	7 619	7 619
RUSTENBURG LOCAL MUNICIPALITY // REUBEN RINGETHA KUBAYI. 18 November 2019 & NW/RUS/RC469/2019	440	440	440	440
Bonakude Consulting (Pty) Ltd. // RLM. Bonakude have issued a combined summons for: Payment of R4 516 008.16; Interest thereon; Cost of suit; Other or alternative relief	5 905	-	5 905	-
Lele William Kgatshe//Mphoentle Halenyane and RLM case no. 247/22. The plaintiff issued a summons for: Payment of R5 000 000; Interest in tempore morae; Costs of suits; Further and/or alternative relief	6 025	-	6 025	-
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.	12 573	10 073	12 573	10 073
MAMPEPU CONSTRUCTION AND PROJECTS // RUSTENBURG LOCAL MUNICIPALITY. Mampepu issued summons against RLM for services rendered for delivery of water through water tanks.	31 916	10 073	31 916	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	500	500
PETER PERCY PHETOANE // RUSTENBURG LOCAL MUNICIPALITY. Summons issued against RLM from motor vehicle accident allegedly caused by employee of RLM during the scope of his employment.	108	-	108	-
KHABOKEDI WASTE MANAGEMENT // RLM. Claim against RLM for monies owed emanating from goods and/or services rendered to RLM	4 978	-	4 978	-

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Figures in Rand thousand	Economic entity		Controlling entity	
	2022	2021	2022	2021
45. Contingencies (continued)				
RUSTENBURG LOCAL MUNICIPALITY // J MOLUBI & 15 OTHERS. Eviction of unlawful occupiers	108	-	108	-
DROP DOT (PTY) LTD // RLM & 3 OTHERS. Application brought against RLM for payment of outstanding invoices	2 264	-	2 264	-
ABECO TANKS (PTY) LTD // SEFAKO ENGINEERING & RLM. Amounts due for services rendered.	3 387	-	3 387	-
SMEC South Africa / RLM. Payment of outstanding invoices	1 202	-	1 202	-
DAWID MARAIS / RLM. The Plaintiff claims damages to his vehicle as occasioned due to a pothole. Alleges that RLM negligently failed to repair and maintain the road. Capital is R45,732.72	52	-	52	-
MADHLOPA & THENGA INC. / RLM. The Plaintiff claims from RLM in terms of a collections agreement concluded between the parties. Plaintiff entitled to a % of what was collected by them on instructions of Plaintiff. Capital was R1,417,326.66 But RLM paid a portion after institution of proceedings. Outstanding capital is R447,798.28	478	-	478	-
I.M. MOGAKABE // RLM. Damages Claim against the Municipality in the amount of R500 000.00	-	500	-	500
NEW SPACE DEVELOPMENT CLOSE CORPORATION // RUSTENBURG LOCAL MUNICIPALITY (ARBITRATION). Claim for R 10 400 000.00 in respect of a sale agreement between RLM and New Space which sale agreement RLM is disputing the validity of.	10 400	-	10 400	-
There was a legal matter brought to the high court by one trustee (applicant) against the Trust (respondent). The high court application was referred to arbitration in terms of the Trust Deed, this was finalised during 2021. A cost order was granted in the final arbitration order in favour of the applicant against the Trust in respect of part A of the Arbitration. The remaining step in the matter is for the arbitration award to be made an order of court, following which the applicant's bill of costs can be taxed to determine the due and payable amount. Based on the above outcome, the Trust has a possible obligation that arises from the final arbitration order (past event). The court order is the future event that will confirm the existence of the liability.	450	-	-	-
	1 480 377	2 215 813	1 479 927	2 215 813

It is not practicable to estimate the level of uncertainty for each case. To assign probability levels or scales to matters under litigation is highly impractical due to the nature of litigation. Management exercises a high level of prudence in disclosing the maximum possible outcome of the contingent liabilities. In applying GRAP 19, the municipality considers all cases except where the possibility of an outflow in settlement is extremely remote. The amounts have been based on the attorney's best estimates of the possible amount payable..

Contingent assets

Figures in Rand Thousand	Economic entity		Controlling entity	
	2022	2021	2022	2021

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Figures in Rand thousand	Economic entity		Controlling entity	
	2022	2021	2022	2021
45. Contingencies (continued)				
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
RUSTENBURG LOCAL MUNICIPALITY vs ZELPY 211 CC. Instructions from RLM to collect from Zelpy 211 CC	1 636	-	1 636	-
RUSTENBURG LOCAL MUNICIPALITY VS ODENDAAL WT. The Collections department issues summons on behalf the Rustenburg Local Municipality issued summons against Odendaal claiming payment of R103 164.72 arising from municipal account	112	-	112	-
RLM / KSP Group Pty Ltd. Counter application to review and set aside the tender. RLM pursuing recovery of funds.	94 574	94 574	94 574	94 574
RLM / RISE NOW TRADING 34 Pty Ltd R 478. Counter application to review and set aside the tender. RLM pursuing recovery of funds.	52 945	52 645	52 945	52 645
RLM / UMKHONTO PROFESSIONAL SERVICES PTY LTD R 479. Counter application to review and set aside the tender. RLM pursuing recovery of funds.	52 044	52 044	52 044	52 044
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
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	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.	22 689	22 689	22 689	22 689
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	500	-	500	-

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Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021
45. Contingencies (continued)				
CMS WATER ENGINEERING CC, THEUNIS JACOBUS EHLERS N.O.; WILLIAMKGOMOTSO KUMBE N.O. JACEY KRUGER N.O.; VINESH DILSHOOK N.O; ANDBOTSHELO ISHMAEL MPETE N.O. "RWST 2017/02 Mechanical and Electrical Worksfor the Upgrade of the Bospoort Water Treatment Works" by the Rustenburg LocalMunicipality to CMS Water Engineering CC on the grounds t hat several mandatoryprocurement processes were not complied with in terms of section 217 of theConstitution, 1996.	8 698	-	8 698	-
RLM // Ferrochrome Furnaces (Pty) Ltd. Collection of outstanding Electrical account ofR22 549 538,33	22 550	-	22 550	-
Subtotal	298 705	288 905	298 705	288 905
	298 705	288 905	298 705	288 905

Rustenburg Local Municipality

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Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

46. Related parties

Relationships

Controlled entities

Refer to note 7

Members of key management

Refer to note 32&33

Related party balances

Loan accounts - Owing (to) by related parties

Rustenburg Water Services Trust	1 290	1 593
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Amounts included in Trade receivable (Trade Payable) regarding related parties

Rustenburg Water Services Trust - Water Sales	(160 760)	(223 881)
Rustenburg Water Services Trust - Grant & subsidy	(7 476)	(7 546)

Related party transactions

Interest paid to (received from) related parties

Rustenburg Water Services Trust	(167)	(196)
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Purchases from (sales to) related parties

Rustenburg Water Services Trust	145 724	154 147
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Transfer payment / Grant & Subsidy paid to (received from) related parties

Rustenburg Water Services Trust	5 084	29 813
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Transfer payment / Grant & Subsidy (conditions met by related party)

Rustenburg Water Services Trust	(5 084)	(29 813)
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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, Executive Management and RWST

Vincent Dilsook - Trustee	29
Jacey Kruger - Trustee	25
Adv Mphete - Trustee	21
Kgomotso Kumbé - Trustee	25
Pet Maas - CEO	2 184
Marius Jacobs - CFO	1 343
	3 627

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	6 218	2 755	-	-
Bank charges	(9)	(9)	-	-
Interest paid on term loan	-	(3 833)	-	-

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

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Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

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.

Rustenburg Local Municipality

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Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

48. Prior period errors

Transactions reflected in this note are rounded to thousands.

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

Unspent grants decreased by R4 372 and Retained earnings increased by R4 372 due to correction of balances that were not supported and showed no movement for at least three years.

Intangible assets increased by R197 and Retained earnings increased by R197 due to adjustment in remaining useful lives of assets.

An increase in inventory of R15 237, an increase in Investment property of R8 357, an increase in PPE of R601 261 and an increase in Retained earnings of R624 855 occurred due to exceptions raised last year that were corrected as well as additional items that were identified when the full population of assets were investigated. To improve disclosure motor vehicles and specialised vehicles were reclassified as transport assets. Emergency equipment was reclassified as Plant and machinery.

An increase in PPE of R28 740, a decrease in VAT payable of R4 311 and a decrease in Receivables from exchange transactions of R33 051 occurred due to asset handed over to the municipality by Samancor mines.

A decrease in Retained earnings of R27 515, an increase VAT payable of R4 560 and an increase in Payables from exchange transactions of R22 955 occurred due to raising of invoices that were previously omitted as well as additional items that were identified when the full population of creditors were investigated.

An increase in Retained earnings of R3 364, an increase in Receivables from exchange transactions of R6 191, a decrease in Receivables from non-exchange transactions of R2 019 and an increase in VAT payable of R807 occurred due to corrections made after year end to accounts due to various reasons which include over and under billing of customer accounts. Additional items were also identified and corrected when the full population of revenue was investigated in line with prior year exceptions.

Irregular expenditure decreased by R742 678 due to exceptions raised in prior years that were investigated and additional items identified when the full population of payments and contracts were investigated.

A decrease in PPE of R23 407 and a decrease in Retained earnings of R23 407 occurred due to correction of items that were incorrectly included in WIP.

Receivables from exchange transactions decreased by R2 900, Retained earnings decreased by R2 521 and VAT payable decreased by R378 due to correction of errors from the Rustenburg Water Services Trust.

Other Income decreased by R72 and Receivables from exchange transactions decreased by R72 due to correction of errors from the Rustenburg Water Services Trust.

The following Prior period error corrections were done for the 2021 financial year:

Intangible assets decreased by R60 and Amortisation increased by R60 due to adjustment in remaining useful lives of assets.

An increase in Depreciation of R231 175, a decrease in Investment property of R3 353 and a decrease in PPE of R227 821 occurred due to exceptions raised last year that were corrected as well as additional items that were identified when the full population of assets were investigated. To improve disclosure motor vehicles and specialised vehicles were reclassified as transport assets. Emergency equipment was reclassified as Plant and machinery.

General expenses increased by R24 247, Non-current provisions increased by R4 684 and Current provisions increased by R19 663 due to contribution for landfill provision which was previously omitted.

An increase in Contracted services of R3 559, an increase in General expenses of R2 210, an increase in Finance costs of R9 665, a decrease in VAT payable of R705 and an increase in Payables from exchange transactions of R16 138 occurred due to raising of invoices that were previously omitted as well as additional items that were identified when the full population of creditors were investigated.

A decrease in Interest received (trading) of R18 183, an increase in Property rates of R12 381, a decrease in Receivables from exchange transactions of R128 084, an increase in Receivables from non-exchange transactions of R12 381, a decrease in

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Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

48. Prior period errors (continued)

Service charges of R93 195 and a decrease in VAT payable of R16 707 occurred due to corrections made after year end to accounts due to various reasons which include over and under billing of customer accounts. Additional items were also identified and corrected when the full population of revenue was investigated in line with prior year exceptions.

Transfers and subsidies increased by R49 505, Contracted services decreased by R34 505 and Receivables from exchange transactions decreased by R15 000 due to correction of transactions between the municipality and the Bus Operating Company.

Receivables from exchange transactions decreased by R854, Service charges decreased by R742, VAT payable decreased by R111, General expenses decreased by R94 and PPE increased by R94 due to correction of errors from the Rustenburg Water Services Trust.

Receivables from exchange transactions decreased by R28 013, Retained Earnings decreased by R24 387, VAT payable decreased by R3 479 and Payables from exchange decreased by R148 due to correction of errors from the Rustenburg Water Services Trust.

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

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	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

48. Prior period errors (continued)

	Previously reported	Prior period error	Restated amount
Statement of financial position - extract Current assets			
Inventory	35 129	15 237	50 366
Receivables from exchange transactions	378 380	(171 598)	206 782
Receivables from non-exchange transactions	46 390	10 362	56 752
Non-current assets			
Investment Property	146 733	5 003	151 736
Property, plant and equipment	8 945 415	378 868	9 324 283
Intangible Assets	21	136	157
Current liabilities			
Payables from exchange transactions	1 050 265	69 133	1 119 398
VAT Payable	186 692	(20 324)	166 368
Unspent Grants	52 725	(4 372)	48 353
Provisions	129 245	19 662	148 907
Non-current liabilities			
Provisions	66 082	4 684	70 766
Statement of changes in net assets - extract			
Accumulated Surplus	7 749 613	169 225	7 918 838
Statement of financial performance - extract Revenue			
Service Charges	3 200 276	(93 938)	3 106 338
Interest received - trading	352 927	(18 183)	334 744
Property Rates	412 887	12 381	425 268
Other Income	40 311	(72)	40 239
Expenditure			
Depreciation and Amortization	386 765	231 235	618 000
Finance cost	75 320	9 665	84 985
Contracted Services	175 797	(30 947)	144 850
Transfers and subsidies	742	49 505	50 247
General expenses	359 760	26 462	386 222

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 2021 and 30 June 2020 respectively:

Statement of financial position	2021	2020	2021	2020
Decrease in Unspent grants	-	4 372	-	4 372
Increase in Retained earnings	-	4 372	-	4 372
Increase in Intangible assets	-	197	-	197
Increase in Retained earnings	-	197	-	197
Decrease in Intangible assets	60	-	60	-
Increase in Inventory	-	15 237	-	15 237
Increase in Investment Property	-	8 357	-	8 357
Increase in PPE	-	601 261	-	601 261
Increase in Retained earnings	-	624 855	-	624 855
Decrease in PPE	227 822	-	227 822	-
Decrease in Investment Property	3 353	-	3 353	-
Increase in PPE	-	28 740	-	28 740
Decrease in VAT payable	-	4 311	-	4 311
Decrease in Receivables from exchange	-	33 051	-	33 051
Increase in Provisions (Non-current)	4 684	-	4 684	-
Increase in Provisions (Current)	19 663	-	19 663	-
Decrease in Retained earnings	-	27 515	-	27 515
Increase in VAT payable	-	4 560	-	4 560

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Figures in Rand thousand	Economic entity		Controlling entity	
	2022	2021	2022	2021
48. Prior period errors (continued)				
Increase in Payables from exchange	16 138	22 955	16 138	22 955
Decrease in VAT payable	705	-	705	-
Increase in Retained earnings	-	3 363	-	3 363
Increase in Receivables from exchange	-	6 191	-	6 191
Decrease in Receivables from non-exchange	-	2 019	-	2 019
Increase in VAT payable	-	807	-	807
Decrease in Receivables from exchange	128 084	-	128 084	-
Increase in Receivables from non-exchange	12 381	-	12 381	-
Decrease in VAT payable	16 707	-	16 707	-
Decrease in PPE	-	23 407	-	23 407
Decrease in Retained earnings	-	23 407	-	23 407
Decrease in Receivables from exchange	15 000	-	15 000	-
Increase in PPE	94	-	-	-
Decrease in Receivables from exchange	854	2 900	-	-
Decrease in Retained earnings	-	2 521	-	-
Decrease in VAT payable	111	378	-	-
Decrease in Receivables from exchange	72	28 013	-	-
Decrease in Retained earnings	-	24 387	-	-
Decrease in VAT payable	-	3 479	-	-
Decrease in Payables from exchange	-	148	-	-
Statement of financial performance	2021	2020	2021	2020
Increase in Amortisation	60	-	60	-
Increase in Depreciation	231 175	-	231 175	-
Increase in General expenses	24 347	-	24 347	-
Increase in Contracted services	3 559	-	3 559	-
Increase in General expenses	2 210	-	2 210	-
Increase in Finance costs	9 665	-	9 665	-
Decrease in Interest received (trading)	18 183	-	18 183	-
Increase in Property rates	12 381	-	12 381	-
Decrease in Service charges	93 195	-	93 195	-
Decrease in Contracted services	34 505	-	34 505	-
Increase in Transfers and Subsidies	49 505	-	49 505	-
Decrease in General Expenses	94	-	-	-
Decrease in Service charges	742	-	-	-
Decrease in Other Income	72	-	-	-
Notes to the financial statements	2 021	2 020	2 021	2 020
Decrease in Irregular expenditure	-	742 678	-	742 678

49. Comparative figures

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

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	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

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	(336 099)	(351 620)	(336 099)	(351 620)
Cash and Cash Equivalents	755 237	506 025	513 386	411 333
Net Debt	419 138	154 405	177 287	59 713

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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	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

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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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	2022	2021	2022	2021

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 - 2022	Economic entity - 2021	Controlling entity - 2022	Controlling entity - 2021
Finance Lease Receivables	-	-	1 290	1 593
Receivables from exchange transactions	421 698	172 832	398 946	156 246
Receivables from non-exchange transactions	43 941	56 752	43 941	56 752
Cash and cash equivalents	755 237	506 025	513 386	411 333
Investments	695	814	696	815
Guarantees	29 090	29 288	29 090	29 288

Market risk

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Figures in Rand thousand	2022	2021	2022	2021

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 2022 - Economic entity 2022

Interest received for the year: -2%	348 612	(84 512)	Decrease in net surplus
Interest received for the year	433 124		
-			
Interest received for the year: +2%	517 636	84 512	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 2021 - Economic entity 2021

Interest received for the year: -2%	283 642	(70 911)	Decrease in net surplus
Interest received for the year	354 553		
-			
Interest received for the year: +2%	425 464	70 911	Increase in net surplus

Sensitivity analysis for financial instruments 2022 - Controlling entity 2022

Interest received for the year: -2%	343 742	(83 331)	Decrease in net surplus
Interest received for the year	427 073		
-			
Interest received for the year: +2%	510 404	83 331	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 2021 - Controlling entity 2021

Interest received for the year: -2%	281 595	(70 399)	Decrease in net surplus
Interest received for the year	351 994		
-			
Interest received for the year: +2%	422 393	70 399	Increase in net surplus

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Figures in Rand thousand	2022	2021	2022	2021

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. No foreign investments are done by the municipality.

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

Rustenburg Local Municipality

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Figures in Rand thousand	2022	2021	2022	2021

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 2022, 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

No material events occurred with respect to the 2021/22 financial year end after the date of the statement of financial position in respect of loans, investments and any other aspects.

53. Unauthorised expenditure

Opening balance as previously reported	555 919	963 824	555 919	963 824
Opening balance as restated	555 919	963 824	555 919	963 824
Unauthorised expenditure current year	167 587	-	167 587	-
Authorised during the financial year	-	(407 905)	-	(407 905)
Closing balance	723 506	555 919	723 506	555 919

Analysed as follows: non-cash

Vote 1 - Executive Mayor and Vote 9 - Technical and Infrastructure : Origin 2011/12	161 635	161 635	161 635	161 635
Vote 1 - Executive Mayor : Origin 2012/13	356 873	356 873	356 873	356 873
Vote 1 - Executive Mayor and Vote 3 - Corporate Support Services : Origin 2013/14	31 373	31 373	31 373	31 373
Vote 1 - Executive Mayor, Vote 3 - Corporate Support Services, Vote 4 - Budget & Treasury and Vote 9 - Technical and Infrastructure : Origin 2021/22	167 587	-	167 587	-
	717 468	549 881	717 468	549 881

Analysed as follows: cash

Vote 1 - Executive Mayor : Origin 2011/12	748	748	748	748
Vote 5 - Public Safety and Vote 7 - Local Economic Development : Origin 2014/15	4 211	4 211	4 211	4 211
Vote 5 - Public Safety : Origin 2015/16	1 079	1 079	1 079	1 079
	6 038	6 038	6 038	6 038

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Figures in Rand thousand	2022	2021	2022	2021
54. Fruitless and wasteful expenditure				
Opening balance as previously reported	32 996	29 487	32 996	29 487
Opening balance as restated	32 996	29 487	32 996	29 487
Expenditure incurred during the year	2 591	3 509	2 591	3 509
Closing balance	35 587	32 996	35 587	32 996

Expenditure incurred during the year resulted from interest and penalties levied to the value of R2 591.

55. Irregular expenditure

Opening balance as previously reported	5 574 009	4 959 415	5 574 009	4 959 415
Correction of prior period error	-	362 054	-	362 054
Opening balance as restated	5 574 009	5 321 469	5 574 009	5 321 469
Additional irregular expenditure identified	-	159 355	-	159 355
Irregular expenditure incurred during the year	326 368	93 185	326 368	93 185
Closing balance	5 900 377	5 574 009	5 900 377	5 574 009

Analysis of irregular expenditure incurred current year - by nature

Procurement process not followed for legacy contracts	9 607	11 174	9 607	11 174
Proper procurement process not followed	316 761	241 366	316 761	241 366
	326 368	252 540	326 368	252 540

Analysis of irregular expenditure incurred - by timing

Origin of irregular expenditure - Pre and 2021/2022	326 368	252 540	326 368	252 540
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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.

Irregular expenditure is always calculated inclusive of VAT while the figures disclosed above have been presented in this set of financial statements exclusive of VAT

56. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	9 864	16 731	9 864	16 731
Amount paid - current year	(9 864)	(16 731)	(9 864)	(16 731)
	-	-	-	-

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Figures in Rand thousand	2022	2021	2022	2021

56. Additional disclosure in terms of Municipal Finance Management Act (continued)

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

Material Electricity and Water losses were as follows and are not recoverable:

Electricity	Units (kWh)	Units (kWh)	Units (kWh)	Units (kWh)
Purchased during the year	2 360 554	1 939 075	2 360 554	1 939 075
Sold during the year	(2 144 903)	(1 843 820)	(2 144 903)	(1 843 820)
Unaccounted - Normal distribution losses - % of electricity (2022 - 9,14%); (2021 - 4,91%)	215 651	95 255	215 651	95 255
Loss (R): At Cost	272 282	121 523	272 282	121 523

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.

Water	Units (kl)	Units (kl)	Units (kl)	Units (kl)
Purchased during the year	41 214	41 683	41 214	41 683
Sold during the year	(22 067)	(21 398)	(22 067)	(21 398)
Unaccounted - Normal distribution losses - % of water (2022 - 46,46%); (2021 - 48,66%)	19 147	20 285	19 147	20 285
Loss (R): At Cost	196 238	194 793	196 238	194 793

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.

Audit fees

Opening balance	3 064	1 097	3 064	1 097
Current year subscription / fee	15 293	13 569	14 269	12 671
Amount paid - current year	(18 273)	(11 602)	(17 249)	(10 704)
	84	3 064	84	3 064

PAYE and UIF

Current year subscription / fee	114 273	96 566	114 273	96 566
Amount paid - current year	(114 273)	(96 566)	(114 273)	(96 566)
	-	-	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	132 694	135 488	132 694	135 488
Amount paid - current year	(132 694)	(135 488)	(132 694)	(135 488)
	-	-	-	-

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Figures in Rand thousand	2022	2021	2022	2021

56. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30/06/2022:

30/06/2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
Clr Marekoa BB	3	60	63
Clr Morei EM	2	55	57
Clr Rampou G&MC	6	169	175
Clr Nkgweng GN	6	118	124
Clr Mpele JB	8	250	258
Clr Kombe OJ	9	59	68
Clr Nageng MP	2	11	13
Clr Nhacuangue N	3	-	3
Clr Xatasi NS	8	8	16
Clr Ralokwakweng JO	6	91	97
Clr Serongoane J	11	262	273
Clr Motshegwe	3	12	15
Clr Petlele SP&IN	6	109	115
Clr Majolo WL	4	84	88
	77	1 288	1 365

30/06/2021	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
	13	7	20

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Figures in Rand thousand	2022	2021	2022	2021

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:

Water materials
Maintenance and servicing of fleet
Software licences and service fees
Hiring of heavy duty trucks and yellow truck
Supply and delivery of miniature substations, transformers , ring main and metering units.
Repair of air-conditioning
Advertising in newspapers and media houses
Construction Projects
Strategic planning
VAT recovery services
Employee Assistance Programme
Security Services
Connection of households
Maintenance of power transformers
Water Services
Legal Services

DEVIATION

Kofex Trading, Tau Tona Projects and Investments,
Exerter Operations

Case, Komatsu, Bell, Marce, VW, Nissan, Mercedes
Benz, Man, Isuzu, Toyota

Cocre8 IT Services

Storky Consulting, Rebokhutlo Projects, Inkhokheli
Business Enterprise

Volt Amp Technology PTY LTD, Kwete Holding PTY
LTD, Maxenas Trading PTY LTD
Platinum weekly , Rustenburg Herald and others.

KABO YA BOAGOI

IMQS software Pty Ltd
Fundudzi Media
Kader Lodge

REASONS

Exceptional cases where it was impractical to follow the SCM policy. The previous tender for water materials was recommended for re-advert due to none responsive of bidders.

Produced or available from a single provider only. The previous tender for maintenance and servicing of fleet was recommended for re-advert due to none responsive of bidders.

Produced or available from a sole provider only. License fees required to access historical customer data
Exceptional cases where it was impracticable to follow the Supply Chain Management Policy. Hiring of heavy duty trucks and yellow truck was required for service delivery

Emergency for supply and delivery of miniature substations, transformers, ring main and metering units.
Exceptional case where advertising is required for important compliance areas and it was impractical to follow the supply chain management policy

Exceptional case to repair damaged airconditioning at the civic centre where it was impractical to follow the supply chain management policy

Annual licence fees required to access municipal data.
To fulfill advertising requirements.

To fulfil strategic planning requirements

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	2022	2021	2022	2021
57. Deviation from supply chain management regulations (continued)				
Bazuzu MTC JV	Exceptional case for VAT recovery services where it was impractical to follow the Supply Chain Management Policy			
Ross Psychological Services Pty Ltd	Exceptional case to assist traumatized employees due to traumatic workplace incidents where it was impractical to follow the Supply Chain Management Policy.			
Mabotwane Security and White Leopard Security	Exceptional case requiring urgent security measures where it was impractical to follow the Supply Chain Management Policy.			
Mogaki Civil Services	Exceptional case to connect and repair households where it was impractical to follow the Supply Chain Management Policy.			
Blue marang ,Rebokhutlo Trading and projects , Tholexa trading and storky Consulting & projects	Exceptional cases where it was impracticable to follow the Supply Chain Management Policy. Hiring of heavy duty trucks and yellow truck required for service delivery.			
G-man Electrical Pty Ltd T/A Arm Coil	Emergency maintenance required on power transformers where it was impracticable to follow the Supply Chain Management Policy.			
ADAPT IT (Pty) Ltd	Produced or available from a sole provider only. Licence fees required for caseware software that is utilised to prepare the Annual Financial Statements. All backup files for more than five years are only accessible through caseware.			
Water and Sanitation Services South Africa (Pty) Ltd (WSSA)	To provide essential water services. Monitoring of Industrial Effluent and Tanker Effluent, Sampling, Analysis and Measurement of Effluent Disposed by Industries and Tankers.			
Dup West Attorneys	To obtain an urgent court interdict to remove the squatters in front of the Rustenburg Sewer Plant			
Len Dekker Attorneys	Sec 12.22 of the RWST SCMP was used for exceptional cases where it was deemed impractical or impossible to follow official procurement processes. The CMS court was heading for the high court Case No M530/2020 and it did not make sense to procure new attorneys when the case was midway. Len Dekker Attorneys was appointed on a quotation basis in Dec'20 and in June'21 was extended to ensure the factual preparation of the Court case involving CMS is completed.			
Len Dekker Attorneys	Sec 12.22 of the RWST SCMP was used for exceptional cases where it was deemed impractical or impossible to follow official procurement processes. The RWST and its Trustees was challenged in The high court on an urgent basis and it did not make sense to procure new attorneys in this urgent matter.			

58. SCM regulation 45 disclosure

In terms of regulation 45 of the Municipal SCM regulations, the notes to the annual financial statements of a municipality must disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months including:

- (a) the name of that person;
- (b) the capacity in which that person is in the service of the state; and
- (c) the amount of the award

NATURE	NAME OF OFFICIAL	CAPACITY OF OFFICIAL	AMOUNT OF AWARD
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Figures in Rand thousand	2022	2021	2022	2021

58. SCM regulation 45 disclosure (continued)

Award made to Kabelo Monong Trading. Official is a spouse to the director	Ms. N Mofokeng	Senior Finance Clerk	R188
Award made to Kabelo Monong Trading. Official is a spouse to the director	Ms. N Mofokeng	Senior Finance Clerk	R857

59. 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.

Geographical considerations are not relevant for the purposes of determining reportable segments.

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

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59. Segment information (continued)

Segment surplus or deficit, assets and liabilities

Controlling entity - 2022

	Property Rates	Electricity	Water	Sewerage and Sanitation	Refuse	Total
Revenue						
Revenue from non-exchange transactions	486 412	-	-	-	-	486 412
Revenue from exchange transactions	-	3 274 854	596 638	189 648	166 778	4 227 918
Government Grants & Subsidies	-	42 656	469 248	91 158	124 631	727 693
Other Revenue	1 557	16	9 977	18	1 328	12 896
Total segment revenue	487 969	3 317 526	1 075 863	280 824	292 737	5 454 919
Entity's revenue						5 454 919
Expenditure						
Employee Costs	30 903	47 672	70 444	8 687	43 776	201 482
Bulk Purchases	-	3 027 327	303 375	-	-	3 330 702
Other Expenses	32 787	183 550	443 969	101 653	215 282	977 241
Impairment loss	95 477	36 401	405 717	72 314	71 799	681 708
Total segment expenditure	159 167	3 294 950	1 223 505	182 654	330 857	5 191 133
Total segmental surplus/(deficit)						263 786
Assets						
Infrastructure Assets	-	660 629	1 014 440	400 748	-	2 075 817
Assets Included in WIP	-	121 412	207 425	69 672	39 786	438 295
Receivables - Gross	557 854	904 779	2 311 275	572 213	606 152	4 952 273
Receivables - Accumulated Impairment	(530 107)	(801 081)	(2 264 703)	(563 366)	(597 642)	(4 756 899)
Total segment assets	27 747	885 739	1 268 437	479 267	48 296	2 709 486
Total assets as per Statement of financial Position						2 709 486

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Notes to the Consolidated Annual Financial Statements

59. Segment information (continued)

Liabilities

	Property Rates	Electricity	Water	Sewerage and Sanitation	Refuse	Total
Loans	-	(150 207)	(117 765)	(21 981)	-	(289 953)
Total liabilities as per Statement of financial Position						(289 953)

The measurement basis and accounting policies of the reportable segments are consistent with that of the economic entity.

Controlling entity - 2021

	Property Rates	Electricity	Water	Sewerage and Sanitation	Refuse	Total
Revenue						
Revenue from non-exchange transactions	425 268	-	-	-	-	425 268
Revenue from exchange transactions	-	2 355 038	486 590	138 144	126 308	3 106 080
Government Grants & Subsidies	-	41 508	561 191	96 272	134 815	833 786
Other Revenue	148	846	2 750	252	819	4 815
Impairment reversal	-	51 038	-	-	-	51 038
Total segment revenue	425 416	2 448 430	1 050 531	234 668	261 942	4 420 987
Entity's revenue						4 420 987
Expenditure						
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	247 787	328 172	59 625	236 947	891 756
Impairment loss	66 749	-	241 206	61 374	66 176	435 505
Total segment expenditure	117 399	2 385 059	901 584	258 173	353 446	4 015 661
Total segmental surplus/(deficit)						405 326

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Consolidated Annual Financial Statements for the year ended 30/06/2022

Notes to the Consolidated Annual Financial Statements

59. Segment information (continued)

Assets						
Infrastructure Assets	-	625 693	949 056	354 421	-	1 929 170
Assets Included in WIP	-	74 911	236 595	74 912	39 097	425 515
Receivables - Gross	474 912	969 593	1 821 469	457 440	491 162	4 214 576
Receivables - Accumulated Impairment	(434 630)	(768 002)	(1 803 701)	(480 840)	(515 073)	(4 002 246)
Total segment assets	40 282	902 195	1 203 419	405 933	15 186	2 567 015
Total assets as per Statement of financial Position						2 567 015
Liabilities						
Loans	-	(170 291)	(132 748)	(23 761)	-	(326 800)
Total liabilities as per Statement of financial Position						(326 800)

60. Budget differences

Material differences between budget and actual amounts

Rustenburg Local Municipality

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Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

60. 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.

Licences and Permits - Increase due to impact of the Covid 19 pandemic in the previous year. An influx of renewals occurred in the current year due to waiving of penalties in previous years.

Government Grants and Subsidies - In line with allocations received as per DORA. Furthermore not all grant funding was utilized and a rollover application was made to National Treasury in the 2022/23 financial year.

Fines - We used collection of fines as a base for budgeting instead of fines issued as per iGRAP. Furthermore additional fines were issued for acts of non compliance.

Remuneration of councillors - Prior to the election of the new council, the municipality did not have councillors for one month which resulted in a lower expense for the year.

Depreciation and Amortisation - Various current and prior year corrections on assets, when the full population of the asset registers were reassessed resulted in a higher depreciation charge for the year.

Impairment Losses - Increase in line with year end assessment and impairment methodology on the collectability of debtors. Budget was based on a projected collection rate.

Finance Costs - All loans from ABSA have been repaid in full which resulted in a lower finance costs.

Repairs and Maintenance - Significantly less repairs and maintenance were done due to cashflow constraints. Focus was on emergency repairs and maintenance.

Bulk Purchases - Inadequate provision during the budgeting process. Increased usage and consumption due to easing of various restrictions that were previously in place under the Disaster Management Act.

Transfers and Subsidies - Increase due to payments to the Bus Operating Company which were initially recorded as contracted services but subsequently reclassified as transfer payments.

Contracted Services and General Expenses - Combined expenditure decrease due to cashflow constraints and delays in procurement processes. 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 2021 to 30 June 2022.

Changes from the approved budget to the final budget

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 2022.

Rustenburg Local Municipality

Consolidated Annual Financial Statements for the year ended 30/06/2022

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2022	2021	2022	2021

60. Budget differences (continued)

Financial Performance	Original Budget	Adjustments	Adjusted Budget
Property rates	496 067	-	496 067
Service charges	3 629 436	839 418	4 468 854
Rental of facilities and equipment	11 078	1 000	12 078
Interest received - other	25 149	-	25 149
Interest received (trading)	411 621	-	411 621
Fines, penalties and forfeits	9 369	(100)	9 269
Licences and Permits	12 401	-	12 401
Agency services	104 983	50 000	154 983
Government Grants and Subsidies Received	1 388 413	(50 192)	1 338 221
Other income	16 656	900	17 556
Gains on disposal of assets	6 200	-	6 200
Total revenue	6 111 373	841 026	6 952 399
Employee related costs	875 664	(35 161)	840 503
Remuneration of councillors	68 229	-	68 229
Impairment losses	793 908	-	793 908
Depreciation and Amortization	492 913	(43)	492 870
Finance charges	84 328	-	84 328
Bulk purchases - Electricity	1 627 750	839 417	2 467 167
Inventory consumed - Water	498 896	752	499 648
Contracted services	612 110	72 344	684 454
Transfers and subsidies	19 502	-	19 502
General expenses	236 885	12 242	249 127
Total expenditure	5 310 185	889 551	6 199 736
Surplus / (Deficit) for the year	801 188	(48 525)	752 663
	-	-	-

61. Accounting by principals and agents

In terms of GRAP 109 A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal). The following arrangement meets the criterion for such arrangements where the municipality is the principal:

Rustenburg Transit (RF) Pty Ltd

The municipality appointed Rustenburg Transit (RF) Pty Ltd as the Bus Operating Company (BOC) to facilitate the operations of the Rustenburg Rapid Transport (RRT) project. This includes managing the transition process with the industry and affected operators.

In terms of GRAP 109 paragraph 45 When an entity determines that it is a principal in accordance with this Standard, it accounts for revenue and expenses arising from the transactions with third parties in its statement of financial performance. This is because the transactions with third parties are concluded for the benefit of the principal.

The municipality incurred expenditure of R26 833 and revenue of R0 in terms of the principal-agent arrangement.