VOLUME II

Annual Financial Statements for the year ended 30 June 2021

General Information

Nature of business and principal activities	To provide democratic and accountable government to the local communities, To ensure sustainable service delivery to communities, To promote social and economic development, To promote a safe and healthy environment and To encourage the involvement of communities and community organisations in the matters of local government. The entity's operations are governed by the Local Government: Municipal Structures Act 117 of 1998, the Local Government: Municipal Systems Act 32 of 2000, the Local Government: Municipal Finance Management Act 56 of 2003, and various other acts and regulations.
Mayoral committee	
Executive Mayor	M.M.E Kgaile
Speaker	R.W Ntozini
Councillors	K. Ndincede (Single Whip) M.F Nthaba T.O Vilakazi F.I Tagaree M.L Mojaki S.D Montoedi L.M Lebenya-Kortjaas I.N Matetoane P.F Mabeli S.J Daemane S.P.J Bogatsu T.G Khoza
Chief Finance Officer (CFO)	B.O Kgoete
Accounting Officer	T.S.R Nkhumise
Registered office	Bram Fischer Street Klerksdorp 2571
Business address	Bram Fischer Street Klerksdorp 2570
Postal address	P.O. Box 99 Klerksdorp 2570
Bankers	ABSA Bank Limited Investec Bank Limited First National Bank Nedbank Limited
Auditors	Auditor General of South Africa

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

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
EPWP	Expanded Public Works Programme

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2022 and, in the light of this review and the current financial position, he is satisfied that the municipality has 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 municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 371.

The annual financial statements set out on pages 371 to 453, which have been prepared on the going concern basis, were approved by the accounting officer on and were signed on its behalf by:

T.S.R Nkhumise
Accounting Officer

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	8	33 292 848	45 578 303
Other financial assets	6	-	643 828
Receivables from exchange transactions	9	2 339 410	212 523
VAT receivable	11	182 654 104	164 901 578
Consumer debtors	12	559 745 371	564 053 729
Other receivables	7	35 375	29 274
Cash and cash equivalents	13	242 485 375	300 578 049
		1 020 552 483	**1 075 997 284**
Non-Current Assets			
Investment property	2	256 971 224	259 370 021
Property, plant and equipment	3	5 120 095 296	5 001 770 442
Intangible assets	4	1 297 383	1 297 383
Heritage assets	5	9 975 309	10 092 897
Other financial assets	6	10 776 439	9 636 897
Eskom Deposit		37 830 777	37 076 362
Other receivables	7	-	32 755
Nature reserve wild stock		1 731 150	1 995 400
		5 438 677 578	**5 321 272 157**
Total Assets		**6 459 230 061**	**6 397 269 441**
Liabilities			
Current Liabilities			
Other financial liabilities	14	3 153 240	2 838 624
Payables from exchange transactions	15	2 119 240 918	1 680 875 667
Consumer deposits	16	38 965 147	36 633 558
Employee benefit obligation	18	17 375 000	19 947 000
Unspent conditional grants and receipts	17	42 709 421	43 668 378
Housing Project Liability	20	46 190 174	174 563 618
		2 267 633 900	**1 958 526 845**
Non-Current Liabilities			
Other financial liabilities	14	44 155 564	54 400 000
Employee benefit obligation	18	310 998 000	290 406 000
Provisions	19	127 223 050	124 485 450
		482 376 614	**469 291 450**
Total Liabilities		**2 750 010 514**	**2 427 818 295**
Net Assets		**3 709 219 547**	**3 969 451 146**
Accumulated surplus		3 709 219 547	3 969 451 146

* See Note 52 & 53

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Market dues		19 749 348	18 548 049
Service charges	21	1 720 481 790	1 631 878 998
Rendering of services		-	1 572
Rental of facilities and equipment		4 242 213	4 437 462
Licence fees		8 749 133	6 146 370
Agency fees		14 934 246	10 505 057
Connections and Reconnections		45 987 959	9 618 438
Rental income		3 000 606	1 918 996
Insurance fees		4 848 006	4 487 436
Other income		14 518 098	7 292 604
Interest received	22	391 236 456	337 972 619
Total revenue from exchange transactions		**2 227 747 855**	**2 032 807 601**
Revenue from non-exchange transactions			
Property rates	23	425 503 361	329 582 322
Interest from Property Rates		40 881 153	30 442 255
Donations received	26	358 314 355	190 192 689
Transfer revenue			
Government grants & subsidies	24	719 998 457	567 153 692
Fines, Penalties and Forfeits		24 893 254	9 104 000
Total revenue from non-exchange transactions		**1 569 590 580**	**1 126 474 958**
Total revenue	25	**3 797 338 435**	**3 159 282 559**
Expenditure			
Employee related costs	27	(681 193 597)	(653 761 744)
Remuneration of councillors	28	(36 495 510)	(34 575 201)
Depreciation and amortisation	29	(391 923 365)	(393 232 097)
Impairment loss/ Reversal of impairments	30	(25 629 724)	(20 019 506)
Finance costs	31	(102 794 811)	(109 215 601)
Rental and lease expenditure		(85 173 911)	(79 850 743)
Debt Impairment	33	(1 149 479 591)	(835 011 553)
Revenue Loss		(9 836 700)	(11 573 029)
Repairs and maintenance		(139 844 478)	(146 920 880)
Bulk purchases	34	(1 115 809 958)	(1 030 160 444)
Contracted services	35	(80 487 920)	(75 905 280)
General expenses	36	(214 629 412)	(166 491 800)
Total expenditure		**(4 033 298 977)**	**(3 556 717 878)**
Operating deficit		**(235 960 542)**	**(397 435 319)**
Loss on disposal of assets and liabilities	26	(21 746 006)	(18 278 238)
Fair value adjustments		495 714	605 832
Actuarial gains and losses	18	2 948 000	51 574 254
Inventories losses/write-downs		(5 968 767)	(119 361)
		(24 271 059)	**33 782 487**
Deficit for the year		**(260 231 601)**	**(363 652 832)**

* See Note 52 & 53

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	4 251 731 986	4 251 731 986
Adjustments		
Correction of errors	81 371 992	81 371 992
Balance at 01 July 2019 as restated*	**4 333 103 978**	**4 333 103 978**
Changes in net assets		
Deficit for the year	(363 652 832)	(363 652 832)
Total changes	(363 652 832)	(363 652 832)
Restated* Balance at 01 July 2020	**3 969 451 148**	**3 969 451 148**
Changes in net assets		
Surplus for the year	(260 231 601)	(260 231 601)
Total changes	(260 231 601)	(260 231 601)
Balance at 30 June 2021	**3 709 219 547**	**3 709 219 547**

* See Note 52 & 53

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		1 535 931 257	1 520 653 046
Grants		719 039 500	511 304 998
Interest income		112 685 558	56 625 635
Other receipts		105 554 792	55 575 636
		2 473 211 107	2 144 159 315
Payments			
Employee costs		(721 476 191)	(681 465 762)
Suppliers		(1 447 559 033)	(1 268 782 538)
Finance costs		(70 934 211)	(78 113 717)
VAT received		41 744 152	3 130 868
		(2 198 225 283)	(2 025 231 149)
Net cash flows from operating activities	38	**274 985 824**	**118 928 166**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(196 793 207)	(104 426 069)
Purchase of investment property	2	-	(2 899 410)
Purchase of other intangible assets	4	-	(639 434)
Movement in financial assets		-	25 000 000
Movement of wildstock		440 799	87 975
Security deposit paid to Eskom movement		(754 415)	(19 504 155)
Net cash flows from investing activities		**(197 106 823)**	**(102 381 093)**
Cash flows from financing activities			
Movement of other financial liabilities		(9 929 820)	(13 779 653)
Movement in consumer deposits		2 331 589	3 288 393
Movement in HDA		(128 373 444)	5 500 872
Net cash flows from financing activities		**(135 971 675)**	**(4 990 388)**
Net increase/(decrease) in cash and cash equivalents		**(58 092 674)**	**11 556 685**
Cash and cash equivalents at the beginning of the year		300 578 049	289 021 364
Cash and cash equivalents at the end of the year	13	**242 485 375**	**300 578 049**

* See Note 52 & 53

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Market Dues	20 000 000	-	**20 000 000**	19 749 348	**(250 652)**	
Service charges	1 915 229 679	70 812 429	**1 986 042 108**	1 720 481 790	**(265 560 318)**	Note 1
Rendering of services	2 000	-	**2 000**	-	**(2 000)**	
Rental of facilities and equipment	4 130 043	1 418 291	**5 548 334**	4 242 213	**(1 306 121)**	Note 2
Agency services	10	-	**10**	-	**(10)**	
Licences and permits	7 680 006	-	**7 680 006**	8 749 133	**1 069 127**	
Commissions received	15 000 000	-	**15 000 000**	14 934 246	**(65 754)**	
Royalties received	26 280 081	11 254 734	**37 534 815**	45 987 959	**8 453 144**	
Rental income	1 517 567	650 000	**2 167 567**	3 000 606	**833 039**	
Discount received	300 000	613 793	**913 793**	4 848 006	**3 934 213**	
Other income	44 832 196	2 589 776	**47 421 972**	14 518 098	**(32 903 874)**	Note 3
Development charges	-	14 000 000	**14 000 000**	-	**(14 000 000)**	Note 4
Interest received	343 250 077	15 852 619	**359 102 696**	391 236 456	**32 133 760**	Note 5
Total revenue from exchange transactions	**2 378 221 659**	**117 191 642**	**2 495 413 301**	**2 227 747 855**	**(267 665 446)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	480 059 797	5 282 237	**485 342 034**	425 503 361	**(59 838 673)**	Note 6
Indirect taxes (VAT, customs duty)	40 000 000	-	**40 000 000**	40 881 153	**881 153**	
Donations received	-	-	**-**	358 314 355	**358 314 355**	Note 7
Transfer revenue						
Government grants & subsidies	643 596 000	78 098 000	**721 694 000**	719 998 457	**(1 695 543)**	
Fines, Penalties and Forfeits	20 064 522	(1 414 444)	**18 650 078**	24 893 254	**6 243 176**	
Total revenue from non-exchange transactions	**1 183 720 319**	**81 965 793**	**1 265 686 112**	**1 569 590 580**	**303 904 468**	
Total revenue	**3 561 941 978**	**199 157 435**	**3 761 099 413**	**3 797 338 435**	**36 239 022**	
Expenditure						
Personnel	(651 290 200)	(15 080 541)	**(666 370 741)**	(681 193 597)	**(14 822 856)**	Note 8
Remuneration of councillors	(38 988 000)	-	**(38 988 000)**	(36 495 510)	**2 492 490**	
Depreciation and amortisation	(420 711 192)	-	**(420 711 192)**	(391 923 365)	**28 787 827**	Note 9
Impairment loss/ Reversal of impairments	-	-	**-**	(25 629 724)	**(25 629 724)**	Note 10
Finance costs	(3 537 000)	-	**(3 537 000)**	(102 794 811)	**(99 257 811)**	Note 11
Lease rentals on operating lease	(40 782 000)	(6 785 094)	**(47 567 094)**	(85 173 911)	**(37 606 817)**	
Debt Impairment	(968 658 700)	72 649 400	**(896 009 300)**	(1 149 479 591)	**(253 470 291)**	Note 12
Collection costs	-	-	**-**	(9 836 700)	**(9 836 700)**	
Repairs and maintenance	(121 504 000)	(47 460 591)	**(168 964 591)**	(139 844 478)	**29 120 113**	
Bulk purchases	(940 553 280)	15 000 000	**(925 553 280)**	(1 115 809 958)	**(190 256 678)**	Note 13
Contracted Services	(43 674 000)	(41 607 995)	**(85 281 995)**	(80 487 920)	**4 794 075**	
General Expenses	(152 675 567)	(46 918 823)	**(199 594 390)**	(214 629 412)	**(15 035 022)**	Note 14

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Total expenditure	**(3 382 373 939)**	**(70 203 644)**	**(3 452 577 583)**	**(4 033 298 977)**	**(580 721 394)**	
Operating deficit	**179 568 039**	**128 953 791**	**308 521 830**	**(235 960 542)**	**(544 482 372)**	
Loss on disposal of assets and liabilities	-	-	-	(21 746 006)	**(21 746 006)**	
Fair value adjustments	-	-	-	495 714	**495 714**	
Actuarial gains/losses	-	-	-	2 948 000	**2 948 000**	
Inventories losses/write-downs	-	-	-	(5 968 767)	**(5 968 767)**	
	-	**-**	**-**	**(24 271 059)**	**(24 271 059)**	
Deficit before taxation	**179 568 039**	**128 953 791**	**308 521 830**	**(260 231 601)**	**(568 753 431)**	
Capital expenditure	162 800 300	76 724 667	**239 524 967**	191 472 532	**(48 052 435)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**16 767 739**	**52 229 124**	**68 996 863**	**(451 704 133)**	**(520 700 996)**	

Note 1 - A number of customers in Business and Government were working from home as a result of COVID 19. The consumption was reduced as a result of schools and creches and other institutions which consume in bulk but were periodically closed during COVID.

Note 2 - Slow collection of income from rental of municipal facilities due to COVID19 restrictions.

Note 3 - Deviations are due to COVID- 19 disruptions.

Note 4 - The bulk connection from HDA project was not received from the contractor as anticipated.

Note 5 - This is due to non-payment of services. The interest charged increases as the debtors book grows and also low spending on grant funds received.

Note 6 - Poor collection rate from rates and taxes due to relatively weak Economic activities on Micro and Macro level.

Note 7: - The Municipality does not budget for donations.

Note 8: - The variance is due to overtime worked during the year and recruitment of additional officials.

Note 9 - This is due to Capital and WIP projects not completed.

Note 10 - The Municipality does not budget for impairment.

Note 11 - The variance is due to interest charged on outstanding creditors.

Note 12 - Increase in non-payments of consumer accounts. There were no debts written off.

Note 13 - Under budgeting on payments of Eskom and Midvaal bulk purchases.

Note 14 - Insufficient Budget due to low collection and increased spending on operating expenditure due to COVID 19.

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgements is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. When any significant judgements and sources of estimation uncertainty are applicable, they have been disclosed in the relevant policy.

In the application of the municipality's accounting policies, which are described above, management is required to make judgement, estimates and assumption that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experiences and other factors that are considered to reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates

These estimates and underlying assumptions ae reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. The municipality categorises cash and cash equivalents as financial assets: loans and receivables. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

Allowance for slow moving, damaged and obsolete stock

Management makes an estimate of the selling price and direct cost to sell to determine the net realisable value of inventory items. Allowance for obsolete stock is recognised when stock is slow moving and/or will not be used. The difference between the cost of inventory and the net realisable value is recognised in the statement of financial performance.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the recoverable amount. Significant debtors are individually assessed for impairment and insignificant debtors are grouped and impaired as a portfolio.

Useful lives and residual values

The entity's management determines the estimated useful lives and related depreciation charges for assets as noted in accounting policies 1.5 and 1.6.
This estimate is based on industry norm.
Management will increase the depreciation charge prospectively where useful lives are less than previously estimated useful lives.
Management will decrease the depreciation charge prospectively where useful lives are more than previously estimated useful lives.
Where changes are made to the estimated residual lives, management also makes these changes prospectively.

Trade receivables, loans and other receivables

The entity assesses its trade receivables, loans and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.
Where the impairment for trade receivables, loans and other receivables is calculated on a portfolio basis, these are based on historical loss ratios. These annual loss ratios are applied to the balances in the portfolio. The impairment is measured as the difference between the
receivables' carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate, computed at initial recognition. The impairment loss is recognised in surplus or deficit when there is objective evidence that it is impaired.

Employee benefit obligations

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price. Where there is no active market, fair value is determined using valuation techniques. Such valuation techniques include using recent arm's length market transactions, reference to current market values of other similar instruments, discounted cash flow analysis and option pricing models.

Accounting Policies

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

Cost model

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 over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite

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

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

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.

1.5 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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.

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

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.

Subsequently all plant and equipment, excluding land and buildings, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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

Item		Average useful life
Buildings and community facilities		5 to 80 years
Furniture and fixtures		4 to 15 years
Infrastructure		
• Roads and paving	Straight line	5 to 80 years
• Electricity		5 to 80 years
• Airports		5 to 80 years
• Wastewater network		5 to 80 years
• Water		5 to 80 years
Property, plant and equipment	Straight line	
• Vehicles		4 to 20 years
• Emergency equipment		4 to 20 years
• Office equipment		4 to 10 years
• Library books		5 to 10 years

The residual value, the useful life and the depreciation method of each asset is reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous 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.

1.5 Property, plant and equipment (continued)

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

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.6 Intangible assets

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

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

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

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

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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

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

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

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

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

1.6 Intangible assets (continued)

Intangible assets have an indefinite useful life.

The factors that was taken into account to determine that the Intangible assets have a indefinite useful life was:
(a) The asset could be efficiently managed by another management team
(b) There are not a lot of competitors or potential competitors that would be able through their action to effect the lifespan of the intangible assets
(c) There is very little if any maintenance expenditure associated with the intangible assets to keep deriving service potential from the intangible assets
(d) The useful life of the assets is not dependant on the useful life of other assets of the municipality.

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised.

1.7 Heritage assets

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

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 are shown at cost and are not depreciated owing to uncertainty regarding to their estimated useful lives.

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Derecognition

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

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

1.8 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:
- Financial assets measured at fair value.
- Financial assets measured at amortised cost.
- Loans and receivables.
- Financial liabilities measured at amortised cost.

Classification depends on the purpose for which the financial instruments were obtained/ incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit exclude dividends and interest.

Dividend income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

1.8 Financial instruments (continued)

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is unelectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.8 Financial instruments (continued)

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Derecognition

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- a gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- for financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  -has transferred substantially all the risks and rewards of the asset, or
  -has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

1.9 Statutory receivables

Identification

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

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

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

1.9 Statutory receivables (continued)

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

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

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Impairment losses

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

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

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

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

1.10 VAT

The City of Matlosana accounts for value-added tax (VAT) on the payment basis.

1.11 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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.

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, unless another systematic basis is more representative of the time pattern of the expense to the municipality.

1.12 Inventories

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

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

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

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

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

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

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Accounting Policies

1.12 Inventories (continued)

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.

Water Inventory

Water is regarded as inventory when the municipality purchases 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 is valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

1.13 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by .

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.14 Impairment of cash-generating assets

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

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

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

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 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:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.15 Impairment of non-cash-generating assets

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

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

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

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:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.16 Employee benefits

Short-term and long-term employee benefits

The cost of all short-term employee benefits is recognised in the period during which the employee renders the related service. The Entity recognises the expected cost of performance bonuses only when the Entity has a present legal or constructive obligation to make such payment, and if a reliable estimate can be made.

The Entity provides long-service leave to eligible employees, payable on completion of years of employment. The Entity's liability is based on an actuarial valuation. Any unwinding of discount is charged to the statement of financial performance as an employee-related cost. Actuarial gains and losses on the long-term incentives are fully accounted for in the statement of financial performance. The projected unit credit method has been used to value the obligation

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

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

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The entity provides post-retirement health care benefit to 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.

1.17 Provisions and contingencies

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

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

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

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

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 deficits.

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.

Leave and bonus accrual:
- liabilities for annual leave and bonus are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end for the leave accrual and the bonus accrual based on the initial inception of the service month.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  -the activity/operating unit or part of a activity/operating unit concerned;
  -the principal locations affected;
  -the location, function, and approximate number of employees who will be compensated for services being terminated;
  -the expenditures that will be undertaken; and
  -when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

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

1.17 Provisions and contingencies (continued)

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

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

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

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.18 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

1.19 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.

Accounting Policies

1.19 Revenue from exchange transactions (continued)

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

Measurement

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

Sale of goods

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

Rendering of services

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

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.

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.

1.20 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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

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.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

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

Fines

Revenue from the issuing of fines is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Levies

Levies are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:
- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

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

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

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

Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

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 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.22 Investment income

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

1.23 Borrowing costs

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

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale.

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

1.24 Comparative figures

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

Accounting Policies

1.25 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred otherwise than in accordance with section 15 or 11(3) of the MFMA and includes:

- overspending of the total amount appropriated in the approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation, or
- a grant by the municipality otherwise than in accordance with the act.

1.26 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial 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.

1.27 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic 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.

1.28 Consumer Deposits

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in line with council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

1.29 Gratuities

The municipality provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the statement of financial performance when the gratuity is paid.

1.30 Segment information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.31 Budget information

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

The approved budget covers the fiscal period from 2020/07/01 to 2021/06/30.

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

The municipality deems variances that are above R5 000 000 as material variances that require explanations.

1.32 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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

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

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

1.33 Events after reporting date

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

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

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

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

1.34 Comparative information

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are also reclassified.

1.35 New standards and interpretations

Application of all of the GRAP standards listed below will be effective from a date to be announced by the Minister of Finance.

Management has considered all the of the listed GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

- GRAP 18 Segment Reporting.
- GRAP 1 (amended): Presentation of Financial Statements 01 April 2020
- GRAP 34: Separate Financial Statements 01 April 2020
- IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue 01 April 2020
- Directive 7 (revised): The Application of Deemed Cost 01 April 2020
- GRAP 18 (as amended 2016): Segment Reporting 01 April 2020

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

2. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	256 971 224	-	256 971 224	259 370 021	-	259 370 021

Reconciliation of investment property - 2021

	Opening balance	Disposals	Total
Investment property	259 370 021	(2 398 797)	256 971 224

Reconciliation of investment property - 2020

	Opening balance	Additions	Disposals	Total
Investment property	260 855 721	5 710 086	(7 195 786)	259 370 021

Pledged as security

No assets have been pledged as security.

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

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

	2021			2020		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	96 565 318	-	96 565 318	26 742 924	-	26 742 924
Community	1 094 985 292	(674 273 837)	420 711 455	1 072 743 996	(607 851 153)	464 892 843
Infrastructure	1 510 221 788	(7 160 540 222)	4 349 681 566	1 100 374 693	(6 875 030 861)	4 225 343 832
Buildings	468 814 975	(270 542 511)	198 272 464	476 149 675	(251 613 946)	224 535 729
Other property, plant and equipment	177 869 974	(123 005 481)	54 864 493	185 834 183	(125 579 069)	60 255 114
Total	**3 348 457 347**	**(8 228 362 051)**	**5 120 095 296**	**2 861 845 471**	**(7 860 075 029)**	**5 001 770 442**

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Disposals accumulated depreciation	Disposals: Accumulated impairment	Depreciation	Impairment loss	Total
Land	26 742 924	69 860 982	(38 588)	-	-	-	-	96 565 318
Community	464 892 843	34 668 441	(12 427 146)	5 418 103	162 876	(51 837 237)	(20 166 425)	420 711 455
Infrastructure	4 225 343 832	447 266 519	(37 419 434)	25 896 648	3 018 285	(310 372 023)	(4 052 261)	4 349 681 566
Buildings	224 535 729	29 500	(7 364 200)	4 347 926	1 652 561	(23 635 243)	(1 293 809)	198 272 464
Other property, plant and equipment	60 255 114	1 373 289	(9 337 487)	7 592 736	1 165 033	(6 078 860)	(105 332)	54 864 493
	5 001 770 442	**553 198 731**	**(66 586 855)**	**43 255 413**	**5 998 755**	**(391 923 363)**	**(25 617 827)**	**5 120 095 296**

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Disposals accumulated depreciation	Disposals: Accumulated impairment	Depreciation	Impairment loss	Total
Land	29 734 704	3 717	(2 995 497)	-	-	-	-	26 742 924
Community	500 258 861	17 106 780	(1 130 389)	731 944	208 995	(52 283 348)	-	464 892 843
Infrastructure	4 288 861 890	273 979 299	(24 218 452)	17 367 549	18 081	(311 941 113)	(18 723 422)	4 225 343 832
Buildings	250 186 599	20 150	(7 239 510)	3 735 431	1 814 966	(23 981 907)	-	224 535 729
Other property, plant and equipment	60 749 084	5 296 217	(85 895)	57 551	665	(5 025 729)	(736 779)	60 255 114
	5 129 791 138	**296 406 163**	**(35 669 743)**	**21 892 475**	**2 042 707**	**(393 232 097)**	**(19 460 201)**	**5 001 770 442**

Pledged as security

No assets are pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

3. Property, plant and equipment (continued)

Carrying amounts of infrastructure projects experiencing delays or halted:

The following projects are currently experiencing delays or were halted. The carrying amount of those assets included in the balance of Property,plant and equipment are listed above. For each project, the reason for the delay or halting of the project were noted as below:

	2021	2020
Anti- tampering pillar boxes	296 710	296 710
Construction of an Athletic Track and Field at Matlosana Stadium in Jouberton	4 648 180	4 648 180
Jouberton Central Park Development	172 088	172 088
Alabama Substation	34 251 045	34 251 045
Municipal Service Centre (Thusong Centre)	1 837 738	1 837 738
Jouberton Event Space (Open Air Amphitheatre and Play Park)	518 948	518 948
	41 724 709	**41 724 709**

Anti -Tampering Pillar Boxes - There is a delay caused in the finalization of this project as there was community protest against the installation of the Anti-Tampering Pillar Boxes. Once a way forward is determined, this project will be completed. The Anti-Tamper Pillar boxes is in storage in the stores until a further decision made.

Construction of an Athletic Track and Field at Matlosana Stadium in Jouberton - Project was halted due to budget shortfall (MIG). Request for internal funding to complete the project have been sent through to council, however it has not been approved as yet.

Alabama Substation - This project is neither halted nor delayed,this project will only be completed once the Construction of 88KV Medium Voltage Loop-in-loop out Line in Alabama Substation project have been completed, which is currently not completed and remain in WIP, as these two mentioned projects run in conjunction with each other.

Jouberton Central Park Development - Project is in inception phase and delayed, and due to limited budget allocation (NDPG), the project will only move over to construction phase once additional budget becomes available.

Municipal Service Centre (Thusong Centre) - Project is in inception phase and delayed, and due to limited budget allocation (NDPG), the project will only move over to construction phase once additional budget becomes available.

Jouberton Event Space (Open Air Amphitheatre and Play Park) - Project is in inception phase and delayed, and due to limited budget allocation (NDPG), the project will only move over to construction phase once additional budget becomes available.

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Total
Opening balance	410 670 106	37 509 034	448 179 140
Additions/capital expenditure	441 312 895	33 976 210	475 289 105
Transferred to completed items	(230 058 356)	-	(230 058 356)
	621 924 645	**71 485 244**	**693 409 889**

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Total
Opening balance	293 673 625	21 997 170	315 670 795
Additions/capital expenditure	264 179 109	15 511 864	279 690 973
Transferred to completed items	(147 182 628)	-	(147 182 628)
	410 670 106	**37 509 034**	**448 179 140**

3. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Repairs and maintenance

The municipality's amount is R158,137,549 (2019-20 R 133,794,850) for the financial reporting year. In determining the repairs and maintenance amount the municipality has exclusively disclosed amounts charged by service providers.

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.

4. Intangible assets

	2021			2020		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	1 297 383	-	1 297 383	5 227 284	(3 929 901)	1 297 383

Reconciliation of intangible assets - 2021

	Opening balance	Total
Computer software, other	1 297 383	1 297 383

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Total
Computer software, other	657 949	639 434	1 297 383

Factors considered in determining assets with indefinite useful lives

- The asset could be efficiently managed by another management team
- There are not a lot of competitors or potential competitors that would be able through their action to effect the lifespan of the intangible asset
- There is very little if any maintenance expenditure associated with the intangible assets to keep deriving service potential from the intangible assets
- The useful life of the assets is not dependant on the useful life of other assets of the municipality

Pledged as security

No assets are pledged as security.

Restricted title

There are no restrictions on the title to assets.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

5. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Museum collectable, monuments and heritage sites	9 987 289	(11 980)	9 975 309	10 652 211	(559 314)	10 092 897

Reconciliation of heritage assets 2021

	Opening balance	Disposals	Disposals: Accumulated impairment	Impairment loss	Total
Museum collectable, monuments and heritage sites	10 092 897	(664 922)	559 314	(11 980)	9 975 309

Reconciliation of heritage assets 2020

	Opening balance	Impairment losses	Total
Museum collectable, monuments and heritage sites	10 652 211	(559 314)	10 092 897

Heritage assets which fair values cannot be reliably measured

A number of heritage assets were identified during the current year's verification. Although these assets were recorded in the register as required by the MFMA, the nature of the assets did not allow for values to be assigned to them. It was impracticable to do so as no fair values exists for these assets.

Pledged as security

No assets are pledged as security.

Restricted title

There are no restrictions on the title to assets.

6. Other financial assets

	2021	2020
Designated at fair value		
Investments The municipality has reclassified financial assets from amortised cost to fair value in the current year. The Sanlam Capital Guaranteed Fund is a unit trust which is comprised of stock exchange securities in which investors can buy units. The units trusts are measured at fair value using quoted market prices.	10 776 439	10 280 725
Non-current assets		
Designated at fair value	10 776 439	9 636 897
Current assets		
Designated at fair value	-	643 828

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

6. Other financial assets (continued)

Financial assets at fair value

Fair value hierarchy of financial assets at fair value

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

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

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

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

Fair values of financial assets measured or disclosed at fair value

	2021	2020
Class 1	10 776 439	10 280 725
The unit trusts are measured based on the fair value of quoted market prices.		

Fair value of financial assets measured or disclosed at fair value

	2021	2020
Sanlam Capital guaranteed fund - 040710409X0	674 682	643 828
Sanlam Capital guaranteed fund - 040644725X0	10 101 757	9 636 897
	10 776 439	**10 280 725**

7. Other receivables

	2021	2020
Loan to Klerksdorp Rolbalklub		
Short term portion of loan	35 375	29 274
Long-term portion of loan	-	32 755
	35 375	**62 029**

An existing loan to the Klerksdorp Rolbalklub is being repaid with an interest rate of 5% applicable. The MFMA stopped the practice of giving loans to sport bodies.

8. Inventories

	2021	2020
Consumable stores	29 473 242	39 754 747
Water	3 382 978	2 840 982
Fuel (Diesel, Petrol)	374 739	2 916 746
Museum stores - at authorised value	61 889	65 828
	33 292 848	**45 578 303**

	2021	2020
Inventories recognised as an expense during the year	24 175 367	28 711 630

Inventories write downs recognised as an expense during the year 2020/21 (5,968,767) and 2019/20 (R119,361).

Inventory pledged as security

No inventory is pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

9. Receivables from exchange transactions

Receivables	6 613 428	3 721 548
Impairment of other receivables	(4 274 018)	(3 509 025)
	2 339 410	**212 523**

Trade and other receivables impaired

As of 30 June 2021, trade and other receivables of R 4 274 018 (2020: R 3 509 025) were impaired and provided for.

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(3 512 424)	(2 461 962)
Provision for impairment	(794 415)	(1 050 462)
	(4 306 839)	**(3 512 424)**

10. Receivables from non-exchange transactions

Fines (statutory receivable)	68 536 449	45 870 304
Impairment of fines	(68 536 449)	(45 870 304)
	-	-

Receivables from non-exchange (statutory receivable) transactions impaired

As of 30 June 2021, other receivables from non-exchange transactions of R 68 536 449 (2020: R 45 870 304) were impaired and provided for.

The amount of the provision was R 22 666 145 as of 30 June 2021 (2020: R 6 519 382).

Reconciliation of provision for impairment of receivables from non-exchange (statutory receivable) transactions

Opening balance	(45 870 304)	(39 350 922)
Provision for impairment	(22 666 145)	(6 519 382)
	(68 536 449)	**(45 870 304)**

11. VAT receivable

Value Added Tax	182 654 104	164 901 578

12. Consumer debtors

Gross balances		
Rates (Statutory receivables)	336 873 337	268 481 320
Electricity	466 955 591	386 200 595
Water	1 851 425 324	1 513 969 133
Sewerage	246 870 105	210 910 138
Refuse	475 870 104	406 101 053
Other service charges	177 090 678	143 542 994
Value added tax on consumer debtors	445 843 326	363 015 336
Interest on overdue accounts	1 598 450 595	1 226 980 087
	5 599 379 060	**4 519 200 656**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

12. Consumer debtors (continued)

Less: Allowance for impairment		
Rates (Statutory receivables)	(303 197 590)	(240 971 185)
Electricity	(420 258 259)	(290 107 950)
Water	(1 666 346 474)	(1 314 368 970)
Sewerage	(222 191 586)	(189 299 076)
Refuse	(428 299 461)	(364 489 611)
Other service charges	(159 405 535)	(128 834 756)
Value added tax on consumer debtors	(401 274 267)	(325 818 703)
Interest on overdue accounts	(1 438 660 517)	(1 101 256 676)
	(5 039 633 689)	**(3 955 146 927)**
Net balance		
Rates (Statutory receivables)	33 675 747	27 510 135
Electricity	46 697 332	96 092 645
Water	185 078 850	199 600 163
Sewerage	24 678 519	21 611 062
Refuse	47 570 643	41 611 442
Other service charges	17 685 143	14 708 238
Value added tax on consumer debtors	44 569 059	37 196 633
Interest on overdue accounts	159 790 078	125 723 411
	559 745 371	**564 053 729**
Included in above is receivables from exchange transactions		
Electricity	44 029 791	48 269 660
Water	174 501 910	189 224 919
Sewerage	23 268 184	26 360 811
Refuse	44 852 062	50 756 939
Other service charges	16 673 334	15 300 018
Value added tax on consumer debtors	43 462 878	43 713 811
Interest on overdue accounts	150 658 348	160 734 403
	497 446 507	**534 360 561**
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates (statutory receivables)	31 751 236	29 693 168
Net balance	**529 197 743**	**564 053 729**
Rates (Statutory receivables)		
Current (0 -30 days)	28 480 184	24 092 351
31 - 60 days	12 544 110	11 089 155
61 - 90 days	9 233 368	8 485 793
91 - 120 days	286 615 675	224 814 021
Provision for bad debts	(303 197 590)	(240 971 185)
	33 675 747	**27 510 135**
Electricity		
Current (0 -30 days)	126 118 233	102 979 297
31 - 60 days	17 346 232	21 790 059
61 - 90 days	12 304 154	12 791 521
91 - 120 days	311 186 972	248 639 718
Provision for bad debts	(420 258 259)	(290 107 950)
	46 697 332	**96 092 645**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

12. Consumer debtors (continued)

Water		
Current (0 -30 days)	109 066 209	87 009 184
31 - 60 days	39 662 981	43 480 026
61 - 90 days	36 206 365	31 563 026
91 - 120 days	1 666 489 769	1 351 916 896
Provision for bad debts	(1 666 346 474)	(1 314 368 969)
	185 078 850	**199 600 163**
Sewerage		
Current (0 -30 days)	7 105 217	6 185 917
31 - 60 days	4 780 073	4 490 001
61 - 90 days	4 033 645	4 019 029
91 - 120 days	230 951 170	196 215 191
Provision for bad debts	(222 191 586)	(189 299 076)
	24 678 519	**21 611 062**
Refuse		
Current (0 -30 days)	11 288 602	10 824 345
31 - 60 days	8 364 158	8 260 623
61 - 90 days	7 747 303	7 783 525
91 - 120 days	448 470 041	379 232 560
Provision for bad debts	(428 299 461)	(364 489 611)
	47 570 643	**41 611 442**
Other services		
Current (0 -30 days)	11 434 258	5 702 417
31 - 60 days	7 751 480	13 718 554
61 - 90 days	7 907 718	1 436 455
91 - 120 days	149 997 355	122 685 568
Provision for bad debts	(159 405 668)	(128 834 756)
	17 685 143	**14 708 238**
Value added tax on consumer debtors		
Current (0 -30 days)	19 866 712	14 969 773
31 - 60 days	11 641 000	11 925 324
61 - 90 days	10 186 142	8 616 298
91 - 120 days	419 437 323	327 503 941
Provision for bad debts	(416 562 118)	(325 818 703)
	44 569 059	**37 196 633**
Interest on overdue accounts		
Current (0 -30 days)	39 365 116	33 809 064
31 - 60 days	45 214 141	30 130 887
61 - 90 days	31 598 137	30 903 335
91 - 120 days	1 482 273 140	1 132 136 801
Provision for bad debts	(1 438 660 456)	(1 101 256 676)
	159 790 078	**125 723 411**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

12. Consumer debtors (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(3 955 146 927)	(3 232 827 255)
Contributions to allowance	(1 210 701 176)	(901 724 321)
Debt impairment written off against allowance	126 214 414	179 404 649
	(5 039 633 689)	**(3 955 146 927)**

Property rates (Statutory receivable)

Included in consumer debtors above, are amounts recievable by the municipality as a result of Rates levied and billed as per the Municipal Property Rates Act No. 6 of 2004.
The rates are calculated using the value of the property and the applicable tariff which is based on the usage of the property, this will also be subject to any applicable rebates based on the nature of the consumer.

The rates receivables have been impaired collectively with other consumer debtors and a discount rate of 7% (based on the prevailing prime lending rate as at 30 June 2021) was applied to the estimated future cash flows.

Consumer debtors pledged as security

None of the consumer receivables were pledged as security for any financial liability.

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	68 500	68 500
Bank balances	3 620 314	9 517 623
Short-term deposits	238 796 561	290 991 926
	242 485 375	**300 578 049**

13. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2021	30 June 2020	30 June 2019	Cash book balances 30 June 2021	30 June 2020	30 June 2019
ABSA Bank - Cheque Account - 4060008684	406 245	400 297	389 625	406 245	400 297	389 625
ABSA Bank - Cheque Account - 01000100176	7 025 734	10 324 628	15 862 478	(475 307)	9 392 198	1 266 222
ABSA Bank - Cheque Account - 950164379 (Council water)	367 680	2 902 105	720 680	2 568 086	(2 132 186)	(1 786 726)
ABSA Bank - Cheque Account - 950000090 (Market)	970 662	1 706 688	1 532 203	970 662	1 706 688	1 532 203
ABSA Bank - 407826177 - Call Account	25 952 017	48 034 555	36 414 174	26 045 411	48 034 555	36 414 174
ABSA Bank - 4081494682 - Call	27 889 522	24 302 221	26 647 514	27 973 184	24 302 221	26 647 514
ABSA Bank - 4086111223 - Call Account	1 475 978	1 432 435	54 190 524	1 479 921	1 432 435	54 190 524
ABSA Bank - 4073033854 - Call Account	9 160 399	17 198	9 870 223	9 174 925	17 198	9 870 223
ABSA Bank - 9056825047 - Call Account	3 776 708	9 162 685	9 959 650	3 789 287	9 162 685	9 959 650
ABSA Bank - 9074204063 - Call Account	3 476 738	1 145 556	5 220 459	3 483 260	1 145 556	5 220 459
ABSA Bank - 9090072264 - Call Account	42 047 625	11 780 787	18 173 936	42 124 482	11 780 787	18 173 936
Investec Bank - 1400057452500 Call Account	6 950 101	6 723 740	6 354 116	6 950 101	6 723 740	6 354 116
FNB - 71037411669 - Collateral	51 847	49 237	45 750	51 847	49 237	45 750
Nedbank Bank - 03/7881151374 - Call Account	57 761 051	188 329 511	120 512 876	57 922 465	188 329 511	120 512 876
FNB - 70379020873 - Collateral	14 000	14 000	14 000	14 000	14 000	14 000
ABSA Bank - Call Account - 4071085841 (Housing)	152 091	150 627	147 323	150 627	150 627	148 317
FNB - 62879341700 - Call Account	59 787 675	-	-	59 787 675	-	-
Total	**247 266 073**	**306 476 270**	**306 055 531**	**242 416 871**	**300 509 549**	**288 952 863**

14. Other financial liabilities

	2021	2020
At amortised cost		
DBSA Loans	16 020 739	19 183 209
Refer to appendix A for more detail on long-term liabilities.		
Redefine	31 288 065	38 055 415
The loan is interest free and is repayable as Redifine is a municipality debtor.		
	47 308 804	**57 238 624**
Total other financial liabilities	**47 308 804**	**57 238 624**
Non-current liabilities		
At amortised cost	44 155 564	54 400 000
Current liabilities		
At amortised cost	3 153 240	2 838 624

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

15. Payables from exchange transactions

Trade payables	1 810 636 114	1 375 408 448
Payments received in advanced	75 849 217	77 899 205
Accrued leave pay	116 487 409	112 119 493
Retentions	30 976 472	20 571 571
Agency Fee Payable	70 298 284	83 499 651
Sundry creditors	14 842 795	11 226 672
Housing : Absa bank account	150 627	150 627
	2 119 240 918	**1 680 875 667**

16. Consumer deposits

Water and Electricity	38 965 147	36 633 558

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	63 120	32 360 219
Integrated National Electrification Programme (INEP)	3 315 010	90 555
Financial Management Grant (FMG)	71 140	169 250
Department of Water Affairs and Forestry (DWAF)	276 464	276 464
Water Services Infrastructure Grant (WSIG)	2 322 186	-
Expanded Public Works Programme (EPWP)	237 299	597 030
Fire Grant	557 326	557 326
Library Grant	2 391 284	1 853 918
Neighbourhood Development Partnership Grant (NDPG)	3 589 877	2 652 712
Dr Kenneth Kaunda District Municipality	213 176	213 176
Disaster Assessment Management Grant	200 000	200 000
District Grant	4 581 284	4 581 284
Museum Grant	10 221	10 035
Disaster Management Grant (COVID)	24 149 223	-
Energy Efficiency Demand Side Management (EEDSM)	731 811	106 409
	42 709 421	**43 668 378**

See note 24 for reconciliation of grants from National/Provincial Government.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

18. Employee benefit obligations

Reconciliation of employee benefit obligations -2021

Reconciliation of employee benefit obligations - 2021	Opening Balance	Additions	Utilised during the year	Total
Continuous medical aid contribution	258 886 000	43 991 000	(13 566 000)	289 311 000
Long service awards	51 467 000	8 065 000	(20 470 000)	39 062 000
	310 353 000	**52 056 000**	**(34 036 000)**	**328 373 000**

Reconciliation of employee benefit obligations - 2020	Opening Balance	Additions	Utilised during the year	Total
Continuous medical aid contribution	287 022 505	35 474 583	(63 611 088)	258 886 000
Long service awards	52 033 187	8 269 247	(8 835 434)	51 467 000
	339 055 692	**43 743 830**	**(72 446 522)**	**310 353 000**

Carrying values		
Non - current liabilities	310 998 000	290 406 000
Current liabilities	17 375 000	19 947 000
	328 373 000	**310 353 000**

Post retirement medical aid plan

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.

In accordance with the requirements of GRAP 25, the projected unit credit method has been applied. The assumption underlying the funding method is that the employer's post employment medical scheme costs in respect of an employee should be fully recognised by the time that the employee reaches fully accrued age. The valuation has been made with reference Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP 25.

Changes in the present value of the defined benefit obligation:		
Opening balance	258 886 000	287 022 505
Service cost	7 600 000	9 321 683
Interest cost	25 580 000	26 152 900
Actuarial loss/ (gain)	10 811 000	(51 111 811)
Expected contributions	(13 566 000)	(12 499 277)
	289 311 000	**258 886 000**

Key financial assumptions	2021	2020
Discount rate	9.93%	10.14%
Health care cost inflation rate	6.72%	6.24%
Net discount rate	3.01%	3.67%

Key demographic assumptions		
Average retirement age	62	62
Proportion with a spouse dependant at retirement	55%	55%
Proportion of in-service non-members joining a scheme by retirement and continuing with the subside at retirement	15%	15%
Mortality during employment	SA 85-90 light	SA 85-90 light
Mortality post- employment	PA(90) -1	PA(90) -1

18. Employee benefit obligations (continued)

Sensitivity analysis

The table below indicates, for example, that if medical inflation is one percentage point greater than the long-term assumption made, the liability will be 15% greater than that shown.

Sensitivity analysis on accrued liability	Change	Eligible employees	Continuation members	Total	% change
Central assumptions		138.561	150.750	289.311	
Health care inflation rate	+1%	167.868	164.598	332.466	15%
	-1%	115.411	138.680	254.091	-12%
Discount rate	+1%	116.201	139.109	255.310	-12%
	-1%	167.200	164.297	331.497	15%
Post employment mortality	+1 yr	134.722	145.180	279.902	-3%
	-1 yr	142.369	156.370	298.739	3%
Average retirement age	-1 yr	150.494	150.750	301.244	4%
Membership continuation	-10%	119.885	150.750	270.635	-6%

Sensitivity analysis on current- service and interest costs for the year ending 30/06/2021	Change	Current Svc. Cost	Interest cost	Total	% change
Central assumptions	-	7 600 000	25 580 000	33 180 000	-
Health care inflation rate	+1%	9 413 000	29 251 000	38 664 000	17%
	-1%	6 192 000	22 553 000	28 745 000	-13%
Discount rate	+1%	6 303 000	24 896 000	31 199 000	-6%
	-1%	9 274 000	26 294 000	35 568 000	7%
Post-employment mortality	-1 yr	7 795 000	26 387 000	34 182 000	3%
Average retirement age	-1 yr	8 163 000	26 634 000	34 797 000	5%
Membership continuation	-10%	6 088 000	23 135 000	29 223 000	-12%

Long service awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a long-service award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter, to employees. The provision is an estimate of the long-service based on historical staff turnover.

Changes in the present value of the defined benefit obligation:	2021	2020
Opening balance	51 467 000	52 033 187
Service cost	4 192 000	4 382 262
Interest cost	3 543 000	3 886 985
Actuarial loss/(gain)	330 000	(462 443)
Expected benefits	(6 381 000)	(8 372 991)
Change in earnings definition	(14 089 000)	-
	39 062 000	51 467 000
	39 062 000	**51 467 000**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

18. Employee benefit obligations (continued)

The expected vesting is the total value of the long-service awards that were expected to be awarded to eligible employees over the year, based on the data at the previous valuation date. Employees are usually entitled to take this award in whole or in part as cash, with the remainder taken as leave.

At the previous valuation, employees' costs to council were provided to determine the Rand value of the long service award provision. At this valuation, it was established that the long service award earnings definition is used in practice. The impact of this change in the long service awards earnings definition is disclosed above.

Key financial assumptions	2021	2020
Discount rate	8.98%	7.33%
General earnings inflation rate (long-term)	5.74%	3.92%
Net effective discount rate	3.07%	3.28%

Key demographic assumptions	2021	2020
Average retirement age	62	62
Mortality during employment	SA 85-90 light	SA 85-90 light

The table below indicates that if earnings inflation is one percentage point greater than the long-term assumption made, the liability will be 6% higher than the results shown.

Sensitivity analysis on the unfunded accrued liability	Change	Liability	% Change
Central assumptions		39 062 000	
General earnings inflation rate	+1%	41 375 000	6%
	-1%	36 941 000	-5%
Discount rate	+1%	36 854 000	-6%
	-1%	41 514 000	6%
Average retirement age	+2 yrs	42 984 000	10%
	-2 yrs	34 669 000	-11%
Withdrawal rates	x2	31 802 000	-19%
	x0.5	43 846 000	12%

Sensitivity analysis on current-service and interest costs for year ending 30/06/2021	Change	Current- Svc. Cost	Interest cost	Total	% change
Central assumptions		4 192 000	3 543 000	7 735 000	
General earnings inflation rate	4	4 518 000	3 722 000	8 290 000	7%
		3 899 000	3 333 000	7 232 000	-7%
Discount rate	+1%	3 925 000	3 779 000	7 704 000	0%
	-1%	4 493 000	3 269 000	7 762 000	0%
Average retirement age	+2 yrs	4 553 000	3 903 000	8 456 000	9%
	-2 yrs	3 794 000	3 135 000	6 929 000	-10%
Withdrawal rates	x2	3 121 000	2 827 000	5 948 000	-23%
	x0.5	4 955 000	4 019 000	8 974 000	16%

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

19. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Additions	Total
Environmental rehabilitation	124 485 450	2 737 600	127 223 050

Reconciliation of provisions - 2020

	Opening Balance	Additions	Total
Environmental rehabilitation	123 423 450	1 062 000	124 485 450

Environmental rehabilitation provision

In terms of the licensing of the landfill refuse sites, the municipality will incur rehabilitation costs to restore the site at the end of its useful life. Provision has been made for the net present value of this cost.

Assumption used

- The discount rate used of 9.31% is the weighted average cost of capital (WACC) calculated for both the Klerksdorp and Hartbeesfontein landfill sites.
- The scheduled dates of total closure and rehabilitation are anticipated to be between 2025 and 2038

20. Housing Project Liability

The City of Matlosana entered into a catalytic project with the department of Human Settlements (the principal) and MXN Development Construction (Pty) Ltd (the contractor) in order to make land available for development. The municipality acts as an agent in this arrangement and receives money from the department which it then uses to pay the contractor.

The municipality will benefit from the infrastructure projects and hence costs incurred as part of this arrangement are capitalised as part of infrastructure assets and the associated revenue is recognised as a donation.

Reconciliation of Amounts received from the department of Human Settlements

	2021	2020
Opening balance	174 563 618	169 062 744
Receipts	200 000 000	200 000 000
Utilised	(328 373 444)	(194 499 126)
	46 190 174	**174 563 618**

Reconciliation of the Housing project liability

	2021	2020
Amount due to the Department of Human Settlements	11 337 013	130 650 090
Amount due to MXN Development Construction	34 853 161	43 913 528
	46 190 174	**174 563 618**

21. Service charges

	2021	2020
Sale of electricity	808 902 641	778 656 965
Sale of water	653 367 941	603 420 127
Sewerage and sanitation charges	118 153 055	112 768 991
Refuse removal	140 058 153	137 032 915
	1 720 481 790	**1 631 878 998**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

22. Investment revenue

Interest revenue		
Bank	7 986 782	15 939 033
Interest charged on trade and other receivables	383 249 674	322 033 586
	391 236 456	**337 972 619**

23. Property rates

Rates received

Total rates received	425 503 361	329 582 322

Valuations

Residential	21 233 658 160	6 584 553 816
State	1 026 072 100	934 593 203
Municipal	957 243 344	730 638 615
Agricultural	2 368 036 801	1 510 722 900
Business	6 143 224 897	5 060 687 775
	31 728 235 302	**14 821 196 309**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2014. The valuations were done by DDP Valuers on behalf of the municipality.

The new general valuation was implemented on 01 July 2020.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

24. Government grants and subsidies

Operating grants

Equitable share	466 536 000	429 952 835
National: Expanded Public Works Program (EPWP)	2 451 731	1 385 970
Financial Management Grant (FMG)	2 928 859	2 510 749
Disaster Management Grant (COVID)	47 221 777	1 013 000
Library Grant	278 634	754 182
Museum Grant	199 814	197 850
	519 616 815	**435 814 586**

Capital grants

Municipal Infrastructure Grant (MIG)	105 645 349	86 428 782
Integrated National Electrification Programme Grant (INEP)	21 021 546	3 869 445
Neighbourhood Development Partnership Grant (NDPG)	49 062 835	38 147 288
Water Services Infrastructure Grant (WSIG)	18 677 814	-
Energy Efficiency Demand Side Grant (EEDS)	5 974 098	2 893 591
	200 381 642	**131 339 106**
	719 998 457	**567 153 692**

Municipal Infrastructure Grant

Balance unspent at beginning of year	32 360 219	51 505 143
Current-year receipts	75 828 000	87 489 000
Conditions met - transferred to revenue	(105 645 350)	(86 428 781)
Rollover denied	(2 479 749)	(20 205 143)
	63 120	**32 360 219**

Conditions still to be met - remain liabilities (see note 17).

The purpose of this grant is to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor house holds, micro enterprise and social institutions servicing poor communities.

Integrated National Electrification Programme Grant (INEP)

Balance unspent at beginning of year	90 555	9 794 880
Current-year receipts	24 246 000	3 960 000
Conditions met - transferred to revenue	(21 021 545)	(3 869 446)
Roll over denied	-	(9 794 879)
	3 315 010	**90 555**

Conditions still to be met - remain liabilities (see note 17).

The purpose of the grant is to implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of all existing and planned residential dwellings and the installation of relevant bulk infrastructure.

Financial Management Grant

Balance unspent at beginning of year	169 250	-
Roll over denied	(169 251)	-
Current-year receipts	3 000 000	2 680 000
Conditions met - transferred to revenue	(2 928 859)	(2 510 750)
	71 140	**169 250**

Conditions still to be met - remain liabilities (see note 17).

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

24. Government grants and subsidies (continued)

The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the municipal finance management act.

DWAF

Balance unspent at beginning of year	276 464	276 464

Conditions still to be met - remain liabilities (see note 17).

The purpose of the grant is to provide water to support economical, social and environmental sectors.

WSIG

Current-year receipts	21 000 000	-
Conditions met - transferred to revenue	(18 677 814)	-
	2 322 186	**-**

Conditions still to be met - remain liabilities (see note 17).

The purpose of the grant is to provide water services.

EPWP

Balance unspent at beginning of year	597 030	1 105 112
Current-year receipts	2 092 000	1 983 000
Conditions met - transferred to revenue	(2 451 731)	(1 385 970)
Other	-	(1 105 112)
	237 299	**597 030**

Conditions still to be met - remain liabilities (see note 17).

Fire

Balance unspent at beginning of year	557 326	557 326

Conditions still to be met - remain liabilities (see note 17).

Library

Balance unspent at beginning of year	1 853 918	1 828 100
Current-year receipts	816 000	780 000
Conditions met - transferred to revenue	(278 634)	(754 182)
	2 391 284	**1 853 918**

Conditions still to be met - remain liabilities (see note 17).

The purpose of the grant is to provide for Library Services.

NDPG Grant

Balance unspent at beginning of year	2 652 712	22 542 680
Current-year receipts	50 000 000	40 800 000
Conditions met - transferred to revenue	(49 062 835)	(38 147 288)
Roll over denied	-	(22 542 680)
	3 589 877	**2 652 712**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

24. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 17).

District MEYMP

Balance unspent at beginning of year	213 176	213 176

Conditions still to be met - remain liabilities (see note 17).

The purpose of the grant is to fund small-scale, short-term activities that address needs in your community and communities abroad. Each district chooses which activities it will fund with these grants.

Disaster Assessment Management Grant

Balance unspent at beginning of year	200 000	200 000

Conditions still to be met - remain liabilities (see note 17).

The purpose the grant is to ensure that sufficient funds are available in the event of disasters.

District Grant

Balance unspent at beginning of year	4 581 284	4 581 284

Conditions still to be met - remain liabilities (see note 17).

The purpose of the grant is to fund small-scale, short-term activities that address needs in your community and communities abroad. Each district chooses which activities it will fund with these grants.

Museum Grant

Balance unspent at beginning of year	10 035	7 885
Current-year receipts	200 000	200 000
Conditions met - transferred to revenue	(199 814)	(197 850)
	10 221	**10 035**

Conditions still to be met - remain liabilities (see note 17).

The purpose of the grant is to enable museums to focus on excellence in their programs and operations and to contribute to the understanding of the world and our place in it - our past, our present, and our future.

Disaster Assessment Management Grant (COVID)

Current-year receipts	71 371 000	1 013 000
Conditions met - transferred to revenue	(47 221 777)	(1 013 000)
	24 149 223	**-**

Conditions still to be met - remain liabilities (see note 17).

The purpose of the grant is to assist the Municipality and community in reducing

the fiinancial burden caused by the COVID 19 pandemic.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

24. Government grants and subsidies (continued)

EEDSM

Balance unspent at beginning of year	106 409	6 905 022
Current-year receipts	6 599 500	3 000 000
Conditions met - transferred to revenue	(5 974 098)	(2 893 591)
Roll over denied	-	(6 905 022)
	731 811	**106 409**

Conditions still to be met - remain liabilities (see note 17).

The purpose of the grant is to provide for electricity.

25. Revenue

Sale of goods	19 749 348	18 548 049
Rendering of services	-	1 572
Service charges	1 720 481 790	1 631 878 998
Rental of facilities and equipment	4 242 213	4 437 462
Licences and permits	8 749 133	6 146 370
Commissions received	14 934 246	10 505 057
Royalties received	45 987 959	9 618 438
Rental income	3 000 606	1 918 996
Discount received	4 848 006	4 487 436
Other income	14 518 098	7 292 604
Interest received - investment	391 236 456	337 972 619
Property rates	425 503 361	329 582 322
Indirect taxes (VAT, customs duty)	40 881 153	30 442 255
Other taxation revenue	358 314 355	190 192 689
Government grants & subsidies	719 998 457	567 153 692
Fines, Penalties and Forfeits	24 893 254	9 104 000
	3 797 338 435	**3 159 282 559**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Sale of goods	19 749 348	18 548 049
Service charges	1 720 481 790	1 631 878 998
Rendering of services	-	1 572
Rental of facilities and equipment	4 242 213	4 437 462
Licences and permits	8 749 133	6 146 370
Commissions received	14 934 246	10 505 057
Royalties received	45 987 959	9 618 438
Rental income	3 000 606	1 918 996
Discount received	4 848 006	4 487 436
Other income	14 518 098	7 292 604
Interest received - investment	391 236 456	337 972 619
	2 227 747 855	**2 032 807 601**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

25. Revenue (continued)

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

Taxation revenue		
Property rates	425 503 361	329 582 322
Indirect taxes (VAT, customs duty)	40 881 153	30 442 255
Other taxation revenue	358 314 355	190 192 689
Transfer revenue		
Government grants & subsidies	719 998 457	567 153 692
Fines, Penalties and Forfeits	24 893 254	9 104 000
	1 569 590 580	**1 126 474 958**

26. Donations Received

Heading		
Infrastructure donated from the Department of Human Settlements	287 762 544	183 410 371
Farm lands donated from Department of Human Settlements	69 860 982	5 056 044
Donation of Mini-Substation	-	321 862
Donation of Vodacom Water Sensors	-	585 200
Donation of Vodacom Electricity Sensors	544 400	765 600
Donation of Transformer Upgrade	120 000	-
Other donations	26 430	53 612
	358 314 356	**190 192 689**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

27. Employee related costs

Basic	422 103 571	405 226 527
Medical aid - company contributions	46 738 818	37 436 868
UIF	3 495 200	3 499 215
WCA	2 826 453	2 631 263
SDL	5 183 535	3 478 246
Accrued leave pay movement	4 367 917	14 039 504
Defined contribution plans	(13 566 000)	(3 177 594)
Travel, motor car, accommodation, subsistence and other allowances	12 622 933	12 861 657
Overtime payments	55 990 580	53 207 492
Long-service awards	(2 189 000)	(3 990 729)
13th Cheques	33 169 043	31 477 874
Compensation and danger allowance	9 471 375	-
Housing benefits and allowances	6 858 276	6 696 584
Professional membership fees	231 284	224 034
Pension Fund	83 593 196	80 503 929
Leave paid out	9 288 449	8 619 546
Cellphone allowance	1 007 967	1 027 328
	681 193 597	**653 761 744**

Remuneration of Municipal Manager - TSR Nkhumise

Annual Remuneration	1 208 058	1 128 288
Car and other allowances	272 160	272 160
Cellphone allowance	24 000	24 000
Contributions to UIF, Medical and Pension Funds	15 375	-
	1 519 593	**1 424 448**

TSR Nkhumise was appointed as Municipal Manager from May 2017 to date.

Remuneration of Chief Financial Officer - NM Grond

Annual Remuneration	1 001 323	385 421
Contributions to UIF, Medical and Pension Funds	10 899	2 522
	1 012 222	**387 943**

NM Grond was appointed as Chief Financial Officer from 1st of March 2020 and resigned on the 30th of April 2021.

Remuneration of acting Chief Financial Officer- TO Sekgala

Annual Remuneration	-	378 464
Car and other allowances	-	246 373
	-	**624 837**

MS TO Sekgala was the acting Chief Financial Officer from February 2019 to February 2020.

Remuneration of Director Public Safety - LJ Nkhumane

Annual Remuneration	1 099 854	1 075 694
Car Allowance	36 000	-
Contributions to UIF, Medical and Pension Funds	109 654	91 011
Other	-	2 996
	1 245 508	**1 169 701**

LJ Nkhumane was appointed as Director Public Safety from February 2018 to date.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

27. Employee related costs (continued)

Remuneration of Director Corporate Services - L Seametso

Annual Remuneration	1 221 013	1 156 263
Contributions to UIF, Medical and Pension Funds	13 548	11 471
Other	1 697	-
	1 236 258	**1 167 734**

L Seametso was appointed as Director Corporate Services from February 2018 to date.

Remuneration of Director of Local Economic Development - LL Fourie

Annual Remuneration	987 040	932 636
Car Allowance	144 000	144 000
Other	-	8 476
Performance Bonuses	202 722	89 906
	1 333 762	**1 175 018**

LL Fourie was appointed as the Director of Local Economic Development from the 1st of March 2019 to date.

Remuneration of Director Planning and Human Settlements - BB Choche

Annual Remuneration	1 213 589	1 136 505
Car Allowance	240 000	240 000
Contributions to UIF, Medical and Pension Funds	15 018	12 886
Other	-	3 032
	1 468 607	**1 392 423**

BB Choche has been appointed as the Director of Planning and Human Settlements from the 1st of March 2019.

Remuneration of Director Technical and Infrastructure - R Madimutsa

Annual Remuneration	1 309 589	1 232 505
Car Allowance	144 000	144 000
Contributions to UIF, Medical and Pension Funds	15 018	13 221
Other	-	21 810
	1 468 607	**1 411 536**

R Madimutsa has been appointed as Director Technical and Infrastructure from February 2018 to date.

Remuneration of Director Community Development - MM Molawa

Annual Remuneration	982 608	927 799
Car Allowance	144 000	144 000
Contributions to UIF, Medical and Pension Funds	213 768	94 690
Other	-	1 495
	1 340 376	**1 167 984**

MM Molawa was appointed as Director Community Development from February 2018 to date.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

27. Employee related costs (continued)

Remuneration of acting chief financial officer - BO Kgoete

Annual Remuneration	159 962	-
Car and other Allowance	29 351	-
Contributions to UIF, Medical and Pension Funds	59 400	-
	248 713	**-**

BO Kgoete was appointed acting Chief Financial Officer from May 2021 to date.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

28. Remuneration of councillors

Executive Major	1 127 727	1 051 128
Speaker	913 314	849 782
Councillors	34 454 469	32 674 291
	36 495 510	**34 575 201**

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has the use of a council owned vehicle for official duties.

The Executive Mayor has one full-time bodyguard/driver.

The salaries, allowances and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

Remuneration of Executive Mayor - ME Kgaile

Annual Remuneration	709 086	656 562
Councillors pension contributions	102 424	98 484
Cellphone allowance	44 400	44 400
Travel Allowance	271 817	251 682
	1 127 727	**1 051 128**

ME Kgaile became the Mayor from August 2016 to date.

Remuneration of Speaker - RW Ntozini

Annual Remuneration	554 496	507 969
Councillors pension contributions	79 685	78 787
Cellphone allowance	44 400	44 400
Contributions to UIF, Medical and Pension Funds	17 280	17 280
Travel Allowance	217 453	201 345
	913 314	**849 781**

Remuneration of the Chief Whip - MV Chinga

Annual Remuneration	507 146	492 420
Councillors pension contributions	73 117	78 846
Cellphone allowances	44 400	44 400
Travel Allowance	194 406	188 761
	819 069	**804 427**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

28. Remuneration of councillors (continued)

Remuneration of Councillors and Mayoral Committee Members

Annual Remuneration	20 076 965	19 847 536
Councillors pension contributions	1 802 086	1 640 804
Cellphone allowances	3 259 700	3 326 300
Medical aid contribution	328 320	328 320
Travel Allowance	8 111 642	7 270 768
	33 578 713	**32 413 728**

29. Depreciation and amortisation

Property, plant and equipment	391 923 365	393 232 097

30. Impairment of assets

Impairments		
Property, plant and equipment The assets that were impaired can be summarized as follow: For immovable assets (Infrastructure etc) the impairment was triggered by a change in the condition. For moveable assets, the impairment was triggered, either by a condition change during the physical verification, and or through the impairment of all moveable assets that could not physically be verified during this years physical verification, and with the intention of disposing these assets in line with the updated asset policy in the next financial year should these assets still not be verified during next years physical verification.	25 617 744	19 460 192
Heritage assets For heritage assets, the impairment was triggered, either by a condition change during the physical verification, and or through the impairment of all heritage assets that could not physically be verified during this years physical verification.	11 980	559 314
	25 629 724	**20 019 506**

31. Finance costs

Interest on employee benefits	29 123 000	30 039 885
Non-current borrowings	1 883 367	2 292 288
Interest on landfill site	2 737 600	-
Other interest paid	69 050 844	76 883 428
	102 794 811	**109 215 601**

32. Rental and lease expenditure

Lease of refuse removal trucks	8 318 016	11 493 202
Lease of printing equipment	11 555 241	12 625 527
Hire of Plant and Equipment	65 300 654	55 732 014
	85 173 911	**79 850 743**

33. Debt impairment

Impairment of receivables from exchange transactions	764 993	1 050 462
Impairment of consumer debtors	1 126 048 453	827 441 709
Impairment of receivables from non-exchange transactions	22 666 145	6 519 382
	1 149 479 591	**835 011 553**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

34. Bulk purchases

Electricity	746 597 082	691 072 797
Water	369 212 876	339 087 647
	1 115 809 958	**1 030 160 444**

Electricity (losses in units)	200 802 291	173 025 441
Electricity (losses as %)	34%	29%
Water (losses in units)	14 776 983	11 549 714
Water (losses as %)	42%	34%

Electricity and water are supplied by Eskom and Midvaal Water Company.

The municipality is in the process of installing meters at all its premises to enable us to accurately measure and manage own use. A strategy has been developed to minimise distribution losses and it will be implemented over time due to budget constraints.

35. Contracted services

Financial and Asset Management Services	12 698 687	11 846 015
Debt collection and Meter reading Services	26 025 306	17 496 236
Security Services	36 281 144	33 942 771
Other Contractors	5 482 783	12 620 258
	80 487 920	**75 905 280**

Contracted services are mandated services in terms of the Local Government : Municipal Structures Act 117 of 1998, a municipal by-law or the Integrated Development Plan that the municipality is expected to have the capacity and expertise to deliver but are being outsourced instead.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

36. General expenses

Advertising	1 040 112	1 873 698
Auditors remuneration	8 376 874	7 526 807
Bank charges	8 526 514	9 133 930
Casual workers	9 226 000	8 654 000
Cleaning	689 268	27 200
Commission paid	15 808 087	14 307 208
Community development and training	404 765	186 934
Legal and professional fees	44 430 335	15 313 320
Consumables	4 046 144	7 537 397
Discount allowed	760 923	892 638
Entertainment	1 308 242	6 413 556
Indigent costs	34 620 464	28 435 222
Insurance	16 286 806	11 777 967
VIP Toilets	8 067 689	-
Marketing	553 837	1 419 316
Medical expenses	474 404	558 695
Meter readings	1 663 925	1 339 125
Motor vehicle expenses	19 968 031	13 638 643
Other miscellaneous	9 206 168	7 098 278
Postage and courier	3 070 509	4 974 274
Printing and stationery	4 752 913	3 733 363
COVID related expenses	1 811 088	-
Protective clothing	4 652 846	6 514 782
Research and development costs	80 808	95 174
Refuse	-	1 062 000
Royalties and license fees	1 134 692	995 914
Subscriptions and membership fees	7 126 189	6 111 336
Telephone and fax	6 001 923	5 783 041
Title deed search fees	224 730	241 609
Training	206 363	688 311
Transport and freight	17 601	158 062
Traffic fines management	91 162	-
	214 629 412	**166 491 800**

37. Revenue loss

Income loss

Total loss incurred	9 836 700	11 573 029

These revenue losses relate to monies that were misappropriated from the market and there is an investigation currently ongoing from the HAWKS to identify and charge the responsible parties.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

38. Cash generated from operations

Deficit	(260 231 601)	(363 652 832)
Adjustments for:		
Depreciation and amortisation	391 923 365	393 232 097
Gain on sale of assets and liabilities	21 746 006	18 278 238
Fair value adjustments	(495 714)	(605 832)
Impairment loss on PPE	25 629 724	20 019 506
Debt impairment	1 149 479 591	835 011 553
Non cash donations	(358 314 355)	(190 192 689)
Employee benefits	18 020 000	(28 702 690)
Movements in provisions	2 737 600	1 062 000
Movement in leave accrual	4 367 916	14 039 504
Wild stock adjustment	(176 545)	191 425
Stock adjustment	5 527 972	(99 231)
Changes in working capital:		
Inventories	6 757 483	4 614 000
Receivables from exchange transactions	(2 891 880)	1 885 210
Consumer debtors	(1 121 740 095)	(926 047 742)
Other receivables from non-exchange transactions	(22 666 145)	(6 519 382)
Other receivables	26 654	22 386
Payables from exchange transactions	433 997 331	445 754 482
VAT	(17 752 526)	(43 513 143)
Unspent conditional grants and receipts	(958 957)	(55 848 694)
	274 985 824	**118 928 166**

39. Other revenue

Agency Fees	14 934 246	10 505 057
Connections and Reconnection fees	45 987 959	9 618 438
Rental income	3 000 606	1 918 996
Discount received	4 848 006	4 487 436
Other income	14 518 098	7 292 604
	83 288 915	**33 822 531**

40. Auditors' remuneration

Fees	8 376 874	7 526 807

41. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	9 975 309	-	9 975 309
Receivables from exchange transactions	-	2 339 410	2 339 410
Other receivables	-	35 375	35 375
Consumer debtors	-	559 745 371	559 745 371
Cash and cash equivalents	-	242 485 375	242 485 375
Eskom deposits	-	37 830 777	37 830 777
	9 975 309	**842 436 308**	**852 411 617**

Financial liabilities

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

41. Financial instruments disclosure (continued)

	At amortised cost	Total
Consumer deposits	38 965 147	38 965 147
Other financial liabilities	47 308 804	47 308 804
Trade and other payables from exchange transactions	2 119 240 916	2 119 240 916
Department of Local Government and Human Settlements	46 190 174	46 190 174
	2 251 705 041	**2 251 705 041**

2020

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	10 280 725	-	10 280 725
Receivables from exchange transactions	-	212 523	212 523
Other receivables	-	62 029	62 029
Consumer debtors	-	564 053 729	564 053 729
Cash and cash equivalents	-	300 578 049	300 578 049
Eskom deposits	-	37 076 362	37 076 362
	10 280 725	**901 982 692**	**912 263 417**

Financial liabilities

	At amortised cost	Total
Consumer deposits	36 633 558	36 633 558
Other financial liabilities	57 238 624	57 238 624
Trade and other payables from exchange transactions	1 680 875 670	1 680 875 670
Department of Local Government and Human Settlements	174 563 618	174 563 618
	1 949 311 470	**1 949 311 470**

42. Commitments

Authorised capital expenditure

	2021	2020
Already contracted for but not provided for		
• Property, plant and equipment	246 880 215	201 524 714
Total capital commitments		
Already contracted for but not provided for	246 880 215	201 524 714

This committed expenditure relates to plant and equipment and will be financed by National Treasury.

Operating leases - as lessee (expense)

	2021	2020
Minimum lease payments due		
- within one year	12 280 359	23 994 778
- in second to fifth year inclusive	10 428 897	25 741 479
	22 709 256	**49 736 257**

Operating lease payments represent rentals payable by the municipality for photocopiers and refuse trucks. Leases are negotiated for an average term of three years. No contingent rent is payable.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

43. Going concern

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

We draw attention to the fact that at 30 June 2021, the municipality reported an operating deficit of R235 960 542 and at this date the municipality's total current liabilities exceeded its total current assets by R1 247 081 417. The municipality also impaired 90% of its current debtors due to poor revenue collection. These factors causes uncertainty relating to the municipalities' ability to operate as a going concern.

The municipality plans to address the above cash flow shortages through enhanced revenue collection and a resultant consistency in the payment of creditors, when they become due.

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

44. Events after the reporting date

There were no material events that required an adjustment to the annual financial statements after the reporting date.

45. Unauthorised expenditure

Opening balance	2 590 381 551	2 046 897 086
Unauthorised expenditure current year	642 450 889	543 484 465
	3 232 832 440	**2 590 381 551**

The over expenditure for the 2021 financial year is primarily due the impairment on the consumer debtors, revenue loss and bulk purchases. The total balance including the opening balance will be dealt with in accordance with the MFMA requirements. No criminal or disciplinary steps have been taken.

Unauthorised expenditure incurred in the 2021 financial year relates to the following:

Budget and treasury office	121 636 311	364 004 697
City electrical engineering	161 558 868	-
Cleansing	12 551 941	16 526 122
Community services	29 821 691	33 389 440
Council general	-	4 505 512
Market	10 394 842	20 703 970
Public safety	92 645 957	5 491 495
Sewerage	24 207 409	-
Sports Arts and Culture	393 120	-
Water section	189 240 749	98 863 229
	642 450 888	**543 484 465**

46. Fruitless and wasteful expenditure

Opening Balance Fruitless and wasteful expenditure	338 257 965	272 673 138
Current year fruitless and wasteful	274 306	65 584 827
Write off of fruitless and wasteful by council	(253 026 001)	-
	85 506 270	**338 257 965**

The municipality incurred interest ,fines and penalties for late payment of the Eskom, SARS, Midvaal and Auditor General accounts. No disciplinary action has been taken as the expenses are a result of cashflow constraints.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

47. Irregular expenditure

Opening balance	3 198 457 848	2 996 800 916
Add: Irregular Expenditure - current year	329 356 553	178 714 804
Irregular expenditure identified in the current year relating to prior periods	137 526 988	-
Add: Correction of error - Irregular expenditure omitted in 2020	-	22 942 128
	3 665 341 389	**3 198 457 848**

Analysis of expenditure awaiting condonation per classification

Bid composition not constituted	34 015 567	80 460 100
Order splitting	8 179 212	6 772 291
Three quotes not attached	925 165	1 121 056
Non disclosure of interest	14 248 325	3 675 822
No seven days advertisement	9 513 728	7 638 232
Regulation 32 appointment	5 032 804	4 145 253
Contravention of SCM Regulation 36	13 029 938	5 988 459
Contravention of SCM Policy	214 278 832	50 424 843
Contracts expired	24 772 910	41 430 877
Tenders not advertised for the minimum period required	142 887 060	-
	466 883 541	**201 656 933**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

47. Irregular expenditure (continued)

Contracts under review for potential non-compliance with procurement laws and supply chain regulations (with expenditure to-date)

COM/SCM/T/36/2019/2020	Appointment of multiple service providers for hire of plant and equipment on as and when required basis for a period of 36 months	36 585 311
COM/SCM/T/08/2020/2021	Appointment of service providers for VAT review and recovery in the City of Matlosana for a period of 36 months	27 899 583
COM/SCM/T/31/2019/2020	CONSTRUCTION OF 11KV FEEDER LINE FOR ALABAMA SUBSTATION EXTENSION 4 & 5 EFFECTIVE 12/10/2020	2 433 628
COM/SCM/T/35/2019/2020	ELECTRIFICATION OF ALABAMA EXTENSION 5 PHASE 1-KLERKSDORP EFFECTIVE 09/09/2020	12 074 462
COM/SCM/T/18/2019/2020	UPGRADING OF MECHANICAL AND ELECTRICAL EQUIPMENT IN KANANA PHASE 1 EFFECTIVE 14/09/2020	6 922 084
COM/SCM/T/35/2019/2020	SUPPLY AND DELIVERY OF PLASTIC REFUSE REMOVAL BINS WITH LOOSE LIDS FOR A PERIOD OF THREE YEARS ON AS AND WHEN REQUIRED BASIS EFFECTIVE 15/02/2021	1 552 500
COM/SCM/T/33/2020/2021	CONSTRUCTION OF VIP LATRINES IN KOSH PHASE 1 EFFECTIVE 09/03/2021	15 710 637
COM/SCM/T/31/2020/2021	REFURBISHMENT OF WATER PUMP STATIONS AND RESERVOIRS EFFECTIVE 23/03/2021	35 997 618
COM/SCM/T/40/2020/2021	APPOINTMENT OF SERVICE PROVIDER FOR RISK MANAGEMENT AND INSURANCE FOR A PERIOD OF THIRTY-SIX (36) MONTHS EFFECTIVE 21/06/2021	18 552 038
COM/SCM/T/51/2020/2021	SUPPLY AND ERECTION OF 358 MESH FENCING AROUND STILFONTEIN EFFECTIVE 24/06/2021	480 000
		158 207 861

Disciplinary steps taken/criminal proceedings

No disciplinary action has been taken as investigations are in progress for all irregular expenditure.

Additional Note
Irregular expenditure is calculated inclusive of VAT while the figures disclosed above have been presented in this set of AFS exclusive of VAT.

Figures in Rand	2021	2020

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2021	2020
Opening balance	22 688 975	19 328 604
Current year subscription / fee	7 126 189	7 354 357
Prior period adjustment	-	(1 000 000)
Amount paid - current year	(7 000 000)	(2 993 986)
	22 815 164	**22 688 975**

Audit fees

	2021	2020
Opening balance	2 696 169	1 340 381
Current year subscription / fee	9 817 149	4 740 575
Amount paid - current year	(6 689 361)	(3 384 787)
	5 823 957	**2 696 169**

PAYE,SDL and UIF

	2021	2020
Opening balance	7 220 535	6 932 604
Current year subscription / fee	100 088 958	84 949 032
Amount paid - current year	(99 347 440)	(84 661 101)
	7 962 053	**7 220 535**

Pension and Medical Aid Deductions

	2021	2020
Opening balance	13 595 987	13 270 596
Current year subscription / fee	219 759 634	213 663 639
Amount paid - current year	(219 704 771)	(213 338 248)
	13 650 850	**13 595 987**

The prior year amount for pension and medical aid deduction paid was incorrectly disclosed as R239 593 528 and the amount for the 2020 subscription was disclosed as R239 919 785, this consequently led to the overstatement of the forementioned amounts by R8 102 285 and R7 702 315 respectively.

VAT

	2021	2020
VAT receivable	182 654 104	164 901 578

Councillors' arrear consumer accounts

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

30 June 2021	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Sithole SL	974	26 480	27 454
Councillor Qankase VS	-	21 781	21 781
Councillor Mophethe LE/MV	27 277	-	27 277
Councillor Bogatsu SPJ/MM	12 894	17 799	30 693
Councillor Nani SH	11 787	33 323	45 110
Councillor Mosweu ME	19 698	-	19 698
Councillor Matetoane NI	16 302	8 249	24 551
Councillor Burrell BR/KC	2 893	8 335	11 228
Councillor Methi HL	5 743	29 793	35 536
Councillor Mqikela G	8 094	11 249	19 343

Notes to the Annual Financial Statements

Figures in Rand		2021	2020

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

Councillor Ndela N	941	73 909	74 850
Councillor Ponisi RK	1 652	10 101	11 753
Councillor Thaba ME	3 863	22 958	26 821
Councillor Magwaca XS/KM	2 158	8 173	10 331
Councillor Moeng PN	-	137	137
Councillor Mongale SD & JP	-	727	727
	114 276	**273 014**	**387 290**

30 June 2020	**Outstanding less than 90 days R**	**Outstanding more than 90 days R**	**Total R**
Councillor Bogatsu SPJ	12 894	17 799	30 693
Councillor Burrell BR/KC	4 200	11 397	15 597
Councillor Matetoane NI	16 307	31 595	47 902
Councillor Methi HL	544	5 712	6 256
Councillor Methi HL	1 097	15 556	16 653
Councillor Mosweu ME	19 698	16 640	36 338
Councillor Mqikela G	8 094	11 249	19 343
Councillor Nani SH	11 787	33 323	45 110
Councillor Ndela N	941	73 909	74 850
Councillor Ponisi RK	1 031	10 101	11 132
Councillor Qankase J	824	32 781	33 605
Councillor Sithole SL	974	26 480	27 454
Councillor Moeng PN	815	137	952
Councillor Mophethe LE/MV	27 277	-	27 277
Councillor LE Grange JJ	5 190	-	5 190
Councillor Ross KL/WAJ	856	-	856
	112 529	**286 679**	**399 208**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2021	**Highest outstanding amount**
Councillor Bogatsu SPJ	15 951
Councillor Burrell BR/KC	10 311
Councillor Magwaca XS/KM	651
Councillor Melete NG	10 281
Councillor Matetoane NI	38 691
Councillor Methi HL	14 329
Councillor Moeng PN	137
Councillor Mongale SD & JP	727
Councillor Mophethe LE/MV	24 323
Councillor Mosweu ME	15 153
Councillor Mqikela G	11 249
Councillor Nani SH	33 238
Councillor Ndela N	67 429
Councillor Nongqayi PT&S	25 000
Councillor Ntaopane NB/MA	21 524
Councillor Thaba ME	3 393
Councillor Ntozini RW	3 052
Councillor Ponisi RK	9 420
Councillor Qankase J	29 117
Councillor Sithole SL	24 406
	358 382

Figures in Rand	2021	2020

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

30 June 2020

	Highest outstanding amount
Councillor Nani SH	45 111
Councillor Methi HL	22 909
Councillor Ponisi RK	11 132
Councillor M Coetzee	-
Councillor Mqikela G	19 343
Councillor Matetoane NI	47 902
Councillor JS Tsabedze	-
Councillor JP Mongale	-
Councillor Moeng PNJ	953
Councillor Mosweu ME	36 338
Councillor Bogatsu SPJ	30 693
Councillor PA Hlekiso	-
Councillor Shuping	-
Councillor ME Molete	-
Councillor M Babuile	-
Councillor Sithole SL	-
Councillor PM Molotsi	-
Councillor N Ndela	74 850
Councillor J Qankase	33 605
Councillor SL Sithole	27 454
Councillor LE/MV Mophethe	27 277
Councillor BR/KC Burrell	15 598
Councillor LE Ross	856
	394 021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

49. Contingent assets and liabilities

The certainty and timing of the of the outflow of economic resources related the contingent liabilities listed below is uncertain. The amounts listed below have been provided by the legal experts handling the respective cases and it was deemed impracticable to include the legal costs to be incurred due to the complicated nature of the cases they are handling and uncertainty of the time frames required to conclude these cases.

There is no possibility of any reimbursement for the cases listed below.

	2021	2020
Owamajola / City of Matlosana The plaintiff sued the City of Matlosana for service rendered and a counterclaim was instituted	3 709 727	3 709 727
HL MATLALA T\ A GOROGANG PLANT HIRE / City of Matlosana Gorogang terminated its agreement with the City of Matlosana and issued summons claiming for the amount of R1572 713.20 The City of Matlosana has a Counter claim R14 154 418.77.	14 154 419	14 500 000
City of Matlosana / Munmap (Pty) Ltd Maximum Profit Recovery (Pty) Ltd The City of Matlosana wrongfully paid R1 300.000.00 to Munmap after realising the mistake that was done, the City of Matlosana instituted legal action against Munmap to recover R1 300.000.00. The Attorneys report that they are still following the matter with the sheriff's board	1 255 516	655 516
Isago at N12 Development / City of Matlosana, Abacus Asset Management And Sanral Isago owes the municipality for the outstanding bulk municipal services to be installed which Isago failed to install by contractual agreement agreed date. The matter is currently suspended until further notice.	19 315 132	19 315 132
City of Matlosana / Great Champs Trading GREAT CHAMPS TRADING (GCT) is a former tenant of the Municipality. It occupied premises belonging to the Municipality at the Matlosana Market. GTC have an outstanding debt arising from occupancy of rental space from the Municipality market.	76 639	76 693
City of Matlosana / Badiboa Tender paving of taxi routes and storm water drainage contract cancelled by City of Matlosana due to Badiboa failing to progress with the contract.	1 500 000	1 500 000
City of Matlosana / Mr Masisi City of Matlosana sued Mr Masisi for fruitless and wasteful expenditure	2 887 462	2 887 462
City of Matlosana / Isago at N12 Development Failure to repay security fee to the City of Matlosana which was paid to Eskom on the start up of the Gumtress electrical substation.	10 000 000	10 000 000
City of Matlosana/ ISAGO at N12 Development A This matter relates to the account and rebate of profits gained as the result of the sales of land in Ext 38 next to Matlosana Mall. This matter is suspended until further notice.	24 000 000	24 000 000

City of Matlosana / IMATU

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
49. Contingent assets and liabilities (continued)		
This matter relates to o.b. V.E Mqobongo Mqobongo/Case No : JR 1099/16. The case was concluded in the current year.	-	500 000
City of Matlosana/ M Muianga		
Eviction and cancellation of lease agreement. The case has been settled.	-	19 565
Contingent liabilities		
	-	-
Owamajola Trading Enterprises JV// City of Matlosana		
Issued summons against the municipality for alleged damages suffered for being appointed for the disconnection and reconnection of electricity supply to defaulters for a period of R36 months and not receiving an instruction from the Municipality.	300 000 000	-
Mataka & Morathi Attorneys/ Matlosana Local Municipality - Case No: 2334/15		
Litigation and claims between the plaintiff and the municipality for non- payment of services allegedly rendered.	84 200	84 200
Owamajola / City of Matlosana		
The plaintiff sued the City of Matlosana for non-payment for services rendered.	3 396 512	3 396 512
CITY OF MATLOSANA LOCAL MUNICIPALITY / CARPET WORX C.C. – CASE NO: 5578/2018		
Attorneys have received expert notice and summary in terms of rule 24(9) (9) and (b). This matter has been settled.	-	26 041
CITY OF MATLOSANA & OTHER / D & K PROJECTS FINANCE (PTY) LTD		
Litigation matter- Mahikeng- case number : 03/2020. The plaintiff's attorneys of record served a Notice of Withdrawal as Attorneys of Record. To date, no Notice of appearance of Record filed by an alternative legal practitioner has been received, therefore no contingent liability is raised as at 30 June 2021.	-	3 154 179
Nicolaas Johannes Myburg / City of Matlosana		
Damages to his property due to fire outbreak after the fire brigade reacted to his call and arrived after their equipment malfunctioned.	1 007 879	1 007 879
City of Matlosana / QCK LEZMIN 4251CC		
Council wrongfully sold land that belongs to a private owner to QCK Lezmin and QCK Lezmin is suing Council. The matter was settled and therefore no contingent liability will be raised as at 30 June 2021.	-	1 468 120
SO MATSHIDISO // CITY OF MATLOSANA		
Action instituted against the Municipality for alleged damages for potential loss of profits as a result of the municipality alleged failure to appoint the plaintiff as a service provider following the advertisement of the tender.	63 447 354	63 447 354
City of Matlosana / Bakgeni Civils & Construction		
Arbitration award for non monetary claim to supplier	171 000	171 000
P&S Basson / City of Matlosana		
A summons was brought against the Council for psychological shock and emotional shock by the Plaintiffs.	283 200	283 200

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

49. Contingent assets and liabilities (continued)

HIGH COURT - OPPOSING MATTER
CITY OF MATLOSANA / TSHIRELETSO PROFESSIONAL SERVICES CC
(LITIGATION MATTER- MAHIKENG- CASE NUMBER : KP 87/18)

	2021	2020
Tshireletso sue the municipality an amount stated. The matter was resolved and therefore no contingent liability is raised in the current year.	-	1 518 858

Ke A Dira Construction CC / City of Matlosana

	2021	2020
Council is defending summons brought against the Council by the plaintiff for losses alleged to have been experienced due to the revision of tender FS 1/2011.	17 391 228	17 391 228

HL MATLALA T\ A GOROGANG PLANT HIRE / City of Matlosana

	2021	2020
Goragang terminated its agreement with the City of Matlosana and issued summons claiming the amount stipulated.	1 572 713	1 572 713

Ndabangaungue S (plaintiff) / City of Matlosana (defendant)

	2021	2020
Summons was issued against the Council as well as Mr VW Sofe who is employed by the City of Matlosana as a traffic officer, for the alleged unlawful arrest	150 000	150 000

City of Matlosana / MR M Seero

	2021	2020
Mr Seero instituted action against the employer for damages suffered due to alleged occupational detriment.	5 000 000	5 000 000

Itumre Building Supply CC / City of Matlosana

	2021	2020
The City of Matlosana is defending the matter. The case of action started during 2011	563 816	563 816

OWAMAJOLA TRADING / CITY OF MATLOSANA

	2021	2020
Alleged unlawful termination of a Service Level Agreement.	110 587 932	110 587 932

City of Matlosana/Diggers Development

	2021	2020
Diggers Development is claiming the amount based on the allegations that the municipality over billed them for water services	4 325 232	4 325 232

Moore Stephens/ City of Matlosana

	2021	2020
The plaintiff's institution legal process against the City of Matlosana for payment for service rendered. This matter was settled and will therefore not be a contingent liability in the current year	5 108 173	5 108 173

City of Matlosana / S.J Khabu

	2021	2020
The City of Matlosana is sued for the death of a contractor on site.The contractor was engulfed by the top soil while repairing a pipe and died as a result.	1 500 000	1 500 000

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
49. Contingent assets and liabilities (continued)		
City of Matlosana / Bonang Trading Developments		
Breach of contract on training contract of ward members, The company has been liquidated, the owner of the company has passed on, rescission of the liquidation has not been filed. The attorneys shall determine if the liquidator still persist with the claim.	1 015 000	1 015 000
Imvula Roads and Civil / City of Matlosana		
The claimant instituted legal action against the City of Matlosana for services rendered	268 383	268 383
Henry Tsheopo Molaoa (plaintiff) // City of Matlosana (defendant)		
Summons was issued against the Council as well as Mr TT Tlholatlung, who is employed by the City of Matlosana as a traffic officer for the alleged unlawful arrest	150 000	150 000
MMT MT Trading Enterprise// City of Matlosana		
The Plaintiff's issued summons for services rendered against City of Matlosana	1 100 000	1 100 000
City of Matlosana // VM Tlaphisi		
VM Tlaphisi instituted summons to City of Matlosana	810 000	810 000
Kgwadi ya Madiba JV//City of Matlosana		
Claimant referred the dispute matter for adjudication relating to breach of contract and repudiation and respect of contracts for construction of Jouberton taxi rank	57 715 367	-
Vesta Technical Services (Pty) Ltd / City of Matlosana		
The claimant instituted legal action against the City of Matlosana for a cancelled service level agreement which the City is defending due to non functionality of the system the service provider had implemented.	15 080 630	15 080 630
City of Matlosana // Khuma councillors & Mr Morebudi		
Various combined summons	15 130 090	-
IMIC Investments (Pty) Ltd / City of Matlosana		
The claimant instituted legal action against the City of Matlosana.The claim is based on material that was purchased by three contractors on a Council Project (Bucket Eradication Programme).	329 536	329 536
Murray & Dickson Construction (Pty) Ltd / City of Matlosana Local Municipality		
Dispute for adjudication relating to extension of time for the works .	3 080 670	-
City of Matlosana / MS MOKAKE		
Litigation matter- Mahikeng- case number : M197/20. This matter is areview application and there is therefore no contingent liability.	-	100 000
Aqua Transport / City of Matlosana		
Action by Aqua Transport demanding payment for alleged breach of contract.	11 337 551	-

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

50. Change in estimate

Property, plant and equipment

The change in estimated useful lives of various assets of the municipality has resulted in the following decreases in depreciation for the mentioned categories for the financial year.

Property, plant and equipment

The change in estimated useful lives of various assets of the municipality has resulted in the following decreases in depreciation for the mentioned categories for the financial year.

	2021	2020
Buildings	204 310	-
Infrastructure - Roads and storm water	6 767 159	18 336 933
Infrastructure - water and sewer	1 424 374	1 563 566
Infrastructure - Electricity	776 647	2 854 707
Other property, plant and equipment	3 133 123	2 646 482
	12 305 613	**25 401 688**

51. 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 and includes a note to the annual financial statements.

Emergencies	3 602 338	6 189 006
Impractical and impossible to follow SCM processes	33 572	-
	3 635 910	**6 189 006**

52. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

52. Prior-year adjustments (continued)

Statement of financial position

2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Inventories		45 764 513	(186 210)	-	45 578 303
Receivables from exchange transactions		4 781 713	(4 569 190)	-	212 523
VAT receivable		195 040 276	(30 138 698)	-	164 901 578
Investment property		257 100 275	2 269 746	-	259 370 021
Property, plant and equipment		4 688 571 708	313 198 735	-	5 001 770 443
Heritage		9 941 212	151 685	-	10 092 897
Payables from exchange transactions		(1 805 993 888)	125 118 218	-	(1 680 875 670)
Employee Benefits		-	(120 168)	(310 232 834)	(310 353 002)
Department of Local Government and Human Settlements		-	(174 563 618)	-	(174 563 618)
Other financial liabilities		(82 049 249)	27 649 249	-	(54 400 000)
Provisions		(434 718 284)	-	310 232 834	(124 485 450)
Accumulated Surplus		(3 710 641 395)	(258 809 749)	-	(3 969 451 144)
		(832 203 119)	**-**	**-**	**(832 203 119)**

Statement of financial performance

2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Service Charges		1 626 428 016	5 450 982	-	1 631 878 998
Indemnity Income		-	3 666 340	-	3 666 340
Other income		9 239 965	(1 126 266)	-	8 113 699
Interest received		369 020 706	-	(31 048 087)	337 972 619
Interest from Property Rates		-	-	30 442 255	30 442 255
Property rates		334 342 738	(4 760 416)	-	329 582 322
Donations received		6 726 274	183 466 415	-	190 192 689
Employee related costs		(643 219 203)	(10 542 541)	-	(653 761 744)
Remuneration of councillors		(34 588 007)	12 806	-	(34 575 201)
Depreciation and amortisation		(388 912 965)	(4 319 131)	-	(393 232 096)
Impairment loss		(23 032 668)	3 013 162	-	(20 019 506)
Finance costs		(79 008 903)	(30 206 698)	-	(109 215 601)
Rental of equipment and lease expenditure		(61 359 119)	(18 491 624)	-	(79 850 743)
Repairs and maintenance		(135 693 451)	(11 227 429)	-	(146 920 880)
Contracted services		(49 469 589)	(26 435 691)	-	(75 905 280)
General expenditure		(222 252 991)	37 482 953	18 278 238	(166 491 800)
Loss on disposal of assets and liabilities		-	-	(18 278 238)	(18 278 238)
Fair value adjustments		-	-	605 832	605 832
Actuarial gains/losses		-	51 574 254	-	51 574 254
Inventory losses / write-downs		-	(119 361)	-	(119 361)
Surplus/ (Deficit) for the year		**708 220 803**	**177 437 755**	**-**	**885 658 558**

52. Prior-year adjustments (continued)

Cash flow statement

2020

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Sale of goods and services		1 338 942 378	181 710 668	1 520 653 046
Interest income		57 231 467	(605 832)	56 625 635
Other receipts		60 030 726	(4 345 434)	55 685 292
Employee costs		(692 470 398)	11 004 636	(681 465 762)
Suppliers		(1 012 270 615)	(256 511 923)	(1 268 782 538)
Finance costs		(79 008 903)	895 186	(78 113 717)
VAT received		(73 651 814)	76 782 682	3 130 868
		(401 197 159)	**8 929 983**	**(392 267 176)**
Cash flow from investing activities				
Purchase of property, plant and equipment		(87 638 033)	(16 897 692)	(104 535 725)
Purchase of investment property		-	(2 899 410)	(2 899 410)
Movement in financial assets		24 394 168	605 832	25 000 000
		(63 243 865)	**(19 191 270)**	**(82 435 135)**
Cash flow from financing activities				
Movement in other financial liabilities		(18 540 068)	4 760 415	(13 779 653)
Net receipts from Human Settlements		-	5 500 872	5 500 872
		(18 540 068)	**10 261 287**	**(8 278 781)**

Notes to the Annual Financial Statements

53. Prior period errors

Error 1:
In the prior tear, the sale of land register included amounts linked to properties that had already transferred and hence should have not been owing anything as at year end, this led to an overstatement of the receivables from exchange transactions related to sale of land of R1 203 635 and overstatement of accumulated surplus of the same amount

Error 2
In the prior year the receivables from exchange transactions were overstated by R1 302 697 due to an invalid balance and this consequently led to the accumulates surplus being overstated by the same amount.

Error 3
There was an understatement of the donations received in 2020 by an amount of R56 044 which also led to the investment property being understated by the same amount.

Error 4
The opening of the Post Medical Aid contributions provision was understated in the prior year by R120 166 and this consequently led to the overstatement of accumulated surplus by the same amount,

Error 5
In the prior year, GRAP 25 was incorrectly applied and the employee benefits were incorrectly classified as provisions and this classification error led to the understatement of employee benefits by R310 353 000 and overstatement of provisions by the same amount. Consequently the incorrect application of GRAP led to the understatement of interest cost by R30 039 855, actuarial gain by R51 111 811 and overstatement of employee costs by R21 534 369.

Error 6
Included in the trade payables was a amount that was incorrectly recorded in the prior years and this led to trade payables being understated by R113 843 910, sundry creditors being understated by R190 223 506 and accumulated surplus being overstated by R76 379 596.48.

Error 7
in 2020 there were some incorrect entries made towards creditors and this led to payables from exchange being misstated as follows:
Payables from exchange transactions were understated by R12 616 217.65
Repairs and maintenance expenses were overstated by R1 898 601.19
General expenses were understated by R5 673 903
Accumulated surplus was overstated by R8 602 370.

Error 8
There was a classification error in 2020 between trade payables and sundry payables of R129 602 249 but this did not affect payables from exchange transactions.

Error 9
Due to various errors in accounting treatment for the principal debt from the department of Human Settlements and classification errors between sundry and trade creditors, the following areas were misstated:
Sundry creditors were overstated by R35 109 491, trade creditors were understated by R52 689 375, the Human Settlements payable was overstated by 23 504 536 and accumulated surplus was overstated by R5 945 020

Error 10
After receiving legal advise from our attorneys it was concluded that the Municipality does not in any legal nor constructive way owe money to Shiva Uranium (Pty) Ltd and no claim has been received from them for this money hence the liability should have never been recognised in the prior periods, hence our financial liabilities were overstated by R32 409 664 and accumulated surplus was understated by the same amount.

Error 11
During the preparation of the fixed asset register, prior year errors were identified in respect to Property, plant and equipment, Land stock, Investment property and the Heritage assets. These errors comprised off:
>Gain identified in the current year
>Additions incurred in the previous year only identified in the current year
>Classification errors
>Duplications

Notes to the Annual Financial Statements

53. Prior period errors (continued)
>Fully depreciated assets due to incorrect useful lives being applied
>Assets with R0 carrying values at 30 June 2020 still in use
The adjustments were made retrospectively and the effect thereof was:
-An overstatement of inventories by R185 987
-an overstatement of Property Plant and Equipment of R15 974 966
-an understatement of heritage assets by R151 685
-an understatement of investment property by R475 143.4.
-an understatement of payables from exchange transactions by R3 945 972 and
-an overstatement of accumulated surplus.

Error 12
It was noticed in the current year that our financial instruments which were classified as "held at amortised cost" were actually "held at fair value" and hence the finance income which was recognised in the prior year was incorrect and it should have been recorded as a fair value gain. This error led to an overstatement of finance income of R605 832 and understatement of fair value gains by the same amount.

Error 13
VAT receivable was incorrectly debited with an amount of R379,592.35 and consequently this resulted in the overstatement of VAT receivable and understatement of general expenses.

Error 14
The treatment of VAT in the prior years specifically regarding payments made to MXN Development Construction (Pty) Ltd was incorrect and led to the VAT receivable being overstated by R31 519 643 and the amount due to the Department of Human Settlements being overstated by the same amount.

Error 15
During the inclusion of the MXN project in the financial statements, management identified properties which were not previously included in the accounting records of the municipality, this led to an understatement of investment property by R1 738 559, an understated of land by R175 612 and an overstatement of accumulated surplus of R1 914 171|

Error 16
There was an error in the recognition of the interest and audit fees related to the invoices from the Auditor General and this resulted in the understatement of auditor's remuneration by R139 283, finance cost by R166 812, VAT receivable by R20 892 and trade creditors by R326 987.

Error 17
Revenue from indemnity money received from insurers was not correctly accounted for and this led to the overstatement of sundry creditors by R3 952 703, understatement of other income by R3 666 340 and understatement of accumulated surplus by R286 363.

Error 18
In the prior year, the disclosure of the intangible assets was incorrect as it understated the cost by R3 929 901 and the accumulated amortisation by the same amount, the carrying amount was however correctly disclosed.

Error 19
Impairment of Heritage assets was not properly considered and this led to the understatement of impairment cost by R539 314 and overstatement of heritage assets by the same amount.

Error 20
There were legacy balances in receivables from exchange transactions that had not been substantiated nor changed over the past three years and hence were overstating the amount disclosed as receivables from exchange transaction by R1 135 033 and also overstated the accumulated surplus by the same amount.

Error 21
An error in the accounting for sale of land was only discovered in the current year and this had the impact of understating the other income by R946 097 and understating the receivables from exchange transactions by the same amount.

Error 22
Allocation mistakes were made regarding repayment arrangement of the loan from Redefine for the construction of the access road which led to the other financial liabilities being understated by R4 760 415 and the property rates being overstated by R4

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

53. Prior period errors (continued)
760 415 as well.

Error 23
There was a salary journal that was processed in the prior year that cannot be substantiated and hence has been reversed and this journal resulted in the understatement of the sundry creditors and employee costs by R12 857 719.

Error 24
There were a number of cut-off and classification errors that were identified in the current year after an extensive review and these errors resulted in the following misstatements:
>Understatement of contracted services by R4 192 019.38
>Overstatement of General expenditure by R184 190
>Understatement of Rentals and Lease Expenditure by R18 491 624
>Overstatement of Repairs and Maintenance expenditure by R7 756 910
>Understatement of sale of electricity by R5 450 982
>Understatement of trade creditors by R10 413 069 and
>Understatement of VAT receivable by R1 121 507.

Error 25
In the AFS for 2019/2020 irregular expenditure movement was incorrectly captured in the AFS, this has updated in the current year, irregular expenditure was thus overstated by R796 810 due this error.
The opening balance in the 2019/2020 irregular expenditure register was understated by an amount of R28 710. The register has been updated in the current year therefore no adjustment needs to be made on the face of the AFS as the amount was correctly disclosed.
There was also instances on non compliance that resulted in irregular expenditure relating to the prior period that was omitted in 2020 and this resulted in the understatement of irregular expenditure of R22 942 129

Error 26
As a result of errors identified in the current year relating to expenses, the unauthorised expenditure for the 2020 financial period was understated by R62 045 373.76.

Error 27
Work-in-progress for the catalytic project funded by the Department of Human Settlements was not included in the fixed asset register and this resulted in the understatement of property, plant and equipment of R328 998 088, understatement of accumulated surplus of R146 430 759.13, understatement of donations income of R183 410 371 and understatement of depreciation by R843 041.

Error 28
The revenue loss from the market was incorrectly disclosed on the statement of financial performance as an item below the operating deficit, this led to the understatement of the operating deficit by the R11 573 029.

The adjustments were made retrospectively and the effect thereof were as follows:

Statement of financial position	2021	2020
Increase (decrease) in property, plant and equipment	-	313 198 735
Increase (decrease) in investment property	-	2 269 746
Increase (decrease) in inventories	-	(186 210)
Increase (decrease) in receivables from exchange transactions	-	(4 569 190)
Increase (decrease) in heritage assets	-	151 685
Increase (decrease) in VAT receivable	-	(30 518 291)
(Increase) decrease in the payables from exchange transactions	-	125 118 218
(Increase) decrease in the employee benefits	-	(310 473 168)
(Increase) decrease in the Department of Local Government and Human Settlements payable	-	(174 563 618)
(Increase) decrease in other financial liabilities	-	27 649 249
(Increase) decrease in the provisions	-	310 353 000
Net (Increase) decrease in accumulated surplus	-	258 809 749

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

53. Prior period errors (continued)

Statement of financial performance

Increase (decrease) in other income	-	(1 126 266)
Increase (decrease) in service charges	-	5 450 982
Increase (decrease) in indemnity income	-	3 666 340
Increase (decrease) in interest received	-	(605 832)
Increase (decrease) in donations received	-	183 466 415
Increase (decrease) in property rates	-	(4 760 416)
(Increase) decrease in employee related costs	-	(10 542 541)
(Increase) decrease in remuneration of councillors	-	12 806
(Increase) decrease in depreciation and amortisation	-	(4 319 131)
(Increase) decrease in impairment loss	-	3 013 162
(Increase) decrease in rental of equipment and lease expenditure	-	(18 491 624)
(Increase) decrease in finance costs	-	(30 206 698)
(Increase) decrease in repairs and maintenance	-	(11 227 429)
(Increase) decrease in contracted services	-	(26 435 691)
(Increase) decrease in general expenditure	-	55 381 599
(Increase) decrease in loss on disposal of assets	-	(18 278 238)
Increase (decrease) in fair value adjustment	-	605 832
(Increase) decrease in actuarial gains and losses	-	51 574 254
(Increase) decrease in inventory losses	-	(119 361)
Net change in Deficit for the year	-	177 437 755

Cash flow statement

Cash flow from operating activities

Increase (decrease) Sale of goods and services	-	181 710 668
Increase (decrease) Interest income	-	(605 832)
Increase (decrease) Other receipts	-	(4 345 434)
Increase (decrease) Employee costs	-	11 004 636
Increase (decrease) Suppliers	-	(256 511 923)
Increase (decrease) Finance costs	-	895 186
Increase (decrease) VAT received	-	76 782 682
	-	**8 929 983**

Cash flow from investing activities

Increase (decrease) Purchase of property plant and equipment	-	(16 897 692)
Increase (decrease) Purchase of investment property	-	(2 899 410)
Increase (decrease) Movement in financial assets	-	605 832
	-	**(19 191 270)**

Cash flow from financing activities

Increase (decrease) in other financial liabilities	-	4 760 415
Increase (decrease) Net receipts from Human Settlements	-	5 500 872
	-	**10 261 287**

Figures in Rand 2021 2020

54. Related parties

Relationships

Accounting Officer	Refer to accounting officer's report note
Councillor GN Malete	
Councillor A Combrinck	
Councillor A Meiring	
Councillor B Tsabedze	
Councillor CJ Bester	
Councillor FI Tagaree	
Councillor G Mqikela	
Councillor GA Mohoemang	
Councillor GC Oosthuizen	
Councillor GLJ Cromhout	
Councillor GS Nkebe	
Councillor HF Saudi	
Councillor HFC Jordaan	
Councillor IM Semonyo	
Councillor IN Matetoane	
Councillor J Qankase	
Councillor JJ le Grange	
Councillor KB Kali	
Councillor L Khoza	
Councillor L Scott	
Councillor LD Molefi	
Councillor LK Shuping	
Councillor LL Cutswa	
Councillor LM Kortjas	
Councillor LM Phakoe	
Councillor M Babuile	
Councillor M Coetzee	
Councillor M Koekemoer	
Councillor MA Motitimi	
Councillor MC Mahlangu	
Councillor ME Kamati	
Councillor ME Kgaile	
Councillor ME Mosweu	
Councillor MF Nthaba	
Councillor MI Mangesi	
Councillor MJ Ntiane	
Councillor ML Mojaki	
Councillor MM Chao	
Councillor MN Seitisho	
Councillor MV Chinga	
Councillor NB Ntaopane	
Councillor PA Hlekiso	
Councillor PF Mabeli	
Councillor PJ Swart	
Councillor PM Molutsi	
Councillor PN Moeng	
Councillor OP Horn	
Councillor RK Ponisi	
Councillor RW Ntozini	
Councillor AN Ludidi	
Councillor EM Postma	
Councillor S Nongqayi	
Councillor K Ndicede	
Councillor PZM Burrel	
Councillor TO Vilakazi	
Councillor SD Mongale	
Councillor SD Montoedi	

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

54. Related parties (continued)

Councillor SH Nani
Councillor SJ Daemane
Councillor KL Ross
Councillor SL Mondlane
Councillor SL Moremi
Councillor SL Sithole
Councillor SM Steyn
Councillor SOW Barrends
Councillor SP Kloppers
Councillor SP Sesana
Councillor SPJ Bogatsu
Councillor TG Khoza
Councillor TL Sekgothe
Councillor TM Mabulela
Councillor TS Seabeng
Councillor W Wallhorn
Councillor LG Solomon
Councillor W Malefo
Councillor DK Konda
Councillor D Roodt
Councillor FI Tagaree

Remuneration of Mayoral Committee members and councillors	Remuneration	Total (R)
Executive Mayor	1 127 727	1 127 727
Mayoral Committee Members and Councillors	34 519 353	34 519 353
Speaker	913 309	913 309
	36 560 389	**36 560 389**

Key management information

Class	Description	Amount
Municipal Manager	TSR Nkhumise	R 1 519 592
Chief Financial Officer	NM Grond appointed from the 1st of March 2020 and resigned on the 30th of April 2021	R 1 012 222
Acting Chief Financial Officer	BO Kgoete appointed Acting CFO from the 1st of May 2021 to date	R 248 713
Director Public Safety	LJ Nkhumane	R 1 245 508
Director Economic Development	LL Fourie	R 1 333 762
Director Planning and Human Settlements	BB Choche	R 1 468 607
Director Technical and Infrastructure	R Madimutsa	R 1 468 607
Director Community Development	MM Molawa	R 1 340 376
Director Corporate Services	L Seametso	R 1 236 258

Notes to the Annual Financial Statements

Figures in Rand		2021	2020

55. Risk management

Capital risk management

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

The capital structure of the municipality consists of debt, which includes the borrowings disclosed in Note 14, cash and cash equivalents disclosed in Note 13, and equity as disclosed in the statement of financial position.

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

Total borrowings			
Current liabilities		2 267 633 898	1 958 526 848
Non-current liabilities		482 376 614	469 291 450
		2 750 010 512	**2 427 818 298**
Less: Cash and cash equivalents	13	242 485 375	300 578 049
Net debt		2 507 525 137	2 127 240 249
Total equity		3 709 219 547	3 710 641 399
Total capital		**6 216 744 684**	**5 837 881 648**

Financial risk management

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

The municipality’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality’s financial performance. Risk management is carried out by a central treasury department under policies approved by the . Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality’s operating units.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality’s income and operating cash flows are substantially independent of changes in market interest rates.

The municipality’s interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2021 and 2020, the municipality’s borrowings at variable rate were denominated in Rand.

Credit risk

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

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

55. Risk management (continued)

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	**2021**	**2020**
Other financial assets	9 975 309	10 280 725
Consumer debtors	559 745 371	564 053 731
Other receivables	35 575	62 029
Cash and cash equivalents	242 485 375	300 657 222

The municipality is exposed by a guarantee for a loan at DBSA and is secured by the Nedbank investment as disclosed in Note 11 .

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

56. Segment information

General information

Segment surplus or deficit, assets and liabilities

2021

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

Notes to the Annual Financial Statements

Figures in Rand

56. Segment Information

Segment Information for the year ended 30 June 2021

	BUDGET AND TREASURY OFFICE	CORPORATE GOVERNANCE	COMMUNITY SERVICES	LOCAL ECONOMIC DEV & MARKETING,TOU RISM	HOUSING	CIVIL ENGINEERING	WATER SECTION	CITY ELECTRICAL ENGINEERING	SEWERAGE	CLEANSING	HEALTH	COUNCIL GENERAL	MARKET	PUBLIC SAFETY	SPORTS ARTS AND CULTURE	Grand Total
Revenue																
Revenue from exchange transactions																
Market Dues	-	-	-	-	-	-	-	-	-	-	-	-	(19 749 348)	-	-	(19 749 348)
Service Charges	-	-	-	-	-	-	(653 367 941)	(808 902 641)	(118 153 055)	(140 058 153)	-	-	-	-	-	(1 720 481 791)
Rental of facilities and equipment	-	-	(710)	(565)	(3 365 139)	-	-	-	-	-	-	- -	801 279.90	-	(74 519)	(4 242 213)
License fees	-	-	-	-	-	-	-	-	-	-	-	-	-	(8 749 133)	-	(8 749 133)
Agency services	-	-	-	-	-	-	-	-	-	-	-	-	-	(14 934 246)	-	(14 934 246)
Connections and reconnections	-	-	-	-	-	-	(429 322)	(45 506 510)	(52 127)	-	-	-	-	-	-	(45 987 959)
Rental income	-	(18 592)	(177 437)	-	-	-	-	-	-	-	-	-	(2 792 826)	(11 750)	-	(3 000 606)
Insurance fees	(4 848 006)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4 848 006)
Other income	(4 446 891)	(1 964 459)	(2 958 827)	-	(1 131 802)	(543 036)	(15 221)	(36 362)	-	(362 757)	-	(1 952 719)	(124 140)	(865 192)	(116 692)	(14 518 097)
Interest received	(89 763 090)	-	-	-	-	-	(169 742 314)	(43 041 471)	(3 403 393)	(85 225 421)	-	-	(60 767)	-	-	(391 236 456)
Total revenue from exchange transactions	**(99 057 987)**	**(1 983 051)**	**(3 136 974)**	**(565)**	**(4 496 941)**	**(543 036)**	**(823 554 799)**	**(897 486 984)**	**(121 608 575)**	**(225 646 331)**	**-**	**(1 952 719)**	**(3 779 013)**	**(24 560 321)**	**(191 211)**	**(2 227 747 854)**
Revenue from non-exchange transactions																
Property rates	(425 503 361)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(425 503 361)
Interest from Property rates	(40 881 153)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(40 881 153)
Donations received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(358 314 355)	(358 314 355)
Government grants and subsidies	(469 464 859)	-	-	-	-	(61 780 616)	(28 432 052)	(55 067 122)	(36 096 604)	-	-	-	(7 044 834)	(47 221 777)	(14 890 593)	(719 998 458)
Fines, Penalties and Forfeits	-	-	-	-	-	-	-	(588 749)	-	-	-	-	-	(24 304 505)	-	(24 893 254)
Total revenue from non-exchange transactions	**(935 849 373)**	**-**	**-**	**-**	**-**	**(61 780 616)**	**(28 432 052)**	**(55 655 871)**	**(36 096 604)**	**-**	**-**	**-**	**(7 044 834)**	**(71 526 282)**	**(373 204 948)**	**(1 569 590 580)**
Total revenue	**(1 034 907 360)**	**(1 983 051)**	**(3 136 974)**	**(565)**	**(4 496 941)**	**(62 323 652)**	**(851 986 851)**	**(953 142 855)**	**(157 705 179)**	**(225 646 331)**	**-**	**(1 952 719)**	**(10 823 847)**	**(96 086 602)**	**(373 396 159)**	**(3 797 338 435)**
Expenditure																
Employee related costs	69 373 041	42 896 532	58 097 929	7 349 906	12 705 975	63 966 714	41 904 962	53 170 355	47 604 653	68 066 503	16 606 745	30 033 131	10 918 651	115 438 657	43 059 840	681 193 595
Remuneration of councillors	-	-	-	-	-	-	-	-	-	-	-	36 495 510	-	-	-	36 495 510
Depreciation and amortisation	3 056 903	5 592 652	-	1 983 686	4 148 063	61 486 753	108 329 401	386 846	49 423 142	-	14 895 353	31 119 819	3 948 016	75 463 281	32 089 450	391 923 365
Impairment loss - Reversal of impai	-	-	-	-	-	-	-	-	25 617 744	11 980	-	-	-	-	-	25 629 724
Finance costs	98 173 844	-	-	-	-	2 737 600	-	-	-	-	-	1 883 367	-	-	-	102 794 811
Rental and lease expenditure	6 391 175	-	58 687 844	-	-	-	221 635	-	-	8 318 016	-	11 555 241	-	-	-	85 173 910
Debt impairment	206 910 718	-	-	-	-	-	376 967 159	437 611 326	51 313 199	76 677 189	-	-	-	-	-	1 149 479 591
Revenue loss	-	-	-	-	-	-	-	-	-	-	-	-	9 836 700	-	-	9 836 700
Repairs and maintenance	11 810 384	280 606	3 027 495	9 421	13 368	15 270 556	6 362 545	54 236 929	8 278 720	27 947 155	9 154	226 429	2 739 001	7 298 991	2 333 726	139 844 478
Bulk purchases	-	-	-	-	-	-	369 212 876	746 597 082	-	-	-	-	-	-	-	1 115 809 958
Contracted Services	4 094 086	-	158 748	-	-	-	25 102 746	-	1 432 026	139 634	454 260	12 699 887	72 581	36 333 954	-	80 487 920
General expenses	69 520 370	6 344 380	4 778 688	1 297 837	725 774	5 809 085	1 969 609	40 653 255	12 465 412	8 105 106	377 372	48 132 800	4 505 859	7 938 127	2 005 737	214 629 410
Total expenditure	**469 330 520**	**12 217 638**	**66 652 774**	**3 290 944**	**4 887 205**	**85 303 994**	**888 165 970**	**1 279 485 439**	**148 530 243**	**121 199 079**	**15 736 138**	**142 113 053**	**21 102 156**	**127 034 353**	**36 428 913**	**4 033 298 974**
Operating (Surplus) / Deficit	(565 576 840)	10 234 586	63 515 801	3 290 379	390 264	22 980 342	36 179 119	326 342 584	(9 174 936)	(104 447 252)	15 736 138	140 160 334	10 278 310	30 947 750	(336 967 246)	235 960 539
Loss on disposal of assets and liabi	1 298 773	-	-	-	-	35 000	8 575 894	1 802 440	-	-	-	10 033 899	-	-	-	21 746 006
Fair value adjustments	(495 714)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(495 714)
Actuarial gains - losses	0	-	-	-	-	-	-	-	-	-	-	0	-	-	-	0
Inventories losses - write-downs	5 968 767	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5 968 767
(Surplus) / Deficit for the period	**(558 805 014)**	**10 234 586**	**63 515 801**	**3 290 379**	**390 264**	**23 015 341**	**44 755 013**	**328 145 025**	**(9 174 936)**	**(104 447 252)**	**15 736 138**	**150 194 232**	**10 278 310**	**30 947 750**	**(336 967 246)**	**263 179 597**

Schedule of external loans as at 30 June 2021

	Loan Number	Redeemable	Balance at Tuesday, 30 June 2020 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at Wednesday, 30 June 2021 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Development Bank of South Africa								
DBSA @ 15,60%	NW13637	30 Sep 2020	311 590	-	311 590	-	-	-
DBSA @ 14.75%	103677/1	1 Nov 2025	18 871 619	-	2 850 880	16 020 739	-	-
			19 183 209	-	**3 162 470**	**16 020 739**	-	-
Total external loans			**19 183 209**	-	**3 162 470**	**16 020 739**	-	-

Final consolidation of this report was done
by the Performance Management Unit

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