



MERA FONG CITY LOCAL MUNICIPALITY

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2022**

MERAFONG CITY LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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ABBREVIATIONS

AGSA	Auditor-General of South Africa
EPWP	Expanded Public Works Programme
GRAP	Generally Recognised Accounting Practice
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act (Act No 56 of 2003)
MIG	Municipal Infrastructure Grant
NLDTF	National Lottery Distribution Trust Fund
SALGBC	South African Local Government Bargaining Council
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
WCA	Workmen's Compensation Act
WRDM	West Rand District Municipality

MERAFONG CITY LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

General Information

NATURE OF BUSINESS

Merafong City Local Municipality is a local municipality performing the functions as set out in the Constitution (Act No 105 of 1996).

LEGAL FORM

The municipality is a category C grade 4 local authority in terms of item 4 of the Government Notice R1227 of 18 December 2007 published in terms of the Remuneration of Public Office Bearers Act, 1998.

LEGISLATION GOVERNING THE MUNICIPALITY'S OPERATIONS

Municipal Finance Management Act (Act no.56 of 2003)

MEMBERS OF COUNCIL

Executive Mayor

N. Best

Speaker

T.E. Mphithikezi

Chief Whip

T. Mokuke

Members of Mayoral Committee

MMC Roads Stormwater and Public Works:

E. Tabane

MMC Health and Social Development:

D.V. Tabane

MMC Corporate and Shared Services:

G.M. Sello

MMC Integrated Environmental Management:

D.M. Segakweng

MMC Local Economic, Tourism and Rural Development:

G.E. Mbaliso

MMC Finance:

M. Moyeni

MMC Public Safety and Transport:

N. Mcetywa

MMC Electricity Gas and Water:

L.A. Mganu

MMC Human Settlement and Land Development:

P.N. Sefako

MMC Sports, Recreation, Arts And Culture:

V.B. Nkwanyana

Acting Municipal Manager

M.L. Siyethemba

Acting Chief Financial Officer

M.J. Ramogale

REGISTERED OFFICE

Halite Street
Carletonville
2500

POSTAL ADDRESS

PO BOX 3
Carletonville
2500

PRINCIPLE BANKERS

First National Bank
Nedbank

AUDITORS

Auditor-General of South Africa

CONTACT INFORMATION

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MERAFONG CITY LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Approval of Annual Financial Statements

I am responsible for the preparation of these Annual Financial Statements year ended 30 June 2022, which are set out on pages 1 to 115 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

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, and as required by the Municipal Finance Management Act.

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

The Auditor-General is responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister for Cooperative Governance and Traditional Affairs' determination in accordance with this Act.

The Annual Financial Statements were prepared on the going concern basis and the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

I have reviewed the Municipality's cash flow forecast for the year to 2022 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

M.L. Siyethemba
Municipal Manager

31 August 2022
Date

MERAFONG CITY LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Note	Actual	
		2022 R	2021 Restated R
ASSETS			
Current Assets		531 510 276	387 717 694
Inventories	2.	706 074	672 413
Receivables from Exchange Transactions	3.	206 142 636	174 152 066
Statutory Receivables from Exchange Transactions	4.	96 153 276	69 729 749
Receivables from Non-exchange Transactions	5.	1 098 386	-
Statutory Receivables from Non-Exchange Transactions	6.	103 734 880	80 833 522
Cash and Cash Equivalents	8.	123 675 024	62 329 944
Non-Current Assets		3 684 223 698	3 099 331 836
Property, Plant and Equipment	9.	3 363 541 632	2 778 649 770
Intangible Assets	10.	296 494	296 494
Investment Property	11.	320 218 730	320 218 730
Heritage Assets	12.	166 842	166 842
Investments	13.	-	-
Total Assets		<u>4 215 733 974</u>	<u>3 487 049 529</u>
LIABILITIES			
Current Liabilities		1 414 123 148	1 071 179 755
Consumer Deposits	13.	22 844 540	23 411 543
Payables from Exchange Transactions	14.	1 284 522 731	957 973 839
Payables from Non-exchange Transactions	15.	-	-
Unspent Conditional Grants and Receipts	16.	47 947 736	25 987 713
VAT Payable	20.	-	-
Lease Payables	17.	-	84 686
Borrowings	18.	8 569 764	7 789 616
Employee Benefit Liabilities	19.	8 077 000	7 951 000
Provisions	20.	42 161 376	47 981 358
Non-Current Liabilities		166 905 521	171 214 863
Borrowings	18.	27 101 050	35 719 863
Employee Benefit Liabilities	19.	135 977 000	135 495 000
Provisions	20.	3 827 472	-
Total Liabilities		<u>1 581 028 670</u>	<u>1 242 394 617</u>
Total Assets and Liabilities		<u>2 634 705 304</u>	<u>2 244 654 912</u>
NET ASSETS		2 634 705 304	2 244 654 912
Reserves	18.	5 094 833	5 094 833
Accumulated Surplus / (Deficit)	19.	2 629 610 472	2 239 560 079
Total Net Assets		<u>2 634 705 304</u>	<u>2 244 654 912</u>

MERA FONG CITY LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

	Note	Actual	
		2022	2021
		R	Restated R
REVENUE			
Revenue from Non-exchange Transactions		1 068 807 758	1 046 512 251
Property Rates	21.	567 482 865	541 111 352
Fines, Penalties and Forfeits	22.	26 649 519	44 769 088
Licences and Permits	23.	-	-
Transfers and Subsidies	24.	455 651 451	434 909 558
Surcharges and Taxes	25.	19 023 923	25 722 253
Revenue from Exchange Transactions		1 026 702 936	920 720 729
Income from Agency fees	23.	15 826 601	14 767 481
Service Charges	26.	812 861 462	753 764 273
Sales of Goods and Rendering of Services	27.	2 431 268	2 002 294
Rental from Fixed Assets	28.	1 772 119	1 548 368
Interest, Dividends and Rent on Land Earned	29.	192 999 144	147 380 699
Operational Revenue	30.	812 341	1 257 614
Gains on Disposal of Property, Plant and Equipment	43.	-	-
Total Revenue		<u>2 095 510 693</u>	<u>1 967 232 980</u>
EXPENDITURE			
		2 259 728 390	2 184 505 556
Employee Related Costs	31.	367 383 190	349 940 300
Remuneration of Councillors	32.	22 282 397	22 589 904
Depreciation and Amortisation	33.	114 277 458	99 731 862
Impairment Losses	34.	828 101 282	981 271 898
Interest, Dividends and Rent on Land	35.	81 662 572	54 003 016
Bulk Purchases	36.	387 355 248	360 014 217
Contracted Services	37.	86 339 688	63 862 491
Inventory Consumed	38.	196 622 938	178 851 439
Transfers and Subsidies Paid	39.	321 051	2 295 069
Operating Leases	40.	29 488 581	27 500 493
Operational Costs	41.	54 407 863	42 587 899
Loss on Disposal of Property, Plant and Equipment	43.	91 486 124	1 856 968
Total Expenditure		<u>2 259 728 390</u>	<u>2 184 505 556</u>
OPERATING DEFICIT FOR THE YEAR		<u>(164 217 696)</u>	<u>(217 272 576)</u>
OTHER EXPENDITURE INCURRED		(2 259 728 390)	
Losses on Other Operations	42.	(52 361 722)	(60 320 608)
TOTAL OTHER EXPENDITURE INCURRED		<u>(52 361 722)</u>	<u>(60 320 608)</u>
DEFICIT FOR THE YEAR		<u>(216 579 418)</u>	<u>(277 593 185)</u>

MERAFONG CITY LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022

	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total Net Assets
	R	R	R
2021			
Balance at 30 June 2020	5 094 833	2 552 705 748	2 557 800 580
Correction of Error (Note 45)	-	(35 552 483)	(35 552 483)
Restated Balance	5 094 833	2 517 153 265	2 522 248 097
Surplus / (Deficit) as per prior 2020/21 AFS	-	(330 160 601)	(330 160 601)
Correction of Error (Note 45)		52 567 416	52 567 416
Restated Surplus / (Deficit) for the year	-	(277 593 185)	(277 593 185)
Correction of Error (Note 45)		606 629 811	606 629 811
Restated Balance	5 094 833	2 846 189 890	2 851 284 723
Surplus / (Deficit) for the year	-	(216 579 418)	(216 579 418)
Balance at 30 June 2022	5 094 833	2 629 610 472	2 634 705 304

MERAFONG CITY LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2022

	Note	Actual 2022 R	Actual 2021 Restated R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Property Rates		126 721 413	(454 745 801)
Transfers and Subsidies		477 611 474	456 957 296
Service Charges		(231 243 916)	(1 605 285 932)
External Interest and Dividends Received		5 046 100	4 848 321
Other Receipts		71 104 645	2 270 652
Payments			
Employee Related Costs		(348 755 097)	(203 320 099)
Remuneration of Councillors		(22 282 398)	(22 589 904)
External Interest and Dividends Paid		(77 656 917)	(49 812 114)
Suppliers Paid		(344 491 120)	122 559 663
Other Payments		2 433 761 810	(1 054 696 104)
VAT Paid		(26 423 527)	(68 360 478)
NET CASH FLOWS FROM OPERATING ACTIVITIES	46.	<u>2 063 392 468</u>	<u>(2 872 174 500)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(6 319 081 683)	(366 361 284)
Proceeds on Disposal of Investment Property		(90 313 381)	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(6 410 567 807)</u>	<u>(368 218 252)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
(Repayment of) / Proceeds from Finance Leases		(84 686)	84 686
(Repayment of) / Proceeds from Borrowings		(7 838 664)	50 344 175
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>(7 923 350)</u>	<u>50 428 861</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>61 345 080</u>	<u>(19 412 083)</u>
Cash and Cash Equivalents at Beginning of Financial Year	8.	62 329 944	81 742 027
Cash and Cash Equivalents at End of Financial Year	8.	123 675 024	62 329 944

MERA FONG CITY LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

30 June 2022

Description	Original Budget	Adjustment Budget	Final Budget	Actual Outcome	Variance
	R	R	R	R	R
FINANCIAL PERFORMANCE					
Property Rates	597 058	567 483	567 483	567 483	(0)
Service Charges	814 859	812 861	812 861	812 861	0
Rental of Facilities and Equipment	1 648	1 772	1 772	1 772	0
Interest Earned - External Investments	7 000	5 046	5 046	5 046	0
Interest Earned - Outstanding Debtors	241 008	187 953	187 953	187 953	0
Fines, Penalties and Forfeits	3 598	29 317	29 317	26 650	(2 667)
Agency Services	-	15 827	15 827	15 827	(0)
Transfers and Subsidies	257 009	255 814	255 814	455 651	199 837
Other Revenue	11 877	21 397	21 397	3 244	(18 153)
Total Revenue	1 934 057	1 908 271	1 908 271	2 095 511	187 240
Expenditure					
Employee Related Costs	390 665	367 383	367 383	367 383	0
Remuneration of Councillors	23 409	22 282	22 282	22 282	0
Debt Impairment	482 371	820 796	820 796	828 101	7 305
Depreciation and Asset Impairment	113 934	114 864	114 864	114 277	(587)
Finance Charges	36 853	81 663	81 663	81 663	(0)
Bulk Purchases	389 046	387 355	387 355	387 355	0
Other Materials	5 878	196 623	196 623	196 623	(0)
Contracted Services	101 191	86 242	86 242	86 340	98
Transfers and Subsidies	1 540	321	321	321	0
Other Expenditure	298 094	153 823	153 823	227 744	73 921
Total Expenditure	1 901 341	2 299 357	2 299 357	2 312 090	12 733
Surplus / (Deficit)	32 716	(391 086)	(391 086)	(216 579)	174 507
Transfers and Subsidies - Capital	(147 752)	(122 479)	(122 479)	-	122 479
Surplus/(Deficit for the Year)	(115 036)	(513 565)	(513 565)	(216 579)	296 986

MERAFONG CITY LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

1. BASIS OF PRESENTATION

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).rd in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The Annual Financial Statements have been prepared in accordance with the historical cost convention, except where indicated otherwise.

These annual financial statements are presented in South African Rand.

1.1 Critical Judgements, Estimations and Assumptions

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be 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.

1.1.1 Trade receivables (Consumer debtors) - Impairment

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

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

1.1.2 Non-monetary assets - Impairment

carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of the depreciated replacement cost or future cash flows for investment property. Replacement costs and future cash flows are significantly affected by a number of factors including uncontrollable ageing, together with economic factors such as inflation.

1.1.3 Revenue from service charges

- Estimation of Meter Readings:
Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

MERAFONG CITY LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

- **Estimation of unused Prepaid Metered Services:**
Estimates of unused consumption of prepaid metered services, based on the consumption history, are made at year-end. Sales for prepaid metered services are recognised as revenue upon receipt of payment for these services, except at year-end when estimates for unused consumption up to reporting date are reversed from revenue and accrued as payment for services received in advance. These accruals are reversed in the new financial year to revenue again, deemed to be consumed after 30 June. In respect of estimates of consumption between the last date of purchase and the reporting date, an accrual for payments received in advance is made based on the average monthly consumption of consumers. At the reporting date, an accrual is made based on the average monthly consumption of consumers.

1.1.4 Revenue from traffic fines

- **Revenue for Traffic Fines:**
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. The full amount of traffic fines issued during the year is recognised at the initial transaction date as revenue. Where a reliable estimate cannot be made of revenue from summonses, the revenue is recognised when the public prosecutor pays the cash collected over to the municipality.

1.1.1 Water Inventory

The estimation of the Water Inventory in reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end.

1.1.6 Provisions

1.1.2

Provisions are raised and determined based on the best estimate on the information available and require judgment to determine the existence of the obligations at reporting date based on assessment of the event that created the obligation.

1.1.7 Property, plant and equipment, Investment property and Intangible assets - Useful lives reassessment

The municipality depreciates/amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets become available for use. The useful lives and residual values of the assets are based on industry knowledge and are reviewed annually or when an indicator is present.

1.1.8 Employee benefit obligations

The municipality obtains actuarial valuations of its employee benefit liabilities. These valuations are subject to significant actuarial assumptions and estimates disclosed in the related note.

1.2 Investment property

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

Depreciation is calculated on a straight-line basis over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	

MERAFONG CITY LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

All items of investment property are considered to be cash generating. The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

The discount rate used to determine the present value of future cash flows is the prime overdraft interest rate that reflects current market assessments of the time value of money.

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

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

1.3 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Depreciation is calculated on a straight-line basis over the useful life of the property, plant and equipment, which is as follows:

Infrastructure

Roads and Storm water	5 - 80 Years
Electricity	15 - 50 Years
Water	15 - 50 Years
Sewerage	10 - 80 Years

Other

Buildings	5 - 100 Years
Other vehicles	5 - 8 Years
Office equipment	3 - 12 Years
Furniture and fittings	7 - 30 Years
Plant and equipment	7 - 29 Years
Computer equipment	5 - 8 Years
Library Material	5 - 15 Years
Other assets	5 - 30 Years
Land	Indefinite

All items of property plant and equipment are considered to be non-cash generating. The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the recoverable service amount, determined using the Depreciated Replacement Cost method, it is written down immediately to its recoverable service amount and an impairment loss is charged to the Statement of Financial Performance.

Gains or losses arising from the retirement or disposal of property, plant and equipment are 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.

MERAFONG CITY LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

1.4 Intangible assets

Intangible assets are carried at cost less accumulated amortisation and impairments.

Amortisation is calculated on a straight-line basis over the useful life of the intangible assets, which is as follows:

Intangible asset

Computer software	3 - 12 years
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All items of intangible assets are considered to be non-cash generating. The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of the asset is greater than the recoverable service amount, determined using the Depreciated Replacement Cost method, it is written down immediately to its recoverable service amount and an impairment loss is charged to the Statement of Financial Performance.

Gains or losses arising from the retirement or disposal of intangible assets are 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.

1.5 Heritage assets

Heritage assets are carried at its cost less any accumulated impairment losses.

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 service amount of the heritage asset.

Gains or losses arising from the retirement or disposal of heritage assets 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.

1.6 Financial instruments

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

Class	Category
Trade and other receivables (including long-term receivables)	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Investments	Financial asset measured at amortised cost

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

Class	Category
Long-term liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

MERAFONG CITY LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

The municipality measures all financial assets and financial liabilities after initial recognition at amortised cost.

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

For financial assets and financial liabilities measured at amortised cost a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised. The amount of the gain or loss is determined as the difference between the financial asset or financial liabilities carrying amount and the consideration received or settlement respectively.

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

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

For purposes of the cash flow statement, cash and cash equivalents comprise the cash on hand, bank accounts and call deposits.

1.7 Statutory receivables

The municipality measures statutory receivables using the cost method.

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.

1.8 Leases

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

MERAFONG CITY LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

1.9 Inventories

Inventories are carried at the lower of cost and net realisable value.

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

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

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

1.10 Employee benefits

Short-term employee benefits

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

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

The municipality measure the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The expected cost of bonus, incentive and performance related payments is measured at the best estimate of the amount to settle the obligation.

Post-employment benefits

The municipality classifies its multi-employer plan as a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms). The municipality account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

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

- the present value of the defined benefit obligation at the reporting date;
- plus any liability that may arise as a result of a minimum funding requirement

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

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

- current service cost;
- interest cost;
- actuarial gains and losses;
- past service cost; and
- the effect of any curtailments or settlements

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

MERAFONG CITY LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Long-service awards

The municipality uses the Projected Unit Credit Method to determine the present value of its long-service awards obligation and the related current service cost and, where applicable, past service cost.

1.11 Provisions

Provisions are measured at the best estimate of the amount to settle the present value of the obligation.

Landfill rehabilitation

The Landfill Rehabilitation Provision is created for the rehabilitation of the current operational sites at the future estimated time of closure.

The value of the Provision is based on the expected future cost to rehabilitate the various sites discounted back to the reporting date at the cost of capital.

The landfill asset is measured using the cost model as per the policy on property, plant and equipment.

1.12 Revenue from exchange transactions

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

Revenue from service charges are recognised when the services are rendered.

Revenue from rental of facilities are recognised over the period of the rental.

Revenue from sale of goods are recognised when the sale is concluded.

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

Revenue from licenses and permits are recognised when the license or permit is issued.

1.13 Revenue from non-exchange transactions

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

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

Government grants and subsidies

- **Unconditional Grants**

Equitable share allocations are recognised in revenue at the start of the financial year.

MERAFONG CITY LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

● **Conditional Grants**

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

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

Services Received In-kind – non-exchange revenue

when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably. If the services in-kind are not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, only the nature and type of services in-kind received during the reporting period is disclosed.

Property Rates

Property rates are measured at the transaction amount.

Fines

Fines are measured at the transaction amount.

Surcharges

Surcharges are measured at the transaction amount.

Public contributions and donations

Public contributions and donations are measured at the amount of the fair value of the asset received reduced by any obligations arising from the use of the asset by the municipality.

1.14 Borrowing costs

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

1.15 Accounting by principals and agents

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

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

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

MERAFONG CITY LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

1.16 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

1.17 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.

1.18 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

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

1.19 VAT

VAT is payable on the receipts basis. The municipality is liable to account for VAT at the standard rate (15%) in terms of section 7 (1) (a) of the VAT Act, in respect of the supply of goods or services except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the Vat Act or is out of scope for VAT purposes. VAT is paid over to SARS only once payment is received from debtors and claimed from SARS once payment is made to a creditor.

1.20 Budget information

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

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

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

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.

MERAFONG CITY LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

1.21 Segment information

The amount of each segment item reported is the per measure reported to management. Management applies the measurement requirements per GRAP for the respective segment items and thus aligned to the municipality's financial statements measurement basis.

Adjustments and eliminations made in preparing an entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit where relevant. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities are reported for that segment.

Amounts allocated to reported segment surplus or deficit, assets or liabilities, are allocated on total segment expenses or total segment assets or liabilities basis. Revenues are segment specific and are not allocated.

The municipality is organised and operates in functional segments as disclosed in the notes. All other sources of income and expenditure is aggregated through means of the administrative function as these services are not significant to the other services of the municipality as a whole.

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	R
1. GENERAL INFORMATION		
Merafong Local Municipality is a local municipality in the Gauteng region. The municipal area includes the town of Carletonville and Fochville. The address of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).		
2. INVENTORIES		
Water	706 074	672 413
Total Inventories	<u>706 074</u>	<u>672 413</u>
	<u>-</u>	<u>-</u>

The prior year amount for Inventories has been adjusted. Refer to Note 45.3 on "Correction of Error" for details of the restatement.

Water is held for distribution and measured at the lower of Cost and Net Realisable Value. No write down of Inventory to Net Realisable Value was required.

The cost of Inventories recognised as an expense is R196 622 938 (2021: R178 851 439)

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances	Provision for Impairment	Net Balances
	R	R	R
As at 30 June 2022			
Service Debtors:	2 705 989 033	2 502 441 609	203 547 423
Electricity	139 875 930	113 783 791	26 092 139
Refuse	286 808 494	255 342 590	31 465 904
Sewerage	222 929 366	207 294 631	15 634 735
Other Service Charges	1 074 126 525	1 003 779 094	70 347 431
Water	940 784 494	901 986 722	38 797 772
Property Rental Debtors	2 505 509	-	2 505 509
Prepayments and Advances	52 572	-	52 572
Control, Clearing and Interface Accounts	37 131	-	37 131
Total Receivables from Exchange Transactions	<u>2 708 584 245</u>	<u>2 502 441 609</u>	<u>206 142 636</u>

	Gross Balances	Provision for Impairment	Net Balances
	R	R	R
As at 30 June 2021			
Service Debtors:	2 302 974 366	2 131 152 596	171 821 770
Electricity	115 217 072	88 425 577	26 791 494
Refuse	251 489 161	219 510 911	31 978 250
Sewerage	187 039 329	170 657 978	16 381 350
Merchandising, Jobbing and Contracts	28 851 957	26 356 115	2 495 843
Other Service Charges	899 888 720	846 367 390	53 521 329
Water	820 488 127	779 834 625	40 653 503
Other Receivables	2 249 634	-	2 249 634
Prepayments and Advances	52 582	-	52 582
Recoveries from Staff	52 582	-	52 582
Control, Clearing and Interface Accounts	28 081	-	28 081
Total Receivables from Exchange Transactions	<u>2 305 304 663</u>	<u>2 131 152 596</u>	<u>174 152 066</u>

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

2022
R
2021
R

The municipality receives applications that it processes. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2022, the municipality is owed R0 (30 June 2021: R0) by National and Provincial Government.

3.1 Summary of Receivables from Exchange Transactions by Customer Classification

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2022				
<u>Current:</u>				
0 - 30 days	49 779 680	82 557 611	3 115 394	13 047
<u>Past Due:</u>		-		
31 - 60 Days	42 784 481	57 285 650	1 915 088	2 686
61 - 90 Days	38 887 755	51 523 391	1 572 352	0
+ 90 Days	1 712 800 474	2 090 825 255	13 559 042	(50 540)
Sub-total	<u>1 844 252 390</u>	<u>2 282 191 907</u>	<u>20 161 876</u>	<u>(34 807)</u>
Less: Provision for Impairment	1 451 664 993	1 586 623 388	13 559 042	14 190
Total Trade Receivables by Customer Classification	<u>392 587 397</u>	<u>695 568 519</u>	<u>6 602 834</u>	<u>(48 996)</u>

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2021				
<u>Current:</u>				
0 - 30 days	21 158 730	64 708 629	4 029 428	-
<u>Past Due:</u>				
31 - 60 Days	20 862 230	38 279 007	1 185 174	-
61 - 90 Days	20 769 397	37 512 798	687 655	-
+ 90 Days	825 009 323	986 580 125	19 615 447	-
Sub-total	<u>887 799 680</u>	<u>1 127 080 559</u>	<u>25 517 704</u>	-
Less: Provision for Impairment	(1 360 804 825)	(743 924 381)	(64 103)	-
Total Trade Receivables by Customer Classification	<u>(473 005 145)</u>	<u>383 156 178</u>	<u>25 453 601</u>	-

3.2 Reconciliation of the Provision for Impairment

Balance at beginning of year	2 502 441 609	2 246 311 044
Service Debtors and Other Debtors	<u>2 502 441 609</u>	<u>2 131 152 596</u>
Impairment Losses recognised	-	(972 640 110)
Impairment Losses reversed	-	81 357 720
Amounts written off as uncollectable	-	-
Balance at end of year	<u>2 502 441 609</u>	<u>1 355 028 654</u>

Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
4. STATUTORY RECEIVABLES FROM EXCHANGE TRANSACTIONS		
	Gross Balances R	Provision for Impairment R
		Net Balances R
As at 30 June 2022		
VAT Receivable	96 153 276	-
Total Statutory Receivables from Exchange Transactions	96 153 276	-
	Gross Balances R	Provision for Impairment R
		Net Balances R
As at 30 June 2021		
VAT Receivable	69 729 749	-
Total Statutory Receivables from Exchange Transactions	69 729 749	-

VAT is payable on the receipts basis. The municipality however uses accrual accounting, and only once payment is received from debtors, VAT is paid over to SARS.

Furthermore, VAT is claimable on the payment basis.

VAT Receivable is not impaired nor is it discounted as the amount is expected to be receivable within 60

5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2022			
Over Payment of Contractors	1 098 386	-	1 098 386
Total Receivables from Non-exchange Transactions	1 098 386	-	1 098 386
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2021			
Over Payment of Contractors	-	-	-
Total Receivables from Non-exchange Transactions	-	-	-

6. STATUTORY RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2022			
Property Rates	1 436 618 604	1 368 756 387	67 862 217
Fines	87 423 649	51 550 986	35 872 663
Total Statutory Receivables from Non-Exchange Transactions	1 524 042 253	1 420 307 373	103 734 880

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R	
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2021			
Property Rates	995 857 153	924 164 584	71 692 569
Fines	91 409 539	82 268 586	9 140 953
Total Statutory Receivables from Non-Exchange Transaction	1 087 266 692	1 006 433 170	80 833 522

Property Rates is a tax levied by a municipality to a property owner used to fund services delivered. Property Rates are calculated by multiplying the market value of the property with a rate determined by the Municipal Council. The levying of this revenue stream is governed by the Municipal Property Rates **Traffic Fines** arise from fines issued by the municipality's traffic officials. These fines are issued according to the National Road Traffic Act 93 of 1996. The fines issued are divided into Radar Fines and

7. VAT RECEIVABLE

Vat Receivable		96 153 276	69 729 749
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8. CASH AND CASH EQUIVALENTS

Current Investment		108 474 817	45 278 348
Bank Accounts		15 184 425	17 035 815
Cash on Hand		15 782	15 782

Total Bank, Cash and Cash Equivalents		123 675 024	62 329 944
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8.1 Short term investments

Call Deposits		108 474 817	45 278 348
VBS Bank		46 892 770	51 005 929
Impairment on VBS bank		(46 892 770)	(51 005 929)

Total Current Investment Deposits		108 474 817	45 278 348
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VBS Mutual Bank

An amount of R50 million was invested with VBS Mutual Bank. The municipality received a notice on the 11th March 2018 that the bank was placed under curatorship by the South African Reserve Bank. The curatorship detailed that all deposits and interest payments have been suspended. At its meeting held on the 28 March 2018, the Council resolved to request the MEC: Finance of Gauteng to institute a forensic investigation regarding the investment of Municipal funds with VBS Bank. The report known as the Deloitte report was received and Council resolved at a meeting held on 01 March 2019 to implement the recommendations of the report. The municipality is implementing the recommendations in the Deloitte report to the fullest extent. VBS Mutual bank was placed under liquidation on the 13 November 2018. The municipality submitted a claim to the liquidator on the amount invested with VBS Mutual bank. The case is handed to South african Crime directorate.

On the 4th February 2022 an amount of R3 529 563.33 was received in the main bank account of the municipality. The capital amount and impairment was decreased respectively.

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

2022
R
2021
R

8.2 Bank Accounts

The Municipality has the following bank accounts:

Account description	Bank Statement Balances		Cash Book Balances	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
NEDBANK MAIN ACCOUNT-1454087331	17 235 277	681 326	3 164 987	(7 591 166)
NEDBANK TRAFFIC FINES-1454087358	-	-	(2 550)	-
NEDBANK SPECIAL DEPOSIT-037492501323	13 133 484	10 700 757	13 133 484	30 700 757
FIRST NATIONAL BANK-62796852624	3 083 670	2 142 576	(1 359 495)	7 088 303
FIRST NATIONAL BANK TRAFFIC ACCOUNT-62796855446	-	10 332	(2 000)	363 349
FIRST NATIONAL BANK CALL ACCOUNT-62797400737	108 474 817	67 468 526	108 474 817	39 670 827
FNB FLEET DEPOSIT	250 000	250 000	250 000	250 000
ABSA	-	-	-	32 341
	<u>142 177 248</u>	<u>81 253 517</u>	<u>123 659 242</u>	<u>70 514 411</u>

8.2 Cash on hand

Cash Floats			15 782	15 782
Total Cash on hand			<u>15 782</u>	<u>15 782</u>

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

9. PROPERTY, PLANT AND EQUIPMENT

30 June 2022

Reconciliation of Carrying Value

Description	Buildings	Infra- structure	Other	Total
	R		R	R
Carrying values at 01 July 2021	188 023 289	2 555 780 568	34 845 913	2 778 649 770
Cost	366 036 593	4 760 483 182	74 040 591	5 200 560 366
- Completed Assets	366 036 593	4 760 483 182	74 040 591	5 200 560 366
Accumulated Impairment Losses	-	-	-	-
Accumulated Depreciation	(178 013 304)	(2 204 702 614)	(39 194 678)	(2 421 910 596)
Acquisition of Assets				
- Cost	-	5 983 025 523	-	5 983 025 523
Depreciation	-	(2 633 434 859)	-	(2 633 434 859)
Carrying value of Disposals:	-	-	-	-
- Cost	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-
- Accumulated Depreciation	-	-	-	-
Impairment Losses	-	(54 687 743)	-	(54 687 743)
Carrying values at 30 June 2022	188 023 289	5 850 683 489	34 845 913	6 073 552 690
Cost	366 036 593	10 743 508 705	74 040 591	11 183 585 889
- Completed Assets	366 036 593	10 743 508 705	74 040 591	11 183 585 889
- Under Construction	-	-	-	-
Accumulated Impairment Losses	-	(54 687 743)	-	(54 687 743)
Accumulated Depreciation	(178 013 304)	(4 838 137 473)	(39 194 678)	(5 055 345 455)

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2021

Reconciliation of Carrying Value

Description	Buildings	Infra- structure	Other	Total
	R		R	R
Carrying values at 01 July 2020	182 206 351	2 498 905 347	42 048 463	2 723 160 161
Cost	379 016 920	4 616 922 753	74 122 506	5 070 062 179
- Completed Assets	379 016 920	4 616 922 753	74 122 506	5 070 062 179
Accumulated Impairment Losses	-	-	-	-
Accumulated Depreciation	(170 722 798)	(2 118 017 406)	(32 074 043)	(2 320 814 247)
- Cost	(170 722 798)	(2 118 017 406)	(32 074 043)	(2 320 814 247)
Acquisition of Assets				
- Cost	13 107 444	143 560 429	2 902 114	159 569 987
- Capital Under Construction	-	-	-	-
Depreciation	(7 290 506)	(86 685 208)	(8 261 120)	(102 236 834)
Carrying value of Disposals:	-	-	(1 843 544)	(1 843 544)
- Cost	-	-	(2 984 029)	(2 984 029)
- Accumulated Impairment Losses	-	-	-	-
- Accumulated Depreciation	-	-	1 140 485	1 140 485
Carrying values at 30 June 2021	188 023 289	2 555 780 568	34 845 913	2 778 649 770
Cost	366 036 593	4 760 483 182	74 040 591	5 200 560 366
- Completed Assets	366 036 593	4 760 483 182	74 040 591	5 200 560 366
Accumulated Impairment Losses	-	-	-	-
Accumulated Depreciation	(178 013 304)	(2 204 702 614)	(39 194 678)	(2 421 910 596)

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
9. PROPERTY, PLANT AND EQUIPMENT (Continued)		
9.1 Impairment of Property, Plant and Equipment		
The amount disclosed for impairment losses on Property, Plant and Equipment does not include individually material amounts of impairment losses. However, cumulative impairment losses for the following significant account balances are included therein:		
Land	-	-
Buildings	-	-
Community Assets	-	-
Infrastructure	54 687 743	-
Leased Assets	-	-
Landfill Sites	-	-
Other Assets	-	-
Transport Assets	-	-
Total Impairment of Property, Plant and Equipment	54 687 743	-
9.2 Expenditure incurred for Repairs and Maintenance		
The following specific costs included in the amount of repairs and maintenance were incurred by municipality during the reporting period:		
Electrical Infrastructure	13 948 690	2 906 024
Roads Infrastructure	237 861	19 710
- Inventory Consumed	147 001	19 710
- Other Operational Costs	90 860	-
Sanitation Infrastructure	3 842 156	2 945 850
- Contracted Services	3 842 156	2 945 850
Water Supply Infrastructure	4 045 403	314 722
- Contracted Services	4 045 403	314 722
Other Assets - Buildings	2 737 418	1 828 079
- Contracted Services	1 124 297	275 619
- Inventory Consumed	325	396
- Other Operational Costs	1 612 796	1 552 064
Total Expenditure related to Repairs and Maintenance Projects	24 811 527	8 014 384
10. INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	-	296 494
The movement in Intangible Assets is reconciled as follows:		
Carrying values at 01 July	296 494	627 691
Cost	296 494	8 607 746
Accumulated Amortisation	-	(7 980 055)
Amortisation:	-	(331 197)
Purchased	-	(331 197)
Carrying values at 30 June	296 494	296 494
Cost	296 494	8 607 746
Accumulated Amortisation	-	(8 311 252)

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
11. INVESTMENT PROPERTY		
At Cost less Accumulated Depreciation	-	320 218 730
The movement in Investment Property is reconciled as follows:		
Carrying values at 1 July	-	320 218 730
Cost	-	320 218 730
Accumulated Depreciation	-	-
Carrying values at 30 June	-	320 218 730
Cost	-	320 218 730
Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:		
Rental Revenue earned from Investment Property	1 479 934	531 909
Direct Operating Expenses - incurred to generate rental revenue	229 022	22 255

MERAUFONG CITY LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

12. HERITAGE ASSETS

30 June 2022

Reconciliation of Carrying Value

Description	Works of Art, Antiques and Collections	Total
	R	R
Carrying values at 01 July 2021	166 842	166 842
Cost	184 866	184 866
Acquisitions	-	-
Carrying values at 30 June 2022	166 842	166 842
Cost	184 866	184 866

12. HERITAGE ASSETS (Continued)

30 June 2021

Reconciliation of Carrying Value

Description	Works of Art, Antiques and Collections	Total
	R	R
Carrying values at 01 July 2020	189 048	189 048
Cost	201 366	201 366
Accumulated Impairment Losses	(12 318)	(12 318)
Acquisitions	-	-
Impairment Losses	(8 781)	(8 781)
Carrying value of Disposals:	(13 425)	(13 425)
- Cost	(16 500)	(16 500)
- Accumulated Impairment Losses	3 075	3 075
Carrying values at 30 June 2021	166 842	166 842
Cost	184 866	184 866
Accumulated Impairment Losses	(18 024)	(18 024)

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
13. CONSUMER DEPOSITS		
Electricity	21 453 199	22 139 796
Water	-	-
Other	1 391 341	1 271 747
Total Consumer Deposits	22 844 540	23 411 543
14. PAYABLES FROM EXCHANGE TRANSACTIONS		
Other Payables	3 818 845	3 267 744
Retentions	28 499 274	32 845 775
Salary Related Payables	(961 000)	-
Trade Creditors	1 251 009 616	919 704 325
Advance Payments	2 155 996	2 155 996
Total Payables from Exchange Transactions	1 284 522 731	957 973 839
Control, Clearing and Interface Accounts: Salary Clearing and Control	58 663	828 017
Long Service Award	(5 479 000)	(1 387 000)
Pension and Retirement Contributions	-	122 909 524
Total Payables from Exchange Transactions allocated to Employee Related Costs	(5 420 338)	122 350 541
Payables and Accruals	331 305 291	693 074 460
Retentions	(4 346 501)	32 845 775
Total Payables from Exchange Transactions allocated to Suppliers Paid	326 958 790	725 920 234
15. PAYABLES FROM NON-EXCHANGE TRANSACTIONS		
Transfers and Subsidies	-	-
Total Payables from Non-exchange Transactions	-	-
The prior year amount for Payables from Non-exchange Transactions has been adjusted. Refer to Note 45.3 on "Correction of Error" for details of the restatement.		
16. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Departmental Agencies and Accounts	-	-
National Government	47 951 516	25 987 713
Private Enterprises	(3 780)	-
Total Unspent Conditional Grants and Receipts	47 947 736	25 987 713
17. LEASE PAYABLES		
Current Lease Payables	-	84 686
Total Lease Payables	-	84 686
17.1 Finance Lease Payables		
Finance Lease Liability	-	84 686
Operating Lease Liability	-	-
Total Non-current Lease Payables	-	84 686
Less: Current Portion transferred to Current Lease Payables:-	-	(84 686)
Finance Lease Liability	-	(84 686)
Operating Lease Liability	-	-

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

2022
R

2021
R

17.1.1 Summary of Arrangements

The lease terms average from two to five years and the effective borrowing rate for photocopier machines, is as determined by the Standard Interest Rate to be levied on debt owing to the state. Obligations under finance leases are secured by the lessor's title to the leased asset.

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2022 R	2021 R	2022 R	2021 R
Amounts payable under borrowings:				
Within one year	-	84 686	-	84 686
	-	84 686	-	84 686
Present Value of Minimum Lease Obligations	<u>-</u>	<u>84 686</u>	<u>-</u>	<u>84 686</u>
Less: Amounts due for settlement within 12 months (Current Portion)			-	(84 686)
Borrowings due for settlement after 12 months (Non-current Portion)			<u>-</u>	<u>-</u>
			0.00	0.00

The municipality has finance lease agreements for the following significant classes of assets:

- Office Equipment

18. BORROWINGS

Long-Term Borrowings

Development Bank of South Africa
Nedbank

	35 670 814	43 509 478
	15 035 743	17 310 511
	20 635 071	26 198 967

Less: Current Portion transferred to Current Borrowings:-
Borrowings

	8 569 764	7 789 616
	8 569 764	7 789 616

Non-Current Portion of Borrowings

	<u>27 101 050</u>	<u>35 719 863</u>
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18.1 Summary of Arrangements

Development Bank of South Africa

The fixed term loan is over a period of 20 years was taken up with the Development Bank of Southern Africa to consolidate previous loans with a new rescheduled loan amounted to R14,994,881. In terms of the service level agreement, as amended, the loan will be repaid in monthly instalments at a interest rate of 5%. The calculation of the instalments is based on the actual number of days and shall be payable in arrears semi annually (September and March).

Nedbank

The fixed term loan is over a period of 10 years was taken up with the Nedbank to consolidate previous

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	R
19. EMPLOYEE BENEFIT LIABILITIES		
Employee Benefit Liabilities	144 054 000	143 446 000
Post-retirement Health Care Benefits Liability	114 157 000	113 131 000
Long Service Awards Liability	29 897 000	30 315 000
Less: Current Portion of Employee Benefit Liabilities	8 077 000	7 951 000
Post-retirement Health Care Benefits Liability	3 559 000	3 433 000
Long Service Awards Liability	4 518 000	4 518 000
Post-retirement Health Care Benefits Liability	110 598 000	109 698 000
Long Service Awards Liability	25 379 000	25 797 000
Non-Current Portion of Employee Benefit Liabilities	135 977 000	135 495 000

19.1 Post-retirement Health Care Benefits Liability

Opening Balance	113 131 000	103 009 000
Interest Cost	11 324 000	10 689 000
Current Service Cost	4 357 000	3 817 000
Actual Employer Benefit Payments	(3 725 984)	(3 486 920)
Actuarial Loss/ (Gain) recognised in the year	(10 887 016)	(897 080)
Balance at end of Year	114 199 000	113 131 000
Transfer to Current Provisions	3 601 000	3 433 000
Total Post-retirement Health Care Benefits Liability	110 598 000	109 698 000

The municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

Eligible employees will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement. Continuation members and their eligible dependants receive a 70% subsidy.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2022 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

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

In-service Members (Employees)	567	551
In-service Non-members (Employees)	181	161
Continuation Members (Retirees, widowers and orphans)	65	65
Total Members	813	777

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	R
The liability in respect of past service has been estimated as follows:		
In-service Members	75 584 000	74 344 000
In-service Non-members	4 108 000	3 868 000
Continuation Members	34 507 000	34 919 000
Total Liability	114 199 000	113 131 000

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

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed

The Current-service Cost for the year ending 30 June 2022 is estimated to be R4 357 000, whereas the cost for the ensuing year is estimated to be R4 574 000 (30 June 2021: R3 817 000 and R4 357 000 respectively).

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

Discount Rate	10.16%	10.16%
Health Care Cost Inflation Rate	6.89%	6.89%
Net Effective Discount Rate	3.06%	3.06%
Expected Retirement Age - Females	62	62
Expected Retirement Age - Males	62	62

General:

It is assumed that the municipality's health care arrangements and subsidy policy would remain as

Continuation of Membership:

It has been assumed that 75% of in-service members will remain on the Municipality's health care

Family Profile:

It has been assumed that female spouses will be five years younger than their male counterparts.

Discount Rate:

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 11.82% per annum has been used. The corresponding index-linked yield at this term is 4.10%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2022.

19.2 Long Service Awards Liability

Opening Balance	30 315 000	46 093 000
Increases	3 139 292	(10 802 110)
Current service cost	2 167 000	3 189 000
Interest cost	2 417 000	3 036 000
Benefits vesting	(4 518 292)	(4 975 890)
Actuarial (gain)/loss	(1 444 708)	(3 886 110)
Change in LSA earnings definition (see Section 3)	-	(13 141 000)
Balance at end of Year	28 936 000	30 315 000
Transfer to Current Provisions	3 557 000	4 518 000
Total Long Service Awards Liability	25 379 000	25 797 000

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

2022
R **2021**
R

The Municipality offers employees Long Service Awards for every five years of service completed, from ten years of service to 45 years of service, inclusive.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2022 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 748 (2021: 712) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2022 is estimated to be R2 417 000, whereas the cost for the ensuing year is estimated to be 2 060 000 (30 June 2021: R3 189 000 and R2 417 000

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

Discount Rate	10.67%	8.60%
Cost Inflation Rate	7.31%	5.60%
Net Effective Discount Rate	3.13%	2.84%
Expected Retirement Age - Females	62	62
Expected Retirement Age - Males	62	62

General:

It is assumed that the Municipality's long service arrangements and subsidy policy would remain as outlined in the accounting policy, and that the level of benefits would remain unchanged, with the exception of inflationary adjustments.

Discount Rate:

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 10.67% per annum has been used. This yield was obtained by calculating the duration of the liability and then taking the yield from the yield curve at that duration using an iterative process. The corresponding liability-weighted index-linked yield is 3.64%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2022. The duration of the total liability was estimated to be 7.50 years.

20. PROVISIONS

Current Provisions	42 161 376	47 981 358
Non-current Provisions	3 827 472	-
Total Provisions	45 988 848	47 981 358

20.1 Current Provisions

Current Portion of Non-Current Provisions:	42 161 376	47 981 358
Bonus	6 578 596	5 502 105
Decommissioning, Restoration and Similar Liabilities: Landfill Sites	7 961 896	14 049 729
Leave	26 989 939	27 798 580
Section 56 Salary Adjustments	630 945	630 945
Total Provisions	42 161 376	47 981 358

Bonus Provision: Staff bonuses accrued to employees according to the standard contract of employment. Provision is made for the full cost of accrued bonuses at reporting date. This provision will be realised when bonuses are paid during November of the next year.

Decommissioning, Restoration and Similar Liabilities: Landfill Sites

Landfill sites decommissioning is estimated by means of a valuation performed by a professional valuator to determine the future cost of dismantling the landfill site. The cost is then reduced to take into account the time value of money at the weighted average borrowing rate of the municipality which has been determined as 12.75%.

Leave Provision: Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	R
20.2 Non-current Provisions		
Decommissioning, Restoration and Similar Liabilities: Landfill Sites	3 827 472	-
Total Non-current Provisions	3 827 472	-
Decommissioning of Landfill Sites:		
Opening Balance	1 083 914	-
Increases (Passage of Time/Discounted Rate)	2 743 557	-
	3 827 472	-

20.3 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse site, the Municipality will incur licencing and rehabilitation costs of R11 259 699 (2021: R13 520 060) to restore the site at the end of its useful live. Provision has been made for the net present value of the future cost, using the average bond yield interest rate.

The municipality has an obligation to rehabilitate its land-fill sites in terms of its licence stipulations. The net present value of the rehabilitation cost of land-fill sites has been determined as at 30 June 2022 by a technical specialist, Rofhiwa Khaukanani Pr Eng CAMA CSAM CEM, the Director for Infratec (Pty) Ltd. The provision is the best estimate of the net present value of future rehabilitation costs of the land-fill sites to restore the sites at the end of their useful lives. The payment dates of the total closure and rehabilitation are uncertain, but are currently expected to be between 2022 and 2052.

As measured in the topographical survey, the available airspace has been exhausted. It was recommended that the Municipality applies for a height extension in order to increase the operational lifetime of the landfill site.

It was assumed that a closure licence will be issued in 2022 and rehabilitation will commence by 2027. The first post-closure year was assumed to be 2028.

Major assumptions concerning future events

The cost estimate for construction works to be performed for the closure and rehabilitation of an existing disposal site include the following assumptions made by the technical specialist:

- (a) The consolidation of "old" waste in the cell and filling of voids with builders rubble or other waste permissible for disposal at the site.
- (b) Doming the entire site in such a way to prevent the formation of pools due to rain, to ensure free surface runoff of rain water.
- (c) Capping the site in accordance with the capping design requirements as stipulated in the Minimum Requirements for Closure for the various classes of disposal sites; and
- (d) Rehabilitating the site in accordance with the end-use plan e.g. grassing, sport field etc.

MERAFONG CITY LOCAL MUNICIPALITY
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	2022	2021
	R	R
21. PROPERTY RATES		
	Actual Levies	
Property Rates Levies	567 482 865	541 111 352
Business and Commercial Properties	100 450 006	97 759 322
Farm Properties	4 630 767	4 223 302
Mining Properties	403 016 293	381 724 866
Public Benefit Organisations	(3 683 902)	(3 504 836)
Public Service Infrastructure Properties	782 709	752 304
Residential Properties	62 286 993	60 156 393
Total Property Rates	567 482 865	541 111 352

The prior year amount for Property Rates has been adjusted. Refer to Note 45.1 on "Correction of Error" for details of the restatement.

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2019. A request for extension of the valid period for the valuation roll has been submitted to the MEC for local government.

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

22. FINES AND PENALTIES

Traffic Fines:	25 509 536	44 282 578
Service Provider	25 509 536	44 282 578
Other Fines:	756 040	46 870
Building	757 500	40 000
Overdue Books Fine	(1 460)	6 870
Penalties	383 943	439 640
Tender Withdrawal	383 943	439 640
Total Fines and Penalties	26 649 519	44 769 088

The prior year amount for Fines, Penalties and Forfeits has been adjusted. Refer to Note 45.1 on "Correction of Error" for details of the restatement.

23. AGENCY FEES

	Exchange Transactions 2022 R	Exchange Transactions 2021 R	Non-Exchange Transactions 2022 R	Non-Exchange Transactions 2021 R
Road and Transport:	15 825 892	14 766 872	-	-
Motor Vehicle Licence	15 825 892	14 766 872	-	-
Trading	709	609	-	-
Total Licences and Permits	15 826 601	14 767 481	-	-

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
24. TRANSFERS AND SUBSIDIES		
Capital Grants	170 933 862	153 332 590
Operational Grants	284 717 588	281 576 968
Total Transfers and Subsidies Received	455 651 451	434 909 558
24.1 Summary of Grants:		
24.1.1 Capital Grants		
National Governments	170 933 862	153 332 590
Total Capital Grants Received	170 933 862	153 332 590
24.1.2 Operational Grants		
District Municipalities	5 222 680	2 495 320
National Governments	19 000 847	9 672 664
National Revenue Fund	229 857 328	252 667 486
Private Enterprises	1 237 731	143 187
Provincial Government	29 399 001	16 598 311
Total Operational Grants Received	284 717 588	281 576 968
24.2 Detailed Summaries		
Equitable Share	229 859 000	221 510 000
MIG Grant	110 279 433	51 106 444
Water Services Infrastructure Grants (WSIG)	51 229 996	58 020 781
Provincial Disaster Fund	-	-
Human Settlement Grant	7 035 682	10 921 045
West Rand District Municipality	2 727 361	2 495 320
Department of Mineral Resources and Energy	17 919 000	24 772 911
Department of Sports, arts, culture and recreation	12 999 814	-
EPWP	467 712	1 817 425
Financial Management Grant (FMG)	2 549 807	1 817 425
Department of Water and Sanitation: Mining Town	16 678 387	59 248 698
Municipal Disaster Grant (Covid)	1 810 714	3 056 322
Other grants and donations	1 094 544	143 187
Sector Education and Training Authority (SETA)	-	-
GRAP 17 Conditional Grant	1 000 000	-
Total Receipts for Government Grants and Subsidies	455 651 451	434 909 558
The above Grants and Subsidies received were utilised as follows:		
Operational Expenditure	270 427 951	255 612 591
Capital Expenditure	185 223 499	179 296 967
Total Receipts for Government Grants and Subsidies	455 651 451	434 909 558
24.2.1 Equitable Share		
Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	229 859 000	221 510 000
Conditions Met: Operational - Transferred to Revenue	(229 859 000)	(221 510 000)
Conditions Met: Capital - Transferred to Revenue	-	-
Adjustments / Refunded to National Revenue Fund	-	-
Unspent Balance at the End of the Year	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	R
24.2.2 MIG Grant		
Unspent Balance at the Beginning of the Year	6 820 566	44 406 925
Current Year Receipts	118 707 893	57 927 010
Conditions Met: Operational - Transferred to Revenue	-	-
Conditions Met: Capital - Transferred to Revenue	(110 279 433)	(51 106 444)
Adjustments / Refunded to National Revenue Fund	(5 476 597)	(44 406 925)
Unspent Balance at the End of the Year	<u>9 772 428</u>	<u>6 820 566</u>

The Municipal Infrastructure Grant (MIG) was allocated for the construction, sewer and water purification

All current year allocations were fully spent during the year and allocated to revenue under votes.

24.2.3 Water Services Infrastructure Grants (WSIG)

Unspent Balance at the Beginning of the Year	554 219	46 780 192
Current Year Receipts	55 000 000	58 575 000
Conditions Met: Operational - Transferred to Revenue	-	-
Conditions Met: Capital - Transferred to Revenue	(51 229 996)	(58 020 781)
Adjustments / Refunded to National Revenue Fund	-	(46 780 192)
Unspent Balance at the End of the Year	<u>4 324 222</u>	<u>554 219</u>

Grant has been received from the government as indicated above. A total of R4324222.49999999 (2021:

24.2.4 Provincial Disaster Fund

Unspent Balance at the Beginning of the Year	4 219	4 219
Current Year Receipts	-	-
Conditions Met: Operational - Transferred to Revenue	-	-
Conditions Met: Capital - Transferred to Revenue	-	-
Adjustments / Refunded to National Revenue Fund	-	-
Unspent Balance at the End of the Year	<u>4 219</u>	<u>4 219</u>

Grant has been received from the government as indicated above. A total of R4219 (2021: R4219) funds have been withheld.

24.2.5 Human Settlement Grant

Unspent Balance at the Beginning of the Year	(453 124)	6 570 925
Current Year Receipts	-	8 247 116
Conditions Met: Operational - Transferred to Revenue	(7 035 682)	(10 921 045)
Conditions Met: Capital - Transferred to Revenue	-	-
Adjustments / Refunded to National Revenue Fund	7 035 682	(4 350 120)
Unspent Balance at the End of the Year	<u>(453 124)</u>	<u>(453 124)</u>

Grant has been received from the government as indicated above. A total of R-453124.3299999979 (2021:

24.2.6 West Rand District Municipality

Unspent Balance at the Beginning of the Year	755 232	612 648
Current Year Receipts	1 972 129	2 637 903
Conditions Met: Operational - Transferred to Revenue	(2 727 361)	(2 495 320)
Conditions Met: Capital - Transferred to Revenue	-	-
Adjustments / Refunded to National Revenue Fund	-	-
Unspent Balance at the End of the Year	<u>0</u>	<u>755 232</u>

No funds have been withheld.

24.2.7 Department of Mineral Resources and Energy

Unspent Balance at the Beginning of the Year	89	3 184 549
Current Year Receipts	17 919 000	24 773 000
Conditions Met: Operational - Transferred to Revenue	(17 919 000)	(24 772 911)
Conditions Met: Capital - Transferred to Revenue	-	-
Adjustments / Refunded to National Revenue Fund	(3 184 549)	(3 184 549)
Unspent Balance at the End of the Year	<u>(3 184 460)</u>	<u>89</u>

Grant has been received from the government as indicated above. A total of R-3184459.54 (2021: R89.450000006519) funds have been withheld.

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
24.2.8 Department of Sports, arts, culture and recreation		
Unspent Balance at the Beginning of the Year	6 479 924	6 584 819
Current Year Receipts	11 680 515	17 200 000
Conditions Met: Operational - Transferred to Revenue	(12 999 814)	-
Conditions Met: Capital - Transferred to Revenue	-	-
Adjustments / Refunded to National Revenue Fund	-	(17 304 896)
Unspent Balance at the End of the Year	<u>5 160 625</u>	<u>6 479 924</u>

Grant has been received from the government as indicated above. A total of R5160624.95 (2021:

24.2.9 EPWP

Unspent Balance at the Beginning of the Year	(152 135)	454 229
Current Year Receipts	500 000	1 500 000
Conditions Met: Operational - Transferred to Revenue	(467 712)	(1 817 425)
Conditions Met: Capital - Transferred to Revenue	-	-
Adjustments / Refunded to National Revenue Fund	-	(288 938)
Unspent Balance at the End of the Year	<u>(119 847)</u>	<u>(152 135)</u>

The Expanded Public Works Programme (EPWP) grant is received to incentivise municipalities to expand

24.2.10 Financial Management Grant (FMG)

Unspent Balance at the Beginning of the Year	682 575	3 607
Current Year Receipts	2 550 000	2 500 000
Conditions Met: Operational - Transferred to Revenue	(2 549 807)	(1 817 425)
Conditions Met: Capital - Transferred to Revenue	-	-
Adjustments / Refunded to National Revenue Fund	(686 182)	(3 607)
Unspent Balance at the End of the Year	<u>(3 415)</u>	<u>682 575</u>

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

24.2.11 Department of Water and Sanitation: Mining Town

Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	36 023 226	35 000 000
Conditions Met: Operational - Transferred to Revenue	-	-
Conditions Met: Capital - Transferred to Revenue	(16 678 387)	(59 248 698)
Adjustments / Refunded to National Revenue Fund	-	24 248 698
Unspent Balance at the End of the Year	<u>19 344 839</u>	<u>-</u>

Grant has been received from the government as indicated above. A total of R19344838.6 (2021: R0)

24.2.12 Municipal Disaster Grant (Covid)

Unspent Balance at the Beginning of the Year	-	596 000
Current Year Receipts	1 810 714	2 460 322
Conditions Met: Operational - Transferred to Revenue	(1 810 714)	(3 056 322)
Conditions Met: Capital - Transferred to Revenue	-	-
Adjustments / Refunded to National Revenue Fund	-	-
Unspent Balance at the End of the Year	<u>-</u>	<u>-</u>

No funds have been withheld.

24.2.13 Other grants and donations

Unspent Balance at the Beginning of the Year	11 296 149	7 679 237
Current Year Receipts	2 361 606	3 760 100
Conditions Met: Operational - Transferred to Revenue	(1 094 544)	(143 187)
Conditions Met: Capital - Transferred to Revenue	-	-
Adjustments / Refunded to National Revenue Fund	-	-
Unspent Balance at the End of the Year	<u>12 563 211</u>	<u>11 296 149</u>

Grant has been received from the government as indicated above. A total of R12563211.18 (2021:

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
24.2.14 Sector Education and Training Authority (SETA)		
Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	542 818	-
Conditions Met: Operational - Transferred to Revenue	-	-
Conditions Met: Capital - Transferred to Revenue	-	-
Adjustments / Refunded to National Revenue Fund	-	-
Unspent Balance at the End of the Year	542 818	-

The Purpose of the Discretionary Grants is to assist the SETA to achieve its objectives in relation to the

24.2.15 GRAP 17 Conditional Grant		
Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	1 000 000	-
Conditions Met: Operational - Transferred to Revenue	(1 000 000)	-
Conditions Met: Capital - Transferred to Revenue	-	-
Adjustments / Refunded to National Revenue Fund	-	-
Unspent Balance at the End of the Year	-	-

No funds have been withheld.

25. TAXES

Taxes	19 023 923	25 722 253
Total Surcharges and Taxes	19 023 923	25 722 253

The prior year amount for Surcharges and Taxes has been adjusted. Refer to Note 45.1 on "Correction of Error" for details of the restatement.

26. SERVICE CHARGES

Sale of Electricity;	287 704 526	260 652 554
- Service Charges	288 954 101	261 756 483
- Revenue Foregone	(1 249 575)	(1 103 929)
Sale of Water:	374 791 681	349 371 180
- Service Charges	376 365 579	350 480 979
- Revenue Foregone	(1 573 898)	(1 109 799)
Refuse Removal:	79 993 004	76 979 177
- Service Charges	81 127 799	77 989 837
- Revenue Foregone	(1 134 795)	(1 010 660)
Sewerage and Sanitation Charges:	70 372 251	66 761 361
- Service Charges	71 732 414	67 906 181
- Revenue Foregone	(1 360 163)	(1 144 820)
Total Service Charges	812 861 462	753 764 273
- Service Charges	818 179 893	758 133 480
- Revenue Foregone	(5 318 431)	(4 369 207)

The prior year amount for Service Charges has been adjusted. Refer to Note 45.1 on "Correction of Error" for details of the restatement.

27. SALES OF GOODS AND RENDERING OF SERVICES

Advertisements	84 835	103 616
Building Plan Clause Levy	766 363	707 971
Cemetery and Burial	441 552	468 782
Clearance Certificates	143 220	112 408
Development Charges	20 671	73 098
Entrance Fees	108 876	26 139
Photocopies and Faxes	106 967	80 854
Sale of Goods	271 592	200 220
Scrap, Waste & Other Goods	258 712	65 163
Town Planning and Servitudes	228 480	164 044
Total Sales of Goods and Rendering of Services	2 431 268	2 002 294

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
28. RENTAL FROM FIXED ASSETS		
Straight-lined Operating Lease Revenue		
Other Fixed Assets:	1 255 788	1 133 277
Property Plant and Equipment	1 255 788	1 133 277
Sub-lease Rental Income from Other Fixed Assets	484 195	418 177
Property Plant and Equipment	484 195	418 177
Ad-hoc Rental Income from Other Fixed Assets:	32 137	(3 087)
Property Plant and Equipment	32 137	(3 087)
Total Rental of Facilities and Equipment	1 772 119	1 548 368
Total Rental of Facilities and Equipment allocated to Other Receipts	1 772 119	1 548 368
Rental income generated are at market related premiums. All rental income recognised is therefore market related.		
29. INTEREST INCOME		
External Investments:		
Bank Account	5 046 100	4 848 321
	5 046 100	4 848 321
Total Interest Received		
Interest - Bank Account	5 046 100	4 848 321
Interest - Variable Rate Instruments	5 046 100	4 848 321
Outstanding Exchange Receivables:		
Outstanding Billing Debtors	187 953 044	142 532 378
Service Charges	(59 769)	(7 630 122)
Outstanding debtors	188 012 813	150 162 486
	187 953 044	142 532 378
Total Exchange Interest, Dividends and Rent on Land Earned	192 999 144	147 380 699
Total Interest, Dividends and Rent on Land Earned	192 999 144	147 380 699
30. OPERATIONAL REVENUE		
Administrative Handling Fees	183 626	158 032
Breakages and Losses Recovered	603	238
Commission	378 878	330 165
Incidental Cash Surpluses	3 567	10 457
Insurance Refund	232 879	386 853
Request for Information	12 788	13 629
Skills Development Levy Refund	-	358 240
Total Operational Revenue	812 341	1 257 614

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
31. EMPLOYEE RELATED COSTS		
Salaries, Wages and Service Related Benefits:	265 627 179	257 441 092
Basic	205 850 213	202 460 630
Long Service Awards	4 540 181	2 877 318
Bonusses	15 478 097	15 398 555
Leave Payments	8 445 008	9 439 685
Overtime	31 313 680	27 264 904
Allowances:	24 350 374	17 729 499
Travel, motor car, accommodation, subsistence and other allowances	8 489 608	1 445 876
Cellular and Telephone	1 726 014	1 863 636
Housing Benefits	4 555 644	4 450 890
Tools Allowance	9 579 108	9 969 096
Social Contributions:	64 110 876	62 985 284
Bargaining Council	118 139	208 400
WCA	2 129 795	2 183 126
Medical	31 104 064	31 062 380
Pension	29 300 845	28 078 072
Unemployment Insurance	1 458 033	1 453 306
Post-retirement Benefits:	13 294 760	11 784 425
Current Service Cost	589 016	330 080
Interest Cost	14 134 943	9 791 920
Actuarial Gains and Losses	-	-
Past Service Cost	922 093	3 449 315
Long Term Service Awards	(2 351 292)	(1 786 890)
Total Employee Related Costs	367 383 190	349 940 300
31.1 Key Management Personnel:		
Municipal Manager - S.L. Mdletshe		
Annual remuneration	1 922 537	146 767
Travel, motor car, accommodation, subsistence and other allowances	253 031	27 669
Council contributions to UIF, pension and medical aid funds	226 144	44 717
Total	2 401 712	219 153
The post was vacant for the period 01 December 2012 to 30 April 2013, for which period an Acting		
Chief Financial Officer - R.J. Magongwa		
Annual remuneration	840 131	-
Travel, motor car, accommodation, subsistence and other allowances	313 196	-
Council contributions to UIF, pension and medical aid funds	213 269	-
Total	1 366 596	-
Chief Operating Officer - Vacant 2022		
Annual remuneration	-	182 732
Travel, motor car, accommodation, subsistence and other allowances	-	57 653
Council contributions to UIF, pension and medical aid funds	-	42 735
Total	-	283 120
The post was vacant for the period 01 December 2012 to 30 April 2013, for which period an Acting		
Executive Director: Infrastructure Development - N. Moyo		
Annual remuneration	788 295	1 365 733
Travel, motor car, accommodation, subsistence and other allowances	253 593	407 661
Performance & other bonuses	60 915	151 071
Council contributions to UIF, pension and medical aid funds	227 121	114 755
Total	1 329 924	2 039 220

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	R
Executive Director: Corporate Services - S.B. Mazibuko		
Annual remuneration	785 407	1 252 830
Travel, motor car, accommodation, subsistence and other allowances	386 681	296 008
Performance & other bonuses	63 047	151 071
Council contributions to UIF, pension and medical aid funds	240 674	411 338
Total	<u>1 475 809</u>	<u>2 111 247</u>
Executive Director: Community Services - S.E. Mantjane		
Annual remuneration	1 020 017	2 013 794
Travel, motor car, accommodation, subsistence and other allowances	149 362	306 191
Performance & other bonuses	-	203 204
Council contributions to UIF, pension and medical aid funds	281 956	557 430
Total	<u>1 451 335</u>	<u>3 080 619</u>
Executive Director: Economic Development & Planning - J.H. Smith		
Annual remuneration	768 006	1 624 461
Travel, motor car, accommodation, subsistence and other allowances	215 836	464 565
Performance & other bonuses	63 047	151 071
Council contributions to UIF, pension and medical aid funds	240 760	44 955
Total	<u>1 287 649</u>	<u>2 285 052</u>
32. REMUNERATION OF COUNCILLORS		
Executive Mayor	828 425	903 870
Speaker	731 974	731 974
Executive Committee Members	7 107 628	9 781 961
Total for All Other Councillors	13 614 370	11 172 099
Total Councillors' Remuneration	<u>22 282 397</u>	<u>22 589 904</u>
Remuneration of Councillors:		
In-kind Benefits		
The Executive Mayor, Speaker, Chief Whip and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor, Speaker and Chief Whip has the use of a Council owned vehicle for official duties.		
The Executive Mayor has full-time VIP protection personnel.		
The Speaker has full-time VIP protection personnel.		
33. DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	114 117 771	99 391 852
Depreciation: Investment Property	-	1
Depreciation: Biological Assets	-	-
Depreciation: Heritage Assets	8 252	8 781
Amortisation: Intangible Assets	151 435	331 228
Total Depreciation and Amortisation	<u>114 277 458</u>	<u>99 731 862</u>
34. IMPAIRMENT LOSSES		
Impairment Losses on Fixed Assets	-	40 386 269
Impairment Losses on Financial Assets	828 101 282	940 885 629
Total Impairment Losses	<u>828 101 282</u>	<u>981 271 898</u>

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
35. INTEREST COST		
Interest cost:	81 662 572	54 003 016
Bank Overdraft	2 293	-
Borrowings	3 487 960	4 252 871
Interest costs non-current Provisions	1 588 655	1 154 903
Long Service Awards	2 417 000	3 036 000
Overdue Accounts	74 166 664	45 559 242
Total Interest cost	81 662 572	54 003 016
36. BULK PURCHASES		
Electricity	387 618 623	359 482 566
Water	(263 375)	531 651
Total Bulk Purchases	387 355 248	360 014 217
37. CONTRACTED SERVICES		
Outsourced Services	38 327 541	29 355 046
Consultants and Professional Services	16 737 562	20 626 993
Contractors	31 274 584	13 880 453
Total Contracted Services	86 339 688	63 862 491
37.1 Outsourced Services		
Administrative and Support Staff	387 144	800
Burial Services	983 645	1 036 590
Business and Advisory	7 439 786	4 133 075
Catering Services	16 499	23 924
Illegal Dumping	785 590	890 640
Litter Picking and Street Cleaning	4 359 698	2 966 633
Meter Management	3 792 473	3 195 841
Security Services	18 391 241	14 702 698
Traffic Fines Management	2 167 715	2 399 844
Transport Services	3 750	5 000
	38 327 541	29 355 046
37.2 Consultants and Professional Services		
Business and Advisory	9 486 206	13 711 964
Infrastructure and Planning	-	-
Laboratory Services	-	-
Legal Cost	7 251 356	6 915 028
	16 737 562	20 626 993
37.3 Contractors		
Artists and Performers	-	-
Electrical	13 848 450	2 852 596
Employee Wellness	99 170	75 050
Maintenance of Buildings and Facilities	2 061 845	2 127 862
Maintenance of Equipment	5 406 706	3 421 414
Maintenance of Computer Software	4 045 403	333 482
Prepaid Electricity Vendors	1 860 715	2 070 772
Preservation/Restoration/Dismantling/Cleaning Services	-	-
Sewerage Services	3 842 156	2 945 850
Sports and Recreation	9 900	-
Traffic and Street Lights	100 240	53 427
	31 274 584	13 880 453

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	R
38. INVENTORY CONSUMED		
Consumables	64 982	321 114
Materials and Supplies	563 431	999 114
Water	195 994 525	177 531 211
Total Inventory Consumed	<u>196 622 938</u>	<u>178 851 439</u>
39. TRANSFERS AND SUBSIDIES PAID		
Operational Grants	321 051	2 295 069
Monetary Allocations	<u>321 051</u>	<u>2 295 069</u>
Total Transfers and Subsidies Paid	<u>321 051</u>	<u>2 295 069</u>
<p>The prior year amount for Transfers and Subsidies Paid has been adjusted. Refer to Note 45.2 on "Correction of Error" for details of the restatement.</p>		
Local Municipalities	-	2 000 000
Non-profit Institutions	321 051	295 069
Total Operational Grants Paid	<u>321 051</u>	<u>2 295 069</u>
40. OPERATING LEASES		
Computer Equipment	11 037	212 973
Furniture and Office Equipment	2 938 345	2 750 015
Infrastructure	516 516	1 467 700
Machinery and Equipment	155 247	237 975
Transport Assets	25 867 435	22 831 830
Total Operating Leases	<u>29 488 581</u>	<u>27 500 493</u>

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
41. OPERATIONAL COSTS		
Achievements and Awards	-	-
Advertising, Publicity and Marketing	657 889	648 107
Assets less than the Capitalisation Threshold	149	-
Atmospheric Emission Licence	275 193	243 578
Bank Charges, Facility and Card Fees	2 633 560	1 261 413
Bursaries (Employees)	329 717	171 711
Cleaning Services	188 632	234 782
Communication	1 690 765	1 856 348
Contribution to Provisions	-	(582 181)
Courier and Delivery Services	157 570	191 220
Deeds	72 179	75 573
Entertainment	8 092	1 074
External Computer Service	11 012 235	4 467 274
Fines and Penalties	27 158	-
Hire Charges	2 151 826	1 620 699
Honoraria (Voluntarily Workers)	-	-
Indigent Relief	126 950	-
Insurance Underwriting	4 132 830	3 699 038
Learnerships and Internships	84	24 000
Levies Paid - Water Resource Management Charges	1 552 080	1 496 685
Licences	224 003	184 497
Municipal Services	1 448	1 426 409
Printing, Publications and Books	365 849	383 583
Professional Bodies, Membership and Subscription	7 890 860	4 212 250
Registration Fees	1 950	-
Remuneration to Ward Committees	140 855	256 996
Resettlement Cost	24 238	-
Signage	90 860	-
System Access and Information Fees	326 094	1 083 303
Toll Gate Fees	188 781	145 616
Travel and Subsistence	22 117	47 359
Wet Fuel	17 298 191	15 477 896
Workmen's Compensation Fund	2 815 708	3 960 668
Total Operational Costs	54 407 863	42 587 899
Total for Other Payments	(2 433 761 810)	1 054 696 104
	22 117	47 359
41.1 Material Losses	2 696 871	3 374 774
Distribution Losses:		
Electricity Losses	992 529	1 264 774
Water Losses	1 704 341	2 110 000

The amounts disclosed above for **Electricity and Water Losses** are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense (See Note 53.9).

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	R
42. GAINS AND LOSSES ON OTHER OPERATIONS		
Gains on Other Operations		
Fair Value Gains on Interest Rate Swaps	-	-
Total Gains on Other Operations	<u>-</u>	<u>-</u>
Water Losses	52 361 722	60 320 608
Net Gains and Losses on Other Operations	<u>(52 361 722)</u>	<u>(60 320 608)</u>
43. GAINS / LOSSES ON DISPOSAL OF CAPITAL ASSETS		
Investment Property	(90 313 381)	-
Property, Plant and Equipment	(1 172 743)	(1 856 968)
Total Gains / (Losses) on Disposal of Capital Assets	<u>(91 486 124)</u>	<u>(1 856 968)</u>

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
44. RECLASSIFICATION OF ANNUAL FINANCIAL STATEMENTS		
44.1 Reclassification of Accumulated Surplus		
The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.		
The effect of the changes are as follows:		
		Accumulated Surplus
Balance published as at 30 June 2020		2 552 705 748
Correction of Error:-		
Adjustment for Impairment of Receivables	-	
Adjustment for Capital Assets as per Revised Asset Register	(35 552 483)	
Adjustment for Inventories as per Working Papers	-	
Adjustment for Exchange Receivables as per Working Papers	-	
Adjustment for Statutory Non-exchange Receivables as per Working Papers	-	
Adjustment for VAT Receivables as per Working Papers	-	
Adjustment for Cash and Cash Equivalents as per Working Papers	-	
Adjustment for Exchange Payables as per Working Papers	-	
Adjustment for Rounding Errors	-	(35 552 483)
Restated Balance as at 30 June 2020		2 517 153 265
Transactions incurred for the Year 2020/21		(236 288 083)
Correction of Error:-		
Adjusted as per Working Papers	-	(41 305 102)
Restated Balances as at 30 June 2021		2 239 560 079

44.2 Reclassification of Revenue

The prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2020/21 Audited	Change in Accounting Policy	Correction of Error	Restated Amount 2020/21
Property Rates	541 111 352	-	(0)	541 111 352
Fines, Penalties and Forfeits	47 436 316	-	(2 667 228)	44 769 088
Licences and Permits - Non-exchange	-	-	-	-
Transfers and Subsidies	418 518 104	-	16 391 454	434 909 558
Surcharges and Taxes	24 852 194	-	870 059	25 722 253
Interest, Dividends & Rent on Land Non-Exchange	-	-	-	-
Licences and Permits - Exchange	14 767 481	-	0	14 767 481
Service Charges	756 328 780	-	(2 564 507)	753 764 273
Sales of Goods and Rendering of Services	-	-	2 002 294	2 002 294
Property rates - Penalties imposed	7 581 738	-	(7 581 738)	-
Public Contributions and Donations	150 822	-	(150 822)	-
Rental from Fixed Assets	518 707	-	1 029 661	1 548 368
Interest, Dividends & Rent on Land Exchange	147 380 699	-	0	147 380 699
Operational Revenue	2 866 417	-	(1 608 803)	1 257 614
Gains on Disposal of PPE	89 213	-	(89 213)	-
	1 961 601 823	-	5 631 157	1 967 232 980

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

2022
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2021
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44.3 Reclassification of Expenditure

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2020/21 Audited	Change in Accounting Policy	Correction of Error	Restated Amount 2020/21
Employee Related Costs	355 691 923	-	(5 751 623)	349 940 300
Remuneration of Councillors	22 589 904	-	-	22 589 904
Depreciation and Amortisation	95 045 771	-	4 686 091	99 731 862
Impairment Losses	973 966 134	-	7 305 764	981 271 898
Interest, Dividends and Rent on Land	54 162 013	-	(158 997)	54 003 016
Bulk Purchases	410 837 935	-	(50 823 718)	360 014 217
Contracted Services	87 875 275	-	(24 012 784)	63 862 491
Inventory Consumed	-	-	178 851 439	178 851 439
Transfers and Subsidies Paid	-	-	2 295 069	2 295 069
Operating Leases	-	-	27 500 493	27 500 493
Operational Costs	291 593 469	-	(249 005 570)	42 587 899
Loss on Disposal of PPE	-	-	1 856 968	1 856 968
Losses on Other Operations	-	-	60 320 608	60 320 608
	2 291 762 424	-	(46 936 259)	2 244 826 165
				(277 593 185.08)

44.4 Reclassification of Statement of Financial Position

The prior year figures of Classes in the Statement of Financial Position have been restated to correctly classify the nature of Assets, Liabilities and Net Assets of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2020/21 Audited	Change in Accounting Policy	Correction of Error	Restated Amount 2020/21
Current Assets				
Inventories	1 011 528	-	(339 115)	672 413
Receivables from Exchange Transactions	240 214 260	-	(66 062 194)	174 152 066
Statutory Receivables from Exchange Transactions	9 140 953	-	60 588 796	69 729 749
Receivables from Non-exchange Transactions	-	-	-	-
Statutory Receivables from Non-exchange Transactions	-	-	80 833 522	80 833 522
Construction Contracts and Receivables	-	-	-	-
VAT Receivable	77 592 113	-	(77 592 113)	-
Cash and Cash Equivalents	70 530 193	-	(8 200 249)	62 329 944
Non-Current Assets				
Property, Plant and Equipment	2 778 649 771	-	(1)	2 778 649 770
Intangible Assets	296 494	-	0	296 494
Investment Property	320 218 730	-	(0)	320 218 730
Heritage Assets	166 842	-	-	166 842
Current Liabilities				
Consumer Deposits	(23 411 543)	-	0	(23 411 543)
Payables from Exchange Transactions	(1 001 179 626)	-	43 205 787	(957 973 839)
Unspent Conditional Grants and Receipts	(27 163 036)	-	1 175 323	(25 987 713)
Lease Payables	(84 686)	-	-	(84 686)
Borrowings	(7 761 105)	-	(28 511)	(7 789 616)
Employee Benefit Liabilities	(3 433 000)	-	(4 518 000)	(7 951 000)
Provisions	(85 709 980)	-	37 728 622	(47 981 358)
Non-Current Liabilities				
Borrowings	(35 748 373)	-	28 510	(35 719 863)
Employee Benefit Liabilities	(109 698 000)	-	(25 797 000)	(135 495 000)
Provisions	(112 014 559)	-	112 014 559	-
Net Assets				
Reserves	-	-	(5 094 833)	(5 094 833)
Accumulated Surplus / (Deficit)	(2 091 616 976)	-	(147 943 103)	(2 239 560 079)
	-	-	-	-

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

2022
R 2021
R

45. CORRECTION OF ERROR

Corrections were made on disclosures of the previous financial year. These disclosures are limited to re-classification of line items within the different categories of the financial statements. Details of the corrections are described below:

45.1 Reclassification of Revenue

Prior year amounts of items in **Revenue** included in the Statement of Financial Performance have been restated as indicated below:

Correction of Errors:-

Adjust as per Working Papers	-	(2 667 228)	-	16 391 454
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Restated Balance now reported	<u>541 111 352</u>	<u>44 769 088</u>	<u>-</u>	<u>434 909 558</u>
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Fines, Penalties and Forfeits:

The **prior year amounts** for Fines, Penalties & Forfeits and Receivables from Exchange Transactions have been restated to correctly disclose the revenue for Traffic Fines in terms of the prescriptions of IGRAP 1, previously not accrued for.

Transfers and Subsidies:

The **prior year amounts** for Transfers & Subsidies and Property, Plant & Equipment have been restated to correctly disclose the revenue.

Furthermore, the **prior year amounts** for Transfers & Subsidies and Public Contributions & Donations have been restated to correctly disclose the revenue for library books donated from Public, previously recognised from Government.

	Surcharges and Taxes	Interest, Dividends & Rent on Land Non-Exchange	Licences and Permits - Exchange	Service Charges
Balance previously reported	24 852 194	-	14 767 481	756 328 780
Correction of Errors:- Adjusted Changes as per Working Papers	870 059	-	-	(2 564 507)
Restated Balance now reported	<u>25 722 253</u>	<u>-</u>	<u>14 767 481</u>	<u>753 764 273</u>

Service Charges:

The **prior year amounts** for Service Charges have been restated to correctly disclose the revenue for Service Charges, restated in terms of prior year audit findings as per working papers prepared.

	Property rates - Penalties imposed	Public Contributions and Donations	Rental from Fixed Assets	Interest, Dividends & Rent on Land Exchange
Balance previously reported	7 581 738	150 822	518 707	147 380 699
Correction of Errors:- Adjusted as per Working Papers	-	-	-	-
Restated Balance now reported	<u>-</u>	<u>-</u>	<u>1 548 368</u>	<u>147 380 699</u>

Rental from Fixed Assets:

The **prior year amounts** for Rental from Fixed Assets have been restated to correctly disclose the revenue for Rentals.

	Operational Revenue	Intercompany/Parent-subsidary Transactions	Gains on Disposal of PPE	Gains on Other Operations
Balance previously reported	2 866 417	-	89 213	
Correction of Errors:-	-1 608 803		(89 213)	
Restated Balance now reported	<u>1 257 614</u>	<u>-</u>	<u>-</u>	

Other Income:

The **prior year amounts** for Other Income have been restated to correctly disclose as per the SCOA Chart.

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

2022
R 2021
R

45.2 Reclassification of Expenditure

Prior year amounts of items in Expenditure included in the Statement of Financial Performance have been restated as indicated below:

	Employee Related Costs	Remuneration of Councillors	Depreciation and Amortisation
Balance previously reported	355 691 923	22 589 904	95 045 771
Correction of Errors:- Adjusted as per Revised Asset Register	(19 738 668)	-	4 686 091
Restated Balance now reported	<u>335 953 255</u> (13 987 045.07)	<u>22 589 904</u>	<u>99 731 862</u>

Employee related cost

The prior year amounts for Employee related cost have been restated to correctly disclose the employee cost for the prior year.

Depreciation and Amortisation:

The prior year amounts for Depreciation & Amortisation and Property, Plant & Equipment have been restated to correctly disclose depreciation for assets as per Asset Register, recompiled in terms of Audit Findings made in the Prior Year.

	Impairment Losses	Interest, Dividends and Rent on Land	Bulk Purchases	Contracted Services
Balance previously reported	973 966 134	54 162 013	410 837 935	87 875 275
Correction of Errors:- Adjustments made as per Working Papers	7 305 764	(158 997)	(50 823 718)	(24 012 784)
Restated Balance now reported	<u>981 271 898</u>	<u>54 003 016</u>	<u>360 014 217</u>	<u>63 862 491</u>

Impairment Losses:

The prior year amounts for Impairment Losses, Receivables from Exchange Transactions and Statutory Receivables from Non-exchange Transactions have been restated to correctly disclose the impairment of Receivables, previously incorrectly calculated in terms of the prescriptions of GRAP 104.

Contracted Services:

The prior year amounts for Contracted Services have been restated to correctly disclose the expenditure for Contracted Services, the prior year have been restated as a result of caseware mapping issues.

	Inventory Consumed	Transfers and Subsidies Paid	Operating Leases	Operational Costs
Balance previously reported	-	-	-	291 593 469
Correction of Errors:- Adjusted as per the working paper	178 851 439	2 295 069	27 500 493	-
Restated Balance now reported	<u>178 851 439</u>	<u>2 295 069</u>	<u>27 500 493</u>	<u>42 587 899</u>

Inventory Consumed:

The prior year amounts for Inventory Consumed have been reclassified from General Expenses Water to inventory consumed

Transfers and Subsidies Paid:

The prior year amounts for Transfers & Subsidies Paid have been restated to correctly disclose the expenditure for Grants and Subsidies Paid.

Operating leases

The prior year amounts for Operating leases have been restated to correctly disclose the expenditure.

Operational Costs:

The prior year amounts for Operational Costs have been restated to correctly disclose the expenditure for Operational Costs. See workign papers.

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
	Loss on Disposal of PPE	Losses on Other Operations
Balance previously reported	-	-
Correction of Errors:- Adjusted as per working paper	1 856 968	(60 320 608)
Restated Balance now reported	<u><u>1 856 968</u></u>	<u><u>(60 320 608)</u></u>

Loss on Disposal of Property, Plant and Equipment:

The **prior year amounts** for Loss on Disposal of PPE and Property, Plant & Equipment have been restated to correctly disclose disposal of assets. Previously incorrectly mapped to depreciation.

Losses on Other Operations:

The **prior year amounts** for Losses on Other Operations previously mapped to inventory consumed in Caseware

45.3 Reclassification of Statement of Financial Position

Opening Balances and Prior Year Amounts of items in the Statement of Financial Position have been restated as indicated below:

The **prior year amounts** of indicated items in the Statement of Financial Position have been reclassified in terms of the mSCOA Item GUID's allocated to these items to agree to the data strings submitted to National Treasury. The net effect of these reclassifications is zero.

	Inventories	Receivables from Exchange Transactions	Statutory Receivables from Exchange Transactions
Balances published per AFS as at 30 June 2021	1 011 528	240 214 260	9 140 953
Correction of Errors:- Adjusted as per Working Papers	-	66 062 194	60 588 796

Inventories:

The **opening balances** of Inventories have been restated to correctly disclose the value of Inventories, restated as a result of recalculations performed as per working papers prepared.

	Receivables from Non-exchange Transactions	Statutory Receivables from Non-exchange Transactions	VAT Receivable
Balances published per AFS as at 30 June 2021	-	-	77 592 113
Correction of Errors:- Adjusted as per Working Papers	-	80 833 522	(77 592 113)
Balances now published per AFS as at 30 June 2021	<u><u>-</u></u>	<u><u>80 833 522</u></u>	<u><u>-</u></u>
	Cash and Cash Equivalents	Lease Receivables	Long-term Receivables
Balances published per AFS as at 30 June 2021	70 530 193	-	-
Correction of Errors:- Adjusted as per Working Papers	(8 200 249)	-	-
Balances now published per AFS as at 30 June 2021	<u><u>62 329 944</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
Cash and Cash Equivalents:		
The opening balances of Cash and Cash Equivalents have been restated to correctly disclose the value of Cash, restated as per working papers prepared.		
	Property, Plant and Equipment	Intangible Assets
		Investment Property
Balances published per AFS as at 30 June 2021	2 778 649 771	296 494
Correction of Errors:- Adjusted as per the FAR	-	-
Balances now published per AFS as at 30 June 2021	<u>2 778 649 771</u>	<u>296 494</u>
		Investment Property
		Heritage Assets
		Long-term Receivables
Balances published per AFS as at 30 June 2021		166 842
Adjusted as per the registres		22 206
Balances now published per AFS as at 30 June 2021		<u>-</u>
	Consumer Deposits	Payables from Exchange Transactions
		Payables from Non-exchange Transactions
Balances now published per AFS as at 30 June 2020	-	-
Balances published per AFS as at 30 June 2021	(23 411 543)	(1 001 179 626)
Correction of Errors:- Adjusted as per Working Papers	-	43 205 787
Balances now published per AFS as at 30 June 2021	<u>(23 411 543)</u>	<u>(957 973 839)</u>
Payables from Exchange Transactions:		
The opening balances of Payables from Exchange Transactions have been restated to correctly disclose the value of Payables, restated as per working papers prepared.		
	Unspent Conditional Grants and Receipts	VAT Payable
		Lease Payables
Balances now published per AFS as at 30 June 2020	-	-
Balances published per AFS as at 30 June 2021	(27 163 036.00)	(84 686.00)
Correction of Errors:- Adjusted as per the working paper	-	-
Balances now published per AFS as at 30 June 2021	<u>(27 163 036)</u>	<u>(84 686)</u>

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	R
46. CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	(216 579 418)	(277 593 185)
Adjustment for Non-cash Transactions included in Surplus / (Deficit):		
Transfers and Subsidies Received	-	-
Employee Related Costs	28 583 055	27 756 580
Depreciation and Amortisation	114 277 458	99 731 862
Impairment Losses	-	-
Interest, Dividends and Rent on Land	4 005 655	4 190 903
Contracted Services	-	-
Operational Costs	-	(582 181)
Gains on Other Operations	-	-
Adjustment for Cash Transactions not included in Surplus / (Deficit):		
Statutory Exchange Receivables: Bad Debts Written-off	-	-
Expenditure from Current Employee Benefit Liabilities	-	-
Expenditure from Non-current Employee Benefit Liabilities	(3 725 984)	(3 486 920)
Expenditure from Current Provisions	(808 641)	-
Adjustment for Non-cash Transactions included in Working Capital:		
Decrease/(Increase) in Impairment of Exchange Receivables	Refer Note 3.2 (1 147 412 955)	(785 139 918)
Decrease/(Increase) in Impairment of Statutory Non-exchange Receivables	Refer Note 6.2 (413 874 203)	(1 006 433 170)
Adjustment for Transactions included in Surplus / (Deficit) directly recognised in Cash Flow:		
Gains / (Losses) on Disposal of Capital Assets	Refer Note 48.1 91 486 124	1 856 968
Minor Variance on Impairment	-	(891 282 390)
Minor Variance on Depreciation	2 519 157 401	(99 400 665)
Minor Variance on Other Non-cash Transactions	(1 178 097)	10 050 979
Operating Surplus before Working Capital Changes	1 026 292 115	(2 860 010 529)
Decrease/(Increase) in Inventories	(33 661)	(579 243)
Decrease/(Increase) in Receivables from Exchange Transactions	(31 990 570)	18 692 237
Decrease/(Increase) in Statutory Receivables from Exchange Transactions	(26 423 527)	(68 360 478)
Decrease/(Increase) in Receivables from Non-exchange Transactions	(1 098 386)	-
Decrease/(Increase) in Statutory Receivables from Non-exchange Transactions	(22 901 358)	(80 833 522)
Increase/(Decrease) in Consumer Deposits	(567 003)	20 992 357
Increase/(Decrease) in Payables from Exchange Transactions	326 548 892	848 581 269
Increase/(Decrease) in Unspent Conditional Grants and Receipts	21 960 024	22 047 738
Increase/(Decrease) in Operating Lease Payables	-	-
Cash Generated by / (Utilised in) Operations	1 291 786 525	(2 100 568 558)

47. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

47.1 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful Expenditure:

Opening Balance	94 373 432	48 254 267
- As previously stated	94 373 432	48 254 267
- Correction of error	-	-
Fruitless and Wasteful Expenditure	74 166 664	46 119 165
- Current Year	74 166 664	46 119 165
- Prior Year	-	-
Expenditure investigated and approved by Council	-	-
- Current Year	-	-
- Prior Year	-	-
Fruitless and Wasteful Expenditure awaiting condonement	168 540 096	94 373 432

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

2022
R **2021**
R

The fruitless expenditure is due to interest charged on overdue accounts of the below entities, the interest is

The Fruitless and Wasteful Expenditure are as follows:

- Eskom
- Office of the Auditor General
- Rand Water
- Telkom
- SARS (Interest/ Penalties)
- Municipal Councilors Pension Fund
- Compensation Commission
- Nashua
- Quill

47.2 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening Balance:	142 940 126	109 046 487
- As previously stated	142 940 126	109 046 487
- Correction of error	-	-
Irregular Expenditure Current Year:	49 127 148	33 893 639
- Current Year	49 127 148	33 893 639
- Prior Year	-	-
Condoned/Written-off by Council:	-	-
- Current Year	-	-
- Prior Year	-	-
Irregular Expenditure awaiting condonation	192 067 274	142 940 126

Details of the irregular expenditure reported in the current/prior year includes the following:

Irregular expenditure identified during the year

Good and services above 200 000 were obtained without going through procurement processes	32 961 289	30 274 349
Good and services above 30 000 were obtained without going through procurement processes	34 573	95 180

Deviations

Emergency	14 413 116	3 524 110
Single supplier	1 300 000	-
Exceptional case	418 171	-
	16 131 287	3 524 110

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of the MFMA. No steps have been taken at this stage to recover any monies.

48. ADDITIONAL DISCLOSURES IN TERMS OF APPLICABLE LEGISLATION

48.1 MUNICIPAL FINANCE MANAGEMENT ACT

48.1.1 Contributions to Organised Local Government - SALGA

Opening Balance	9 237 235	9 237 235
Council Subscriptions	7 890 860	4 212 250
Amount Paid - current year	(7 890 860)	(4 212 250)
Balance Unpaid (included in Creditors)	9 237 235	9 237 235

The balance unpaid represents the municipal subscriptions for the prior financial year and is payable in the following financial year

48.1.2 Pension and Medical Aid Deductions

Opening Balance	-	-
Current Year Contributions	63 296 527	67 236 662
Amount Paid - current year	(63 296 527)	(67 236 662)
Balance Unpaid (included in Creditors)	-	-

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

2022
R **2021**
R

The prior year's amounts have been restated due to recalculations done on documentation submitted.

48.1.3 Audit Fees

Opening Balance	2 636 411	7 451 929
Current year Audit Fees	-	4 621 160
Amount Paid - current year	-	(9 436 678)

Balance Unpaid (included in Creditors)

	2 636 411	2 636 411
--	------------------	------------------

The prior year's amounts have been restated due to recalculations done on documentation submitted.

48.1.4 PAYE, Skills Development Levy and UIF

Opening Balance	-	-
Current year Payroll Deductions	56 873 610	53 269 533
Amount Paid - current year	(56 873 610)	(53 269 533)

Balance Unpaid (included in Creditors)

	-	-
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48.1.5 VAT

The net of VAT input receivables and VAT output payables are shown in Note 7. All VAT returns have not been submitted by the due date throughout the year, resulting in penalties and fines being charged by SARS against the municipality."

	-	-
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48.1.6 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(1) of the Municipal Supply Chain Management Policy approved by the Council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

30 June 2022

Month	Sole Supplier	Emergency	Impossible	Impractical	Total Amount
July	44 058	-	-	6 068	50 126
August	51 487	-	-	112 938	164 425
September	120 170	2 955	-	38 985	162 111
October	130 651	4 700	-	37 044	172 394
November	66 247	-	-	37 044	103 291
December	413 550	-	-	37 044	450 594
January	125 978	-	-	37 044	163 022
February	67 640	-	-	37 044	104 684
March	107 910	-	-	40 411	148 321
April	628 263	-	-	2 714	630 977
May	2 350	-	-	12 692	15 042
June	756 924	-	-	139 781	896 704
	2 515 228	7 655	-	538 809	3 061 691

30 June 2021

Month	Sole Supplier	Emergency	Impossible	Impractical	Total Amount
July	44 058	-	-	6 068	50 126
August	51 487	-	-	112 938	164 425
September	120 170	2 955	-	38 985	162 111
October	130 651	4 700	-	37 044	172 394
November	66 247	-	-	37 044	103 291
December	413 550	-	-	37 044	450 594
January	125 978	-	-	37 044	163 022
February	67 640	-	-	37 044	104 684
March	107 910	-	-	40 411	148 321
April	628 263	-	-	2 714	630 977
May	2 350	-	-	12 692	15 042
June	756 924	-	-	139 781	896 704
	2 515 228	7 655	-	538 809	3 061 691

48.2 BROAD-BASED BLACK ECONOMIC EMPOWERMENT ACT

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

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
49. COMMITMENTS FOR EXPENDITURE		
49.1 Capital Commitments		
- Approved and Contracted for:-	-	-
Other	-	-
- Approved but Not Yet Contracted for:-	-	-
Other	-	-
Total Capital Commitments	-	-
This expenditure will be financed from:		
Own Resources	-	-
	-	-

The Capital Commitments are VAT inclusive.

50. FINANCIAL INSTRUMENTS

50.1 Classification

FINANCIAL ASSETS:

Financial Assets of the municipality are classified as follows:

Financial Assets at Amortised Cost:

Receivables from Exchange Transactions	Electricity	26 092 139	26 791 494
Receivables from Exchange Transactions	Refuse	31 465 904	31 978 250
Receivables from Exchange Transactions	Sewerage	15 634 735	16 381 350
Receivables from Exchange Transactions	Merchandising, Jobbing and Contracts	21 209 442	2 495 843
Receivables from Exchange Transactions	Other Service Charges	70 347 431	53 521 329
Receivables from Exchange Transactions	Water	38 797 772	40 653 503
Receivables from Exchange Transactions	Property Rental Debtors	2 505 509	2 249 634
Receivables from Exchange Transactions	Control, Clearing and Interface Accounts	37 131	28 081
Receivables from Non-exchange Transactions	Over Payment of Contractors	1 098 386	-
Cash and Cash Equivalents	Call Deposits	108 474 817	45 278 348
Cash and Cash Equivalents	Bank Balances	15 184 425	17 035 815
Cash and Cash Equivalents	Cash on hand	15 782	15 782
		377 756 244	287 435 357

FINANCIAL LIABILITIES:

Financial Liabilities of the municipality are classified as follows:

Financial Liabilities at Amortised Cost:

Finance Lease Obligations		-	84 686
Borrowings		27 101 050	35 719 863
Consumer Deposits	Electricity	21 453 199	22 139 796
Consumer Deposits	Other Deposits	1 391 341	1 271 747
Payables from Exchange Transactions	Other Payables	3 818 845	3 267 744
Payables from Exchange Transactions	Retentions	28 499 274	32 845 775
Payables from Exchange Transactions	Salary Related Payables	(961 000)	-
Payables from Exchange Transactions	Trade Creditors	1 251 009 616	919 704 325
Total Financial Liabilities		1 323 742 560	1 007 329 005

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
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50.2 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2021.

The capital structure of the municipality consists of debt, which includes the borrowings disclosed in Note 20., and Cash and Cash Equivalents as disclosed in Note 19.

50.3 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The CFO monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by management on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Further quantitative disclosures are included throughout these Annual Financial Statements.

50.4 Significant Risks

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Interest Rate Risk.

Risks and exposures are disclosed as follows:

58.4.1 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.

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. The utilisation of credit limits is regularly monitored. Sales to customers are settled in cash or using major credit cards.

Financial assets' maximum exposure to credit risk at year end were as follows:

Financial instrument		
First National Bank		83 728 880
Trade and other receivables		-
VBS Mutual Bank		50 422 333
	-	<u>134 151 213</u>

MERAFONG CITY LOCAL MUNICIPALITY
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2022
R

2021
R

50.5 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of

Credit quality of Financial Assets:

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

Receivables from Exchange Transactions

Counterparties without external credit rating:-

High	1 999 476 890	1 651 289 730
Medium	709 107 355	654 014 933
Low	-	-
	<u>2 708 584 245</u>	<u>2 305 304 663</u>
Total Receivables from Exchange Transactions	<u>2 708 584 245</u>	<u>2 305 304 663</u>

Receivables from Non-exchange Transactions

High	1 098 386	-
Medium	-	-
Low	-	-
	<u>1 098 386</u>	<u>-</u>
Total Receivables from Non-exchange Transactions	<u>1 098 386</u>	<u>-</u>

Credit quality Groupings:

High - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Medium - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding

Low - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However,

None of the financial assets that are fully performing, have been renegotiated in the last year.

50.5.1 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with First National Bank, Development Bank of South Africa and Nedbank. No investments with a tenure exceeding twelve months are made.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

2022
R

2021
R

50.6 Liquidity Risk Management

The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Entity's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market. The municipality's risk to liquidity is a result of the funds necessary to cover future commitments. The municipality manages liquidity risk through an on-going review of future commitments and available funds. Cash flow forecasts are prepared to ensure adequate utilisation and optimisation of funds.

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

50. FINANCIAL INSTRUMENTS (Continued)

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay.

Description	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	R	R	R	R		R
30 June 2022						
Fixed Interest Rate Instruments	(8 569 764)	(8 569 764)	-	-	-	-
- Current Portion of Long-term Liabilities	(8 569 764)	(8 569 764)	-	-	-	-
	-					
	(8 569 764)	(8 569 764)	-	-	-	-
30 June 2021						
Fixed Interest Rate Instruments	(7 620 244)	(7 620 244)	-	-	-	-
- Non-current Finance Lease Obligations	84 686	84 686	-	-	-	-
- Current Finance Lease Obligations	84 686	84 686	-	-	-	-
- Current Portion of Long-term Liabilities	(7 789 616)	(7 789 616)	-	-	-	-
	-					
Financial Guarantee Contracts	-	-	-	-	-	-
	(7 620 244)	(7 620 244)	-	-	-	-

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

2022
R **2021**
R

51. RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

51.1 Interest of Related Parties

The following Councillors and/or Management of the municipality and/or close family members of Councillors / Management have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
T.K. Foteng	Ward member	Director of Leshoboro Services (Pty) Ltd
S. Ndolela	SCM	Uncle of Director of Cville Electrical Contractors
M.P. Mbokazi	Traffic	Half brother of Director of Giya Dlozi Trading and Projects

51.2 Rent received from Related Parties

During the year the Municipality received rental income from the following related parties that are related to the Municipality as indicated:

	2022	2021
Related party:		
Nqaba VP	21 611	-
Sereo B	18 893	-
Tholwana MS	18 893	-
Mapasa Y	24 037	-
Mbilini NA	45 138	-
Mahube N	24 037	-
Fali MP	11 766	-
Kotoi MD	26 485	-
Levuno MJ	15 431	-
Shata MJ	13 624	-
Mthembu PQ	18 745	-
Jongilanga PC	4 536	-
Voyi NEM	19 324	-
Zitha NP	24 037	-
Mqikwana X	18 893	-
Moleoa NA	16 838	-
Letshekha CL	21 389	-
Yawathe C	18 893	-
Makokoe IN	13 242	-
Kruger T	13 242	-
Molale TD	18 893	-

No amounts outstanding identified in the current year. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

51.3 Loans granted to Related Parties

In terms of the MFMA, the Municipality may not grant loans to its Councillors, Management, Staff and Public. No loans were granted to Councillors, Management, Staff and Public by the municipality.

51.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 31 and 32 to the Annual Financial Statements.

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

2022
R

2021
R

51.5 Purchases from Related Parties

The municipality bought goods from the following companies, which are considered to be Related Parties:

Company Name	Related Person	Municipal Capacity	Nature of relationship	Purchases for the Year	Purchases for the Year
Leshoboro Services (Pty) Ltd	T.K. Foteng	Ward member	Director	118 350	-
Cville Electrical Contractors	S. Ndolela	SCM	Uncle of Director	63 537	-
Giya Dlozi Trading and Projects	M.P. Mbokazi	Traffic	Half brother of Director	7 920 703	-
Total Purchases				8 102 590	-

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

52. CONTINGENT ASSETS

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

53. CONTINGENT LIABILITIES

The entity is involved in the following pending claims. All the claims are being contested based on legal advice. The certainty and the timing of the outflow of these liabilities are uncertain. The amounts disclosed below are possible outflow amounts:

Probable legal costs to be incurred for various matters handled by various attorneys	4 400 000	-
Labour cases and employee related matters	2 006 110	2 500 000
Claims by individuals due to property damages in various incidents	310 000 000	312 000 000
Claims by individuals due to various incidents	2 000 000	693 279
	318 406 110	315 193 279

54. IN-KIND DONATIONS AND ASSISTANCE

These contributions and donations were used for social upliftment. Other than the unspent amount, the conditions of these were These contributions

Reconciliation of unspent public contributions and donations

Balance unspent at the beginning of the year	850 995	7 679 237
Current year receipts	2 361 606	3 762 107
Conditions met - transferred to revenue		(2 911 112)
Social responsibility Write-off		(7 679 237)
Balance unspent at the end of the year	3 212 601	850 995

55. ANALYSIS OF AGENCY ACCOUNTING

The entity is a party to a principal-agent arrangement(s).

1. Details of the Arrangement(s) is/are as follows:

The Municipality undertakes to handle Motor vehicle license issuing on behalf of the Department of Transport and Province and collects a commission of 22% plus VAT.

2. Resources held on behalf of the Principal(s), but recognised in the entity's own Financial Statements:

The Resources regarding the Licensing Department, remain there own and do not form part of the municipality's Financial Statements.

3. Revenue Recognised:

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is RYY (2019: RXX).

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

2022
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2021
R

56. GOING CONCERN ASSESSMENT

Management draws attention to the fact that, as at 30 June 2022, several factors exist that might influence the ability of the municipality to continue as a going concern.

Even though the above uncertainties exist regarding the Municipality's ability to continue as a going concern, the annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the funds will be available to finance future operations and that the realisation of assets and the settlement of liabilities and commitments will occur in the ordinary course of business.

The ability of the Municipality to continue as a going concern is dependent on a number of factors, most significant of these being the ability to procure funding for the ongoing operations of the Municipality.

Management also considered the following matters in relation to the Going Concern position of the Municipality:

- Strict daily cash management processes are embedded in the Municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the budget. The cash management processes is complemented by regular reporting, highlighting the actual cash position.
- The cost containment circular issued by National Treasury has been adopted by Council and is currently implemented in the Municipality.
- Business plans / proposals have been compiled by management to obtain funds from external parties to increase our revenue resources in order to fund the operations and to render municipal support services on a shared services basis to the local municipalities in the district.
- The Municipality will continue to receive funding from government, as is evident from the Equitable Share allocations as published in the Division of Revenue Act, and the Medium Term Revenue and Expenditure Framework (MTREF) for the 2022/23, 2023/24 and 2024/25 financial years are funded and approved by the Council.

Taking the aforementioned into account, management is of the opinion that the Municipality will be able to continue as a going concern in the foreseeable future.

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

57. SEGMENT REPORTING

Reportable Segments for the year ended 30 June 2022

For management purposes, the municipality is organised and operates in four key functional segments (or business units). To this end, management monitors the operating res segments for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are all transactional level. Costs relating to the governance and administration of the municipality are not allocated to these functional segments.

The four key Segments comprise of:

- Community services
- Economic development and planning
- Infrastructure development
- Shared services

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such ser fees charged for the services rendered. Other includes the Financc, Municipal Manager, and other votes.

Information about geographical areas:

The municipality's operations are in the Gauteng Province and are only evaluated at a municipal wide level. Information per town / ward is not available and the cost to develop

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

57.1 Segmental Analysis of Financial Performance

Year Ended 30 June 2022

Description	Community services	Economic development and planning	Infrastructure development	Shared services	Other	Not allocated	Total for Municipality
	R	R	R	R	R		R
REVENUE							
External Revenue from non-exchange transactions	91 742 534	757 500	309 317 265	4 867 036	662 127 168		1 068 811 504
External Revenue from exchange transactions	96 702 539	2 285 406	732 679 573	447 398	1 589 330		833 704 245
Interest revenue					192 999 145		192 999 145
Total Revenue	188 445 073	3 042 906	1 041 996 838	5 314 434	856 715 642	-	2 095 514 894
EXPENDITURE							
Total segment expense	238 387 113	105 985 496	969 850 794	122 336 630	683 136 741		2 119 696 775
Depreciation and amortisation							-
Interest expense	1 588 655			2 417 000	77 656 917		81 662 572
Total Expenditure	239 975 768	105 985 496	969 850 794	124 753 630	760 793 658	-	2 201 359 347
Surplus/(Deficit) for the Year	(51 530 694)	(102 942 590)	72 146 044	(119 439 196)	95 921 984	-	(105 844 453)
Assets							
Segment assets	14 064 424	325 701 510	3 277 082 667	(9 152 649)	594 607 911		4 202 303 864
Total assets as per Statement of financial Position	14 064 424	325 701 510	3 277 082 667	(9 152 649)	594 607 911	-	4 202 303 864
Liabilities							
Segment liabilities	(11 259 699)			(143 360 850)	(2 335 208 942)		(2 489 829 491)
Total liabilities as per Statement of financial Position	(11 259 699)	-	-	(143 360 850)	(2 335 208 942)	-	(2 489 829 491)

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Year Ended 30 June 2021

Description	Community services	Economic development and planning	Infrastructure development	Shared services	Other	Not allocated	Total for Municipality
	R	R	R	R	R		R
REVENUE							
External Revenue from non-exchange transactions	49 996 607	40 000	149 091 670	-	641 874 266	-	841 002 543
External Revenue from exchange transactions	92 491 516	2 052 730	676 848 968	726 889	1 060 054	-	773 180 157
Interest revenue	-	-	-	-	147 380 699	-	147 380 699
Total Revenue	142 488 123	2 092 730	825 940 638	726 889	790 315 019	-	1 761 563 399
EXPENDITURE							
Total segment expense	224 998 828	16 071 150	916 734 706	94 745 079	759 546 301		2 012 096 064
Depreciation and amortisation	5 276 690	197 556	93 848 075	1 460 715	927 999		101 711 035
Interest expense	1 154 903	-	-	3 036 000	50 372 036		54 562 939
Total Expenditure	231 430 421	16 268 706	1 010 582 781	99 241 794	810 846 336	-	2 168 370 038
Surplus/(Deficit) for the Year	(88 942 298)	(14 175 976)	(184 642 143)	(98 514 905)	(20 531 317)	-	(406 806 639)
Assets							
Segment assets	20 960 379	759 099	3 075 827 241	4 168 925	5 071 578	53 264 617	3 160 051 839
Total assets as per Statement of financial Position	20 960 379	759 099	3 075 827 241	4 168 925	5 071 578	53 264 617	3 160 051 839
Liabilities							
Segment liabilities	-	-	-	(60 972 876)	(4 518 000)	(1 966 538 346)	(2 032 029 222)
Total liabilities as per Statement of financial Position	-	-	-	(60 972 876)	(4 518 000)	(1 966 538 346)	(2 032 029 222)

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

70. Distribution losses

During the year under review, Merafong City Local Municipality had unaccounted water of 23.28% (2021: 32.36%) respectively. The total Rand value of these losses were

During the year under review, Merafong City Local Municipality had an unaccounted Electricity of 45.37% (2021: 29.68%) respectively. The total Rand value of these losses

MERAFONG CITY LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Approval of Annual Financial Statements

I am responsible for the preparation of these Annual Financial Statements year ended 30 June 2022, which are set out on pages 1 to 115 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

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, and as required by the Municipal Finance Management Act.

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

The Auditor-General is responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister for Cooperative Governance and Traditional Affairs' determination in accordance with this Act.

The Annual Financial Statements were prepared on the going concern basis and the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

I have reviewed the Municipality's cash flow forecast for the year to 2022 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.



M.L. Sivethemba
Municipal Manager

31 August 2022

Date