



**Mangaung Metropolitan Municipality**  
Annual Financial Statements  
for the year ended 30 June 2021

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## General Information

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<b>Legal form of entity</b>	Municipality
<b>Nature of business and principal activities</b>	Providing municipal services and maintaining the best interest of the local community, mainly in the Mangaung area
<b>Grading of local authority</b>	Metropolitan
<b>Executive Mayor</b>	LA Masoetsa - Acting from 25 March 2021 M Morake - Acting from 31 December 2020 until 25 March 2021 SM Mlamleli - until 31 December 2020
<b>Deputy Executive Mayor</b>	LA Masoetsa
<b>Speaker</b>	MA Siyonzana
<b>Mayoral Committee Members</b>	VE Jonas MM Mahase NP Monyakoana NA Morake J Nothnagel M Nkhabu XD Pongolo G Thipenyane LM Titi-Odili
<b>Accounting Officer</b>	Adv TB Mea - until 21 May 2021 T. Maine - Acting from 21 May 2021 until 30 July 2021 S. More - Acting from 30 July 2021
<b>Chief Financial Officer</b>	S Mofokeng
<b>Registered office</b>	Bram Fischer Building Cnr Nelson Mandela Drive and Markgraaff Street Bloemfontein 9301
<b>Postal address</b>	PO Box 3704 Bloemfontein 9301
<b>Bankers</b>	Nedbank ABSA Development Bank of South Africa First National Bank Standard Bank
<b>Auditors</b>	Auditor General of South Africa
<b>Enabling legislation</b>	Municipal Finance Management Act, (Act 56 of 2003) Municipal Systems Act, (Act 32 of 2000) Municipal Structures Act, (Act 117 of 1998) Municipal Property Rates Act, (Act 3 of 2017) Division of Revenue Act (Act 16 of 2019) Municipal Demarcation Act, (Act 27 of 1998)

# Mangaung Metropolitan Municipality

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

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# Mangaung Metropolitan Municipality

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## Abbreviations

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### 1. Abbreviations used within the annual financial statements

ACT	Actual
BAL	Balance
COID	Compensation for Occupational Injuries and Diseases
CPI	Consumer Price Index
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HOD	Head of Directorate
IGRAP	Interpretation of the Standards of Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act, (Act 56 of 2003)
PAYE	Pay As You Earn
PPE	Property, Plant and Equipment
SALGA	South African Local Government Association
SARS	South African Revenue Service
SOC	State Owned Company
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
WIP	Work-in-Progress

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

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

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

The annual financial statements are based upon appropriate accounting policies consistently applied, unless included in note 2, and supported by reasonable and prudent judgements and estimates.

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

The accounting officer is responsible for the preparation of these annual financial statements in terms of Section 126(1) of the Municipal Finance Management Act, (Act 56 of 2003), and has signed on behalf of the entity.

The accounting officer certifies that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 42 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act, (Act 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

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

The accounting officers have reviewed the municipality's cash flow forecast for the year to 30 June 2022 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors to express an independent opinion on the fair presentation of the annual financial statements.

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

The annual financial statements set out on pages 6 to 126, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed:

  
\_\_\_\_\_  
Acting Accounting Officer  
S. More

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Officer's Report

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The accounting officers submit their report for the year ended 30 June 2021.

### 1. Review of activities

#### Main business and operations

The operating results and state of affairs of the entity are fully set out in the attached annual financial statements and do not in my opinion require any further comment.

Net surplus of the municipality was R 29 163 610 (2020: surplus R 260 657 686).

### 2. Going concern

I draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus of R 12 703 806 300 and that the municipality's total assets exceed its liabilities by R 13 622 198 633.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. Refer to note 60 for further details.

The entity still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, (Act 4 of 2020).

### 3. Subsequent events

The following subsequent events transpired after the reporting date and before the annual financial statements were authorised for issue,:

- 1) Cllr M Nkoane was appointed as new Speaker of the Municipal council.
- 2) The former Speaker, Cllr M Siyonzane was appointed as the new Executive Mayor.
- 3) On the 4th of June 2021, there was a council resolution for the determination of a new sale of business agreement between the Centlec and Municipality. The agreement was to be implemented within 21 days however based on the legal and accounting implications, Council resolved to defer the implementation financial period of the resolution from 2020/21 to 2022/23 financial period.

### 4. Accounting Officers' interest in contracts

None.

### 5. Accounting Officer

The accounting officers of the municipality during the year and to the date of this report are as follows:

Name	Nationality	Changes
Adv TB Mea	South African	Accounting Officer until 21 May 2021
S. More	South African	Current Acting Accounting Officer from 30 July 2021
T. Maine	South African	Acting Accounting Officer from 21 May 2021 until 30 July 2021

**Mangaung Metropolitan Municipality**  
Annual Financial Statements for the year ended 30 June 2021

**Statement of Financial Position as at 30 June 2021**

Figures in Rand	Note(s)	2021	2020 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	533 521 831	515 853 989
consumer receivables from non-exchange transactions	4	766 473 521	873 062 469
Consumer receivables from exchange transactions	5	1 111 660 310	942 730 091
Other receivables from non-exchange transactions	6	950 267	400 270
Other receivables from exchange transactions	7	64 207 395	59 957 525
VAT receivable	8	64 811 907	107 753 355
Centlec intercompany loan	9	799 240 928	776 203 042
Current portion of Centlec receivables	10	6 654 710	6 697 009
Cash and cash equivalents	11	195 678 895	395 231 159
		<b>3 543 199 764</b>	<b>3 677 888 909</b>
<b>Non-Current Assets</b>			
Investment property	12	1 570 916 988	1 571 238 441
Property, plant and equipment	13	11 949 244 132	12 047 207 684
Intangible assets	14	8 606 778	8 650 097
Heritage assets	15	279 968 687	279 968 687
Investments in controlled entities	16	100	100
Centlec receivables	10	857 958 305	864 613 015
Non-current receivables	17	171 654	156 891
		<b>14 666 866 644</b>	<b>14 771 834 915</b>
<b>Total Assets</b>		<b>18 210 066 408</b>	<b>18 449 723 824</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	18	1 647 083 346	1 528 413 104
Payables from non-exchange transactions	19	336 624 132	263 805 208
Consumer deposits	20	33 351 036	33 599 273
Unspent conditional grants and receipts	21	35 662 707	436 229 060
Current portion of finance lease obligation	22	11 831 215	74 194 252
Current portion of borrowings	23	160 165 318	190 591 008
Current portion of provisions	24	616 660 269	479 112 848
		<b>2 841 378 023</b>	<b>3 005 944 753</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	22	35 938 140	74 561 668
Borrowings	23	616 519 976	706 254 111
Provisions	24	64 716 945	96 010 327
Employee benefit obligation	25	582 996 000	502 525 629
FRESHCO Liability	26	163 648 133	177 776 030
Land availability liability	27	282 670 558	293 973 089
		<b>1 746 489 752</b>	<b>1 851 100 854</b>
<b>Total Liabilities</b>		<b>4 587 867 775</b>	<b>4 857 045 607</b>
<b>Net Assets</b>		<b>13 622 198 633</b>	<b>13 592 678 217</b>
Reserves			
Revaluation reserve	28	887 501 956	905 098 875
Self-insurance reserve	29	10 000 000	10 000 000
COVID reserve	30	20 890 377	22 287 275
Accumulated surplus		12 703 806 300	12 655 292 067
<b>Total Net Assets</b>		<b>13 622 198 633</b>	<b>13 592 678 217</b>

\* See Note 57

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**Statement of Financial Performance**

Figures in Rand	Note(s)	2021	2020 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	32	1 478 466 906	1 326 373 449
Rental of facilities and equipment	33	48 634 302	46 767 319
Other income from exchange transactions	34	72 514 096	512 118 024
Interest received from exchange transactions	35	386 557 704	427 920 120
Fair value adjustments	37	-	26 871 377
Actuarial gains	25	-	82 858 877
Dividends received	35	2 248	2 849
<b>Total revenue from exchange transactions</b>		<b>1 986 175 256</b>	<b>2 422 912 015</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	38	1 190 390 992	1 334 854 287
Interest received from non-exchange transactions	36	40 713 151	62 804 076
<b>Transfer revenue</b>			
Government grants & subsidies	39	2 040 443 181	1 556 357 427
Public contributions and donations	40	334 600	223 400
Fines, penalties and forfeits	41	9 937 927	16 770 072
<b>Total revenue from non-exchange transactions</b>		<b>3 281 819 851</b>	<b>2 971 009 262</b>
<b>Total revenue</b>	31	<b>5 267 995 107</b>	<b>5 393 921 277</b>
<b>Expenditure</b>			
Employee related costs	42	(1 790 808 234)	(1 719 879 215)
Remuneration of councillors	43	(65 531 323)	(67 201 568)
Depreciation and amortisation	44	(717 968 499)	(800 070 300)
Impairment loss / Reversal of impairments	45	(2 731 628)	(10 473 242)
Finance costs	46	(151 898 824)	(162 496 917)
Debt impairment and bad debt write off	47	(804 852 431)	(701 459 248)
Bulk purchases	48	(743 539 271)	(762 564 668)
Contracted services	49	(454 064 206)	(485 397 652)
Grants and subsidies paid	50	(50 327 112)	(26 002 000)
Loss on derecognition of assets and liabilities		(24 188 328)	(10 037 500)
Fair value adjustments	37	(32 733 244)	-
Actuarial losses	25	(38 503 985)	-
General expenses	51	(361 684 412)	(387 681 281)
<b>Total expenditure</b>		<b>(5 238 831 497)</b>	<b>(5 133 263 591)</b>
<b>Surplus for the year</b>		<b>29 163 610</b>	<b>260 657 686</b>

\* See Note 57



# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Self Insurance reserve	COVID reserve	Total reserves	Accumulated surplus	Total net assets
Opening balance as previously reported	925 449 343	10 000 000	20 922 250	956 371 593	12 552 193 728	13 508 565 321
Adjustments						
Prior year adjustments	-	-	-	-	(176 544 790)	(176 544 790)
<b>Balance at 01 July 2019 as restated*</b>	<b>925 449 343</b>	<b>10 000 000</b>	<b>20 922 250</b>	<b>956 371 593</b>	<b>12 375 648 938</b>	<b>13 332 020 531</b>
Changes in net assets						
Surplus for the year	-	-	-	-	260 657 686	260 657 686
Contributions received	-	416 673	2 718 755	3 135 428	(3 135 428)	-
Insurance claims processed	-	(416 673)	(1 353 730)	(1 770 403)	1 770 403	-
Realisation of the revaluation reserve through depreciation	(20 350 468)	-	-	(20 350 468)	20 350 468	-
Total changes	(20 350 468)	-	1 365 025	(18 985 443)	279 643 129	260 657 686
<b>Restated* Balance at 01 July 2020</b>	<b>905 098 875</b>	<b>10 000 000</b>	<b>22 287 275</b>	<b>937 386 150</b>	<b>12 655 292 083</b>	<b>13 592 678 233</b>
Changes in net assets						
Surplus for the year	-	-	-	-	29 163 610	29 163 610
Insurance claims processed	-	(354 267)	(1 396 898)	(1 751 165)	1 751 165	-
Realisation of the revaluation reserve through depreciation	(17 953 709)	354 267	-	(17 599 442)	17 599 442	-
Revaluation of assets	356 790	-	-	356 790	-	356 790
Total changes	(17 596 919)	-	(1 396 898)	(18 993 817)	48 514 217	29 520 400
<b>Balance at 30 June 2021</b>	<b>887 501 956</b>	<b>10 000 000</b>	<b>20 890 377</b>	<b>918 392 333</b>	<b>12 703 806 300</b>	<b>13 622 198 633</b>
Note(s)	28	29	30			

\* See Note 57

# Mangaung Metropolitan Municipality

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## Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		1 898 007 952	1 729 400 095
Grants		1 639 876 830	1 533 508 001
Interest income		232 854 443	248 431 385
Dividends received		2 248	2 849
		<b>3 770 741 473</b>	<b>3 511 342 330</b>
<b>Payments</b>			
Employee costs		(1 822 890 521)	(1 742 735 630)
Suppliers		(1 264 886 781)	(980 863 386)
Finance costs		(2 750 719)	(6 031 947)
Grants paid		(1 989)	(2 000)
		<b>(3 090 530 010)</b>	<b>(2 729 632 963)</b>
<b>Net cash flows from operating activities</b>	52	<b>680 211 463</b>	<b>781 709 367</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	13	(565 621 445)	(233 978 708)
Proceeds from sale of property, plant and equipment	13	3 730 083	-
Purchase of other intangible assets	14	(487 651)	(2 942 381)
Purchase of financial assets		(6 790)	(1 406)
Finance costs		608 435	507 259
		<b>(561 777 368)</b>	<b>(236 415 236)</b>
<b>Cash flows from financing activities</b>			
Repayments of Borrowings		(120 159 825)	(130 319 462)
Proceeds from land availability liability		4 534 936	11 482 098
Finance lease payments		(100 986 565)	(37 669 543)
Finance costs		(101 374 905)	(107 986 380)
		<b>(317 986 359)</b>	<b>(264 493 287)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(199 552 264)</b>	<b>280 800 844</b>
Cash and cash equivalents at the beginning of the year		395 231 159	114 430 316
<b>Cash and cash equivalents at the end of the year</b>	11	<b>195 678 895</b>	<b>395 231 160</b>

\* See Note 57

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2021</b>											
<b>Financial Performance</b>											
Property rates	1 376 320 166	(186 999 166)	1 189 321 000	-	-	1 189 321 000	1 190 390 991	-	1 069 991	100 %	86 %
Service charges	1 496 528 945	(27 707 779)	1 468 821 166	-	-	1 468 821 166	1 478 466 906	-	9 645 740	101 %	99 %
Investment revenue	18 408 328	-	18 408 328	-	-	18 408 328	18 313 072	-	(95 256)	99 %	99 %
Transfers recognised - operational	1 230 337 498	105 856 462	1 336 193 960	-	-	1 336 193 960	1 235 833 581	-	(100 360 379)	92 %	100 %
Other own revenue	525 227 772	(56 035 958)	469 191 814	-	-	469 191 814	498 206 142	-	29 014 328	106 %	95 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>4 646 822 709</b>	<b>(164 886 441)</b>	<b>4 481 936 268</b>	<b>-</b>	<b>-</b>	<b>4 481 936 268</b>	<b>4 421 210 692</b>	<b>-</b>	<b>(60 725 576)</b>	<b>99 %</b>	<b>95 %</b>
Employee costs	(1 750 593 936)	(8 272 195)	(1 758 866 131)	-	-	(1 758 866 131)	(1 877 042 421)	-	(118 176 290)	107 %	107 %
Remuneration of councillors	(71 975 825)	509 514	(71 466 311)	-	-	(71 466 311)	(65 531 322)	-	5 934 989	92 %	91 %
Debt impairment	(1 106 371 824)	213 846 637	(892 525 187)	-	-	(892 525 187)	(807 584 060)	-	84 941 127	90 %	73 %
Depreciation and asset impairment	(251 085 930)	-	(251 085 930)	-	-	(251 085 930)	(717 968 498)	-	(466 882 568)	286 %	286 %
Finance charges	(102 276 228)	(1 000 000)	(103 276 228)	-	-	(103 276 228)	(104 107 834)	-	(831 606)	101 %	102 %
Materials and bulk purchases	(519 656 207)	(26 852 168)	(546 508 375)	-	-	(546 508 375)	(782 675 883)	-	(236 167 508)	143 %	151 %
Transfers and grants	(2 240 918)	-	(2 240 918)	-	-	(2 240 918)	(3 001 989)	-	(761 071)	134 %	134 %
Other expenditure	(624 238 456)	(69 708 040)	(693 946 496)	-	-	(693 946 496)	(819 110 417)	-	(125 163 921)	118 %	131 %
<b>Total expenditure</b>	<b>(4 428 439 324)</b>	<b>108 523 748</b>	<b>(4 319 915 576)</b>	<b>-</b>	<b>-</b>	<b>(4 319 915 576)</b>	<b>(5 177 022 424)</b>	<b>-</b>	<b>(857 106 848)</b>	<b>120 %</b>	<b>117 %</b>
<b>Surplus/(Deficit)</b>	<b>218 383 385</b>	<b>(56 362 693)</b>	<b>162 020 692</b>	<b>-</b>	<b>-</b>	<b>162 020 692</b>	<b>(755 811 732)</b>	<b>-</b>	<b>(917 832 424)</b>	<b>(466)%</b>	<b>(346)%</b>
Transfers recognised - capital	854 031 526	(269 808 543)	584 222 983	-	-	584 222 983	804 609 600	-	220 386 617	138 %	94 %
Contributions recognised - capital and contributed assets	-	-	-	-	-	-	334 600	-	334 600	DIV/0 %	DIV/0 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>1 072 414 911</b>	<b>(326 171 236)</b>	<b>746 243 675</b>	<b>-</b>	<b>-</b>	<b>746 243 675</b>	<b>49 132 468</b>	<b>-</b>	<b>(697 111 207)</b>	<b>7 %</b>	<b>5 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>1 072 414 911</b>	<b>(326 171 236)</b>	<b>746 243 675</b>	<b>-</b>	<b>-</b>	<b>746 243 675</b>	<b>49 132 468</b>	<b>-</b>	<b>(697 111 207)</b>	<b>7 %</b>	<b>5 %</b>

# Mangaung Metropolitan Municipality

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## Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	967 129 411	(112 772 596)	854 356 815	-		854 356 815	804 609 600		(49 747 215)	94 %	83 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	854 031 524	(151 879 679)	702 151 845	-		702 151 845	672 442 921		(29 708 924)	96 %	79 %
Borrowing	85 179 220	(41 567 920)	43 611 300	-		43 611 300	74 963 723		31 352 423	172 %	88 %
Internally generated funds	27 918 667	80 675 003	108 593 670	-		108 593 670	63 389 660		(45 204 010)	58 %	227 %
<b>Total sources of capital funds</b>	<b>967 129 411</b>	<b>(112 772 596)</b>	<b>854 356 815</b>	<b>-</b>		<b>854 356 815</b>	<b>810 796 304</b>		<b>(43 560 511)</b>	<b>95 %</b>	<b>84 %</b>

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## Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Financial Position and Cash flows</b>											
<b>Financial Position</b>											
Total current assets	2 571 110 717	(51 621 872)	2 519 488 845	-	-	2 519 488 845	3 543 199 764	-	1 023 710 919	141 %	138 %
Total non-current assets	23 296 538 832	(3 665 247)	23 292 873 585	-	-	23 292 873 585	14 666 866 644	-	(8 626 006 941)	63 %	63 %
Total current liabilities	2 153 568 367	-	2 153 568 367	-	-	2 153 568 367	2 841 378 023	-	687 809 656	132 %	132 %
Total non-current liabilities	2 984 149 488	-	2 984 149 488	-	-	2 984 149 488	1 746 489 752	-	(1 237 659 736)	59 %	59 %
<b>Community wealth / Equity</b>	<b>20 729 931 694</b>	<b>(55 287 119)</b>	<b>20 674 644 575</b>	<b>-</b>	<b>-</b>	<b>20 674 644 575</b>	<b>13 622 198 633</b>	<b>-</b>	<b>(7 052 445 942)</b>	<b>66 %</b>	<b>66 %</b>
<b>Cash flows</b>											
Net cash from (used) operating	2 381 809 441	230 320 857	2 612 130 298	-	-	2 612 130 298	680 211 463	-	(1 931 918 835)	26 %	29 %
Net cash from (used) investing	(1 124 629 388)	50 735 959	(1 073 893 429)	-	-	(1 073 893 429)	(561 777 368)	-	512 116 061	52 %	50 %
Net cash from (used) financing	16 211 136	-	16 211 136	-	-	16 211 136	(317 986 359)	-	(334 197 495)	(1 962)%	(1 962)%
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1 273 391 189</b>	<b>281 056 816</b>	<b>1 554 448 005</b>	<b>-</b>	<b>-</b>	<b>1 554 448 005</b>	<b>(199 552 264)</b>	<b>-</b>	<b>(1 754 000 269)</b>	<b>(13)%</b>	<b>(16)%</b>
Cash and cash equivalents at the beginning of the year	(105 314 959)	-	(105 314 959)	-	-	(105 314 959)	395 231 159	-	500 546 118	(375)%	(375)%
<b>Cash and cash equivalents at year end</b>	<b>1 168 076 230</b>	<b>281 056 816</b>	<b>1 449 133 046</b>	<b>-</b>	<b>-</b>	<b>1 449 133 046</b>	<b>195 678 895</b>	<b>-</b>	<b>1 253 454 151</b>	<b>14 %</b>	<b>17 %</b>

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
<b>2020</b>				
<b>Financial Performance</b>				
Property rates				1 334 854 287
Service charges				1 326 373 449
Investment revenue				427 922 969
Transfers recognised - operational				1 052 160 239
Other own revenue				748 189 818
<b>Total revenue (excluding capital transfers and contributions)</b>				<b>4 889 500 762</b>
Employee costs	-	-	-	(1 719 879 215)
Remuneration of councillors	-	-	-	(67 201 568)
Debt impairment	-	-	-	(701 459 248)
Depreciation and asset impairment	-	-	-	(810 543 542)
Finance charges	-	-	-	(162 496 917)
Materials and bulk purchases	-	-	-	(762 564 668)
Transfers and grants	-	-	-	(26 002 000)
Other expenditure	-	-	-	(883 116 506)
<b>Total expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5 133 263 664)</b>
<b>Surplus/(Deficit)</b>				<b>(243 762 902)</b>
Transfers recognised - capital				504 197 188
Contributions recognised - capital and contributed assets				223 400
<b>Surplus (Deficit) after capital transfers and contributions</b>				<b>260 657 686</b>
<b>Surplus/(Deficit) for the year</b>				<b>260 657 686</b>
<b>Capital expenditure and funds sources</b>				
Total capital expenditure				163 247 201

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
<b>Cash flows</b>				
Net cash from (used) operating				781 709 367
Net cash from (used) investing				(236 415 236)
Net cash from (used) financing				(264 493 287)
<b>Net increase/(decrease) in cash and cash equivalents</b>				<b>280 800 844</b>
Cash and cash equivalents at the beginning of the year				114 430 316
<b>Cash and cash equivalents at year end</b>				<b>395 231 160</b>

Refer to note 69 for commentary on the changes from the original budget to the final budget as well as explanations for material differences between the final budget and the actual amounts.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

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

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

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

These accounting policies are consistent with the previous period, except for the changes set out in note Changes in accounting policy.

#### 1.1 Going concern assumption

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

#### 1.2 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

#### 1.3 Significant judgements and sources of estimation uncertainty

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

##### Trade receivables, loans and other receivables

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

Where the impairment for trade receivables, loans and other receivables is calculated on a portfolio basis, these are based on historical loss ratios. These annual loss ratios are applied to the balances in the portfolio. The impairment is measured as the difference between the receivables' carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate, computed at initial recognition. The impairment loss is recognised in surplus or deficit when there is objective evidence that it is impaired.

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

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



# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of investment property is determined on the basis of a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

The fair value of items of land and buildings is determined from market-based evidence by appraisal. An appraisal of the value of the asset is undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification.

The fair value of heritage assets is the price at which the heritage asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The fair value of heritage assets is determined from market-based evidence determined by appraisal. An appraisal of the value of the asset is normally undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification.

#### Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand, together with economic factors such as exchange rates, inflation rates and interest rates.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 24 - Provisions.

#### Useful lives and residual values

The entity's management determines the estimated useful lives and related depreciation charges for assets as noted in accounting policies 1.7 and 1.5. These estimates are based on industry norm.

Management will increase the depreciation charge prospectively where useful lives are less than previously estimated useful lives. Management will decrease the depreciation charge prospectively where useful lives are more than previously estimated useful lives.

Where changes are made to the estimated residual lives, management also makes these changes prospectively.

#### Employee benefit obligations

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 25.

### 1.4 Investment property

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

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

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.4 Investment property (continued)

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

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

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

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

Cost is the amount of cash or cash equivalents or the fair value of the consideration given to acquire an asset at the time of its acquisition or construction. Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Although unlikely, if the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

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

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

#### Derecognition

Items of investment property are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

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

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (refer to note 12).

### 1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

#### Subsequent measurement

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land, buildings, water meters and zoo animals which are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to the revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to accumulated surplus as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

#### Depreciation and impairment

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

Land, except for landfill and quarry sites, is not depreciated as it has an indefinite useful life.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent to initial recognition, property, plant and equipment on the cost model is carried at cost less accumulated depreciation and any accumulated impairment losses. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

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Item	Depreciation method	Average useful life (years)
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# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.5 Property, plant and equipment (continued)

Buildings	Straight line	30 - 60
Landfill sites	Straight line	10 - 55
Fire arms	Straight line	5 - 40
Environmental facilities	Straight line	5 - 50
Roads and stormwater	Straight line	3 - 100
Equipment under finance lease	Straight line	3 - 5
Community / Recreational	Straight line	10 - 30
Sewerage and mains	Straight line	10 - 60
Water network	Straight line	5 - 100
Security	Straight line	10
Housing	Straight line	5 - 30
Other vehicles	Straight line	5 - 20
Other assets	Straight line	3 - 20
Zoo animals	Straight line	<a href="https://animaldiversity.org/">https://animaldiversity.org/</a>

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### Derecognition

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (refer to note 13).

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.5 Property, plant and equipment (continued)

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (refer to note 13).

#### Accounting treatment of other costs

Under the recognition principles in paragraph .15, the entity does not recognise in the carrying amount of a living resource the day-to-day costs, or the costs to maintain or to hold the living resource. Day-to-day costs are those costs incurred by an entity to manage the qualitative and quantitative changes of the biological transformation. Depending on its reason for holding the living resource, the entity assesses whether the costs incurred are day-to-day operating costs, or whether the incurred costs will enhance the future economic benefits or service potential of the resource.

Living resources comprise resources that are held for research, for example animals and plants used in testing facilities or laboratory animals. The principles in the Standard of GRAP on Intangible Assets (GRAP 31) indicate that during the research phase of an internal project, expenditure incurred as part of the research project should be recognised as an expense, because the entity cannot demonstrate that an asset exists that will generate future economic benefits or service potential. The principles in GRAP 31 are applied to assess whether costs incurred for research activities should be recognised as research or development costs.

#### Transfers of Living resources

Transfers from living resources shall be made when, and only when, the particular asset no longer meets the definition of a living resource and/or is no longer within the scope of this Standard.

For a transfer from living resources carried at a revalued amount to property, plant and equipment (including bearer plants), inventories or to a biological asset, the living resource's deemed cost for subsequent accounting in accordance with the applicable Standard of GRAP shall be its revalued amount at the date of transfer. The entity shall apply the principles in this Standard up to the date of transfer. The entity treats any difference at that date between the GRAP 110 Issued March 2017 27 Living and Non-living Resources carrying amount of the living resource and its fair value in the same way as a revaluation in accordance with this standard.

If an item of property, plant and equipment (including bearer plants) carried at a revalued amount, or a biological asset carried at fair value less cost to sell, is reclassified as a living resource carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that living resource.

For a transfer from inventories or a biological asset to living resources at a revalued amount, any difference between the fair value of the living resource at GRAP 110 Issued March 2017 28 Living and Non-living Resources that date and its previous carrying amount shall be recognised in surplus or deficit.

#### Custodian assets

Where the entity acts as a custodian of a living or non-living resource, or group of living or non-living resources, other than land, the entity shall explain the nature of its custodial responsibility, including the legislation or similar means that establish.

### 1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

## **Accounting Policies**

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### **1.6 Site restoration and dismantling cost (continued)**

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.
- (d) The Standard of GRAP on Presentation of Financial Statements (GRAP 1) requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability shall be separately identified and disclosed as such.

### **1.7 Intangible assets**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

#### **Subsequent measurement**

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

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

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

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

Amortisation begins when intangible assets are in the location and condition necessary for it to be capable of operating in the manner intended by management and ceases at the date that the asset is derecognised.

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

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.7 Intangible assets (continued)

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Item	Depreciation method	Average useful life
Computer software	Straight line	3 - 30
Servitudes		Indefinite

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (refer to note 14).

#### Derecognition

Intangible assets are derecognised:

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

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

### 1.8 Heritage assets

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

#### Recognition

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

#### Initial measurement

Heritage assets are measured at cost.

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

#### Subsequent measurement

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to the revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

#### Impairment

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

Compensation from third parties for items of heritage assets property that were impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

#### Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.8 Heritage assets (continued)

#### Derecognition

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

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

The entity separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (refer to note 15).

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (refer to note 15).

### 1.9 Investments in controlled entities

Investments in controlled entities are carried at cost less any accumulated impairment.

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

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

### 1.10 Financial instruments

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

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

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

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

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

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

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

A financial asset is:

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

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

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



## **Accounting Policies**

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### **1.10 Financial instruments (continued)**

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

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

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

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

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

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

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

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

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

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

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

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

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

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

### **Classification**

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

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

### **Initial recognition**

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

The entity recognises financial assets using trade date accounting.

# **Mangaung Metropolitan Municipality**

Annual Financial Statements for the year ended 30 June 2021

## **Accounting Policies**

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### **1.10 Financial instruments (continued)**

#### **Initial measurement of financial assets and financial liabilities**

The entity measures a financial asset and financial liability initially at its fair value plus, in the case of a financial instrument not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.10 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

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

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

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

#### Fair value measurement considerations

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

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

#### Reclassification

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

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

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

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

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

#### Gains and losses

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

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

#### Impairment and uncollectibility of financial assets

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.10 Financial instruments (continued)

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

The entity assesses financial assets individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset (whether individually significant or not), an entity includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment of impairment.

For collective assessments of impairment, assets with similar credit risk characteristics are grouped together. The credit risk characteristics are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

In making this assessment management may consider the following indicators as guidance for possible impairment:

- Significant financial difficulty experienced by the borrower/debtor;
- Delays in payments (including interest payments) or failure to pay/defaults;
- For economic or legal reasons, allowing disadvantaged customers who are experiencing financial difficulties to pay as and when they can. The entity would not otherwise have considered this concession. For example, allowing disadvantaged customers to pay their account when they can due to the fact that the water it supplies to the customer is a basic human right;
- It is probable that the borrower/debtor will enter sequestration (bankruptcy) or other financial reorganisation;
- The disappearance of an active market for the financial asset because of financial difficulties
- Observable data, for example historical data, indicating that there is a decrease in the estimated future cash flows that will be received (which can be measured reliably), from a group of financial assets (financial assets with similar credit risk characteristics grouped together) since the initial recognition of those assets. The decrease may not yet be identified for the individual financial assets in the group. These can include:
  - the payment status of borrowers/debtors in the group has deteriorated (e.g. an increased number of delayed payments);
  - or
  - national or local economic conditions that are in line with non-payments in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers/debtors, or adverse changes in market conditions that affect the borrowers/debtors in the group)
- Accounts in arrears for a period longer than the initial estimated repayment period;
- Accounts with arrears of over 90 days showing no repayments in the last financial year;
- Accounts handed over for collection;
- Any negative changes in the ability of debtors and borrowers to repay the amounts due to the entity (e.g. an increased number of late payments);
- A breach in contract, such as a default in interest or capital payments.

Management need not utilize all the indicators given above as guidance but only use the indicators to which management has sufficient information to make the assessment for possible or actual impairment.

Refer to notes 4, 5, 6 and 7 for the impact of the above application.

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.10 Financial instruments (continued)

#### Derecognition

##### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

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

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

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

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

##### Financial liabilities

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

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

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

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.10 Financial instruments (continued)

#### Presentation

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

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

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

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

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

### 1.11 Statutory receivables

#### Transitional provisions

GRAP 108 Statutory receivables became effective on 1 April 2019 and, in accordance with the transitional provisions for the standard provided in Directive 3, entities are not required to change their accounting policies in respect of the classification and measurement of statutory receivables for reporting periods beginning on a date within three years following the date of first adoption of GRAP 108. Entities shall comply with the disclosure requirements of GRAP 108 as and when statutory receivables are classified and measured in accordance with the Standard of GRAP.

The Municipality is taking advantage of the transitional provisions by not classifying or measuring its statutory receivables in accordance with GRAP 108 and therefore, no disclosures required by GRAP 108 has been made.

The Municipality is in the second year of the transitional period and updated the fines receivable as per prior year annual financial statements, however, nothing more in adoption of GRAP 108 was done in the current financial year. The Municipality plans to be fully compliant in the next financial year.

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

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

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

#### Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions, whichever is applicable.

#### Other charges

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

#### Impairment losses

## **Accounting Policies**

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### **1.11 Statutory receivables (continued)**

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.

The entity assesses statutory receivables individually, when assets are individually significant, and individually or collectively for statutory receivables that are not individually significant. Where no objective evidence of impairment exists for an individually assessed debtor (whether individually significant or not), an entity includes the assets in a group of statutory receivables with similar credit risk characteristics and collectively assesses them for impairment.

Statutory receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment of impairment.

For collective assessments of impairment, statutory receivables with similar credit risk characteristics are grouped together. The credit risk characteristics are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

In making this assessment management may consider the following indicators as guidance for possible impairment:

- Significant financial difficulty experienced by the borrower/debtor;
- Delays in payments (including interest payments) or failure to pay/defaults;
- For economic or legal reasons, allowing disadvantaged customers who are experiencing financial difficulties to pay as and when they can. The entity would not otherwise have considered this concession. For example, allowing disadvantaged customers to pay their account when they can due to the fact that the water it supplies to the customer is a basic human right;
- It is probable that the borrower/debtor will enter sequestration (bankruptcy) or other financial reorganisation;
- Observable data, for example historical data, indicating that there is a decrease in the estimated future cash flows that will be received (which can be measured reliably), from a group of statutory receivables (statutory receivables with similar credit risk characteristics grouped together) since the initial recognition of those receivables. The decrease may not yet be identified for the individual financial receivable in the group. These can include:
  - the payment status of borrowers/debtors in the group has deteriorated (e.g. an increased number of delayed payments);
  - or
  - national or local economic conditions that are in line with non-payments in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers/debtors, or adverse changes in market conditions that affect the borrowers/debtors in the group)
- Accounts in arrears for a period longer than the initial estimated repayment period;
- Accounts with arrears of over 90 days showing no repayments in the last financial year;
- Accounts handed over for collection;
- Any negative changes in the ability of debtors and borrowers to repay the amounts due to the entity (e.g. an increased number of late payments);
- A breach in contract, such as a default in interest or capital payments.

Management need not utilize all the indicators given above as guidance but only use the indicators to which management has sufficient information to make the assessment for possible or actual impairment.

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

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

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

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

### **Derecognition**

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

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.11 Statutory receivables (continued)

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

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

### 1.12 Tax

#### VAT

The entity accounts for VAT on the accrual basis, and is liable for VAT on the payment basis. The entity is liable to account for VAT at the standard rate in terms of section 7(1)(a) of the Value Added Tax Act, (Act 89 of 1991) in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11 of the VAT Act, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The entity accounts for VAT on a monthly basis.

### 1.13 Leases

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

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

#### Finance leases - lessee

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

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

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

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

#### Operating leases - lessor

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

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

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

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

#### Operating leases - lessee

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

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

### 1.14 Inventories

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

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

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



# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.14 Inventories (continued)

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

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

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

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

The cost of inventories of items that are interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

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

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.15 Impairment of cash-generating assets

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

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

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

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

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

Depreciation and amortisation is the systematic allocation of the depreciable amount of an asset over its useful life.

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

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

Useful life is either:

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

All assets of the entity are accounted for as non-cash generating assets.

### Value in use

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

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

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.15 Impairment of cash-generating assets (continued)

#### Basis for estimates of future cash flows

In measuring value in use, the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

#### Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

#### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### Recognition and measurement (individual asset)

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

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

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.15 Impairment of cash-generating assets (continued)

#### Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

#### Reversal of impairment loss

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

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

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

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

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

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

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

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

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

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.15 Impairment of cash-generating assets (continued)

#### Redesignation

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

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

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

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

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

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

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

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

Depreciation and amortisation is the systematic allocation of the depreciable amount of an asset over its useful life.

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

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

Useful life is either:

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

All assets of the entity are accounted for as non-cash generating assets.

#### Identification

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

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

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

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.16 Impairment of non-cash-generating assets (continued)

#### Value in use

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

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

#### Depreciated replacement cost approach

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

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

#### Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

#### Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.16 Impairment of non-cash-generating assets (continued)

#### Reversal of an impairment loss

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

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

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

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

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

#### Redesignation

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

### 1.17 Employee benefits

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

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

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

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

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

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

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.17 Employee benefits (continued)

#### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.17 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.17 Employee benefits (continued)

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

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

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

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.17 Employee benefits (continued)

#### Other long-term employee benefits

The entity provides other long-term employee benefits to qualifying employees in the form of long service award.

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

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

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

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

The entity determines the present value of long term employee benefit obligations and the fair value of any plan assets 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 entity uses the Projected Unit Credit Method to determine the present value of its long service employee benefit and the related current service cost and, where applicable, past service cost. The Projected Unit Credit 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.

### 1.18 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.18 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 54.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

## **Accounting Policies**

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### **1.18 Provisions and contingencies (continued)**

#### **Decommissioning, restoration and similar liability**

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.15 and 1.16.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

### **1.19 Commitments**

Where the entity has a contractual commitment in respect of the acquisition of property, plant and equipment, these are disclosed in note .53

The commitments as disclosed are the contractual amount less any payments made in respect of the contract.

### **1.20 Revenue from exchange transactions**

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

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

Revenue from exchange transactions consists primarily of services charges, rentals, interest received and other services rendered.

When considering the probability of the future economic benefits that will flow to the entity, consideration is given to the requirements as outlined in IGRAP 1.

#### **Measurement**

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

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

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.20 Revenue from exchange transactions (continued)

#### Sale of goods

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

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

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

Rendering of services consist out of solid waste, sanitation, sewerage and water services.

#### Interest, royalties and dividends

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

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

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

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

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

#### Rental income

Leases revenue from operating leases shall be recognised as revenue on a straight-line basis over the lease term in accordance with the accounting policy on Leases.

Revenue arising from the use by others of entity assets yielding rental income is recognised when:

- a) it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- b) the amount of the revenue can be measured reliably.

### 1.21 Revenue from non-exchange transactions

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

Revenue from non-exchange transactions consists primarily of grants from National - and Provincial Government, Property rates and Fines revenue.

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

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

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.21 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

#### Recognition

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

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

When considering the probability of the future economic benefits that will flow to the entity, consideration is given to the requirements as outlined in IGRAP 1.

#### Measurement

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

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

#### Taxes

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

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

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

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

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

## **Accounting Policies**

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### **1.21 Revenue from non-exchange transactions (continued)**

#### **Transfers**

Apart from Services in kind, which are not recognised unless it is significant to the entity's operations, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### **Debt forgiveness and assumption of liabilities**

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

#### **Fines**

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

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

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

#### **Bequests**

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

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

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

#### **Services in-kind**

The municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality discloses the nature and type of services in-kind received during the reporting period.

#### **Concessionary loans received**

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

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the Municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

#### **Conditional grants and receipts**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the entity has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

### **1.22 Investment income**

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

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.23 Borrowing costs

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

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

### 1.24 Accounting by principals and agents

#### Identification

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

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

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

#### Identifying whether an entity is a principal or an agent

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

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

#### Binding arrangement

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

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

#### Assessing which entity benefits from the transactions with third parties

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

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

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

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

#### Recognition

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

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

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

### 1.25 Comparative figures

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



# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.26 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.

Detailed disclosures are made in note 62 to the annual financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

### 1.27 Fruitless and wasteful expenditure

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

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

Detailed disclosures are made in note 63 to the annual financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

### 1.28 Irregular expenditure

Irregular expenditure as defined by the Municipal Finance Management Act, (Act No. 56 of 2003) is expenditure incurred by a municipality or municipal entity that is not in accordance with or in contravention of:

- a) the MFMA, and which has not been condoned in terms of sections 170
- b) the Municipal Systems Act (Act No.32 of 2000),
- c) the Public Office Bearers Act (Act No. 20 of 1998)
- d) the requirements of the entity's supply chain management policy of the municipality or municipal entity or in or in accordance with the municipality's by-laws giving effect to such policy and which has not been condoned in terms of such policy or by-law.

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.

Detailed disclosures are made in note 64 to the annual financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

### 1.29 Internal reserves

#### Self-insurance reserve

The municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that cannot be insured externally. The balance of the Self-Insurance Reserve is determined based on the insurance risk carried by the municipality, which is calculated by the entity's external insurance broker and is reinstated or increased by a transfer from the accumulated surplus or deficit.

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

#### Compensation for occupational injuries and diseases (COID) reserve

The Compensation for Occupational Injuries and Diseases Act (Act 130 of 1993) is to provide for payment of medical treatment and compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment, or for death resulting from such injuries or diseases. The contribution to the COID fund is determined by the Compensation Commissioner. The municipality is an exempt employer in terms of Section 84 (1) (a)(ii) & (2) and as such does not pay any assessments to the COID Commissioner. In terms of the exempt status the municipality is mandated to establish its own fund and administers this fund in terms of the COID Act.

Amounts are transferred to the COID reserve from the accumulated surplus or deficit based on the amounts as approved in the annual budget and determined by the Compensation Commissioner as well as additional amounts deemed necessary to ensure that the balance of the reserve is adequate to offset potential claims.

Claims are paid as determined by the Compensation Commissioner. Claims are settled by transferring a corresponding amount from the COID reserve to the accumulated surplus or deficit.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.30 Revaluation reserve

The surplus arising from the revaluation of land, buildings, water meters and zoo animals is credited to a non-distributable reserve. The revaluation surplus is realised as revalued assets are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

Any impairment loss of a revalued asset shall be treated as a revaluation decrease. To the extent that the impairment loss exceeds the revaluation surplus for the same asset, the impairment loss is recognised in the accumulated surplus/(deficit).

### 1.31 Segment information

A segment is an activity of an entity:

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

Segmental information on property, plant and equipment, as well as income and expenditure is set out in Note 70, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The entity operates solely in its area of jurisdiction as determined by the Demarcation Board.

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

### 1.32 Budget information

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

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

The approved budget is prepared on an accrual basis and presented by nature classification. The approved budget and the annual financial statements are not prepared on the same classification basis.

The annual budget figures included in the annual financial statements are for the entity and do not include budget information relating to subsidiaries. The separate budget for the entity has been recompiled for the presentation in the annual financial statements. The recompilation does not constitute changes or revisions of the consolidated budget as approved by the Council.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are not on the same basis of accounting as determined by National Treasury. Explanatory comments to material differences are provided in note 69 to the annual financial statements.

### 1.33 Related parties

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

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

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

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

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

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

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

## **Accounting Policies**

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### **1.33 Related parties (continued)**

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

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

### **1.34 Events after reporting date**

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

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

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

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

### **1.35 Service concession arrangements: Entity as grantor**

#### **Identification**

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

A grantor is the entity that grants the right to use the service concession asset to the operator.

A mandated function involves the delivery of a public service by an operator on behalf of a grantor that falls within the grantor's mandate.

An operator is the entity that uses the service concession asset to provide a mandated function subject to the grantor's control of the asset.

A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:

- is provided by the operator which:
  - the operator constructs, develops, or acquires from a third party; or
  - is an existing asset of the operator; or
- is provided by the grantor which:
  - is an existing asset of the grantor; or
  - is an upgrade to an existing asset of the grantor.

#### **Recognition of asset and liability**

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

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

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

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

#### **Measurement of asset and liability**

The entity initially measures the service concession asset as follows:

- Where the asset is not an existing asset of the entity, the asset is measured at its fair value.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.35 Service concession arrangements: Entity as grantor (continued)

- Where the asset is an existing asset of the entity and it meets the recognition criteria of a service concession asset, the asset is reclassified as a service concession asset, and the asset is accounted for in accordance with the policy on Investment property, Property, plant and equipment, Intangible assets, or Heritage assets, as appropriate.

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

#### Financial liability model

Where the entity has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, the entity accounts for the liability as a financial liability.

The entity allocates the payments to the operator and accounts for them according to their substance as a reduction in the liability recognised, a finance charge, and charges for services provided by the operator.

The finance charge and charges for services provided by the operator in a service concession arrangement are accounted for as expenses.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments from the entity to the operator are allocated by reference to the relative fair values of the service concession asset and the services.

Where the asset and service components are not separately identifiable, the service component of payments from the entity to the operator is determined using estimation techniques.

#### Grant of a right to the operator model

Where the entity does not have an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the entity accounts for the liability as the unearned portion of the revenue arising from the exchange of assets between the entity and the operator.

The entity recognises revenue and reduces the liability according to the substance of the service concession arrangement.

#### Dividing the arrangement

If the entity pays for the construction, development, acquisition, or upgrade of a service concession asset partly by incurring a financial liability and partly by the grant of a right to the operator, it accounts separately for each part of the total liability.

#### Other liabilities, contingent liabilities and contingent assets

The entity accounts for other liabilities, contingent liabilities, and contingent assets arising from a service concession arrangement in accordance with the policy on Provisions, Contingent liabilities and contingent assets and Financial instruments.

#### Other revenues

The entity accounts for revenues from a service concession arrangement, other than those relating to the grant of a right to the operator model, in accordance with the Standard of GRAP on Revenue from exchange transactions.

#### Recognition of the performance obligation and the right to receive a significant interest in a service concession asset

If the entity controls a significant residual interest in a service concession asset at the end of the service concession arrangement through ownership, beneficial entitlement or otherwise, and the arrangement does not constitute a finance or an operating lease, the entity recognises its right to receive the residual interest (i.e. a receivable) in the service concession asset at the commencement of the arrangement.

The right to receive a residual interest in the service concession asset to be received at the end of the arrangement, is an exchange consideration. This is because the entity will receive an asset in exchange for granting the operator access to the asset while providing a mandated function on its behalf in accordance with the substance of the arrangement.

In terms of the policy on Revenue from exchange transactions, the exchange consideration is recognised and measured at fair value. The value of the receivable (the right to the residual interest in the asset), receivable at the end of the service concession arrangement, reflects the value of the service concession asset as if it were already in the age and in the condition expected at the end of the service concession arrangement.

When the entity recognises the right to receive a residual interest in the service concession asset, it also recognises its performance obligation for granting the operator access to the service concession asset in accordance with the substance of the arrangement. The value of the performance obligation is the same as the receivable interest recognised at the commencement of the service concession arrangement.

The performance obligation is reduced and revenue is recognised based on the substance of the arrangement.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.35 Service concession arrangements: Entity as grantor (continued)

Where service concession arrangements include provisions to adjust the arrangement for changes, the effect of such changes is deemed to have taken place at the inception of the service concession arrangements.

### 1.36 Advance receipts

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

In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

All receipts received in advance are classified as non-exchange transactions as no approximate equal value is exchanged between the parties. Refer to note 19 Payables from non-exchange transactions where these receipts in advance are disclosed.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2019	In accordance with the Transitional provisions for the standard provided in Directive 3, entities are not required to change their accounting treatment for reporting periods beginning on a date within three years following the first adoption of GRAP 108.

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

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

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

**Mangaung Metropolitan Municipality**  
Annual Financial Statements for the year ended 30 June 2021

**Notes to the Annual Financial Statements**

Figures in Rand	2021	2020
<b>3. Inventories</b>		
Consumable stores	4 634 857	5 375 057
Fuel (diesel, petrol)	1 381 083	1 298 286
Maintenance materials	1 766 326	1 025 244
Unsold properties held for resale	345 224 184	338 346 139
Water for distribution (in pipes and reservoirs)	4 003 694	3 365 093
Inventory - Work in progress	176 511 687	166 444 170
	<b>533 521 831</b>	<b>515 853 989</b>
<b>Inventory recognised as an expense</b>		
Inventories recognised as an expense during the year	21 590 949	26 053 663
Inventories written off	1 019 794	193 757
	<b>22 610 743</b>	<b>26 247 420</b>
<b>Inventory pledged as security</b>		
No inventory was pledged as security for any financial liability.		
<b>4. consumer receivables from non-exchange transactions</b>		
Rates - Gross balance	1 683 420 488	1 622 311 890
Rates - Impairment	(916 946 967)	(749 249 421)
	<b>766 473 521</b>	<b>873 062 469</b>
<b>Ageing of Rates receivables</b>		
Current (0 - 30 days)	103 545 322	213 660 703
31 - 60 days	71 173 955	59 927 431
61 - 90 days	60 264 741	51 974 109
91+ days	1 448 436 469	1 296 749 647
	1 683 420 487	1 622 311 890
Less: Allowance for impairment	(916 946 967)	(749 249 421)
	<b>766 473 520</b>	<b>873 062 469</b>

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>4. consumer receivables from non-exchange transactions (continued)</b>		
<b>Summary by customer classification</b>		
<b>Residential and sundry</b>		
Current (0 - 30 days)	36 805 328	32 421 528
31 - 60 days	23 525 794	20 827 881
61 - 90 days	20 747 949	17 689 916
90+ days	634 571 376	545 832 433
	<u>715 650 447</u>	<u>616 771 758</u>
	(604 834 028)	(505 853 015)
	<b><u>110 816 419</u></b>	<b><u>110 918 743</u></b>
<b>Business / commercial</b>		
Current (0 - 30 days)	44 214 227	35 236 317
31 - 60 days	25 906 078	22 686 935
61 - 90 days	17 795 683	18 134 519
90+ days	363 764 495	280 596 258
	<u>451 680 483</u>	<u>356 654 029</u>
	(312 112 939)	(243 396 406)
	<b><u>139 567 544</u></b>	<b><u>113 257 623</u></b>
<b>Government</b>		
Current (0 - 30 days)	22 525 767	146 002 858
31 - 60 days	21 742 083	16 412 616
61 - 90 days	21 721 109	16 149 674
91+ days	450 100 598	470 320 955
	<u>516 089 557</u>	<u>648 886 103</u>

### Credit quality of consumer receivables from non-exchange transactions

consumer receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired.

### consumer receivables from non-exchange transactions

None of the consumer receivables from non-exchange transactions were pledged as security for any financial liability.

### consumer receivables from non-exchange transactions past due but not impaired

In relation to government debt, even though collections of municipal debts from government are slower than expected, the assessment made by the municipality in line with the GRAP 104 and also other factors e.g. legislation available to ensure that government entities settle their debt, intervention from National Treasury etc. Government debt is considered to be fully recoverable. Taking this into account the municipality has not provided for any impairment on government debt.

consumer receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2021: R 131 438 696 (2020: R 111 901 540) were past due but not impaired.

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

1 month past due	71 173 955	59 927 431
2 months past due	60 264 741	51 974 109



**Mangaung Metropolitan Municipality**  
Annual Financial Statements for the year ended 30 June 2021

**Notes to the Annual Financial Statements**

Figures in Rand	2021	2020
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**4. consumer receivables from non-exchange transactions (continued)**

**consumer receivables from non-exchange transactions impaired**

As of 30 June 2021, consumer receivables from non-exchange transactions of R 916 946 967 (2020: R 749 249 421) were impaired and provided for.

The ageing of these loans is as follows:

Over 3 months	916 946 967	749 249 421
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**Reconciliation of provision for impairment of consumer receivables from non-exchange transactions**

Opening balance	749 249 421	639 632 315
Provision for impairment	167 697 546	109 617 106
	<b>916 946 967</b>	<b>749 249 421</b>

Due to the limitations on the financial system, it is impractical to disclose the impaired interest on consumer receivables from non-exchange transactions.

**5. Consumer receivables from exchange transactions**

**Net balance**

Water	727 991 201	567 384 253
Sewerage	317 160 937	313 098 962
Refuse	62 346 389	56 941 423
Housing rental	4 161 783	5 305 453
	<b>1 111 660 310</b>	<b>942 730 091</b>

**Net balance reconciliation**

**Net balance reconciliation - 2021**

	<b>Gross balance</b>	<b>Impairment</b>	<b>Net balance</b>
Water	3 205 682 833	(2 477 691 632)	727 991 201
Sewerage	859 494 537	(542 333 600)	317 160 937
Refuse	367 856 939	(305 510 550)	62 346 389
Housing rental	46 190 910	(42 029 127)	4 161 783
	<b>4 479 225 219</b>	<b>(3 367 564 909)</b>	<b>1 111 660 310</b>

**Net balance reconciliation - 2020**

	<b>Gross balance</b>	<b>Impairment</b>	<b>Net balance</b>
Water	2 524 731 751	(1 957 347 498)	567 384 253
Sewerage	752 984 159	(439 885 197)	313 098 962
Refuse	306 035 724	(249 094 301)	56 941 423
Housing rental	37 160 971	(31 855 518)	5 305 453
	<b>3 620 912 605</b>	<b>(2 678 182 514)</b>	<b>942 730 091</b>

**Water**

Current (0 -30 days)	107 068 129	84 934 084
31 - 60 days	109 770 191	58 029 994
61 - 90 days	98 156 749	44 106 535
91+ days	2 860 719 602	2 314 469 732
Meter reading estimate	29 968 161	23 191 406
Gross Balance	3 205 682 832	2 524 731 751
Impairment	(2 477 691 632)	(1 957 347 498)
	<b>727 991 200</b>	<b>567 384 253</b>

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>5. Consumer receivables from exchange transactions (continued)</b>		
<b>Sewerage</b>		
Current (0 -30 days)	33 545 477	28 747 538
31 - 60 days	24 600 877	21 420 396
61 - 90 days	22 017 992	19 182 257
91+ days	779 330 191	683 633 968
Gross Balance	859 494 537	752 984 159
Impairment	(542 333 600)	(439 885 197)
	<b>317 160 937</b>	<b>313 098 962</b>
<b>Refuse</b>		
Current (0 -30 days)	12 189 523	9 905 567
31 - 60 days	9 302 005	7 432 774
61 - 90 days	8 529 643	6 716 308
91+ days	337 835 768	281 981 075
Gross Balance	367 856 939	306 035 724
Impairment	(305 510 550)	(249 094 301)
	<b>62 346 389</b>	<b>56 941 423</b>
<b>Housing rental</b>		
Current (0 -30 days)	1 594 715	1 863 592
31 - 60 days	885 306	737 780
61 - 90 days	859 405	714 917
91+ days	42 851 483	33 844 682
Gross Balance	46 190 910	37 160 971
Impairment	(42 029 127)	(31 855 518)
	<b>4 161 783</b>	<b>5 305 453</b>
<b>Gross balances</b>		
Water	3 205 682 833	2 524 731 751
Sewerage	859 494 537	752 984 159
Refuse	367 856 939	306 035 724
Housing rental	46 190 910	37 160 971
	<b>4 479 225 219</b>	<b>3 620 912 605</b>
<b>Less: Allowance for impairment</b>		
Water	(2 477 691 632)	(1 957 347 498)
Sewerage	(542 333 600)	(439 885 197)
Refuse	(305 510 550)	(249 094 301)
Housing rental	(42 029 127)	(31 855 518)
	<b>(3 367 564 909)</b>	<b>(2 678 182 514)</b>

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>5. Consumer receivables from exchange transactions (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Residential and Sundry</b>		
Current (0 -30 days)	106 630 209	89 776 519
31 - 60 days	113 160 862	55 094 599
61 - 90 days	97 766 315	48 963 059
91 + days	3 037 696 408	2 457 964 218
Meter reading estimate	29 968 161	23 191 406
	<b>3 385 221 955</b>	<b>2 674 989 801</b>
Less: Allowance for impairment	<b>(3 005 637 558)</b>	<b>(2 361 201 276)</b>
	<b>379 584 397</b>	<b>313 788 525</b>
<b>Business/Commercial</b>		
Current (0 -30 days)	27 611 605	19 710 281
31 - 60 days	16 018 795	15 003 726
61 - 90 days	14 296 438	8 989 594
91 + days	419 864 344	365 417 884
	<b>477 791 182</b>	<b>409 121 485</b>
Less: Allowance for impairment	<b>(361 927 350)</b>	<b>(316 981 237)</b>
	<b>115 863 832</b>	<b>92 140 248</b>
<b>National and provincial government</b>		
Current (0 -30 days)	20 156 030	15 602 614
31 - 60 days	15 378 723	17 522 619
61 - 90 days	17 501 036	12 767 364
91 + days	563 176 292	490 908 722
	<b>616 212 081</b>	<b>536 801 319</b>
<b>Total</b>		
Current (0 -30 days)	154 397 844	125 450 781
31 - 60 days	144 558 380	87 620 944
61 - 90 days	129 563 789	70 720 017
91 + days	4 020 737 044	3 313 929 456
Meter reading estimate	29 968 161	23 191 406
	<b>4 479 225 218</b>	<b>3 620 912 604</b>
Less: Allowance for impairment	<b>(3 367 564 908)</b>	<b>(2 678 182 513)</b>
	<b>1 111 660 310</b>	<b>942 730 091</b>

### Consumer debtors pledged as security

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

### Credit quality of consumer debtors

The credit quality of consumer receivables from exchange transactions 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.

Consumer receivables from exchange transactions are only due after 30 days. Interest shall be paid on accounts which have not been paid within 30 days from the date on which the account became due, at a rate of 1% higher than the prime rate for the period.

None of the consumer receivables from exchange transactions that are fully performing have been renegotiated in the last year.

**Mangaung Metropolitan Municipality**  
Annual Financial Statements for the year ended 30 June 2021

**Notes to the Annual Financial Statements**

Figures in Rand 2021 2020

**5. Consumer receivables from exchange transactions (continued)**

**Consumer debtors past due but not impaired**

In relation to government debt, even though collections of municipal debts from government are slower than expected, the assessment made by the municipality in line with the GRAP 104 and also other factors e.g. legislation available to ensure that government entities settle their debt, intervention from National Treasury etc. Government debt is considered to be fully recoverable. Taking this into account the municipality has not provided for any impairment on government debt.

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2021, R 274 122 169 (2020: R 158 340 961) were past due but not impaired.

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

1 month past due	144 558 380	87 620 944
2 months past due	129 563 789	70 720 018

**Consumer debtors impaired**

As of 30 June 2021, consumer debtors of R 3 367 564 909 (2020: R 2 678 182 513) were impaired and provided for.

The amount of the provision was R 3 367 564 909 as of 30 June 2021 (2020: R 2 678 182 513).

The ageing of these loans is as follows:

Over 3 months	3 367 564 909	2 678 182 513
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**Reconciliation of allowance for impairment of consumer debtors**

Opening balance	2 678 182 513	2 283 160 740
Allowance for impairment	689 382 395	395 021 773
	<b>3 367 564 908</b>	<b>2 678 182 513</b>

Due to the limitations on the financial system it is impractical to disclose the impaired interest on consumer receivables from exchange transactions.

**6. Other receivables from non-exchange transactions**

Fines receivables	280 936 095	274 646 292
Fines receivables - Impairment	(279 985 828)	(274 246 022)
Grants receivables	114 350 195	114 350 195
Grants receivables - Impairment	(114 350 195)	(114 350 195)
	<b>950 267</b>	<b>400 270</b>

Other receivables from non-exchange transactions above relating to Traffic fines arises from Fines revenue as disclosed in note 41 in accordance with Section 341 of the Criminal procedure Act of 1977 and National Traffic Act .

Grants receivables relates to VAT on grants in prior years claimed from National Treasury which has not yet been finalised.

**Other receivables from non-exchange pledged as security**

None of the other receivables from non-exchange transactions were pledged as security for any financial liability.

**Credit quality of other receivables from non-exchange transactions**

The credit quality of other receivables from non-exchange transactions 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.

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

The entity does not hold any collateral as security.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>6. Other receivables from non-exchange transactions (continued)</b>		
<b>Other receivables from non-exchange transactions impaired</b>		
As of 30 June 2021, other receivables from non-exchange transactions of R 394,336,023 (2020: R 388,596,217) were impaired and provided for.		
The amount of the provision was R394,336,023 as of 30 June 2021 (2020: R388,596,217).		
No amounts for other receivables from non-exchange transactions were past due but not impaired.		
<b>Reconciliation of provision for impairment of Fines receivables</b>		
Opening balance	274 246 022	273 621 585
Provision for impairment adjustment	5 739 806	624 437
	<b>279 985 828</b>	<b>274 246 022</b>
<b>Reconciliation of provision for impairment of Grants receivables</b>		
Opening balance	114 350 195	114 350 195
<b>7. Other receivables from exchange transactions</b>		
Interest on investments	101 241	83 451
Staff leave days receivable	17 576	12 706
Deferred lease	1 073 444	866 338
Prepaid water vendors	11 179 302	4 193 099
Overpayment of contractors	19 351 080	19 351 080
Impairment - Overpayment of contractors	(19 351 079)	(19 351 079)
Sundry receivables	124 734 968	111 641 549
Impairment - Sundry receivables	(72 899 137)	(56 839 619)
	<b>64 207 395</b>	<b>59 957 525</b>
<b>Other receivables from exchange transactions pledged as security</b>		
None of the other receivables from exchange transactions were pledged as security for any financial liability.		
<b>Credit quality of other receivables from exchange transactions</b>		
The credit quality of other receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.		
None of the other receivables from exchange transactions that are fully performing have been renegotiated in the last year.		
<b>Other receivables from exchange transactions past due but not impaired</b>		
Other receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2021 R 6 544 047 (2020: R 3 533 476) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	6 544 047	3 533 476
<b>Other receivables from exchange transactions impaired</b>		
As of 30 June 2021, other receivables from exchange transactions of R 92 250 216 (2020: R 76 190 698) were impaired and provided for.		
The amount of the provision was R 92 250 216 as of 30 June 2021 (2020: R 76 190 698).		
The ageing of these loans is as follows:		
Over 3 months	92 250 216	76 190 698

**Mangaung Metropolitan Municipality**  
Annual Financial Statements for the year ended 30 June 2021

**Notes to the Annual Financial Statements**

Figures in Rand	2021	2020
<b>7. Other receivables from exchange transactions (continued)</b>		
<b>Reconciliation of provision for impairment of trade and other receivables</b>		
Opening balance	76 190 698	62 412 461
Provision for impairment	16 059 518	13 778 237
	<b>92 250 216</b>	<b>76 190 698</b>
Sundry debtors consist of debtors raised from other income from exchange transactions recognised (refer to note 34).		
Due to the limitations on the financial system it is impractical to disclose the impaired interest on other receivables from exchange transactions.		
<b>8. VAT receivable</b>		
VAT	64 811 907	107 753 355
VAT is payable on the payment basis. VAT is paid over to SARS only once payment is received from debtors.		
<b>9. Centlec intercompany loan</b>		
Centlec intercompany loan	799 240 928	776 203 042
The intercompany loan balance is the net balance payable or receivable of all transactions between Centlec (SOC) Limited and the entity and interest is levied on the average balance for the year at the effective prime interest rate on the first day of the financial year. The applicable interest rate for the year was 7.25% (2020: 10.25%).		
<b>10. Centlec receivables</b>		
<b>Controlled entities</b>		
Shareholders loan	803 609 368	803 609 368
The capital amount outstanding shall bear interest at the lower of 15% of Centlec (SOC) Limited's prior year's revenue or the interest rate used as at 30 June 2010 (i.e. 8.7%), adjusted for CPI as per the Public Finance Sector.		
The adjusted interest rate as at 30 June 2021 was 16.34% (2020: 16.01%). The applicable rate for the current year and the prior year was based on the adjusted CPI as per the Public Finance Sector.		
The loan is repayable from 2015 over a period of 21 years.		
Capital advances	61 003 647	67 700 656
The amount is composed of various advances that have been loaned to Centlec (SOC) Limited by the entity during prior years. Each portion has a different redemption period that extends over the useful life of each specific asset, at an interest rate of 7.25% (2020: 10.25%).		
	<b>864 613 015</b>	<b>871 310 024</b>
Non-current assets	857 958 305	864 613 015
Current assets	6 654 710	6 697 009
	<b>864 613 015</b>	<b>871 310 024</b>
<b>11. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	142 049	137 049
Bank balances	28 801 767	42 723 910
Short-term deposits	166 735 079	352 370 200
	<b>195 678 895</b>	<b>395 231 159</b>

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand 2021 2020

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

An unlimited surety is provided by Free State Provincial Government, National Treasury and the Development Bank of South Africa.

The total of the overdraft facility available to the entity is R50,000,000 (2020: R50,000,000).

There are no restrictions on the entity's ability to realise cash balances.

#### Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

#### Credit rating

Ba1	-	395 094 110
Ba2	195 536 846	-
	<b>195 536 846</b>	<b>395 094 110</b>

#### Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for the COID Reserve	30	25 136 426	24 481 528
The term deposit investment is pledged as security to the Compensation Commissioner of the Workmen's Compensation Fund to guarantee the payment of claims in respect of injuries while on duty.			

#### The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
Nedbank - Primary Account - 1186196793	20 488 683	34 258 129	20 122 282	20 478 683	34 258 129	20 122 282
Nedbank - Traffic - 1186245379	4 550	11 290	1 590	4 550	11 290	1 590
Nedbank - Charges - 1186660643	(46 584)	(37 293)	(28 685)	(46 584)	(37 293)	(28 685)
Nedbank Cashiers-1186239778	586 095	562 784	(6 667)	1 964 827	1 795 925	939 908
Nedbank - Fresh Produce Market - 1186414936	5 289 942	5 926 673	4 032 826	5 289 942	5 926 673	4 032 826
ABSA - Primary account - 470 000 465	1 110 350	769 186	4 502 279	1 110 350	769 186	4 502 279
ABSA - Fresh Produce - 470 001348	-	-	468 986	-	-	468 986
<b>Total</b>	<b>27 433 036</b>	<b>41 490 769</b>	<b>29 092 611</b>	<b>28 801 768</b>	<b>42 723 910</b>	<b>30 039 186</b>

#### Summary of short term deposits held

Short term deposits held with ABSA	25 136 426	24 481 528
Short term deposits held with Nedbank	141 598 653	327 888 672
	<b>166 735 079</b>	<b>352 370 200</b>

### 12. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1 570 916 988	-	1 570 916 988	1 571 238 441	-	1 571 238 441

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand 2021 2020

### 12. Investment property (continued)

#### Reconciliation of investment property - 2021

	Opening balance	Fair value adjustments	Total
Investment property	1 571 238 441	(321 453)	1 570 916 988

#### Reconciliation of investment property - 2020

	Opening balance	Fair value adjustments	Total
Investment property	1 570 113 653	1 124 788	1 571 238 441

#### Investment property above includes the following:

Revenue Generating	1 180 454 100	1 180 454 100
Non-Revenue Generating	390 462 888	390 784 341
	<b>1 570 916 988</b>	<b>1 571 238 441</b>

Property rental income earned during the year was R5,576,262 (2020: R5,007,869) – Refer to note 33. The operating cost of investment properties amounted to R8,309,405 (2020: R7,750,476).

The repairs and maintenance cost for investment properties (all revenue generating) was R205 (2020: R0) in the current financial year.

This cost consists of payments made to contractors for repairing and maintaining assets.

No staff member is engaged in any labour towards the repair and maintenance of investment property.

#### Pledged as security

No investment property has been pledged as security for any financial liability.

#### Investment property in the process of being constructed or developed

No investment property is in the process of being constructed or developed.

#### Details of property

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

#### Details of valuation

The effective date of the valuation was **30 June 2021**. The entity's investment property was revalued by independent professional qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and categories of the investment properties valued.

The investment properties were revalued with reference to comparable market data where available, as well as information from the deeds office.



# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

### 13. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 603 077 403	-	1 603 077 403	1 609 855 235	-	1 609 855 235
Buildings	1 065 936 492	(136 510 456)	929 426 036	1 062 456 739	(103 524 197)	958 932 542
Buildings - Service concession asset	304 959 226	(70 155 154)	234 804 072	304 959 226	(56 691 877)	248 267 349
Buildings WIP	3 788 636	-	3 788 636	5 230 367	-	5 230 367
Infrastructure - Roads and roads related	5 859 556 693	(3 250 861 743)	2 608 694 950	5 796 609 775	(3 004 869 036)	2 791 740 739
Infrastructure - Sanitation network	3 492 904 033	(992 286 054)	2 500 617 979	3 440 674 495	(867 481 065)	2 573 193 430
Infrastructure - Water meters	215 159 974	(55 644 357)	159 515 617	200 976 727	(38 100 822)	162 875 905
Infrastructure - Water network	2 447 614 789	(1 012 029 223)	1 435 585 566	2 446 136 899	(936 445 518)	1 509 691 381
Infrastructure - WIP	892 947 361	-	892 947 361	579 418 681	-	579 418 681
Community - Landfill sites and quarries	769 729 681	(560 558 273)	209 171 408	695 895 406	(513 758 715)	182 136 691
Community - Other	1 336 996 434	(663 906 253)	673 090 181	1 340 530 366	(610 007 925)	730 522 441
Community - WIP	128 629 388	-	128 629 388	92 639 875	-	92 639 875
Fleet	545 286 368	(188 951 105)	356 335 263	525 678 557	(158 744 550)	366 934 007
Zoo animals (Living resources)	4 641 265	(1 850 264)	2 791 001	4 574 265	(1 850 264)	2 724 001
Other property, plant and equipment	124 466 743	(98 877 698)	25 589 045	121 189 304	(89 620 668)	31 568 636
Infrastructure - Roads and roads related - Service Concession asset	196 882 933	(52 111 305)	144 771 628	196 882 933	(36 890 481)	159 992 452
Infrastructure - Sanitation network - Service Concession asset	29 731 906	(2 813 509)	26 918 397	29 731 906	(2 083 538)	27 648 368
Infrastructure - Water network - Service concession asset	14 836 180	(1 345 979)	13 490 201	14 836 180	(1 000 596)	13 835 584
<b>Total</b>	<b>19 037 145 505</b>	<b>(7 087 901 373)</b>	<b>11 949 244 132</b>	<b>18 468 276 936</b>	<b>(6 421 069 252)</b>	<b>12 047 207 684</b>

# Mangaung Metropolitan Municipality

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

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

	Opening balance	Additions	WIP Additions	Disposals/Derecognitions	Transfers	Revaluations	Depreciation	Impairment loss	Total
Land	1 609 855 235	3 730 073	-	(531 000)	(9 976 905)	-	-	-	1 603 077 403
Buildings	958 932 542	2 342 227	1 441 731	(304 206)	-	-	(32 986 258)	-	929 426 036
Buildings - Service concession asset	248 267 349	-	-	-	-	-	(13 463 277)	-	234 804 072
Buildings WIP	5 230 367	-	(1 441 731)	-	-	-	-	-	3 788 636
Infrastructure - Roads and roads related	2 791 740 739	42 485 335	84 238 825	(19 549 443)	-	-	(290 220 506)	-	2 608 694 950
Infrastructure - Sanitation network	2 573 193 430	11 758 442	40 471 359	(263)	-	-	(124 804 989)	-	2 500 617 979
Infrastructure - Water meters	162 875 905	22 658 826	-	(6 562 303)	-	-	(19 456 811)	-	159 515 617
Infrastructure - Water network	1 509 691 381	1 153 202	379 073	-	-	-	(75 638 090)	-	1 435 585 566
Infrastructure - WIP	579 418 681	-	438 617 937	-	(125 089 257)	-	-	-	892 947 361
Community - Landfill sites and quarries	182 136 691	-	-	-	-	73 834 275	(46 799 558)	-	209 171 408
Community - Other	730 522 441	3 238 690	588 990	(508 757)	-	-	(58 019 555)	(2 731 628)	673 090 181
Community - WIP	92 639 875	-	36 578 503	-	(588 990)	-	-	-	128 629 388
Fleet	366 934 007	19 608 262	-	-	-	-	(30 207 006)	-	356 335 263
Zoo animals (Living resources)	2 724 001	334 600	-	(437 327)	-	356 791	(187 064)	-	2 791 001
Other property, plant and equipment	31 568 636	3 404 205	-	(25 112)	-	-	(9 358 684)	-	25 589 045
Infrastructure - Roads and roads related - Service Concession asset	159 992 452	-	-	-	-	-	(15 220 824)	-	144 771 628
Infrastructure - Sanitation network - Service Concession asset	27 648 368	-	-	-	-	-	(729 971)	-	26 918 397
Infrastructure - Water network - Service concession asset	13 835 584	-	-	-	-	-	(345 383)	-	13 490 201
	<b>12 047 207 684</b>	<b>110 713 862</b>	<b>600 874 687</b>	<b>(27 918 411)</b>	<b>(135 655 152)</b>	<b>74 191 066</b>	<b>(717 437 976)</b>	<b>(2 731 628)</b>	<b>11 949 244 132</b>

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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

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

	Opening balance	Additions	WIP Additions	Disposals/Derecognitions	Transfers	Revaluations	Depreciation	Impairment loss	Total
Land	1 614 882 236	-	-	(580 001)	(4 447 000)	-	-	-	1 609 855 235
Buildings	991 966 919	572 333	-	-	-	-	(33 606 710)	-	958 932 542
Buildings - Service concession asset	263 576 155	-	-	-	-	-	(15 308 806)	-	248 267 349
Buildings WIP	3 788 637	-	1 441 730	-	-	-	-	-	5 230 367
Infrastructure - Roads and roads related	3 069 611 784	41 451 204	18 047 063	(217 982)	-	-	(337 151 330)	-	2 791 740 739
Infrastructure - Sanitation network	2 670 686 284	1 840 581	28 278 327	-	-	-	(127 611 762)	-	2 573 193 430
Infrastructure - Water meters	164 170 775	21 622 666	3 205 380	(4 480 376)	-	-	(21 642 540)	-	162 875 905
Infrastructure - Water network	1 552 476 820	25 208 785	14 257 207	(2 366 382)	-	-	(79 885 049)	-	1 509 691 381
Infrastructure - WIP	507 257 491	-	134 785 630	-	(62 624 440)	-	-	-	579 418 681
Community - Landfill sites and quarries	242 884 430	5 331 666	9 630 100	-	-	(9 991 079)	(65 718 426)	-	182 136 691
Community - Other	760 574 747	4 052 294	29 213 639	(295 157)	-	-	(61 696 055)	(1 327 027)	730 522 441
Community - WIP	130 390 549	-	1 093 064	-	(38 843 738)	-	-	-	92 639 875
Fleet	287 175 231	116 110 110	-	(168 736)	-	-	(28 240 180)	(7 942 418)	366 934 007
Zoo animals (Living resources)	5 520 166	223 400	-	(106 846)	-	(854 244)	(297 059)	(1 761 416)	2 724 001
Other property, plant and equipment	40 369 635	3 196 631	-	(34 609)	-	-	(11 963 021)	-	31 568 636
Infrastructure - Roads and roads related - Service Concession asset	175 271 761	-	-	-	-	-	(15 279 309)	-	159 992 452
Infrastructure - Sanitation network - Service Concession asset	28 380 336	-	-	-	-	-	(731 968)	-	27 648 368
Infrastructure - Water network - Service concession asset	14 181 914	-	-	-	-	-	(346 330)	-	13 835 584
	<b>12 523 165 870</b>	<b>219 609 670</b>	<b>239 952 140</b>	<b>(8 250 089)</b>	<b>(105 915 178)</b>	<b>(10 845 323)</b>	<b>(799 478 545)</b>	<b>(11 030 861)</b>	<b>12 047 207 684</b>

#### Pledged as security

No PPE has been pledged as security for any financial liability.

#### Assets subject to finance lease (Net carrying amount)

Fleet	90 107 203	172 234 323
Other property, plant and equipment	302 526	453 582
	<b>90 409 729</b>	<b>172 687 905</b>

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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

#### Revaluations

Revaluation of land and buildings:

The effective date of the revaluations was 30 June 2017. Revaluations were performed by independent professionally qualified valuers who hold a recognised professional qualification and have recent experience in the locations and categories of the properties valued. The values of the properties were determined based on the market values and the information obtained from the deeds office.

Revaluation of zoo animals:

The effective date of the revaluation was 30 June 2021. The revaluation is performed by independent professionally qualified valuers who hold a recognised professional qualification and have recent experience in valuations of zoo animals.

Revaluations of water meters:

The effective date of the revaluation was 30 June 2018. Revaluations were performed by independent professionally qualified valuers who hold a recognised professional qualification and have recent experience in the locations and categories of the meters valued.

The valuations were performed after the following factors were taken into account:

- the useful lives and;
- the condition of the asset.

#### Other information

Currently the day-to-day costs of living resources are accounted for as operating costs as it is not capital of nature..

No research costs relating to living resources occurred.

None of the living resource assets are held for less than 12months.

Currently the entity is not acting as a custodian for any living resources.

The fair value of living resources are determined by an expert, Beryl Wilson (Zoologist&Conservation Biologist).

The average value of an animal in a family group was used and the following significant assumptions were applied by the expert, as per the valuation report obtained:

- Market availability
- Current market trends
- Conservation status
- Education and popularity value to the public
- Husbandry costs
- Health Management and disease risks
- Physical condition
- Age and gender
- Reproductive status

#### Details of properties

A register containing the information required by section 63 of the Municipal Finance Management Act, (Act 56 of 2003) is available for inspection at the registered office of the entity.

The entity's asset management policy requires the verification of all moveable assets on an annual basis. However, due to the Covid-19 pandemic, the verification exercise could not be completed for all moveable assets.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>13. Property, plant and equipment (continued)</b>		
<b>Property, plant and equipment in the process of being constructed or developed</b>		
<b>Carrying value of property, plant and equipment that is taking a significantly longer period</b>		
<b>Implementation of projects affected by the appointment of new service providers:</b>		
Project T1528 - MAN RD 11388 & 11297 IN JB MAFORA	164 770	-
Project W1404, A, B, C - BOTSHABELO AND THABA NCHU INTERNAL BULK	29 115 751	-
Project C640/FFF3 - OPEN BUS STATIONS (BUS STOP SHELTER)	1 701 907	-
Project T1538 - VICTORIA & KOLBE INTERSECTION	638 697	-
Project C273/PP3 & C534 - BOTSHABELO DEVELOPMENT NODE PHASE 2	22 597 512	22 315 370
<b>Implementation of projects affected by budgetary constraints:</b>		
Project C063/A1 - VISTAPARK 2 - RE-ALIGN BULK WATER PIPELINE	24 038 124	-
Project T1419B, B(1) - ROAD 6 (PHASE2) UPGRADING OF STREET & STORM WATER	3 424 081	-
Project T1522 - THABA NCHU RD 2029	436 992	-
Project T1525 - BOT RD 601: UPGRADING OF STREET & STORMWATER	1 253 943	-
Project T1529(S1201) - BOT RD 3824: BOTSHABELO WEST (MAIN ROAD)	636 628	-
Project T1536 - HEAVY REHABILITATION OF ZASTRON STREET	1 086 617	-
Project W0903C - NORTH EARSTERN WWTW PHASE 2	1 062 783	-
Project W1416E, F, K - BASIC SANITATION AND INTERNAL BULK SERVICES	5 715 172	-
Project W1502, (1), B, C, G - M/P WATER RE-USE (PUMP STAT)	45 378 366	-
Project W1515 - MASELSPOORT WTW REFURBISHMENT	2 809 609	-
Project W1515F - FILTER & CLAR REFURBISHMENT	2 698 673	-
Project W1515G, H - HAMILTON PARK PUMP STATION REFURBISHMENT	991 929	-
Project W1520 - NAVAL HILL RESERVOIR PHASE 2	1 464 702	-
Project T1527B, C - BOTCHABELA: BOGACH ST: UPGRADING OF STREETS	753 831	-
<b>Contracts/Projects placed on hold:</b>		
Project C288, 155 - RELOCATION OF ZOO	17 213 348	17 213 348
Project C328 - MULTI PURPOSE CENTRE GRASSLAND 3	89 187	-
Project T1520, T1521 - NELSON MANDELA AND FIRST AVENUE PEDESTRIAN BRIDGE	10 114 050	-
Project T1610A(S1201) - UPGRADE OF STREETS AND STORM WATER	1 892 624	1 892 624
<b>Contracts/Projects terminated:</b>		
Project T1530 - BOT RD B16 & 903: SECTION T	1 334 935	-
Project T1527A(2) - T1527A BOCHABELA STREETS	12 344 002	-
<b>Implementation of projects delayed as a result of community unrest:</b>		
Project C273/KK6D, KK6A - IPTN BUS DEPOT - CIVIL	45 949 294	-
Project C273/C13,13B - FORTHARE CONTRACT2	16 086 033	-
Project C273/C20,21,22,23 and 24 - IPTN HEALTH AND SAFETY	760 800	-
Project C582/A1, B1, C1, D1, I1, K1 - IPTN PPROJECTS	221 658 372	79 824 908
Project T1428A, A3, A4 - T1428A MAN RD 198, 199 & 200 BOCHABELO	3 358 401	-
Project T1429B, B3 - T1429B MAN RD 11548 KAGISANONG	14 824 165	6 824 642
Project T1430C, C1 - 7TH ST: UPGRADING OF STREET & STORMWATER	3 709 236	1 551 790
Project T1432, -1, -2 - T1432 MAN 10786 BERGMAN SQUARE	25 826 914	-
Project T1527A, A1 BOCHABELA STREETS	10 040 385	8 959 611
Project T1530-3 - T1530 BOT RD B16 & 903 SECTION T UPG	604 354	-
Project W1107(1), (3) - REFURBISHMENT OF WATER SUPPLY SYSTEMS	33 694 972	-
Project W1403, B - BOTSHABELO AND THABA NCHU INTERNAL BULK	12 186 959	-
Project Bid455 - DEVELOPMENT OF A PARK IN WEPENER	-	24 587
Project C415/B1 - INTERNAL SEWER RETICULATION	-	9 981 631
	<b>577 658 118</b>	<b>148 588 511</b>
<b>Expenditure incurred to repair and maintain property, plant and equipment</b>		
<b>Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance</b>		
Contracted services	170 958 776	194 755 335
<b>Deemed cost</b>		
Deemed cost was determined using depreciated replacement cost.		

**Mangaung Metropolitan Municipality**  
Annual Financial Statements for the year ended 30 June 2021

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**14. Intangible assets**

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	14 378 231	(8 923 121)	5 455 110	13 695 731	(8 050 901)	5 644 830
Intangible assets under development - WIP	2 845 961	-	2 845 961	2 699 560	-	2 699 560
Servitudes	305 707	-	305 707	305 707	-	305 707
<b>Total</b>	<b>17 529 899</b>	<b>(8 923 121)</b>	<b>8 606 778</b>	<b>16 700 998</b>	<b>(8 050 901)</b>	<b>8 650 097</b>

**Reconciliation of intangible assets - 2021**

	Opening balance	Additions	Amortisation	Total
Computer software	5 644 830	341 251	(530 971)	5 455 110
Intangible assets under development - WIP	2 699 560	146 401	-	2 845 961
Servitudes	305 707	-	-	305 707
	<b>8 650 097</b>	<b>487 652</b>	<b>(530 971)</b>	<b>8 606 778</b>

**Reconciliation of intangible assets - 2020**

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	6 150 972	242 820	(132 861)	(616 101)	5 644 830
Intangible assets under development	-	2 699 560	-	-	2 699 560
Servitudes	305 707	-	-	-	305 707
	<b>6 456 679</b>	<b>2 942 380</b>	<b>(132 861)</b>	<b>(616 101)</b>	<b>8 650 097</b>

**Pledged as security**

No intangible assets have been pledged as security for any financial liability.

**Intangible assets in the process of being constructed or developed**

No intangible assets are in the process of being constructed or developed.

**Intangible assets with indefinite useful lives**

servitudes	305 707	305 707
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The servitudes held by the entity are land rights that have been issued. The land held by the entity, including servitudes, is deemed to have an indefinite useful life.

**Deemed cost**

Deemed cost was determined using depreciated replacement cost.

**Mangaung Metropolitan Municipality**  
Annual Financial Statements for the year ended 30 June 2021

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**15. Heritage assets**

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	279 968 687	-	279 968 687	279 968 687	-	279 968 687

**Reconciliation of heritage assets 2021**

Heritage assets	Opening balance 279 968 687	Total 279 968 687
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**Reconciliation of heritage assets 2020**

Heritage assets	Opening balance 279 968 687	Total 279 968 687
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**Pledged as security**

No heritage assets have been pledged as security for any financial liability.

**Revaluations**

**Other heritage assets**

The effective date of the revaluation was 30 June 2017. Revaluations were performed by independent professionally qualified valuers who hold a recognised professional qualification and have recent experience in the locations and categories of the properties valued.

The values of the properties were determined based on the market values and the information obtained from the deeds office.

The valuation was performed after the following factors were taken into account:

- the useful life of the asset;
- the condition of the asset; and
- the location of the asset.

**Heritage assets in the process of being constructed or developed**

No heritage assets are in the process of being constructed or developed.

**Deemed costs**

Deemed cost was determined using depreciated replacement cost.

**16. Investments in controlled entities**

Name of company	Held by	% holding 2021	% holding 2020	Carrying amount 2021	Carrying amount 2020
Centlec (SOC)Limited		100,00 %	100,00 %	100	100

The carrying amounts of controlled entities are shown net of impairment losses.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>17. Non-current receivables</b>		
<b>Designated at fair value</b>		
2535 Unlisted shares - OVK Limited	38 595	37 594
2573 Unlisted shares - OVK Limited	42 455	40 782
3685 Unlisted shares - Senwes Ltd	31 000	25 700
	<b>112 050</b>	<b>104 076</b>
<b>At amortised cost</b>		
Housing and erven selling schemes	12 834 039	12 676 422
Loans were granted to qualifying individuals and public organisations in terms of the housing program. These loans attract interest of between 6% and 14% per annum and are repayable on a monthly basis by way of salary deductions for officials and six-monthly payments for public organisations over a period of 20 years.		
Cricket stadium	4 545 462	6 084 330
The entity has a contract with the Free State Cricket Union for the purchase of the cricket stadium. The loan bears interest at 10% per annum and is repayable on an annual basis over 27 years ending 1 July 2022.		
Impairment - Housing and erven selling schemes	17 379 501	18 760 752
Impairment - Cricket stadium	(12 774 435)	(12 623 607)
	(4 545 462)	(6 084 330)
	<b>59 604</b>	<b>52 815</b>
<b>Total other financial assets</b>	<b>171 654</b>	<b>156 891</b>
<b>Non-current assets</b>		
Designated at fair value	112 050	104 076
At amortised cost	59 604	52 815
	<b>171 654</b>	<b>156 891</b>
<b>Financial assets at fair value</b>		
<b>Fair value hierarchy of financial assets at fair value</b>		
For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:		
Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.		
Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).		
Level 3 applies inputs which are not based on observable market data.		
<b>Level 3</b>		
Class 1-unlisted Shares	112 050	104 076
<b>Financial assets at amortised cost</b>		
<b>Financial assets at amortised cost past due but not impaired</b>		
Non-current receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2021, none of the non-current receivables were past due but not impaired.		
<b>Financial assets at amortised cost impaired</b>		
As of 30 June 2021, non-current receivables of 17 319 897 (2020: R18 707 937) were impaired and provided for.		
The amount of the provision was 17 319 897 as of 30 June 2021 (2020: R 18 707 937 ).		



# Mangaung Metropolitan Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>17. Non-current receivables (continued)</b>		
The ageing of these loans is as follows.		
Over 6 months	17 319 897	18 707 937
<b>Reconciliation of provision for impairment of financial assets at amortised cost</b>		
<b>Impairment of Housing and Erven selling schemes</b>		
Opening balance	12 623 607	12 456 171
Provision for impairment	150 828	167 436
	<b>12 774 435</b>	<b>12 623 607</b>
<b>Impairment of Cricket Stadium</b>		
Opening balance	6 084 330	7 258 724
Provision for impairment	(1 538 868)	(1 174 394)
	<b>4 545 462</b>	<b>6 084 330</b>

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The municipality does not hold any collateral as security.

### Non-current receivables pledged as security

None of the non-current receivables were pledged as security for any financial liability.

### 18. Payables from exchange transactions

Accrued bonus	40 938 033	35 134 920
Accrued leave pay	260 230 041	226 754 650
Claims - Unfair dismissal	4 879 817	4 879 817
Other creditors	26 000	26 000
Other payables - Grants	979 450	979 450
Other payables - Salary related	80 676 149	69 373 663
Retentions	114 635 978	100 547 675
Trade payables	1 144 717 878	1 090 716 929
	<b>1 647 083 346</b>	<b>1 528 413 104</b>

The entity defaulted on the payment of suppliers within 30 days. The average term of payment of suppliers for the year was 280 days (2020: 284 days)

### 19. Payables from non-exchange transactions

Deposits	938 850	911 748
Other	2 207 711	2 499 765
Payments received in advance	333 477 571	260 393 695
	<b>336 624 132</b>	<b>263 805 208</b>

### 20. Consumer deposits

Water	33 351 036	33 599 273
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Guarantees in lieu of consumer deposits amounted to R 2 594 386,34 (2020: R 2,614,769).

### Fair value hierarchy

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

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

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

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

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Figures in Rand	2021	2020
<b>20. Consumer deposits (continued)</b>		
<b>Fair values of financial liabilities measured or disclosed at fair value</b>		
<b>Level 1</b>		
Water	33 351 036	33 599 273
<b>21. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
Finance management grant	3 186	-
City of Ghent - Youth development grant	481 950	481 950
Sports, arts and culture - Admin libraries grant	4 692 787	3 450 862
Expanded public work programme incentive grant	364 394	1 375 087
Public transport infrastructure grant	-	103 044 313
Municipal disaster recovery grant	-	69 815 066
Training and development practicals: SETA	2 228 830	-
Municipal human settlement capacity grant	2 000 000	2 000 000
Sustainable human settlement grant	1 595 782	1 595 782
Municipal systems improvement grant	1 055 000	1 055 000
Department of telecoms and postal services grant	1 133 554	1 133 554
Neighbourhood development grant	1 142 169	11 757 795
Integrated city development grant	3 714 313	7 192 099
Urban settlement development grant	17 250 742	233 327 552
	<b>35 662 707</b>	<b>436 229 060</b>

See note 39 for reconciliation of grants from National/Provincial Government.

**Additional information**

Included in the unspent grants balance are grants for which the roll-over has already been denied and which should be reverted back to National Treasury. These are as follows:

Expanded public works programme incentive grant	-	950 000
Integrated city development grant	-	1 700 000
Urban settlement development grant	-	81 934 934
Public transport infrastructure grant	-	15 649 300
Neighbourhood development grant	-	1 800 000
Municipal disaster recovery grant	-	69 815 066
	-	<b>171 849 300</b>

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<b>22. Finance lease obligation</b>		
Finance lease obligation	47 769 355	148 755 920
<b>Minimum lease payments due</b>		
- within one year	38 059 718	86 559 722
- in second to fifth year inclusive	12 426 492	79 840 782
	50 486 210	166 400 504
less: future finance charges	(2 716 855)	(17 644 584)
<b>Present value of minimum lease payments</b>	<b>47 769 355</b>	<b>148 755 920</b>
<b>Present value of minimum lease payments due</b>		
- within one year	35 687 958	74 143 072
- in second to fifth year inclusive	12 081 397	74 612 848
	<b>47 769 355</b>	<b>148 755 920</b>
Non-current liabilities	35 938 140	74 561 668
Current liabilities	11 831 215	74 194 252
	<b>47 769 355</b>	<b>148 755 920</b>

The entity leases various equipment and vehicles under finance leases. The average lease term is between 2 and 5 years and the average borrowing rate is between 9% and 15%. Leases are not renewed automatically upon expiry, unless otherwise instructed by the entity.

No arrangements have been entered into for contingent rent.

The entity did not default on any of the finance lease obligations, whether it be on the capital or interest portion.

None of the terms attached to the existing finance lease obligations were renegotiated.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 13.

**23. Borrowings**

**At amortised cost**

DBSA - FS1034/01	28 226 709	102 758 539
DBSA - FS1034/02	25 069 491	29 030 696
DBSA - 6100 7294	248 409 103	215 276 846
Standard Bank - Loan 33714314	140 020 732	171 139 150
ABSA - Loan	334 959 259	378 639 888
	<b>776 685 294</b>	<b>896 845 119</b>

**Total other financial liabilities**

**776 685 294      896 845 119**

These loans are from ABSA, The Development Bank of South Africa and Standard Bank of South Africa Limited. Repayments are made either monthly or on a six-monthly basis. The final loan will be redeemed at 30 October 2027 and the loans bear interest between 6% and 14%.

**Non-current liabilities**

At amortised cost 616 519 976      706 254 111

**Current liabilities**

At amortised cost 160 165 318      190 591 008

**Financial liabilities at amortised cost**

# Mangaung Metropolitan Municipality

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### 24. Provisions

Rehabilitation of landfill sites	157 876 614	96 010 327
Rehabilitation of quarry sites	523 500 600	479 112 848
	<b>681 377 214</b>	<b>575 123 175</b>

#### Reconciliation of provisions - 2021

	Opening Balance	Additions	Total
Rehabilitation of landfill sites	96 010 327	61 866 287	157 876 614
Rehabilitation of quarry sites	479 112 848	44 387 752	523 500 600
	<b>575 123 175</b>	<b>106 254 039</b>	<b>681 377 214</b>

#### Reconciliation of provisions - 2020

	Opening Balance	Re-assessment	Total
Rehabilitation of landfill sites	146 961 973	(50 951 646)	96 010 327
Rehabilitation of quarry sites	463 898 942	15 213 906	479 112 848
	<b>610 860 915</b>	<b>(35 737 740)</b>	<b>575 123 175</b>

Non-current liabilities	64 716 945	96 010 327
Current liabilities	616 660 269	479 112 848
	<b>681 377 214</b>	<b>575 123 175</b>

#### Rehabilitation of landfill sites

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act 28 of 2002). The provision was determined by an independent expert for the rehabilitation cost in 2021 and then approximated the expected future cash flows using reasonable estimation techniques. The discount rate used for all the landfill sites is based on a CPA rate that matures as close as possible to the future date of the rehabilitation, the rate is 20.62% (2020: 9.914%) for the circumstances of the entity.

Landfill sites consists of:	Restoration date:
Botshabelo Landfill Site	2115
Northern Landfill Site	2021
Southern Landfill Site	2038
Van Stadensrus Landfill Site	2036
Wepener Landfill Site	2033
Dewetsdorp	2028
Soutpan/Ikgomotseng Landfill site	2031

The final restoration of landfill sites is expected to be in the year listed above, being the estimated useful lives of landfill sites. No uncertainties were listed in the engineer's report. The certainty and the timing of the outflow of these liabilities is uncertain and the amounts disclosed are the possible outflow amounts.

# Mangaung Metropolitan Municipality

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## Notes to the Annual Financial Statements

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### 24. Provisions (continued)

#### Rehabilitation of quarry sites

The provision for rehabilitation of quarry sites relates to the legal obligation to rehabilitate quarry sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act 28 of 2002). The provision was determined by an independent expert for the rehabilitation cost in 2021 and then approximated the expected future cash flows using reasonable estimation techniques. The discount rate used for all the quarry sites is based on a CPA rate that matures as close as possible to the future date of the rehabilitation, the rate is 9.914% (2020: 9.914%) for the circumstances of the entity.

#### Quarries consists of: Restoration date:

##### Bloemfontein

Cecelia	2021
Sunnyside	2021
Kgotsong	2021
Ipopeng	2021
Chris Hani	2021
Caleb Motsoabi	2021
N1	2021

##### Botshabelo

K-Section	2021
F1-Section	2021
F2.1-Section	2021
F2.2-Section	2021
W-Section	2021
S-Section	2021
B-Section	2021

##### Thaba Nchu

Seroala	2021
Thubisi	2021
Putsane	2021
Merino	2021
Rhakoi	2021
Sediba	2021
Rooibult	2021
Kgalala	2021
Baraclava 1	2021
Baraclava	2021
Bultfontein 3	2021
Modutung	2021
Talla	2021
Nogas Post	2021

The final restoration of quarry sites are expected to be in the year listed above, being the estimated useful lives of quarry sites. No uncertainties were listed in the engineer's report. The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

# Mangaung Metropolitan Municipality

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## Notes to the Annual Financial Statements

Figures in Rand 2021 2020

### 25. Employee benefit obligations

#### Defined benefit plan

The defined benefit liability as disclosed below is represented by three different post-employment benefits. None of the benefits set out below are externally funded.

#### Post-retirement medical aid plan

Active members receive a fixed subsidy of 60% of medical aid contributions during the current working year, up to a specified maximum employer contribution. The spouse or adult dependant of an active member is entitled to a 60% subsidy of their contributions. This proportion of the subsidy will continue to be paid in the event of the principal member's death.

Continuation members receive a fixed subsidy of 60% of medical aid contributions during the current working year, up to a specified maximum employer contribution. The spouse or adult dependant of a continuation member is entitled to a 60% subsidy of their contributions.

#### Pension benefits

Pension gratuities are payable to retired employees and pensioners who were in service of the council on or before 1 October 1981, who did not qualify to be members of the Free State Joint Municipal Pension Fund or Free State Local Government Pension Fund, or who were not members of a pension fund by this date, with 20 years of uninterrupted service and a minimum retirement age of 60 years have been obtained.

#### Long service awards

Long service awards are payable to qualifying in-service employees. The leave benefits are in accordance with paragraph 11 of the South African Local Government Bargaining Council (SALGBC) collective agreement on conditions of service for the Free State division of SALGBC.

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

#### Carrying value

Present value of the defined benefit obligation-wholly unfunded	502 525 629	538 815 163
Present value of the defined benefit obligation-partly or wholly funded	47 790 990	48 358 443
Fair value of plan assets	22 764 000	26 313 532
Fair value of reimbursement rights	(28 588 604)	(28 102 632)
Other [provide details]	38 503 985	(82 858 877)
	<b>582 996 000</b>	<b>502 525 629</b>

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

Opening balance	502 525 629	538 815 163
Contributions by plan participants	47 790 990	48 358 443
Exchange differences	22 764 000	26 313 532
Benefits paid	(28 588 604)	(28 102 632)
Past service costs	38 503 985	(82 858 877)
	<b>582 996 000</b>	<b>502 525 629</b>

Changes in present value of defined benefit obligation

2021	Pension fund	Medical aid	Long service award	Total
Defined benefit obligation as at 30 June 2020	1 991 629	392 294 000	108 240 000	502 525 629
Interest cost	101 990	40 619 000	7 070 000	47 790 990
Current service cost	-	13 519 000	9 245 000	22 764 000
Benefits paid	(257 604)	(14 184 000)	(14 147 000)	(28 588 604)
Actuarial gains/losses	178 985	32 857 000	5 468 000	38 503 985
	<b>2 015 000</b>	<b>465 105 000</b>	<b>115 876 000</b>	<b>582 996 000</b>

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand 2021 2020

### 25. Employee benefit obligations (continued)

2020	Pension fund	Medical aid	Long service award	Total
Defined benefit obligation as at 30 June 2019	2 281 755	438 463 682	98 069 726	538 815 163
Interest costs	155 741	41 031 448	7 171 254	48 358 443
Current service costs	-	17 039 615	9 273 917	26 313 532
Benefits paid	(290 016)	(13 411 651)	(14 400 965)	(28 102 632)
Actuarial gains/losses	(155 851)	(90 829 094)	8 126 068	(82 858 877)
	<b>1 991 629</b>	<b>392 294 000</b>	<b>108 240 000</b>	<b>502 525 629</b>

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates -Pension Fund	7,87 %	5,47 %
Discount rate-Medical Aid	10,22 %	10,54 %
Discount rate - Long service award	8,60 %	6,98 %
Expected increase in healthcare costs	6,89 %	6,57 %
Inflation rate-Medical aid	4,79 %	4,55 %
Salary inflation rate - Long service award	5,60 %	3,75 %
Expected retirement age (years)	62	62

A health care cost inflation rate of 6.57% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 5.07%.

A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 3.73% which derives from  $((1+10.54\%)/(1+6.57\%))-1$ .

The expected inflation assumption of 5.07% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (4.72%) and those of fixed interest bonds (10.54%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows:  $((1+10.54\%-0.50\%)/(1+4.72\%))-1$ .

#### Withdrawal rate assumptions:

In the absence of credible past withdrawal data for these particular schemes, the withdrawal assumptions have been set in line with those generally observed in the South African market.

The withdrawal rates vary from 3% to 9% for the age group 20 - 50 years, while the estimated withdrawal rate from 55 years is calculated at 0%.

#### Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

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

	2021	2020	2019	2018	2017
	R	R	R	R	R
Defined benefit obligation	582 996 000	502 525 629	538 815 163	720 561 000	825 686 000

### 26. FRESHCO Liability

FRESHCO Liability	163 648 133	177 776 030
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The entity has entered into an agreement with the Free State Social Housing Company (FRESHCO), a section 21 company, to implement and pursue a programme of Social Housing suitable for low to medium income households. The agreement commenced on 1 February 2010 and shall be terminated on 31 January 2033 unless both parties agree to extend the agreement period. The entity charges FRESHCO a nominal rental amount on a monthly basis which escalates by 5% annually. The rental amount is included in note 33 – Rental of facilities and equipment.

In terms of the agreement, FRESHCO will refurbish and maintain 351 existing municipal flats and build 592 additional flats in the suburb called Brandwag. This will remain the property of the entity. The entity will provide municipal infrastructure where these are not currently in existence. FRESHCO will utilise a portion of the rental income earned from renting out these properties to maintain and refurbish these flats.

The amount is recognised as revenue over the period of the agreement upon completion of the assets.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand 2021 2020

### 27. Land availability liability

Hillside view 282 670 558 293 973 089

The entity has entered into agreements with developers to implement and pursue a programme of land development which will provide infrastructure and housing suitable for low to medium income households.

#### *Hillside view:*

The agreement commenced on 10 July 2014 and shall be terminated on 31 October 2032, unless both parties agree to extend the agreement period.

In terms of the agreement, the developer will develop 762 erven in Mangaung Extension 34, and 1580 erven in Mangaung Extension 35. This development will be known as the Hillside Development.

The land shall remain the property of the entity throughout the development. Upon completion of development, the entity shall retain 30% of the single residential erven within the development, as well as the infrastructure services.

The developer shall be entitled to sell the remaining developed and serviced erven to third parties, and will retain the proceeds of these sales as compensation for the developed assets retained by the entity.

The developer shall contribute to the bulk infrastructure installations within the development and shall provide a contribution for the land, upon sale to the third parties.

The revenue from these sales will be recognised upon transfer to the third party, and the related liability shall be derecognised.

The buildings retained by the entity shall be capitalised throughout the development process.

### 28. Revaluation reserve

Opening balance	905 098 875	925 449 343
Revaluation of assets	356 790	-
Realisation of revaluation reserve - through depreciation	(17 953 709)	(20 350 468)
	<b>887 501 956</b>	<b>905 098 875</b>

There are no restrictions on the distribution of the revaluation reserve.

### 29. Self-insurance reserve

Opening balance	10 000 000	10 000 000
Contributions received	(354 267)	416 673
Insurance claims processed	354 267	(416 673)
	<b>10 000 000</b>	<b>10 000 000</b>

### 30. COID reserve

Opening balance	22 287 275	20 922 250
Contributions received	-	2 718 755
Insurance claims processed	(1 396 898)	(1 353 730)
	<b>20 890 377</b>	<b>22 287 275</b>



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Figures in Rand	2021	2020
<b>31. Revenue</b>		
Service charges	1 478 466 906	1 326 373 449
Rental of facilities and equipment	48 634 302	46 767 319
Fair value adjustments	-	26 871 377
Actuarial gains	-	82 858 877
Other income from exchange transactions	72 514 096	512 118 024
Interest received from exchange transactions	386 557 704	427 920 120
Dividends received	2 248	2 849
Property rates	1 190 390 992	1 334 854 287
Surcharges and Taxes	40 713 151	62 804 076
Government grants & subsidies	2 040 443 181	1 556 357 427
Public contributions and donations	334 600	223 400
Fines, penalties and forfeits	9 937 927	16 770 072
	<b>5 267 995 107</b>	<b>5 393 921 277</b>

**The amount included in revenue arising from exchanges of goods or services are as follows:**

Service charges	1 478 466 906	1 326 373 449
Rental of facilities and equipment	48 634 302	46 767 319
Fair value adjustments	-	26 871 377
Actuarial gains	-	82 858 877
Other income from exchange transactions	72 514 096	512 118 024
Interest received from exchange transactions	386 557 704	427 920 120
Dividends received	2 248	2 849
	<b>1 986 175 256</b>	<b>2 422 912 015</b>

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

<b>Taxation revenue</b>		
Property rates	1 190 390 992	1 334 854 287
Surcharges and Taxes	40 713 151	62 804 076
<b>Transfer revenue</b>		
Government grants & subsidies	2 040 443 181	1 556 357 427
Public contributions and donations	334 600	223 400
Fines, penalties and forfeits	9 937 927	16 770 072
	<b>3 281 819 851</b>	<b>2 971 009 262</b>

**32. Service charges**

Sale of water - Conventional meters	930 136 856	779 490 891
Sale of water - Prepaid meters	60 890 893	53 901 725
Sewerage and sanitation charges	345 566 449	357 633 792
Refuse removal	141 008 513	134 651 857
Other service charges	864 195	695 184
	<b>1 478 466 906</b>	<b>1 326 373 449</b>

**33. Rental of facilities and equipment**

<b>Facilities and equipment</b>		
Rental of facilities	47 988 822	45 607 131
Rental of equipment	645 480	1 160 188
	<b>48 634 302</b>	<b>46 767 319</b>

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Figures in Rand	2021	2020
<b>34. Other income from exchange transactions</b>		
Advertising	5 291 751	2 369 105
Grave plots	5 005 951	3 036 193
Building plan fees	6 051 126	4 363 727
Commission - Fresh produce market	25 243 186	23 866 015
Entrance fees	172 793	710 656
Clearance certificates	3 603 810	2 834 504
Insurance collection	2 687 695	1 118 482
Parking	1 378 457	1 560 682
Sale of tender documents	787 585	750 147
Training	-	2 660 840
Service concession revenue*	15 837 467	11 134 854
Sale of erven	1 194 148	1 322 747
Settlement on supplier dispute	-	451 418 007
Sundry income	5 260 127	4 972 065
	<b>72 514 096</b>	<b>512 118 024</b>

\* The service concession revenue relates to the revenue recognised from the land availability liability. Refer to note 27 for further information.

**35. Interest received from exchange transactions**

**Dividends received**

Unlisted financial assets - Local	2 248	2 849
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**Interest revenue**

Centlec (SOC) Limited - Capital advances	4 908 298	7 625 761
Centlec (SOC) Limited - Intercompany loan	55 112 213	62 582 404
Centlec (SOC) Limited - Shareholders loan	133 787 468	171 577 388
Interest charged on consumer and other receivables - exchange transactions	173 828 220	173 423 498
Interest charged on non-current receivables	608 433	507 257
Interest earned on cash and cash equivalents	18 313 072	12 203 812
	<b>386 557 704</b>	<b>427 920 120</b>
	<b>386 559 952</b>	<b>427 922 969</b>

**36. Interest received from non-exchange transactions**

Interest charged on consumer and other receivables - non-exchange transactions	40 713 151	62 804 076
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**37. Fair value adjustments**

Investment property (Fair value model)	(321 453)	1 124 788
Non-current financial assets at fair value	7 973	(73)
Community - Landfill sites and quarries	(32 419 764)	25 746 662
	<b>(32 733 244)</b>	<b>26 871 377</b>

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**38. Property rates**

**Rates received**

Residential and business / commercial	779 807 646	1 057 911 094
Government	410 583 346	276 943 193
	<b>1 190 390 992</b>	<b>1 334 854 287</b>

**Valuations**

Residential	68 972 371 472	68 452 458 163
Commercial	22 151 331 153	22 060 662 133
Government	11 503 758 376	13 391 217 899
Municipal	4 293 655 212	4 284 822 158
	<b>106 921 116 213</b>	<b>108 189 160 353</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The first R 80,000 of the rateable value of residential property is exempted from taxes, including properties which are zoned for the purpose of town houses and flats, as well as smallholdings and farms used solely for residential and agricultural purposes.

In respect of qualifying senior citizens and disabled persons, the first R 250,000 of the rateable value of their residential properties is exempted from rates subject to the property value not exceeding R 2,000,000.

**2021:**

From 1 July 2020 the basic rates were adjusted as follows:

- R0.008432, multiply by comma two five cent (0.25), per rand on the rateable value of farm property (exempt from VAT);
- R0.008432, on the value of rateable residential property
- R0.034634 on the value of rateable government property
- R0.034634 on the value of rateable business property
- R0.002109 on the value of rateable Public Service Infrastructure

**2020:**

From 1 July 2019 the basic rates were adjusted as follows:

- R0.002010 on the value of rateable farm property
- R0.008038 on the value of rateable residential property
- R0.033016 on the value of rateable government property
- R0.033016 on the value of rateable business/commercial property
- R0.008038 on the value of public service infrastructure

**39. Government grants and subsidies**

**Operating grants**

Equitable share	911 525 000	735 867 000
Fuel levy	319 813 000	311 514 000
Finance management grant	2 196 814	3 000 000
Sports, arts and culture - Admin libraries grant	758 075	759 325
Expanded public works programme incentive grant	1 540 692	1 019 914
	<b>1 235 833 581</b>	<b>1 052 160 239</b>

**Capital grants**

Public transport infrastructure and network systems grant	279 877 313	142 213 268
Neighbourhood development grant	5 220 626	98 756
Integrated city development grant	4 350 785	1 317 326
Urban settlement development grant	515 160 876	360 567 838
	<b>804 609 600</b>	<b>504 197 188</b>
	<b>2 040 443 181</b>	<b>1 556 357 427</b>

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**39. Government grants and subsidies (continued)**

**Equitable Share**

Current year receipts	911 525 000	735 867 000
Conditions met - transferred to revenue	(911 525 000)	(735 867 000)
	-	-

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

**Fuel levy**

Current-year receipts	319 813 000	311 514 000
Conditions met - transferred to revenue	(319 813 000)	(311 514 000)
	-	-

The fuel levy is allocated to the entity from the General Fuel Levy Revenue Fund.

**Finance management grant**

Current-year receipts	2 200 000	3 000 000
Conditions met - transferred to revenue	(2 196 814)	(3 000 000)
	<b>3 186</b>	-

The purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA.

**City of Ghent**

Balance unspent at beginning of year	481 950	481 950
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Conditions still to be met - remain liabilities (see note 21).

The grant is given by the City of Ghent for youth development.

**Sports, arts and culture - Admin libraries**

Balance unspent at beginning of year	3 450 862	710 188
Current-year receipts	2 000 000	3 500 000
Conditions met - transferred to revenue	(758 075)	(759 326)
	<b>4 692 787</b>	<b>3 450 862</b>

Conditions still to be met - remain liabilities (see note 21).

The purpose of the grant is to fund the administration of public libraries within the Mangaung Metropolitan Municipality area.

**Expanded public works programme incentive grant**

Balance unspent at beginning of year	1 375 087	1 963 000
Current-year receipts	1 843 000	1 382 000
Conditions met - transferred to revenue	(1 540 692)	(1 019 913)
Surrendered to National Treasury	(1 313 001)	(950 000)
	<b>364 394</b>	<b>1 375 087</b>

Conditions still to be met - remain liabilities (see note 21).

The purpose of the grant is to expand work creation efforts through the use of labour incentives delivery methods in identified focus areas, in compliance with Expanded Public Works Programme (EPWP) guidelines.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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

#### Public transport infrastructure and network systems grant

Balance unspent at beginning of year	103 044 313	59 771 976
Current-year receipts	192 433 000	229 596 000
Conditions met - transferred to revenue	(279 877 313)	(142 213 269)
Surrendered to National Treasury	(15 600 000)	(44 110 394)
	<b>-</b>	<b>103 044 313</b>

Conditions still to be met - remain liabilities (see note 21).

The grant is allocated to the entity to improve public transport infrastructure and systems, in accordance with agreed project plans.

#### Municipal disaster recovery grant

Balance unspent at beginning of year	69 815 066	139 630 132
Surrendered to National Treasury	(69 815 066)	(69 815 066)
	<b>-</b>	<b>69 815 066</b>

Conditions still to be met - remain liabilities (see note 21).

The purpose of the grant is to assist municipalities that have been severely impacted by the drought with the reconstruction and rehabilitation of municipal infrastructure.

#### National electrification grant

The grant is used to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and the rehabilitation of electrification infrastructure. The grant was transferred to Centlec (SOC) Limited.

#### Training and development practicals: SETA

Current-year receipts	2 228 830	-
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The grant is a learnership grant from SETA for interns seconded at different entities.

#### Municipal human settlement capacity grant

Balance unspent at beginning of year	2 000 000	2 000 000
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Conditions still to be met - remain liabilities (see note 21).

The purpose of the grant is to build capacity in municipalities to deliver and subsidise the operational costs of administering human settlement programmes.

#### Sustainable human settlement grant

Balance unspent at beginning of year	1 595 782	1 595 782
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Conditions still to be met - remain liabilities (see note 21).

The grant is used to supplement the capital revenues of metropolitan municipalities in order to support the national human settlements development programme, focusing on poor households.

**Mangaung Metropolitan Municipality**  
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**Notes to the Annual Financial Statements**

Figures in Rand	2021	2020
<b>39. Government grants and subsidies (continued)</b>		
<b>Municipal systems improvement grant</b>		
Balance unspent at beginning of year	1 055 000	1 055 000
Conditions still to be met - remain liabilities (see note 21).		
The purpose of the grant is to assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal System Act, the Municipal Rates Act and related legislation.		
<b>Department of telecoms and postal services</b>		
Balance unspent at beginning of year	1 133 554	1 133 554
Conditions still to be met - remain liabilities (see note 21).		
The purpose of the grant is to develop information and communication technology (ICT) policies and legislation that create favourable conditions for accelerated and shared sustainable economic growth that positively impacts on the wellbeing of all South Africans.		
<b>Neighbourhood development grant</b>		
Balance unspent at beginning of year	11 757 795	3 732 275
Current-year receipts	4 405 000	10 000 000
Conditions met - transferred to revenue	(5 220 626)	(98 756)
Surrendered to National Treasury	(9 800 000)	(1 875 724)
	<b>1 142 169</b>	<b>11 757 795</b>
Conditions still to be met - remain liabilities (see note 21).		
This grant is to be used for the development of urban network plans, to improve the quality of life and access of residents in under-served neighbourhoods.		
<b>Integrated city development grant</b>		
Balance unspent at beginning of year	7 192 099	3 428 424
Current-year receipts	6 373 000	6 781 000
Conditions met - transferred to revenue	(4 350 786)	(1 317 325)
Surrendered to National Treasury	(5 500 000)	(1 700 000)
	<b>3 714 313</b>	<b>7 192 099</b>
Conditions still to be met - remain liabilities (see note 21).		
The purpose of the grant is to provide a financial incentive for metropolitan municipalities to achieve a more compact urban spatial form through integrating and focusing their use of available infrastructure investment and regulatory instruments.		
<b>Urban settlement development grant</b>		
Balance unspent at beginning of year	233 327 552	243 576 206
Current-year receipts	381 019 000	511 856 000
Conditions met - transferred to revenue	(515 160 876)	(360 567 838)
Surrendered to National Treasury	(81 934 934)	(161 536 816)
	<b>17 250 742</b>	<b>233 327 552</b>
Conditions still to be met - remain liabilities (see note 21).		
The purpose of the grant is to supplement the capital revenues of metropolitan municipalities in order to support the national human settlements development programme, focusing on poor households.		

# Mangaung Metropolitan Municipality

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

#### Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 4 of 2020), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

### 40. Public contributions and donations

Capital public contributions and donations

334 600

223 400

### 41. Fines, penalties and forfeits

Fines

9 055 156

15 981 459

Unclaimed deposits and stale cheques

882 771

788 613

**9 937 927**

**16 770 072**

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>42. Employee related costs</b>		
Basic salaries and wages	1 137 702 305	1 084 236 502
Contributions to Pension funds	171 690 714	162 273 684
Contributions to medical aid	95 015 543	87 694 022
Contributions to UIF	6 191 187	6 197 498
Leave pay	54 310 679	60 433 295
Travel, motor car, accommodation, subsistence and other allowances	112 311 440	115 047 773
Overtime, shift and standby allowances	185 008 411	172 316 081
Housing benefits and allowances	5 813 955	5 366 828
Defined benefit plan - Current service costs	22 764 000	26 313 532
	<b>1 790 808 234</b>	<b>1 719 879 215</b>

### Remuneration of key management

2021	Annual Remuneration	Car and other allowances	Contributions to UIF, Medical Aid and Pension Funds	Total
City Manager - Adv TB Mea	1 563 389	504 000	319 210	2 386 599
Chief Financial Officer - S Mofokeng	1 222 318	619 200	69 028	1 910 546
HOD - Corporate Services - DSR Nkaiseng	1 171 500	448 068	289 246	1 908 814
HOD - Economic and Rural Development - TA Maine	1 398 342	139 200	371 329	1 908 871
HOD - Engineering - M Ndlovu	1 159 730	523 018	226 090	1 908 838
HOD - Human Settlements - Adv MJN Phaladi	1 252 063	370 214	286 612	1 908 889
HOD - Planning - BS Mthembu	1 124 026	516 455	267 781	1 908 262
HOD - Social Services - MG Nkungwana	1 376 828	199 200	332 228	1 908 256
HOD - Waste and Fleet Management - S More	1 874 244	19 200	17 710	1 911 154
Head of Police - KI Kgamanyane	1 177 696	465 620	265 398	1 908 714
Acting Executive Director: Planning-TA KHOLOANYANE	88 770	24 507	21 236	134 513
Acting Executive Director: Social Services- BJH BARNES	78 314	35 040	21 832	135 186
	<b>13 487 220</b>	<b>3 863 722</b>	<b>2 487 700</b>	<b>19 838 642</b>
<b>2020</b>				
	<b>Annual Remuneration</b>	<b>Car and other allowances</b>	<b>Contributions to UIF, Medical Aid and Pension Funds</b>	<b>Total</b>
City Manager - Adv TB Mea	1 566 467	504 000	320 937	2 391 404
Chief Financial Officer - S Mofokeng	1 227 031	976 665	69 408	2 273 104
HOD - Corporate Services - DSR Nkaiseng	1 177 719	448 068	282 962	1 908 749
HOD - Economic and Rural Development - TA Maine	1 409 628	139 200	360 806	1 909 634
HOD - Engineering - M Ndlovu	1 161 093	523 018	225 925	1 910 036
HOD - Human Settlements - Adv MJN Phaladi	1 261 733	370 214	278 124	1 910 071
HOD - Planning - BS Mthembu	1 121 751	523 706	264 100	1 909 557
HOD - Social Services - MG Nkungwana	1 382 223	199 200	328 005	1 909 428
HOD - Waste and Fleet Management - S More	1 874 280	19 200	19 253	1 912 733
Head of Police - KI Kgamanyane	1 180 655	465 620	262 996	1 909 271
	<b>13 362 580</b>	<b>4 168 891</b>	<b>2 412 516</b>	<b>19 943 987</b>

\*

### 43. Remuneration of councillors

Councillors allowance	46 827 638	47 587 908
Councillors pension contributions	1 637 546	1 731 145
Councillors medical aid contributions	679 718	691 548
Travel allowance	12 014 475	12 669 774
Cell phone allowance	4 297 700	4 446 947
Housing Allowance	74 246	74 246
	<b>65 531 323</b>	<b>67 201 568</b>



# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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### 43. Remuneration of councillors (continued)

#### In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full-time employees of the entity and each is provided with an office and secretarial support at the cost of the Council.

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

#### Analysis of Councillors Remuneration

2021

	Councillor allowance	Contributions to Pension and Medical aid	Travel, cellphone and other allowances	Total
Executive Mayor - SM Mlamleli	189 851	-	7 400	197 251
Deputy Executive Mayor - LA Masoetsa	981 835	134 163	324 537	1 440 535
Speaker - MA Siyonzana	816 446	17 280	344 783	1 178 509
Chief Whip - ZE Mancotywa	687 617	120 423	291 329	1 099 369
MMC: SMME and Rural Development - VE Jonas	804 104	17 280	291 329	1 112 713
MMC: Community and Social Services - MM Mahase	804 103	17 280	291 329	1 112 712
MMC: Transport & Public Safety - NP Monyakoana	821 384	-	291 329	1 112 713
MMC: Human Settlement - G Thipenyane	703 310	122 777	291 329	1 117 416
MMC: Spatial Planning and Land Use Management - M Nkhabu	804 664	17 280	291 329	1 113 273
MMC: Rural Development - J Nothnagel	821 384	-	291 329	1 112 713
MMC: Environmental Management - XD Pongolo	696 257	121 719	291 329	1 109 305
MMC: Corporate Services - NA Morake	804 104	17 280	291 329	1 112 713
MMC: Finance, IDP and Performance Management - LM Titi-Odili	804 104	17 280	291 329	1 112 713
S79 Chairperson: Motions and Petitions - MJ Nkoe	675 402	118 590	284 085	1 078 077
S79 Chairperson: Remunerations and Benefits Committee - MM Shounyana	675 401	118 590	284 085	1 078 076
S79 Chairperson: Municipal Public Accounts Committee - MM Tladi	780 009	17 280	284 085	1 081 374
Chairperson: Geographical and Street Naming Committee - NA Ratsiu	57 775	8 666	23 674	90 115
Section 79 Chairperson: Rules - MM Mothibi-Nkoane	797 289	-	284 085	1 081 374
Section 79 Chairperson (Public Places & Street Naming)- P L SELEKE	366 624	-	69 149	435 773
Subtotal	13 091 663	865 888	4 819 173	18 776 724
Part-time councillors	33 735 705	1 451 376	11 567 262	46 754 343
	<b>46 827 368</b>	<b>2 317 264</b>	<b>16 386 435</b>	<b>65 531 067</b>

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**Notes to the Annual Financial Statements**

Figures in Rand 2021 2020

**43. Remuneration of councillors (continued)**

2020	Councillor allowance	Contributions to Pension and Medical aid	Travel, cellphone and other allowances	Total
Executive Mayor - SM Mlamleli	1 404 260	-	44 400	1 448 660
Deputy Executive Mayor - LA Masoetsa	731 899	121 612	324 537	1 178 048
Speaker - MA Siyonzana	816 446	17 280	344 783	1 178 509
Chief Whip - ZE Mancotywa	703 687	117 275	291 329	1 112 291
MMC: SMME and Rural Development - VE Jonas	804 103	17 280	291 329	1 112 712
MMC: Community and Social Services - MM Mahase	804 103	17 280	291 329	1 112 712
MMC: Transport & Public Safety - NP Monyakoana	821 383	-	291 329	1 112 712
MMC: Human Settlement - G Thipenyane	703 711	117 701	291 329	1 112 741
MMC: Spatial Planning and Land Use Management - M Nkhabu	804 215	17 280	291 329	1 112 824
MMC: Rural Development - J Nothnagel	821 383	-	291 329	1 112 712
MMC: Environmental Management - XD Pongolo	703 687	117 697	291 329	1 112 713
MMC: Corporate Services - NA Morake	804 103	17 280	291 329	1 112 712
MMC: Finance, IDP and Performance Management - LM Titi-Odili	804 103	17 280	291 329	1 112 712
S79 Chairperson: Motions and Petitions - MJ Nkoe	682 604	114 685	284 085	1 081 374
S79 Chairperson: Remunerations and Benefits Committee - MMShounyana	682 604	114 685	284 085	1 081 374
S79 Chairperson: Municipal Public Accounts Committee - MM Tladi	780 009	17 280	284 085	1 081 374
Chairperson: Geographical and Street Naming Committee - NA Ratsiu	697 630	99 659	284 085	1 081 374
Section 79 Chairperson: Rules - MM Mothibi-Nkoane	797 289	-	284 085	1 081 374
Subtotal	14 367 219	924 274	5 047 435	20 338 928
Part-time Councillors	33 220 687	1 498 419	12 143 538	46 862 644
	<b>47 587 906</b>	<b>2 422 693</b>	<b>17 190 973</b>	<b>67 201 572</b>

**44. Depreciation and amortisation**

Property, plant and equipment	717 437 528	799 454 199
Intangible assets	530 971	616 101
	<b>717 968 499</b>	<b>800 070 300</b>

**45. Impairment loss or reversal of impairments**

<b>Impairments</b>		
Property, plant and equipment	2 731 628	10 473 242
The recoverable amount of the asset was assessed at the end of the financial year and it was found to be less than the carrying amount of the asset and an impairment loss was raised.		

**46. Finance costs**

Non-current borrowings	87 917 419	102 120 406
Trade and other payables	2 732 929	6 152 094
Finance leases	13 457 486	5 865 974
Employee benefit obligation	47 790 990	48 358 443
	<b>151 898 824</b>	<b>162 496 917</b>

**47. Debt impairment and bad debt write off**

Debt impairment	796 310 070	480 050 737
Bad debts written off	8 542 361	221 408 511
	<b>804 852 431</b>	<b>701 459 248</b>

During the financial year, the write off amounting to R 6,855,912 (2020: R 206,380,916) related to the write off of indigent consumers' debt as at the date of registration on the indigent register.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>48. Bulk purchases</b>		
Water	743 539 271	762 564 668
<b>49. Contracted services</b>		
<b>Outsourced Services</b>		
Burial services	1 065 530	2 387 542
Meter management services	7 393 011	7 142 598
Refuse removal services	1 897 744	1 551 581
Sewerage services	15 323 199	28 400 721
<b>Consultants and Professional Services</b>		
Business and advisory services	71 542 434	96 963 262
Infrastructure and planning services	21 106 356	7 241 966
Legal costs	68 090 022	64 649 940
<b>Contractors</b>		
Catering services	51 157	993 786
Electrical	1 434 647	1 118 580
Gardening services	382 177	1 952 218
Repairs and maintenance	170 958 776	194 755 335
Safeguard and security services	91 370 287	77 276 537
Other contracted services	3 448 866	963 586
	<b>454 064 206</b>	<b>485 397 652</b>
<b>50. Grants and subsidies paid</b>		
<b>Grants paid to ME's</b>		
National electrification programme grant	50 325 123	26 000 000
<b>Other subsidies</b>		
Miscellaneous grants	1 989	2 000
	<b>50 327 112</b>	<b>26 002 000</b>

### *National Electrification Programme Grant:*

The grant is used to implement the programme by providing capital subsidies to licensed distributors to address the programme in order to mitigate the risk of load shedding and supply interruptions. The grant was transferred to Centlec (SOC) Limited.

### *Miscellaneous grants:*

These grants are allocated mainly for ad hoc grants and the free use of Council facilities, as approved during the year.

**Mangaung Metropolitan Municipality**  
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**Notes to the Annual Financial Statements**

Figures in Rand	2021	2020
<b>51. General expenses</b>		
Animal costs	105 717	1 398 025
Auditors remuneration	20 435 442	19 321 411
Bank charges and commissions	14 677 348	13 507 734
Bulk SMS	-	1 032 950
Bursaries to employees	1 766 420	1 428 352
Chemicals	8 419 135	6 152 461
Operating lease expenditure	19 547 172	34 712 170
Consumables	13 900 453	20 657 941
Electricity	118 148 044	137 599 535
Fuel and oil	16 047 560	18 629 231
Indigent relief - Free electricity	24 039 627	21 942 222
Insurance	21 733 256	19 420 201
Inventory losses	4 821 251	2 150 671
Learnerships and internships	2 196 814	2 975 709
Marketing and advertising	1 391 036	1 269 621
Motor vehicle expenses	6 947 703	6 303 801
Postage and courier	6 907 750	6 238 925
Printing and stationery	1 103 861	3 291 298
Remuneration of ward committees	5 219 827	5 134 551
Water research	3 796 903	4 323 624
Royalties and license fees	23 490 269	9 753 229
Skills development levy	12 676 636	13 251 068
Subscriptions and membership fees	16 311 801	14 957 547
Sundry expenses	2 211 987	263 826
Telephone and fax	9 490 963	10 066 945
Title deed search fees	2 062 882	345 785
Transport and freight	1 782 379	1 432 866
Travel - local	237 782	5 460 797
Uniforms	1 958 312	4 182 866
Workmen's compensation	256 082	475 919
	<b>361 684 412</b>	<b>387 681 281</b>
<b>52. Cash generated from operations</b>		
Surplus	29 163 610	260 657 686
<b>Adjustments for:</b>		
Depreciation and amortisation	717 968 499	800 070 300
Loss on disposal of assets and liabilities	24 188 328	10 037 500
Fair value adjustments	32 733 244	(26 871 377)
Impairment loss	2 731 628	10 473 242
Movements in retirement benefit assets and liabilities	80 470 371	(36 289 534)
Public contributions and donations	(334 600)	(223 400)
Unwinding of Freshco Liability	(14 127 896)	(14 127 896)
Unwinding of Land availability liability	(15 837 467)	(11 984 122)
Finance charges	101 374 905	107 986 379
Interest received	(139 304 199)	(179 710 406)
<b>Changes in working capital:</b>		
Inventories	(27 644 748)	(23 518 767)
Other receivables from exchange transactions	(4 249 870)	(3 864 653)
Consumer debtors from exchange transactions	(168 930 218)	(136 837 367)
Consumer receivables from non-exchange transactions	106 588 948	(187 796 110)
Other receivables from non-exchange transactions	(549 997)	206 144
Payables from exchange transactions	118 670 243	79 930 920
VAT	42 941 448	(6 407 841)
Payables from non-exchange transactions	72 818 924	(22 486 066)
Unspent conditional grants and receipts	(400 566 353)	(22 849 427)
Consumer deposits	(248 237)	250 129
Centlec intercompany loan	122 354 900	185 064 033
	<b>680 211 463</b>	<b>781 709 367</b>

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>53. Commitments</b>		
<b>Commitments in respect of capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Other assets	1 264 208	37 093 847
• Infrastructure assets	196 261 583	112 771 072
	<b>197 525 791</b>	<b>149 864 919</b>
<b>The capital expenditure will be financed from</b>		
• Unspent conditional grants	36 829 318	149 864 919
• Own funding	160 696 473	-
	<b>197 525 791</b>	<b>149 864 919</b>

In the prior year, there were Commitments amounting to R878 603,80 which were erroneously excluded in the balance disclosed. The comparative amount has been restated accordingly

### Operating leases - as lessor (income)

<b>Minimum lease payments due</b>		
- within one year	5 796 133	6 551 155
- in second to fifth year inclusive	16 530 796	24 851 432
- later than five years	31 028 880	28 786 575
	<b>53 355 809</b>	<b>60 189 162</b>

The entity leases various fixed properties under non-cancellable operating leases to various institutions. The lease agreements have escalations between 8 and 12% per year with the agreements varying between 2 to 50 years. Rental income, for these agreements, to the value of R47,634,302 (2020: R 46,767,319) has been recognised in the Statement of Financial Performance during the year. Renewal options have been taken into account during the calculation of the deferred lease. There are no purchase options. There was no contingent rent during the year.

The prior year disclosed amount has been adjusted by a total of R12,714,496.59 due to errors in the straight-lining calculations that has been corrected in the current year.

### 54. Contingencies

#### Contingent liabilities

##### Housing guarantees

The entity has provided housing guarantees for bonds of municipal officials. The certainty and the timing of the outflow of these guarantees are uncertain. The amounts disclosed below are the possible outflow amounts.

Housing guarantees	775 372	3 628 223
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##### Other 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	-	263 242
Labour cases and employee related matters	-	5 000 000
Claims by individuals due to property damages in various incidents	446 083	1 316 184
Claims by individuals due to various incidents	127 534 786	146 254 760
	<b>127 980 869</b>	<b>152 834 186</b>

\* Legal firms to assist the municipality for the 2020-21 Financial year are rates bases and therefore the legal cost the Municipality will incur in such matter cannot be determined.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>55. Related parties</b>		
Relationships		
Accounting Officer	Adv TB Mea - until 21 May 2021 T. Maine - Acting from 21 May 2021 until 30 July 2021 S. More - Acting from 30 July 2021	
Controlled entities	Centlec (SOC)Limited 16	
Members of the Mayoral committee	Refer to note 43	
Members of key management	Refer to note 42	
Controlled entity	Centlec (SOC) Limited	
<p>The entity was placed under administration under Section 139(5)(a) and 139(5)(c) of the Constitution of the Republic of South Africa effective from 1 January 2020, and as per the terms of reference, the administrators have significant influence over the metro. Thus, during this period of temporary control, the Metro (and any entities it controls) is required to include as per the GRAP 20 all related party disclosures in its financial statements from the date that it was placed under administration.</p> <p>The administrative team is comprised of the following members effective from 1 January 2020</p> <ol style="list-style-type: none"> <li>1) Adv. Mzwakhe Mofokeng – Office of the Premier.</li> <li>2) Masechaba Sesing – Provincial Accountant General &amp; CA.</li> <li>3) Dineo Mokheseng – Provincial COGTA.</li> <li>4) Ernest Mohlahlo – Acting Head Public Works &amp; Infrastructure.</li> <li>5) Thomas Lindelo Mkaza – Vast experience in local government.</li> <li>6)Thembinkosi Mawonga - Vast experience in local government. (from 3 May 2021)</li> <li>7)Luvuyo Ntoyi - Vast experience in local government (from 3 May 2021)</li> </ol> <p>The team will later be reinforced by representatives from National COGTA and National Treasury.</p> <p>There were no related party transactions with any of the administrators listed above during the current year.</p>		
<b>Related party balances</b>		
<b>Investment in controlled entities</b>		
Centlec (SOC) Limited	100	100
<b>Loan accounts-Owing (to) by related parties</b>		
Centlec (SOC) Limited - Shareholders loan	803 609 368	803 609 368
Centlec (SOC) Limited - Capital advances	61 003 647	67 700 656
Centlec (SOC) Limited - Intercompany loan	799 240 928	776 203 042
Refer to notes 9 and 10 for further details on these loans.		
During the 2020/21 financial year it was resolved that consumer debtor balances will be offset against the intercompany accounts		
<b>Related party transactions</b>		
<b>Interest paid to (received from) related parties</b>		
Centlec (SOC) Limited - Shareholders loan	(133 787 468)	(171 577 388)
Centlec (SOC) Limited - Capital advances	(4 908 298)	(7 625 761)
Centlec (SOC) Limited - Intercompany loan	(55 112 213)	(62 582 404)
<b>Expenses paid to/(income received from) related parties</b>		
Centlec (SOC) Limited - Grants paid - National electrification grant	43 760 976	26 000 000
Centlec (SOC) Limited - Grants paid - Free basic electricity	19 615 510	17 762 839
Centlec (SOC) Limited - Streetlight electricity consumption	78 338 714	72 070 304
Centlec (SOC) Limited - Municipal building electricity consumption	38 541 673	64 641 356
Centlec (SOC) Limited - Capital advance redemption	(6 697 009)	(6 697 009)
Centlec (SOC) Limited - Shareholder loan redemption	-	(267 869 789)
<b>(Receipts)/Payments on behalf of related parties</b>		
Centlec (SOC) Limited - Bank receipts	(2 843)	764
<b>Transfers made to/(Received from) related parties</b>		
Centlec (SOC) Limited - Cash transfers	(6 200 000)	(70 000 000)

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### 55. Related parties (continued)

#### Remuneration of management

##### Councillors/Mayoral committee members

Refer to note 43 for details relating to remuneration of councillors.

Councillors also have accounts with the entity for the provision of normal municipal services. These are not disclosed as it is done on terms and conditions which is no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and those terms and conditions are within the normal operating parameters established by the reporting entity's legal mandate.

##### Executive management

Refer to note 42 for details relating to the remuneration of executive management.

Executive management also have accounts with the entity for the provision of normal municipal services. These are not disclosed as it is done on terms and conditions which is no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and those terms and conditions are within the normal operating parameters established by the reporting entity's legal mandate.

No further transactions took place between the entity and key management personnel or their close family members during the reporting period.

### 56. Change in estimate

#### Property, plant and equipment

For the following classes of PPE, the remaining useful lives were adjusted to a minimum remaining useful life of **3 years**.

The effect of the change has resulted in a decrease in depreciation of R82,058,046

It is impracticable to estimate the effect on future periods as the remaining useful lives is reviewed at each reporting date.

##### Asset Class

	Depreciation (Before change in estimate)	Depreciation (After change in estimate)	Increase/ (Decrease) in Depreciation
	2020/21	2020/21	
Buildings	7 037 296	4 687 250	(2 350 046)
Community - Landfill sites & quarries	49 678 456	38 570 329	(11 108 126)
Community - Other	13 468 116	9 052 912	(4 415 205)
Infrastructure - Roads and roads related	164 533 135	114 530 002	(50 003 133)
Infrastructure - Sanitation	11 926 650	8 362 483	(3 564 168)
Infrastructure - Water	14 439 836	9 668 957	(4 770 879)
Fleet	7 762 205	5 170 802	(2 592 123)
Other property plant and equipment	9 925 899	6 748 415	(3 177 484)
Intangible assets	230 225	153 343	(76 882)
	<b>279 001 818</b>	<b>196 944 493</b>	<b>(82 058 046)</b>

#### Consumer debtors

During the financial year the Valuation Appeal Board concluded on property rates value change for the University of the Free state. "The property value decreased from R 2.99 Billion to R 1.09 Billion as per the decision of the Appeal Board." This change is considered as change in estimate as per GRAP 3. The Effect of the change is as per Bellow:

Decrease: Revenue non-exchange transactions (Property Rates)	170 849 266
Decrease in Service charges - Sewerage and sanitation charges	29 631 368
Decrease in VAT Output	4 384 545
Decrease in Interest received from exchange transactions	23 539 914
Decrease in Consumer receivables from non-exchange transactions	(170 849 266)
Decrease in Consumer receivables from exchange transactions	(57 555 827)
	<b>-</b>

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**57. Prior period errors**

Prior period errors were identified during the current year and corrected in line with GRAP 3 - Accounting Policies, Changes in Accounting Policies and Errors.

The correction of the error(s) relating to line items disclosed in the statements of financial position, performance and cash flow statement results in adjustments as follows:

<b>Statement of Financial position</b>	<b>As previously reported</b>	<b>Correction of errors</b>	<b>Restated balance</b>
Inventory	512 812 364	3 041 625	515 853 989
Consumer receivables from non-exchange transactions	848 662 954	24 399 514	873 062 468
Consumer receivables from exchange transactions	931 791 101	10 938 990	942 730 091
Other receivables from exchange transactions	63 275 792	(3 318 267)	59 957 525
VAT Receivables	94 237 340	13 516 014	107 753 354
Property Plant and Equipment	12 095 983 845	(48 776 160)	12 047 207 685
Payables from exchange transactions	(1 295 418 561)	(232 994 543)	(1 528 413 104)
Payables from Non-exchange transactions	(266 325 253)	2 520 046	(263 805 207)
Provisions	(651 842 697)	76 719 522	(575 123 175)
Accumulated surplus	(12 571 179 172)	176 544 790	(12 394 634 382)
	<b>(238 002 287)</b>	<b>22 591 531</b>	<b>(215 410 756)</b>

<b>Statement of Financial performance</b>	<b>As previously reported</b>	<b>Correction of errors</b>	<b>Restated balance</b>
Rental of facilities and equipment	(46 910 289)	142 970	(46 767 319)
Fair value adjustments	(1 124 715)	(25 746 662)	(26 871 377)
Other income from exchange transactions	(60 700 018)	(451 418 007)	(512 118 025)
Depreciation and amortisation	783 479 414	16 590 884	800 070 298
Impairment loss or reversal of impairments	11 234 773	(761 530)	10 473 243
Finance costs	162 496 347	569	162 496 916
Debt impairment and bad debt written off	735 087 878	(33 628 632)	701 459 246
Bulk Purchases	311 146 661	451 418 007	762 564 668
Contracted services	465 845 971	19 551 684	485 397 655
Loss on derecognition of assets and liabilities	9 868 484	169 016	10 037 500
General expenses	386 591 113	1 090 170	387 681 283
	<b>2 757 015 619</b>	<b>(22 591 531)</b>	<b>2 734 424 088</b>

The details of the correction of errors above and their effect on the Statement of Financial Position and Statement of Financial Performance is explained below;



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**57. Prior period errors (continued)**

**1. Prior period error - VAT not previously claimed**

During the current year it was noted that there were transactions in the previous years where VAT had not been claimed. The effect of the restatement is as follows:

<b>Statement of financial position</b>	
Increase in VAT Receivable	- 12 876 819
Increase in Accumulated surplus	- (12 575 375)
Decrease in Property plant and equipment - Buildings - WIP	- (1 504)
<b>Statement of financial performance</b>	
Decrease in Contracted services - Burial services	- (9 315)
Decrease in Contracted services - Refuse removal services	- (1 437)
Decrease in Contracted services - Business and advisory services	- (6 846)
Decrease in Contracted services - Infrastructure and planning services	- (1 071)
Decrease in Contracted services - Safeguard and security services	- (26 589)
Decrease in Contracted services - Legal costs	- (72 964)
Decrease in Contracted services - Catering services	- (2 303)
Decrease in Contracted services - Repairs and Maintenance	- (123 112)
Decrease in Contracted services - Other contracted services	- (4 035)
Decrease in General expenses - Animal Cost	- (2 608)
Decrease in General expenses - Auditors remuneration	- (4 849)
Decrease in General expenses - Bank charges	- (3 798)
Decrease in General expenses - Consumables	- (6 566)
Decrease in General expenses - Electricity	- (30)
Decrease in General expenses - Fuel and Oil	- (19)
Decrease in General expenses - Insurance	- (3 279)
Decrease in General expenses - Operating Lease Expense	- (197)
Decrease in General expenses - Postage and Courier	- (1 223)
Decrease in General expenses - Printing and Stationary / Consumables	- (6 253)
Decrease in General expenses - Uniforms and Protective Clothing	- (15)
Decrease in General expenses - Royalties and License fees	- (219)
Decrease in General expenses - Subscriptions and membership fees	- (4)
Decrease in General expenses - Sundry Expenses	- (6 502)
Decrease in General expenses - Telephone, fax and network charges	- (15 858)
Decrease in General expenses - Travel and Subsistence	- (848)
	- -

**2. Prior period error - Trade payables incorrectly accrued**

During the current year, credit notes were issued on trade payables relating to the prior year(s) which had been erroneously captured. The effect of the restatement is as follows:

<b>Statement of financial position</b>	
Decrease in VAT Receivables	- (11 677)
Decrease in Payables from exchange transactions - Trade payables	- 7 330 038
<b>Statement of financial performance</b>	
Decrease in Contracted services - Business and advisory services	- (45 900)
Decrease in General expenses - Consumables	- (31 943)
Increase in accumulated surplus	- (7 240 518)
	- -

**3. Prior period error - Repairs and Maintenance expenditure incorrectly capitalised**

During the current year expenditure relating to prior years for repairs and maintenance to property plant and equipment was identified which had been erroneously recognised as Work in progress (WIP). The effect of the adjustment is as follows:

<b>Statement of financial position</b>	
Decrease in property, plant and equipment - Community WIP	- (237 786)
Decrease in property, plant and equipment - Infrastructure - WIP	- (4 806 035)
<b>Statement of financial performance</b>	
Decrease in accumulated surplus	- 5 043 821
	- -

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### 57. Prior period errors (continued)

#### 4. Prior period error - Asset Accruals

During the current year it was noted that accruals created previously were not reversed when it was paid. The effect of the adjustment is as follows:

##### Statement of financial position

Increase in payables from exchange transactions - Retentions	-	23 653
Decrease in property, plant and equipment - Community WIP	-	(23 653)
	-	-

#### 5. Prior period error - Correction of project T1531

Project T1531 was incorrectly capitalised from work in progress before completion date. The effect of the restatement is as follows:

##### Statement of financial position

Decrease in Property plant and equipment - Infrastructure - Roads and roads related - Cost	-	(26 848 318)
Increase in Property plant and equipment - Infrastructure - WIP	-	26 848 318
Decrease in Property plant and equipment - Infrastructure - Roads and roads related - Accumulated depreciation	-	137 219

##### Statement of financial performance

Decrease in Depreciation and amortisation - Property plant and equipment	-	(137 219)
	-	-

#### 6. Prior period error - Correction of project W1119 & W1510E

The costs to these projects were incorrectly capitalised from work in progress before completion date. For W1119 one-liner of 2019/2020 information was received and unbundled. The effect of the restatement is as follows:":

##### Statement of financial position

Increase in Property plant and equipment - Infrastructure - WIP	-	226 955
Decrease in Property plant and equipment - Infrastructure - Sanitation network - Cost	-	(225 955)
Increase in Property plant and equipment - Infrastructure - Sanitation network - Accumulated depreciation	-	(368 536)

##### Statement of financial performance

Decrease in Contracted Services - Repairs and maintenance	-	(1 000)
Increase in Depreciation and amortisation - Property plant and equipment	-	368 536
	-	-

#### 7. Prior period error - Correction of Naval hill costs

During the current year it was noted that maintenance related costs for the Naval hill had been incorrectly capitalised. Further, expenditure for the fencing of Naval Hill had not been capitalised. The effect of the adjustment is as follows:

##### Statement of financial position

Decrease in Property plant and equipment - Community - WIP	-	(1 033 001)
Decrease in accumulated surplus	-	1 033 001
Increase in Property plant and equipment - Community - Other - Cost	-	5 673 936
Increase in Property plant and equipment - Community - Other - Accumulated depreciation	-	(169 325)
Decrease in Property plant and equipment - Community - WIP	-	(5 673 936)

##### Statement of financial performance

Increase in depreciation and amorisation - property plant and equipment	-	169 325
	-	-

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### 57. Prior period errors (continued)

#### 8. Prior period error - Capitalisation of W1803-1 & W103-2

During the prior year sufficient information was not provided to appropriately capitalise, calculate depreciation and derecognition on capital expenditure. Information was subsequently received the effect of the restatement is as follows:

##### Statement of financial position

Increase in Property plant and equipment - Infrastructure - Sanitation network - Cost	-	1 725 658
Decrease in Property plant and equipment - Infrastructure - Sanitation network - Accumulated depreciation	-	219
Increase in Payables from exchange transactions - Trade payables	-	(1 898 121)
Increase in VAT Receivables	-	247 581
Increase in Payables from exchange transactions - Retentions	-	(75 803)

##### Statement of financial performance

Increase in Loss on derecognition of assets and liabilities	-	279
Increase in depreciation and amortisation - property plant and equipment	-	187
	-	-

#### 9. Prior period error - payments received in advance

During the current year payments received in advance relating to water consumer receivables were identified which were incorrectly classified in the prior year. The effect of the restatement is as follows:

##### Statement of financial position

Decrease in Payables from Non-exchange transactions - Payments received in advance	-	2 520 046
Decrease in Consumer receivables from exchange transactions - Water	-	(2 520 046)
	-	-

#### 10. Prior period error - Land not previously capitalised

During the current year, information was received from the Title Deeds office to confirm ownership of properties which belongs to the Municipality but had not been capitalised in the previous financial years. The effect of the restatement is as follows

##### Statement of financial position

Decrease in Inventory - unsold properties held for sale	-	(1 707)
Increase in Property plant and equipment - Land	-	2 400 000
Increase in Accumulated surplus	-	(2 398 293)
	-	-

#### 11. Prior period error - Buildings misclassified as Work in progress

Civil structure of Naval hill cloakrooms completed in previous financial year which had been misclassified in the prior financial periods as work in progress. The effect of the restatement is as follows:

##### Statement of financial position

Increase in Property plant and equipment - Buildings - Cost	-	431 632
Increase in Property plant and equipment - Buildings - Accumulated depreciation	-	(26 187)
Decrease in Property plant and equipment - Buildings WIP	-	(431 631)
Decrease in Accumulated surplus	-	17 560

##### Statement of financial performance

Increase in Depreciation and amortisation - Property plant and equipment	-	8 626
	-	-

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### 57. Prior period errors (continued)

#### 12. Prior period error - Fleet stolen or taken by the Sheriff

During the current year it was noted that property plant and equipment (Fleet) for the prior financial periods did not account for the fleet stolen and or taken by the sheriff. The effect of the restatement is as follows:

##### Statement of financial position

Decrease in Property plant and equipment - Fleet - Cost	-	(2 540 268)
Decrease in Property plant and equipment - Fleet - Accumulated depreciation	-	514 350
Decrease in Accumulated surplus	-	1 925 163

##### Statement of financial performance

Decrease in Depreciation and amortisation - Property plant and equipment	-	(67 981)
Increase in loss on derecognition of assets and liabilities	-	168 736
	-	-

#### 13. Prior period error - Correction of BID 453: Media Costs

BID 453: Media cost was halted and discontinued in the prior year. The expenditure thereof was incorrectly classified as property plant and equipment - Community WIP. The effect of the restatement is as follows:

##### Statement of financial position

Decrease in Property plant and equipment - Community WIP	-	(30 989)
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##### Statement of financial performance

Increase in General expenses - Printing and stationery	-	30 989
	-	-

#### 14. Prior period error - Correction of project expenditures misclassified as Opex or Capex

During the current year it was noted expenditure for the following projects in the prior financial periods was either erroneously not capitalised or expensed: Project T1326D, Project T1305, C273/R1, Project W1502D and W1502E. The effect of the restatement is as follows:

##### Statement of financial position

Increase in Property plant and equipment - Infrastructure Road & roads related - Cost	-	1 178 101
Increase in Property plant and equipment - Infrastructure Road & roads related - Accumulated depreciation	-	(84 258)
Increase in payables from exchange transactions - Trade payables	-	(1 178 101)
Decrease in Accumulated surplus	-	7 333 234
Decrease in Property plant and equipment - Infrastructure WIP	-	(3 639 308)
Decrease in Property plant and equipment - Infrastructure WIP	-	(11 833 427)
Decrease in Property plant and equipment - Infrastructure WIP	-	(1 673 436)

##### Statement of financial performance

Increase in Depreciation and amortisation - Property plant and equipment	-	54 529
Increase in Contracted services - Repairs and Maintenance	-	9 842 666
	-	-

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**57. Prior period errors (continued)**

**15. Prior period error - Prior year expenditure not accrued for**

During the current year, payments were made for invoices relating to prior financial periods. These invoices had not been accrued for in the prior periods to which they relate to. The effect of the restatement is as follows:

<b>Statement of financial position</b>	-	
Increase in VAT Receivables	-	1 457 910
Increase in payables from exchange transactions - Trade payables	-	(12 268 359)
Decrease in Accumulated surplus	-	99 456
<b>Statement of financial performance</b>	-	
Increase in Finance costs - Trade and other payables	-	569
Increase in General expenses - Postage and courier	-	845 665
Increase in General expenses - Travel and Subsistence	-	24 375
Increase in General expenses - Workmen's compensation	-	238 212
Increase in General expenses - Printing and stationery	-	7 364
Increase in General expenses - Consumables	-	3 151
Increase in General expenses - Bursary to employees	-	24 030
Increase in General expenses - Sundry expenses	-	11 454
Increase in General expenses - Marketing & advertising	-	16 717
Increase in General expenses - Motor vehicle expenses	-	116 733
Increase in General expenses - Uniforms and protective clothing	-	90
Increase in General expenses - Telephone, fax and network charges	-	20 844
Increase in Contracted services - Repairs and maintenance	-	5 263 859
Increase in Contracted services - Legal costs	-	3 163 777
Increase in Contracted services - Burial services	-	11 240
Increase in Contracted services - Business and advisory services	-	959 903
Increase in Contracted services - electrical	-	3 010
	-	-

**16. Prior period error - Capitalisation of Fence at Klein Magasa Community hall**

During the current year it was noted that fencing costs incurred in the prior financial years at Klein Magasa Community hall had not been capitalised when incurred. The effect of the restatement is as follows:

<b>Statement of financial position</b>	-	
Increase in Property plant and equipment - Community - Other - Cost	-	116 989
Increase in Property plant and equipment - Community - Other - Accumulated depreciation	-	(6 326)
Decrease in Property plant and equipment - Infrastructure - WIP	-	(116 989)
Decrease in Accumulated surplus	-	464
<b>Statement of financial performance</b>	-	
Increase in Depreciation and amortisation - Property plant and equipment	-	5 862
	-	-

**17. Prior period error - Other property plant and equipment derecognition**

During the current year it was noted that there were items of property plant and equipment recognised in the prior year which could not be accounted for due to theft. The effect of the restatement is as follows:

<b>Statement of financial position</b>	-	
Decrease in Property plant and equipment -Other Property plant and equipment - Cost	-	(1 283)
Decrease in Property plant and equipment -Other Property plant and equipment - Accumulated depreciation	-	1 283
	-	-

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<b>57. Prior period errors (continued)</b>		
<b>18. Prior period error - Landfill Sites adjustment</b>		
During the current year it was noted Landfill site fair value adjustment in the prior year was incorrectly calculated. The effect of the restatement is as follows:		
<b>Statement of financial position</b>		
Increase in Property plant and equipment -Community - Landfill sites and quarries - Cost	-	212 736
<b>Statement of financial performance</b>		
Increase in Fair value adjustments - Community - Landfill sites and quarries	-	(212 736)
	-	-
<b>19. Prior period error - Inventory correction</b>		
During the current year, information was received from the Title Deeds office to confirm ownership of properties which belongs to the Municipality but had not been capitalised in the previous financial years. Hillside view adjustment as per report received from the developer. The effect of the restatement is as follows:		
<b>Statement of financial position</b>		
Decrease in Inventory - Unsold properties held for resale	-	(3 648 476)
Decrease in Accumulated surplus	-	3 648 476
Increase in Inventory - Unsold properties held for resale	-	6 610 000
Increase in Accumulated surplus	-	(6 610 000)
Increase in Inventory - Unsold properties held for resale	-	165 242
<b>Statement of financial performance</b>		
Decrease in General expenses - inventory losses	-	(165 242)
	-	-
<b>20. Prior period error - Capitalisation of Infrastructure - Water meters</b>		
Adjustment to unit cost of Water meters procured during the 2019/2020 financial year as per the 2019/20 AGSA Communication of audit findings. The effect of the restatement is as follows:		
<b>Statement of financial position</b>		
Decrease in Property plant and equipment - Infrastructure Water meters - Cost	-	(607 208)
Decrease in Property plant and equipment - Infrastructure Water meters - Accumulated depreciation	-	5 408
<b>Statement of Financial performance</b>		
Increase in Contracted services - Repairs and Maintenance	-	601 800
	-	-
<b>21. Prior period error - Deferred lease</b>		
During the current year, it was noted that contract periods were incorrectly accounted for while performing the deferred lease calculation. The effect of the restatement is as follows:		
<b>Statement of financial position</b>		
Decrease in Other receivables from exchange transactions - Deferred lease expenditure	-	(142 970)
<b>Statement of financial performance</b>		
Decrease in Rental of facilities and equipment - Rental of facilities	-	142 970
	-	-
<b>22. Prior period error - Correction of accruals for project W1412G</b>		
During the current year, it was identified that there were costs relating to project W1412G PC6 which were incorrectly accrued for during the 2018/2019 financial year and the effect of the restatement is as follows:		
<b>Statement of financial position</b>		
Decrease in Payables from exchange transactions - Trade payables	-	1 292 374
Increase in accumulated surplus	-	(1 292 374)
	-	-

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### 57. Prior period errors (continued)

#### 23. Prior period error - Correction of Inventory - Water for distribution (in pipes and reservoirs)

During the current year, it was identified that there were inventory adjustments which were erroneously excluded during the incorporation of Naledi Local Municipality and the effect of the restatement is as follows:

##### Statement of financial position

Decrease in Inventory - Water for distribution (in pipes and reservoirs)	-	(83 434)
Decrease in accumulated surplus	-	83 434
	-	-

#### 24. Prior period error - Correction of Bloemwater payable

A settlement agreement was reached in the current year with regards to the Bloemwater amount outstanding amount. Consequently, the liability had been incorrectly recognised in the prior years. The effect of the restatement is as follows:

##### Statement of financial position

Increase in payables from exchange transactions - Trade payables	-	(226 220 219)
Decrease in Accumulated surplus	-	226 220 219
	-	-

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### 57. Prior period errors (continued)

#### 25. Prior period error - Correction of Residual value calculations on Property plant and equipment - Fleet

During the current year, it was noted that there were residual values for Property plant and equipment - Fleet incorrectly calculated for the prior years. The effect of the restatement is as follows:

##### Statement of Financial Position

Decrease in Property Plant and Equipment - Fleet - Accumulated depreciation	-	2 652 913
Increase in Accumulated surplus	-	(723 828)

##### Statement of Financial Performance

Decrease in Depreciation and amortisation - Property plant and equipment	-	(1 167 555)
Decrease in Impairment loss or reversal of impairments	-	(761 530)
	-	-

#### 26. Correction of Bulk Water purchases

During the current year, it was noted that there were errors in the calculation on the Bloemwater settlement amount in the prior year. The effect of the restatement is as follows:

##### Statement of Financial performance

Increase of Bulk purchases - Water	-	451 418 007
Increase in Other income from exchange transactions - Settlement on supplier dispute	-	(451 418 007)
	-	-

#### 27. Correction of Prior year Impairment on Consumer receivables

During the current year, it was noted that there calculation for the impairment of consumer receivables was incorrectly calculated in the prior year. The effect of the restatement is as follows:

##### Statement of Financial position

Decrease in Consumer receivables from non-exchange transactions- Rates Impairment	-	24 399 514
Decrease in Consumer receivables from exchange transactions - Water impairment	-	9 324 043
Decrease in Consumer receivables from exchange transactions - Sewerage impairment	-	2 385 863
Decrease in Consumer receivables from exchange transactions - Refuse impairment	-	1 749 130
Increase in Other receivables from exchange transactions - Sundry Debtors impairment	-	(3 175 297)
Decrease in VAT Receivables	-	(1 054 621)

##### Statement of Financial performance

Decrease in Debt impairment and bad debt written-off	-	(33 628 632)
	-	-

#### 28. Correction of prior year provision for Landfill sites and Quarries

During the current year it was noted the unwinding of the Provision for Landfill sites and Quarries was incorrectly calculated.

##### Statement of Financial position

Increase in Provisions - Rehabilitation of quarry sites	-	(49 748 724)
Decrease in Provisions - Rehabilitation of landfill sites	-	126 468 246
Decrease in Property plant and equipment - Community - Landfill sites and quarries - Cost	-	(13 165 942)
Increase in Property plant and equipment - Community - Landfill sites and quarries - Accumulated depreciation	-	(17 356 575)
Increase in Accumulated surplus	-	(38 019 654)

##### Statement of Financial performance

Increase Fair value adjustments: Community - Landfill sites and quarries	-	(25 533 926)
Increase in Depreciation - Property plant and equipment	-	17 356 575
	-	-



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**58. Financial instruments disclosure**

**Categories of financial instruments**

**2021**

**Financial assets**

	At fair value	At amortised cost	At cost	Total
Centlec receivables	-	864 613 016	-	864 613 016
Centlec intercompany loan	-	799 240 928	-	799 240 928
Non-current receivables	112 049	59 604	-	171 653
Other receivables from exchange transactions	-	64 207 395	-	64 207 395
Consumer receivables from non-exchange transactions	-	766 473 521	-	766 473 521
Consumer receivables from exchange transaction	-	1 111 660 309	-	1 111 660 309
Cash and cash equivalents	-	195 536 846	-	195 536 846
Investment in controlled entity	-	-	100	100
	<b>112 049</b>	<b>3 801 791 619</b>	<b>100</b>	<b>3 801 903 768</b>

**Financial liabilities**

	At fair value	At amortised cost	At cost	Total
Borrowings	-	776 685 295	-	776 685 295
Consumer deposits	33 351 036	-	-	33 351 036
Finance lease obligation	-	47 769 355	-	47 769 355
Payables from exchange transactions	-	1 345 915 273	-	1 345 915 273
Payables from non-exchange transactions	-	336 624 131	-	336 624 131
	<b>33 351 036</b>	<b>2 506 994 054</b>	<b>-</b>	<b>2 540 345 090</b>

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**Financial assets**

	At fair value	At amortised cost	At cost	Total
Centlec receivables	-	871 310 024	-	871 310 024
Centlec intercompany loan	-	776 203 042	-	776 203 042
Non-current receivables	104 076	52 816	-	156 892
Other receivables from exchange transactions	-	59 957 525	-	59 957 525
Consumer receivables from non-exchange transactions	-	873 062 469	-	873 062 469
Consumer receivables from exchange transactions	-	942 730 091	-	942 730 091
Cash and cash equivalents	-	395 094 110	-	395 094 110
Investment in controlled entity	-	-	100	100
	<b>104 076</b>	<b>3 918 410 077</b>	<b>100</b>	<b>3 918 514 253</b>

**Financial liabilities**

	At fair value	At amortised cost	At cost	Total
Borrowings	-	896 845 119	-	896 845 119
Consumer deposits	33 599 273	-	-	33 599 273
Finance lease obligation	-	148 755 920	-	148 755 920
Payables from exchange transactions	-	1 266 523 534	-	1 266 523 534
Payable from non-exchange transactions	-	263 805 208	-	263 805 208
	<b>33 599 273</b>	<b>2 575 929 781</b>	<b>-</b>	<b>2 609 529 054</b>

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### 59. Risk management

#### Financial risk management

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

This note presents information about the entity's exposure to each of the financial risks below and the entity's objectives, policies and processes for measuring and managing the financial risks. Further quantitative disclosures are included throughout the annual financial statements.

The Council has overall responsibility for the establishment and oversight of the entity's risk management framework.

The entity's audit committee oversees the monitoring of compliance with the entity's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the entity. The audit committee is assisted in its oversight role by the entity's internal audit function.

The entity monitors and manages the financial risks relating to the operations of the entity through internal risk reports which analyse exposures by degree and magnitude of risks.

The entity seeks to minimise the effects of these risks in accordance with the entity's policies approved by the Council. The policies provide written principals on interest rate risk, credit risk and the investment of excess liquidity.

Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The entity does not enter into or trade in financial instruments for speculative purposes.

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

The entity is exposed to a number of guarantees for housing loans to employees. Refer to note 52 for additional details.

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Over 5 years
Borrowings	160 165 318	553 348 631	108 171 345
Finance lease obligations	38 059 718	9 709 637	-
Payables from exchange transactions	1 647 083 346	-	-
Payables from non-exchange transactions	336 624 132	-	-
At 30 June 2020	Less than 1 year	Between 1 and 2 years	Over 5 years
Borrowings	190 591 008	654 651 810	51 602 301
Finance lease obligations	74 194 252	74 561 668	-
Payables from exchange transactions	1 528 413 104	-	-
Payables from non-exchange transactions	263 805 208	-	-

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### 59. Risk management (continued)

#### 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.

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

Financial instrument	2021	2020
Cash and cash equivalents	195 536 846	395 094 110
Centlec receivables	864 613 015	871 310 024
Centlec intercompany loan	799 240 928	776 203 042
Consumer receivables from exchange transactions	1 111 660 310	942 730 091
Consumer receivables from non-exchange transactions	766 473 521	873 062 469
Other receivables from exchange transactions	64 207 395	59 957 525
Non-current receivables - at fair value	112 050	104 076
Non-current receivables - at amortised cost	59 604	52 815

These balances represent the maximum exposure to credit risk.

There has been no change, since the previous financial year, to the entity's exposure to credit risks or the manner in which it manages and measures the risks.

#### Market risk

##### Interest rate risk

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

The entity's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer term borrowings are therefore usually at fixed rates.

At year end, the financial instruments exposed to interest rate risk were as follows:

- Call, notice and fixed deposits
- Development Bank of South Africa, Standard Bank of South Africa Limited and ABSA loans
- Finance lease obligations

The entity's interest rate risk arises from long-term borrowings and finance leases. Borrowings and finance leases issued at variable rates expose the entity to cash flow interest rate risk.

Borrowings and finance leases issued at fixed rates expose the entity to fair value interest rate risk. Entity policy is to maintain the majority of its borrowings and finance leases in fixed rate instruments. During 2020 and 2019, the entity's borrowings and finance leases at variable rate were denominated in the Rand.

##### Foreign exchange risk

The entity does not enter into significant foreign currency transactions and has had very limited exposure to foreign currency risk. The entity does not hedge foreign exchange fluctuations.

##### Price risk

The entity is exposed to equity securities price risk because of investments held by the entity and classified on the statement of financial position either as available-for-sale or at fair value through surplus or deficit. The entity is not exposed to commodity price risk.

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### 60. Going concern

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

During the current year, the entity was placed under section 139(5)(a) & (c) of the Constitution due to financial constraints. A financial recovery plan has been put in place and is closely monitored by Provincial Government. Adjustments were made to the budget of the current and next three financial years to ensure that financial stability is reached and maintained.

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus of R 12 703 806 300 and that the municipality's total assets exceed its liabilities by R 13 622 198 633.

The entity had a surplus of R 29 163 610 (2020: surplus R 260 657 686) for the year. The current assets exceed the current liabilities by R 701 821 741 (2020: R 671 944 156).

As disclosed in Note 18, the average repayment term of suppliers were 280 days and the Trade payables included an amount owed to the Bloemwater of R765 303 349 (2020: R 765 030 409) which was long overdue. These events or conditions, along with other matters as set forth in Note 60 indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern.

The entity incurred material water losses, refer to note 65 for further detail.

The entity provided for material impairments for receivables from exchange and non-exchange transactions, refer to notes 4, 5, 6 & 7 for further details.

The entity experienced a positive cash movement during the current year, refer to the Cash Flow Statement on page 9.

Management has assessed the impact of the COVID-19 pandemic through various means and the result of the assessment is that the entity continues as a going concern based on the income generation potential and also grant allocation from National Treasury.

### 61. Events after the reporting date

On the 4th of June 2021, there was a council resolution for the determination of a new sale of business agreement between the Centlec and Municipality. The agreement was to be implemented within 21 days however based on the legal and accounting implications, Council resolved to defer the implementation financial period of the resolution from 2020/21 to 2022/23 financial period.

### 62. Unauthorised expenditure

Opening balance as previously reported	3 433 872 479	2 268 781 595
<b>Opening balance as restated</b>	<b>3 433 872 479</b>	<b>2 268 781 595</b>
Add: Unauthorised expenditure	570 024 938	1 165 090 884
<b>Closing balance</b>	<b>4 003 897 417</b>	<b>3 433 872 479</b>

### Incidents identified 2020/21

	<b>Disciplinary steps taken / criminal proceedings</b>	<b>Balance reported</b>	<b>Written off / Recovered</b>	<b>Balance remaining</b>
Overspending by Corporate services	-	212 774 925	-	212 774 925
Overspending by Economic and rural development	-	534 378	-	534 378
Overspending by Engineering services	-	281 981 553	-	281 981 553
Overspending by Planning	-	6 043 679	-	6 043 679
Overspending by Social Services	-	21 315 547	-	21 315 547
Overspending by Strategic services & service delivery	-	256 476	-	256 476
Overspending by Waste & fleet management	-	47 118 380	-	47 118 380
	-	<b>570 024 938</b>	-	<b>570 024 938</b>

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### 62. Unauthorised expenditure (continued)

Incidents identified 2019/20	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Overspending by Executive Mayor	None	1 889 702	-	1 889 702
Overspending by Corporate services	None	235 758 551	-	235 758 551
Overspending by Finance	None	24 893 732	-	24 893 732
Overspending by Social services	None	60 683 815	-	60 683 815
Overspending by Planning	None	983 070	-	983 070
Overspending by Human Settlement and Housing	None	68 484 577	-	68 484 577
Overspending by Engineering	None	282 420 008	-	282 420 008
Overspending by Waste and fleet Management	None	488 674 278	-	488 674 278
Overspending by Strategic Projects and Service Delivery Regulations	None	1 303 151	-	1 303 151
		<b>1 165 090 884</b>	<b>-</b>	<b>1 165 090 884</b>

### Incidents identified 2018/19

	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Overspending by Executive Mayor	None	2 007 003	-	2 007 003
Overspending by Corporate services	None	80 473 293	-	80 473 293
Overspending by Miscellaneous services	None	164 186 060	-	164 186 060
Overspending by Social services	None	38 821 773	-	38 821 773
Overspending by Engineering services	None	356 585 726	-	356 585 726
Overspending by water Services	None	663 908 445	-	663 908 445
Overspending by Waste and fleet management services	None	45 165 711	-	45 165 711
Overspending by Naledi Infrastructure	None	2 614 199	-	2 614 199
Overspending by Strategic Projects and Service Delivery Regulations	None	10 200 111	-	10 200 111
		<b>1 363 962 321</b>	<b>-</b>	<b>1 363 962 321</b>

### Incidents identified 2017/18

	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Overspending by Executive Mayor	*	7 893 535	-	7 893 535
Overspending by Corporate services	*	75 409 774	-	75 409 774
Overspending by Social services	*	35 105 144	-	35 105 144
Overspending by Engineering services	*	206 441 966	-	206 441 966
Overspending by Water Services	*	381 138 360	-	381 138 360
Overspending by Waste and fleet Management services	**	98 697 148	-	98 697 148
Overspending by human settlement and housing		43 855 269	-	43 855 269
Overspending by Economic and rural development		3 774 857	-	3 774 857
		<b>852 316 053</b>	<b>-</b>	<b>852 316 053</b>

\* Written off by Council on 4 December 2018.

\*\* The balance relates to the incorporation of the former Naledi Local Municipality. A portion of the balance was written off by Council on 31 August 2017. The remainder of the balance has been referred for further investigation. During the prior year the balance was not included in the disclosure for 2017, but was part of the balance reported as the total unauthorised expenditure.

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**62. Unauthorised expenditure (continued)**

**Incidents identified 2016/17**

	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Overspending by Engineering services	*	326 486 669	(326 486 669)	-
Overspending by Water services	*	171 274 442	(171 274 442)	-
Overspending by Miscellaneous services	*	231 892 412	(231 892 412)	-
Overspending by Corporate Services	*	3 543 745	(3 543 745)	-
Overspending by Fleet and waste Management Services	*	10 826 857	(10 826 857)	-
Incorporation of the Former Naledi Local Municipality	*	75 843 689	(62 815 000)	13 028 689
		<b>819 867 814</b>	<b>(806 839 125)</b>	<b>13 028 689</b>

\* Written off by Council on 4 December 2018.

\* The balance relates to the incorporation of the former Naledi Local Municipality. A portion of the balance was written off by Council on 31 August 2017. The remainder of the balance has been referred for further investigation. During the prior year the balance was not included in the disclosure for 2017, but was part of the balance reported as the total unauthorised expenditure.

**Incidents identified 2015/16**

	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Overspending by Infrastructure services	*	476 310 085	(476 310 085)	-
Overspending by Water services	*	16 073 144	(16 073 144)	-
Overspending by Miscellaneous services	*	494 749 304	(494 749 304)	-
		<b>987 132 533</b>	<b>(987 132 533)</b>	<b>-</b>

\* Written off by Council on 4 December 2018.

**Incidents identified 2013/14**

	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Overspending by Infrastructure services	*	335 548 820	(335 548 820)	-
Overspending by Water services	*	6 503 968	(6 503 968)	-
Overspending by Miscellaneous services	*	324 571 205	(324 571 205)	-
Overspending by Property rates	*	6 472 972	(6 472 972)	-
		<b>673 096 965</b>	<b>(673 096 965)</b>	<b>-</b>

\* Written off by Council on 4 December 2018.

**Incidents identified 2012/13**

	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Overspending by Infrastructure services	* None	19 535 661	-	19 535 661

\* These items relate to overtime which Council has referred for further investigation.

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**62. Unauthorised expenditure (continued)**

**Incidents identified 2011/12**

	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Overspending by Finance directorate	*	35 020 886	(35 020 886)	-
Overspending by Infrastructure services	*	29 551 033	(29 551 033)	-
Overspending by Regional operations	*	159 247 863	(159 247 863)	-
Overspending by Miscellaneous services	*	44 318 396	(44 318 396)	-
Overspending by Corporate services	*	37 317 682	(37 317 682)	-
Overspending by Fresh Produce Market	*	177 295	(177 295)	-
Overspending by Water services	*	1 623 331	(1 623 331)	-
		<b>307 256 486</b>	<b>(307 256 486)</b>	<b>-</b>

\* Written off by Council on 4 December 2018.

**Incidents identified 2010/11**

	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Overspending by Fresh Produce Market	*	417 912	(417 912)	-
Overspending by Miscellaneous services	*	29 774 764	(29 774 764)	-
Overspending by Water services - Operating	*	23 353 983	(23 353 983)	-
Overspending by Water services - Capital	*	14 165 233	(2 945 233)	11 220 000
		<b>67 711 892</b>	<b>(56 491 892)</b>	<b>11 220 000</b>

\* Written off by Council on 4 December 2018.

\*\*Partially written off by Council on 4 December 2018. The balance has been referred for further investigation.

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<b>63. Fruitless and wasteful expenditure</b>		
Opening balance as previously reported	81 672 403	78 653 617
<b>Opening balance as restated</b>	<b>81 672 403</b>	<b>78 653 617</b>
Add: Fruitless and Wasteful expenditure - prior period	19 694 896	5 329 365
Less: Amounts recoverable - current	-	(2 310 580)
<b>Closing balance</b>	<b>101 367 299</b>	<b>81 672 402</b>



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### 63. Fruitless and wasteful expenditure (continued)

Incidents identified - 2020/21	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Interest paid to Eskom due to late payment	None	431 956	-	431 956
Interest paid to Telkom SA Limited due to late payment	None	54 078	-	54 078
PAYE, UIF and SDL interest and penalties	None	5 365	-	5 365
Court order of service provider WTW Civil Pty Ltd	None	125 431	-	125 431
Court order of service provider BBT Electrical and Plumbing Construction Maintenance CC	None	10 373	-	10 373
Court order of service provider WK Construction (Pty) Ltd	None	189 961	-	189 961
Court order of service provider Bainsvlei Lodges (Pty) Ltd	None	47 954	-	47 954
Court order of service provider SAMWU(Naledi Municipality)	None	2 037	-	2 037
Court order of service provider WTW Civil Pty Ltd	None	14 489	-	14 489
Court order of service provider WTW Civil Pty Ltd	None	12 200	-	12 200
Court order of service provider WTW Civil Pty Ltd	None	12 021	-	12 021
Court order of service provider WTW Civil Pty Ltd	None	11 990	-	11 990
Court order of service provider FMP Constructors (Pty) Ltd	None	31 474	-	31 474
Court order of service provider SAMWU obo DW Mere and LSL Modise en ander	None	29 705	-	29 705
Court order of service provider JJ Van Heerden	None	18 980	-	18 980
Court order of service provider AJ Du Plessis	None	79 611	-	79 611
Court Order of service provider Steinmann ANO	None	23 393	-	23 393
Court order of service provider Imatu obo DJ Barnes and others	None	82 246	-	82 246
Overpayment of Councillors salaries	None	132 380	-	132 380
MODDER RIVIER KALKVELD WGV	None	10 170	-	10 170
AUDITOR-GENERAL	None	42 919	-	42 919
Interest paid to Modderrivier due to late payment	None	580 439	-	580 439
Interest paid to Auditor General due to late payment	None	140 560	-	140 560
Overpayment of service provider Manyoni	None	698 345	-	698 345
IPTN projects were service providers claimed extension of time (EOT)	None	16 906 819	-	16 906 819
		<b>19 694 896</b>	<b>-</b>	<b>19 694 896</b>

Incidents identified - 2019/20	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Penalties and interest paid to SARS relating to PAYE, UIF and SDL	None	2 082 100	-	2 082 100
Interest paid to Eskom SOC due to late payment		110 895	-	110 895
Interest paid to Telkom SA Limited due to late payment		97 167	-	97 167
Interest paid to Hendrikz & De Vletter due to late payment		100	-	100
Interest paid to Graham Attorneys due to late payment		867	-	867
Interest paid to AGSA due to late payment		301 320	-	301 320
Interest paid to Modderrivier due to overdue account		6 359	-	6 359
Councillors whose remuneration was overpaid contrary to the requirements of the Remuneration of Public Office Bearers Act 20 of 1998		288 910	-	288 910
Interest paid to WTW Civil due to late payment (Court Order)		1 452 014	-	1 452 014
Interest paid to MIIB business Technology due to Court order judgement		15 706	-	15 706
Sheriff costs paid to Balju Sheriff due to Court case judgement		4 764	-	4 764
Interest paid to due to Varymix due Court order judgement		75 737	-	75 737
Interest paid to FMP Contractor due to Court case judgement		183 433	-	183 433
Interest charged (IMATU) due to Court Judgement		143 817	-	143 817
Interest paid to BBT Electrical due to Court case judgement		156 247	-	156 247
Interest paid to Erasmus due to Court case judgement		160 839	-	160 839
Interest paid to Dibetsi Civil due to Court case judgement		42 716	-	42 716
Interest paid to JJ Heerden due to Court case judgement		565	-	565
Interest paid to WK Construction due to Court order judgement		205 809	-	205 809
		<b>5 329 365</b>	<b>-</b>	<b>5 329 365</b>

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<b>63. Fruitless and wasteful expenditure (continued)</b>				
<b>Incidents identified - 2018/19</b>				
	<b>Disciplinary steps taken / criminal proceedings</b>	<b>Balance reported</b>	<b>Written off / Recovered</b>	<b>Balance remaining</b>
Interest paid to Eskom SOC due to late payment	None	121 710	-	121 710
Interest paid to Telkom SA Limited due to late payment	None	86 336	-	86 336
Interest paid to Varymix Nineteen (Pty) Limited due to late payment	None	207 608	-	207 608
Interest paid to Blair Attorneys due to late payment	None	1 636	-	1 636
Interest paid to Peyper Attorneys due to late payment	None	571 086	-	571 086
Interest paid to NICS due to late payment	None	2 725 404	-	2 725 404
Interest paid to SAMWU due to late payment	None	250 268	-	250 268
Interest paid to Down Touch due to late payment	None	793 872	-	793 872
Interest paid to SARS due to late payment	None	7 771	-	7 771
Interest paid to Couzyn Hertz & Horak Attorneys due to late payment	None	195 194	-	195 194
Interest paid to Honey Attorneys due to court case no: 1064/2017	None	1 474	-	1 474
Overpayment of Councillors salaries	None	67 134	-	67 134
Interest paid to Modderrivier due to late payment	None	7 200	-	7 200
Interest paid to CMP BEE Engineering due to court case no: 5559/16	None	205 792	-	205 792
Interest paid to SABC TV Licenses	None	424	-	424
Interest paid to FSPG Police	None	125	-	125
Payments were made to Phumi Trading where goods and services were not as per required standards. This resulted in another supplier having to reperform the work	None	3 262 618	-	3 262 618
Payments made to Pennyville Zamimphilo Relocations (Pty) Ltd for remedial work and extension of time which could have been avoided	None	453 329	-	453 329
		<b>8 958 981</b>	<b>-</b>	<b>8 958 981</b>

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**63. Fruitless and wasteful expenditure (continued)**

**Incidents identified - 2017/18**

	<b>Disciplinary steps taken / criminal proceedings</b>	<b>Balance reported</b>	<b>Written off / Recovered</b>	<b>Balance remaining</b>
Interest paid to Telkom SA Limited due to late payment	None	180 854	-	180 854
Interest paid to Eskom due to late payment	None	35 104	-	35 104
Interest paid to FDC due to late payment	None	1 758	-	1 758
Interest paid to UMFA due to late payment	None	336	-	336
Interest paid to Hi-Tech Engineering due to late payment	None	37 869	-	37 869
Interest paid to the Auditor General of South Africa due to late payment	None	25 465	-	25 465
Interest paid to Road Mac Surfacing due to late payment	None	173 579	-	173 579
Interest paid to Tau Pele Construction due to late payment	None	797 779	-	797 779
Interest paid to Spangenberg Zietsman due to late payment	None	151 281	-	151 281
Interest paid to L & V Attorneys due to late payment	None	41 077	-	41 077
Interest paid to Fujitsu due to late payment	None	208 401	-	208 401
Interest paid to Symington & De Kok due to late payment	None	12 004	-	12 004
Interest paid to Reder Construction due to late payment	None	146 453	-	146 453
Interest paid to Friday Management Solutions	None	44 100	-	44 100
Overpayments made to Oramok (Pty) Ltd	None	304 800	-	304 800
Overpayments made to Ruwacou	Recovered	2 310 580	(2 310 580)	-
Overpayment of service provider Kgato Project	None	10 937 012	-	10 937 012
Overpayment of service provider Refilwe Civils	None	1 526 642	-	1 526 642
Overpayment of service provider Panzacode CC	None	2 153 048	-	2 153 048
Overpayments made to Q-Civils	None	5 754 920	-	5 754 920
Overpayment of service provider LTE Consulting	None	1 285 545	-	1 285 545
Overpayment of service provider Wasserman Teerwerke	None	201 300	-	201 300
Councillors whose remuneration was overpaid contrary to the requirements of the Remuneration of Public Office Bearers Act 20 of 1998	None	94 778	-	94 778
		<b>26 424 685</b>	<b>(2 310 580)</b>	<b>24 114 105</b>

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**63. Fruitless and wasteful expenditure (continued)**

**Incidents identified - 2016/17**

	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Interest paid to Telkom SA Limited due to late payment	None	90 757	-	90 757
Interest paid to Railway Safety Regulator due to late payment	None	18	-	18
Interest paid to Free State Municipal Pension Fund	None	322	-	322
Interest paid to SARS due to late payment	None	1 896 020	-	1 896 020
Interest paid to Q Civils due to late payment	None	370 089	-	370 089
Interest paid to Eskom due to late payment	None	47 495	-	47 495
Interest paid to FDC due to late payment	None	1 646	-	1 646
Interest paid to UMFA due to late payment	None	1 256	-	1 256
Interest paid to Modderivier Kalkveld due to late payment	None	2 816	-	2 816
Interest paid to the Auditor General of South Africa due to late payment	None	31 551	-	31 551
Interest paid to LM Meyer due to case no. 2843 14	None	15 649	-	15 649
Interest paid to Joyce Nel due to case no. 40602016	None	2 447 910	-	2 447 910
Interest paid to Wasserman Teerwerke due to late payment	None	223 008	-	223 008
Interest paid to Altimax due to Court Order (case no. 832/17)	None	1 444	-	1 444
Interest paid to Panzacode CC due to Court Order (case no.5926/2016)	None	216 779	-	216 779
Interest paid to Maluti Plant Hire due to Court Order (case no. 4357 and case no. 1765)	None	1 918 580	-	1 918 580
Councillors whose remuneration was overpaid contrary to the requirements of the Remuneration of Public Office Bearers Act 20 of 1998	None	252 063	-	252 063
Incorporation of the former Naledi Local Municipality*	None	6 472 630	-	6 472 630
		<b>13 990 033</b>	<b>-</b>	<b>13 990 033</b>

\*The balance relates to the incorporation of the former Naledi Local Municipality as at 6 August 2016. During the prior year the balance was not included in the disclosure for 2017, but was part of the balance reported as the total fruitless and wasteful expenditure.

**Incidents identified - 2015/16**

	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Interest paid to Eskom due to late payment	None	127 272	-	127 272
Interest paid to Razzmatazz (Pty) Ltd due to late payment	None	11 700	-	11 700
Interest paid to FDC due to late payment	None	1 732	-	1 732
Interest paid to PEC Metering due to late payment	None	618	-	618
Interest paid to UMFA due to late payment	None	662	-	662
Interest paid to Telkom SA Limited due to late payment	None	212 973	-	212 973
Interest paid to Kramer, Weihmann and Joubert due to late payment	None	3 796	-	3 796
Interest and penalties paid to SARS due to late payment and under declaration of VAT	None	117 852	-	117 852
Councillors who had their membership terminated were paid contrary to the requirements of the Remuneration of Public Office Bearers Act 20 of 1998	None	175 912	-	175 912
		<b>652 517</b>	<b>-</b>	<b>652 517</b>

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**63. Fruitless and wasteful expenditure (continued)**

**Incidents identified - 2014/15**

	<b>Disciplinary steps taken / criminal proceedings</b>	<b>Balance reported</b>	<b>Written off / Recovered</b>	<b>Balance remaining</b>
Interest paid to Eskom due to late payment	None	20 469	-	20 469
Interest paid to FDC due to late payment	None	256	-	256
Interest paid to Lawyers due to late payment	None	5 549	-	5 549
Interest paid to PEC Metering due to late payment	None	402	-	402
Interest paid to Telkom SA Limited due to late payment	None	57 044	-	57 044
Interest and penalties paid to Phethogo Consulting CC due to late payment	None	78 938	-	78 938
Interest paid to UMFA due to late payment	None	213	-	213
Interest and penalties paid to Merchant West (Pty) Ltd due to latepayment	None	1 155	-	1 155
Interest paid to SARS due to late payment	None	45 077	-	45 077
		<b>209 103</b>	<b>-</b>	<b>209 103</b>

**Incidents identified - 2013/14**

	<b>Disciplinary steps taken / criminal proceedings</b>	<b>Balance reported</b>	<b>Written off / Recovered</b>	<b>Balance remaining</b>
Interest paid to Eskom due to late payment	None	138 247	-	138 247
Interest paid to FDC due to late payment	None	783	-	783
Interest paid to Broll due to late payment	None	976	-	976
Interest paid to Bloemwater due to late payment	None	240	-	240
Interest paid to Lawyers due to late payment	None	769	-	769
Interest paid to PEC Metering due to late payment	None	417	-	417
Interest paid to Dlamini & Associates due to late payment	None	525	-	525
Interest paid to Standard Bank of South Africa due to late payment	None	3 818	-	3 818
Interest paid to Wright Rose Innes Inc. due to late payment	None	2 360	-	2 360
Interest paid to Dierhospitaal due to late payment	None	208	-	208
		<b>148 343</b>	<b>-</b>	<b>148 343</b>

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**63. Fruitless and wasteful expenditure (continued)**

**Incidents identified - 2012/13**

	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Interest paid to Ruwaccon (Pty) Ltd due to late payment	None	42 879	-	42 879
Interest paid to Eskom due to late payment	None	41 415	-	41 415
Interest paid to FDC due to late payment	None	804	-	804
Interest paid to Rossouws Attorneys due to late payment	None	390	-	390
Interest paid to Rural Maintenance (Pty) Ltd due to late payment	None	57	-	57
Interest paid to UMFA/FS Business Trust due to late payment	None	165	-	165
Interest paid to Bloemwater due to late payment	None	4 851	-	4 851
Interest paid to Merchant West (Pty) Ltd due to late payment	None	60 820	-	60 820
Interest paid to Telkom SA limited due to late payment	None	100 031	-	100 031
Interest paid to Lawyers due to late payment	None	11 506	-	11 506
Interest and penalties paid to SARS due to late submission of a VAT return	None	147 204	-	147 204
No Show penalty for 7 Councillors on 29 January 2013, for accommodation at Protea Hotel*	Recovered	12 247	(12 247)	-
Councillor T.J Makae annual salary was paid to him but was however no longer a councillor	None	375 765	-	375 765
		<b>798 134</b>	<b>(12 247)</b>	<b>785 887</b>

\*During the prior financial year the amount of R12,247 was recovered from the responsible parties.

**Incidents identified - 2011/12**

	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Penalties and interest paid on the late submission of a VAT return	None	113 832	-	113 832
Penalties and interest paid on the late submission VAT return of prior years	None	13 816 522	-	13 816 522
Interest paid on overdue accounts	None	31 163	-	31 163
Interest paid on overdue accounts - Telkom	None	38 520	-	38 520
Councillor T.J Makae annual salary was paid to him but was however no longer a councillor	None	378 254	-	378 254
		<b>14 378 291</b>	<b>-</b>	<b>14 378 291</b>

**Incidents identified - 2010/11**

	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Penalties and interest paid on the late submission of a VAT return	None	7 729 134	-	7 729 134
Penalties and interest paid on the late submission of PAYE, UIF and SDL	None	171 147	-	171 147
		<b>7 900 281</b>	<b>-</b>	<b>7 900 281</b>

**Incidents identified - 2009/10**

	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Penalties and interest paid on late submission of VAT return	None	5 099 888	-	5 099 888

# Mangaung Metropolitan Municipality

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<b>64. Irregular expenditure</b>		
Opening balance as previously reported	2 548 875 544	948 515 958
<b>Opening balance as restated</b>	<b>2 548 875 544</b>	<b>948 515 958</b>
Irregular expenditure - current period	190 844 856	760 194 251
Irregular expenditure - Previous year expenditure detected in the current year	-	840 165 335
<b>Closing balance</b>	<b>2 739 720 400</b>	<b>2 548 875 544</b>

Irregular expenditure is calculated inclusive of VAT while figures disclosed above have been presented exclusive of VAT.

Incidents/cases identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	
Expenditure items identified where supply chain process that was not followed	None	9 231 468
Service providers where contracts were extended without council approval	None	181 481 008
Councillors whose remuneration was overpaid contrary to the requirements of the Remuneration of Public Office Bearers Act 20 of 1998	None	132 380
		<b>190 844 856</b>

### 65. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Current year subscription / fee	15 659 900	14 900 000
Amount paid - current year	(15 659 900)	(14 900 000)
	-	-

Contributions to organised local government consists of annual subscriptions paid to SALGA.

#### Audit fees

Opening balance	3 829 958	1 211 287
Current year subscription / fee	20 435 442	19 326 259
Amount paid - current year	(13 892 456)	(15 496 302)
Amount paid - previous years	(3 829 958)	(1 211 287)
	<b>6 542 986</b>	<b>3 829 957</b>

#### PAYE, UIF and SDL

Opening balance	26 378 925	26 074 727
Current year subscription / fee	336 727 867	324 098 434
Amount paid - current year	(307 430 541)	(297 719 509)
Amount paid - previous years	(26 378 925)	(26 074 727)
	<b>29 297 326</b>	<b>26 378 925</b>

#### Pension and Medical Aid Deductions

Opening balance	32 794 077	31 103 968
Current year subscription / fee	(32 794 077)	390 075 241
Amount paid - current year	416 173 651	(357 281 164)
Amount paid - previous years	(380 171 260)	(31 103 968)
	<b>36 002 391</b>	<b>32 794 077</b>

# Mangaung Metropolitan Municipality

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

#### VAT

VAT receivable	64 811 907	107 753 355
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VAT are shown in notes

All VAT returns have been submitted by the due date throughout the year.

#### Councillors' arrear consumer accounts

Refer to Appendix B for details relating to Councillors arrear debt.

#### Bulk water losses

Material bulk water losses during the year under review were as follows and are not recoverable;

	Kilo litres	Cost per Kilo litre	Total loss in Rands
2021	35,230,558.59	9.57	337,156,445.72
2020	22,126,702.12	9.99	221,045,754.18

The main reason for incurring water losses related to burst water pipes, leaks and unmetered sites.

The reason for the high increase in the cost per kilo-litre in the current year is due to the use of the drought tariff by Bloemwater

#### Grants withheld

During the current year, the following amount was withheld by National Treasury due to the slow implementation of projects. The amounts were subsequently forfeited.

#### Grant

Urban Settlement development grant	373 574 000	-
Public transport infrastructure and network systems grant	49 777 000	-
Integrated city development grant	77 000	-
Neighbourhood development grant	5 595 000	-
	<b>429 023 000</b>	<b>-</b>

### 66. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix D(2) for the comparison of actual operating expenditure versus budgeted expenditure.

### 67. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix D(4) for the comparison of actual capital expenditure versus budgeted expenditure.



# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2021

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### 68. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

#### Deviations 2021

	Number of deviations	Rand value
Emergency	10	6 465 451
Sole supplier	9	4 680 163
	<b>19</b>	<b>11 145 614</b>

#### Deviations 2020

	Number of deviations	Rand value
Emergency	30	3 604 494
Sole supplier	3	765 633
Impractical	1	49 501
	<b>34</b>	<b>4 419 628</b>

#### Deviations 2019

	Number of deviations	Rand value
Emergency	6	4 059 257
Sole supplier	4	987 295
	<b>10</b>	<b>5 046 552</b>

# Mangaung Metropolitan Municipality

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### 69. Budget differences

#### Material differences between budget and actual amounts

##### Financial Performance:

###### Property rates:

Higher than expected performance on Property rates due to more properties being billed for the period than budgeted and the number of new developments and supplementary valuation role.

###### Service charges:

Favourable variance due to estimates made on water accounts and cycles were partly completed during the national lockdown period. The negative impact of estimates on total water revenue were rectified during the month of June 2021 through journals on the billing system.

###### Other own revenue:

The unfavourable variance is due to the lack of the traffic management system for the administration of traffic fines and deficiencies in internal control measures.

###### Employee related costs:

The variance is mainly due to the absorption of interns, part time and temporary employees to permanent employees. There is a direct linkage between the unfilled vacancies and the overspending on overtime to date of R 185 million.

###### Debt impairment:

Favourable variance due to improved debt collection within the municipality.

###### Depreciation and asset impairment:

Unfavourable variance due to insufficient budget for depreciation.

###### Materials and bulk purchases:

Unfavourable variance due to insufficient budget for water purchases.

###### Transfers recognised - Capital and Operational

The variance was mainly due to underspending on capital projects due to slow implementation of projects as well as the effect of the national lockdown due to the COVID-19 pandemic, this was further impacted by the surrendering of funds to NT

##### Capital expenditure:

Underspending on capital projects were due to slow implementation of projects as well as the effect of the national lockdown due to the COVID-19 pandemic.

##### Financial Position:

The variances are due to the impact of the over and under performance on revenue and expenditure items as indicated above under financial performance and capital expenditure.

##### Cash flow:

The variances are due to the impact of the over and under performance on revenue and expenditure items as indicated above under financial performance and capital expenditure.

# Mangaung Metropolitan Municipality

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### 70. Segment information

#### General information

##### Identification of segments

The municipality considers internal sources of information in identifying reportable segments. These include the IDP, SDBIP, Budget and monthly and quarterly reporting.

For management purposes, the municipality is organised and operates in nine key functional segments (or business units). To this end, management monitors the operating results of these segments for the purpose of making decisions about resource allocations and assessment of performance. Segments were aggregated for reporting purposes

Revenues and expenditures relating to these segments are allocated at a transactional level.

##### Aggregated segments

The municipality operates throughout the Free State Province. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Free State were sufficiently similar to warrant aggregation.

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 services and the fees charged for the services rendered (if any):

##### Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

<b>Reportable segment</b>	<b>Goods and/or services</b>
Corporate Services	Provision of effective strategic leadership and management to Department. Ensures and oversee that all Directorates are provided with adequate support in line with the mandate, vision and mission of the municipality. It consist but not limited to Human Resources, Performance Management, Government communication and Information Management & Technology and Legal Services.
Finance	Finance department is charged with the responsibility of budget and treasury. It is also responsible for the financial wellness of the City including generating revenue and billing, maintaining financial records, Financial reporting and encourages responsible spending in terms of relevant legislations.
Human Settlement & Housing	Human Settlement & Housing directorate is charged with the responsibility developing and providing housing and dwellings for the residents of the city.
Office of the City Manager	Office of the accounting officer where all the department heads report to. It ensures that structures and governance processes are in place and aligned to achieve the strategic objectives of the municipality in Line with the relevant legislations.
Office of the Executive Mayor	Office of the Executive mayor is a political head of the municipality appointed in terms of the Electoral Act. It ensures effective management of the city addressing agreed political priorities. It also ensures that citizens are given sufficient information, opportunity and encouragement to participate in and influence the affairs of the municipality.
Waste and Fleet management	Waste department manages and implements the collection of solid waste and cleaning of the City. Fleet management ensures that municipality has sufficient and appropriate fleet to ensure service delivery. These fleet are also managed and maintained through the department.
Engineering & Water Services	Engineering and Water departments are charged with developing and maintaining strategic unfractured that mainly provides service delivery (e.g. Water, Sewer, refuse, etc.). The supply of water is also provided through the department.
Social & Public Safety	Social department is charged with the responsibility improving the well-being of every individual in society so they can reach their full potential. Social development means investing in people (e.g. maintaining of parks, Zoo and museums, interactions, wellness and health). Public Safety is charged with responsibility of keeping order in the City and ensuring compliance with relevant legislation (e.g. Criminal Procedures act). Public Safety includes traffic department and law enforcement.
Planning, Economic and rural development	Developing and Co-ordination of development and planning of the City and the implementation of strategies and policies aimed at improving service delivery, Structural and Economic development.

# Mangaung Metropolitan Municipality

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## Notes to the Annual Financial Statements

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### 70. Segment information (continued)

#### Segment surplus or deficit, assets and liabilities

2021

	Corporate Services	Finance	Human Settlement & Housing	Office of the CM	Office of the Executive Mayor	Waste and Fleet management	Engineering & Water Services	Social & Public Safety	Planning, Economic and rural development	Total
<b>Revenue</b>										
Revenue from non-exchange transactions	-	(2 573 843 725)	-	-	-	(252 463 347)	(446 123 022)	(9 387 712)	(2 044)	(3 281 819 850)
Revenue from exchange transactions	(1 563 653)	(218 049 351)	(45 445 412)	(70)	-	(155 968 708)	(1 512 922 363)	(9 891 467)	(42 334 234)	(1 986 175 258)
<b>Total segment revenue</b>	<b>(1 563 653)</b>	<b>(2 791 893 076)</b>	<b>(45 445 412)</b>	<b>(70)</b>	<b>-</b>	<b>(408 432 055)</b>	<b>(1 959 045 385)</b>	<b>(19 279 179)</b>	<b>(42 336 278)</b>	<b>(5 267 995 108)</b>
<b>Entity's revenue</b>										<b>(5 267 995 108)</b>
<b>Expenditure</b>										
Bulk Purchases	-	-	-	-	-	-	743 539 271	-	-	743 539 271
Contracted services	51 300 009	55 179 512	18 516 072	57 218 449	1 135 419	19 658 567	147 867 915	95 756 618	7 431 643	454 064 204
Debt impairment and bad debt written off	-	161 774 420	9 512 878	-	-	82 787 497	544 739 421	5 887 388	150 828	804 852 432
Depreciation and amortisation	47 131 562	9 125 419	-	-	-	77 006 113	526 416 576	55 793 103	2 495 725	717 968 498
Employee related costs	194 905 355	303 724 375	90 649 000	43 995 611	138 524 129	249 969 105	298 842 181	387 392 962	82 805 512	1 790 808 230
Remuneration of Councillors	-	-	-	-	65 531 322	-	-	-	-	65 531 322
Finance costs	47 790 990	2 732 929	-	-	-	13 457 486	56 823 456	-	31 093 963	151 898 824
General expenses	119 970 816	113 793 164	19 045 063	6 423 216	22 013 364	43 857 989	13 849 586	20 143 364	2 587 847	361 684 409
Grants and subsidies paid	-	50 327 112	-	-	-	-	-	-	-	50 327 112
Impairment loss or reversal of impairments	-	-	-	-	-	-	-	2 731 628	-	2 731 628
Loss on derecognition of assets and liabilities	304 206	25 103	-	-	-	-	26 112 009	946 083	(3 199 073)	24 188 328
Fair value adjustments	-	(7 973)	32 741 217	-	-	-	-	-	-	32 733 244
Actuarial gains	38 503 985	-	-	-	-	-	-	-	-	38 503 985
<b>Total segment expenditure</b>	<b>499 906 923</b>	<b>696 674 061</b>	<b>170 464 230</b>	<b>107 637 276</b>	<b>227 204 234</b>	<b>486 736 757</b>	<b>2 358 190 415</b>	<b>568 651 146</b>	<b>123 366 445</b>	<b>5 238 831 487</b>
<b>Total segmental surplus/(deficit)</b>										<b>29 163 622</b>

# Mangaung Metropolitan Municipality

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	Corporate Services	Finance	Human Settlement & Housing	Office of the CM	Office of the Executive Mayor	Waste and Fleet management	Engineering & Water Services	Social & Public Safety	Planning, Economic and rural development	Total
<b>70. Segment information (continued)</b>										
<b>Assets</b>										
Cash and Cash equivalents	-	195 678 895	-	-	-	-	-	-	-	195 678 895
Centlec intercompany loan	-	799 240 928	-	-	-	-	-	-	-	799 240 928
Centlec Receivables - Current portion	-	864 613 015	-	-	-	-	-	-	-	864 613 015
Consumer receivables from exchange transactions	-	199 784 834	4 161 783	-	-	62 346 389	845 367 303	-	-	1 111 660 309
Consumer receivables from non exchangetransactions	-	766 473 520	-	-	-	-	-	-	-	766 473 520
Inventory	-	528 137 054	-	-	-	1 381 083	4 003 694	-	-	533 521 831
Other receivables from exchange transactions	19 560	59 870 078	350 702	-	-	-	-	-	3 967 054	64 207 394
Other receivables from non exchange transactions	-	-	-	-	-	-	-	950 267	-	950 267
VAT Receivables	-	64 811 907	-	-	-	-	-	-	-	64 811 907
Heritage assets	275 480 000	-	-	-	-	-	-	-	-	275 480 000
Intangible assets	8 301 071	-	-	-	-	-	-	4 488 687	305 707	13 095 465
Investment in controlled entities	-	100	-	-	-	-	-	-	-	100
Investment property	-	-	1 570 916 987	-	-	-	-	-	-	1 570 916 987
Non-current receivables	(67 596)	112 049	127 200	-	-	-	-	-	-	171 653
Property Plant and Equipment	1 168 321 270	24 823 482	-	-	-	565 506 670	7 782 554 073	783 986 086	1 624 052 555	11 949 244 136
<b>Total segment assets</b>	<b>1 452 054 305</b>	<b>3 503 545 862</b>	<b>1 575 556 672</b>	<b>-</b>	<b>-</b>	<b>629 234 142</b>	<b>8 631 925 070</b>	<b>789 425 040</b>	<b>1 628 325 316</b>	<b>18 210 066 407</b>
<b>Total assets as per Statement of financial Position</b>										<b>18 210 066 407</b>

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	Corporate Services	Finance	Human Settlement & Housing	Office of the CM	Office of the Executive Mayor	Waste and Fleet management	Engineering & Water Services	Social & Public Safety	Planning, Economic and rural development	Total
<b>70. Segment information (continued)</b>										
<b>Liabilities</b>										
Borrowings	-	(64 428 979)	-	-	-	-	(425 124 847)	-	(126 966 150)	(616 519 976)
Borrowings - Current portion	-	(160 165 318)	-	-	-	-	-	-	-	(160 165 318)
Consumer deposits	-	-	-	-	-	-	(33 351 036)	-	-	(33 351 036)
Employee Benefit obligation	(582 996 000)	-	-	-	-	-	-	-	-	(582 996 000)
Finance lease obligation	-	-	-	-	-	(47 769 355)	-	-	-	(47 769 355)
Freshco liability	-	-	(163 648 133)	-	-	-	-	-	-	(163 648 133)
Land availability liability	-	-	(282 670 558)	-	-	-	-	-	-	(282 670 558)
Payables from exchange transactions	(381 896 162)	(1 258 169 656)	(211 746)	-	-	143	-	-	(6 805 925)	(1 647 083 346)
Payables from Non-exchange transactions	-	(336 074 974)	(549 157)	-	-	-	-	-	-	(336 624 131)
Unspent Conditional grants and receipts	(3 362 384)	(3 186)	(26 758 007)	(846 344)	-	-	-	(4 692 787)	-	(35 662 708)
Provisions	-	-	-	-	-	(681 377 214)	-	-	-	(681 377 214)
<b>Total segment liabilities</b>	<b>(968 254 546)</b>	<b>(1 818 842 113)</b>	<b>(473 837 601)</b>	<b>(846 344)</b>	<b>-</b>	<b>(729 146 426)</b>	<b>(458 475 883)</b>	<b>(4 692 787)</b>	<b>(133 772 075)</b>	<b>(4 587 867 775)</b>
<b>Total liabilities as per Statement of financial Position</b>										<b>(4 587 867 775)</b>

# Mangaung Metropolitan Municipality

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<b>71. Statutory receivables</b>		
In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:		
<b>Taxes</b>		
VAT Receivables	64 811 907	107 753 355
	-	-
<b>Consumer receivables from non-exchange transactions</b>		
Rates	1 683 420 488	1 622 311 890
	-	-
<b>Other receivables from non-exchange transactions</b>		
Fines receivables	280 936 095	274 646 292
	-	-
Less: Provision for debt impairment	(1 196 932 795)	(1 023 495 443)
	-	-
<b>Total Statutory receivables</b>	<b>832 235 695</b>	<b>981 216 094</b>

Statutory receivables arises from the following legislation:

Taxes	- Value Added Tax Act (No 89 of 1991)
Rates	- Municipal Properties Rates Act (No6 of 2004)
Fines	- Criminal Procedures Act

Statutory receivables are initially measured at transaction value and subsequently at cost.

<b>Interest received from statutory receivables</b>		
Rates	40 713 151	62 804 076

Interest is levied at a rate determined by the Council on outstanding rates amounts.

Exemptions was taken for statutory receivables according to Directive 4 - Transitional provisions.

Refer to paragraph 1.11 of the Accounting policy for detailed information regarding the adoption of GRAP 108

### Ageing

Refer to Note 4 of the Notes to the Financial statements for Ageing of Statutory receivables - Rates

### Reconciliation on provision for debt impairment

Refer to Note 4 of the Notes to the Financial statements for the reconciliation on provision for debt impairment - Rates

Refer to Note 7 of the Notes to the Financial statements for the reconciliation on provision for debt impairment - Fines receivables

### GRAP 108 implementation plan

The Municipality is in the second year of the transitional period and updated the fines receivable as per prior year annual financial statements, however, nothing more in adoption of GRAP 108 was done in the current financial year. The Municipality plans to be fully compliant in the next financial year.

**Mangaung Metropolitan Municipality**  
**Appendix A to the Annual Financial Statements for the year ended 30 June 2021**  
**Schedule of External Loans - Unaudited**

**Schedule of external loans as at 30 June 2021**

<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30 June 2020 Rand</b>	<b>Received during the period Rand</b>	<b>Redeemed written off during the period Rand</b>	<b>Balance at 30 June 2021 Rand</b>	
<b>External loans</b>						
DBSA	103433/01	31 March 2026	29 030 696	-	1 508 337	27 522 359
DBSA	103433/02	31 March 2026	102 758 539	-	10 102 850	92 655 689
DBSA	12007885	30 June 2025	215 276 846	-	33 749 589	181 527 257
Standard bank	33714314	30 June 2025	171 139 150	-	31 118 419	140 020 731
ABSA	23135	30 October 2026	378 639 888	-	43 680 629	334 959 259
			<b>896 845 119</b>	<b>-</b>	<b>120 159 824</b>	<b>776 685 295</b>



**Mangaung Metropolitan Municipality**  
**Appendix B to the Annual Financial Statement for the year ended 30 June 2021**

**Councillors' arrear consumer accounts (over 90 days) - Audited**

Surname & Initials	July 2020	August 2020	September 2020	October 2020	November 2020	December 2020	January 2021	February 2021	March 2021	April 2021	May 2021	June 2021
Brits JF	-	-	-	-	-	1 425	2 850	-	-	-	-	-
Chaka NS	49 224	50 263	50 721	51 208	51 698	52 444	53 328	54 211	54 211	55 992	56 887	57 794
Dyosiba S	-	287	-	-	-	-	-	-	-	-	-	-
Gailele IL	-	-	-	67	-	-	-	-	-	-	-	-
Goliath EK	11 249	8 234	-	-	-	1 805	-	-	-	-	-	-
Kganakga M	155	858	220	1 652	1 095	1 411	-	-	-	-	-	-
Mabale G	53 456	61 383	50 713	51 066	45 975	41 242	50 028	53 297	47 797	53 754	31 297	25 797
Mahase MM	1 505	1 635	-	67	-	-	-	-	-	-	122	335
Mangcotywa ZE	4 106	3 677	2 024	2 461	1 647	1 211	-	-	-	-	-	-
Mlamleli SM	-	-	-	-	-	25	2 868	1 711	-	-	1 712	713
Mogapi KT	-	-	-	4 690	3 008	1 008	-	-	-	-	-	-
Mohibidu PM	18 480	18 440	11 901	12 712	13 524	15 814	16 835	16 199	16 199	18 007	18 919	19 836
Mohlabane RJ	32 028	-	-	-	-	-	-	-	-	-	-	-
Mokoakoa MI	1 826	2 338	2 595	2 870	3 145	3 437	3 731	4 026	4 026	4 621	4 921	5 223
Moleko ML	-	-	-	-	-	-	-	-	-	-	-	708
Mononyane MB	31 809	34 523	31 379	32 841	29 809	28 966	25 456	20 956	16 456	13 357	9 987	9 478
Morake AM	9 248	9 333	6 376	7 485	6 595	6 595	4 588	1 485	-	-	-	-
Motloung MV	1 322	1 322	-	-	-	-	-	-	-	-	905	1 166
Mvuyo A	-	-	-	-	-	318	688	1 104	1 104	1 877	2 134	2 526
Nkoe MJ	39 045	40 577	41 694	42 385	43 193	44 206	44 216	58 884	58 884	62 732	63 791	64 896
Ndzuzo T	-	-	-	-	-	-	-	-	-	8 660	-	-
Nothnagel J	8 240	10 539	8 299	11 353	11 309	9 774	8 226	3 917	3 917	3 845	1 086	-
Petersen JE	132	132	132	132	132	132	132	132	132	132	132	132
Phalatse OP	3 069	2 351	915	915	437	-	-	-	-	-	-	-
Pongolo DX	1 392	2 132	2 501	2 897	3 293	3 707	4 123	4 541	4 541	5 384	5 810	6 237
Pretorius S	-	871	-	-	-	-	-	-	-	-	-	-
Qwema MB	2 612	2 217	760	1 000	400	281	-	-	-	-	-	-
Ranchobe T	31	31	913	924	29 526	29 701	29 906	30 307	30 307	30 890	31 182	21 631
Ratsiu NA	1 318	-	-	-	-	-	-	-	-	-	-	-
Sebolao JE	20 553	21 369	21 885	22 333	22 822	23 538	24 156	24 640	24 640	25 869	26 888	27 573
Sefuthi NM	8 804	9 184	9 374	9 579	9 784	10 041	10 299	10 559	10 559	11 081	11 344	11 608
Seleke PL	1 808	829	-	-	-	-	-	-	-	-	-	-
Shounyana MM	1 690	2 866	2 525	3 146	3 757	4 218	4 677	4 562	3 939	4 293	4 185	4 051
Siyonzana MA	8 360	5 631	4 195	5 286	6 377	5 212	4 062	2 933	677	693	-	-
Thatho MV	5 295	5 016	2 401	3 122	2 193	2 193	515	-	-	-	-	-
Titi LM	4 665	7 228	8 510	9 872	11 234	12 657	9 851	7 054	2 817	1 460	-	-

**Mangaung Metropolitan Municipality**  
**Appendix B to the Annual Financial Statement for the year ended 30 June 2021**  
**Councillors' arrear consumer accounts (over 90 days) - Audited**

Surname & Initials	July 2020	August 2020	September 2020	October 2020	November 2020	December 2020	January 2021	February 2021	March 2021	April 2021	May 2021	June 2021
Tsiane MMP	61 082	60 568	59 311	60 101	60 891	61 983	63 080	64 172	61 172	63 369	-	-
Thwala ZJ	-	-	-	-	-	-	-	-	-	-	-	2 011
<b>TOTAL</b>	<b>382 504</b>	<b>363 834</b>	<b>319 344</b>	<b>340 164</b>	<b>361 844</b>	<b>363 344</b>	<b>363 615</b>	<b>364 690</b>	<b>341 378</b>	<b>366 016</b>	<b>271 302</b>	<b>261 715</b>

**Mangaung Metropolitan Municipality**  
**Appendix B to the Annual Financial Statement for the year ended 30 June 2020**  
**Councillors' arrear consumer accounts (over 90 days) - Audited**

Surname & Initials	July 2019	August 2019	September 2019	October 2019	November 2019	December 2019	January 2020	February 2020	March 2020	April 2020	May 2020	June 2020
Brits JF	-	-	-	-	-	-	-	-	-	-	2	-
Chaka NS	40 163	40 879	41 596	42 349	43 104	43 862	44 748	45 635	46 529	8 902	9 796	10 700
Dyosiba S	-	-	-	-	-	-	-	-	-	-	-	-
Ferreira TI	-	-	-	-	-	86	-	-	-	-	-	-
Gailele IL	1 915	1 693	1 468	1 272	1 071	868	663	456	888	679	468	255
Goliath EK	45 454	41 859	38 983	36 178	33 423	30 654	32 436	34 319	36 195	33 049	29 911	26 795
Jonas VE	1 576	1 954	2 335	2 749	3 166	3 586	3 287	2 992	3 422	3 094	2 524	1 952
Kotze GDP	5 433	5 433	5 433	5 433	5 433	792	-	-	-	-	-	-
Mabale G	-	-	-	-	-	-	117	746	3 003	19 958	40 834	53 456
Mahase MM	508	-	-	-	-	-	-	-	-	-	-	-
Makhalanyane TS	1 624	1 646	1 668	1 689	1 712	1 734	-	-	-	-	-	-
Mangcotywa ZE	-	7 252	7 111	6 608	6 271	5 928	6 609	7 086	7 560	6 823	6 088	5 356
Mapitse TK	-	-	-	-	-	-	-	-	-	-	-	-
Masoetsa LA	-	-	-	-	-	-	-	-	-	-	-	-
Masoeu TD	-	-	444	1 602	2 769	3 946	5 923	7 911	9 909	10 327	-	-
Matetha NR	844	1 381	2 051	-	-	14	-	-	-	-	-	-
Mogapi KT	572	965	1 106	1 142	1 274	1 170	680	261	282	-	-	-
Mohibidu PM	19 674	17 820	17 854	17 944	18 031	18 339	18 943	20 116	21 464	21 135	20 781	20 354
Mohlabane RJ	43 667	44 192	44 718	45 269	45 816	46 365	42 363	40 408	40 963	39 013	36 505	34 536
Mokoakoa MI	-	-	-	-	-	256	513	771	1 032	1 295	1 559	1 826
Mokoena JI *	-	-	-	-	-	-	-	-	-	-	-	-
Mononyane MB	15 353	16 689	18 036	19 519	21 017	22 526	24 047	-	-	-	-	-
Monyakoana NPM	10 662	11 098	11 534	11 983	12 459	12 938	11 739	25 578	27 122	28 676	30 237	31 809
Morake AM	1 516	2 103	2 695	3 369	4 048	4 733	5 816	6 905	7 999	9 099	10 206	11 248
Motlounq MV	1 254	1 260	1 266	1 273	1 279	1 285	1 291	1 298	1 304	1 310	1 316	1 322
Mvuyo A	-	-	-	-	-	-	-	-	-	-	-	-
Naile TJ	-	-	-	-	-	-	-	-	-	-	-	-
Ndzuzo T	626	672	-	-	-	-	-	-	-	-	-	-
Nkhabu ML	-	-	-	-	-	-	-	183	393	603	816	1 030
Nkoe MJ	166 075	168 217	170 204	172 193	174 367	176 618	179 144	181 695	184 111	180 791	183 120	184 306
Nothnagel J	20 127	6 007	7 576	8 472	4 266	5 181	4 029	5 321	4 701	6 069	7 386	9 090
Petersen JE	132	132	132	132	132	132	132	132	132	-	-	-
Phalatse OP	3 785	4 018	4 253	4 507	4 762	5 019	4 532	4 047	4 309	503	16	-
Pongolo DX	-	-	-	-	-	-	-	-	275	645	1 017	1 392
Poone PP	755	789	823	857	894	932	-	-	-	-	-	-
Pretorius JC	-	1 653	-	-	-	1 787	3 574	1 802	3 620	1 833	1 399	966
Pretorius S	8 227	7 959	7 959	7 959	7 959	3 125	985	526	-	-	-	1 288
Qwema MB	4 790	5 029	5 270	5 531	5 792	6 055	5 480	4 907	5 175	4 606	4 031	3 452
Ranchobe T	281	309	338	369	402	437	471	505	540	575	611	31
Ratsiu NA	1 002	502	279	82	-	-	4	310	613	915	1 219	1 525
Sebolao JE	35 032	35 298	34 076	34 598	34 181	33 761	30 422	23 235	18 787	941	1 642	2 121
Sefuthi NM	6 704	6 928	7 133	7 397	7 653	7 921	8 170	8 441	8 714	7 991	8 287	8 584
Seleke PL	7 558	7 273	7 354	7 436	7 457	7 403	6 483	5 626	5 675	4 735	3 775	2 808
Shounyana MM	-	-	-	-	-	-	-	-	299	669	1 112	1 690



**Mangaung Metropolitan Municipality**  
**Appendix B to the Annual Financial Statement for the year ended 30 June 2020**  
**Councillors' arrear consumer accounts (over 90 days) - Audited**

Surname & Initials	July 2019	August 2019	September 2019	October 2019	November 2019	December 2019	January 2020	February 2020	March 2020	April 2020	May 2020	June 2020
Siyonzana MA	4 877	10 883	11 897	16 675	22 871	26 582	23 164	19 703	9 002	7 896	9 317	8 109
Snyman van Deventer E	-	-	-	-	-	-	-	-	-	-	-	-
Terblanche AP	24 016	21 154	18 500	15 952	13 421	10 901	8 395	5 886	7 361	4 814	2 244	-
Thatho MV	3 225	3 886	4 553	5 274	6 000	6 732	7 471	8 216	8 967	8 288	7 614	6 945
Thipenyane G	-	-	-	-	-	-	-	-	1 024	3 487	2 125	-
Thwala ZJ	-	-	-	-	-	-	-	-	-	-	-	-
Titi LM	1 133	1 514	1 898	2 316	2 736	3 160	1 175	-	749	2 052	3 366	4 665
Tladi MM	-	-	-	-	-	-	-	-	-	-	-	-
Tsiane MMP	-	-	-	62 771	63 924	62 084	63 250	62 422	61 601	7 568	8 721	7 881
<b>TOTAL</b>	<b>478 560</b>	<b>478 447</b>	<b>480 543</b>	<b>550 900</b>	<b>557 690</b>	<b>556 912</b>	<b>546 056</b>	<b>527 439</b>	<b>533 720</b>	<b>428 341</b>	<b>438 043</b>	<b>445 492</b>

**Mangaung Metropolitan Municipality**  
**Appendix C to the Annual Financial Statements for the year ended 30 June 2021**  
**Disclosure of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003 -**  
**Unaudited**

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
										Yes/ No
Equitable share	National government	301 217 000	238 443 000	200 065 000	171 800 000	225 912 750	194 395 880	169 172 815	322 043 555	No
Fuel levy	National government	106 604 000	106 604 000	106 605 000	-	79 953 000	79 953 000	79 953 250	79 953 750	No
Financial Management Grant	National government	2 200 000	-	-	-	-	-	1 030 203	1 166 611	No
National Electrification Program Grant	National government	-	-	-	-	-	-	-	-	No
Urban Settlement Development Grant	National government	150 919 000	226 378 000	3 722 000	-	27 180 901	101 844 791	101 120 472	285 014 713	No
Neighbourhood Development Grant	National government	-	-	4 405 000	-	-	1 725 175	4 806 916	(1 311 465)	No
Expanded Public Works Programme	National government	461 000	-	1 382 000	-	21 359	21 599	429 110	1 068 624	No
Local Government SETA - Training	National government	-	-	-	2 228 830	-	-	-	-	No
Integrated City Development Grant	National government	3 225 000	-	3 148 000	-	-	1 094 791	368 265	2 887 730	No
Public Transport Network Grant	National government	60 553 000	-	131 880 000	-	38 913 275	82 059 526	51 815 560	110 136 619	
Department SACR grant - Admin Library	Provincial government	-	-	-	2 000 000	-	-	758 075	-	
		625 179 000	571 425 000	451 207 000	176 028 830	371 981 285	461 094 762	409 454 666	800 960 137	

**Mangaung Metropolitan Municipality**  
**Appendix D2 to the Annual Financial Statements**  
**Budgeted Financial Performance (revenue and expenditure by municipal vote) - Audited**

**2020/2021**

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Revenue by Vote</b>											
Office of the City Manager	12 300 500	-	12 300 500	-	-	12 300 500	70	-	(12 300 430)	- %	- %
Office of the Executive Mayor	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Corporate Services	10 900 267	-	10 900 267	-	-	10 900 267	1 563 653	-	(9 336 614)	14 %	14 %
Finance	1 626 219 522	(173 710 227)	1 452 509 295	-	-	1 452 509 295	1 431 552 593	-	(20 956 702)	99 %	88 %
Social Services	37 433 513	(18 018 262)	19 415 251	-	-	19 415 251	19 279 179	-	(136 072)	99 %	52 %
Planning	50 495 951	-	50 495 951	-	-	50 495 951	44 880 619	-	(5 615 332)	89 %	89 %
Human Settlements	46 607 691	(1 933 199)	44 674 492	-	-	44 674 492	45 445 412	-	770 920	102 %	98 %
Economic and Rural Development	311 120	-	311 120	-	-	311 120	654 732	-	343 612	210 %	210 %
Engineering Services	484 350 472	(42 643 212)	441 707 260	-	-	441 707 260	532 486 170	-	90 778 910	121 %	110 %
Water Services	1 412 164 941	13 934 373	1 426 099 314	-	-	1 426 099 314	1 426 559 215	-	459 901	100 %	101 %
Waste and Fleet Services	38 247 984	22 135 523	60 383 507	-	-	60 383 507	408 432 055	-	348 048 548	676 %	1 068 %
Miscellaneous Services	1 437 144 274	(272 838 880)	1 164 305 394	-	-	1 164 305 394	1 360 348 457	-	196 043 063	117 %	95 %
Strategic Projects and Service Delivery	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Naledi	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
<b>Total Revenue by Vote</b>	<b>5 156 176 235</b>	<b>(473 073 884)</b>	<b>4 683 102 351</b>	<b>-</b>	<b>-</b>	<b>4 683 102 351</b>	<b>5 271 202 155</b>	<b>-</b>	<b>588 099 804</b>	<b>113 %</b>	<b>102 %</b>
<b>Expenditure by Vote to be appropriated</b>											
Office of the City Manager	-	-	-	-	-	-	86 627 487	-	86 627 487	DIV/0 %	DIV/0 %
Office of the Executive Mayor	-	-	-	-	-	-	227 180 426	-	227 180 426	DIV/0 %	DIV/0 %
Corporate Services	-	-	-	-	-	-	442 515 188	-	442 515 188	DIV/0 %	DIV/0 %
Finance	-	-	-	-	-	-	237 952 592	-	237 952 592	DIV/0 %	DIV/0 %
Social Services	-	-	-	-	-	-	560 917 783	-	560 917 783	DIV/0 %	DIV/0 %
Planning	-	-	-	-	-	-	102 980 794	-	102 980 794	DIV/0 %	DIV/0 %
Human Settlement	-	-	-	-	-	-	104 584 009	-	104 584 009	DIV/0 %	DIV/0 %
Economic and Rural Development	-	-	-	-	-	-	23 575 191	-	23 575 191	DIV/0 %	DIV/0 %
Engineering Services	-	-	-	-	-	-	762 562 871	-	762 562 871	DIV/0 %	DIV/0 %
Water Services	-	-	-	-	-	-	1 027 537 370	-	1 027 537 370	DIV/0 %	DIV/0 %
Waste and Fleet Services	-	-	-	-	-	-	1 025 556 232	-	1 025 556 232	DIV/0 %	DIV/0 %
Miscellaneous Services	-	-	-	-	-	-	323 630 112	-	323 630 112	DIV/0 %	DIV/0 %
Strategic Projects and Service Delivery	-	-	-	-	-	-	54 998 109	-	54 998 109	DIV/0 %	DIV/0 %
Naledi	-	-	-	-	-	-	64 155 162	-	64 155 162	DIV/0 %	DIV/0 %
Example 15 - Vote15	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
<b>Total Expenditure by Vote</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 044 773 326</b>	<b>-</b>	<b>5 044 773 326</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>5 156 176 235</b>	<b>(473 073 884)</b>	<b>4 683 102 351</b>	<b>-</b>	<b>-</b>	<b>4 683 102 351</b>	<b>226 428 829</b>	<b>-</b>	<b>4 456 673 522)</b>	<b>5 %</b>	<b>4 %</b>

**Mangaung Metropolitan Municipality**  
**Appendix D3 to the Annual Financial Statements for the year ended 30 June 2021**  
**Budgeted Financial Performance (revenue & expenditure by functional classification) Unaudited**

**2021/2020**

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Revenue - Functional</b>											
<b>Municipal governance and administration</b>	-	-	-	-		-	2 840 428 798		2 840 428 798	DIV/0 %	DIV/0 %
Executive and council	-	-	-	-		-	654 732		654 732	DIV/0 %	DIV/0 %
Finance and administration	-	-	-	-		-	2 839 774 066		2 839 774 066	DIV/0 %	DIV/0 %
Internal audit	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %
<b>Community and public safety</b>	-	-	-	-		-	46 402 734		46 402 734	DIV/0 %	DIV/0 %
Community and social services	-	-	-	-		-	6 922 457		6 922 457	DIV/0 %	DIV/0 %
Sport and recreation	-	-	-	-		-	1 334 575		1 334 575	DIV/0 %	DIV/0 %
Public safety	-	-	-	-		-	11 051 687		11 051 687	DIV/0 %	DIV/0 %
Housing	-	-	-	-		-	27 094 015		27 094 015	DIV/0 %	DIV/0 %
Health	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %
<b>Economic and environmental services</b>	-	-	-	-		-	32 521 858		32 521 858	DIV/0 %	DIV/0 %
Planning and development	-	-	-	-		-	16 313 971		16 313 971	DIV/0 %	DIV/0 %
Road transport	-	-	-	-		-	15 842 304		15 842 304	DIV/0 %	DIV/0 %
Environmental protection	-	-	-	-		-	365 583		365 583	DIV/0 %	DIV/0 %
<b>Trading services</b>	-	-	-	-		-	2 351 635 136		2 351 635 136	DIV/0 %	DIV/0 %
Energy sources	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %
Water management	-	-	-	-		-	1 426 559 215		1 426 559 215	DIV/0 %	DIV/0 %
Waste water management	-	-	-	-		-	516 643 866		516 643 866	DIV/0 %	DIV/0 %
Waste management	-	-	-	-		-	408 432 055		408 432 055	DIV/0 %	DIV/0 %
<b>Other</b>	-	-	-	-		-	204 933		204 933	DIV/0 %	DIV/0 %
Other	-	-	-	-		-	204 933		204 933	DIV/0 %	DIV/0 %
<b>Total Revenue - Functional</b>	-	-	-	-		-	5 271 193 459		5 271 193 459	DIV/0 %	DIV/0 %



**Mangaung Metropolitan Municipality**  
**Appendix D3 to the Annual Financial Statements for the year ended 30 June 2021**  
**Budgeted Financial Performance (revenue & expenditure by functional classification) Unaudited**

**2021/2020**

Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Expenditure - Functional</b>										
<b>Governance and administration</b>	-	-	-	-	-	<b>908 068 455</b>	-	<b>908 068 455</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>
Executive and council	-	-	-	-	-	45 830 282	-	45 830 282	DIV/0 %	DIV/0 %
Finance and administration	-	-	-	-	-	862 238 173	-	862 238 173	DIV/0 %	DIV/0 %
Internal audit	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
<b>Community and public safety</b>	-	-	-	-	-	<b>813 432 239</b>	-	<b>813 432 239</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>
Community and social services	-	-	-	-	-	49 979 763	-	49 979 763	DIV/0 %	DIV/0 %
Sport and recreation	-	-	-	-	-	325 810 121	-	325 810 121	DIV/0 %	DIV/0 %
Public safety	-	-	-	-	-	310 352 248	-	310 352 248	DIV/0 %	DIV/0 %
Housing	-	-	-	-	-	113 793 088	-	113 793 088	DIV/0 %	DIV/0 %
Health	-	-	-	-	-	13 497 019	-	13 497 019	DIV/0 %	DIV/0 %
<b>Economic and environmental services</b>	-	-	-	-	-	<b>517 352 896</b>	-	<b>517 352 896</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>
Planning and development	-	-	-	-	-	44 524 350	-	44 524 350	DIV/0 %	DIV/0 %
Road transport	-	-	-	-	-	446 650 520	-	446 650 520	DIV/0 %	DIV/0 %
Environmental protection	-	-	-	-	-	26 178 026	-	26 178 026	DIV/0 %	DIV/0 %
<b>Trading services</b>	-	-	-	-	-	<b>1 551 445 733</b>	-	<b>1 551 445 733</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>
Energy sources	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Water management	-	-	-	-	-	974 589 256	-	974 589 256	DIV/0 %	DIV/0 %
Waste water management	-	-	-	-	-	352 819 217	-	352 819 217	DIV/0 %	DIV/0 %
Waste management	-	-	-	-	-	224 037 260	-	224 037 260	DIV/0 %	DIV/0 %
<b>Other</b>	-	-	-	-	-	<b>5 533 603</b>	-	<b>5 533 603</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>
Other	-	-	-	-	-	5 533 603	-	5 533 603	DIV/0 %	DIV/0 %
<b>Total Expenditure - Functional</b>	-	-	-	-	-	<b>3 795 832 926</b>	-	<b>3 795 832 926</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>
<b>Surplus/(Deficit) for the year</b>	-	-	-	-	-	<b>1 475 360 533</b>	-	<b>1 475 360 533</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>

**Mangaung Metropolitan Municipality**  
**Appendix D4 to the Annual Financial Statements for the year ended 30 June 2021**  
**Budgeted Capital Expenditure by vote - Unaudited**

**2021/2020**

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Capital expenditure by Vote</b>										
Office of the City Manager	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Office of the Executive Mayor	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Corporate Services	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Finance	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Social Services	-	-	-	-	-	-	2 572 034	2 572 034	DIV/0 %	DIV/0 %
Planning	-	-	-	-	-	-	3 827 818	3 827 818	DIV/0 %	DIV/0 %
Human Settlement	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Economic and Rural Development	-	-	-	-	-	-	7 200 405	7 200 405	DIV/0 %	DIV/0 %
Engineering Services	-	-	-	-	-	-	179 756 453	179 756 453	DIV/0 %	DIV/0 %
Water Services	-	-	-	-	-	-	20 424 853	20 424 853	DIV/0 %	DIV/0 %
Waste and Fleet Services	-	-	-	-	-	-	74 963 723	74 963 723	DIV/0 %	DIV/0 %
Miscellaneous Services	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Strategic Projects and Service Delivery	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Naledi	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
<b>Capital expenditure sub-total</b>	-	-	-	-	-	-	<b>288 745 286</b>	<b>288 745 286</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>

**Mangaung Metropolitan Municipality**  
**Appendix G5 to the Annual Financial Statements for the year ended 30 June 2021**  
**Budgeted Capital Expenditure by functional classification and funding - Unaudited**

**2021/2020**

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Capital Expenditure - Functional</b>										
<b>Governance and administration</b>	-	-	-	-	-	-	82 164 128	82 164 128	DIV/0 %	DIV/0 %
Executive and council	-	-	-	-	-	-	7 200 405	7 200 405	DIV/0 %	DIV/0 %
Finance and administration	-	-	-	-	-	-	74 963 723	74 963 723	DIV/0 %	DIV/0 %
Internal audit	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
<b>Community and public safety</b>	-	-	-	-	-	-	2 572 034	2 572 034	DIV/0 %	DIV/0 %
Community and social services	-	-	-	-	-	-	2 572 034	2 572 034	DIV/0 %	DIV/0 %
Sport and recreation	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Public safety	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Housing	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Health	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
<b>Economic and environmental services</b>	-	-	-	-	-	-	129 127 357	129 127 357	DIV/0 %	DIV/0 %
Planning and development	-	-	-	-	-	-	3 827 818	3 827 818	DIV/0 %	DIV/0 %
Road transport	-	-	-	-	-	-	125 299 539	125 299 539	DIV/0 %	DIV/0 %
Environmental protection	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
<b>Trading services</b>	-	-	-	-	-	-	74 881 766	74 881 766	DIV/0 %	DIV/0 %
Energy sources	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Water management	-	-	-	-	-	-	20 424 853	20 424 853	DIV/0 %	DIV/0 %
Waste water management	-	-	-	-	-	-	54 456 913	54 456 913	DIV/0 %	DIV/0 %
Waste management	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
<b>Other</b>	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Other	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
<b>Total Capital Expenditure - Functional</b>	-	-	-	-	-	-	288 745 285	288 745 285	DIV/0 %	DIV/0 %
<b>Funded by:</b>										
National Government	959 339 310	(405 391 858)	553 947 452	-		553 947 452	252 440 759	(301 506 693)	46 %	26 %
Provincial Government	-	-	-	-		-	-	-	DIV/0 %	DIV/0 %
District Municipality	-	-	-	-		-	-	-	DIV/0 %	DIV/0 %
Other transfers and grants	2 000 000	-	2 000 000	-		2 000 000	-	(2 000 000)	- %	- %
<b>Transfers recognised - capital</b>	961 339 310	(405 391 858)	555 947 452	-		555 947 452	252 440 759	(303 506 693)	45 %	26 %
Public contributions & donations	-	-	-	-		-	-	-	DIV/0 %	DIV/0 %
Borrowing	77 707 953	(8 500 000)	69 207 953	-		69 207 953	48 744 946	(20 463 007)	70 %	63 %
Internally generated funds	84 895 500	(66 036 645)	18 858 855	-		18 858 855	6 680 106	(12 178 749)	35 %	8 %
<b>Total Capital Funding</b>	1 123 942 763	(479 928 503)	644 014 260	-		644 014 260	307 865 811	(336 148 449)	48 %	27 %

**Mangaung Metropolitan Municipality**  
**Appendix D6 to the Annual Financial Statements for the year ended 30 June 2021**  
**Budgeted Cash Flows - Unaudited**

**30 June 2021**

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Cash flow from operating activities</b>										
<b>Receipts</b>										
Property rates	1 181 982 799	(143 421 799)	1 038 561 000	-	-	1 038 561 000	1 726 911 495	688 350 495	166 %	146 %
Service charges	1 023 560 091	(224 692 091)	798 868 000	-	-	798 868 000	-	(798 868 000)	- %	- %
Other revenue	91 032 822	540 559 205	631 592 027	-	-	631 592 027	-	(631 592 027)	- %	- %
Government - operating	-	(311 514 607)	(311 514 607)	-	-	(311 514 607)	1 029 310 812	1 340 825 419	(330)%	DIV/0 %
Government - capital	1 052 340 079	(402 148 079)	650 192 000	-	-	650 192 000	804 944 200	154 752 200	124 %	76 %
Interest	6 526 123	(456)	6 525 667	-	-	6 525 667	248 431 386	241 905 719	3 807 %	3 807 %
Dividends	-	-	-	-	-	-	2 248	2 248	DIV/0 %	DIV/0 %
<b>Payments</b>										
Suppliers and employees	(2 870 775 507)	(394 507 174)	(3 265 282 681)	-	-	(3 265 282 681)	(2 700 991 472)	564 291 209	83 %	94 %
Finance charges	(242 266 199)	12 000 000	(230 266 199)	-	-	(230 266 199)	(6 031 378)	224 234 821	3 %	2 %
Transfers and Grants	(7 937 980)	5 585 000	(2 352 980)	-	-	(2 352 980)	(2 000)	2 350 980	- %	- %
<b>Net cash flow from/used operating activities</b>	<b>234 462 228</b>	<b>(918 140 001)</b>	<b>(683 677 773)</b>	<b>-</b>	<b>-</b>	<b>(683 677 773)</b>	<b>1 102 575 291</b>	<b>1 786 253 064</b>	<b>(161)%</b>	<b>470 %</b>
<b>Cash flow from investing activities</b>										
<b>Receipts</b>										
Proceeds on disposal of PPE	(334 000)	-	(334 000)	-	-	(334 000)	-	334 000	- %	- %
Decrease (Increase) in non-current debtors	167 027 188	(166 752 188)	275 000	-	-	275 000	(492 196 654)	(492 471 654)	(178 981)%	(295)%
Decrease (increase) other non-current receivables	-	-	-	-	-	-	(6 790)	(6 790)	DIV/0 %	DIV/0 %
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
<b>Payments</b>										
Capital assets	(1 106 029 188)	559 567 188	(546 462 000)	-	-	(546 462 000)	(534 321 003)	12 140 997	98 %	48 %
Finance cost	-	-	-	-	-	-	620 512	620 512	DIV/0 %	DIV/0 %
<b>Net cash flow from/used investing activities</b>	<b>(939 336 000)</b>	<b>392 815 000</b>	<b>(546 521 000)</b>	<b>-</b>	<b>-</b>	<b>(546 521 000)</b>	<b>(1 025 903 935)</b>	<b>(479 382 935)</b>	<b>188 %</b>	<b>109 %</b>
<b>Cash flow from financing activities</b>										
<b>Receipts</b>										
Short term loans	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Borrowing long term/refinancing	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Increase (decrease) in consumer deposits	(9 411 977)	6 708 977	(2 703 000)	-	-	(2 703 000)	(248 237)	2 454 763	9 %	3 %
<b>Payments</b>										
Repayment of borrowing	13 633 636	(81 970 636)	(68 337 000)	-	-	(68 337 000)	(160 890 367)	(92 553 367)	235 %	(1 180)%
Finance Cost	-	-	-	-	-	-	(115 085 015)	(115 085 015)	DIV/0 %	DIV/0 %
<b>Net cash flow from/used financing activities</b>	<b>4 221 659</b>	<b>(75 261 659)</b>	<b>(71 040 000)</b>	<b>-</b>	<b>-</b>	<b>(71 040 000)</b>	<b>(276 223 619)</b>	<b>(205 183 619)</b>	<b>389 %</b>	<b>(6 543)%</b>
<b>Net increase/(decrease) in cash held</b>	<b>(700 652 113)</b>	<b>(600 586 660)</b>	<b>(1 301 238 773)</b>	<b>-</b>	<b>-</b>	<b>(1 301 238 773)</b>	<b>(199 552 263)</b>	<b>1 101 686 510</b>	<b>15 %</b>	<b>28 %</b>
Cash/cash equivalents at the year begin:	161 112 415	(340 875 851)					395 231 158			
<b>Cash/cash equivalents at the year end:</b>	<b>(539 539 698)</b>	<b>(941 462 511)</b>	<b>(1 301 238 773)</b>	<b>-</b>	<b>-</b>	<b>(1 301 238 773)</b>	<b>195 678 895</b>	<b>1 101 686 510</b>	<b>(15)%</b>	<b>(36)%</b>