

Ba-Phalaborwa Local Municipality

(Registration number LIM334)

Annual Financial Statements for the year ended 30 June 2022



Ba-Phalaborwa Local Municipality (Registration number LIM334) Annual Financial Statements for the year ended 30 June 2022 Published 31 August 2022

* See Note

Ba-Phalaborwa Local Municipality

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General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The provision of services (electricity, water, road, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
Legislation governing the municipality's operations	Constitution of the Republic of south Africa (Act 108 of 1998) Local Government: Municipal Finance Management Act (Act no.56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Municipal Property Rates Act (act of 6 2004) Division of Revenue Act (Act 1 of 2007)
Mayoral committee	
Executive Mayor	Cllr. M.M Malatji
Speaker	Cllr. E Hlugnwan (former: exited on 08 November 2021) Cllr. N.O Mabunda
Chief Whip	Cllr. D.M Rapatsa
Executive Committee Members	Cllr. T Nkuna Cllr. M.S Magomane Cllr. R Makasela Cllr. V.M Rapatsa Cllr. D.R Bayana Cllr. S.P Mashumu Cllr. S.R De Beer
Councillors	Cllr. K.A Peta (exited on 08 November 2021) Cllr. T.M Malobane Cllr. K.P Mhlarhi (exited on 08 November 2021) Cllr. N.L Rihlampfu Cllr. S.T Mkanzi (exited on 08 November 2021) Cllr. M.A Mononela Cllr. B Ramothwala Cllr. N.J Mampuru Cllr. Z Ndlovu (exited on 08 November 2021) Cllr. A.N Mmola (exited on 08 November 2021) Cllr. M.E Mokgalaka Cllr. E.A Mokoena Cllr. P.K Mashego (exited on 08 November 2021) Cllr. J.C Mokungwe Cllr. L.M Matlala Cllr. M.F Sekoele Cllr. T.C Malatji (exited on 08 November 2021) Cllr. T.C Malatjie Cllr. T.S Ndlovu (exited on 08 November 2021) Cllr. S.G.H Lamola (exited on 08 November 2021) Cllr. A Ngobeni (exited on 08 November 2021)

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	Cllr. K.O Pilusa (Former MPAC:Chaireperson exited on 08 November 2021) Cllr. M.R.S Williamson (exited on 08 November 2021) Cllr. S.M Shayi Cllr. S.K Shai (exited on 08 November 2021) Cllr. MMA Mathebula Cllr. R Makasela Cllr. MJ Valoyi (exited on 08 November 2021) Cllr. MM Malesa Cllr. MS Sekwakwa (exited on 08 November 2021) Cllr. EF Nyathi Cllr. MP Mailula Cllr. R Rakoma Cllr. SL Mohlala Cllr. NL Rihlampfu Cllr. GM Van Niekerk Cllr. DS Mathebula Cllr. NS Mnisi Cllr. HS Booyesen Cllr. NH Sekatane Cllr. MP Mukhari (MPAC: Chairperson) Cllr. J Sindane Cllr. TB Shai Cllr. MM Thuke Cllr. N.P Ntimane
Grading of local authority	Grade 3
Accounting Officer	M.I Moakamela (resigned 31 January 2022) K.K Pilusa (Acting Accounting Officer) (1 February 2022)
Chief Finance Officer (CFO)	A.T Ndzimande (Acting Chief Financial Officer)
Registered office	Civic Centre, Nelson Mandela Drive Phalaborwa 1390
Business address	Civic Centre Nelson Mandela Drive Phalaborwa 1390
Postal address	Ba-Phalaborwa Municipality Private Bag 01020 Phalaborwa 1390
Bankers	Standard Bank of South Africa ABSA Bank
Auditors	Auditor-General South Africa
Legal representative	Masengane KE Attorneys

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General Information

Isaih Nyathi Attorneys
Thomas & Swanepoel Inc
Mathonsi Attorneys
Sikhitha Daniels & Associates
Ngcingwana Inc
Bernhard Van Der Hoven
Gerhard Wagenaar
Rapela Inc Attorneys
Kgohlishi Abie Mamabolo Incorporated
Kgatla Attorneys
Maboka Mangena Attorneys
Mahowa Inc Attorneys
Mahumani Inc
Maponya Inc
Matabane Inc
Mohale Incorporated

Published

31 August 2022

Audit Committee Members

Ravhudzulo KP CA(SA) - former Chairperson (Term ended 31 July 2021)
Adv Nevondwe LT - Member (appointed 01 August 2021)
Mangoma L - Member (Term ended 31 July 2021)
Ngobeni SAB - Member (appointed 01 August 2021)
Modipane TC CA (SA) - Chairperson (appointed 01 September 2021)
Simelane SP (appointed 01 September 2021)

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COID	Compensation for Occupational Injuries and Diseases
GRAP	Generally Recognised Accounting Practice
IMFO	Institute of Municipal Finance Officers
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Annual Financial Statements for the year ended 30 June 2022

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is significantly dependent on government grants for continued funding of operations and capital projects. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's executive management.

I would like to bring to your attention the following material matters to your attention:

I certify that the salaries, allowances and benefits of councillors as disclosed in note 36 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, 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 the Act.

The annual financial statements set out on page 7, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed on its behalf by:

Dr. K.K.L Pilusa
Accounting Officer

Phalaborwa
31 August 2022

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Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	8	21,354,040	21,631,437
Receivables from non-exchange transactions	9	81,987,411	64,914,312
VAT receivable		-	842,223
Consumer Debtors	10	246,739,286	255,238,736
Other debtors		165,422	717,150
Cash and cash equivalents	11	68,026,572	69,319,706
		418,272,731	412,663,564
Non-Current Assets			
Biological assets that form part of an agricultural activity	3	-	141,973
Investment property	4	414,578,947	334,466,888
Property, plant and equipment	5	844,367,781	872,213,164
Intangible assets	6	182,548	273,821
Heritage assets	7	317,000	317,000
		1,259,446,276	1,207,412,846
Total Assets		1,677,719,007	1,620,076,410
Liabilities			
Current Liabilities			
Other financial liabilities	12	15,458,578	14,222,478
Finance lease obligation	13	923,256	172,204
Payables from exchange transactions	14	617,377,180	595,049,379
VAT payable	15	36,994,111	-
Consumer deposits	16	4,518,543	4,275,689
Employee benefit obligation	17	2,312,368	1,643,388
Unspent conditional grants and receipts	18	918,483	1,143,192
		678,502,519	616,506,330
Non-Current Liabilities			
Other financial liabilities	12	57,377,010	74,535,452
Finance lease obligation	13	3,654,024	-
Employee benefit obligation	17	53,630,612	48,606,756
Provisions	19	103,193,312	93,172,469
		217,854,958	216,314,677
Total Liabilities		896,357,477	832,821,007
Net Assets		781,361,530	787,255,403
Reserves			
Revaluation reserve	20	38,072,442	38,072,442
Accumulated surplus		743,289,088	749,182,961
Total Net Assets		781,361,530	787,255,403

* See Note 48

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Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	22	123,585,004	121,919,258
Rental of facilities and equipment	23	204,862	5,219
Agency services	24	21,601,204	29,590,372
Licences and permits	25	20,515,633	5,689,723
Other income	26	10,752,671	1,956,348
Interest income - bank and overdue accounts	27	13,766,025	27,721,416
Total revenue from exchange transactions		190,425,399	186,882,336
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	28	141,423,062	95,114,067
Interest income - overdue accounts	28	31,449,628	19,818,069
Transfer revenue			
Government grants & subsidies	29	229,180,410	252,461,449
Contribution from estimates - gain - landfill provision	19&30	-	20,046,689
Public contributions and donations	31	11,898,659	1,791,763
Traffic fines	32	543,345	301,201
Actuarial gains	17	1,162,925	386,095
Fair value adjustments - Investment properties and Biological assets	33	79,970,083	84,403,002
Total revenue from non-exchange transactions		495,628,112	474,322,335
Total revenue	21	686,053,511	661,204,671
Expenditure			
Employee related costs	34	(168,415,875)	(143,474,659)
Remuneration of councillors	35	(17,312,291)	(15,304,119)
Depreciation and amortisation	36	(72,475,714)	(74,118,341)
Impairments of assets	37	-	(9,717,798)
Finance costs	38	(18,265,931)	(18,640,508)
Debt Impairment	39	(136,916,628)	(39,994,029)
Bulk purchases	40	(101,086,420)	(86,757,786)
Contracted services	41	(61,935,381)	(38,651,156)
Contribution from estimates - loss - landfill provision/Loss on disposal of assets and liabilities		(16,545,143)	(852,426)
Inventories losses/write-downs	8	(594,852)	(662,722)
General Expenses	42	(98,399,149)	(75,897,314)
Total expenditure		(691,947,384)	(504,070,858)
(Deficit) surplus for the year		(5,893,873)	157,133,813

* See Note 48

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Statement of Changes in Net Assets

	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 01 July 2020	38,072,442	625,971,423	664,043,865
Changes in net assets			
Surplus for the year	-	157,133,813	157,133,813
Total changes	-	157,133,813	157,133,813
Opening balance before prior period adjustment	38,072,442	783,105,236	821,177,678
Adjustments			
Prior year adjustments (Refer Note 47)	-	(33,922,275)	(33,922,275)
Restated* Balance at 01 July 2021 as restated*	38,072,442	749,182,961	787,255,403
Changes in net assets			
Surplus for the year	-	(5,893,873)	(5,893,873)
Total changes	-	(5,893,873)	(5,893,873)
Balance at 30 June 2022	38,072,442	743,289,088	781,361,530
Note(s)	20		

* See Note 48

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Cash Flow Statement for the year ended 30 June 2022

		2022	2021
	Note(s)		Restated*
Cash flows from operating activities			
Receipts			
Cash received from customers		119,856,792	12,118,232
Grants		229,168,426	238,252,802
Interest income		45,215,653	47,539,485
Other income		53,617,715	37,241,662
		447,858,586	335,152,181
Payments			
Employee costs		(185,935,427)	(162,901,072)
Finance costs		(6,199,683)	(7,049,645)
Suppliers and other payments		(199,744,088)	(90,170,963)
		(391,879,198)	(260,121,680)
Net cash flows from operating activities	44	55,979,388	75,030,501
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(41,121,007)	(51,917,758)
Proceeds from sale of Property, plant and equipment		14,876	-
Net cash flows from investing activities		(41,106,131)	(51,917,758)
Cash flows from financing activities			
Repayment of other financial liabilities		(15,922,342)	(8,294,234)
Finance lease payments		(244,049)	(486,094)
Net cash flows from financing activities		(16,166,391)	(8,780,328)
Net increase/(decrease) in cash and cash equivalents		(1,293,134)	14,332,415
Cash and cash equivalents at the beginning of the year		69,319,706	54,987,291
Cash and cash equivalents at the end of the year	11	68,026,572	69,319,706

* See Note 48

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Statement of Comparison of Budget and Actual Amounts for the Year Ended

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	181,541,610	-	181,541,610	123,585,004	(57,956,606)	Refer to note 58
Rental of facilities and equipment	604,856	-	604,856	204,862	(399,994)	Refer to note 58
Agency services	3,114,870	-	3,114,870	21,601,204	18,486,334	Refer to note 58
Licences and permits	14,955,380	-	14,955,380	20,515,633	5,560,253	Refer to note 58
Other income	-	-	-	10,752,671	10,752,671	Refer to note 58
Interest received - outstanding debtors	2,812,924	-	2,812,924	13,766,025	10,953,101	Refer to note 58
Total revenue from exchange transactions	203,029,640	-	203,029,640	190,425,399	(12,604,241)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	135,246,568	-	135,246,568	141,423,062	6,176,494	Refer to note 58
Property rates - Interest income - overdue accounts	62,495,333	(5,000,000)	57,495,333	31,449,628	(26,045,705)	Refer to note 58
Transfer revenue						
Government grants & subsidies	232,107,000	(3,079,942)	229,027,058	229,180,410	153,352	Refer to note 58
Public contributions and donations	-	-	-	11,898,659	11,898,659	
Traffic fines	1,394,782	(100,000)	1,294,782	543,345	(751,437)	Refer to note 58
Actuarial gains	-	-	-	1,162,925	1,162,925	Refer to note 58
Fair Value adjustment - Investment Properties and Biological Assets	-	-	-	79,970,083	79,970,083	Refer to note 58
Total revenue from non-exchange transactions	431,243,683	(8,179,942)	423,063,741	495,628,112	72,564,371	
Total revenue	634,273,323	(8,179,942)	626,093,381	686,053,511	59,960,130	
Expenditure						
Employee related costs	(184,410,592)	809,037	(183,601,555)	(168,415,875)	15,185,680	Refer to note 58

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Statement of Comparison of Budget and Actual Amounts for the Year Ended

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Remuneration of councillors	(21,306,341)	1,645,148	(19,661,193)	(17,312,291)	2,348,902	Refer to note 58
Depreciation and amortisation	(84,211,814)	-	(84,211,814)	(72,475,714)	11,736,100	Refer to note 58
Finance costs	(2,865,967)	-	(2,865,967)	(18,265,931)	(15,399,964)	Refer to note 58
Debt Impairment	(41,992,361)	-	(41,992,361)	(136,916,628)	(94,924,267)	
Bulk purchases	(113,648,418)	-	(113,648,418)	(101,086,420)	12,561,998	Refer to note 58
Contracted Services	(94,337,413)	22,659,000	(71,678,413)	(61,935,381)	9,743,032	Refer to note 58
General Expenses	(70,301,260)	(25,256,147)	(95,557,407)	(98,399,149)	(2,841,742)	Refer to note 58
Total expenditure	(613,074,166)	(142,962)	(613,217,128)	(674,807,389)	(61,590,261)	
Operating surplus	21,199,157	(8,322,904)	12,876,253	11,246,122	(1,630,131)	
Gain/(loss) on disposal of assets and liabilities	-	-	-	(16,545,143)	(16,545,143)	Refer to note 58
Inventories losses/write-downs	-	-	-	(594,852)	(594,852)	
	-	-	-	(17,139,995)	(17,139,995)	
Deficit before taxation	21,199,157	(8,322,904)	12,876,253	(5,893,873)	(18,770,126)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	21,199,157	(8,322,904)	12,876,253	(5,893,873)	(18,770,126)	

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Accounting Policies

	2022	2021
	Note(s)	

1. Presentation of Annual Financial Statements

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 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.

1.4 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.

Trade receivables

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

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period. The impairment is measured as the excess of debtors carrying amount over the present value of the estimated future cash flows discounted at the adjusted market rate.

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 operation surplus note.

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Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the 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.

Provisions

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

Post-retirement benefits

The municipality has a post-retirement employee benefit scheme in the forms of medical and long service awards benefits. The post-retirement benefits are accounted for in terms of GRAP 25 where the value of future benefits are determined by present valuing future expected cash payments that will be required to settle the obligation resulting from employee service in the current and future periods.

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 17.

Effective interest rate

The municipality uses the prime interest rate to discount future cash flows to their present value.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that a debtor balance is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

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Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Recognition and Derecognition of Land

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land are in terms of risk and rewards. Where the municipality enjoys the power and benefit of control over land property such as deriving economic benefits and/or restricting other third parties from the enjoyment or use of the land property, then such land property is capitalized by the municipality.

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied includes the analysis of the cost-benefit, rights and obligations, as outlined in GRAP 109. Where the municipality has entered into a principal-agent arrangement arising from a legally binding agreement that results in the municipality being an agent, the resulting transactions such as revenue, expenses, assets and liabilities are accounted and disclosed as principal-agent amounts and balances.

Additional information is disclosed in Note 58.

Impairment of statutory receivables

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures and impairment loss. The impairment loss is measured 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, are reduced, either directly or through the use of an allowance account. The amount of the loss 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 municipality 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 are 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.

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1.4 Significant judgements and sources of estimation uncertainty (continued)

Accounting for adjustments to revenue

Determining whether an adjustment to revenue charged in terms of legislation or similar means is a correction of an error or a change in an accounting estimate requires the application of judgement by management. When adjustments to revenue already recognised arise from new information that becomes known to the municipality, the following considerations are applied to determine whether the adjustment to revenue already recognised is a correction of an error or a change in an accounting estimate:

- (a) If information becomes known to the municipality, and the municipality could reasonably have been expected to know of the information and/or the information used was incorrect, the adjustment to revenue is likely to be a correction of an error.
- (b) If information becomes known to the municipality, but the municipality could not reasonably have been expected to know of this information when the revenue was charged, the adjustment to revenue is likely to be a change in an accounting estimate.

Accounting for adjustments to revenue that correct an error or prior period error

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for an adjustment to revenue already recognised, including interest and penalties, as the correction of an error or prior period error where the entity:

- (a) has not followed a proper due process to promulgate the tariff, basis, percentage or formula to charge the revenue; and/or
- (b) incorrectly applied the tariff, basis, percentage or formula in charging revenue.

Errors discovered within the reporting period which relates to that period are corrected before the annual financial statements are authorised for issue. The principles in GRAP 3 are applied to account for the adjustment to revenue already recognised as a result of the correction of a prior period error.

Accounting for adjustments to revenue as a change in an accounting estimate

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for any adjustment to revenue already recognised, including interest and penalties, as a change in an accounting estimate if changes occur in the circumstances that led to the recognition of the revenue.

The principles in GRAP 3 are applied to account for a change in an accounting estimate.

1.5 Biological assets that form part of an agricultural activity

The entity recognises biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity is measured at fair value less costs to sell and from a change in fair value less costs to sell of biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

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1.6 Investment property

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

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

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

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

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

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

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

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.

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.

Property interests held under operating leases are classified and accounted for as investment property as indicated in the GRAP standard. :

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

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

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note).

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1.6 Investment property (continued)

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

1.7 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period. The municipality recognises property, plant and equipment at cost and subsequently at cost less accumulated depreciation & impairment.

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.

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

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

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

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

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.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value of items of property, plant and equipment have been assessed as follows

Item	Depreciation method	Average useful life
Buildings	Straight-line	20 - 30 years
Computer software	Straight-line	3 - 5 Years
Infrastructure	Straight-line	2 - 100 years
Community	Straight-line	5 - 100 years
Other property, plant and equipment	Straight-line	3 - 20 years

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1.7 Property, plant and equipment (continued)

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.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

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.

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

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

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

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

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

1.8 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.

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1.9 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.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer Software	Straight-line	3 - 5 Years

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

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Accounting Policies

1.10 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.

A heritage asset shall be recognised as an asset if, and only if:

- (a) it is probable that future economic benefits or service potential associated with the asset will flow to the entity; and
- (b) the cost or fair value of the asset can be measured reliably.

Heritage assets are initially recognized as an asset as its cost.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 7).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 7).

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.

The cost of a heritage asset comprises:

- (a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
- (b) any costs directly attributable to bringing the heritage asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

Subsequent measurement

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

Impairment

The municipality 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.

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.

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).

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Accounting Policies

1.11 Financial instruments

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

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

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

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

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 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.

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

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

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

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

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

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

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1.11 (continued)

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 counterpart has failed to make a payment when contractually due.

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

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

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.

Classification

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

Financial assets

- Receivables from exchange transactions
- Receivables from non-exchange transactions
- Cash and cash equivalent

Category

- Financial asset measured at amortised cost
- Financial asset measured at amortised cost
- Financial asset measured at amortised cost

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

Financial liabilities

- Other financial liabilities
- Payables from exchange transactions
- Employee Benefit Obligation

Category

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

1.12 Statutory receivables

Identification

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Accounting Policies

1.12 Statutory receivables (continued)

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

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

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

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

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

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 (Taxes and transfers), 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 (Taxes and transfers).

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

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1.12 Statutory receivables (continued)

Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.

It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.

A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).

Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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 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:

- derecognises 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.

1.13 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 - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

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Accounting Policies

1.13 Leases (continued)

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 .

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.

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

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

Operating leases - lessee

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

1.14 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 weighted average cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
distribution at no charge or for a nominal charge; or
consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

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1.14 Inventories (continued)

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

1.15 Construction contracts and receivables

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

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

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

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

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

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

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

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

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

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

1.16 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.

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

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

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

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

Useful life is either:

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

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

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of 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.

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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.

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the 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.

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.

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

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1.16 Impairment of non-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.

1.17 Employee benefits

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

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

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

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

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

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

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

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

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

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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.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Insured benefits

Where the entity pays insurance premiums to fund a post-employment benefit plan, the entity treats such a plan as a defined contribution plan unless the entity will have (either directly or indirectly through the plan) a legal or constructive obligation to either:

- pay the employee benefits directly when they fall due; or
- pay further amounts if the insurer does not pay all future employee benefits relating to employee service in the current and prior reporting periods.

If the entity retains such a legal or constructive obligation, the entity treats the plan as a defined benefit plan.

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1.17 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

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

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity 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 contribution in the cost of an asset.

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

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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 defined benefit 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.

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1.17 Employee benefits (continued)

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).

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-measure 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.

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Accounting Policies

1.17 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Other post retirement obligations

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

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

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

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

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

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

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1.17 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either: terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

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

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

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

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

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

1.18 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 (deficit).

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

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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 46.

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

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

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

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

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

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

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

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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 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

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

Contracts should be non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and

Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.20 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.

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Accounting Policies

1.20 Revenue from exchange transactions (continued)

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

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

Measurement

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

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

Sale of goods

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

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

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

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1.20 Revenue from exchange transactions (continued)

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 using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

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

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

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

1.21 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.

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.

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

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

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

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, 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.

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1.21 Revenue from non-exchange transactions (continued)

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

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

Recognition

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

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

Measurement

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

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

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

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 value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

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

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1.21 Revenue from non-exchange transactions (continued)

Transfers

Apart from Services in kind, which are not recognised, 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.

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.

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.

1.22 Conditional Grants and Receipts

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

Government grants that are receivable as compensation for expenses or losses already incurred or for purposes of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met.

1.23 Investment income

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

1.24 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.

1.25 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.

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1.25 Accounting by principals and agents (continued)

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.

1.26 Comparative figures

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

1.27 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.

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Accounting Policies

1.27 Unauthorised expenditure (continued)

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

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

1.28 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

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

1.29 Irregular expenditure

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

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.30 Budget information

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

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

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Accounting Policies

1.30 Budget information (continued)

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

The approved budget covers the fiscal period from 01/07/2021 to 30/06/2022.

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

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

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 on the same basis of accounting as determined by National Treasury.

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note .

Comparative information is not required.

1.31 Related parties

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

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

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

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

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

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 those family members who may be expected to influence, or be influenced by that person in their dealings with the municipality.

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.

1.32 Events after reporting date

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

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

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Accounting Policies

1.32 Events after reporting date (continued)

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.

1.33 Revaluation reserves

Recognition and measurement

The realisation of an increase of property, plant and equipment carrying value as a result of a revaluation, the increase is credited to a non-distributable reserve. However, the increase shall be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit. If the carrying amount of an asset is decreased as a result of a revaluation, the decrease shall be recognised in surplus or deficit to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The revaluation surplus is realised as revalued buildings 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.

Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

Revaluation reserve shall be measured as the asset fair value minus its carrying value.

1.34 Taxes - Value added tax

Net payable/receivable

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of value added tax recoverable from, or payable to the taxation authority is included as part of receivables or payables in the Statement of Financial Position. The Municipality is registered at SARS for VAT on the payment basis.

1.35 Consumer deposits

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

1.36 Cash and Cash Equivalents

Cash is cash on hand and cash with banks.

Cash equivalents are all short-term liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, investments in financial instruments and net of bank overdraft.

Cash and cash equivalents are recorded at face value.

1.37 Expenditure – Contracted Services

This expenditure type distinguishes between Outsourced services, Contractors and Professional and Special Services.

1.38 Expenditure – Bulk Purchases

Bulk purchases of Electricity purchased from Eskom for resale to consumers.

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1.39 Debt impairment

A financial asset, not carried at fair value through profit or loss, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the municipality on terms that the municipality would not consider otherwise and indications that a debtor or issuer will enter bankruptcy.

The municipality considers evidence of impairment at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. A report on the various categories of customers is drafted to substantiate the impairment evaluation. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the municipality uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in surplus or deficit and reflected in an allowance account against receivables. If impaired financial assets are written off, the write off is made against the allowance account. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through surplus or deficit, subject to the restriction that the carrying amount of the financial instrument shall not exceed what the amortised cost would have been had the impairment not been recognised.

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2022 2021

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:
GRAP 20: Related parties	01 April 2021	Unlikely there will be a material impact
GRAP 108: Statutory Receivables	01 April 2021	Unlikely there will be a material impact
GRAP 109: Accounting by Principals and Agents	01 April 2021	Unlikely there will be a material impact

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following amendments in the standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 25: Employee Benefits	01 April 2022	Unlikely there will be a material impact
GRAP 103: Heritage Assets	01 August 2022	Unlikely there will be a material impact
GRAP 104 (amended): Financial Instruments	01 April 2022	Unlikely there will be a material impact
Guideline: Guideline on Accounting for Landfill Sites 2022 (revised)	01 April 2022	Unlikely there will be a material impact
IGRAP 7 Limit on a Defined Benefit Asset Minimum Fund Requirement and their Interaction (revised)	01 April 2022	Unlikely there will be a material impact

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Figures in Rand

3. Biological assets that form part of an agricultural activity

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Trees in timber plantation - Consumable	-	-	-	141,973	-	141,973

Reconciliation of biological assets that form part of an agricultural activity - 2022

	Opening balance	Gains or losses arising from changes in fair value	Total
Trees in timber plantation - Consumable	141,973	(141,973)	-

Reconciliation of biological assets that form part of an agricultural activity - 2021

	Opening balance	Gains or losses arising from changes in fair value	Total
Trees in timber plantation - Consumable	135,859	6,114	141,973

Non-financial information

Biological Assets consists of plants and flowers at a municipal nursery facility. The plants are purchased as seeds and grown at the nursery for either selling in future, rental to members of the community or for use by the municipality as part of decorations at its public events. The nursery is located at corner Koper and Du Kuiper in Phalaborwa.

As required by GRAP 27 the Biological Assets were verified and valued at fair value at 30 June 2021 by Mr NB Makgakga of Makgakga property Valuers . The summary of the verification and fair values is as follows:

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Notes to the Annual Financial Statements for the year ended 30 June 2022

	2022	2021
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3. Biological assets that form part of an agricultural activity (continued)

Methods and assumptions used in determining fair value

The effective date of valuation was 30 June 2021. The municipality engaged the services of an expert valuer for the biological assets who used the open market value of the flowers and trees at year end. The valuations were performed by an independent valuer, Mr NB Makgakga of Makgakga property Valuers. The valuer is not connected to the municipality and has recent experience in location and category of the investment properties being valued.

The assumptions are based on the current market values adjusted for inflation to take into account the time value of money

The fair value gain or loss on is recognised in the statement of financial performance for the year. During the current year a fair value adjustment of R141 972 (loss) (2020: R6 114).

Fair value less estimated point-of-sale costs of agricultural produce harvested during the period, determined at the point of harvest	-	141,972
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2022 2021

4. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	414,578,947	-	414,578,947	334,466,888	-	334,466,888

Reconciliation of investment property - 2022

	Opening balance	Fair value adjustments	Total
Investment property	334,466,888	80,112,059	414,578,947

Reconciliation of investment property - 2021

	Opening balance	Fair value adjustments	Total
Investment property	250,070,000	84,396,888	334,466,888

Fair value of investment properties 414,578,947 334,466,888

Pledged as security

There are no Investment properties pledged as security.:

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

The investment the investment properties consist of land (vacant) and rented building with the significant part of the value being attributable to vacant land. As a result, the investment properties are mainly held for capital appreciation than rental income.

All investment properties are located within the Ba-Phalaborwa municipality demarcation area.

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Notes to the Annual Financial Statements for the year ended 30 June 2022

2022

2021

4. Investment property (continued)

Details of valuation

The effective date of the revaluations was 30 June 2022. The valuations were performed by an independent valuer, Mr Mzoli M. Mbangatha of TESA Properties. The valuer is not connected to the municipality and has recent experience in location and category of the investment properties being valued.

The valuation was performed based on the nature of the properties. The following represents methods used for each of the properties revalued:

The valuer opted for the comparable sales approach to determine the value of the vacant land properties. This method is based on the theory that a knowledgeable purchaser would pay no more for a property than the cost of acquiring an acceptable substitute property. In applying the Comparable Sales Approach it is necessary to investigate the sales of similar type properties that have been sold as well as comparable properties which are on the market. The above information is compared to the subject property, which involves judgments as to the degree of similarity with regard to value factors such as location, construction type, age, condition and layout.

The sales of properties, which are most comparable, tend to set the range in which the value of the subject property will fall. Further consideration of comparative data will indicate to the valuer a figure representing the value of the subject property in keeping with the definition of value sought as at the date of valuation.

The valuer also applied the Depreciated Replacement Cost (DRC) to determine the value of the improvements allowing for condition assessment through depreciation factor adjustment. This method is based on the theory that a knowledgeable purchaser would pay no more for a property than the cost of acquiring a similar site, combined with building an acceptable substitute structure. The maximum value of a property can be measured by the total expenditure necessary to reproduce the building, plus the value of an equivalent site. The total expenditure is then reduced to reflect applicable accrued depreciation and obsolescence of the buildings and improvements.

The cost method does not necessarily represent the market value of a property but apparently measures its intrinsic value. This method should, therefore, be used with discretion and only in cases where there is an absence of market data and where the direct or indirect comparison methods cannot be used.

During the current year a fair value adjustment was recognised amounting to R80,112,059 (2021: R84 396 888) have been recognised in the statement of financial performance.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	204,862	5,219
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Figures in Rand

5. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	74,710,868	-	74,710,868	74,710,868	-	74,710,868
Buildings	331,877,072	(227,278,463)	104,598,609	331,877,072	(210,672,045)	121,205,027
Infrastructure	866,960,012	(537,591,152)	329,368,860	843,776,575	(498,631,367)	345,145,208
Community Assets	442,300,105	(238,480,211)	203,819,894	454,863,459	(224,045,260)	230,818,199
Capital work in progress (WIP)	110,249,915	-	110,249,915	89,109,223	-	89,109,223
Other property, plant and equipment (Movables)	59,013,702	(37,394,067)	21,619,635	46,264,634	(35,039,995)	11,224,639
Total	1,885,111,674	(1,040,743,893)	844,367,781	1,840,601,831	(968,388,667)	872,213,164

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Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Additions through donations	Disposals	Transfers received	Transfers made	Other changes, movements	Depreciation	Total
Land	74,710,868	-	-	-	-	-	-	-	74,710,868
Buildings	121,205,027	-	-	-	-	-	-	(16,606,418)	104,598,609
Infrastructure	345,145,208	1,735,230	4,672,256	-	16,775,952	-	-	(38,959,786)	329,368,860
Community Assets	230,818,199	-	558,165	-	-	-	(13,121,518)	(14,434,952)	203,819,894
Work in Progress	89,109,223	47,770,762	-	-	-	(26,630,070)	-	-	110,249,915
Other property, plant and equipment (Movables)	11,224,639	6,118,258	6,668,239	(8,215)	-	-	-	(2,383,286)	21,619,635
	872,213,164	55,624,250	11,898,660	(8,215)	16,775,952	(26,630,070)	(13,121,518)	(72,384,442)	844,367,781

At year end the Provision for Environmental Rehabilitation was reassessed to fair value based on the discounted cash flow method. The reassessment resulted in the decrease in the Provision account for Landfill by an amount of R13 121 518 (2021: R 7 890 445 increase in provision) . As the provisions is linked to the Landfill Site Asset accounts, the corresponding balance of the R13 121 518 (2021: R 7 890 445) decreased the value of Landfill Site Assets. This decrease in Landfill Site Assets is disclosed as a form of other changes/movements in the reconciliation note above.

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Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers received	Transfers made	Other changes, movements	Depreciation	Impairment loss	Total
Land	75,563,293	-	(852,425)	-	-	-	-	-	74,710,868
Buildings	137,214,586	573,222	-	-	-	-	(16,582,781)	-	121,205,027
Infrastructure	384,786,137	5,343,251	-	3,329,689	-	-	(39,785,533)	(8,528,336)	345,145,208
Community assets	198,906,629	-	-	39,339,387	-	7,890,445	(15,318,262)	-	230,818,199
Capital work in progress	84,177,004	47,601,295	-	-	(42,669,076)	-	-	-	89,109,223
Other property, plant and equipment (Movables)	12,557,710	2,196,883	-	-	-	-	(2,340,491)	(1,189,463)	11,224,639
	893,205,359	55,714,651	(852,425)	42,669,076	(42,669,076)	7,890,445	(74,027,067)	(9,717,799)	872,213,164

Pledged as security

None of the property, plant & equipment is pledged as security:

Depreciation rates

The depreciation methods and average useful lives of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight-line	30 Years
Computer software	Straight-line	5 Years
Infrastructure	Straight-line	2 - 100 Years
Community	Straight-line	5 - 100 Years
Other property, plant and equipment	Straight-line	3 - 20 Years

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Notes to the Annual Financial Statements for the year ended 30 June 2022

	2022	2021
5. Property, plant and equipment (continued)		
Reconciliation of Work-in-Progress 2022		
	Included within Infrastructure	Total
Opening balance	89,109,223	89,109,223
Additions/capital expenditure	47,770,762	47,770,762
Donated out to Eskom	(9,854,119)	(9,854,119)
Transferred to completed items	(16,775,952)	(16,775,952)
	110,249,914	110,249,914

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Total
Opening balance	84,177,004	84,177,004
Additions/capital expenditure	47,601,295	47,601,295
Transferred to completed items	(42,669,076)	(42,669,076)
	89,109,223	89,109,223

Expenditure incurred to repair and maintain property, plant and equipment

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

General expenses	9,561,175	18,983,977
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During the year the municipality incurred R9 561 175 (2021: R18 983 977) to repair and maintain property, plant and equipment and other assets.

Commitments relating to Property, Plant and Equipment

The municipality have contractual commitments to acquire property, plant and equipment in the current year amounting to R32 876 352 (2021: R51,709,067). Details of the costs is disclosed in Note 45.

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Notes to the Annual Financial Statements for the year ended 30 June 2022

		2022	2021
5. Property, plant and equipment (continued)			
Long outstanding projects			
The following represents projects taking longer to be completed			
Refurbishment of Namakgale Stadium			
A Project with a budgeted cost of R44 941 439 that started on the 26 June 2022 had incurred cost to date of R9 161 700 representing 20% as at 30 June 2022. The project was suffering due to financial instability, however the owner has resigned and has brought in the new management to run the project. Estimated completion date is 30 August 2023.	Long outstanding project	16,536,782	5,072,090
Installation of storm water and culverts			
A project with a budgeted cost of R28 000 000 that started on the 26 June 2019 had incurred cost to date of R1 500 000 representing 5% as at 30 June 2022. The Designs of the project are completed. The project is registered through MIG Grant to be implemented from 2022/2023 financial year. The expected date of completion is 30 June 2024.	Long outstanding project	1,304,348	1,304,348
Ben farm upgrading of streets			
A project with budgeted cost of R30 420 000 that started on the 25 September 2015 had not incurred costs to date representing 0% as at 30 June 2022. The Project is not delayed, Phase 1 was completed in the 2018/19 financial year . For Phase 2, the project plan is to appoint contractor.	Long outstanding project	2,096,841	607,184
Tambo Upgrading of street gravel to tar phase 2 B,C & D			
A project with budgeted cost of R48 229 483 that started on the 24 June 2014 had incurred costs to date amounting to R42 932 362 representing 85% as at 30 June 2022. The Project Completion was delayed due to ongoing disputes between the contractor and subcontractors, efforts to intervene and resolve the matter have been unsuccessful. There is a possibility termination of contract, the expected completion date of the project is 30 June 2022.	Long outstanding project	33,980,684	25,344,770
Extension of Municipal Offices			
The expenditure incurred is for consulting fees i.e., designs and feasibility studies. The construction has not yet been appointed	Long outstanding project	875,745	875,745
Selwane sport complex			
A construction project of a sports complex is a multi-year project and as such it is expected for the project to take time to complete. The phases as appointed will be completed but the whole asset will not be complete and as such management will keep this under WIP.	Long outstanding project	39,241,279	38,322,989
		94,035,679	71,527,126

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.

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Figures in Rand

6. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2,279,945	(2,097,397)	182,548	2,279,945	(2,006,124)	273,821

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software, other	273,821	(91,273)	182,548

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software, other	365,094	(91,273)	273,821

Pledged as security

There are no intangible assets pledged for security.

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Figures in Rand

7. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	317,000	-	317,000	317,000	-	317,000

Reconciliation of heritage assets 2022

	Opening balance	Total
Historical monuments	317,000	317,000

Reconciliation of heritage assets 2021

	Opening balance	Total
Historical monuments	317,000	317,000

Service concession arrangements

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Notes to the Annual Financial Statements for the year ended 30 June 2022

	2022	2021
8. Inventories		
Consumable stores	21,354,040	21,631,437

8.1 Inventory write-downs

Stock count variances	(12,489)	(16,652)
Inventory write down	(582,363)	(646,070)
	(594,852)	(662,722)

It is the municipality's policy to make inventory write downs for obsolete and expired stock. During the current year, the assessment of inventory for impairment resulted in write downs reported above..

Inventory expensed

Inventory issued during the current year	29,760,622	17,128,500
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There were no inventories pledged as security in the current year

9. Receivables from non-exchange transactions

Statutory receivables - Property/Assessment Rates	81,121,340	64,591,586
Statutory receivables - Traffic fines	866,071	322,726
	81,987,411	64,914,312

Statutory receivables included in receivables from non-exchange transactions above are as follows:

Assessment Rates	517,822,349	432,808,467
Traffic fines	31,446,898	31,005,833
	549,269,247	463,814,300

Assessment Rates

Current (0 -30 days)	15,725,794	39,049,900
31 - 60 days	14,085,267	8,417,894
61 - 90 days	9,301,384	7,779,214
91 - 120 days	10,593,361	7,825,441
121 - 365 days	468,116,543	369,736,018
	517,822,349	432,808,467

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Notes to the Annual Financial Statements for the year ended 30 June 2022

2022 2021

9. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Assessment rates - Municipal property rates are a cent amount in the Rand rate levied on the market value of property. The Constitution of the Republic of South Africa gives municipalities the power to value and rate property in their area of jurisdiction. The rates are determined in line with chapter 4 of the Municipal Systems Act and Municipal Finance Management Act as well as section 4 of the Municipal Property Rates Act.

Traffic fines - Fines are levied as a result of an infringement of road regulations. the traffic officer will issue an Infringement Notice in accordance with the administrative procedures, as prescribed in the AARTO Act.

Determination of transaction amount

Property/Assessment rates - The property/assessment rate is calculated by multiplying the market value of property by a Cent amount in the Rand rate that a municipal council has determined.

Traffic fines - depends on the infringement by the individual which is determined by AARTO.

Interest or other charges levied/charged

Traffic fines - No interest is charged on the traffic fines.

Property/Assessment rates - interest is levied at a 6.6% rate as approved by council on all outstanding debt in arrears.

Statutory receivables from non-exchange transactions pledged as security

There are no receivables from non-exchange transactions that were pledged as security.

Credit quality of statutory receivables from non-exchange transactions

The credit quality of statutory receivables from non-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 counterpart default rates.

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(399,915,749)	(388,328,316)
Provision for impairment	(67,539,850)	(11,587,433)
	(467,455,599)	(399,915,749)

10. Consumer Debtors

Gross balances

Electricity	106,773,942	84,141,717
Waste Management	143,381,984	123,572,857
Property rental	33,130	-
Sundries	282,071,542	263,668,695
	532,260,598	471,383,269

Less: Allowance for impairment

Electricity	(45,066,099)	(31,424,476)
Waste Management	(116,180,146)	(97,834,903)
Property rental	(3,629)	-
Sundries	(124,271,438)	(86,885,154)
	(285,521,312)	(216,144,533)

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Notes to the Annual Financial Statements for the year ended 30 June 2022

	2022	2021
10. Consumer Debtors (continued)		
Net balance		
Electricity	61,707,843	52,717,241
Waste Management	27,201,838	25,737,954
Property rental	29,501	-
Sundries	157,800,104	176,783,541
	246,739,286	255,238,736
Electricity		
Current (0 -30 days)	7,132,944	13,116,737
31 - 60 days	5,118,824	4,965,824
61 - 90 days	3,602,169	1,707,625
91 - 120 days	5,421,402	1,988,055
121 - 365 days	85,498,604	62,363,588
	106,773,943	84,141,829
Waste Management		
Current (0 -30 days)	2,090,474	3,990,973
31 - 60 days	3,177,479	1,800,780
61 - 90 days	1,652,406	1,758,627
91 - 120 days	1,848,456	1,732,740
121 - 365 days	134,565,901	114,289,836
	143,334,716	123,572,956
Property rental		
Current (0 -30 days)	6,704	-
31 - 60 days	5,812	-
61 - 90 days	3,885	-
91 - 120 days	4,089	-
121 - 365 days	12,640	-
	33,130	-
Sundry debtors		
Current (0 -30 days)	1,245,910	2,791,474
31 - 60 days	3,763,619	1,373,364
61 - 90 days	6,146,173	1,379,866
91 - 120 days	1,516,402	1,350,379
121 - 365 days	269,399,438	256,773,500
	282,071,542	263,668,583
Reconciliation of allowance for impairment		
Balance at beginning of the year	(216,144,533)	(197,460,685)
Contributions to allowance	(69,376,779)	(18,683,848)
	(285,521,312)	(216,144,533)

Consumer debtors pledged as security

There are no receivables from exchange transactions that were pledged as security..

Credit quality of consumer debtors

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

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Notes to the Annual Financial Statements for the year ended 30 June 2022

	2022	2021
11. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	(45,933)	1,471
Bank balances	14,565,053	5,221,987
Short-term deposits	53,507,452	64,096,248
	68,026,572	69,319,706

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
Standard Bank - Cheque Account - 330-451-3670001	15,588,012	4,259,325	3,220,820	13,593,016	4,259,325	1,562,604
Standard Bank - Call account - 238-711-102-001	4,291,862	46,522,241	15,215,924	29,284,976	46,522,241	15,215,924
Standard Bank -Investment A ccount - 238-711-102-002	16,814,613	10,370,365	30,154,159	16,814,613	10,370,365	30,154,159
Standard Bank -Investment A ccount - 238-711-102-004	6,918,780	6,716,985	6,540,870	6,918,780	6,716,985	6,540,870
Standard Bank -Investment A ccount - 238-711-102-005	372,500	359,419	348,081	372,500	359,419	348,081
Standard Bank -Investment A ccount - 243-098-804-000	975,767	954,450	948,022	965,160	954,450	948,022
ABSA Bank - Call Account - 4 06-162-3641	1,731	1,720	2,181	1,720	1,720	2,181
ABSA Bank - Fixed Deposit - 2 06-427-0257	130,677	125,518	120,164	114,862	125,518	120,164
Standard Bank - Cheque Account - 372-331-149000	6,982	8,212	-	6,877	8,212	-
Total	45,100,924	69,318,235	56,550,221	68,072,504	69,318,235	54,892,005

12. Other financial liabilities

At amortised cost

Concessionary loan - Lepelle Northern Water	57,377,010	74,535,452
Concessionary loan - Lepelle Northern Water	15,458,578	14,222,478

The Municipality has a concessionary loan with Lepelle Northern Water (LNW) amounting to R174 100 000. The loan arose when the Municipality was still a Water Supply Authority. The loan is repayable in monthly equal installments of R1 700 000 and bears no interest. This has been discounted using the interest rate of 7.5% to reflect the time value of money. The loan is unsecured. The municipality have not defaulted in making a payment of the monthly installments in the current year..There were no re-negotiations for the past defaults that took place between the Municipality and LNW regarding the repayment terms and revised installment amount before the annual financial statements were authorised for issue. The Municipality is putting concerted efforts to settle the installment in arrears in consideration of its cash flows.

	72,835,588	88,757,930
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Total other financial liabilities	72,835,588	88,757,930
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Non-current liabilities

At amortised cost	57,377,010	74,535,452
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Ba-Phalaborwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements for the year ended 30 June 2022

	2022	2021
12. Other financial liabilities (continued)		
Current liabilities		
At amortised cost	15,458,578	14,222,478
13. Finance lease obligation		
Minimum lease payments due		
- within one year	1,262,715	176,073
- in second to fifth year inclusive	4,240,859	-
	5,503,574	176,073
less: future finance charges	(926,294)	(3,869)
Present value of minimum lease payments	4,577,280	172,204
Present value of minimum lease payments due		
- within one year	923,255	172,204
- in second to fifth year inclusive	3,654,025	-
	4,577,280	172,204
Non-current liabilities	3,654,024	-
Current liabilities	923,256	172,204
	4,577,280	172,204
<p>Ba-Phalaborwa Local Municipality has finance leases for Motor vehicles with AVIS Fleet, Computer equipments (Laptops, Ipads and Modem) with MTN and Vodacom, Computer equipments (laptops) with Yellow Solutions Technologies and Ipads with Mobile Telephone Networks (Pty) Ltd which were entered into in the current and previous years. The monthly repayments were R105 226. The interest rate used implicit in the lease at the inception of the leases were 10%(prior year) and 8.5% (current year) per annum.</p>		
14. Payables from exchange transactions		
Trade payables	17,279,953	16,822,136
Debtors with credit balances	30,456,984	23,566,844
Sundry payables	3,214,462	-
Accrued leave pay	15,779,878	17,448,360
Accrued bonus	2,777,511	2,781,448
Unallocated Deposits received	68,761,925	33,227,120
Retentions	17,006,207	12,356,658
Payroll Accruals	5,076,774	2,326,691
Mopani District Municipality (Water and Sanitation)	457,023,486	486,520,122
	617,377,180	595,049,379
15. VAT payable		
Tax refunds payables	36,994,111	-
16. Consumer deposits		
Electricity	4,518,543	4,275,689

Ba-Phalaborwa Local Municipality

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Notes to the Annual Financial Statements for the year ended 30 June 2022

2022 2021

17. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan..

Post retirement benefit plan

Post retirement medical aid plan

The municipality operates a funded post employment health care defined benefit plan for qualifying employees. Employees of the municipality are members of KeyHealth, LA Health, Hosmed, Bonitas and SAMWUMED.

The employer's post-employment health care liability consists of a commitment to pay a portion of the pensioners' post-employment medical scheme contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary member. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary pensioner. The municipality is committed to pay any existing (pensioners) and their dependents will continue to receive a 60% or 70% (per month per member) as at 30 June 2022 amounting to an average of R3 446 (2021: R3 243). The liability in respect of active members has been proportioned between past service and future service. The liability in respect of current pensioners is fully accounted for.

In accordance with the requirements of GRAP25, the Projected Unit Credit method has been applied. The assumption underlying the funding method is that the employer's postemployment medical scheme costs in respect of an employee should be fully recognised by the time that the employee reaches fully accrued age. The valuation has been made with reference Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP25.

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

Post Employee Medical Aid Scheme

Opening accrued liability	(43,644,384)	(38,087,418)
Service cost	(2,466,107)	(2,191,161)
Interest cost	(4,985,798)	(5,239,614)
Actuarial (gain)/loss	1,740,812	872,769
Medical contribution subsidies	1,058,517	1,001,040
	(48,296,960)	(43,644,384)

Long Service Awards

Opening accrued liability	(6,605,760)	(5,692,017)
Service cost	(557,348)	(488,767)
Interest cost	(489,896)	(473,030)
Actuarial (gain)/loss	(577,887)	(486,674)
Medical contribution subsidies	584,871	534,728
	(7,646,020)	(6,605,760)

Non-current liabilities	(53,630,612)	(48,606,756)
Current liabilities	(2,312,368)	(1,643,388)
	(55,942,980)	(50,250,144)

The municipality does not have assets set aside for post-employment medical aid funding that qualify as plan assets in terms of the requirements of GRAP 25. As such no value has been ascribed to the fair value of plan assets and no other disclosure has been done relating to plan assets.

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2022 2021

17. Employee benefit obligations (continued)

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

Opening balance	50,250,144	43,779,436
Benefits paid	(1,643,388)	(1,535,768)
Net expense recognised in the statement of financial performance	7,336,224	8,006,476
	55,942,980	50,250,144

Net expense recognised in the statement of financial performance

Current service cost	3,023,455	2,679,928
Interest cost	5,475,694	5,712,643
Actuarial (gains) losses	(1,162,925)	(386,095)
	7,336,224	8,006,476

Calculation of actuarial gains and losses

Actuarial (gains) losses arising from changes in financial assumptions	(1,740,812)	(872,769)
Actuarial (gains) losses arising from experience adjustments	577,887	486,674
	(1,162,925)	(386,095)

Key assumptions used

Assumptions used at the reporting date:

Post Employee Medical Aid Scheme

Discount rates used	10.77 %	11.70 %
Expected rate of return on assets	6.74 %	7.06 %
Expected rate of return on reimbursement rights	7.74 %	8.56 %
Actual return on reimbursement rights	2.81 %	2.89 %

Long Service Awards

Discount rates used	10.22 %	7.87 %
Expected rate of return on assets	7.20 %	4.91 %
Expected rate of return on reimbursement rights	8.20 %	5.91 %
Actual return on reimbursement rights	1.87 %	1.85 %
Medical cost trend rates	65	65
Expected increase in salaries	63	63
Expected pension increases	2	3

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Notes to the Annual Financial Statements for the year ended 30 June 2022

2022 2021

17. Employee benefit obligations (continued)

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:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	10,474,714	7,783,575
Effect on defined benefit obligation	57,187,182	49,464,702

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

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees [or specify number of employees covered]. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

The amount recognised as an expense for defined contribution plans is

7,336,224 8,006,476

Included in defined contribution plan information above, is the following plan(s) which is (are) a Multi-Employer Funds and is (are) a Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plan(s) as a defined benefit plan(s). The municipality accounted for this (these) plan(s) as a defined contribution plan(s):

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant (MIG)	-	(95,907)
Integrated Electrification Programme (INEP)	915,121	62,673
Financial Management Grant (FMG)	20	669,155
Expanded Public Works Programme Integrated Grant (EPWP)	(2)	368
Electricity Efficiency Demand Side Management Grant (EEDSM)	3,344	506,903
	918,483	1,143,192

Movement during the year

Balance at the beginning of the year	1,143,192	15,351,839
Additions during the year	228,915,000	44,963,593
Income recognition during the year	(229,139,709)	(59,172,240)
	918,483	1,143,192

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

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

These amounts are invested in a ring-fenced investment until utilised.

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Notes to the Annual Financial Statements for the year ended 30 June 2022

	2022	2021		
19. Provisions				
Reconciliation of provisions - 2022				
	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	93,172,469	3,430,289	6,590,554	103,193,312
Reconciliation of provisions - 2021				
	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	99,450,493	(12,156,244)	5,878,220	93,172,469
Environmental rehabilitation provision				
<p>The provision for landfill sites rehabilitation relates to estimated cost for the rehabilitation of three (3) land fill sites operated by the municipality. In terms of the Environmental Conservation Act No. 73 of 1989, the municipality is supposed to rehabilitate such land upon closure of the dumping sites.</p> <p>Provision is based on engineering estimates has been provided. The evaluation, audit and computation of the provision for the rehabilitation of the sites was carried out by Environmental & Sustainability Solutions CC. assessment was performed using the General Landfill Closure Costing Model (GLCCM) that was developed by Mr Seakle Godschalk Pr Sci Nat, GIMFO and Dr Maryna Möhr, both partners in Environmental & Sustainability Solutions (ESS). Phalaborwa landfill site has two years on its useful life and it is estimated that R60 622 475 (2021: R68 872 310) will be spent to rehabilitate the site. Namakgale landfill site has reached its useful life and it is estimated that R28 298 687 (2021: R8 203 638) will be spent to rehabilitate the site. Gravelotte landfill site has been recommended for closure as it does not comply with minimum requirements of a landfill site. The estimated costs for rehabilitating the site is R14 272 150 (2021: R16 096 521) will be spent to rehabilitate the site. The estimated cash flows have been discounted using the net effective interest rate 2.75%.</p> <p>Key assumptions used are: Consumer Price Index (CPI) - 6.6085% and Discount rate - 9.3585%</p>				
20. Revaluation reserve				
Opening balance			38,072,442	38,072,442
21. Revenue				
Service charges			123,585,004	121,919,258
Rental of facilities and equipment			204,862	5,219
Agency services			21,601,204	29,590,372
Licences and permits			20,515,633	5,689,723
Other income			10,752,671	1,956,348
Interest received - bank and overdue accounts			13,766,025	27,721,416
Property rates			141,423,062	95,114,067
Interest income - overdue accounts			31,449,628	19,818,069
Government grants & subsidies			229,180,410	252,461,449
Contribution from estimates - (Increase) /decrease landfill provision			-	20,046,689
Public contributions and donations			11,898,659	1,791,763
Traffic fines			543,345	301,201
Actuarial gains			1,162,925	386,095
Fair value adjustments - Investment properties and Biological assets			79,970,083	84,403,002
			686,053,511	661,204,671

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Notes to the Annual Financial Statements for the year ended 30 June 2022

	2022	2021
21. Revenue (continued)		
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	123,585,004	121,919,258
Rental of facilities and equipment	204,862	5,219
Agency services	21,601,204	29,590,372
Licences and permits	20,515,633	5,689,723
Other income	10,752,671	1,956,348
Interest income - bank and on overdue accounts	13,766,025	27,721,416
	190,425,399	186,882,336
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	141,423,062	95,114,067
Property rates - Interest income on overdue accounts	31,449,628	19,818,069
Transfer revenue		
Government grants & subsidies	229,180,410	252,461,449
Contribution from estimates - (Increase) /decrease landfill provision	-	20,046,689
Public contributions and donations	11,898,659	1,791,763
Traffic fines	543,345	301,201
Actuarial gains	1,162,925	386,095
Fair value adjustments - Investment properties and Biological assets	79,970,083	84,403,002
	495,628,112	474,322,335
22. Service charges		
Sale of electricity	107,019,986	105,886,860
Waste Management	16,565,018	16,032,398
	123,585,004	121,919,258
23. Rental of facilities and equipment		
Premises		
Rent received from investment property	204,862	5,219
24. Agency services		
Water and Sanitation	18,505,090	26,663,148
Vehicle Licenses	3,096,114	2,927,224
	21,601,204	29,590,372
25. Licences and permits		
Drivers licences	731,234	187,276
Licences	17,593,525	5,213,465
Roadworthy certification	2,190,874	288,982
	20,515,633	5,689,723

Ba-Phalaborwa Local Municipality

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Notes to the Annual Financial Statements for the year ended 30 June 2022

	2022	2021
26. Other income		
Building plan fees	91,547	79,960
Cemetery fees	117,892	190,153
Clearance certificates	163,594	7,862
Connection fees	-	312,631
Advertisements	96,439	192,339
Sundry income	73,759	665,065
Selling bid documents	-	10,435
Selling of municipal land	4,175	395,917
Building Plans Photocopies	-	2,728
Write-back of receivable	-	99,258
Administrative Handling Fees	6,145,542	-
Discounts and Early Settlements	3,611,255	-
Incidental Cash Surpluses	104,357	-
Application Fees for Land Usage	344,111	-
	10,752,671	1,956,348
27. Interest income - bank and overdue accounts		
Interest revenue		
Bank	2,428,845	2,718,496
Interest charged on trade and other receivables	11,337,180	25,002,920
	13,766,025	27,721,416

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Notes to the Annual Financial Statements for the year ended 30 June 2022

	2022	2021
28. Property rates		
Rates received		
Residential	72,621,740	61,961,300
Commercial	51,956,427	24,108,444
State	2,822,600	7,390,879
Municipal	26,386	55,280
Small holdings and farms	6,314,731	2,587,863
Other	23,191,248	-
Less: Income forgone	(15,510,070)	(989,699)
	141,423,062	95,114,067
Interest income - overdue accounts	31,449,628	19,818,069
	172,872,690	114,932,136
Valuations		
Residential	5,557,259,000	5,610,569,000
Commercial	2,797,222,000	2,735,905,000
State Owned	424,850,000	429,251,000
Municipal	1,286,693,000	1,206,874,000
Agriculture and small holdings	3,742,863,000	3,733,713,000
Other	2,431,346,000	2,409,656,000
Public Benefit Organisations	11,480,000	11,950,000
	6,251,713,000	6,137,918,000

Valuations on land and buildings are performed every 3 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2022.

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Notes to the Annual Financial Statements for the year ended 30 June 2022

	2022	2021
29. Government grants and subsidies		
Capital and Operating grants		
Equitable share	171,015,174	195,936,245
Education Training and Development Practices SETA	40,700	-
Financial management grant	3,100,000	2,330,845
Municipal infrastructure grant	31,748,000	40,922,004
Integrated National Electrification Programme Grant	19,084,880	8,180,626
Expanded Public Works Programme Grant	1,195,000	1,098,632
Energy Efficiency and Demand Side Management Grant	2,996,656	3,993,097
	229,180,410	252,461,449

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	58,165,236	56,525,204
Unconditional grants received	171,015,174	195,936,245
	229,180,410	252,461,449

Equitable Share

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

All registered indigents receive a monthly subsidy which is funded from the grant.

During April 2020 the President pronounced additional budget to assist municipalities alleviate the negative impact of the Covid-19 pandemic. The additional budget is intended to be allocated to expenditure related to Covid-19 prevention such as sanitizers, water, musk, and related Personal Protective Equipment (PPE). Treasury allocated the budget through Equitable Share and the Ba-Phalaborwa municipality received an additional amount of R 33 083 000.

The municipality spent an amount of R 2 356 794 with the residual of R 30 726 206 remaining as unspent amount. After receipts of the additional budget, Treasury issued a Circular requiring the municipalities to take note and adhere to the requirements of the additional budget. While the requirements of the additional are contained in the allocation letter, they are not Conditional in Nature and thus do not create an obligation on the municipality.

The R 33 083 000 additional budget was allocated to the municipality through Equitable Share, and it remains part of Equitable Share as an Unconditional Grant.

The attached requirement to the Circular requires the municipality to spend the additional budget on Covid-19 related costs and any None-Covid 19 expenditure would be declared unauthorised expenditure. The R30 726 206 (2021: R 2 356 794) was fully spent on Covid-19 related costs. The municipality has submitted a roll-over application for the unspent amount and awaits a response from Treasury on the future treatment of the amount.

Included in the Equitable Share of R nil (2021: R 195 936 245) is Additional Covid Allocation for an amount of R nil (2021: R 33 083 000).

There is an amount of R111 808 deducted from the equitable shares allocated for the current year. This is as a result of the under withholding of unspent grant of R1 143 191 instead of R1 254 999.

Equitable Share

Balance unspent at beginning of year	30,726,206	-
Current-year receipts	-	33,083,000
Conditions met - transferred to revenue	(30,726,206)	(2,356,794)
	-	30,726,206

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Notes to the Annual Financial Statements for the year ended 30 June 2022

	2022	2021
29. Government grants and subsidies (continued)		
Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	(95,907)	11,368,413
Current-year receipts	31,748,000	31,373,600
Conditions met - transferred to revenue	(31,748,000)	(40,922,004)
Withheld	95,907	(1,915,916)
	-	(95,907)

Conditions still to be met - remain liabilities (see note 18).

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads and sports complex infrastructure as part of the upgrading of previously disadvantaged areas.

The Municipality applied for roll over of the unspent portion of the grant to be approved by National Treasury. The rollover was not approved and the amount of R95 907 was deducted from the Equitable share allocated for the 2021/2022 financial year as an unspent for the prior year ended 30 June 2021

Integrated National Electrification Grant (INEP)

Balance unspent at beginning of year	62,673	3,260,097
Current-year receipts	20,000,000	5,000,000
Conditions met - transferred to revenue	(19,084,879)	(8,197,424)
Withheld	(62,673)	-
	915,121	62,673

Conditions still to be met - remain liabilities (see note 18).

The grant is received from the National Government for electrification projects within the previously disadvantaged communities of the municipality.

The Municipality applied for roll over of the unspent portion of the grant to be approved by the National Treasury. The rollover was not approved and the amount of R62 673 was deducted from the equitable share allocated for the 2021/2022 financial year as an unspent for the prior year ended 30 June 2021.

Financial Management Grant (FMG)

Balance unspent at beginning of year	669,155	-
Current-year receipts	3,100,000	3,000,000
Conditions met - transferred to revenue	(3,100,000)	(2,330,845)
Withheld	(669,155)	-
	-	669,155

Conditions still to be met - remain liabilities (see note 18).

The Financial Management Grant (FMG) is paid to the municipality to help implement the financial reforms required by the MFMA 2003. The grant also pays for the cost of the financial management internship programme, i.e. salary of the financial management interns. The Municipality applied for roll over of the unspent portion of the grant to be approved by the National Treasury. The rollover was not approved and the amount of R669 155 was deducted from the equitable share allocated for the 2021/2022 financial year as an unspent for the prior year ended 30 June 2021

Expanded Public Works Programme Grant (EPWP)

Balance unspent at beginning of year	368	-
Current-year receipts	1,195,000	1,099,000

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Notes to the Annual Financial Statements for the year ended 30 June 2022

	2022	2021
29. Government grants and subsidies (continued)		
Conditions met - transferred to revenue	(1,195,000)	(1,098,632)
Withheld	(370)	-
	(2)	368

Conditions still to be met - remain liabilities (see note 18).

The Municipality applied for roll over of the unspent portion of the grant to be approved by the National Treasury. The rollover was not approved and the amount of R370 was deducted from the equitable share allocated for the 2021/2022 financial year as an unspent for the prior year ended 30 June 2021.

The Energy Efficiency Demand Site Management Program (EEDSM)

Balance unspent at beginning of year	506,903	-
Current-year receipts	3,000,000	4,500,000
Conditions met - transferred to revenue	(2,996,656)	(3,993,097)
Withheld	(506,903)	-
	3,344	506,903

Conditions still to be met - remain liabilities (see note 18).

The EEDSM programme is managed by the Department of energy. The grant is for the planning and implementation of energy efficient technologies such as traffic signals, street and building lighting, as well as water service infrastructure.

The Municipality applied for roll over of the unspent portion of the grant to be approved by the National Treasury. The rollover was not approved and the amount of R506 903 was deducted from the equitable share allocated for the 2021/2022 financial year as an unspent for the prior year ended 30 June 2021.

30. Contribution from estimates - landfill provision

Environmental rehabilitation of landfill site	-	20,046,689
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During the current year a change in estimates from landfill provision was done by the experts which resulted in the increase(loss) in landfill provision amount of R16 551 807 (2021: decrease(gain) R20 046 689). The amount is included in the expense for the current year and revenue from non-exchange for the prior year.

31. Public contributions and donations

Phalabora Mining Company (PMC) donations	11,898,659	1,791,763
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32. Traffic fines

Municipal Traffic Fines	543,345	301,201
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33. Fair value adjustments

Investment property (Fair value model)	80,112,059	84,396,885
Biological assets - (Fair value model)	(141,973)	6,117
	79,970,086	84,403,002

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Notes to the Annual Financial Statements for the year ended 30 June 2022

	2022	2021
34. Employee related costs		
Basic	87,742,786	77,701,517
Bonus	7,012,390	6,965,401
Medical aid - company contributions	5,749,066	6,785,400
UIF	733,942	708,716
SDL	1,436,967	1,184,250
Bargaining council	60,434	41,620
Defined contribution plans	17,420,353	16,926,854
Travel, cellphone and accommodation and other allowances	11,915,712	3,140,594
Overtime payments	6,870,622	6,919,930
Long-service awards	-	3,237,785
Leave pay	5,360,145	276,879
Acting allowances	2,726,770	2,483,781
Car allowance	13,320,140	12,369,580
Housing benefits and allowances	645,478	615,870
Employee benefit - current service costs & Contributions paid	2,466,107	481,492
Stipends	1,301,550	1,291,736
	164,762,462	141,131,405

Remuneration of municipal manager - Moakamela MI

Annual Remuneration	320,274	640,548
Travel Allowance	213,516	427,032
Accommodation allowance	8,967	-
Contributions to UIF, Medical and Pension Funds	7,329	-
Leave pay	210,470	36,529
Cellphone allowance	9,000	18,000
Bargaining council	101	-
	769,657	1,122,109

During the current year the Municipal Manager resigned in 31 December 2021 and the position was vacant since. Mr K Pilusa was acting in the position from 01 January 2022 until 30 June 2022. An amount of R of acting allowance was earning during the period.

Remuneration of chief finance officer - Mogano TJ

Annual Remuneration	-	178,888
Travel allowance	-	119,260
Bargaining council	-	40
Contributions to UIF, Medical and Pension Funds	-	744
Other benefits	-	10,295
Cellphone Allowance	-	8,000
Leave pay	-	178,216
	-	495,443

During the 2020/2021 financial year the Chief Financial Officer resigned in 30 November 2020. The position has been vacant since and Mr. Amos Thulane Ndzimande is the acting Chief Financial Officer. An amount of R99 004 (2021: R67 734) of acting allowance was earned during the period of acting from 01 July 2021 until 30 June 2022.

Remuneration of director planning and development services - Maluleke HP

Annual Remuneration	-	178,888
Travel Allowance	-	119,260
Contributions to UIF, Medical and Pension Funds	-	744
Other benefits	-	16,631

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Notes to the Annual Financial Statements for the year ended 30 June 2022

	2022	2021
34. Employee related costs (continued)		
Cellphone Allowance	-	8,000
Leave Pay	-	180,882
	-	504,405

During the 2020/2021 financial year the director for Planning Development resigned in 30 October 2020, Mr. Chueu M is been acting on the position from 01 January 2021 until 30 July 2021 and Mr Mashale M acted from 1 August 2021 until the current year ended 30 June 2022. . An amount of R90 630 (2021: R68 220) for acting allowance was earned during this period.

Remuneration of director corporate services - Pilusa KK

Annual Remuneration	536,664	134,166
Travel Allowance	313,056	78,264
Performance Bonuses	44,722	-
Contributions to UIF, Medical and Pension Funds	10,579	3,734
Other benefits	71,330	164,252
Cellphone Allowance	24,000	6,000
Bargaining council	173	30
Acting allowance	82,821	-
	1,083,345	386,446

During the current year Mokoena SS and Mashale TS acted in the position for the periods from 1 July 2020 until 31 April 2020 and 01 November 2020 until 30 April 2021 respectively. An amount of acting allowance amounting to R40 768 (Mokoena SS) and R59 823 (Mshale TS) was earned during this period.

Remuneration of director technical services - Mdungazi NC and Baloyi PM

Annual Remuneration	616,257	137,692
Travel Allowance	235,068	63,344
Performance Bonuses	50,722	45,466
Contributions to UIF, Medical and Pension Funds	9,369	11,006
Other benefits	46,790	63,501
Cellphone Allowance	24,000	6,000
	982,206	327,009

The above director resigned at the end of 30 June 2020, the position is been vacant since. Mahumani and Madiope S acted in the position from 01 August 2020 until 31 October 2020 and 01 December 2020 until 30 May 2021 respectively. An amount of R88 332 for acting allowance was earned during this period. Baloyi PM is currently appointed permanent to the position

Remuneration of Community Services department - Kanwendo MH and H Zungu

Annual Remuneration	608,664	286,332
Travel Allowance	235,068	148,212
Performance Bonuses	50,722	-
Contributions to UIF, Medical and Pension Funds	9,267	446
Other allowance	27,810	1,633
Cellphone Allowance	24,000	12,000
Leave pay	-	168,865
	955,531	617,488

The above position was vacant during the 2020/2021 financial year, Zungu H resined and Mokhabukhi NS have acted from 01 July 2020 until 30 September 2020 and 30 November and 30 March 2021 respectively. An amount of R nil (2021: R59 825) for Acting allowance amounting was earned during this periods. The position was filled in the current year.

Ba-Phalaborwa Local Municipality

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Notes to the Annual Financial Statements for the year ended 30 June 2022

	2022	2021
35. Remuneration of councillors		
Mayor	957,058	565,380
Chief Whip	720,288	720,713
Executive Committee members	3,908,690	3,746,202
Speaker	774,562	769,522
Councillors	10,951,693	9,502,302
	17,312,291	15,304,119
36. Depreciation and amortisation		
Property, plant and equipment	72,384,441	74,027,068
Intangible assets	91,273	91,273
	72,475,714	74,118,341
37. Impairment of assets		
Impairments		
Property, plant and equipment	-	9,717,798
During the current year conditional assessment of infrastructure it was identified that some of the assets have deteriorated. The recoverable amount of the asset was based on its value in use determined using the asset indicator based on the conditional rating of the asset.		
38. Finance costs		
Non-current borrowings	6,177,658	12,718,546
Finance leases	22,025	43,742
Discounting of provisions	12,066,248	5,878,220
	18,265,931	18,640,508
39. Debt impairment		
Debt impairment	136,916,628	39,994,029
40. Bulk purchases		
Electricity - Eskom	101,086,420	86,757,786
Included in the bulk electricity purchases is the 24.89% (2020: 27.44%) which relate to distribution losses. Ba-Phalaborwa Municipality is billed by the power utility, Eskom on a monthly basis for electricity used/or supplied to the municipality based on readings. Consequently, the amount paid to Eskom includes electricity losses of R12 919 172 (2021: R17 064 819). The loss in terms of Units amounted to 17 982 403 kWh (2021: 20 274 357 kWh). The reasons for the loss is due to infrastructure breakdowns/power leakages, bridging of meters and non functional meters.		
41. Contracted services		
Presented previously		
Actuarial and Accounting Services	3,933,793	3,948,994
Insurance	666,719	404,850

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Notes to the Annual Financial Statements for the year ended 30 June 2022

	2022	2021
41. Contracted services (continued)		
Outsourced Services		
Business and Financial Management	-	4,863,402
Business and Advisory	7,075,939	925,360
Catering Services	1,136,555	-
Cleaning Services	-	1,293,841
Meter Management	616,078	1,092,276
Mini Dumping Sites	198,550	178,000
Security Services	15,034,216	11,454,729
Traffic Fines Management	19,296,745	-
Transport Services	15,450	59,470
Consultants and Professional Services		
Business and Advisory	193,509	110,928
Infrastructure and Planning	936,061	2,086,915
Actuarial Services	-	15,000
Legal fees	9,691,133	6,737,101
Contractors		
Artists and Performers	134,350	-
Audio-visual Services	25,000	-
Electrical	-	1,064,540
Employee Wellness	127,750	-
Interior Decorator	488,500	-
Inspection Fees	696,766	2,275,419
Tracing Agents and Debt Collectors	1,668,267	2,140,331
	61,935,381	38,651,156

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Notes to the Annual Financial Statements for the year ended 30 June 2022

	2022	2021
42. General expenses		
Advertising and marketing campaigns	1,204,586	2,015,279
Auditors remuneration	4,698,209	6,653,473
Bank charges	434,905	327,685
Cleaning	7,435	4,724
Commission paid	1,070,353	-
Computer expenses	4,782,546	1,000
Consumables	29,760,622	17,128,500
Management fee	-	338,523
Discount allowed	1,656,784	-
Donations	9,854,119	-
Entertainment	150,280	407,407
Bursaries	914,063	1,749,017
Hire of equipment	7,959,105	5,622,535
IT expenses	-	159,617
Indigent support	(36,166)	949,565
Motor vehicle expenses	3,330,373	204,384
Occupational health and Safety	-	835,770
Fuel and oil	9,455	94,972
Placement fees	-	56,983
Postage and courier	-	3,536
Printing and stationery	403,961	407,733
Repairs and maintenance	9,561,175	18,983,997
Staff welfare	-	260,326
Subscriptions and membership fees	4,407,022	5,006,270
Telephone and fax	1,067,683	1,785,146
Travel - local	3,718,869	1,096,588
Refuse	-	15,834
Title deed search fees	68,917	-
Minor assets expensed	1,546,230	698,924
Uniforms	1,664,355	945,832
Municipal Services	5,897,048	9,303,732
Audit and Risk committee - Travel and Seating allowance	810,243	62,470
Workmen's Compensation Contribution	1,593,810	777,492
Landfill site restoration expenses	1,863,167	-
	98,399,149	75,897,314

43. Auditors' remuneration

Fees	4,698,209	6,653,473
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Notes to the Annual Financial Statements for the year ended 30 June 2022

	2022	2021
44. Cash generated from operations		
(Deficit) surplus	(5,893,873)	157,133,813
Adjustments for:		
Depreciation and amortisation	72,384,441	74,027,068
Gain on sale of assets and liabilities	16,545,143	852,426
Amortisation	91,273	91,273
Change in valuation of employee benefit obligations	(1,643,388)	(1,535,768)
Actuarial gain/(losses) - Employee benefit liability	(1,162,925)	(386,095)
Fair value adjustments	(79,970,083)	(84,403,002)
Finance costs - Rehab provision & Employee benefit obligations	12,066,248	11,590,863
Current service cost - Employee benefit liability	3,023,455	674,686
Impairment of assets	-	9,717,798
Debt impairment	136,916,628	39,994,029
Movements in provisions	16,551,807	(20,046,689)
Donations received	(11,898,659)	(1,791,762)
Increase in leave and bonus accrual	(1,587,328)	(3,261,212)
Inventory losses/write-downs	594,852	662,722
Changes in working capital:		
Inventories	(317,455)	(6,312,807)
Consumer Debtors	8,499,450	(211,980,852)
Receivables from exchange transactions	339,003	-
Receivables from non-exchange transactions	(153,989,727)	6,764,558
Payables from exchange transactions	23,915,129	122,052,167
VAT	37,836,334	(4,540,438)
Unspent conditional grants and receipts	(224,709)	(14,208,647)
Consumer deposits	242,854	(63,629)
	72,318,470	75,030,502

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Notes to the Annual Financial Statements for the year ended 30 June 2022

	2022	2021
45. Commitments		
Capital commitments		
Already contracted for but not provided for		
Property, plant and equipment	43,290,450	51,709,067
Total capital commitments		
Already contracted for but not provided for	43,290,450	51,709,067
Total commitments		
Total commitments		
Authorised capital expenditure	43,290,450	51,709,067
This committed expenditure relates to various projects and will be financed by available bank facilities, existing cash resources and funds internally generated.		
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	340,259	-
- in second to fifth year inclusive	742,991	-
	1,083,250	-

Operating lease payments represent rentals payable by the municipality for rental of Printers. Leases are negotiated for an average term of three years and rentals are paid monthly at amount of R28 355 excluding VAT with an annual escalation of 6%. The lease started on 01 July 2022.

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Notes to the Annual Financial Statements for the year ended 30 June 2022

2022 2021

46. Contingencies

Litigation is in the process against the municipality relating to various disputes detailed below:

Contingent liabilities incurred relating to interests in other entities

Contingent liabilities

Contingent liabilities incurred relating to the entity's interests in associates, are as follows:

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

Tihaola Dynamic (Pty) Ltd [2]	2,689,811	2,689,811
LE Thom [3]	-	944,796
Tippuprox (Pty) Ltd [4]	4,928,500	4,928,500
Millioniers Club CC [5]	1,200,000	1,200,000
Kgopotso Lekgothwane [6]	2,000,000	2,000,000
Christoffel Smith [7]	14,115	14,115
Juxtapose (Pty) Ltd [8]	3,240,587	3,240,587
M L Nkosi Electrical Contractors cc and Soma Construction cc [9]	1,579,975	1,579,975
SAMRO NPC [13]	593,829	593,829
Sebatane Daniel Mohlatlole [14]	61,300	61,300
Khumbudzo Ntshaveni [15 and 16]	5,000,000	5,000,000
Tshiamiso Trading [18]	-	254,965
My Mechanic (Pty) LTD [19]	90,000	-
Charmaine schnehage [20]	9,000	-
Mavambo ITS (Pty) Ltd [22]	177,130	177,130
	21,584,247	22,685,008

1. Makwande Chartered Accountants and Business Advisors - The company wants the court to overturn the judgment they ruled in the municipality's favour in the previous dispute. Date of hearing is the 21st May 2022. The municipality budgeted the costs of legal fees to be estimated at R400 000. No claim will be required on this case.

2. This entity was engaged by the Municipality to compile and supplement valuation roll. It claims that it was not paid according to the contract i.e. they were underpaid and therefore are suing for the balance. The matter is postponed in court until further notice.

3. LE Thom (Pty) Ltd claims against the Municipality for work they did which they claim the Municipality failed to do while in fact they are the ones who prevented the Municipality to do the job. During the assessment of the work done, the Municipality noted the following which will form a basis for a counter claim: 1. The job was not done according to the specifications of the engineer. Matter settled in that the municipality will pay L E Thom R230 579.67 plus interest. File closed.

4. Tippuprox (Pty) LTD is suing the Municipality for damages based on an alleged breach of contract. The Ba-Phalaborwa Municipality is counter suing for the amount paid to this entity based on tender 02 / 13 due to fraud on the part of Koti Mokoalakoala. The matter has been withdrawn from court by parties so that it could be speedily dealt with by an arbitrator chosen by both parties. Arbitrator was appointed, awaiting for the date of the hearing.

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2022

2021

46. Contingencies (continued)

5. Millionaires Club cc sues the municipality for R1 200 000.00 for services allegedly rendered from October 2015 to March 2016. Millionaires Club cc was engaged by the municipality to monitor and restore power during normal outages on behalf of the municipality from July 2015 until when the Deputy Director: Electrical would have been appointed because no one at the municipality had the General Certificate of Competency as required by legislation. The Deputy Director: Electrical was appointed on October 2015. He has the certificate. By this time, they had already been paid R776 262.48 which they had been invoicing monthly. The Director: Technical telephonically informed Millionaires Club about the appointment at the end of September 2015. A letter of notification was also faxed but later turned out that it did not go through. Millionaires Club cc stopped sending invoices from October 2015. Millionaires Club brought 6 invoices on the 31st March 2016 claiming that they were for services rendered from October 2015 to the 31st March 2016 which they never did. A memorandum has been sent to the Office of the Municipal Manager to advise if the case should be withdrawn or not given the length of time that has elapsed for signing of the necessary affidavit.

6. Summons against the municipality in the amount of R2 000 000.00 for an alleged negligent failure by the municipality to barricade a ditch which had been dug up by municipal workers, resulting in the plaintiff falling in it and getting seriously injured. Matter set down on the 21 June 2021 and postponed until further notice due to illness of the plaintiff.

7. Christoffel Smith issued summons in the amount of R14 115.38 for an alleged damage caused to his vehicle by an alleged pothole on a municipal road. Matter set on the 5 February 2021 and postponed due to plaintiff asking for a postponement as they were not ready. The matter was scheduled for 29 May 2022 and Mr Smith requested a postponement until further notice.

8. Juxtapose (Pty) LTD was engaged by the municipality to design extension of municipal offices for an amount of R1 766 988.12. They allege that they did the work of which R768 642.09 is outstanding and further that they were orally requested to do further work which amounted to R2 471 945.00. An application for dismissal of the case has been made following their failure to clarify the validity of their claim. The entity is under liquidation. The process will continue once a liquidator is appointed.

9. M L Nkosi Electrical Contractors cc and Soma Construction cc demand payment from Ba-Phalaborwa Municipality in the amount of R1 579 974.73 for work done. From reading of all documents relating to the award of the tender, they tendered in the amount of R19 541 461.41 but were awarded the tender in the amount of R18 541 461.41, an amount which was never tendered for by any tenderer. The municipality entered into an agreement with these service providers to change the amount, the scope of work and the duration of the contract within four months of entering into the contract. An application to declare the award of the tender invalid has been made following the anomalies leading to the award of the tender in respect of adjudication. The hearing date was set on the 28 February 2022, Joinder for the engineer granted. Waiting for date of the main hearing. The matter is set for 22 March 2023.

11. The municipality is defending a case against Frans Johannes Meintjies NO and others - They have applied to the high court to get the categorization of their farms in terms of Municipal Property rates as reflected in the council resolutions for the 2015/16, 2016/17 and 2017/18 financial years declared invalid, declaring the applicable law invalid and to seek costs orders against the municipality. The matter is opposed by the municipality. The municipality estimated legal fees amounting to R300 000 to defend the case. No claim will be required on this case.

12. Mr T.T, Thete has interdicted the municipality from disconnecting electricity supply to his properties while he does not pay for the same services. Matter withdrawn from court. Thete tendered to make arrangement with the municipality for all outstanding payments. File closed. The municipality estimated legal costs amounting to R100 000 to defend the case. No claim will be required for this case.

13. Southern African Music Rights Organisation NPC is suing the municipality in the amount of R593 828.78 for letting people play music in its various vanues per a signed contract. The municipality cannot afford same as it does not generate same. Matter is defended. The matter is defended.

14. Sebatane Daniel Mohlatlole claims an amount of R69 299.69 against the municipality for alleged damage to his furniture by water flowing from the street into his house. He alleges that the municipality failed to maintain its drainage system while he also built a parameter wall that blocks easy flow of water from his property. The matter was heard on the 28 May 2021 and postponed by the plaintiff, later was set for 6 May 2022 and was not finalised which was set again for 8 July 2023.

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2022 2021

46. Contingencies (continued)

15. Ms. Khumbudzo Ntshaveni would like the court to declare that she was not party to the arrangement where from Makwande Chartered Accountants were awarded a tender fraudulently. The judge ordered that the matter be placed on opposed roll as the applicant filed opposing papers later. New date will be secured. a new date was set for 05 February 2022, the Court ordered that Khumbudzo Ntshaveni amend her court documents so as to be clear.

16. Ms. Khumbudzo Ntshaveni is suing the municipality in the amount of R5 200 000.00 based on an alleged defamation of character in the matter where the court found that she had entered into an invalid contract with Makwande on behalf of the municipality. The matter is defended.

17. Mopani Flying Squad - The company wants to be appointed as a security service provider after the expiry of the contract it has with the municipality. Date of taxing costs is 27 June 2021. The municipality is defending a case and estimated to incur legal costs amounting to R400 000. No claim amount is required in this case. The matter is postponed until further notice.

18. There is a dispute between the municipality and the contractor regarding work that they allegedly executed without the engineer's instruction for which they need payment. Matter has been referred to arbitration. Date to be decided.

19. The company claims R90 000.00 from the municipality alleging that their vehicle got damaged. The date still to be determined.

10. Ba-phalaborwa municipality - The municipality is defending a case relating to the transfer of properties sold to various residents at Namakgale and registration of owners to obtain deeds of grants at Lulekani. Namakgale transfer complete. Busy with configuring Namakgale maps and transfer of Lulekani. The municipality is estimated legal fees to defend the case amounting to R800 000. No claim will be required on this case.

20. Charmaine schnehage claims R9 000.00 from the municipality alleging that their vehicle got damaged . The date is still to be determined.

21. State alleges that Mr. Mokgalaka solicited a bribe from a traffic offender. He had gone to collect the fine at the offender,s place per practice.He was arrested but out on bail. Evidence was produced by his seniors that he was not wrong. There is no claim amount determined.

Included in the letigation register/lawyers confirmation there are matters represented by municipality's lawyers in favour or against the municipality which do not result in any litigation claim being paid to/from the municipality. These matters do not meet the definition of the Contingent assets and liabilities.

22. The Contract is counter claiming the municipality after there is a claim to repay the amounts concluded to be illegally. It is alleged that the municipality owes it R177 129.72

Contingent assets

Ba-Phalaborwa Municipality versus Geldenhys' estate [1]	-	200,000
Ba-Phalaborwa Municipality versus Mavambo ITS [2]	3,059,810	3,059,810
Ba-Plaborwa Municipality versus Mbiyani Florence Chauke [3]	49,000	49,000
Ba-Phalaborwa Municipality versus Tlhaola Dynamics (Pty) Ltd [10]	4,927,624	4,927,624
Ba-Phalaborwa Municipality versus Tippuprox (Pty) Ltd [11]	650,000	650,000
Ba- Phalaborwa Local municipality vs Millionaires Club CC [12]	776,262	-

1. Acquisition of two properties of the late G J Geldenhys to be transferred to the Ba-Phalaborwa Municipality owing to the fact that the diseased died insolvent and that he owed the Municipality rates and taxes which amount far exceeds the value of the properties concerned. Conveyancer appointed to transfer the properties.

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2022

2021

46. Contingencies (continued)

2. Summons to get Mavambo ITS to repay the municipality R3 059 810.48. on or about 2012, the municipality entered into an agreement with Mavambo ITS for vehicle speed enforcement. The agreement was that they would install camera, take photos of speedsters. For that service they would be entitled to R35.00 excluding VAT per notice issued and R16.00 plus VAT for notice paid. About 2013, the above agreement was changed and stated that Mavambo ITS would be entitled to R51.00 only for each finalised (paid tickets). However, Mavambo continued to bill the Municipality R51.00 for each ticket issued and they were paid despite the change in terms. That made the payments undue as they were only to be paid only if tickets had been paid. The overall amount illegally paid is R3 059 810.48 plus interest. Mavambo alleges that the municipality owes it R177 129.72

3. Ba-Phalaborwa Municipality versus Mbiyani Florence Chauke - The former employee negligently infringed Greater Kruger Tourism cc's copyright as a result the municipality had to pay R49 000.00 in settlement. Summons issued.

4. Ba-Phalaborwa Municipality versus Mavambo ITS - A farmer by the name of P.P. Marais has invaded a farm belonging to the municipality. The municipality has instituted a case against him and estimated to incur legal costs amounting to R80 000. There is no litigation claim amount on this case. Application to be lodged.

5. Ba-Plaborwa Municipality versus Mr. Doctor Nkuna - Mr. Doctor Nkuna was erroneously sold an erf zone for religious purpose. He was refunded. However, by the time he was refunded, he already had a title deed. The municipality is applying to court to get the ownership revert to it. The municipality estimated to incur legal costs amounting to R80 000. There is no litigation claim amount on this case. Application to be lodged

6. Ba-Plaborwa Municipality versus Mr.Charmakala Group and Mogudi Estate - Around the year 2000, the Ba-Phalaborwa municipality undertook to get Mr. Mojapelo a title deed for erf 3644 after the sale between him and the late Mr. Mogudi. The municipality did not transfer until the same erf was later sold to Charmakala Group. The office of the public protector ordered that the municipality gets Mr. Mojapelo the title deed as originally intended. The Ba-Phalaborwa request the court to nullify the of sale of erf 3644 between the estate of the late Jackson Mogudi and Charmakala Group. The municipality estimated to incur legal costs amounting to R180 000. There is no litigation claim amount on this case. Application to be lodged

7. Ba-phalaborwa Municipality v Ms MR Malatji - On or 28 January 2021, the Council of the Municipality approved that Erf 1300 be sub-divided between Mr Thomas Moyeni and Ms MR Malatji. The municipality estimated to incur legal costs amounting to R150 000. There is no litigation claim amount on this case. Application will be lodged.

8. Ba-phalaborwa Municipality v Mr and Ms Mojapelo - Mr and Ms Mojapelo have accepted the Municipality's offer of portion 1 of 4500 Phalaborwa Phb Extension 5. The municipality estimated to incur legal costs amounting to R150 000. There is no litigation claim amount on this case. Application of the transfer will be lodged.

9. Ba-Phalaborwa Municipality v Ntombana Zith - Ntombana Zith v bought erf 573 at Lulekani from the municipality but was never transferred in her name by the municipality. Municipality has to transfer. The municipality estimated to incur legal costs amounting to R150 000. There is no litigation claim amount on this case. The application have been lodged.

10. The municipality has lodged a counter claim to Tlhaola dynamics for an amount of R4 927 623,82. The company was engaged in the performance of compiling supplementary valuation roll.

11. The Ba-Phalaborwa Municipality is counter suing for the amount paid to this entity based on tender 02 / 13 due to fraud on the part of Koti Mokoalakoala.

12. Millioniers Club brought 6 invoices on the 31st March 2016 claiming that they were for services rendered from October 2015 to the 31st March 2016 which they never did. Upon investigation, it was uncovered that they never rendered any services in the first place and that they had been paid fraudulently in the amount of R776 262.48. The municipality is counter claiming the amounts which was fraudulently paid to them.

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2022

2021

47. Related parties

Relationships

Mayor
Speaker

M.M Malatji
NO Mabunda
E.Hlungwane (exited on 08 November 2021)
D.M Rapatsa

Chief Whip

Mayoral Executive Committee Councillors

Exco Chairperson: Governance and Administration
Exco Chairperson: Municipal Infrastructure and Services
Exco Chairperson: Budget and Treasury
Exco Chairperson: Community and Social Services

T. Nkuna
M.M Magomane (exited on 08 November 2021)
DR Bayana
S.R De Beer
S.P Mashumu
R Makasela
VM Rapatsa

Exco Member

Exco Member

Exco Member

Councillors

K.A Peta (exited on 08 November 2021)
K.O Pilusa (Former MPAC Chairperson exited on 08 November 2021)
K.P Mhlarhi (exited on 08 November 2021)
M.P Mukhari (MPAC Chairperson)
S.T Mkanzi (exited on 08 November 2021)
B Ramothwala
N.J Mampuru
M.E Mokgalaka
Z Ndlovu (exited on 08 November 2021)
A.N Mmola (exited on 08 November 2021)
MM Malesa
S.L Mohlala
P.K Mashego (exited on 08 November 2021)
P.J Shayi
L.M Matlala
S.R De Beer
R Makasela
T.S Ndlovu (exited on 08 November 2021)
S.G.H Lamola (exited on 08 November 2021)
A Ngobeni (exited on 08 November 2021)
M.M.A Mathebula
M.R.S Williamson (exited on 08 November 2021)
S.M Shayi
T.B Shai
M.F Sekoele
N.P Ntimane
M.J Valoyi (exited on 08 November 2021)
S.K Shai (exited on 08 November 2021)
M.S Sekwakwa (exited on 08 November 2021)
E.F Nyathi
M.P Mailula
R Rakoma
P Chiloane
NL Rihlampfu
T.C Malatji (exited on 08 November 2021)
D.S Mathebula
N.S Mnisi
H.S Booyesen
M.H Sekatane
J.C Mokungwe
J Sindane
M.A Mononela
M.M Thuke

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2022 2021

47. Related parties (continued)

Former Municipal Manager	T.M Malobane
Acting Municipal Manager	M.I Moakamela (resigned 31 January 2022)
Acting Chief Financial Officer	K.K Pilusa
Senior Management	A Ndzimande
Corporate Services	K.K Pilusa
Community Services	M.J Kanwendo
Planning & Development	M. Chueu
Technical Services	P.M Baloyi

Related party balances

Loan accounts - Owing (to) or by related parties

Mayor	906	-
Speaker	138,434	-
Chief Whip (Account was paid in advance)	(1,425)	(1,328)
Mayoral Executive Committee Members	31,663	131
Councillors	1,398,872	574,370
Municipal Manager	-	4,071

During the current year Mr. Nkuna T have been identified to be in a close relationship(Siblings) with an employee of the municipality. an amount of R116 520 (2021: R128 604) was earned in Salaries and other benefits by the employee related to the councillor.

Compensation to accounting officer and other key management

Short-term employee benefits	-	737,153
Defined contribution plans	-	532,648
	-	1,269,801

Key Oversight & Management Information

Class	Description	Number
Mayor	M.M Malatji	1
Speaker	N.O Mabunda	1
Chief Whip	D Rapatsa	1
Mayoral Executive Committee	See above for detailed name listing	7
Councillors	See above for detailed name listing	43
Acting Municipal Manager	K.K Pilusa	1
Acting Chief Financial Officer	A Ndzimande	1
Senior Management	See above for detailed name listing	3

Ba-Phalaborwa Local Municipality

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Notes to the Annual Financial Statements for the year ended 30 June 2022

Figures in Rand

47. Related parties (continued)

Remuneration of management

Management class: Municipal Manager & Chief Financial Officer

2022

Name	Basic salary	Acting allowance	Other short-term employee benefits	Total
M.I Moakamela	320,274	-	449,383	769,657
K.K Pilusa (acting MM)	-	82,821	-	82,821
A. Ndzimande (Acting CFO)	-	99,004	-	99,004
	320,274	181,825	449,383	951,482

2021

Name	Basic salary	Acting Allowance	Other short-term employee benefits	Total
M.I Moakamela (Municipal Manager)	640,548	-	481,561	1,122,109
T.J Mogano (Former CFO)	178,888	-	316,555	495,443
A. Ndzimande (Acting CFO)	-	67,734	-	67,734
	819,436	67,734	798,116	1,685,286

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2022 2021

47. Related parties (continued)

Management Class: Councillors

2022

Name	Basic salary	Other short-term employee benefits	Total
Executive committee	3,976,166	2,009,088	5,985,254
Councillors	6,123,270	3,481,380	9,604,650
	10,099,436	5,490,468	15,589,904

2021

Name	Basic salary	Other short-term councillor benefits	Total
Executive committee	3,075,000	1,391,915	4,466,915
Councillors	5,894,178	3,237,041	9,131,219
	8,969,178	4,628,956	13,598,134

Management class: Executive management

2022

Name	Basic salary	Other short-term employee benefits	Total
Technical Service	616,257	358,706	974,963
Corporate Services	536,664	476,798	1,013,462
Community Services	608,664	339,898	948,562
	1,761,585	1,175,402	2,936,987

2021

Name	Basic salary	Other short-term employee benefits	Total
Technical Service	226,025	250,171	476,196
Corporate Services	594,728	769,496	1,364,224
Community Services	346,156	498,177	844,333
Planning and Development	247,109	506,398	753,507
	1,414,018	2,024,242	3,438,260

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2022

2021

48. Prior-year adjustments

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

Consumer Debtors - Sundry Debtors and Accumulated surplus - prior period error - during the review of the receivables age analysis with the accounting records, it was identified that the sundry debtors was understated by an amount of R21 078 492 and electricity is overstated with an amount of R113. This resulted in the accumulated surplus understated with an amount of R21 078 379.

Agency fee - VAT receivables/payables and Payables from exchange transactions - During the 2020/2021 financial year audit, it was identified that the agency fee was incorrectly calculated which resulted in the understatement of agency fee amounting to R20 539 604, VAT payables amounting to R3 093 300 and overstatement Payables from exchange transactions - Mopani amounting to R23 632 904.

Payables from exchange transactions - Other creditors - Sundry creditors - Trade creditors and payroll accruals and Accumulated surplus - Prior period error - During the current year review of the trade creditors listing, sundry creditors and payroll accruals. it was identified that the payables was overstated as a result of previous migration of the system which cannot be supported. as a result it was decided to write off the unsupported differences to accumulated surplus. This resulted in an adjustment of trade creditors amounting to R136 096 664, other creditors amounting to R555 909 sundry creditors amounting to R22 014 815 and payroll accruals amounting to R17 624 331. Also impacted on the accumulated surplus prior period amounting to R176 291 719.

Consumer debtors; Receivables from non-exchange transactions and Payables from exchange transactions - During the 2020/2021 audit the municipality did not reallocate debtors with credit balances to the payables from exchange transactions. this resulted in the understatement of Consumer debtors with an amount of R22 965 909, receivables from non-exchange transactions with an amount of R600 935 and payables from exchange transaction with an amount of R23 566 844.

General expenses; Payables from exchange transactions and Contracted Services - during the current year a review of prior year contracted services and general expenses was made to identify which costs which do not belong to each category. It resulted in reclassification of some general expenses amounting to R17 608 914 to Contracted services amounting to R6 737 101 and Payables from exchange transaction - Mopani amounting to R10 871 812.

Property, Plant and Equipment - Infrastructure, Accumulated Surplus - prior period error and Depreciation - during the current year review of the completed projects, it was identified that a rention amounting to R446 782 was ommitted when capitalising the project. Resulted in the understatement of PPE - Infrastructure, Depreciation and Accumulated Surplus.

Property, Plant and Equipment - Infrastructure; Accumulated depreciation - Infrastructure and Accumulated surplus - prior period error - it was identified that a project was not capitalised when it was completed as a result of not receiving the completion certificate resulting in the understatement of PPE - Infrastructure amounting to R2 144 255, overstatement of WIP with amount of R2 538 580, Depreciation understated amounting to R94 046 and accumulated surplus of R300 279.

Investment Properties and Fair value adjustments - Investment Properties and Biological Assets - During the current year review of the Investment Properties it was identified that some building structures contained incorrect values which was different from the valuers fair values. which resulted in the overstatement of Investment Properties with an amount of R60 233 730 and Fair Value adjustment amounting to R60 233 730.

Property, Plant and Equipment - Infrastructure and Property, plant and Equipment - WIP - it was identified that a project was not capitalised when it was completed as a result of receiving the completion certificate late which resulted in the understatement of infrastructure amounting to R3 329 689 and WIP overstatement with the same amount.

Other Debtors; VAT Receivables/Payables and Revenue - Service charges - During the review of the prepaid electricity receipts it was identified that there is monies received for prepaid electricity from vending vendors which was not accrued in the prior year resulting in the understatement of Other debtors with an amount of R717 150, VAT receivables/payables amounting to R107 572 and Services charges - electricity amounting to 609 577

Payables from exchange transactions - Mopani Creditor and Accumulated Surplus - Prior period error - It was identified there are differences when Mopani reconciliation was prepared, this resulted in an understatement of Payables - Mopani with an amount of R232 026 157 and Accumulated surplus with R232 026 157.

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2022 2021

48. Prior-year adjustments (continued)

Receivables from non-exchange transactions - Property rates, Other income and Accumulated surplus - It was identified that there are debtors with credit balances which are long overdue to be repaid to the customers. an advert was published in the local newspapers and notice issued for all customers to come and claim the credit balances without success. the credit balances was reclassified which wa understating the Receivables - property rates amounting to R1 048 737, Other income amounting to R14 677 and Accumulated Surplus amounting to R1 034 060.

Payables from exchange transactions - Accrued bonus and Provisions - it was identified that the accrued bonus was included in the provisions and it was reclassified to payables from exchange transactions amounting to R2 781 448.

General Expenses and Contributions from estimates - landfill provision - During the current year provision for bad debt changes in estimates that resulted in a decrease of the provision was reclassified from general expenses to contributions from estimates to appear separately on the face of the statement of financial performance with an amount of R20 046 689.

Statement of financial position

2021

	Note	As previously reported	Correction of error	Re-classification	Restated
Consumer Debtors		-	21,078,379	234,160,356	255,238,735
Receivables from exchange transactions		211,194,447	-	(211,194,447)	-
Receivables from non-exchange transactions		63,264,640	1,048,737	600,935	64,914,312
Other debtors		-	717,150	-	717,150
Property, plant and equipment		872,607,488	(394,323)	-	872,213,165
Payables from exchange transactions		(547,471,366)	(21,229,721)	(26,348,292)	(595,049,379)
VAT Receivables/(Payables)		4,043,095	(3,200,872)	-	842,223
Provisions - Current liabilities		(2,781,448)	-	2,781,448	-
Investment Properties		394,700,618	(60,233,730)	-	334,466,888
		995,557,474	(62,214,380)	-	933,343,094

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2022 2021

48. Prior-year adjustments (continued)

Statement of financial performance

2021

	Note	As previously reported	Correction of error	Re-classification	Restated
Agency Services		9,050,768	20,539,604	-	29,590,372
Contribution from estimates - landfill provision		-	-	20,046,689	20,046,689
Employee related costs		(145,210,020)	-	1,735,361	(143,474,659)
Contracted services		(32,252,578)	-	(6,398,578)	(38,651,156)
General expenditure		(71,385,654)	-	(4,511,660)	(75,897,314)
Depreciation and amortisation		(74,024,295)	(94,046)	-	(74,118,341)
Service Charges		121,309,681	609,577	-	121,919,258
Fair value adjustment - Investment Properties and Biological Assets		144,636,732	(60,233,730)	-	84,403,002
Other income		1,941,671	14,677	-	1,956,348
Surplus for the year		(45,933,695)	(39,163,918)	10,871,812	(74,225,801)

Employee benefit obligation - Included in **note 17** are amounts for comparative year 2021 which was identified to be incorrect as per prior year Actuarial reports. The amounts have been updated which impacted the opening balance, service costs, finance costs, actuarial gains/losses and contributions for both Long Service Awards and Post Employee Medical Aid.

Contingencies - Included in **note 45** are amounts for contingent assets and liabilities which have been identified to include legal fees as previously reported, an investigation was done and an adjustments of the litigation amounts was made.

Irregular expenditure - Included in the **note 52** there is a narration change from "condoned" to "written off" to align the wording with the resolution document.

Related party - Included in **note 46** includes outstanding balances for councillors for water, electricity, refuse and waste water which was identified to be incorrectly disclosed in the prior year. The amounts was subsequently corrected in the current year comparative amounts. Also there is remuneration of management the former Chief Financial Officer which was omitted and Acting Chief Financial Officer was inclusive of his remuneration as Budget manager and acting allowance. The error was subsequently corrected as disclosed in not 46 current year comparative.

49. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

	At amortised cost	Total
Other debtors	378,147	378,147
Receivables from non-exchange transactions	81,987,411	81,987,411
Consumer Debtors	246,692,018	246,692,018
Cash and cash equivalents	68,026,572	68,026,572
	397,084,148	397,084,148

Financial liabilities

	At amortised cost	Total
Other financial liabilities	72,835,588	72,835,588

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	2022	2021
49. Financial instruments disclosure (continued)		
Finance lease obligations	4,577,280	4,577,280
Trade and other payables from exchange transactions	617,377,180	617,377,180
Unspent conditional grants and receipts	918,483	918,483
	695,708,531	695,708,531

2021

Financial assets

	At amortised cost	Total
Receivables from non-exchange transactions	64,914,312	64,914,312
Consumer Debtors	255,238,736	255,238,736
Cash and cash equivalents	69,319,706	69,319,706
	389,472,754	389,472,754

Financial liabilities

	At amortised cost	Total
Other financial liabilities	88,757,930	88,757,930
Finance lease obligations	172,204	172,204
Unspent conditional grants and receipts	1,143,192	1,143,192
Trade and other payables from exchange transactions	595,049,379	595,049,379
	685,122,705	685,122,705

Financial instruments in Statement of financial performance

2022

	At amortised cost	Total
Finance income	45,215,653	45,215,653
Finance expenses	18,265,931	18,265,931
Debt impairment	(136,916,628)	(136,916,628)
	(73,435,044)	(73,435,044)

2021

	At amortised cost	Total
Finance income	47,539,485	47,539,485
Finance expenses	18,640,508	18,640,508
Debt impairment	(39,994,029)	(39,994,029)
	26,185,964	26,185,964

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2022 2021

50. Risk management

Liquidity risk

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.

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.

At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	15,458,578	57,377,010	-	-
Financial lease obligations	923,256	3,654,024	-	-
Payables from exchange transactions	617,377,180	-	-	-

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	14,222,478	74,535,452	-	-
Finance lease obligations	172,204	-	-	-
Payables from exchange transactions	595,049,379	-	-	-
Unspent conditional grants and receipts	1,143,192	-	-	-

Credit risk

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

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

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

Financial instrument	2022	2021
Receivables from non-exchange transactions	81,987,411	64,914,312
Consumer debtors	246,739,286	255,238,736
Cash and cash equivalent	68,026,572	69,319,706
Other debtors	378,147	717,150

Market risk

Interest rate risk

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

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments. During 2022 and 2021, the municipality's borrowings at variable rate were denominated in the Rand.

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	2022	2021
51. Unauthorised expenditure		
Opening balance as previously reported	82,984,375	503,816,588
Opening balance as restated	82,984,375	503,816,588
Add: Expenditure identified - current	61,590,261	-
Less: amount written off authorised by council	(110,104,739)	(420,832,213)
Less: adjustment of amount written off	27,120,364	-
Closing balance	61,590,261	82,984,375

The unauthorised expenditure for the year was due to overspending of the municipal budget. The overspending was experienced in non cash items of finance costs, impairment adjustments and depreciation of property, plant and equipment.

That Council condoned all the unauthorised expenditure of R110 104 739 (2021: R420 832 213) as irrecoverable on the basis that the expenditures incurred are non-cash items; no loss was incurred by the municipality. These are mere accounting entries and no money was spent.

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	95,254,415	-
Cash	(33,664,154)	-
	61,590,261	-

Analysed as follows: non-cash

Depreciation and amortisation	(11,736,100)	-
Finance charges	12,066,248	-
Provision of impairment	94,924,267	-
	95,254,415	-

Analysed as follows: cash

Bulk purchases	(12,561,998)	-
Contracted services	(9,743,032)	-
General expenditure	2,841,742	-
Finance costs	3,333,716	-
Employee related costs	(15,185,680)	-
Remuneration of councillors	(2,348,902)	-
	(33,664,154)	-

52. Fruitless and wasteful expenditure

Opening balance as previously reported	5,231,823	14,488,377
Opening balance as restated	5,231,823	14,488,377
Add: Expenditure identified - current	-	86,673
Less: Amounts written off - current	(4,722,652)	(9,343,227)
Closing balance	509,171	5,231,823

That Council approved a write off of only R4 722 652 (2021: R9 343 227) of fruitless and wasteful expenditure which emanates from interest paid to the service providers such as Telkom, Eskom, SARS, AGSA, COIDA for late payment made due to insufficient cash flow.

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52. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

	Disciplinary proceedings	steps taken/criminal		
Interest - SARS (PAYE, SDL, VAT)	Non-taken		-	86,652
Interest - Telkom			-	21
			-	86,673

No Disciplinary steps have been taken against any employee relating to the charging of Interest by SARS, this is due to the municipality experiencing financial difficulties to pay its debts when they fall due.

53. Irregular expenditure

Opening balance as previously reported	304,552,944	276,171,148
Opening balance as restated	304,552,944	276,171,148
Add: Irregular Expenditure - current	40,549,188	28,553,529
Less: Amount written off - prior period	(222,735,652)	(171,733)
Closing balance	122,366,480	304,552,944

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2022

2021

53. Irregular expenditure (continued)

Incidents/cases identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Infra Projects Africa	Various operational procurement made without following proper supply chain procedures	-	3,773,346
Uranus Consulting Engineers	Various operational procurement made without following proper supply chain procedure	-	1,331,971
Superior Quality Engineering and Technologies	Various operational procurement made without following proper supply chain procedures	-	1,042,488
Baatshuma	Service provider appointed did not include the BBE certificate for the subcontractor, the Municipality did not evaluate based on the Sub - Contract	-	2,963,062
Charlin Consulting	Non member attended and evaluated in the tender bid evaluation committee	-	592,400
Dima K Safaris and Tours	Directors did not declare interest on the form and is employed by the state	-	14,800
Gumela General Dealer and Projects	tender did not specify the minimum threshold for local production and content, as required by the regulation above	-	1,985,188
Hlapi Holdings	The bid specification for the below quotations did not specify the minimum threshold for local content	-	197,050
Jusben Consulting Engineers	The bid specification for the below tender did not specify the minimum threshold for local content, as required by the regulation above	-	2,590,526
Media24	3 quotations was not obtained from a supplier listed on the list of prospective suppliers	-	20,488
MLO Investments	The bid specification for the below tender did not specify the minimum threshold for local content, as required by the regulation above	-	3,733,153
Morcar Trading	suppliers conducted business with the municipality and the directors did not declare that they are business partners with the councillor and exco member of the municipality, furthermore the business partners identified below did not declare that they are directors of the below businesses	87,986	193,546
Motopiwa Trading	suppliers conducted business with the municipality and the directors did not declare that they are business partners with the councillor and exco member of the municipality, furthermore the business partners identified below did not declare that they are directors of the below businesses	-	147,990
Palabora Herald	That only one instead of the required 3 quotations was obtained from a supplier listed on the list of prospective suppliers.	-	231,551

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		2022	2021
53. Irregular expenditure (continued)			
The A Team Task Force	Conducted business with the municipality and the director did not declare that he is a business partner with the councillor of the municipality, furthermore the councillor A Ngobeni did not declare that he is a director of Legae enterprises as per his declaration of interest certificate	-	8,162,470
ZevoFusion	The bid specification for the below tender did not specify the minimum threshold for local content, as required by the regulation above	-	1,573,500
Baatshuma	Service provider appointed did not include the BBE certificate for the subcontractor , the Municipality did not evaluate based on the Sub - Contract	1,963,697	-
Charlim Consulting Inc	SCM chief accountant attended and evaluated the tender as per the bid evaluation minutes dated 07 January 2021. The member also attended and adjudicated the tender as per the Bid Adjudication minutes dated 15 January 2021.	148,100	-
Infra projects africa	Appointed consultants to execute project without following other supply chain process.	1,514,268	-
The A team Task Force	Conducted business with the municipality and the director did not declare that he is a business partner with the councillor of the municipality, furthermore the councillor did not declare that he is a director of Legae enterprises as per his declaration of interest certificate	17,079,491	-
AES Consulting Engineers JV Capotex Construction	The invitation to tender for the tenders and quotations did not specify the minimum threshold for local content	8,754,029	-
Antiquated Thipa Projects	The invitation to tender for the tenders and quotations did not specify the minimum threshold for local content	184,000	-
Astryd Solution	The invitation to tender for the tenders and quotations did not specify the minimum threshold for local content	185,000	-
Atlegang First Class	The invitation to tender for the tenders and quotations did not specify the minimum threshold for local content	177,500	-
Conride Multimedia	The invitation to tender for the tenders and quotations did not specify the minimum threshold for local content	159,000	-
Demetrius Ahos Trading	Awards to persons in service of other state institutions - Supplier was appointed while their directors are employed by other state institutions, the CSD reports printed at the time of the awarding of the quotation indicated that the directors are employees of government. We also noted that the directors submitted the MBD4 declaration however they did not declare that they are employed by the state	197,400	-

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		2022	2021
53. Irregular expenditure (continued)			
Mafofja Trade and Projects	The invitation to tender for the tenders and quotations did not specify the minimum threshold for local content	167,225	-
Malapane Aphuthi Holdings	Awards to persons in service of other state institutions - Supplier was appointed while their directors are employed by other state institutions, the CSD reports printed at the time of the awarding of the quotation indicated that the directors are employees of government. We also noted that the directors submitted the MBD4 declaration however they did not declare that they are employed by the state	14,276	-
Mampudidi Property and Development	Reasons for deviations are not justifiable and inappropriate disclosures made in the AFS - The deviation does not meet the definition of an emergency as the municipality should have planned in advance for the services of the trucks. The municipality should have implemented a schedule of services for the trucks to ensure that they are serviced in time and that quotations are sourced well in advance from other service providers to avoid deviations. Poor/improper planning from the municipality should not be the reason to circumvent SCM procurement processes.	950,000	-
Pepplo Constructions Pty Ltd	The invitation to tender for the tenders and quotations did not specify the minimum threshold for local content	174,000	-
Phanzani Projects JV Lermat Construction	The invitation to tender for the tenders and quotations did not specify the minimum threshold for local content	7,335,019	-
Phillistus Holdings	Awards to persons in service of other state institutions - Supplier was appointed while their directors are employed by other state institutions, the CSD reports printed at the time of the awarding of the quotation indicated that the directors are employees of government. We also noted that the directors submitted the MBD4 declaration however they did not declare that they are employed by the state:	406,720	-
Raisetja Construction and Project	The invitation to tender for the tenders and quotations did not specify the minimum threshold for local content	192,000	-
Reekay Trade And Projects	The invitation to tender for the tenders and quotations did not specify the minimum threshold for local content	198,000	-
Sebotsane Construction and Supply	The invitation to tender for the tenders and quotations did not specify the minimum threshold for local content	135,000	-
Simplicity Multi Projects	The invitation to tender for the tenders and quotations did not specify the minimum threshold for local content	148,600	-

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		2022	2021
53. Irregular expenditure (continued)			
Tharolesa Trading	Appointed suppliers did not declare their relationship with the municipal councillors - service providers conducted business with the municipality in the current financial year and the directors of the company did not declare on MBD4 certificate that they are business partner/s with the councillor/s of the municipality.	144,000	-
Uranus Consulting Engineers	Appointed consultants to execute turn key projects without following other supply chain process.	233,877	-
		40,549,188	28,553,529

Amounts written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R222 735 652 (2021: R171 733) from the total irregular expenditure amount as it was proven that the finding was resolved by Auditor General of South Africa.

That the balance of R67 197 683 (2021: R248 600 291) still need to be tested against the available evidence of consequence management.

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2022

2021

54. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus (deficit) of 743,289,088 and that the municipality's total assets exceed its liabilities by 781,361,530.

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.

Despite the impact of Covid-19, which affected the municipality's operations since March 2020 when the state of national disaster was declared, the municipality is able to continue operating as a going concern. It is worth noting that the ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality through government grants and subsidies as well as revenue from exchange and non exchange transactions.

55. Events after the reporting date

There are no material reportable events that occurred after the reporting date.

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	2022	2021
56. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	2,391,267	94,010
Amount paid - current year	(2,391,267)	(94,010)
	-	-
Audit fees		
Current year subscription / fee	4,698,209	6,090,516
Amount paid - current year	(4,698,209)	(6,090,516)
	-	-
PAYE and UIF		
Current year subscription / fee	32,296,664	27,293,971
Amount paid - current year	(32,296,664)	(27,293,971)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	24,000,348	25,875,739
Amount paid - current year	(24,000,348)	(25,875,739)
	-	-
VAT		
VAT receivable/(Payables)	(36,994,111)	842,223

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

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57. Deviation from supply chain management regulations

Supplier	Project	Amount	Date disclosed	Reason
Sebata / Inzalo Holdings	Support and maintenance of the financial system for the period of twelve months.	3,679,547	01/07/2021	Emergency
NTT Toyota Phalaborwa	Strip, quote and repair refuse compactor truck with registration No. DSL360L.	36,404	31/07/2021	Sole service provider for a Toyota brand
Maha South Africa	Consumables - calibration of vts equipment	16,259	31/10/2021	Sole service provider
Mampudidi Property and Development	Hiring of refuse compactor truck	190,000	30/11/2021	Emergency
NTT Motor Investments	Service and repair of refuse compactor truck	45,994	31/12/2021	Sole service provider
Mampudidi property and development	Hiring of refuse compactor truck	190,000	31/01/2022	Emergency
RGR Services	Repair of a grader	139,724	28/02/2022	Sole service provider
Mampudidi property and development	Hiring of refuse compactor truck	190,000	28/02/2022	Emergency
Mampudidi property and development	Hiring of refuse compactor truck	190,000	30/04/2022	Emergency
BB Truck and Tractor (Pty) Ltd	Servicing of UD Truck	83,052	31/05/2022	Sole service provider
BB Truck and Tractor (Pty) Ltd	Servicing of UD Truck	56,179	31/05/2022	Sole service provider
Adapt IT (Pty) Ltd	Renewing the Caseware software for the purpose of Annual Financial Statement Preparations	72,235	31/05/2022	Sole service provider
Papyrus Library Administrators System	Annual license with Parity software and Maintenance & support for the system	9,900	30/06/2022	Sole service provider
Mampudidi property and development	Hiring of refuse compactor truck	190,000	30/06/2022	Emergency
Electronic Document System	Annual license and software Maintenance	44,275	30/06/2022	Emergency
Mampudidi property and development	Hiring of refuse compactor truck	95,000	30/06/2022	Emergency
Karibu Leisure Resort And Conference	Ward Committee Induction Conference Package	875,031	30/06/2022	Emergency
Phalaborwa Herald	Publishing or advertising on local newspaper (2021/22 financial year)	144,461	30/06/2022	Sole service provider
		6,248,061		

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58. Accounting by principals and agents

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

Details of the arrangement(s) is|are as follows:Details of the arrangement(s) is|are as follows:

The municipality acts as an agent for the Department of Transport and Mopani District Municipality.

The municipality collects monies for licenses and provincial & national Department of Transport traffic fines and pays over the monies to the department. In terms of the agreement signed, the municipality is entitled to a collection fee of 3% on monies collected that it with-holds and pays over the 97% remainder to the Department of Transport.

The municipality collects monies paid by customers for Water and Waste Management. In terms of the agreement signed the municipality is entitled to a 10% of net profit on the water and waste water for the year. there is an annual escalation of the rate based on the PPI.

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58. Accounting by principals and agents (continued)

Entity as agent

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

There are no resources held on site on behalf of the Department of Transport.

The Mopani District Municipality (MDM) and Ba-Phalaborwa Municipality (BPM) have entered into a Water Services Provider Contract whereby MDM acts as the Principal Water Service Authority (WSA) and the BPM act as the Water Services Provider (WSP). The original contract was entered into in 2014 and the updated agreement signed in the calendar year of 2019. The current agreement is valid for a period of three years from 2019 and expires in 30 June 2022. At the end of this period the principal (MDM) has an option of extending the contract for another period to a maximum of a further three years.

The BPM is appointed as the exclusive water services provider within its municipal boundary and it distributes the water of MDM to its customers within the municipal boundary. BPM is responsible for water meter reading, billing, revenue collections and credit control.

Ba-Phalaborwa Municipality receives a management fee of 10% at the initial of the contract as an agency fee based on the water and sanitation cash collections. The rate increases on an annual basis based on the PPI (Producer Price Index) at each year end. The current year management fee rate is 12.581% (2021: 10.827%). The municipality also recovers the costs that it incurs on behalf of the district municipality.

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is 18,505,090 (2021: 26,663,148)

Liabilities and corresponding rights of reimbursement recognised as assets

The municipality have paid salaries and other expenses in performing the above mentioned functions for the District amounting to R42 243 603 (2021: R32 872 561).

As at 30 June 2022 the municipality realised revenue for the district amounting to R189 327 568 (2021: R279 131 321) and had debtors outstanding for the water and waste water sales amounting to R 1 142 086 331 (2021: R984 708 254).

Inventories held on behalf of the district municipality amounted to R4 556 809 (2021: R5 346 592).

Additional information

Revenue and expenses that relate to transactions with third parties undertaken in terms of the principal-agent arrangement

Category(ies) of revenue received or to be received on behalf of the principal, are:

Categories	Additional details
Water	billing of water usage and charging interest on overdue accounts
Waste water	billing of water usage and charging interest on overdue accounts

Category(ies) of expenses paid or accrued on behalf of the principal, are:

Categories	Additional details
Salaries	employees to render services in the water and sanitation department

Amount of revenue received on behalf of the principal during the reporting period

Water and sanitation	145,681,254	227,934,192
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Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements for the year ended 30 June 2022

	2022	2021
58. Accounting by principals and agents (continued)		
Interest on overdue accounts	43,646,314	51,197,129
	189,327,568	279,131,321

In the previous year a reconciliation was performed to confirm the total revenue for Mopani billed for the year ended 30 June 2021, it was identified that there is differences to the figures disclosed in the prior year. a change in the figures disclosed in the previous year was made to reflect figures finalised with the reconciliation received.

Amount of expenses paid on behalf of the principal during the reporting period

Salaries	(23,048,356)	(19,848,214)
General expenses	(19,195,247)	(13,024,347)
	(42,243,603)	(32,872,561)

In the previous year a reconciliation was performed to confirm the total expenses incurred on behalf of Mopani for the year ended 30 June 2021, it was identified that there is differences to the figures disclosed in the prior year. a change in the figures disclosed in the previous year was made to reflect figures finalised with the reconciliation received.

Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

Reconciliation of the carrying amount of receivables

Water and Sanitations

Opening balance	984,708,254	963,086,804
Revenue that principal is entitled to	222,999,809	237,917,320
Collection from customers	(65,621,732)	(176,883,652)
Correction of prior period error adjustment	-	(39,412,218)
	1,142,086,331	984,708,254

In the previous year it was identified that the Age analysis was not agreeing to the balance in the TB, an adjustment of the differences was processed in the system to correct the differences.

All categories

Opening balance	984,708,254	963,086,804
Revenue that principal is entitled to	222,999,809	237,917,320
Collections from customers	(65,621,732)	(176,883,652)
Cash received on behalf of the principal	-	(39,412,218)
	1,142,086,331	984,708,254

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2022

2021

59. Budget differences

Material differences between budget and actual amounts

- 1. Interest on long outstanding debtors** - The Interest earned on outstanding debtors was over budgeted .Consumers are still taking longer to pay outstanding amount .
- 3. Traffic fines** - The traffic fines were under budgeted due to culture on none payment of traffic fines by the offenders. The municipality collected 21% of the fines raised.
- 4, Agency services** - Slow payments by consumer which had an adverse impact on agency fee collection from Mopani.
- 5. Property rates** - The municipality performed more than what was budgeted for as a result of the supplementary valuation roll received from the valuer.
- 6. Remuneration of councillors** - The municipality did not increase the salaries of the councillors in the current year.
- 7. Services charges** - The under recovery or billing is due to a culture of non-payment and illegal connections. This affected the provision of services i.e. refuse
- 8. Rental of facilities** -Decrease in number of tenants renting municipal property
- 9. Finance charges** - The interest charges on provision for landfill and concessionary loan which was not budgeted for.
- 10. Bulk purchases** - Less usage of electricity as a result of either loadshedding from Eskom and Electricity cable thefts .
- 11. Contribution from estimates - (Increase) /decrease landfill provision** - Contribution from the change in the estimated costs - landfill sites and discounts allowed on long outstanding debtors which was not budgeted.
- 12, Debt impairment** - Increase on the Provision for debt impairment realised as a result of culture of non-payments of services and writing off of indigent customers after providing them with rebates.

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60. Segment information

General information

Identification of segments

The municipality is organised and reports to council on the basis of four major functional areas: Governance and Administration, Community and Public Safety, Economic and Environmental Services and Trading Services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Aggregated segments

The municipality operates throughout the north-eastern part of Limpopo Province in four major towns namely: Phalaborwa, Namakgale, Lulekani and Gravelotte. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Limpopo were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
Executive and Council Budget and Treasury	Providing strategic direction to the municipality Providing administrative and Corporate support, functions and financial reporting . Trading services - Electricity supply, waste management and sundry services
Corporate Services	Provision of human capital, legal and Information Technology
Community and Social Services	Provision of health, community related services and licensing services
Technical Services Planning and Development Services	Provision of road infrastructure, Solid waste, Electricity, etc. Economic development for the town and strategy (IDP and SDBIP)

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Figures in Rand

60. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2022

	Executive and Councillors	Community and Social Services	Budget and Treasury Office	Technical Services	Corporate Services	Planning and Development Services	Total
Revenue							
Service charges	-	-	72,718	123,512,286	-	-	123,585,004
Rental from facilities	-	-	-	-	204,862	-	204,862
Interest income - outstanding debtors	-	-	31,449,628	13,766,025	-	-	45,215,653
Licences and permits	-	20,515,633	-	-	-	-	20,515,633
Agency services	-	21,601,204	-	-	-	-	21,601,204
Other revenue	-	189,192	10,067,167	56,487	-	439,824	10,752,670
Property rates	-	-	141,423,062	-	-	-	141,423,062
Traffic fines	-	543,345	-	-	-	-	543,345
Government grants and subsidies	-	-	220,796,434	8,343,276	40,700	-	229,180,410
Actuarial gains	-	-	-	-	1,162,925	-	1,162,925
Public donations	-	558,165	-	4,672,256	-	6,668,239	11,898,660
Fair value adjustment	-	-	-	-	79,970,083	-	79,970,083
Gain on sale of fixed assets	-	-	6,664	-	-	-	6,664
Contribution from estimates - landfill provision	-	-	(16,551,807)	-	-	-	(16,551,807)
Total segment revenue	-	43,407,539	387,263,866	150,350,330	81,378,570	7,108,063	669,508,368
Entity's revenue							669,508,368
Expenditure							
Employee related costs	15,153,116	49,918,582	25,099,513	39,841,182	27,651,944	10,751,538	168,415,875
Remuneration of councillors	17,312,291	-	-	-	-	-	17,312,291
Debt impairment	-	-	136,916,628	-	-	-	136,916,628
Depreciation & asset impairment	-	72,475,714	-	-	-	-	72,475,714
Finance charges	-	-	18,265,931	-	-	-	18,265,931
Bulk purchases - electricity	-	-	-	101,086,420	-	-	101,086,420
Inventory consumed	891,313	2,284,803	1,339,080	24,093,301	1,092,739	59,387	29,760,623

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Figures in Rand

	Executive and Councillors	Community and Social Services	Budget and Treasury Office	Technical Services	Corporate Services	Planning and Development Services	Total
60. Segment information (continued)							
Contracted services	15,944,956	19,816,100	4,588,546	8,760,452	10,699,335	2,125,992	61,935,381
General expenses	5,274,645	21,276,472	11,663,623	12,540,221	17,112,415	771,150	68,638,526
Inventory losses	-	594,852	-	-	-	-	594,852
Total segment expenditure	54,576,321	166,366,523	197,873,321	186,321,576	56,556,433	13,708,067	675,402,241
Total segmental surplus/(deficit)							(5,893,873)
Assets							
Inventories	-	-	21,354,040	-	-	-	21,354,040
Receivables from non-exchange transactions	-	-	81,987,411	-	-	-	81,987,411
Other debtors	-	-	165,422	-	-	-	165,422
Consumer Debtors	-	-	246,739,286	-	-	-	246,739,286
Cash and cash equivalents	-	-	68,026,572	-	-	-	68,026,572
Investment property	-	-	414,578,947	-	-	-	414,578,947
Property, plant and equipment	-	-	844,367,781	-	-	-	844,367,781
Intangible assets	-	-	182,548	-	-	-	182,548
Heritage assets	-	-	317,000	-	-	-	317,000
Total segment assets	-	-	1,677,719,007	-	-	-	1,677,719,007
Total assets as per Statement of financial Position							1,677,719,007
Liabilities							
Other financial liabilities	-	-	72,835,588	-	-	-	72,835,588
Finance lease obligation	-	-	4,577,280	-	-	-	4,577,280
Payables from exchange transactions	-	-	617,377,180	-	-	-	617,377,180
VAT payable	-	-	36,994,111	-	-	-	36,994,111
Consumer deposits	-	-	4,518,543	-	-	-	4,518,543
Employee benefit obligation	-	-	55,942,980	-	-	-	55,942,980
Unspent conditional grants and receipts	-	-	918,483	-	-	-	918,483
Provisions	-	-	103,193,312	-	-	-	103,193,312

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Figures in Rand

	Executive and Councillors	Community and Social Services	Budget and Treasury Office	Technical Services	Corporate Services	Planning and Development Services	Total
60. Segment information (continued)							
Total segment liabilities	-	-	896,357,477	-	-	-	896,357,477
Total liabilities as per Statement of financial Position							896,357,477