Ba-Phalaborwa Local Municipality
(Registration number LIM334)
Annual Financial Statements
for the year ended 30 June 2024
Published 31 August 2024

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 Structures Act (Act 117 of 1998)
	Municipal Property Rates Act (Act 6 of 2004)
	Local Government: Municipal Finance Management Act (Act 56 of 2003)
	Local Government: Municipal Systems Act (Act 32 of 2000)
	Division of Revenue Act (Act 01 of 2007)
Mayoral committee	
Mayor	Cllr. M.M Malatji
Speaker	Cllr. N.O Mabunda
Chief Whip	Cllr. D.M Rapatsa
Executive Committee Members	Cllr. T Nkuna (Chairperson of Portfolio committee:Corporate Services)
	Cllr. MP Mailula (Chairperson of Portfolio Committee:Planning and Development)
	Cllr. R Makasela (Chairperson of Portfolio Committee:Budget and Treasury)
	Cllr. V.M Rapatsa (Chairperson of Portfolio committee:Technical Services)
	Cllr. S.P Mashumu
	Cllr. S.R De Beer
Councillors	Cllr. T.M Malobane
	Cllr. N.L Rihlampfu
	Cllr. M.A Mononela
	Cllr. B Ramothwala
	Cllr. N.J Mampuru
	Cllr. M.E Mokgalaka
	Cllr. E.A Mokoena
	Cllr. J.C Mokungwe
	Cllr. L.M Matlala
	Cllr. M.F Sekoele
	Cllr. T.C Malatji
	Cllr. S.M Shayi
	Cllr. MMA Mathebula
	Cllr. MM Malesa
	Cllr. EF Nyathi
	Cllr. T Mashale
	Cllr. R Rakoma
	Cllr. SL Mohlala
	Cllr. GM Van Niekerk

General Information

	Cllr. DS Mathebula Cllr. HS Booysen Cllr. MH Sekatane Cllr. MP Mukhari (MPAC: Chairperson) Cllr. J Sindane Cllr. TB Shai Cllr. MM Thuke Cllr. N.P Ntimane Cllr. K.A Peta
Grading of local authority	Grade 3
Accounting Officer	Dr. K.K.L Pilusa
Chief Finance Officer (CFO)	A.T Ndzimande
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 representatives	Masengane KE Attorneys Isaih Nyathi Attorneys Thomas & Swanepoel Inc Mathonsi Attorneys Sikhitha Daniels & Associates Ngcingwana Inc Bernhard Van Der Hoven Gerhard Wagenaar Rapela Inc Atterneys Kgohlishi Abie Mamabolo Incorporated Kgatla Attorneys Maboka Mangena Attorneys Mahowa Inc Attorneys Mahumani Inc Maponya Inc Matabane Inc Mohale Incorporated Inc

General Information

Published	31 August 2024
Audit Committee members	Modipane TC CA (SA) - Chairperson Adv Nevondwe LT - Member Simelane SP - Member Mrs. Ramutsheli MP (01 February 2024) Masemola KG (05 March 2024)

Index

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

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
VAT	Value Added Tax
GRAP	Generally Recognised Accounting Practice
MIG	Municipal Infrastructure Grant (Previously CMIP)
SARS	South African Reserve Services
PPE	Property, Plant and Equipment
MFMA	Municipal Finance Management Act
AARTO	Administrative Adjudication of Road Traffic Offences
PEMA	Post Employee Medical Aid
LSA	Long Service Award
FMG	Financial Management Grant
EEDSM	Energy Efficient Demand Side Management
INEP	Integrated National Electrification Programme
EPWP	Expanded Public Works Programme Integrated
EXCO	Executive Committee
AGSA	Audit General of South Africa
UIF	Unemployment Insurance Fund
PAYE	Pay AS You Earn
SDL	Skills Development Levy
CFO	Chief Financial Officer
MM	Municipal Manager
WIP	Work In Progress

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 judgments and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the 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 2025 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 35 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 from page 7, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024 and were signed on its behalf by:

Dr. K.K.L Pilusa
Accounting Officer

Phalaborwa

31 August 2024

Statement of Financial Position as at 30 June 2024

	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	7	17,030,404	20,925,541
Receivables from exchange transactions	8	10,171,092	9,099,492
Statutory Receivables	9	172,335,005	287,392,395
Consumer debtors	10	71,665,300	115,833,301
Other debtors		215,433	27,712
Cash and cash equivalents	11	54,437,729	44,089,570
		325,854,963	**477,368,011**
Non-Current Assets			
Investment property	3	472,391,899	442,129,626
Property, plant and equipment	4	804,434,923	789,481,632
Intangible assets	5	6	91,275
Heritage assets	6	317,000	317,000
		1,277,143,828	**1,232,019,533**
Total Assets		**1,602,998,791**	**1,709,387,544**
Liabilities			
Current Liabilities			
Other financial liabilities	12	17,808,885	16,516,238
Finance lease obligation	13	2,312,916	1,151,874
Payables from exchange transactions	15	468,315,490	431,205,285
VAT payable	16	47,066,726	29,348,948
Consumer deposits	17	5,266,513	4,822,249
Employee benefit obligation	18	2,300,382	2,780,412
Unspent conditional grants and receipts	19	340,218	326
Provisions	20	580,147	3,206,352
		543,991,277	**489,031,684**
Non-Current Liabilities			
Other financial liabilities	12	24,751,887	42,560,772
Finance lease obligation	13	1,110,448	3,256,967
Operating lease liability	14	21,233	20,824
Employee benefit obligation	18	58,177,201	49,075,535
Provisions	20	110,011,723	107,046,469
		194,072,492	**201,960,567**
Total Liabilities		**738,063,769**	**690,992,251**
Net Assets		**864,935,022**	**1,018,395,293**
Reserves			
Revaluation reserve	21	12,192,758	12,192,758
Accumulated surplus		852,742,255	1,006,202,527
Total Net Assets		**864,935,022**	**1,018,395,293**

* See Note 47

Ba-Phalaborwa Local Municipality

(Registration number LIM334)
Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	23	137,825,366	138,523,021
Rental of facilities and equipment	24	341,525	512,395
Agency services	25	13,388,184	15,400,196
Licences and permits	26	4,295,503	4,142,899
Other income	27	1,292,233	1,276,847
Contribution from estimates - gain - landfill provision	20	11,426,691	2,597,836
Interest income - overdue account & bank and investment	28	19,371,405	29,652,439
Profit on disposal of fixed assets		87,078	-
Total revenue from exchange transactions		**188,027,985**	**192,105,633**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	30	127,739,856	134,372,632
Interest income - overdue accounts	30	34,467,695	30,428,794
Transfer revenue			
Government grants & subsidies	31	264,724,397	238,628,187
Public contributions and donations	32	51,703,016	331,576
Traffic fines	33	280,025	514,090
Actuarial gains		-	10,541,588
Fair value adjustments - Investment Properties	29	31,933,398	27,460,406
Total revenue from non-exchange transactions		**510,848,387**	**442,277,273**
Total revenue	22	**698,876,372**	**634,382,906**
Expenditure			
Employee related costs	34	(168,691,606)	(171,698,065)
Remuneration of councillors	35	(16,986,624)	(14,788,039)
Depreciation and amortisation	36	(69,119,022)	(74,880,158)
Impairment of assets	4	(5,887,366)	-
Finance costs	37	(22,902,367)	(20,846,627)
Debt Impairment/reversal	38	(258,191,379)	54,975,882
Bulk purchases	39	(116,159,527)	(93,614,311)
Contracted services	40	(65,207,558)	(45,792,974)
Loss on disposal of fixed assets		-	(16,522)
Actuarial losses	18	(2,772,061)	-
Inventories losses/write-downs		(223,070)	(404,010)
General Expenses	41	(126,196,064)	(118,528,256)
Total expenditure		**(852,336,644)**	**(485,593,080)**
(Deficit) surplus for the year		**(153,460,272)**	**148,789,826**

* See Note 47

Statement of Changes in Net Assets

	Revaluation reserve	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2022	**12,192,758**	**857,412,701**	**869,605,459**
Changes in net assets			
Surplus for the year	-	148,789,826	148,789,826
Total changes	-	148,789,826	148,789,826
Restated* Balance at 01 July 2023	**12,192,758**	**1,006,202,527**	**1,018,395,285**
Changes in net assets			
Surplus for the year	-	(153,460,272)	(153,460,272)
Total changes	-	(153,460,272)	(153,460,272)
Balance at 30 June 2024	**12,192,758**	**852,742,255**	**864,935,013**
Note(s)	21		

* See Note 47

Cash Flow Statement

	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Taxation - Property rates		127,739,867	134,372,632
Sale of goods and services		105,535,918	257,410,530
Grants		265,064,289	237,710,030
Interest income		4,208,476	4,125,678
Other receipts		1,292,233	1,790,937
		503,840,783	635,409,807
Payments			
Employee costs		(184,451,028)	(183,574,714)
Suppliers		(249,306,472)	(418,595,023)
Interest paid		(4,277,119)	(5,327,862)
		(438,034,619)	(607,497,599)
Net cash flows from operating activities	43	**65,806,164**	**27,912,208**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(37,224,909)	(26,358,414)
Proceeds from sale of property, plant and equipment	4	234,866	-
Net cash flows from investing activities		**(36,990,043)**	**(26,358,414)**
Cash flows from financing activities			
Repayment of other financial liabilities		(16,516,238)	(13,758,578)
Finance lease payments		(1,951,724)	(1,017,318)
Net cash flows from financing activities		**(18,467,962)**	**(14,775,896)**
Net increase/(decrease) in cash and cash equivalents		**10,348,159**	**(13,222,102)**
Cash and cash equivalents at the beginning of the year		44,089,570	57,311,672
Cash and cash equivalents at the end of the year	11	**54,437,729**	**44,089,570**

The accounting policies on pages 16 to 49 and the notes on pages 50 to 112 form an integral part of the annual financial statements.

* See Note 47

Statement of Comparison of Budget and Actual Amounts

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	196,353,222	-	**196,353,222**	137,825,366	**(58,527,856)**	**Refer to Note 58**
Rental of facilities and equipment	220,030	50,000	**270,030**	341,525	**71,495**	**Refer to Note 58**
Agency services	6,528,600	-	**6,528,600**	13,388,184	**6,859,584**	**Refer to Note 58**
Licences and permits	6,109,366	-	**6,109,366**	4,295,503	**(1,813,863)**	**Refer to Note 58**
Other income	8,502,600	-	**8,502,600**	1,292,233	**(7,210,367)**	**Refer to Note 58**
Contributions from estimates - gain - landfill provision	-	-	**-**	11,426,691	**11,426,691**	**Refer to Note 58**
Interest income - overdue accounts & bank and Investments	20,120,191	2,500,000	**22,620,191**	19,371,405	**(3,248,786)**	**Refer to Note 58**
Total revenue from exchange transactions	**237,834,009**	**2,550,000**	**240,384,009**	**187,940,907**	**(52,443,102)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	184,555,879	-	**184,555,879**	127,739,856	**(56,816,023)**	**Refer to Note 58**
Interest income - overdue accounts	45,149,195	-	**45,149,195**	34,467,695	**(10,681,500)**	**Refer to Note 58**
Transfer revenue						
Government grants & subsidies	264,029,050	730,000	**264,759,050**	264,724,397	**(34,653)**	
Public contributions and donations	-	-	**-**	51,703,016	**51,703,016**	**Refer to Note 58**
Traffic fines	1,363,405	-	**1,363,405**	280,025	**(1,083,380)**	**Refer to Note 58**
Fair value adjustments	-	-	**-**	31,933,398	**31,933,398**	**Refer to Note 58**
Total revenue from non-exchange transactions	**495,097,529**	**730,000**	**495,827,529**	**510,848,387**	**15,020,858**	
Total revenue	**732,931,538**	**3,280,000**	**736,211,538**	**698,789,294**	**(37,422,244)**	
Expenditure						
Employee related costs	(199,890,662)	-	**(199,890,662)**	(168,691,606)	**31,199,056**	**Refer to Note 58**
Remuneration of councillors	(20,100,920)	1,700,000	**(18,400,920)**	(16,986,624)	**1,414,296**	**Refer to Note 58**
Depreciation and amortisation	(79,285,469)	-	**(79,285,469)**	(69,119,022)	**10,166,447**	**Refer to Note 58**
Impairment of assets	-	-	**-**	(5,887,366)	**(5,887,366)**	**Refer to Note 58**
Finance costs	(19,480,500)	-	**(19,480,500)**	(22,902,367)	**(3,421,867)**	**Refer to Note 58**
Debt Impairment/reversal	(100,000,000)	-	**(100,000,000)**	(258,191,379)	**(158,191,379)**	**Refer to Note 58**
Bulk purchases	(139,479,310)	1,200,000	**(138,279,310)**	(116,159,527)	**22,119,783**	**Refer to Note 58**
Contracted Services	(83,158,063)	549,500	**(82,608,563)**	(65,207,558)	**17,401,005**	**Refer to Note 58**
General Expenses	(123,130,349)	(3,449,500)	**(126,579,849)**	(126,196,064)	**383,785**	**Refer to Note 58**
Total expenditure	**(764,525,273)**	**-**	**(764,525,273)**	**(849,341,513)**	**(84,816,240)**	
Operating deficit	**(31,593,735)**	**3,280,000**	**(28,313,735)**	**(150,552,219)**	**(122,238,484)**	
Gain on disposal of assets and liabilities	-	-	**-**	87,078	**87,078**	
Actuarial gains/losses	-	-	**-**	(2,772,061)	**(2,772,061)**	**Refer to Note 58**
Inventories losses/write-downs	-	-	**-**	(223,070)	**(223,070)**	
	-	**-**	**-**	**(2,908,053)**	**(2,908,053)**	
Deficit before taxation	**(31,593,735)**	**3,280,000**	**(28,313,735)**	**(153,460,272)**	**(125,146,537)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(31,593,735)**	**3,280,000**	**(28,313,735)**	**(153,460,272)**	**(125,146,537)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2024											
Financial Performance											
Property rates & Interest income - non-exchange	184,555,879	-	184,555,879	-		184,555,879	162,207,551		(22,348,328)	88 %	88 %
Service charges	196,353,222	-	196,353,222	-		196,353,222	137,825,366		(58,527,856)	70 %	70 %
Interest income - overdue accounts & bank and investments	65,269,386	2,500,000	67,769,386	-		67,769,386	19,371,405		(48,397,981)	29 %	30 %
Government grants & subsidies - operational	207,443,050	8,250,000	215,693,050	-		215,693,050	220,070,981		4,377,931	102 %	106 %
Other revenue	22,724,001	50,000	22,774,001	-		22,774,001	51,617,946		28,843,945	227 %	227 %
Total revenue (excluding capital transfers and contributions)	**676,345,538**	**10,800,000**	**687,145,538**	**-**		**687,145,538**	**591,093,249**		**(96,052,289)**	**86 %**	**87 %**
Employee costs	(199,890,662)	-	(199,890,662)	-	-	(199,890,662)	(168,691,606)	-	31,199,056	84 %	84 %
Remuneration of councillors	(20,100,920)	1,700,000	(18,400,920)	-	-	(18,400,920)	(16,986,624)	-	1,414,296	92 %	85 %
Depreciation and impairments	(179,285,469)	-	(179,285,469)			(179,285,469)	164,207,861	-	343,493,330	(92)%	(92)%
Finance charges	(19,480,500)	-	(19,480,500)	-	-	(19,480,500)	(22,902,367)	-	(3,421,867)	118 %	118 %
Bulk purchases	(139,264,167)	984,857	(138,279,310)	-	-	(138,279,310)	(116,159,527)	-	22,119,783	84 %	83 %
Other expenditure	(206,503,555)	(2,684,857)	(209,188,412)	-	-	(209,188,412)	(194,398,753)	-	14,789,659	93 %	94 %
Total expenditure	**(764,525,273)**	**-**	**(764,525,273)**	**-**	**-**	**(764,525,273)**	**(354,931,016)**	**-**	**409,594,257**	**46 %**	**46 %**
Surplus/(Deficit)	**(88,179,735)**	**10,800,000**	**(77,379,735)**	**-**		**(77,379,735)**	**236,162,233**		**313,541,968**	**(305)%**	**(268)%**

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Government grants & subsidies - Capital	56,586,000	(7,520,000)	49,066,000	-		49,066,000	56,080,107		7,014,107	114 %	99 %
Public contributions and donations	-	-	-	-		-	51,703,016		51,703,016	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**(31,593,735)**	**3,280,000**	**(28,313,735)**	**-**		**(28,313,735)**	**343,945,356**		**372,259,091**	**(1,215)%**	**(1,089)%**
Surplus/(Deficit) for the year	**(31,593,735)**	**3,280,000**	**(28,313,735)**	**-**		**(28,313,735)**	**343,945,356**		**372,259,091**	**(1,215)%**	**(1,089)%**

Capital expenditure and funds sources

Total capital expenditure	64,766,000	-	64,766,000	-		64,766,000	90,774,687		26,008,687	140 %	140 %

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	(12,086,000)	534,000	(11,552,000)	-		(11,552,000)	65,806,164		77,358,164	(570)%	(544)%
Net cash from (used) investing	(65,074,000)	8,648,000	(56,426,000)	-		(56,426,000)	(36,990,043)		19,435,957	66 %	57 %
Net cash from (used) financing	(20,400,000)	-	(20,400,000)	-		(20,400,000)	(18,467,962)		1,932,038	91 %	91 %
Net increase/(decrease) in cash and cash equivalents	**(97,560,000)**	**9,182,000**	**(88,378,000)**	**-**		**(88,378,000)**	**10,348,159**		**98,726,159**	**(12)%**	**(11)%**
Cash and cash equivalents at the beginning of the year	44,089,570	-	44,089,570	-		44,089,570	44,089,570		-	100 %	100 %
Cash and cash equivalents at year end	**(53,470,430)**	**9,182,000**	**(44,288,430)**	**-**		**(44,288,430)**	**54,437,729**		**(98,726,159)**	**(123)%**	**(102)%**

Accounting Policies

	Note(s)	2024	2023

1. Significant accounting polices

The principal accounting policies applied in the preparation of these annual financial statements are set out 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

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 municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

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

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.

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.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the 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 20 - 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 18.

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.

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.

1.4 Significant judgements and sources of estimation uncertainty (continued)

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 57.

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 an 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.

Accounting Policies

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.

Accounting Policies

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:

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.

Accounting Policies

1.7 Property, plant and equipment (continued)

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

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.

Accounting Policies

1.7 Property, plant and equipment (continued)

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 4).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

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.

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.

Accounting Policies

1.9 Intangible assets (continued)

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).

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.

Accounting Policies

1.10 Heritage assets (continued)

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 6).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 6).

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).

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.

Accounting Policies

1.11 Financial instruments (continued)

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.

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.

Accounting Policies

1.11 Financial instruments (continued)

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

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Classification

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

Financial assets	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalent	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:

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Employee Benefit Obligation	Financial liability measured at amortised cost

1.12 Statutory receivables

Identification

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

Accounting Policies

1.12 Statutory receivables (continued)

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:
- 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.

Accounting Policies

1.12 Statutory receivables (continued)

- 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.

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.

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.

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.

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.

Accounting Policies

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.

Accounting Policies

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.

Accounting Policies

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.

Accounting Policies

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.

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.

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.

Accounting Policies

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.

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.

Accounting Policies

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 45.

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.

Accounting Policies

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-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.20 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.

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.

Accounting Policies

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.

Accounting Policies

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.

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.

Accounting Policies

1.22 Conditional Grants and Receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extend 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.

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.

Accounting Policies

1.25 Accounting by principals and agents (continued)

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 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.

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).

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).

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).

Accounting Policies

1.30 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. 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.

1.31 Budget information

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

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

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

The approved budget covers the fiscal period from 01/07/2023 to 30/06/2024.

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.

1.32 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.

1.32 Related parties (continued)

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.

1.33 Events after reporting date

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

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

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

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

1.34 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.

1.35 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.

1.36 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.

1.37 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.

Accounting Policies

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 a 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.

1.40 General expenses

General expenditure is measured at the cash amount paid to settle the expenditure and classified according to its nature or function

Notes to the Annual Financial Statements for the year ended 30 June 2024

	2024	2023

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 103 (as revised): Heritage Assets	01 April 2099	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2023	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2022	Unlikely there will be a material impact

3. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	472,391,899	-	472,391,899	442,129,626	-	442,129,626

Reconciliation of investment property - 2024

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	442,129,626	(1,671,125)	31,933,398	472,391,899

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property	414,669,219	27,460,407	442,129,626

	2024	2023
Fair value of investment properties	472,391,899	442,129,626

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 in 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.

Notes to the Annual Financial Statements for the year ended 30 June 2024

	2024	2023

3. Investment property (continued)

Details of valuation

The effective date of the revaluations was 30 June 2024. Revaluations were performed by an independent valuer, Mr Mzoli M, Mbangatha of TESA Properties. The valuer is not connected to the municipality and have recent experience in location and category of the investment property 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 R31 933 398 (2023: R27 460 407) have been recognised in the statement of financial performance.

Amounts recognised in surplus or deficit

	2024	2023
Rental revenue from Investment property	341,525	512,395

Notes to the Annual Financial Statements for the year ended 30 June 2024

Figures in Rand

4. Property, plant and equipment

	2024			2023		
	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	331,913,262	(254,415,474)	77,497,788	331,913,262	(243,884,881)	88,028,381
Infrastructure	981,008,342	(626,180,048)	354,828,294	919,273,553	(578,025,690)	341,247,863
Community Assets	482,618,237	(262,826,448)	219,791,789	442,663,917	(251,390,371)	191,273,546
Work in progress (WIP)	55,133,212	-	55,133,212	71,156,887	-	71,156,887
Other property, plant and equipment (Movables)	69,141,083	(46,668,111)	22,472,972	65,320,176	(42,256,089)	23,064,087
Total	**1,994,525,004**	**(1,190,090,081)**	**804,434,923**	**1,905,038,663**	**(1,115,557,031)**	**789,481,632**

Notes to the Annual Financial Statements for the year ended 30 June 2024

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Additions through donations	Disposals	Transfers received	Transfers out	Depreciation	Impairment loss	Total
Land	74,710,868	-	-	-	-	-	-	-	74,710,868
Buildings	88,028,381	-	-	-	-	-	(10,364,676)	(165,917)	77,497,788
Infrastructure	341,247,863	4,939,122	51,703,016	-	5,092,639	-	(43,066,233)	(5,088,113)	354,828,294
Community Assets	191,273,546	-	-	-	39,954,322	-	(11,114,396)	(321,683)	219,791,789
Work in Progress	71,156,887	29,098,751	-	-	-	(45,122,426)	-	-	55,133,212
Other property, plant and equipment (Movables)	23,064,087	5,033,798	-	(830,829)	-	-	(4,482,450)	(311,634)	22,472,972
	789,481,632	**39,071,671**	**51,703,016**	**(830,829)**	**45,046,961**	**(45,122,426)**	**(69,027,755)**	**(5,887,347)**	**804,434,923**

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 R11 426 691 (2023: R2 597 836) . As the provisions is linked to the Landfill Site Asset accounts, the corresponding balance should be decreasing the carrying value of the Landfill Site Assets. This decrease in Landfill Site Assets is disclosed in a form of other changes/movements in the reconciliation note above. However the Landfill Site Assets useful lives is re-assessed at nil, the change/movement is recognised in statement of profit or loss.

Notes to the Annual Financial Statements for the year ended 30 June 2024

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Additions through donations	Disposals	Transfers received	Transfers out	Depreciation	Total
Land	74,710,868	-	-	-	-	-	-	74,710,868
Buildings	104,598,609	36,190	-	-	-	-	(16,606,418)	88,028,381
Infrastructure	329,512,755	-	-	-	52,162,988	-	(40,427,880)	341,247,863
Community assets	203,819,893	2	-	(16,522)	383,810	-	(12,913,637)	191,273,546
Work in progress	93,338,324	29,981,551	-	-	-	(52,162,988)	-	71,156,887
Other property, plant and equipment (Movables)	21,619,635	5,953,845	331,576	-	-	-	(4,840,969)	23,064,087
	827,600,084	**35,971,588**	**331,576**	**(16,522)**	**52,546,798**	**(52,162,988)**	**(74,788,904)**	**789,481,632**

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

Notes to the Annual Financial Statements for the year ended 30 June 2024

	2024	2023

4. Property, plant and equipment (continued)

Change in estimates

Property, plant and equipment that was re-assessed for useful lives in the current financial year are as follows with its impact on the depreciation:		
Buildings	6,241,742	-
Infrastructure	190,093	-
Community assets	3,426,158	-
Other property, plant and equipment (Movables)	1,676,461	-
	11,534,454	**-**

During the current year a review of the useful lives on the property, plant and equipment was performed as a result an adjustment to the remaining useful lives of assets have been adjusted which resulted in the depreciation for the current and future years adjusted as presented above

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Total
Opening balance	71,156,887	71,156,887
Additions/capital expenditure	29,098,751	29,098,751
Transferred to completed items	(45,122,426)	(45,122,426)
	55,133,212	**55,133,212**

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Total
Opening balance	93,338,324	93,338,324
Additions/capital expenditure	29,981,551	29,981,551
Transferred to completed items	(52,162,988)	(52,162,988)
	71,156,887	**71,156,887**

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	13,059,289	13,739,379

During the year the municipality incurred R13 059 289 (2023: R13 739 379) 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 R18 727 383 (2023: R43 101 846). Details of the costs is disclosed in Note 44.

Notes to the Annual Financial Statements for the year ended 30 June 2024

4. Property, plant and equipment (continued)

Long outstanding projects

	Funding type	2024	2023
Additions to property, plant and equipment was funded from the following sources:			
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 R25 201 385 representing 56% as at 30 June 2024. The contractor was experiencing financial difficulties, agreements have been made for the main contract and sub contractors to form a joint venture and cession payment arrangement to be submitted to the municipality for proper monitoring and management of the project.	Long Outstanding Project	25,201,385	18,739,156
Ben farm upgrading of streets A project with budgeted cost of R30 420 000 that started on the 20 October 2022 had incurred costs to date of R29 056 082 representing 96% as at 30 June 2024. The Project is delayed due to the slow progress by the contractor due to machinery and plant breakdowns , lack of competent project management and late payment of labourer. Letter was sent to the contractor requesting to submit an accelaration plan and meetings was held to issues with the contractor. The project was completed and commissioned in the current year	Long Outstanding Project	29,056,082	11,587,663
Extension of Municipal Offices The expenditure incurred is for consulting fees I.e., designs and feasibility studies. The construction is been haulted due to financial constraints.	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. The project is completed and commissioned in the current year.	Long Outstanding Project	-	39,954,322
		55,133,212	**71,156,886**

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

Notes to the Annual Financial Statements for the year ended 30 June 2024

Figures in Rand

5. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2,279,945	(2,279,939)	6	2,279,945	(2,188,670)	91,275

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software, other	91,275	(91,269)	6

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, other	182,548	(91,273)	91,275

Pledged as security

There are no intangible assets pledged as security.

Notes to the Annual Financial Statements for the year ended 30 June 2024

Figures in Rand

6. Heritage assets

	2024			2023		
	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 2024

	Opening balance	Total
Historical monuments	317,000	317,000

Reconciliation of heritage assets 2023

	Opening balance	Total
Historical monuments	317,000	317,000

Notes to the Annual Financial Statements for the year ended 30 June 2024

	2024	2023

7. Inventories

Land	1,549,090	-
Consumable stores	15,481,314	20,925,541
	17,030,404	**20,925,541**

7.1 Inventory write-downs

Stock count variances	(13,461)	(44,430)
Inventory write down	(209,609)	(359,580)
	(223,070)	**(404,010)**

Inventory expensed

Inventory issued during the current year	46,282,423	36,005,533

The were no inventories pledged as security.

8. Receivables from exchange transactions

Deposits	9,709,606	9,099,492
Other debtors	155,159	-
Accrued interest income	306,327	-
	10,171,092	**9,099,492**

Nature of the deposit

During the 2022/2023 financial year, the municipality paid a deposit to Eskom as an electricity account guarantee. Eskom requested the municipality to pay the electricity guarantee together with their monthly bill as required by the PFMA.

9. Statutory Receivables

SARS VAT refund	2,409,866	-
Statutory receivables - Property/Assessment Rates	169,925,139	287,365,728
Statutory receivables - Traffic fines	-	26,667
	172,335,005	**287,392,395**

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

Assessment rates	604,302,848	658,300,357
Traffic Fines	1,604,552	1,333,327
	605,907,400	**659,633,684**

Notes to the Annual Financial Statements for the year ended 30 June 2024

	2024	2023

9. Statutory Receivables (continued)

Property Rates		
Current (0 -30 days)	26,671,384	52,089,290
31 - 60 days	9,478,537	10,086,229
61 - 90 days	10,016,389	9,148,091
91 - 120 days	9,991,522	12,999,440
121 - 365 days	548,145,016	573,977,307
	604,302,848	**658,300,357**

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

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.

Assessment rates - interest is levied at a 6.6% (2023: 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 statutory 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 statutory receivables

Opening balance	(371,577,469)	(320,707,321)
Provision for impairment	(181,195,048)	(50,870,148)
	(552,772,517)	**(371,577,469)**

Notes to the Annual Financial Statements for the year ended 30 June 2024

	2024	2023

10. Consumer Debtors

	2024	2023
Gross balances		
Electricity	73,969,510	87,243,215
Waste Management	204,368,219	175,752,322
Property rental	119,135	106,049
Sundries	26,761,737	9,267,911
	305,218,601	**272,369,497**
Less: Allowance for impairment		
Electricity	(70,438,232)	(49,936,329)
Waste Management	(151,669,445)	(101,199,756)
Property rental	(93,953)	(61,093)
Sundries	(11,351,671)	(5,339,018)
	(233,553,301)	**(156,536,196)**
Net balance		
Electricity	3,531,278	37,306,886
Waste Management	52,698,774	74,552,566
Property rental	25,182	44,956
Sundries	15,410,066	3,928,893
	71,665,300	**115,833,301**
Electricity		
Current (0 -30 days)	14,997,160	21,163,869
31 - 60 days	2,746,102	8,156,445
61 - 90 days	2,721,124	5,683,803
91 - 120 days	2,466,127	1,701,692
121 - 365 days	47,933,193	50,537,406
	70,863,706	**87,243,215**
Waste Management		
Current (0 -30 days)	6,005,782	24,982,753
31 - 60 days	2,811,314	1,862,899
61 - 90 days	2,796,724	1,754,218
91 - 120 days	2,817,075	2,003,416
121 - 365 days	173,975,314	145,149,031
	188,406,209	**175,752,317**
Property rental		
Current (0 -30 days)	10,901	11,239
31 - 60 days	1,737	3,196
61 - 90 days	1,754	2,418
91 - 120 days	1,722	2,780
121 - 365 days	103,021	86,420
	119,135	**106,053**

Notes to the Annual Financial Statements for the year ended 30 June 2024

	2024	2023

10. Consumer Debtors (continued)

Sundries

	2024	2023
Current (0 -30 days)	6,305,530	(32,614)
31 - 60 days	131,819	-
61 - 90 days	123,685	-
91 - 120 days	485,621	727
121 - 365 days	28,502,979	9,299,798
	35,549,634	**9,267,911**

Reconciliation of allowance for impairment

	2024	2023
Balance at beginning of the year	(156,536,195)	(262,382,225)
Contributions to allowance	(76,689,638)	105,846,030
	(233,225,833)	**(156,536,195)**

Consumer debtors pledged as security

There are no consumer debtors 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:

11. Cash and cash equivalents

Cash and cash equivalents consist of:

	2024	2023
Cash on hand	139,618	145,173
Bank balances	1,925,381	1,386,787
Short-term deposits	52,372,730	42,557,610
	54,437,729	**44,089,570**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
Standard Bank - Cheque Account - 330-451-3670001	694,474	394,033	15,588,012	912,498	394,027	25,588,012
Standard Bank - Call account - 238-711-102-001	26,086,846	13,869,398	4,291,862	26,086,846	13,869,398	4,291,862
Standard Bank -Investment Account - 238- 711-102-002	17,764,667	20,694,351	16,814,613	17,764,686	20,694,351	16,814,613
Standard Bank -Investment Account - 238-711-102-004	7,941,670	7,454,284	6,918,780	7,941,670	7,454,284	6,918,780
Standard Bank -Investment Account - 238-711-102-005	426,470	397,014	372,500	426,470	397,014	372,500
Standard Bank -Investment Account - 243-098-804-000	1,012,431	995,637	975,767	1,012,431	995,524	975,767
ABSA Bank - Call Account - 406-162-3641	1,135	1,217	1,731	1,253	1,209	1,720
ABSA Bank - Fixed Deposit - 206-427-0257	164,062	130,677	130,677	152,257	139,809	130,846
Standard Bank -Cheque Account - 372-331-149000	-	4,708	6,982	-	4,708	6,982
Total	**54,091,755**	**43,941,319**	**45,100,924**	**54,298,111**	**43,950,324**	**55,101,082**

Notes to the Annual Financial Statements for the year ended 30 June 2024

	2024	2023

12. Other financial liabilities

At amortised cost		
Concessionary loan - Lepelle Northern Water	24,751,887	42,560,772
Concessionary loan - Lepelle Northern Water	17,808,885	16,516,238
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. The loan 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 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 installments as and when they are due in consideration of its cash flows.		
	42,560,772	**59,077,010**
Total other financial liabilities	**42,560,772**	**59,077,010**

Non-current liabilities		
At amortised cost	24,751,887	42,560,772
Current liabilities		
At amortised cost	17,808,885	16,516,238

13. Finance lease obligation

Minimum lease payments due		
- within one year	1,378,560	1,470,482
- in second to fifth year inclusive	2,605,894	3,670,703
	3,984,454	5,141,185
less: future finance charges	(561,090)	(732,344)
Present value of minimum lease payments	**3,423,364**	**4,408,841**
Present value of minimum lease payments due		
- within one year	1,110,448	1,151,873
- in second to fifth year inclusive	2,312,916	3,256,968
	3,423,364	**4,408,841**
Non-current liabilities	1,110,448	3,256,967
Current liabilities	2,312,916	1,151,874
	3,423,364	**4,408,841**

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 previous years. The monthly repayments were R147 118. 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.

During the current year in February 2024, two vehicles (Isuzu MU X 3.0D - FVJ 753 L and FVJ 751 L) under lease were replaced with two vehicles (Toyota Fortuners 2.8D HCL 537 L and HCY 782 L). The related liability was de-recognised and correspoding lease liability of the replaced assets recognised as such.

Notes to the Annual Financial Statements for the year ended 30 June 2024

	2024	2023

14. Operating lease asset (liability)

Non-current liabilities	(21,233)	(20,824)

The municipality is leasing multifunctional printers from DIDO digital solutions for a period of 36 months. The municipality is paying monthly rental of R28 354.91 with an escalation rate of 6% after an annual anniversary period. The amount of R21 233 (2023: R20 824) is the deferred lease liability recognised in terms of GRAP 13 paragraph 40 requiring a lease under operating lease to recognise the payments using a straight line basis (Lease smoothing) and recognise the difference between payments made and smoothed amount as either a deferred lease asset/liability.

15. Payables from exchange transactions

Trade payables	20,511,484	16,072,410
Debtors with credit balances	8,851,810	16,089,851
Sundry payables	-	220,852
Accrued leave pay	16,166,346	17,906,911
Accrued bonus	3,022,151	2,968,733
Unallocated deposits received	24,593,587	15,601,839
Retentions	12,344,643	12,731,548
Payroll Accruals	3,517,153	98,720
Mopani District Municipality (Water and Sanitation)	379,308,316	349,514,421
	468,315,490	**431,205,285**

16. VAT payable

Tax refunds payables	47,066,726	29,348,948

17. Consumer deposits

Electricity	5,266,513	4,822,249

Notes to the Annual Financial Statements for the year ended 30 June 2024

	2024	2023

18. 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 2024 amounting to an average of R4 901 (2023: R3 536).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 post employment medical scheme costs in respect of an employee should be fully recognised by the time that the employee reaches fully accrued age. The valuation has been made with reference Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP25.

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

	2024	2023
Post Employee Medical Aid Scheme		
Opening accrued liability	(44,801,843)	(48,296,960)
Service cost	(2,488,718)	(2,724,789)
Interest cost	(6,198,699)	(5,142,551)
Actuarial gain/(loss)	(1,521,752)	10,225,233
Medical contribution subsidies	1,303,134	1,137,224
	(53,707,878)	**(44,801,843)**
Long Service Awards		
Opening accrued liability	(7,054,104)	(7,646,020)
Service cost	(577,893)	(660,751)
Interest cost	(660,810)	(718,869)
Actuarial gain/(loss)	(1,250,309)	316,355
Medical contribution subsidies	2,773,411	1,655,181
	(6,769,705)	**(7,054,104)**
Non-current liabilities	(58,177,201)	(49,075,535)
Current liabilities	(2,300,382)	(2,780,412)
	(60,477,583)	**(51,855,947)**

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.

Notes to the Annual Financial Statements for the year ended 30 June 2024

	2024	2023

18. Employee benefit obligations (continued)

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

Opening balance	51,855,947	55,942,980
Benefits paid	(4,076,545)	(2,792,405)
Net expense recognised in the statement of financial performance	12,698,181	(1,294,628)
	60,477,583	**51,855,947**

Net expense recognised in the statement of financial performance

Current service cost	3,066,611	3,385,540
Interest cost	6,859,509	5,861,420
Actuarial (gains) losses	2,772,061	(10,541,588)
	12,698,181	**(1,294,628)**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Post Employee Medical Aid Scheme	1,521,752	(10,225,233)
Actuarial (gains) losses – Long Service Awards	1,250,309	(316,355)
	2,772,061	**(10,541,588)**

Key assumptions used

Post Employee Medical Aid Scheme

Assumptions used at the reporting date:

Discount rates used	13.12 %	14.04 %
Consumer price inflation	7.53 %	8.50 %
Health care cost inflation	9.03 %	9.50 %
Net discount rate	3.75 %	4.15 %

Long Service Awards

Discount rates used	10.15 %	10.47 %
Consumer price inflation	5.16 %	5.74 %
Salary increase rate	6.16 %	6.74 %
Net Discount Rate	3.76 %	3.49 %
Normal retirement age	65	65
Fully accrued age	63	63
Age difference between spouses	3	3

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 decrease	**One percentage point increase**
Effect on the aggregate of the service cost and interest cost	9,942,257	11,549,536
Effect on defined benefit obligation	55,177,478	69,012,914

Notes to the Annual Financial Statements for the year ended 30 June 2024

	2024	2023

18. Employee benefit obligations (continued)

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. 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.

	2024	2023
The amount recognised as an expense for defined contribution plans is	12,698,181	(1,294,628)

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2024	2023
Unspent conditional grants and receipts		
Integrated Electrification Programme (INEP)	1,358	326
Electricity Efficiency Demand Side Management Grant (EEDSM)	338,860	-
	340,218	**326**

Movement during the year

	2024	2023
Balance at the beginning of the year	326	918,483
Additions during the year	265,064,089	237,634,229
Income recognition during the year	(264,724,197)	(238,552,386)
	340,218	**326**

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 31 for reconciliation of grants from National/Provincial Government.

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

	2024	2023

20. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Change in landfill closure provision	Change in discount factor	Reclassification to short term	Total
Environmental rehabilitation - Non - current	107,046,469	(11,426,691)	11,765,740	2,626,205	110,011,723
Environmental rehabilitation - current	3,206,352	-	-	(2,626,205)	580,147
	110,252,821	**(11,426,691)**	**11,765,740**	**-**	**110,591,870**

Reconciliation of provisions - 2023

	Opening Balance	Change in landfill closure provision	Change in discount factor	Reclassification to short-term	Total
Environmental rehabilitation - Non- current	103,193,312	(2,597,836)	9,657,345	(3,206,352)	107,046,469
Environmental rehabilitation - current	-	-	-	3,206,352	3,206,352
	103,193,312	**(2,597,836)**	**9,657,345**	**-**	**110,252,821**

	2024	2023
Non-current liabilities	110,011,723	107,046,469
Current liabilities	580,147	3,206,352
	110,591,870	**110,252,821**

Environmental rehabilitation provision

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.

Provision is based on engineering estimates that 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 3 (three) year on its useful life and it is estimated that R61 212 780 (2023: R65 288 056) will be spent to rehabilitate the site. Namakgale landfill site has reached its useful life and it is estimated that R31 873 901 (2023: R29 588 881) 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 R17 505 189 (2023: R15 375 884) will be spent to rehabilitate the site. The estimated cash flows have been discounted using the net effective interest rate of 5% (2023: 4.5%%).

Key assumptions used are: Consumer Prince Index (CPI) - 5.244% (2023: 6.172%) and Discount rate - 10.244% (2023: 10.6716%).

21. Revaluation reserve

	2024	2023
Opening balance	12,192,758	12,192,758

Notes to the Annual Financial Statements for the year ended 30 June 2024

22. Revenue

	2024	2023
Service charges	137,825,366	138,523,021
Rental of facilities and equipment	341,525	512,395
Agency services	13,388,184	15,400,196
Licences and permits	4,295,503	4,142,899
Other income	1,292,233	1,276,847
Contribution from estimates - gain - landfill provision	11,426,691	2,597,836
Interest income - bank and overdue accounts	19,371,405	29,652,439
Property rates	127,739,856	134,372,632
Property rates - interest on overdue account	34,467,695	30,428,794
Government grants & subsidies	264,724,397	238,628,187
Public contributions and donations	51,703,016	331,576
Traffic fines	280,025	514,090
Actuarial (gains)/loss	-	10,541,588
Fair value adjustments - Investment properties and biological assets	31,933,398	27,460,406
	698,789,294	**634,382,906**

	2024	2023
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	137,825,366	138,523,021
Rental of facilities and equipment	341,525	512,395
Agency services	13,388,184	15,400,196
Licences and permits	4,295,503	4,142,899
Other income	1,292,233	1,276,847
Contribution from estimates - gain - landfill provision	11,426,691	2,597,836
Interest received - bank and overdue account	19,371,405	29,652,439
	187,940,907	**192,105,633**

	2024	2023
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	127,739,856	134,372,632
Property rates - Interest income on overdue accounts	34,467,695	30,428,794
Transfer revenue		
Government grants & subsidies	264,724,397	238,628,187
Public contributions and donations	51,703,016	331,576
Traffic fines	280,025	514,090
Actuarial (gains)/loss	-	10,541,588
Fair value adjustments - Investment	31,933,398	27,460,406
	510,848,387	**442,277,273**

23. Service charges

	2024	2023
Sale of electricity	117,658,158	119,965,437
Waste Management	20,167,208	18,557,584
	137,825,366	**138,523,021**

24. Rental of facilities and equipment

	2024	2023
Premises		
Rental of municipal properties	341,525	512,395

Notes to the Annual Financial Statements for the year ended 30 June 2024

	2024	2023

25. Agency services

Water and Sanitation	9,393,930	11,627,510
Vehicle Licenses	3,994,254	3,772,686
	13,388,184	**15,400,196**

26. Licences and permits

Drivers Licence Application/Duplicate Drivers Licences	2,595,336	2,531,843
Motor Vehicle License	1,582,695	1,485,268
Drivers Licence Certificate, roadworthy and inspectors	117,472	125,788
	4,295,503	**4,142,899**

27. Other income

Building plan fees	106,081	100,999
Cemetery and Burial	158,605	148,522
Clearance certificates	111,321	109,676
Advertisements	154,648	105,156
Sundry income	134,645	129,373
Administrative Handling Fees	500,861	612,701
Incidental Cash Surpluses	(3,989)	-
Application Fees for Land Usage	130,061	70,420
	1,292,233	**1,276,847**

28. Interest income - bank and overdue accounts

Interest revenue		
Bank	5,120,251	4,026,182
Interest charged on trade and other receivables	14,251,154	25,626,257
	19,371,405	**29,652,439**

29. Fair value adjustments

Investment property (Fair value model)	31,933,398	27,460,406

Notes to the Annual Financial Statements for the year ended 30 June 2024

	2024	2023

30. Property rates

Rates received

	2024	2023
Residential	78,353,178	74,101,910
Commercial	28,620,211	23,811,723
State-owned	4,260,507	2,173,386
Small holdings, agriculture and farms	13,275,715	7,713,937
Public Service Infrastructure	116,963	73,215
Multiple Purposes	117,487	139,188
Protected areas	1	31,622,110
Mining	10,824,847	10,259,511
Less: Income forgone	(7,829,053)	(15,522,348)
	127,739,856	134,372,632
Interest income - overdue accounts	34,467,695	30,428,794
	162,207,551	**164,801,426**

Valuations

	2024	2023
Residential	5,658,974,000	5,663,318,000
Commercial	1,811,818,000	1,814,949,000
State	403,983,000	418,519,000
Municipal	1,222,463,000	1,173,574,000
Agriculture and Small holdings	3,710,297,000	3,743,723,000
Other	3,418,478,000	3,416,990,000
Public Benefit Organisations	8,910,000	12,440,000
	16,234,923,000	**16,243,513,000**

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.

Notes to the Annual Financial Statements for the year ended 30 June 2024

	2024	2023

31. Government grants & subsidies

	2024	2023
Operating grants		
Equitable share	205,239,200	189,853,482
Education Training and Development Practices (ETDP SETA)	305,090	303,031
Financial Management Grant (FMG)	3,100,000	3,100,000
	208,644,290	**193,256,513**
Capital grants		
Municipal Infrastructure Grant (MIG)	35,155,999	36,186,000
Integrated National Electrification Programme Grant (INEP)	15,792,968	7,999,674
Expanded Public Works Programme Grant (EPWP)	1,470,000	1,186,000
Energy Efficiency and Demand Side Management Grant (EEDSM)	3,661,140	-
	56,080,107	**45,371,674**
	264,724,397	**238,628,187**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

	2024	2023
Conditional grants received	59,180,107	48,471,674
Unconditional grants received	205,544,290	190,156,513
	264,724,397	**238,628,187**

Equitable Share

Equitable Share

	2024	2023
Current-year receipts	205,239,000	189,853,482
Conditions met - transferred to revenue	(205,239,000)	(189,853,482)
	-	-

Municipal Infrastructure Grant (MIG)

	2024	2023
Current-year receipts	35,156,000	36,186,000
Conditions met - transferred to revenue	(35,156,000)	(36,186,000)
	-	-

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

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.

Integrated National Electrification Grant (INEP)

	2024	2023
Balance unspent at beginning of year	326	915,121
Current-year receipts	15,794,000	8,000,000
Conditions met - transferred to revenue	(15,792,968)	(7,999,675)
Withheld	-	(915,120)
	1,358	**326**

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

	2024	2023

31. Government grants & subsidies (continued)

The grant is received from the National Government for electrification projects within the previously disadvantaged communities of the municipality. In 2022/2023 financial year 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 R915 120 was deducted/withheld from the equitable share allocated for the 2022/2023 financial year as an unspent for the prior year ended 30 June 2022.

Financial Management Grant (FMG)

	2024	2023
Current-year receipts	3,100,000	3,100,000
Conditions met - transferred to revenue	(3,100,000)	(3,100,000)
	-	-

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

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.

Local government sector education training authority grant (LG SETA)

	2024	2023
Current-year receipts	305,089	227,229
Conditions met - transferred to revenue	(305,089)	(227,229)
	-	-

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

Expanded Public Works Programme Grant (EPWP)

	2024	2023
Balance unspent at beginning of year	-	(2)
Current-year receipts	1,470,000	1,186,000
Conditions met - transferred to revenue	(1,470,000)	(1,186,000)
Withheld	-	2
	-	-

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

The Energy Efficiency Demand Site Management Program (EEDSM)

	2024	2023
Balance unspent at beginning of year	-	3,344
Current-year receipts	4,000,000	-
Conditions met - transferred to revenue	(3,661,140)	-
Other	-	(3,344)
	338,860	-

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

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.

In 2022/2023 financial year 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 R3 344 was deducted from the equitable share allocated for the 2022/2023 financial year as an unspent for the prior year ended 30 June 2022.

32. Public contributions and donations

	2024	2023
Palabora Mining Company (PMC)	13,191,816	331,576
Road Agency Limpopo (RAL)	38,511,200	-
	51,703,016	**331,576**

During the current year the municipality received a donation in the form of road infrastructure from Palabora Mining Company (PMC) for rehabilitating the streets amounting to R13 191 816 and from Road Agency Limpopo (RAL) for Maintaining various roads in phalaborwa amounting to R38 511 200.

During the 2022/2023 financial year the municipality received a donation in the form of a vehicle DYNA truck Palabora Mining Company (PMC) with an amount of R331 576

33. Traffic fines

	2024	2023
Municipal Traffic Fines	280,025	514,090

Notes to the Annual Financial Statements for the year ended 30 June 2024

	2024	2023

34. Employee related costs

Basic	93,970,284	92,729,621
Bonus	7,819,610	7,905,750
Medical aid - company contributions	10,271,710	7,627,993
UIF	745,245	764,267
SDL	1,381,476	1,366,337
Bargaining Council	47,941	46,764
Pension fund contribution plans	19,272,509	18,896,158
Travel, motor car, accommodation, subsistence and other allowances	2,933,655	4,237,180
Overtime payments	1,394,166	3,843,596
Leave pay	8,215,910	11,004,757
Acting allowances	3,136,084	2,995,520
Car allowance	13,761,575	13,859,330
Housing benefits and allowances	589,911	727,006
Employee benefits - PEMA & LSA current service costs and contributions paid	(1,009,934)	2,342,518
	162,530,142	**168,346,797**

Remuneration of municipal manager - Dr. Pilusa KKL

Annual Remuneration	731,392	556,130
Car Allowance	390,394	318,048
Bonus	53,380	-
Contributions to UIF, Medical and Pension Funds	2,125	1,771
Leave pay	-	127,368
Cellphone allowance	24,000	20,000
	1,201,291	**1,023,317**

During the 2022/2023 financial year Dr. KKL Pilusa was acting as the municipal manager from 1 July 2022 until 30 August 2022. An acting allowance amounting to R43 285 was paid during the acting period. On the 1 September 2022 he was appointed as full time municipal manager.

Remuneration of chief finance officer - Ndzimande AT

Annual Remuneration	657,235	438,813
Car Allowance	283,990	212,791
Bonus	42,500	-
Contributions to UIF, Medical and Pension Funds	2,125	-
Cellphone allowance	24,000	20,000
	1,009,850	**671,604**

During the 2022.2023 financial year Mr. AT Ndzimande was acting as the chief financial officer from 1 July 2022 until 31 August 2022. An acting allowance amounting to R19 029 was paid during the acting period. On the 1 September 2022 he was appointed as full time chief financial officer.

Remuneration of director - Planning and Development - Mulaudzi JM and Maake D

Annual Remuneration	588,663	201,247
Car Allowance	324,902	82,331
Bonus	46,755	4,227
Contributions to UIF, Medical and Pension Funds	2,125	818
Cellphone allowance	24,000	8,000
	986,445	**296,623**

Notes to the Annual Financial Statements for the year ended 30 June 2024

	2024	2023

34. Employee related costs (continued)

Mr. D Maake was appointed as the Director: planning and development for a period from 01 August 2022 until 30 September 2022 and resigned. Following the resignation Mr. MC Mashale acted in the position for a period from 01 October 2022 until 31 March 2023 and an acting allowance of R59 739 was paid during this period. Subsequent to that Mrs. JM Mulaudzi was appointed on a five years contract as a director from 01 May 2023.

Remuneration of director - Corporate Services - Selapyane JB and Dr. Pilusa KKL

	2024	2023
Annual Remuneration	590,933	225,624
Car Allowance	324,902	131,614
Bonus	46,755	-
Contributions to UIF, Medical and Pension Funds	2,125	886
Cellphone allowance	24,000	10,000
Acting allowance	-	43,285
	988,715	**411,409**

Upon the appointment of Dr. KKL Pilusa as the municipal manager, Mr. TS Mashale was acting as the director from 01 September 2022 until 30 April 2022 and acting allowance of R44 840 was paid during this period. Miss. JB Selapyane was appointed on a five years contract as a director from 01 April 2023.

Remuneration of director - Technical services - Baloyi PM and ME Mphachoe

	2024	2023
Annual Remuneration	590,936	305,118
Car Allowance	324,902	138,205
Bonus	46,755	21,134
Contributions to UIF, Medical and Pension Funds	2,125	1,417
Cellphone allowance	24,000	12,000
Leave pay	-	66,616
	988,718	**544,490**

Mr PM Baloyi resigned as the director: technical services in 30 September 2022. Mr. S Madiope acted on the position from 01 October 2022 until 31 March 2023 and an amount of R38 626 was paid during this period. Miss. ME Mphachoe was appointed on a five years contract as a director from 01 April 2023.

Remuneration of director - Community Services - Kanwendo MJ and Hlongwane TW

	2024	2023
Annual Remuneration	588,663	259,725
Car Allowance	324,902	111,726
Bonus	46,755	21,134
Contributions to UIF, Medical and Pension Funds	2,125	1,240
Cellphone allowance	24,000	10,000
	986,445	**403,825**

Mr. MJ Kanwendo resigned as Director: community services on the 30 September 2022. Mr. NS Mokhabukhi acted on the position from 01 October 2022 until 30 April 2023 and acting allowance was paid amounting to R45 512 during the period. Mr. TW Hlongwane was appointed on a five years contract as a director from 1 May 2023.

35. Remuneration of councilors

	2024	2023
Mayor	1,062,276	928,686
Chief Whip	473,297	415,404
Executive Committee members	4,018,991	3,580,339
Speaker	864,777	754,700
Councillors	10,567,283	9,108,910
	16,986,624	**14,788,039**

36. Depreciation and amortisation

	2024	2023
Property, plant and equipment	69,027,754	74,788,885
Intangible assets	91,268	91,273
	69,119,022	**74,880,158**

37. Interest paid

	2024	2023
Non-current borrowings	3,883,762	4,943,954
Finance leases	393,356	383,908
Provisions and employee benefit obligations	18,625,249	15,518,765
	22,902,367	**20,846,627**

38. Debt impairment/reversal

	2024	2023
Debt impairment contribution	258,191,379	(54,975,882)

During the 2022/2023 financial year the municipality changed the methodology of recognising debt impairment after AGSA issued a finding. This resulted in the contribution of impairment amounting to R258 191 379 (2023: R54 975 882 - reversal) recognised.

39. Bulk purchases

	2024	2023
Electricity - Eskom	116,159,527	93,614,311

Included in the bulk electricity purchases is the 27.20% (2023: 13.06%) 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 R23 099 309 (2023: R6 748 923). The loss in terms of Units amounted to 17 452 680 kWh (2023: 7 832 048 kWh). The reasons for the loss is due to infrastructure breakdowns/power leakages, bridging of meters and non functional meters.

40. Contracted services

	2024	2023
Presented previously		
Actuarial and Accounting Services	6,599,938	3,352,602
Insurance	2,441,701	3,393,420
Outsourced Services		
Burial Services	355,500	149,250
Business and Advisory	1,179,926	2,416,653
Catering Services	2,162,312	1,535,271
Meter Management	210,069	1,607,918
Security Services	18,590,295	15,352,453
Traffic Fines Management	191,030	795
Transport Services	695,975	151,037
Consultants and Professional Services		
Business and Advisory	541,178	589,450
Infrastructure and Planning	1,361,971	749,189
Land and Quantity Surveyors	393,350	-
Legal fees	11,571,163	7,274,131

Notes to the Annual Financial Statements for the year ended 30 June 2024

	2024	2023

40. Contracted services (continued)

Contractors		
Integrated National Electrification Programme	13,732,724	7,265,137
Artists and Performers	224,480	50,000
Catering Services	88,633	102,610
Electrical	3,183,600	-
Employee Wellness	90,796	-
Interior Decorator	391,600	374,000
Tracing Agents and Debt Collectors	1,016,919	1,360,658
Town planning	112,500	-
Transportation	71,898	68,400
	65,207,558	**45,792,974**

41. General expenses

Advertising and marketing campaigns	917,082	1,218,786
Auditors remuneration	7,075,971	6,950,016
Bank charges	341,033	314,034
Cleaning	32,753	31,430
Commission paid - Prepaid electricity	896,202	480,805
Computer expenses	3,307,957	4,371,598
Consumables	46,282,423	36,005,533
Discount allowed	1,929,302	3,898,960
Donations	289,029	125,225
Entertainment	469,288	632,850
Bursaries	492,262	862,605
Hire of equipment	12,044,930	6,885,564
Indigent support	664,508	311,122
Expanded Public Works Programme	1,215,875	998,250
Rewards Incentives	160,000	-
Motor vehicle expenses	585,275	442,758
Fuel and oil	4,817,063	4,459,038
Printing and stationery	1,327,251	764,364
Protective clothing	11,974	238,044
Repairs and maintenance	13,059,289	13,739,379
Subscriptions and membership fees	2,772,271	2,724,074
Telephone and fax	1,819,356	1,803,531
Transport and freight	261,603	55,000
Experiencial training - stipend	1,027,890	792,500
Travel - local	9,200,055	8,603,284
Title deed search fees	29,371	22,635
Minor assets expensed	1,033,979	590,350
Uniforms	1,899,015	1,460,210
Municipal Services	7,237,871	14,807,684
Ward Committee and traditional leaders	3,360,734	3,425,191
Workmen's Compensation Contribution	789,278	1,192,351
Audit and risk committee remuneration	785,762	259,797
Recruitment agency fees	59,412	61,288
	126,196,064	**118,528,256**

42. Auditors' remuneration

Fees	7,075,971	6,950,016

Notes to the Annual Financial Statements for the year ended 30 June 2024

43. Cash generated from operations

	2024	2023
(Deficit) surplus	(153,460,272)	148,789,826
Adjustments for:		
Depreciation and amortisation	69,027,753	74,788,885
Changes in Landfill provision/(Loss) gain on sale of assets and liabilities	(11,426,691)	(2,597,836)
Amortisation	91,269	91,273
Loss on sale of fixed assets	(87,078)	16,522
Fair value adjustments	(31,933,398)	(27,460,406)
Change in valuation of employee benefit obligations	(4,076,545)	(2,792,405)
Actuarial gain/(losses) - Employee benefit liability	2,772,061	(10,541,588)
Current service cost - Employee benefit liability	3,066,611	3,385,540
Finance costs - Employee benefit liability	6,859,509	5,861,420
Finance costs - Rehabilitation provision	11,765,740	9,657,345
Interest income - overdue accounts	(49,630,624)	(55,955,558)
Impairment deficit	5,887,366	-
Debt impairment	258,191,379	(54,975,882)
Movements in operating lease assets and accruals	409	-
Inventory losses or write-downs	223,070	404,022
Donations received	(51,703,016)	(331,576)
Increase in leave and bonus accrual	2,237,136	2,318,255
Changes in working capital:		
Inventories	5,221,158	24,477
Statutory receivables	(31,669,963)	(49,855,972)
Consumer debtors	(18,577,176)	157,557,188
Receivables from exchange transactions	(347,546)	(8,869,211)
Payables from exchange transactions	34,873,078	(169,911,641)
VAT	17,717,778	8,923,981
Unspent conditional grants and receipts	339,892	(918,157)
Consumer deposits	444,264	303,706
	65,806,164	**27,912,208**

Notes to the Annual Financial Statements for the year ended 30 June 2024

44. Commitments

Authorised capital expenditure

	2024	2023
Already contracted for but not provided for		
• Property, plant and equipment	18,727,383	43,101,846
Total capital commitments		
Already contracted for but not provided for	18,727,383	41,970,396

Total commitments

	2024	2023
Total commitments		
Authorised capital expenditure	18,727,383	41,970,396

This committed expenditure relates to property and will be financed by available funds.

Operating leases - as lessee (expense)

	2024	2023
Minimum lease payments due		
- within one year	382,316	360,675
- in second to fifth year inclusive	-	382,316
	382,316	**742,991**

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 an amount of R28 355 excluding VAT with an annual escalation of 6%. The lease started on 01 July 2022. No contingent rent is payable.

Notes to the Annual Financial Statements for the year ended 30 June 2024

45. Contingencies

There are numerous litigation claims in progress against the municipality relating to various disputes as detailed below. The municipality have assessed the amount provided by the attorneys in a litigation confirmation report as the best estimate given the relevant experience with similar matters in their field (Independent experts in the filed of law) and previous experience of settling similar transactions of the claim amount as presented and ruled in court. Therefore the claim amount as confirmed by the attorneys is regarded as the best estimate representing the probability of the amount to be negotiated in a court of law which will result in the municipality settling should the matter in question be ruled against the municipality.

Contingent liabilities incurred relating to interests in other entities

Contingent liabilities

	2024	2023
The following litigation claims against the municipality in progress in a court of law		
Tippuprox (Pty) Ltd [1]	4,928,500	4,928,500
Millioniers Club CC [2]	1,200,000	1,164,393
Kgopotso Lekgothwane [3]	2,600,000	2,000,000
M L Nkosi Electrical Contractors cc and Soma Construction cc [4]	1,579,975	1,579,975
SAMRO NPC [5]	593,829	593,829
Khumbudzo Ntshaveni [6 and 7]	5,000,000	5,000,000
Ronald Mahumane [8]	219,920	219,920
Mavambo ITS (Pty) Ltd [9]	177,130	177,130
Tebogo Alphonse Thate [14]	81,616	-
Theo Erasmus [15]	17,769	-
Juxtapose (Pty) Ltd [16]	3,240,587	3,240,587
	19,639,326	**18,904,334**

1. Tippuprox (Pty) LTD is suing the Municipality for damages based on an alleged breach of contract. The arbitrator found in favour of Tuppuprox as there were no witnesses from the side of the municipality to confirm the municipality’s version. Attorneys advised that it be reviewed .

2. Millionaires Club cc sues the municipality for R1 200 00.00 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 appointment on October 2015. He has the certificate. The municipality is defending the claim, counter claiming R776 262.48 fraudulently paid amount and to declare the agreement null and void . Millionaires Club cc will accordingly not succeed in the claim given the fact that there are innumerable cases of similar nature wherein litigants brought claims against state organs based on fraudulent claims but ultimately failed in their attempts. The Plaintiff is not taking any further steps. The municipality is in a process of getting the matter finalized.

3. 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.Plaintiff has not taken any further step to pursue the matter. Prospects of successful claim against the municipality are slim given the fact that the contractor was not engaged by the municipality and but by Phalaborwa Copper, the action against the municipality is misplaced.The matter is at a stage of seeking a date.

45. Contingencies (continued)

4. The company is demanding 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. Joinder for the engineer granted. Waiting for date of the main hearing. Matter set down for 23 May 2023. The municipality won the case in the sense that the agreement was declared invalid from the beginning. M L Nkosi has appealed..

5. 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. SAMRO is not taking any further step so far. The Plaintiff is not taking any further steps. The municipality is in a process of getting the matter finalized.

6. Ms. Khumbudzo Ntshaveni is suing the municipality in the amount of R5 000 000.00 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. The Plaintiff is not taking any further steps. The municipality is in a process of getting the matter finalized.

7. Ms. Khumbudzo Ntshaveni would like the court to declare that she was not party to the arrangement wherefrom Makwande Chartered Accountants were awarded a tender fraudulently. Date of hearing was 22 April 2021. The judge ordered that the matter be placed on opposed roll as the applicant filed opposing papers later and a new date was set to be 14 February 2022. The court ordered Khumbudzo Ntshaveni amend her court documents so as to be clear. The matter set for 02 February 2023 were it was removed from the roll as Counsel was not available. New date is sought.

8. Mr. Ronald Mahumane claims that he hit a pothole resulting in write off of his vehicle. The accident allegedly took place along R530 which is not a municipal road. Despite this information, they have since issued summons in the amount of R219 920.00. The Plaintiff is unlikely to succeed as the road mentioned in the summons does not belong to the municipality. Matter is defended.

9. 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. The Plaintiff is unlikely to succeed in that it has already admitted that their claims were not based on the provision of the contract.The Plaintiff is not taking any further steps. The municipality is in a process of getting the matter finalized.

10. T J Machete Attorneys - T J Machete Attorneys would like to get the Court to invalidate the appointment of the Municipality’s panel of attorneys and the process started anew because they are of the view that they should have been included. The applicant is unlikely to succeed as the contract complained of will have expired by then. Date of hearing set for the 20th September 2025.

11. Sylvia Lorrane Malatji - The former employee was dismissed following a disciplinary hearing. She seeks reinstatement. The municipality is likely to succeed as there has been an admission on the part of the erstwhile employee that she indeed committed fraud. Matter to be heard on the 25 July 2024.

12. Makwande Chartered Accountants and Business Advisors - wants the court to overturn the judgment the ruled in the municipality’s favour in the previous dispute. The appeal is unlikely to succeed as the court has already fount that there was fraud in the process of entering into the contract which formed part of the nullity of the contract. The matter is defended.

13. 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. The action by the plaintiff is unlikely to succeed as the contract it is complaining about is about to expire and that there can not be any entertainment of the matter at municipal level. The matter is defended.

14. Mr. Tebogo Alphons Thate is suing the Municipality on the basis that his vehicle was damaged by a pothole resulting in R81 616. The Plaintiff is unlikely to succeed as the road mentioned in the summons does not belong to the municipality. The matter is defended.

Notes to the Annual Financial Statements for the year ended 30 June 2024

	2024	2023

45. Contingencies (continued)

15. Theo Erasmus alleges that his vehicle collided with a pothole along Sperwer Street resulting in R17 769. The action against the municipality is unlikely to succeed as there is no proof that the pothole ever existed in the first place.

16. Majeje Tribal Authority - Compliance with Court Order to file a report regarding residents of Farm Masalaal after the tribal authority had obtained an eviction order. This is a matter of compliance. There are no cost implications.

17. The company engaged by the municipality to design extension of municipal offices for an amount of R1 766 988.12. They alleges 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. Matter set down for 23 May 2023.The company was under liquidation, which subsequently has been reinstated. Waiting for them to take a further step

Contingent assets

The following represent the claims in favour of the municipality in progress in a court of law		
Ba-Phalaborwa Municipality versus Mavambo ITS [1]	3,059,810	3,059,810
Ba-Plaborwa Municipality versus Mbiyani Florence Chauke [2]	200,000	200,000
Ba-Phalaborwa Municipality versus Tlhaola Dynamics (Pty) Ltd [3]	2,689,811	2,689,811
Ba-Phalaborwa Municipality versus Tippuprox (Pty) Ltd [4]	650,000	650,000
Ba- Phalaborwa Local municipality vs Millionaires Club CC [5]	776,262	776,262
Ba-Phalaborwa Municipality v Coetzee and Van Der Merwe Attorneys [7]	1,150,000	1,150,000
Ba-Phalaborwa Municipality // Lazwi Engineering Services [8]	2,253,532	-
Ba-Phalaborwa Municipality // Owner of ERF 118 Namakgale [9]	93,893	-
	10,873,308	**8,525,883**

1. 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. The municipality is in a process of getting the matter finalized.

2. The former employee negligently infringed Greater Kruger Tourism cc's copyright as a result the municipality had to pay R200 000.00 in settlement. Summons issued. Parties are exchanging documents. Date of trial to be allocated.

3. 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. The municipality is enforcing the terms of an order which was granted in its favour. Matter finalized but still pursuing them in terms of the Court Order.

4. 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. Arbitration to took place on the 15th October 2022. The arbitrator found in favour of Tuppuprox as there were no witnesses from the side of the municipality to confirm the municipality's version. Attorneys advised that it be reviewed.

5. 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. 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 has issued summons against the former municipal manager Mr. Setimela Sebashe, Mr Khatu Mparalala, the current Director: Technical Services and Mr. Pleasure Mashile, the former PMU manager on the basis of irregular expenditure in that they will explain as to why they paid while knowing that services had not been rendered. Whoever pays first i.e. Millionaier's Club cc, Sebashe, Mpharalala, Mashile, the others are absolved. 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.

Notes to the Annual Financial Statements for the year ended 30 June 2024

	2024	2023

45. Contingencies (continued)

6. Ba-Phalaborwa Municipality versus Marais - A farmer by the name of P.P. Marais has invaded a farm belonging to the municipality. Application to be lodged now that all properties at Gravelotte have been successfully registered in the name of the municipality as opposed to Capricorn district Municipality. The municipality is proceeding with the eviction proceedings. There is no claim amount on this case.

7. Ba-Phalaborwa Municipality v Coetzee and Van Der Merwe Attorneys - The law firm requested the municipality for clearance figures and undertook to pay the municipality upon registration of their client's property. They refused to pay the clearance figures subsequently upon registration. Their client owed the municipality R1 150 000.00. The municipality is likely to succeed as the undertaking was in writing.

8. Ba-Phalaborwa Municipality v Mopani District Municipality - The District Municipality, while having a Service Level Agreement with Ba-Phalaborwa Municipality, allegedly came and met certain account holders and ordered them to pay their water accounts in their account contrary to the provisions of the Service Level Agreement. The Ba-Phalaborwa Municipality seeks to interdict Mopani District Municipality for same. Dispute declared in terms of the Service Level Agreement.

9. Ba-Phalaborwa 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. Application has been lodged. There is no claim amount on this case. The municipality is simply complying with the directives of the Public Protector.

10. Ba-Phalaborwa Municipality v Ms MR Malatji - On or 28 January 2021, the Council of the Municipality approved that Erf 1300 be subdivided between Mr Thomas Moyeni and Ms MR Malatji. Application is been lodged. There is no claim amount on this case.

11. 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. Application lodged. There is no claim amount on this case.

12. 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. Application has been lodged. There is no claim amount on this case. The municipality is simply rectifying a mistake.

13. Ba-Phalaborwa Municipality versus Marais - A farmer by the name of P.P. Marais has invaded a farm belonging to the municipality. The municipality is likely to succeed as the property belongs to it in the first place and that there is no lease between it and the invader. Application to evict has been lodged now that all properties at Gravelotte have been successfully registered in the name of the municipality as opposed to Capricorn district Municipality.

14. The municipality is processing a complaint to the Engineering Council of South Africa [ECSA] with a view of recouping the R2 253 532 resulting from their negligent handling of theconstruction of the Thambo Street paving by Tshiamiso Trading.

15. The municipality is demanding the property owner owes the municipality R93 893.00 in rates and services.

Notes to the Annual Financial Statements for the year ended 30 June 2024

	2024	2023

46. Related parties

Relationships	
Mayor	Cllr. M.M Malatji
Speaker	Cllr. N.O Mabunda
Chief Whip	Cllr. D.M Rapatsa
Mayoral Executive Committee Councilors	.
Chairperson of Portfolio Committee:Corporate Services	Cllr. T. Nkuna
Chairperson of Portfolio Committee:Budget and Treasury	Cllr. R. Makasela
Chairperson of Portfolio Committee:Technical Services	Cllr. V.M Rapatsa
Chairperson of Portfolio Committee:Planning and Development	Cllr. M.P Mailula
EXCO member	Cllr. S.P Mashumu
EXCO member	Cllr. S.R De Beer
Councilors	.
	Cllr. M.P Mukhari (MPAC Chairperson)
	Cllr. M.M Malesa
	Cllr. S.L Mohlala
	Cllr. B Ramothwala
	Cllr. N.J Mampuru
	Cllr. M.E Mokgalaka
	Cllr. E.A Mokoena
	Cllr. L.M Matlala
	Cllr. S.M Shayi
	Cllr. M.M.A Mathebula
	Cllr. E.F Nyathi
	Cllr. R Rakoma
	Cllr. N.L Rihlampfu
	Cllr. T.C Malatji
	Cllr. D.S Mathebula
	Cllr. H.S Booysen
	Cllr. M.H Sekatane
	Cllr. J Sindane
	Cllr. M.A Mononela
	Cllr. M.M Thuke
	Cllr. T.M Malobane
	Cllr. J.C Mokungwe
	Cllr. N.P Ntimane
	Cllr. M.F Sekoele
	Cllr. T.B Shai
	Cllr. G.M Van Niekerk
	Cllr. T Mashale
	Cllr. K.A Petaa
Senior Management	.
Municipal Manager	Dr. K.K.L Pilusa
Chief Financial Officer	A.T Ndzimande
Corporate Services	J.B Selapyane
Planning and Development	J.M Mulaudzi
Technical Services	M.E Mphachoe
Community Services	T.W Hlongwane

	2024	2023

46. Related parties (continued)

Related party balances

Loan accounts - Owing (to) by related parties		
Mayor	1,615	2,070
Speaker	115,745	139,038
Chief Whip	-	(2,426)
Mayoral Executive Committee members	495,907	773
Councillors	757,930	1,279,319

Key management information

Mayor	Cllr. M.M Malatji	1
Speaker	Cllr. N.O Mabunda	1
Chief Whip	Cllr. D. Rapatsa	1
Mayoral Executive Committee	See above for detailed name listing	6
Councilors	See above for detailed name listing	28
Municipal Manager	Dr. K.K.L Pilusa	1
Chief Financial Officer	A.T Ndzimande	1
Senior Management	See above for detailed name listing	4

Notes to the Annual Financial Statements for the year ended 30 June 2024

Figures in Rand

46. Related parties (continued)

Remuneration of management

Management class: Municipal Manager and Chief Financial Officer

2024

Name	Basic salary	Other short-term employee benefits	Total
Dr. K.K.L Pilusa	662,389	538,902	1,201,291
A.T Ndzimande	545,095	464,755	1,009,850
	1,207,484	**1,003,657**	**2,211,141**

2023

Name	Basic salary	Other short-term employee benefits	Total
Dr. K.K.L Pilusa	556,130	467,187	1,023,317
A.T Ndzimande	438,813	232,791	671,604
	994,943	**699,978**	**1,694,921**

46. Related parties (continued)

Management class: Councillors

2024

Name	Basic salary	Other short-term employee benefits	Total
Executive committee	2,854,956	1,164,035	4,018,991
Councilors	7,115,110	3,452,173	10,567,283
	9,970,066	**4,616,208**	**14,586,274**

2023

Name	Basic salary	Other short-term employee benefits	Total
Executive committee	3,965,784	1,713,345	5,679,129
Councilors	5,907,607	3,201,303	9,108,910
	9,873,391	**4,914,648**	**14,788,039**

Management class: Executive management

2024

Name	Basic salary	Other short-term employee benefits	Total
Technical Service	570,596	418,122	988,718
Corporate Services	570,593	418,122	988,715
Community Services	568,323	418,122	986,445
Planning and Development	568,323	418,122	986,445
	2,277,835	**1,672,488**	**3,950,323**

2023

Name	Basic salary	Other short-term employee benefits	Total
Technical Service	305,118	239,372	544,490
Corporate Services	268,908	142,500	411,408
Community Services	259,725	144,100	403,825
Planning and Development	201,247	95,376	296,623
	1,034,998	**621,348**	**1,656,346**

47. 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:

1. **Vat Payables and Payables from exchange - Mopani District Municipality (Water and Sanitation)** - During the previous year it was identified in the previous year audit the municipality is declaring output and input VAT for Mopani District Municipality in contravention of the VAT. this resulted in the municipality understating VAT receivables/payables and overstating the Mopani creditor with an amount of R24 323 253.

2. **Property, Plant and Equipment - Work in Progress and General expenses - Municipal services** - During the current review of the projects the municipality is undertaking, it was identified that one Project for electrification of Majeje (Hectovile) amounting to R5 019 478 and electrification of Garden View amounting to R4 107 782 were completed and should be transferred out of work in progress to Eskom. This resulted in the PPE being overstated by R9 127 260 and municipal services understated by the same amount.

3. **Investment Property and Accumulated Surplus - prior period error** - During the physical verification of properties it was identified that there is land which was donated to the municipality which was omitted in the previous year. This resulted in the understatement with the amount of R89 280 and fair value adjustment amounting to R1 984.

4. **Statutory receivables and Property rates** - During the review of the billing reports of current and prior year it was identified that there still municipality properties billed for service charges and rates. This resulted in the overstatement of the receivables and service charges and property rates with an amount of R701 939.

5. **Receivables from exchange transactions - Bulk Purchases and Interest income - bank and overdue accounts** - During the current year under the review of the eskom invoices to identify the interest charged on the eskom security deposit/guarantee. it was identified that AGSA excluded the VAT on the deposit paid over to Eskom while the deposit was not charged with VAT and interest charged for 2022/2023 financial year was ommitted. This resulted in the understatement of the deposit with an amount of R1 273 405, Interest income with amount of R99 493 and Bulk purchases amounting to R1 173 912

6. **Property, Plant and Equipment - WIP and Accumulated Surplis - prior period error** - During the current year the audit it was identified that electrification projects have been incorrectly capitalised which is a contravention of Schedule 5B. This resulted in an overstatement of WIP and understated Contracted services with the amount of R7 086 975 .

7. **General expenses - Municipal Services and Contracted Services - INEP** - During the audit of the current year it was identified that INEP project was incorrectly classified as general expenses instead of contracted services. This resulted in the overstatement of general expenses and understatement of contracted with an amount of R7 265 137

Statement of financial position

2023

	Note	As previously reported	Correction of error	Restated
Property, plant and equipment		805,695,868	(16,214,235)	789,481,633
Payables from exchange transactions		(406,882,496)	(24,323,253)	(431,205,749)
Investment Properties		442,037,370	91,264	442,128,634
Receivables from-exchange transactions		7,826,087	1,273,405	9,099,492
Statutory receivables		288,094,492	(702,089)	287,392,403
VAT Payables		(53,672,201)	24,323,253	(29,348,948)
Accumulated Surplus - Prior period error		(1,021,753,207)	15,551,655	(1,006,201,552)
		61,345,913	**-**	**61,345,913**

Statement of financial performance

Notes to the Annual Financial Statements for the year ended 30 June 2024

	2024	2023

47. Prior-year adjustments (continued)

2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Interest income - bank and overdue accounts		29,552,946	99,492	-	29,652,438
Property rates		135,074,571	(701,939)	-	134,372,632
General expenses		(116,666,133)	(9,127,260)	7,265,137	(118,528,256)
Bulk purchases		(94,788,222)	1,173,912	-	(93,614,310)
Fair value adjustments - Investment properties		27,458,422	1,984	-	27,460,406
Contracted Services		(38,527,837)	-	(7,265,137)	(45,792,974)
Surplus for the year		**(57,896,253)**	**(8,553,811)**	**-**	**(66,450,064)**

Disclosure

Commitments - During the current year audit, it was identified that commitments was understated with an amount of R1 131 450.

48. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At amortised cost	Total
Other debtors	329,373	329,373
Receivables from exchange transactions	10,171,092	10,171,092
Consumer debtors	71,665,300	71,665,300
Cash and cash equivalent	54,437,729	54,437,729
	136,603,494	**136,603,494**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	42,560,772	42,560,772
Finance lease obligations	3,423,364	3,423,364
Payables from exchange transactions	424,533,406	424,533,406
	470,517,542	**470,517,542**

2023

Financial assets

	At amortised cost	Total
Other debtors	27,712	27,712
Receivables from exchange transactions	9,099,492	9,099,492
Consumer debtors	115,833,302	115,833,302
Cash and cash equivalents	44,089,570	44,089,570
	169,050,076	**169,050,076**

	2024	2023

48. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Other financial liabilities	59,077,010	59,077,010
Finance lease liabilities	4,408,841	4,408,841
Payables from exchange transactions	430,541,624	430,541,624
	494,027,475	**494,027,475**

Financial instruments in Statement of financial performance

2024

	At amortised cost	Total
Finance income	53,839,100	53,839,100
Finance costs	22,902,367	22,902,367
Debt impairment	258,191,379	258,191,379
	334,932,846	**334,932,846**

2023

	At amortised cost	Total
Finance income	60,081,233	60,081,233
Finance costs	20,846,827	20,846,827
Debt impairment reversal	54,975,882	54,975,882
	135,903,942	**135,903,942**

49. 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.

Budgets are prepared, reviewed for actual expenditures against budget and continuous monitoring to meet municipal plans. Where applicable an adjustments to the budget is made every six months. All financial commitments are adequately monitored and serviced with the available funds generated on service charges and grant allocations from equitable shares.

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	17,808,885	24,751,887	-	-
Finance lease obligation	2,312,916	1,110,448	-	-
Payables from exchange transactions	468,315,490	-	-	-

At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	16,516,238	42,560,772	-	-
Finance lease obligation	1,151,874	3,256,967	-	-
Payables from exchange transactions	431,205,285	-	-	-

Notes to the Annual Financial Statements for the year ended 30 June 2024

	2024	2023

49. Risk management (continued)

Credit risk

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

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	2024	2023
Receivables from exchange transactions	10,171,092	9,099,492
Consumer debtors	71,665,300	115,833,302
Cash and cash equivalent	54,437,729	44,089,570
Other debtors	329,373	27,712

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 2024 and 2023, the municipality's borrowings at variable rate were denominated in the Rand.

50. Unauthorised expenditure

Opening balance as previously reported	59,933,477	61,590,261
Add: Unauthorised expenditure - current	84,816,240	-
Less: Amount written off - current	-	(1,656,784)
Less: Amount written off - Prior period	(59,933,477)	-
Closing balance	**84,816,240**	**59,933,477**

Cases under investigation

Municipal Finance Management Act	84,816,240	59,933,477

51. Fruitless and wasteful expenditure

Opening balance as previously reported	7,321,659	509,171
Add: Fruitless and wasteful expenditure identified - current	-	7,376,382
Less: Amount recovered - prior period	-	(182,862)
Less: Amount written off - current	-	(56,709)
Less: Amount written off - prior period	(128,160)	(324,323)
Closing balance	**7,193,499**	**7,321,659**

Notes to the Annual Financial Statements for the year ended 30 June 2024

	2024	2023

51. Fruitless and wasteful expenditure (continued)

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R128 160 (2023: R381 032) from the total fruitless and wasteful expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

52. Irregular expenditure

	2024	2023
Opening balance as previously reported	34,268,829	122,366,507
Add: Irregular expenditure - current	20,879,208	20,424,613
Add: Irregular expenditure - prior period	-	1,544,305
Less: Amount written off - prior period	(14,050,137)	(110,066,596)
Closing balance	**41,097,900**	**34,268,829**

Notes to the Annual Financial Statements for the year ended 30 June 2024

		2024	2023

52. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
The A team Task Force	Conducted business with the municipality and the director did not declare that he is a business partner with the councilor of the municipality, furthermore the councilor did not declare that he is a director of Legae enterprises as per his declaration of interest certificate	20,879,208	19,396,476
Infra projects Africa	Appointed consultants to execute project without following other supply chain process	-	154,221
AES Consulting JV Capotex	The invitation to tender for the tenders and quotations did not specify the minimum threshold for local content	-	873,917
All functions hire	No declaration of interest	-	11,039
Balogadi Developers Cc	Procurement processes not fully followed	-	1,540
Bernhard Van Der Hoven	No three quotation sourced and Declaration of Interest not completed	-	3,303
BILNOR Engineering	No declaration of interest completed	-	700
Borwa Engineers	No declaration of interest	-	2,711
Bos Directories	No three quotation sourced and Declaration of Interest not completed	-	8,392
Bushfellows	No three quotation sourced and Declaration of Interest not completed	-	111
Business Engineering	Bid awarded to bidders without a valid Tax Clearance Certificate	-	179,308
Components for Africa Cc	No declaration of interest	-	742
CPT Teller	No declaration of interest	-	3,220
Cwone Plaza	No three quotation sourced and Declaration of Interest	-	6,277
Deloitte & Touche	Contract expired	-	147,026
Denee General Enterprises	No declaration of interest completed	-	22,842
Emerald Hydraulic Mining	No declaration of interest completed	-	161
Fibricon Cc	No declaration of interest completed	-	87
Gage Specialists	No declaration of interest completed	-	2,462
Gearbox exchange	No declaration of interest completed	-	2,801
Gerhard Wagenaar	Competitive bidding process not followed	-	27,422
Global Africa Network	No declaration of interest completed	-	8,393
Heko Power Services	No declaration of interest completed	-	8,963
Hennox 590CC	No declaration of interest completed	-	4,469
Heqlen MICA Home Warehouse	No declaration of interest completed	-	276
John Deere Plan	No declaration of interest completed	-	79
Joubert and May Attorneys	Procured legal services without complying with supply chain policies and no deviation with reason was tabled at council for approval	-	140

Notes to the Annual Financial Statements for the year ended 30 June 2024

52. Irregular expenditure (continued)

		2024	2023
Lepama TT	No declaration of interest completed	-	1,596
LK Transcribers Cc	No declaration of interest completed	-	2,349
Mabee decor and catering Cc	No declaration of interest completed	-	1,732
Mahowa Attorneys Incorporated	No competitive bidding process followed	-	23,272
Manamela Attorneys	Competitive bidding process not followed	-	93,563
Matlame Trading Enterprise	No declaration of interest completed	-	5,771
Mbhaza Cleaning Material	No declaration of interest completed	-	349
MJM Electrical	No declaration of interest completed	-	8,190
Mohale Incorporated	Competitive bidding process not followed	-	47,480
Movundlela Consulting	No declaration of interest completed	-	218,328
Mpower Bearings	No declaration of interest completed	-	583
Ms. Molebaloa Attorneys Inc.	Competitive bidding process not followed	-	129,687
Mundlovu Trading	No declaration of interest completed	-	3,023
N Kguger Consulting Engineers	Competitive bidding process not followed	-	4,714
Northlite Limpopo	No declaration of interest completed	-	1,140
Number Plate and Key	No declaration of interest completed	-	96
P.M.E Suppliers Cc	No declaration of interest completed	-	2,728
Park Slaghuis Cc	No declaration of interest completed	-	90
Paul Van Vuuren	No declaration of interest completed	-	266
Pay Day	No declaration of interest completed	-	708
Phalaborwa Brake and Clutch Cc	No declaration of interest completed	-	1,121
Queensburgh Plant Sales Cc	No declaration of interest completed	-	6,300
Ramasedi Catering Services	The appoint of services provider without proper compliance with supply chain management	-	226
Raphela Inc Attorneys & Conveyances	Competitive bidding process not followed	-	61,864
Rondebuilt Colliery	No declaration of interest completed	-	1,087
Rotec engineering	No declaration of interest completed	-	238
Sanco Vehicle Cc	No declaration of interest completed	-	864
Schbroe Engineering Cc	No declaration of interest completed	-	196
Skilful Investment 2 Cc	No declaration of interest completed	-	15,579
Supa Quick Tzaneen	No declaration of interest completed	-	7,821
Support Services	No declaration of interest completed	-	963
Tatiso and MVI Consulting	No declaration of interest completed	-	89,349
Tele Radio	No declaration of interest completed	-	1,013
TFM Industries	No declaration of interest completed	-	670
The Assessment Toolbox	No declaration of interest completed	-	879

Notes to the Annual Financial Statements for the year ended 30 June 2024

52. Irregular expenditure (continued)

		2024	2023
The Phalaborwa Voice	No declaration of interest completed	-	3,959
Thomas & Swanepoel Inc.	Competitive bidding process not followed	-	42,263
Tiso Blackstar Group	No declaration of interest completed	-	2,352
TJS Maintenance	No declaration of interest completed	-	3,547
Trentyre Phalaborwa	No declaration of interest completed	-	68,500
Tshepana Trading Cc	No declaration of interest completed	-	2,115
Turfmaster	No declaration of interest completed	-	2,892
Tychophase	No declaration of interest completed	-	6,386
Tzaneen Motormaster Cc	No declaration of interest completed	-	307
Tzaneen Swaarvoertuie Onderdel	No declaration of interest completed	-	2,148
TZN Cables	No declaration of interest completed	-	185
Uglass Phalaborwa	No declaration of interest completed	-	147
Uranus Consulting Engineers	Values applicable to each evaluation criteria not clearly indicated in the invitation to submit a tender	-	104,967
Waltons Stationery Co.	No declaration of interest completed	-	861
XL Nexus Travel	Procured accommodation without sourcing three quotations , the supplier did not declare the interest through MBD forms , no deviation was reported to council.	-	127,038
Zendubind	No declaration of interest completed	-	339
		20,879,208	**21,968,919**

Cases under investigation

	2024	2023
Municipal Supply Chain Management Policies or By-laws	20,879,208	21,968,919

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R14 050 137 (2023: R110 066 596) from the total irregular expenditure amount. The write-off was approved after recommendations made by the Council Committee investigations.

That the balance of R41 097 900 (2023: R34 268 829) still need to be tested against the available evidence of consequence management.

Notes to the Annual Financial Statements for the year ended 30 June 2024

	2024	2023

53. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of 852,742,255 and that the municipality's total assets exceed its liabilities by 864,935,022.

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.

54. Events after the reporting date

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

Notes to the Annual Financial Statements for the year ended 30 June 2024

55. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2024	2023
Current year subscription / fee	888,093	1,300,000
Amount paid - current year	(888,093)	(1,300,000)
	-	-

Audit fees

	2024	2023
Current year subscription / fee	8,117,733	6,950,016
Amount paid - current year	(8,117,733)	(6,950,016)
	-	-

PAYE and UIF

	2024	2023
Current year subscription / fee	25,890,520	29,510,364
Amount paid - current year	(25,890,520)	(29,510,364)
	-	-

Pension and Medical Aid Deductions

	2024	2023
Current year subscription / fee	25,634,300	26,002,527
Amount paid - current year	(25,634,300)	(26,002,527)
	-	-

VAT

	2024	2023
VAT receivable/(Payables)	(47,066,726)	(29,348,948)

VAT output payables and VAT input receivables are shown in note 16.

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

56. Deviation from supply chain management regulations

Supplier	Project	Rand Amount	Date disclosed	Reason
MJM Maintenance Installations	Emergency repair of electrical breakdown at Schiettocht line	182,465	01/07/2023	Emergency
Bb truck and tractors services	Service of refuse compactor truck Truck service-DZB998L (odo: 101094)	76,909	01/10/2023	Sole service provider
MJM investment holdings	Emergency breakdown repairs of overhead line and cable in potgiter street	196,055	01/10/2023	Emergency
Bell Equipment Sales South Africa	Repair TLB FGP 465 L	33,528	01/11/2023	Sole service provider
NTT Motor Investments	Procurement and fitting of Fly wheel on Refuse compactor truck BVJ765L	31,396	01/11/2023	Sole service provider
Kgaboma Projects	Breakdown repairs cable termination and connect on o/h line, breakdown in potgieter street and cable joint and termination installation of 2.5 x arm ans 3x link	196,055	01/11/2023	Emergency
Papyrus library	Annual License for Papyrus library administration system	13,610	1/12/2023	Sole service provider
NTT Toyota Phalaborwa	Service of refuse compactor truck	55,777	01/01/2024	Sole service provider
BB Truck and Tractors Services	Service of truck FTX 958 L	55,202	01/01/2024	Sole service provider
Morula plumbing and electrical supply	Electrical emergency breakdown repairs	169,785	01/01/2024	Emergency
NTT Toyota Phalaborwa	Repairs of truck BVJ 765 L	30,064	01/02/2024	Sole service provider
BB UD Tzaneen	Truck Service FBK 639 L	100,392	01/03/2024	Sole service provider
Adapt IT	Renewal of caseware software application	91,774	01/05/2023	Sole service provider
Bb truck and tractors services	Service of refuse compactor truck Truck service- FTX958L	105,850	01/04/2024	Sole service provider
Phalaborwa Herald	Publishing of municipal notices and advert for 2023/24 financial year.	176,657	01/06/2024	Sole service provider
Home Affairs - Government Printing Works	Publishing of municipal notices	33,289	01/06/2024	Sole service provider
Home Affairs - Government Printing Works	Publishing of municipal notices	6,305	01/06/2024	Sole service provider
NTT Toyota Phalaborwa	Repairs of Refuse Compactor Truck at BVJ765L	75,902	01/06/2024	Sole service provider
		1,631,015		

Notes to the Annual Financial Statements for the year ended 30 June 2024

	2024	2023

57. Accounting by principals and agents

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

Details of the arrangment(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 R0.50 cent per kilolitre of water supplied for the financial year.

Notes to the Annual Financial Statements for the year ended 30 June 2024

	2024	2023

57. 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 father three years. The municipality renewed the contract for a further three years ending 30 June 2025.

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.

Department of Transport and Community Safety and Ba-phalaborwa Municipality have entered into an agreement whereby the municipality collects revenue on behalf of the department and receives a 20% on licensing and 3% of RTMC of the monies collected and pays over 80% and 97% respectively to the department.

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is 13,388,184 (2023: 15,400,196).

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 R37 543 825 (2023: R39 164 468).

As at 30 June 2024 the municipality realised revenue for the district amounting to R155 352 251 (2023: R177 550 474) and had debtors outstanding for the water and waste water sales amounting to R1 532844 294 (2023: R1 416 235 851).

Inventories held on behalf of the district municipality amounted to R4 040 606 (2023: R4 607 475).

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 and wages	employees to render services in the water and sanitation department

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

	2024	2023
Water and sanitation	138,772,331	154,272,525

Notes to the Annual Financial Statements for the year ended 30 June 2024

	2024	2023

57. Accounting by principals and agents (continued)

Interest on overdue accounts	16,579,920	23,277,948
	155,352,251	**177,550,473**

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

Salaries and wages	(17,757,061)	(18,752,692)
General expenses	(19,786,764)	(20,411,776)
	(37,543,825)	**(39,164,468)**

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	1,416,235,850	1,001,448,606
Revenue billed current year	243,440,317	466,855,291
Collection from customers	-	(52,068,047)
Correction of prior period error adjustment	(126,831,873)	-
	1,532,844,294	**1,416,235,850**

All categories		
Opening balance	1,416,235,850	1,001,448,606
Revenue that principal is entitled to	243,440,317	466,855,291
Collections from customers	-	(52,068,047)
Cash received on behalf of the principal	(126,831,873)	-
	1,532,844,294	**1,416,235,850**

58. Budget differences

Material differences between budget and actual amounts

1. **Agency services** - The actual income for Agency fees received is higher than the budget due to more revenue collected than forecasted by the Municipality as a result of more members of community paying for their traffic fines, contravention of Roads Acts within the Municipality and the accrual of agency fees under the agency relationship with Mopani District Municipality.

2. **Services charges** - 67% of the budgeted income on electricity was collected. The under collection on electricity was due to illegal connection and theft which affects collection of electricity. 97% of the budgeted income on refuse was collected.

3. **Interest income - overdue account and bank -** The Municipality collected 94% of the had deposited more money in the Municipal call Account for a longer period which earned Ba-Phalaborwa higher interest earned than budgeted for. 81% of the budgeted income on interest on overdue was collected. The variance was due to high estimates of interest as results of long terms owing to Municipality over 120 days which casted doubt to the municipality however, the municipality will continue encouraging customers to pay on time.

4. **Other income** - Comprises of write back of receivables previously written off, connection fees, building plans and related income items. The municipality received less applications for town planning and building plans due to slow development.

5. **Rental of facilities and equipment** - The municipality has collected more due to collection efforts. It was estimated to be low because of the past practices and the fact is we are on cash basis not accruals.

6. **Traffic fines** - The municipality collected 21% of the budgeted income. The decrease is attributed to culture of non-payment by community.

7. **Licences and permits** - The decreases is attributable due to decline in number of community preferring other stations.

8. **Property rates** - the decrease is due to culture of non-payment from customers.

9. **Bulk purchases** - Less usage of electricity as a results of Electricity cable thefts and loadshedding.

10. **Contracted services** - This reduction is a results of cost containment measures and consultancy reduction plan.

11. **Depreciation and amortisation** - There was a delay on some projects which were expected to be completed by 2022/23, which are still on work in progress.

12. **Interest income - property rates overdue account** - The variance was due to high estimates of interest as results of long terms owing to Municipality over 120 days which casted doubt to the municipality however, the municipality will continue encouraging customers to pay on time.

13. **Finance costs** - The interest charges on provision for landfill and concessionary loan which was estimated less during the budget processes.

14. **Employee related costs** - The variance was due to vacant posts and cost containment by cutting of overtime.

15. **Remuneration of councilors** - The municipality budgeted using Upper limit grade 4 and the municipality was downgraded to grade 3.

16. **Fair value adjustment** - This was not budgeted for, an accounting treatment resulting from revaluation of municipal properties.

17. **Actuarial** loss - This was not budgeted for, resulting from Long service awards and Post Medical Aid Sheme actuarial gains.

18. **Public contributions and donations** - This was not budgeted for and is resulting from donations from Palabora Mining Company (PMC) for rehabilitating the streets and from Road Agency Limited (RAL) for maintaining various roads.

19. **Debt impairment reversal** - Is due to change of methodology which was adopted in the prior year.

Notes to the Annual Financial Statements for the year ended 30 June 2024

	2024	2023

58. Budget differences (continued)

20. **General expenses** - Inventory was under budgeted and general expenses sitting on 97% of the budget.

21. **Contribution from estimates - gain - landfill provision** - The landfill is fully depreciated although there is a two-year renewal of license

22. **Gains on disposal of assets and liabilitie**s - There is a gain on disposal of assets and liabilities through the insurance claim of the stolen assets.

23. **Inventories losses/write-downs** - This was not budgeted for and is resulting from inventory write offs.

24. **Impairment of assets** - This was not budgeted for and is resulting from Impairment of assets.

Notes to the Annual Financial Statements for the year ended 30 June 2024

	2024	2023

59. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: primary, secondary and tertiary educational 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.

The entity operates in the Limpopo Province in Phalaborwa and its affected communities. 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.

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	Providing strategic direction to the municipality
Budget and Treasury	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	Provision of road infrastructure, Solid waste, Electricity, etc
Planning and Development Services	Economic development for the town and strategy (IDP and SDBIP)

Notes to the Annual Financial Statements for the year ended 30 June 2024

Figures in Rand

59. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Executive and Councillors	Community and Social Services	Budget and Treasury Office	Technical Services	Corporate Services	Planning and Development Services	Total
Revenue							
Service charges	-	21,257,178	(2,576,759)	119,144,947	-	-	137,825,366
Rental from facilities	-	-	-	-	341,525	-	341,525
Interest income - Service charges - overdue & bank and investment	-	8,977,274	3,551,263	6,842,868	-	-	19,371,405
Interest income - Property rates overdue accounts	-	-	34,467,695	-	-	-	34,467,695
Licences and permits	-	4,295,503	-	-	-	-	4,295,503
Government grants and subsidies	-	305,090	208,339,200	56,080,107	-	-	264,724,397
Agency services	-	4,191,574	9,196,610	-	-	-	13,388,184
Other income	-	-	1,292,233	-	-	-	1,292,233
Property rates	-	-	127,739,867	-	-	-	127,739,867
Traffic fines	-	280,025	-	-	-	-	280,025
Public contributions and donations	-	-	51,703,016	-	-	-	51,703,016
Fair value adjustments - Investment Property	-	-	31,933,398	-	-	-	31,933,398
Profit on disposal of fixed assets	-	-	87,078	-	-	-	87,078
Contributions from estimates - gain - landfill site	-	-	11,426,691	-	-	-	11,426,691
Total segment revenue	**-**	**39,306,644**	**477,160,292**	**182,067,922**	**341,525**	**-**	**698,876,383**
Entity's revenue							**698,876,383**

Notes to the Annual Financial Statements for the year ended 30 June 2024

Figures in Rand

59. Segment information (continued)

	Executive and Councillors	Community and Social Services	Budget and Treasury Office	Technical Services	Corporate Services	Planning and Development Services	Total
Expenditure							
Employee related costs	17,611,109	45,270,511	23,581,347	41,433,327	29,732,046	11,063,266	168,691,606
Remuneration of councillors	16,986,624	-	-	-	-	-	16,986,624
Debt impairment	-	-	258,191,379	-	-	-	258,191,379
Depreciation & amortisation	-	-	50,490,456	18,628,566	-	-	69,119,022
Impairment of assets	-	-	5,887,366	-	-	-	5,887,366
Finance costs	-	-	22,902,367	-	-	-	22,902,367
Bulk Purchases	-	-	-	116,159,527	-	-	116,159,527
Contracted services	18,685,456	2,446,515	19,554,150	10,888,960	10,432,663	3,199,814	65,207,558
Inventories losses/ written down	-	-	223,070	-	-	-	223,070
Actuarial loss	-	-	2,772,061	-	-	-	2,772,061
General expenses	24,430,524	(8,257,308)	22,487,993	56,546,021	28,253,759	2,735,075	126,196,064
Total segment expenditure	**77,713,713**	**39,459,718**	**406,090,189**	**243,656,401**	**68,418,468**	**16,998,155**	**852,336,644**
Total segmental surplus/(deficit)	**(77,713,713)**	**(153,074)**	**71,070,103**	**(61,588,479)**	**(68,076,943)**	**(16,998,155)**	**(153,460,261)**
Assets							
Inventories	-	-	17,030,404	-	-	-	17,030,404
Statutory receivables	-	-	289,769,143	-	-	-	289,769,143
Other debtors	-	-	101,493	-	-	-	101,493
Consumer Debtors	-	-	101,799,532	-	-	-	101,799,532
Cash and cash equivalents	-	-	54,437,729	-	-	-	54,437,729
Investment property	-	-	472,391,899	-	-	-	472,391,899
Property, plant and equipment	-	47,770,597	644,889,086	111,377,708	397,531	-	804,434,922
Intangible assets	-	-	6	-	-	-	6
Heritage assets	-	-	317,000	-	-	-	317,000
Receivables from exchange transactions	-	-	10,171,092	-	-	-	10,171,092
Total segment assets	**-**	**47,770,597**	**1,590,907,384**	**111,377,708**	**397,531**	**-**	**1,750,453,220**
Total assets as per Statement of financial Position							**1,750,453,220**

Notes to the Annual Financial Statements for the year ended 30 June 2024

Figures in Rand

59. Segment information (continued)

	Executive and Councillors	Community and Social Services	Budget and Treasury Office	Technical Services	Corporate Services	Planning and Development Services	Total
Liabilities							
Other financial liabilities	-	-	42,560,772	-	-	-	42,560,772
Finance lease obligation	-	-	3,423,364	-	-	-	3,423,364
Payables from exchange transactions	-	-	615,769,919	-	-	-	615,769,919
VAT payable	-	-	47,066,726	-	-	-	47,066,726
Consumer deposits	-	-	5,266,513	-	-	-	5,266,513
Employee benefit obligation	-	-	60,477,583	-	-	-	60,477,583
Unspent conditional grants and receipts	-	-	340,218	-	-	-	340,218
Provisions	-	-	110,591,870	-	-	-	110,591,870
Operating lease liability	-	-	21,233	-	-	-	21,233
Total segment liabilities	**-**	**-**	**885,518,198**	**-**	**-**	**-**	**885,518,198**
Total liabilities as per Statement of financial Position							**885,518,198**

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

Notes to the Annual Financial Statements for the year ended 30 June 2024

Figures in Rand

59. Segment information (continued)

2023

	Executive and Councilors	Community and Social Services	Budget and Treasury Office	Technical Services	Corporate Services	Planning and Development Services	Total
Revenue							
Service charges	-	17,303,273	11,927,678	109,292,070	-	-	138,523,021
Rental from facilities	-	-	-	-	512,395	-	512,395
Interest income - Service charges - overdue & bank and investments	-	7,887,866	17,555,028	4,209,545	-	-	29,652,439
Licences and permits	-	4,142,899	-	-	-	-	4,142,899
Interest income - Property rates - overdue & bank	-	-	30,428,794	-	-	-	30,428,794
Agency services	-	12,695,726	2,704,470	-	-	-	15,400,196
Traffic fines	-	514,090	-	-	-	-	514,090
Other income	-	-	1,276,847	-	-	-	1,276,847
Property rates	-	-	134,372,632	-	-	-	134,372,632
Government grants and subsidies	-	-	193,016,859	45,308,718	302,610	-	238,628,187
Actuarial gains	-	-	10,541,588	-	-	-	10,541,588
Public contributions and donations	-	-	331,576	-	-	-	331,576
Fair value adjustment	-	-	27,460,405	-	-	-	27,460,405
Contribution from estimates - landfill provision	-	-	2,597,837	-	-	-	2,597,837
Total segment revenue	**-**	**42,543,854**	**432,213,714**	**158,810,333**	**815,005**	**-**	**634,382,906**
Entity's revenue							**634,382,906**

Notes to the Annual Financial Statements for the year ended 30 June 2024

Figures in Rand

59. Segment information (continued)

	Executive and Councilors	Community and Social Services	Budget and Treasury Office	Technical Services	Corporate Services	Planning and Development Services	Total
Expenditure							
Employee related costs	21,419,513	47,001,933	22,730,859	40,947,124	28,732,824	10,865,812	171,698,065
Remuneration of Councilors	14,788,039	-	-	-	-	-	14,788,039
Debt impairment	-	-	(54,975,882)	-	-	-	(54,975,882)
Depreciation & amortisation	-	-	57,882,611	16,997,547	-	-	74,880,158
Finance costs	-	-	20,846,627	-	-	-	20,846,627
Bulk purchases	-	-	-	93,614,311	-	-	93,614,311
Inventory losses	-	-	404,010	-	-	-	404,010
Contracted services	11,287,931	2,491,619	11,989,182	6,278,899	4,958,721	1,521,485	38,527,837
General expenses	19,879,219	5,754,561	48,106,938	17,927,897	31,457,019	2,667,759	125,793,393
Loss on disposal of fixed assets	-	-	16,522	-	-	-	16,522
Total segment expenditure	**67,374,702**	**55,248,113**	**107,000,867**	**175,765,778**	**65,148,564**	**15,055,056**	**485,593,080**
Total segmental surplus/(deficit)	**(67,374,702)**	**(12,704,259)**	**325,212,847**	**(16,955,445)**	**(64,333,559)**	**(15,055,056)**	**148,789,826**
Assets							
Inventories	-	-	20,925,541	-	-	-	20,925,541
Statutory receivables	-	-	287,392,395	-	-	-	287,392,395
Consumer debtors	-	54,946,791	29,140,890	31,745,620	-	-	115,833,301
Other debtors	-	-	27,712	-	-	-	27,712
Cash and cash equivalent	-	-	44,089,570	-	-	-	44,089,570
Investment property	-	-	442,129,626	-	-	-	442,129,626
Property, plant and equipment	-	34,391,556	721,218,220	32,488,029	1,383,827	-	789,481,632
Intangible assets	-	-	91,275	-	-	-	91,275
Heritage assets	-	-	317,000	-	-	-	317,000
Receivables from exchange transactions	-	-	9,099,492	-	-	-	9,099,492
Total segment assets	**-**	**89,338,347**	**1,554,431,721**	**64,233,649**	**1,383,827**	**-**	**1,709,387,544**
Total assets as per Statement of financial Position							**1,709,387,544**

Notes to the Annual Financial Statements for the year ended 30 June 2024

Figures in Rand

59. Segment information (continued)

	Executive and Councilors	Community and Social Services	Budget and Treasury Office	Technical Services	Corporate Services	Planning and Development Services	Total
Liabilities							
Other financial liabilities	-	-	59,077,010	-	-	-	59,077,010
Finance lease obligation	-	-	4,408,841	-	-	-	4,408,841
Payables from exchange transactions	-	1,945,360	18,449,867	410,810,058	-	-	431,205,285
VAT payable	-	-	29,348,948	-	-	-	29,348,948
Consumer deposits	-	-	4,822,249	-	-	-	4,822,249
Employee benefit obligation	-	-	51,855,947	-	-	-	51,855,947
Unspent conditional grants and receipts	-	-	326	-	-	-	326
Provisions	-	-	110,252,821	-	-	-	110,252,821
Operating lease liability	-	-	20,824	-	-	-	20,824
Total segment liabilities	**-**	**1,945,360**	**278,236,833**	**410,810,058**	**-**	**-**	**690,992,251**
Total liabilities as per Statement of financial Position							**690,992,251**

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

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies, except that pension expense for each segment is recognised and measured on the basis of cash payments to the pension plan.