



**Ba-Phalaborwa Local Municipality
(Registration number LIM334)
Annual Financial Statements
for the year ended 30 June 2025**

Ba-Phalaborwa Local Municipality

(Registration number LIM334)

Annual Financial Statements for the year ended 30 June 2025

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 (Member of Portfolio Committee: Planning and Development) Cllr. S.R De Beer (Chairperson of Portfolio Committee: Community and Social Services)
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

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	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 (Resigned September 2024) Ms J.B Selapjane (Acting Accounting Officer - September 2024 to March 2025) Ms. M.E Mphachoe (Acting Accounting Officer - March 2025 to June 2025)
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 Attorneys Kgohlishi Abe Mamabolo Incorporated Kgatla Attorneys Maboka Mangena Attorneys Mahowa Inc Attorneys Mahumani Inc

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Maponya Inc
Matabane Inc
Mohale Incorporated Inc
Verveen Attorneys Inc
Maloka Sebola Incorporated
MB Mabunda Incorporated
MMMG Attorneys
Gilbert Motedi Attorneys Inc
Lubisi Attorneys
Modjadji Raphesu Inc
Noko Maimela Inc
Mohuba Inc

Level of assurance

These annual financial statements have been audited in compliance with the applicable requirements of the Local Government: Municipal Finance Management Act (Act 56 of 2003)

Published

31 August 2025

Audit Committee Members

NJ Mpjane CA (SA) - Chairperson
T.C Modipane CA (SA) - Former Chairperson (Contract lapsed on 31 August 2024)
Adv LT Nevondwe - Former Member (Contract lapsed on 31 August 2024)
Simelane SP - Former Member (Contract lapsed on 31 August 2024)
Mrs. M.P Ramutsheli - Member
K.G Masemola - Member
HH Ndlovu - Member

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

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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 Revenue Services
PPE	Property, Plant and Equipment
MFMA	Municipal Finance Management Act
AARTO	Municipal Standard Chart of Accounts
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

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Annual Financial Statements for the year ended 30 June 2025

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2026 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

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

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 36 to these unaudited 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 2025 and were signed on its behalf by:

Accounting Officer
Acting Municipal Manager

Phalaborwa

Sunday, 31 August 2025

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Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Position as at 30 June 2025

		2025	2024 Restated*
	Note(s)		
Assets			
Current Assets			
Inventories	7	16,211,501	17,030,404
Receivables from exchange transactions	8	10,292,182	10,171,092
Receivables from non-exchange transactions	9	51,071,054	172,335,005
VAT receivable from exchange transactions	10	101,672,787	78,327,479
Consumer debtors	11	19,286,013	69,692,645
Other debtors		103,286	45,729
Cash and cash equivalents	12	34,951,269	54,113,773
		233,588,092	401,716,127
Non-Current Assets			
Investment property	3	492,680,154	472,391,899
Property, plant and equipment	4	784,562,205	813,548,470
Intangible assets	5	-	6
Heritage assets	6	317,000	317,000
		1,277,559,359	1,286,257,375
Total Assets		1,511,147,451	1,687,973,502
Liabilities			
Current Liabilities			
Other financial liabilities	13	19,191,431	17,808,885
Finance lease obligation	14	2,559,724	2,312,916
Payables from exchange transactions	16	371,747,100	438,594,667
VAT payable from exchange transactions	17	154,437,836	123,454,378
Consumer deposits	18	5,680,440	5,266,513
Employee benefit obligation	19	2,627,852	2,300,382
Unspent conditional grants and receipts	20	253,278	340,218
Provisions	21	-	580,147
		556,497,661	590,658,106
Non-Current Liabilities			
Other financial liabilities	13	5,560,455	24,751,887
Finance lease obligation	14	3,369,005	1,110,448
Operating lease liability	15	-	21,233
Employee benefit obligation	19	57,147,257	53,185,212
Provisions	21	138,270,828	109,996,490
		204,347,545	189,065,270
Total Liabilities		760,845,206	779,723,376
Net Assets		750,302,245	908,250,126
Reserves			
Revaluation reserve	22	6,642,359	12,192,758
Accumulated surplus		743,659,877	896,057,360
Total Net Assets		750,302,245	908,250,126

* See Note 48

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Statement of Financial Performance

		2025	2024 Restated*
	Note(s)		
Revenue			
Revenue from exchange transactions			
Sale of Goods and Rendering of Services: Construction Contract Revenue		2,889,358	15,792,968
Service charges	24	156,048,267	136,110,014
Rental of facilities and equipment	25	526,255	341,525
Agency services	26	13,293,465	13,388,184
Licences and permits	27	5,578,669	4,295,503
Other income	28	1,468,179	1,292,233
Contribution from estimates - gain - landfill provision	21	-	11,441,924
Interest income - overdue account & bank and investment	29	18,680,079	19,371,405
Profit on disposal of fixed assets		-	87,078
Total revenue from exchange transactions		198,484,272	202,120,834
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	31	128,967,702	127,739,856
Interest income - overdue accounts	31	39,034,940	34,467,695
Transfer revenue			
Government grants & subsidies	32	258,556,883	248,931,429
Public contributions and donations	33	-	47,058,949
Traffic fines	34	767,812	280,025
Actuarial gains		2,412,217	-
Fair value adjustments - Investment Properties	30	20,288,255	31,933,398
Total revenue from non-exchange transactions		450,027,809	490,411,352
Total revenue	23	648,512,081	692,532,186
Expenditure			
Employee related costs	35	(179,453,587)	(166,968,156)
Remuneration of councillors	36	(17,260,400)	(16,986,624)
Depreciation and amortisation	37	(68,760,378)	(68,333,065)
Impairment of assets	4	(4,082,244)	(5,404,083)
Finance costs	38	(21,489,618)	(22,280,504)
Debt Impairment/reversal	39	(146,916,584)	(258,191,379)
Bulk purchases	40	(138,091,679)	(116,159,527)
Contracted services	41	(54,688,338)	(65,186,174)
Actuarial losses	19	(529,515)	(3,177,137)
Inventories losses/write-downs		(196,170)	(223,070)
General Expenses	42	(174,991,450)	(127,598,925)
Total expenditure		(806,459,963)	(850,508,644)
Deficit for the year		(157,947,882)	(157,976,458)

* See Note 48

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Statement of Changes in Net Assets

	Revaluation reserve	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2023	12,192,758	1,054,033,818	1,066,226,576
Changes in net assets			
Surplus for the year	-	(157,976,458)	(157,976,458)
Total changes	-	(157,976,458)	(157,976,458)
Restated* Balance at 01 July 2024	12,192,758	896,057,360	908,250,118
Changes in net assets			
Surplus for the year	-	(157,947,882)	(157,947,882)
Transfer of capital surplus to trust capital	(5,550,399)	5,550,399	-
Total changes	(5,550,399)	(152,397,483)	(157,947,882)
Balance at 30 June 2025	6,642,359	743,659,877	750,302,236
Note(s)	22		

* See Note 48

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Cash Flow Statement

		2025	2024 Restated*
	Note(s)		
Cash flows from operating activities			
Receipts			
Taxation - Property rates		187,736,055	127,739,867
Cash receipts from other		188,543,881	105,535,918
Grants		258,469,943	265,064,289
Interest income		4,880,716	4,208,476
Other receipts		-	1,292,233
		639,630,595	503,840,783
Payments			
Employee costs		(195,544,533)	(184,451,028)
Suppliers		(401,257,794)	(249,630,428)
Interest paid		(3,308,799)	(4,277,119)
		(600,111,126)	(438,358,575)
Net cash flows from operating activities	44	39,519,469	65,482,208
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(38,406,520)	(37,224,909)
Proceeds from sale of property, plant and equipment	4	-	234,866
Net cash flows from investing activities		(38,406,520)	(36,990,043)
Cash flows from financing activities			
Repayment of other financial liabilities		(17,808,886)	(16,516,238)
Finance lease payments		(2,466,567)	(1,951,724)
Net cash flows from financing activities		(20,275,453)	(18,467,962)
Net increase/(decrease) in cash and cash equivalents		(19,162,504)	10,024,203
Cash and cash equivalents at the beginning of the year		54,113,773	44,089,570
Cash and cash equivalents at the end of the year	12	34,951,269	54,113,773

The accounting policies on pages 16 to 50 and the notes on pages 51 to 119 form an integral part of the annual financial statements.

* See Note 48

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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						
Sale of goods	5,698,110	(1,926,000)	3,772,110	2,889,358	(882,752)	
Service charges	219,829,646	-	219,829,646	156,048,267	(63,781,379)	Refer to Note 58
Rental of facilities and equipment	284,881	80,000	364,881	526,255	161,374	Refer to Note 58
Agency services	6,887,673	-	6,887,673	13,293,465	6,405,792	Refer to Note 58
Licences and permits	6,445,383	-	6,445,383	5,578,669	(866,714)	Refer to Note 58
Other income	7,924,993	261,140	8,186,133	1,468,179	(6,717,954)	Refer to Note 58
Interest income - overdue accounts & bank and Investments	24,364,301	-	24,364,301	18,680,079	(5,684,222)	Refer to Note 58
Total revenue from exchange transactions	271,434,987	(1,584,860)	269,850,127	198,484,272	(71,365,855)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	194,706,451	-	194,706,451	128,967,702	(65,738,749)	Refer to Note 58
Interest income - overdue accounts	47,632,401	-	47,632,401	39,034,940	(8,597,461)	Refer to Note 58
Transfer revenue						
Government grants & subsidies	258,157,140	-	258,157,140	258,556,883	399,743	
Traffic fines	1,438,392	-	1,438,392	767,812	(670,580)	Refer to Note 58
Gains and Losses:Fair Value Adjustment:Actuarial A	-	-	-	2,412,217	2,412,217	
Fair value adjustments	-	-	-	20,288,255	20,288,255	Refer to Note 58
Total revenue from non-exchange transactions	501,934,384	-	501,934,384	450,027,809	(51,906,575)	
Total revenue	773,369,371	(1,584,860)	771,784,511	648,512,081	(123,272,430)	
Expenditure						
Employee related costs	(211,878,126)	-	(211,878,126)	(179,453,587)	32,424,539	Refer to Note 58
Remuneration of councillors	(18,066,557)	-	(18,066,557)	(17,260,400)	806,157	Refer to Note 58
Depreciation and amortisation	(83,646,171)	-	(83,646,171)	(68,760,378)	14,885,793	Refer to Note 58
Impairment of assets	-	-	-	(4,082,244)	(4,082,244)	Refer to Note 58

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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
Finance costs	(20,551,928)	-	(20,551,928)	(21,489,618)	(937,690)	Refer to Note 58
Debt Impairment/reversal	(105,500,000)	-	(105,500,000)	(146,916,584)	(41,416,584)	Refer to Note 58
Bulk purchases	(153,890,178)	-	(153,890,178)	(138,091,679)	15,798,499	Refer to Note 58
Contracted Services	(83,152,914)	1,926,000	(81,226,914)	(54,688,338)	26,538,576	Refer to Note 58
General Expenses	(138,152,261)	(2,923,486)	(141,075,747)	(174,991,450)	(33,915,703)	Refer to Note 58
Total expenditure	(814,838,135)	(997,486)	(815,835,621)	(805,734,278)	10,101,343	
Operating deficit	(41,468,764)	(2,582,346)	(44,051,110)	(157,222,197)	(113,171,087)	
Actuarial gains/losses	-	-	-	(529,515)	(529,515)	Refer to Note 58
Inventories losses/write-downs	-	-	-	(196,170)	(196,170)	
	-	-	-	(725,685)	(725,685)	
Deficit before taxation	(41,468,764)	(2,582,346)	(44,051,110)	(157,947,882)	(113,896,772)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(41,468,764)	(2,582,346)	(44,051,110)	(157,947,882)	(113,896,772)	

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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
2025											
Financial Performance											
Property rates	194,706,451	-	194,706,451	-		194,706,451	168,002,642		(26,703,809)	86 %	86 %
Service charges	219,829,646	-	219,829,646	-		219,829,646	156,048,267		(63,781,379)	71 %	71 %
Investment revenue	5,393,886	500,000	5,893,886	-		5,893,886	18,680,079		12,786,193	317 %	346 %
Transfers recognised - operational	223,212,050	(338,860)	222,873,190	-		222,873,190	221,594,655		(1,278,535)	99 %	99 %
Other own revenue	90,129,388	3,068,000	93,197,388	-		93,197,388	47,224,210		(45,973,178)	51 %	52 %
Total revenue (excluding capital transfers and contributions)	733,271,421	3,229,140	736,500,561	-		736,500,561	611,549,853		(124,950,708)	83 %	83 %
Employee costs	(211,878,126)	-	(211,878,126)	-	-	(211,878,126)	(179,453,587)	-	32,424,539	85 %	85 %
Remuneration of councillors	(18,066,557)	-	(18,066,557)	-	-	(18,066,557)	(17,260,400)	-	806,157	96 %	96 %
Depreciation and asset impairment	(189,146,171)	-	(189,146,171)			(189,146,171)	74,073,962	-	263,220,133	(39)%	(39)%
Finance charges	(20,551,928)	-	(20,551,928)	-	-	(20,551,928)	(21,489,618)	-	(937,690)	105 %	105 %
Inventory consumed and bulk purchases	(179,972,395)	878,260	(179,094,135)	-	-	(179,094,135)	(138,091,679)	-	41,002,456	77 %	77 %
Transfers and grants	(1,075,752)	400,000	(675,752)	-	-	(675,752)	-	-	675,752	- %	- %
Other expenditure	(194,147,206)	(2,275,746)	(196,422,952)	-	-	(196,422,952)	(230,405,473)	-	(33,982,521)	117 %	119 %
Total expenditure	(814,838,135)	(997,486)	(815,835,621)	-	-	(815,835,621)	(512,626,795)	-	303,208,826	63 %	63 %
Surplus/(Deficit)	(81,566,714)	2,231,654	(79,335,060)	-		(79,335,060)	98,923,058		178,258,118	(125)%	(121)%

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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
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	40,097,950	(4,814,000)	35,283,950	-		35,283,950	36,962,228		1,678,278	105 %	92 %
Surplus (Deficit) after capital transfers and contributions	(41,468,764)	(2,582,346)	(44,051,110)	-		(44,051,110)	135,885,286		179,936,396	(308)%	(328)%
Surplus/(Deficit) for the year	(41,468,764)	(2,582,346)	(44,051,110)	-		(44,051,110)	135,885,286		179,936,396	(308)%	(328)%
Capital expenditure and funds sources											
Total capital expenditure	40,097,950	(4,814,000)	35,283,950	-		35,283,950	43,852,736		8,568,786	124 %	109 %
Sources of capital funds											
Internally generated funds	19,695,000	-	19,695,000	-		19,695,000	-		(19,695,000)	- %	- %
Financial position											
Total non current assets	-	-	-	-		-	1,511,147,451		1,511,147,451	DIV/0 %	DIV/0 %
Community wealth/Equity	-	-	-	-		-	1,511,147,451		1,511,147,451	DIV/0 %	DIV/0 %

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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	(15,164,722)	23,303,335	8,138,613	-		8,138,613	39,519,469		31,380,856	486 %	(261)%
Net cash from (used) investing	(68,761,892)	4,166,033	(64,595,859)	-		(64,595,859)	(38,406,520)		26,189,339	59 %	56 %
Net cash from (used) financing	-	-	-	-		-	(20,275,453)		(20,275,453)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	(83,926,614)	27,469,368	(56,457,246)	-		(56,457,246)	(19,162,504)		37,294,742	34 %	23 %
Cash and cash equivalents at the beginning of the year	270,136,176	(243,965,771)	26,170,405	-		26,170,405	54,113,773		27,943,368	207 %	20 %
Cash and cash equivalents at year end	186,209,562	(216,496,403)	(30,286,841)	-		(30,286,841)	34,951,269		(65,238,110)	(115)%	19 %

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Accounting Policies

	Note(s)	2025	2024
1. Significant accounting policies			
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.			

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Accounting Policies

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 21 - 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 19.

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.

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Accounting Policies

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 58.

Impairment of statutory receivables

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures 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.

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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 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.

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Accounting Policies

1.5 Investment property (continued)

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:

1.6 Property, plant and equipment

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

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

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

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

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

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

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Accounting Policies

1.6 Property, plant and equipment (continued)

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.

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.

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Accounting Policies

1.6 Property, plant and equipment (continued)

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).

1.7 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.

1.8 Intangible assets

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

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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Accounting Policies

1.8 Intangible assets (continued)

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).

1.9 Heritage assets

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

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

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

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

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

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Accounting Policies

1.9 Heritage assets (continued)

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).

1.10 Financial instruments

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

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

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.

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Accounting Policies

1.10 Financial instruments (continued)

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

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

A financial asset is:

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

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

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

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.

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

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

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

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

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

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

- the entity designates at fair value at initial recognition; or

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Accounting Policies

1.10 Financial instruments (continued)

- are held for trading.

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

Classification

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

Financial assets

Receivables from exchange transactions
Consumer debtors
Cash and cash equivalents
VAT input accrual

Category

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

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

Class

Other financial liabilities
Payables from exchange transactions
Finance lease obligation
VAT output accrual

Category

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

1.11 Statutory receivables

Identification

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

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

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

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

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1.11 Statutory receivables (continued)

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.
- 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

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1.11 Statutory receivables (continued)

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.

1.12 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.

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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.

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1.12 Leases (continued)

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.

1.13 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.

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.

1.14 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.

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1.14 Construction contracts and receivables (continued)

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.

1.15 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.

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

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

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

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

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

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

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

Useful life is either:

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

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

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 commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

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Accounting Policies

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

Identification

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

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

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

Value in use

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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Accounting Policies

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

Reversal of impairment loss

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

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

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

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

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

Redesignation

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

1.16 Impairment of non-cash-generating assets

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

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

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

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

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

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

Depreciation (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:

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

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.

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.

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

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.

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.

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1.17 Employee benefits (continued)

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.

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.

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1.17 Employee benefits (continued)

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.

Post-employment benefits: Defined contribution plans

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

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

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

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

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1.17 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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1.17 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.17 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Other post retirement obligations

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

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

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

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

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

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

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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.

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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.

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

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

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

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

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

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

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

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

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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 1.15 and 1.16.
- 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;

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.

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.

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Accounting Policies

1.20 Revenue from exchange transactions (continued)

Measurement

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

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

Sale of goods

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

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

Rendering of services

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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1.21 Revenue from non-exchange transactions (continued)

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

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

Recognition

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

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

Measurement

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

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

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

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

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.

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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 extent that the criteria, conditions or obligations have been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

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

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

1.23 Investment income

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

1.24 Borrowing costs

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

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

1.25 Accounting by principals and agents

Identification

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

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

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.

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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 it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

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

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

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

1.26 Comparative figures

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

1.27 Unauthorised expenditure

Unauthorised expenditure means:

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

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).

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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 2024/07/01 to 2025/06/30.

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

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

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.

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Accounting Policies

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.

Contracted Services expenses are measured at the cost of the resources consumed or the fair value of the consideration given. Accrual accounting is applied, so expenses are recognized when incurred, not necessarily when paid.

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Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.38 Expenditure – Bulk Purchases

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

Bulk Purchases are measured at the cost of the resources consumed or the fair value of the consideration given. Accrual accounting is applied, so expenses are recognized when incurred, not necessarily when paid.

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

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Notes to the Annual Financial Statements for the year ended 30 June 2025

2025

2024

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 2025 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 103 (as revised): Heritage Assets	01 April 2025	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2025	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2025	Unlikely there will be a material impact

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Notes to the Annual Financial Statements for the year ended 30 June 2025

	2025			2024		
3. Investment property						
	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	492,680,154	-	492,680,154	472,391,899	-	472,391,899

Reconciliation of investment property - 2025

	Opening balance	Fair value adjustments	Total
Investment property	472,391,899	20,288,255	492,680,154

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

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.

Details of valuation

The effective date of the revaluations was Monday, 30 June 2025. 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.

Ba-Phalaborwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements for the year ended 30 June 2025

	2025	2024
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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 R20 288 255 (2024: R31 933 398) have been recognised in the statement of financial performance.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	526,255	341,525
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Notes to the Annual Financial Statements for the year ended 30 June 2025

Figures in Rand

4. Property, plant and equipment

	2025			2024		
	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	332,243,232	(267,144,324)	65,098,908	331,913,262	(254,415,474)	77,497,788
Infrastructure	1,027,269,026	(667,942,246)	359,326,780	986,611,773	(622,669,932)	363,941,841
Community Assets	482,618,237	(271,539,759)	211,078,478	482,618,237	(262,826,448)	219,791,789
Work in progress (WIP)	50,264,554	-	50,264,554	55,133,212	-	55,133,212
Other property, plant and equipment (Movables)	77,582,134	(53,499,517)	24,082,617	69,120,030	(46,647,058)	22,472,972
Total	2,044,688,051	(1,260,125,846)	784,562,205	2,000,107,382	(1,186,558,912)	813,548,470

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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements for the year ended 30 June 2025

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	74,710,868	-	-	-	-	74,710,868
Buildings	77,497,788	329,970	-	(10,344,541)	(2,384,309)	65,098,908
Infrastructure	363,941,841	348,070	39,602,303	(43,864,442)	(700,992)	359,326,780
Community Assets	219,791,789	-	-	(8,713,311)	-	211,078,478
Work in Progress	55,133,212	34,733,645	(39,602,303)	-	-	50,264,554
Other property, plant and equipment (Movables)	22,472,972	8,441,051	-	(5,834,465)	(996,941)	24,082,617
	813,548,470	43,852,736	-	(68,756,759)	(4,082,242)	784,562,205

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 (prior year) and an increase in the Provision account for Landfill by an amount of R16 448 105 (2024: R11 426 691) . 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.

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Notes to the Annual Financial Statements for the year ended 30 June 2025

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Additions through donations	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	74,710,868	-	-	-	-	-	-	74,710,868
Buildings	88,028,381	-	-	-	-	(10,364,676)	(165,917)	77,497,788
Infrastructure	358,675,358	4,939,122	42,119,828	-	5,092,639	(42,280,275)	(4,604,831)	363,941,841
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
	806,909,127	39,071,671	42,119,828	(830,829)	(75,465)	(68,241,797)	(5,404,065)	813,548,470

Pledged as security

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

Change in estimates

Property, plant and equipment that was not used for any period of time during the reporting period that significantly impacted the delivery of goods and services of the entity (Carrying amount)

Buildings	-	6,241,742
Infrastructure	-	190,093
Community assets	-	3,426,158
Other property, plant and equipment (Movables)	-	1,676,461
	-	11,534,454

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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements for the year ended 30 June 2025

2025 2024

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Total
Opening balance	55,133,212	55,133,212
Additions/capital expenditure	34,733,645	34,733,645
Transferred to completed items	(39,602,304)	(39,602,304)
	50,264,553	50,264,553

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

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	8,914,730	13,059,289
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During the year the municipality incurred R7,339,955 (2024: R13,059,289) 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 R51,496,976 (2024: R18,727,383). Details of the costs is disclosed in Note 45.

Ba-Phalaborwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements for the year ended 30 June 2025

2025

2024

4. Property, plant and equipment (continued)

Long outstanding projects

Refurbishment of Namakgale Stadium

The project was initially budgeted R44 941 439 that started on the 26 June 2022. The contractor was terminated on the 2nd of September 2024 a new contractor was appointed to complete the remaining scope on the project on the 27th of March 2025. Consequently, the project had additional funding (Co-funded) of R10 400 000,00 bringing the overall project budget to R55 341 439. The project by the 30th of June 2025 incurred expenditure of R34 625 019.22 which is 80,4% expenditure to the budget.

Long Outstanding Project	34,625,019	25,201,385
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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 acceleration plan and meetings were held to discuss the issues with the contractor. The project was completed and commissioned in the current year.

Long Outstanding Project	-	29,056,082
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The project was completed during 2024/25 financial year.

Extension of Municipal Offices

The expenditure incurred is for consulting fees i.e., designs and feasibility studies. The construction is been halted due to financial constraints.

Long Outstanding Project	875,745	875,745
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Status quo remained the same in 2024/25 financial year.

35,500,764	55,133,212
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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Notes to the Annual Financial Statements for the year ended 30 June 2025

2025

2024

5. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2,279,945	(2,279,945)	-	2,279,945	(2,279,939)	6

Reconciliation of intangible assets - 2025

	Opening balance	Amortisation	Total
Computer software, other	6	(6)	-

Reconciliation of intangible assets - 2024

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

Pledged as security

There are no intangible assets pledged as security.

6. Heritage assets

	2025			2024		
	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 2025

	Opening balance	Total
Historical monuments	317,000	317,000

Reconciliation of heritage assets 2024

	Opening balance	Total
Historical monuments	317,000	317,000

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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements for the year ended 30 June 2025

	2025	2024
7. Inventories		
Land	1,549,090	1,549,090
Consumable stores	14,662,411	15,481,314
	16,211,501	17,030,404
7.1 Inventory write-downs		
Stock count variances	(21,000)	(13,461)
Inventory write down	(175,170)	(209,609)
	(196,170)	(223,070)
Inventory expensed		
Inventory issued during the current year	42,119,858	46,282,423
The were no inventories pledged as security.		
8. Receivables from exchange transactions		
Deposits	10,292,182	9,709,606
Other debtors	-	155,159
Accrued interest income	-	306,327
	10,292,182	10,171,092
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. Receivables from non-exchange transactions		
Gross balances		
Statutory receivables - Property/Assessment Rates	701,685,041	721,418,454
SARS VAT refund	9,043,710	2,409,866
Statutory receivables - Traffic fines	2,324,127	1,279,202
	713,052,878	725,107,522
Less: Allowance for impairment		
Statutory receivables - Property/Assessment Rates	(660,377,272)	(551,493,315)
Statutory receivables - Traffic fines	(1,604,552)	(1,279,202)
	(661,981,824)	(552,772,517)
Net balance		
SARS VAT refund	9,043,710	2,409,866
Statutory receivables - Property/Assessment Rates	41,307,769	169,925,139
Statutory receivables - Traffic fines	719,575	-
	51,071,054	172,335,005

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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements for the year ended 30 June 2025

	2025	2024
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9. Receivables from non-exchange transactions (continued)

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

Taxes	701,729,600	721,418,454
Fines	1,634,897	1,604,552
	703,364,497	723,023,006

Rates

Current (0 - 30 days)	29,991,981	23,557,053
31 - 60 days	10,401,439	7,974,197
61 - 90 days	9,387,606	8,893,532
91 - 120 days	9,095,158	8,735,927
121 - > 365 days	642,853,416	672,257,745
	701,729,600	721,418,454

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% (2024: 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 receivables from non-exchange transactions

Opening balance	(552,772,517)	(371,577,469)
Provision for impairment	(109,209,307)	(181,195,048)
	(661,981,824)	(552,772,517)

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Notes to the Annual Financial Statements for the year ended 30 June 2025

	2025	2024
10. VAT receivable (input accrual) from exchange transactions		
VAT	101,672,787	78,327,479
11. Consumer Debtors		
Gross balances		
Electricity	84,883,245	71,996,855
Refuse	193,949,535	204,368,219
Property rental	119,446	119,135
Sundries	11,131,973	26,761,737
	290,084,199	303,245,946
Less: Allowance for impairment		
Electricity	(77,511,592)	(70,438,232)
Refuse	(186,100,552)	(151,669,445)
Property rental	(94,331)	(93,953)
Sundries	(7,091,711)	(11,351,671)
	(270,798,186)	(233,553,301)
Net balance		
Electricity	7,371,653	1,558,623
Refuse	7,848,983	52,698,774
Property rental	25,115	25,182
Sundries	4,040,262	15,410,066
	19,286,013	69,692,645
Electricity		
Current (0 -30 days)	20,391,206	14,997,160
31 - 60 days	2,555,958	2,746,102
61 - 90 days	1,783,487	2,721,124
91 - 120 days	2,492,222	2,466,127
121 - > 365 days	57,423,197	49,066,342
	84,646,070	71,996,855
Waste Management		
Current (0 -30 days)	5,746,367	6,005,782
31 - 60 days	2,398,098	2,811,314
61 - 90 days	2,440,660	2,796,724
91 - 120 days	2,201,778	2,817,075
121 - > 365 days	181,162,639	189,937,324
	193,949,542	204,368,219
Property rental		
Current (0 -30 days)	12,306	10,901
31 - 60 days	3,388	1,737
61 - 90 days	3,410	1,754
91 - 120 days	3,375	1,722
121 - > 365 days	97,367	103,021
	119,846	119,135

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Notes to the Annual Financial Statements for the year ended 30 June 2025

	2025	2024
11. Consumer Debtors (continued)		
Sundries		
Current (0 -30 days)	136,811	6,305,530
31 - 60 days	74,066	131,819
61 - 90 days	74,828	123,685
91 - 120 days	62,248	485,621
121 - > 365 days	10,784,020	19,715,082
	11,131,973	26,761,737
Reconciliation of allowance for impairment		
Balance at beginning of the year	(233,225,833)	(156,536,195)
Contributions to allowance	(37,572,353)	(76,689,638)
	(270,798,186)	(233,225,833)

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:

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	255	-
Bank balances	7,851,790	1,873,609
Short-term deposits	27,099,224	52,240,164
	34,951,269	54,113,773

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
Standard Bank - Cheque Account - 330-451-3670001	6,629,227	694,474	394,033	6,662,469	729,409	394,027
Standard Bank - Call account - 238-711-102-001	8,079,050	26,086,846	13,869,398	8,079,050	26,086,846	13,869,398
Standard Bank -Investment Account - 238- 711-102-002	10,017,915	17,764,686	20,694,351	10,017,915	17,764,686	20,694,351
Standard Bank -Investment Account - 238-711-102-004	8,515,784	7,941,670	7,454,284	8,515,784	7,941,670	7,454,284
Standard Bank -Investment Account - 238-711-102-005	461,750	426,470	397,014	461,750	426,470	397,014
Standard Bank -Investment Account - 243-098-804-000	1,037,164	1,012,431	995,637	1,037,164	1,012,431	995,524
ABSA Bank - Call Account -406-162-3641	-	1,253	1,217	-	1,253	1,209
ABSA Bank - Fixed Deposit - 206-427-0257	176,962	152,257	130,677	176,962	152,257	139,809
Standard Bank -Cheque Account - 372-331-149000	-	-	4,708	-	-	4,708
Total	34,917,852	54,080,087	43,941,319	34,951,094	54,115,022	43,950,324

Ba-Phalaborwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements for the year ended 30 June 2025

	2025	2024
13. Other financial liabilities		
At amortised cost		
Concessionary loan - Lepelle Northern Water	5,560,455	24,751,887
Concessionary loan - Lepelle Northern Water	19,191,431	17,808,885
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.		
	24,751,886	42,560,772
Total other financial liabilities	24,751,886	42,560,772
Non-current liabilities		
At amortised cost	5,560,455	24,751,887
Current liabilities		
At amortised cost	19,191,431	17,808,885

Ba-Phalaborwa Local Municipality

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Notes to the Annual Financial Statements for the year ended 30 June 2025

	2025	2024
14. Finance lease obligation		
Minimum lease payments due		
- within one year	3,063,564	1,378,560
- in second to fifth year inclusive	3,615,255	2,605,894
	6,678,819	3,984,454
less: future finance charges	(750,090)	(561,090)
Present value of minimum lease payments	5,928,729	3,423,364
Present value of minimum lease payments due		
- within one year	2,559,723	2,312,916
- in second to fifth year inclusive	3,369,006	1,110,448
	5,928,729	3,423,364
Non-current liabilities	3,369,005	1,110,448
Current liabilities	2,559,724	2,312,916
	5,928,729	3,423,364

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.

In the prior period, 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 corresponding lease liability of the replaced assets recognised as such.

In the current period of financial reporting, Ba-Phalaborwa Municipality has an addition of finance lease in the form of Computer Equipment (140 Laptops) with Nghilazi Engineers at a monthly repayment of R162 917. The interest rate is at 11.75%.

15. Operating lease asset (liability)

Non-current liabilities	-	(21,233)
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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 R0 (2024: R21 233) 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.

16. Payables from exchange transactions

Trade payables	28,818,776	19,816,228
Debtors with credit balances	21,065,300	8,851,810
Sundry payables	6,740,140	13,459,602
Accrued leave pay	17,920,577	16,166,346
Accrued bonus	3,199,890	3,022,151
Unallocated deposits received	3,632,518	(15,971,539)
Retentions	12,101,243	12,344,643
Prepaid electricity accrual	103,286	-
Payroll Accruals	1,898,238	3,517,153
Mopani District Municipality (Water and Sanitation)	276,267,132	377,388,273
	371,747,100	438,594,667

Ba-Phalaborwa Local Municipality

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Notes to the Annual Financial Statements for the year ended 30 June 2025

	2025	2024
17. VAT payable (output accrual) from exchange transactions		
Tax refunds payables	157,680,805	133,495,801
Provision for doubtful debt impairment	(3,242,969)	(10,041,423)
	154,437,836	123,454,378
18. Consumer deposits		
Electricity	5,680,440	5,266,513

19. 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 2025 amounting to an average of R4 901 (2024: R4 901). 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.

Ba-Phalaborwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements for the year ended 30 June 2025

	2025	2024
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19. Employee benefit obligations (continued)

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

Post Employee Medical Aid Scheme

Opening accrued liability	(48,719,891)	(40,372,616)
Service cost	(2,586,656)	(2,146,744)
Interest cost	(6,278,479)	(5,576,836)
Medical Aid subsidies paid to pensioners	2,811,269	1,299,035
Remeasurements over the financial year	2,412,217	(1,922,730)
	(52,361,540)	(48,719,891)

Long Service Awards

Opening accrued liability	(6,765,703)	(7,050,102)
Service cost	(573,332)	(577,893)
Net Interest Expense	(656,254)	(660,810)
Benefit Payments	1,232,816	2,773,411
Re-measurements over the financial year	(651,096)	(1,250,309)
	(7,413,569)	(6,765,703)

Current assets	-	-
Non-current liabilities	(57,147,257)	(53,185,212)
Current liabilities	(2,627,852)	(2,300,382)
	(59,775,109)	(55,485,594)

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.

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

Opening balance	55,485,594	47,422,718
Benefits paid	(4,044,085)	(4,072,446)
Net expense recognised in the statement of financial performance	8,333,600	12,135,322
	59,775,109	55,485,594

Net expense recognised in the statement of financial performance

Current service cost	3,159,988	2,724,637
Interest cost	6,934,733	6,237,646
Actuarial (gains) losses	(1,761,121)	3,173,039
	8,333,600	12,135,322

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(2,412,217)	1,922,730
Actuarial (gains) losses – Plan assets	651,096	1,250,309
	(1,761,121)	3,173,039

Ba-Phalaborwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements for the year ended 30 June 2025

2025

2024

19. Employee benefit obligations (continued)

Key assumptions used

Post Employee Medical Aid Scheme

Assumptions used at the reporting date:

Discount rates used	12.03 %	13.12 %
Consumer price inflation	5.26 %	7.53 %
Healthcare cost inflation	7.94 %	9.03 %
Net discount rate	3.79 %	3.75 %

Long Service Awards

Discount rates used	9.18 %	10.15 %
Consumer price inflation	4.03 %	5.16 %
Salary increase rate	5.03 %	6.16 %
Net Discount Rate	3.95 %	3.76 %
Normal retirement age	65	65
Average retirement age (years)	63	63
Mortality	SA85-90*	SA85-90*

These are standard mortality tables, and their use complies with industry practice. They are published by ASSA.

Other assumptions

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

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	11,350,930	8,390,363
Effect on defined benefit obligation	60,615,590	46,355,268

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.

The amount recognised as an expense for defined contribution plans is	9,731,820	12,698,181
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Ba-Phalaborwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements for the year ended 30 June 2025

	2025	2024
20. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	178,776	-
Integrated Electrification Programme (INEP)	-	1,358
Financial Management Grant (FMG)	1	-
Expanded Public Works Programme Integrated Grant (EPWP)	74,501	-
Electricity Efficiency Demand Side Management Grant (EEDSM)	-	338,860
	253,278	340,218
Movement during the year		
Balance at the beginning of the year	340,218	326
Additions during the year	41,918,000	265,064,089
Income recognition during the year	(41,664,722)	(264,724,197)
Transferred to revenue -withheld by National Treasury through Equitable share (EEDSM)	(338,860)	-
Transferred to revenue - based on the letter received from National Treasury	(1,358)	-
	253,278	340,218

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 32 for reconciliation of grants from National/Provincial Government.

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

Ba-Phalaborwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements for the year ended 30 June 2025

2025 2024

21. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation - Non - current	109,996,490	17,028,252	-	11,246,086	138,270,828
Environmental rehabilitation - current	580,147	-	(580,147)	-	-
	110,576,637	17,028,252	(580,147)	11,246,086	138,270,828

Reconciliation of provisions - 2024

	Opening Balance	Reversed during the year	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation - Non- current	107,046,469	(11,441,924)	11,765,740	2,626,205	109,996,490
Environmental rehabilitation - current	3,206,352	-	-	(2,626,205)	580,147
	110,252,821	(11,441,924)	11,765,740	-	110,576,637

Non-current liabilities	138,270,828	109,996,490
Current liabilities	-	580,147
	138,270,828	110,576,637

Environmental rehabilitation provision

The provision for landfill sites rehabilitation relates to estimated cost for the rehabilitation 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 R78,699,508 (2024: R61,212,780) will be spent to rehabilitate the site. Namakgale landfill site has reached its useful life and it is estimated that R39,284,546 (2024: R31,873,901) 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 R20,286,774 (2024: R17,505,189) will be spent to rehabilitate the site. The estimated cash flows have been discounted using the net effective interest rate of 5.5% (2024: 5%).

Key assumptions used are: Consumer Prince Index (CPI) - 2.8878% (2024: 5.244%) and Discount rate - 8.3878% (2024: 10.244%).

22. Revaluation reserve

Opening balance	12,192,758	12,192,758
Realisation of revaluation reserve	(5,550,399)	-
	6,642,359	12,192,758

Ba-Phalaborwa Local Municipality

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Notes to the Annual Financial Statements for the year ended 30 June 2025

2025 2024

22. Revaluation reserve (continued)

During the 2025 financial year, the municipality identified there are properties which are illegally occupied by residence in the community where the municipality operate. They have lost control of the properties. As a result the revaluation which was previously recognised was released/reclassified to accumulated surplus for those identified properties.

23. Revenue

Sale of Goods and Rendering of Services: Construction Contract Revenue	2,889,358	15,792,968
Service charges	156,048,267	136,110,014
Rental of facilities and equipment	526,255	341,525
Agency services	13,293,465	13,388,184
Licences and permits	5,578,669	4,295,503
Other income	1,468,179	1,292,233
Contribution from estimates - gain - landfill provision	-	11,441,924
Interest income - bank and overdue accounts	18,680,079	19,371,405
Property rates	128,967,702	127,739,856
Property rates - interest on overdue account	39,034,940	34,467,695
Government grants & subsidies	258,556,883	248,931,429
Public contributions and donations	-	47,058,949
Traffic fines	767,812	280,025
Actuarial (gains)/loss	2,412,217	-
Fair value adjustments - Investment properties	20,288,255	31,933,398
	648,512,081	692,445,108

The amount included in revenue arising from exchanges of goods or services are as follows:

Sale of goods	2,889,358	15,792,968
Service charges	156,048,267	136,110,014
Rental of facilities and equipment	526,255	341,525
Agency services	13,293,465	13,388,184
Licences and permits	5,578,669	4,295,503
Other income	1,468,179	1,292,233
Contribution from estimates - gain - landfill provision	-	11,441,924
Interest received - bank and overdue account	18,680,079	19,371,405
	198,484,272	202,033,756

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

Taxation revenue

Property rates	128,967,702	127,739,856
Property rates - Interest income on overdue accounts	39,034,940	34,467,695

Transfer revenue

Government grants & subsidies	258,556,883	248,931,429
Public contributions and donations	-	47,058,949
Traffic fines	767,812	280,025
Actuarial (gains)/loss	2,412,217	-
Fair value adjustments - Investment	20,288,255	31,933,398
	450,027,809	490,411,352

24. Service charges

Sale of electricity	134,640,290	115,942,806
Waste Management	21,407,977	20,167,208
	156,048,267	136,110,014

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Notes to the Annual Financial Statements for the year ended 30 June 2025

	2025	2024
25. Rental of facilities and equipment		
Premises		
Rental of municipal properties	526,255	341,525
26. Agency services		
Water and Sanitation	9,863,345	9,393,930
Vehicle Licenses	3,430,120	3,994,254
	13,293,465	13,388,184
27. Licences and permits		
Drivers Licence Application/Duplicate Drivers Licences	1,600,129	2,595,336
Motor Vehicle License	2,755,090	1,582,695
Drivers Licence Certificate, roadworthy and inspectors	1,223,450	117,472
	5,578,669	4,295,503
28. Other income		
Building plan fees	113,502	106,081
Cemetery and Burial	197,153	158,605
Clearance certificates	190,523	111,321
Advertisements	179,666	154,648
Sundry income	181,237	134,645
Administrative Handling Fees	194,151	500,861
Incidental Cash Surpluses	127,555	(3,989)
Application Fees for Land Usage	284,392	130,061
	1,468,179	1,292,233
29. Interest income - bank and overdue accounts		
Interest revenue		
Bank	4,880,716	5,120,251
Interest charged on trade and other receivables	13,799,363	14,251,154
	18,680,079	19,371,405
30. Fair value adjustments		
Investment property (Fair value model)	20,288,255	31,933,398

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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements for the year ended 30 June 2025

	2025	2024
31. Property rates		
Rates received		
Residential	77,238,555	78,353,178
Commercial	30,997,120	28,620,211
State-owned	3,721,893	4,260,507
Small holdings, agriculture and farms	14,419,195	13,275,715
Public Service Infrastructure	53,014	116,963
Multiple Purposes	41,255	117,487
Protected areas	-	1
Mining	11,355,110	10,824,847
Less: Income forgone	(8,858,440)	(7,829,053)
	128,967,702	127,739,856
Interest income - overdue accounts	39,034,940	34,467,695
	168,002,642	162,207,551
Valuations		
Residential	5,658,974,000	5,658,974,000
Commercial	1,811,818,000	1,811,818,000
State	403,983,000	403,983,000
Municipal	1,222,463,000	1,222,463,000
Agriculture and Small holdings	3,710,297,000	3,710,297,000
Other	3,418,478,000	3,418,478,000
Public Benefit Organisations	8,910,000	8,910,000
	16,234,923,000	16,234,923,000

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2019 and expired on 30 June 2025. Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements for the year ended 30 June 2025

	2025	2024
32. Government grants & subsidies		
Operating grants		
Equitable share	216,585,860	205,239,200
Education Training and Development Practices (ETDP SETA)	314,296	305,090
Financial Management Grant (FMG)	2,999,999	3,100,000
Expanded Public Works Programme Grant (EPWP)	1,694,500	1,470,000
	221,594,655	210,114,290
Capital grants		
Municipal Infrastructure Grant (MIG)	36,962,228	35,155,999
Energy Efficiency and Demand Side Management Grant (EEDSM)	-	3,661,140
	36,962,228	38,817,139
	258,556,883	248,931,429
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	41,971,023	43,387,139
Unconditional grants received	216,586,000	205,239,200
	258,557,023	248,626,339
Equitable Share		
Equitable Share		
Current-year receipts	216,586,000	205,239,000
Conditions met - transferred to revenue	(216,586,000)	(205,239,000)
	-	-
Municipal Infrastructure Grant (MIG)		
Current-year receipts	37,141,000	35,156,000
Conditions met - transferred to revenue	(36,962,224)	(35,156,000)
	178,776	-
Conditions still to be met - remain liabilities (see note 20).		
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)		
Balance unspent at beginning of year	1,358	1,358
Transferred to revenue	(1,358)	-
	-	1,358
Conditions still to be met - remain liabilities (see note 20).		
Financial Management Grant (FMG)		

Ba-Phalaborwa Local Municipality

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Notes to the Annual Financial Statements for the year ended 30 June 2025

	2025	2024
32. Government grants & subsidies (continued)		
Current-year receipts	3,000,000	3,100,000
Conditions met - transferred to revenue	(3,000,000)	(3,100,000)
	-	-
Conditions still to be met - remain liabilities (see note 20).		
Local government sector education training authority grant (LG SETA)		
Current-year receipts	196,209	305,089
Conditions met - transferred to revenue	(196,209)	(305,089)
	-	-
Conditions still to be met - remain liabilities (see note 20).		
Expanded Public Works Programme Grant (EPWP)		
Current-year receipts	1,769,000	1,470,000
Conditions met - transferred to revenue	(1,694,499)	(1,470,000)
	74,501	-
Conditions still to be met - remain liabilities (see note 20).		
The Energy Efficiency Demand Site Management Program (EEDSM)		
Balance unspent at beginning of year	338,860	338,860
Current-year receipts	-	4,000,000
Conditions met - transferred to revenue	-	(4,000,000)
Transferred to revenue -withheld by National Treasury through Equitable share (EEDSM)	(338,860)	-
	-	338,860
Conditions still to be met - remain liabilities (see note 20).		
33. Public contributions and donations		
Palabora Mining Company (PMC)	-	8,547,749
Road Agency Limpopo (RAL)	-	38,511,200
	-	47,058,949
During the current year the municipality did not receive a donation in the form of road infrastructure from Palabora Mining Company (PMC) for rehabilitating the streets (2024: R8 547 749) and none from Road Agency Limpopo (RAL) for Maintaining various roads in Phalaborwa (2024: R38 511 200).		
34. Traffic fines		
Municipal Traffic Fines	767,812	280,025

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Notes to the Annual Financial Statements for the year ended 30 June 2025

	2025	2024
35. Employee related costs		
Basic	100,787,988	93,970,284
Bonus	8,161,626	7,819,610
Medical aid - company contributions	9,114,845	10,271,710
UIF	782,080	745,245
Bargaining Council	51,971	47,941
Pension fund contribution plans	20,198,617	19,272,509
Travel, motor car, accommodation, subsistence and other allowances	3,125,746	2,933,655
Overtime payments	2,428,184	1,394,166
Leave pay	9,982,231	8,215,910
Acting allowances	3,263,994	3,136,084
Car allowance	15,286,950	13,761,575
Housing benefits and allowances	527,711	589,911
Employee benefits - PEMA & LSA current service costs and contributions paid	(224,613)	(1,351,908)
	173,487,330	160,806,692

Remuneration of municipal manager - Dr. Pilusa KKL

Annual Remuneration	248,856	731,392
Car Allowance	97,660	390,394
Bonus	55,805	53,380
Contributions to UIF, Medical and Pension Funds	5,791	2,125
Leave Pay	214,185	-
Cellphone allowance	5,746	24,000
Other	5,085	-
	633,128	1,201,291

During the 204/2025 financial year Dr. KKL Pilusa resigned as the municipal manager on 30 September 2024.

Remuneration of chief finance officer - Ndzimande AT

Annual Remuneration	564,002	657,235
Car Allowance	298,515	283,990
Bonus	42,500	42,500
Contributions to UIF, Medical and Pension Funds	2,125	2,125
Cellphone allowance	24,000	24,000
Other	112,140	-
	1,043,282	1,009,850

Remuneration of director - Planning and Development - Mulaudzi JM

Annual Remuneration	615,062	588,663
Car Allowance	335,000	324,902
Bonus	46,755	46,755
Contributions to UIF, Medical and Pension Funds	2,125	2,125
Cellphone allowance	24,000	24,000
Other	20,340	-
	1,043,282	986,445

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	2025	2024
35. Employee related costs (continued)		
Remuneration of director - Corporate Services - Selapyane JB		
Annual Remuneration	615,062	590,933
Car Allowance	335,000	324,902
Bonus	46,755	46,755
Contributions to UIF, Medical and Pension Funds	2,125	2,125
Other	20,340	-
Cellphone allowance	24,000	24,000
Acting allowance	86,949	-
	1,130,231	988,715
Dr KKL Pilusa resigned as the Municipal Manager on 19 September 2024. Mrs Selapyane acted on the position from 19 September 2024 until 18 March 2025 and an amount of R86 949 was paid during this period.		
Remuneration of director - Technical services - ME Mphachoe		
Annual Remuneration	615,062	590,936
Car Allowance	335,000	324,902
Bonus	46,755	46,755
Contributions to UIF, Medical and Pension Funds	2,125	2,125
Other	20,340	-
Acting allowance	29,770	-
Cellphone allowance	24,000	24,000
	1,073,052	988,718
Dr KKL Pilusa resigned as the Municipal Manager on 19 September 2024. Mrs. Mphachoe acted on the position from 19 March 2025 until 30 June 2025 and an amount of R29 770.32 was paid during the period.		
Remuneration of director - Community Services - Hlongwane TW		
Annual Remuneration	615,062	588,663
Car Allowance	335,000	324,902
Bonus	46,755	46,755
Contributions to UIF, Medical and Pension Funds	2,125	2,125
Other	20,340	-
Cellphone allowance	24,000	24,000
	1,043,282	986,445
Total employee related cost	179,453,587	166,968,156
36. Remuneration of councilors		
Mayor	1,056,189	1,062,276
Chief Whip	465,840	473,297
Executive Committee members	4,171,614	4,018,991
Speaker	857,394	864,777
Councillors	10,709,363	10,567,283
	17,260,400	16,986,624

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	2025	2024
37. Depreciation and amortisation		
Property, plant and equipment	68,760,372	68,241,797
Intangible assets	6	91,268
	68,760,378	68,333,065
38. Interest paid		
Non-current borrowings	2,591,115	3,883,762
Finance leases	717,684	393,356
Provisions	-	6,967,280
Employee benefit obligations	18,180,819	11,036,106
	21,489,618	22,280,504
39. Debt impairment		
Debt impairment	146,916,584	258,191,379
40. Bulk purchases		
Electricity - Eskom	138,091,679	116,159,527
Included in the bulk electricity purchases is the 32.20% (2024: 27.20%) 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 R33,900,570 (2024: R23 099 309). The loss in terms of Units amounted to 22,210,600 kWh (2024: 17,452,680 kWh). The reasons for the loss is due to infrastructure breakdowns/power leakages and bridging of meters.		
41. Contracted services		
Presented previously		
Actuarial and Accounting Services	4,071,707	5,858,546
Insurance	3,769,036	2,441,701
Outsourced Services		
Burial Services	-	355,500
Business and Advisory	3,113,716	832,235
Catering Services	3,397,384	2,608,642
Meter Management	247,585	210,069
Personnel and Labour	177,000	-
Refuse Removal	95,510	-
Security Services	17,375,799	18,590,295
Traffic Fines Management	-	191,030
Transport Services	359,450	464,250
Consultants and Professional Services		
Business and Advisory	3,399,927	1,282,570
Infrastructure and Planning	2,232,370	1,474,471
Land and Quantity Surveyors	-	393,350
Legal fees	11,938,099	11,571,163

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	2025	2024
41. Contracted services (continued)		
Contractors		
Integrated National Electrification Programme	2,511,304	13,732,724
Artists and Performers	110,800	224,480
Building	730,155	-
Catering Services	97,963	88,633
Electrical	-	3,183,600
Employee Wellness	-	90,796
Interior Decorator	392,800	391,600
Tracing Agents and Debt Collectors	525,568	1,016,919
Transportation	142,165	183,600
	54,688,338	65,186,174
42. General expenses		
Advertising and marketing campaigns	1,511,646	917,082
Auditors remuneration	7,674,130	7,075,971
Bank charges	340,538	341,033
Cleaning	2,806	32,753
Commission paid - Prepaid electricity	1,293,619	896,202
Computer expenses	4,230,619	3,307,957
Consumables	42,081,000	46,282,423
Discount allowed	25,942,111	1,929,302
Donations	218,739	289,029
Entertainment	171,976	120,084
Bursaries	409,904	492,262
Hire of equipment	14,835,001	12,044,930
Indigent support	992,715	664,508
Rewards Incentives	309,760	160,000
Motor vehicle expenses	469,342	585,275
Fuel and oil	3,990,325	4,817,063
Postage and courier	440	-
Printing and stationery	2,443,731	1,327,251
Repairs and maintenance	8,914,730	13,059,289
Subscriptions and membership fees	4,878,803	2,772,271
Telephone and fax	3,363,567	1,819,356
Transport and freight	232,656	261,603
Experiencial training - stipend	827,500	1,027,890
Travel - local	12,230,958	10,786,519
Title deed search fees	37,601	29,371
Minor assets expensed	3,124,711	1,033,979
Uniforms	1,800,746	1,910,989
Municipal Services	8,025,631	7,237,871
Contribution from estimates - landfill provision	16,746,118	-
Ward Committee and traditional leaders	4,740,591	4,146,496
Workmen's Compensation Contribution	1,655,097	789,278
Skills development levy	1,473,430	1,381,476
Recruitment agency fees	20,909	59,412
	174,991,450	127,598,925
43. Auditors' remuneration		
Fees	7,674,130	7,075,971

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	2025	2024
44. Cash generated from operations		
Deficit	(157,947,882)	(157,976,458)
Adjustments for:		
Depreciation and amortisation	68,760,378	68,333,065
Changes in Landfill provision/(Loss) gain on sale of assets and liabilities	16,746,118	(11,426,691)
Amortisation	6	91,269
Loss on sale of fixed assets	-	(87,078)
Fair value adjustments	(20,288,255)	(31,933,398)
Change in valuation of employee benefit obligations	(4,289,515)	(4,076,545)
Actuarial gain/(losses) - Employee benefit liability	(1,882,702)	3,177,137
Current service cost - Employee benefit liability	(762,516)	3,408,585
Finance costs - Employee benefit liability	6,934,733	6,237,646
Finance costs - Rehabilitation provision	11,246,086	11,750,507
Interest income - overdue accounts	-	(49,630,623)
Impairment deficit	4,082,244	5,404,083
Debt impairment	146,916,584	258,191,379
Movements in operating lease assets and accruals	21,233	409
Finance cost	3,308,799	-
Inventory losses or write-downs	196,170	223,070
Non-cash item	88,222	(323,956)
Donations received	-	(47,058,949)
Increase in leave and bonus accrual	1,931,970	2,237,136
Movement in debtors with credit balance	12,213,490	-
Changes in working capital:		
Inventories	818,903	5,221,158
Statutory receivables	19,733,413	(31,669,963)
Consumer debtors	13,161,747	(16,604,521)
Receivables from exchange transactions	(121,090)	-
Other debtors	(57,557)	-
Receivables from exchange transactions	(7,678,769)	(517,250)
Payables from exchange transactions	(80,749,624)	35,950,089
VAT	7,638,150	15,777,951
Unspent conditional grants and receipts	(86,940)	339,892
Consumer deposits	(413,927)	444,264
	39,519,469	65,482,208

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Notes to the Annual Financial Statements for the year ended 30 June 2025

	2025	2024
45. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	51,496,976	18,727,383
Total capital commitments		
Already contracted for but not provided for	51,496,976	18,727,383
Total commitments		
Total commitments		
Authorised capital expenditure	51,496,976	18,727,383
This committed expenditure relates to property and will be financed by available funds.		
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	-	382,316

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.

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46. 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

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

Tippuprox (Pty) Ltd [1]	4,928,500	4,928,500
Millionaires Club CC [2]	1,200,000	1,200,000
Kgopatso Lekgethoane [3]	2,000,000	2,600,000
ML Nkosi Electrical Contractors CC and Soma Construction CC [4]	1,579,975	1,579,975
SAMRO NPC [5]	593,828	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]	177,129	177,130
Tebogo Alphonso Thate [13]	81,615	81,616
Theo Errasmus [14]	17,768	17,769
Juxtapose (Pty) Ltd [15]	3,240,587	3,240,587
Mod Hope (Pty) Ltd [16]	1,759,531	-
Tlhaola Dynamics (Pty) Ltd [17]	2,689,810	2,689,811
Grace Khoza [19]	350,000	-
Ba-Phalaborwa Municipality versus John Rock Investment (Pty) Ltd [20]	113,000	-
	23,951,663	22,329,137

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.

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46. Contingencies (continued)

4. ML Nkosi Electrical Contractors CC and Soma Construction CC 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 venues 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. Mavambo ITS (Pty) Ltd 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. 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 found 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.
12. 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.
13. 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.
14. 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. The matter is defended.

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46. Contingencies (continued)

15. Juxtapose (Pty) Ltd 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.
16. Mod Hope (Pty) Ltd was engaged by the Ba-Phalaborwa Municipality to compile the municipality's valuation roll in 2017. It alleges that it was not paid an outstanding amount of R1 759 531.56. The matter is defended.
17. Ba-Phalaborwa defended the matter on the basis that it does not owe Tlhaola Dynamics and has already paid Tlhaola Dynamics for its services in full. Ba-Phalaborwa also raised a counterclaim against Tlhaola Dynamic for monies overpaid to it. The matter was finalised but still pursuing them in terms of the Court Order.
18. Grace Khosa is claiming an amount of R350 000.00 from the Municipality because of heavy rain water which damaged her property/house. The matter is being defended.
19. John Rock investments (Pty) Ltd versus Ba-Phalaborwa - This entity's electricity supply was cut due to owing R113 000 they alleged that they had lodged a dispute.
20. Frans Johannes Meintjies NO and other versus Ba-Phalaborwa municipality - Frans Johannes Meintjies NO and others have applied to the high court to get the categorization of their farms in terms of Municipal Property rates as reflected in the council resolutions for the 2015/16, 2016/17 and 2017/18 financial years declared invalid, declaring the applicable law invalid and to seek costs orders against
21. Let's change Ba-Phalaborwa/Ba Phalaborwa municipality - Let's Change Ba-Phalaborwa has, because of an alleged spillage of sewerage into one of the streams in town opened a criminal with the South African Police Services based on the National Environmental Management Act
22. Environmental management inspectorate/Ba-Phalaborwa municipality - Environmental Management Inspectorate has levelled charges against the municipality for contravening the National Environmental Management Waste Act.
23. Thabo R. Malatji // Ba-Phalaborwa Municipality. Thabo R. Malatji, owner of 19 Sering Street, Phalaborwa owes the municipality R129 154.89, services were cut and he sought a spoliation order against the municipality

Contingent assets

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

Ba-Phalaborwa Municipality versus Mavambo ITS [1]	3,059,810	3,059,810
Ba-Phalaborwa Municipality versus Mbiyani Florence Chauke [2]	50,000	200,000
Ba-Phalaborwa Municipality versus Tlhaola Dynamics (Pty) Ltd [3]	4,927,624	-
Ba-Phalaborwa Municipality versus Tippuprox (Pty) Ltd [4]	650,000	650,000
Ba-Phalaborwa Municipality versus Millionaires Club CC [5]	776,262	776,262
Ba-Phalaborwa Municipality versus Coetzee and Van Der Merwe Attorneys [7]	1,150,000	1,150,000
Ba-Phalaborwa Municipality versus Lwazi Engineering Services [8]	21,153	2,253,532
Ba-Phalaborwa Municipality versus Owner of ERF 118 Namakgale [14]	93,893	93,893
Ba-Phalaborwa Municipality versus Talane and associate attorneys [15]	2,800,000	-
	13,528,742	8,183,497

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.

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46. Contingencies (continued)

3. 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 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.
4. 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. Millionaire's Club cc, Sebashe, Mparalala, 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.
5. 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.
6. 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.
7. 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.
8. 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.
9. 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.
10. 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.
11. 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.
12. 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 the construction of the Thambo Street paving by Tshamis Trading.
13. The municipality is demanding the property owner owes the municipality R93 893.00 in rates and services.
14. Ba-Phalaborwa municipality versus owner of different properties in Namakgale

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2024

46. Contingencies (continued)

14. Ba-Phalaborwa Municipality and Minister of agriculture land reform and Rural Development and 10 Others case:12193/2022
15. Ngululu Bulk Carries and Ba-Phalaborwa Municipality
16. Thabo R. Malatji // Ba-Phalaborwa Municipality. Thabo R. Malatji, owner of 19 Sering Street, Phalaborwa owes the municipality R119 000.00, services were cut and he sought a spoliation order against the municipality

Ba-Phalaborwa Local Municipality

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2024

47. Related parties

Relationships

Mayor
Speaker
Chief Whip

Cllr. M.M Malatji
Cllr. N.O Mabunda
Cllr. D.M Rapatsa

Mayoral Executive Committee Councilors

Chairperson of Portfolio Committee:Corporate Services
Chairperson of Portfolio Committee:Budget and Treasury
Chairperson of Portfolio Committee:Technical Services
Chairperson of Portfolio Committee:Planning and Development
EXCO member
EXCO member
Councilors

Cllr. T. Nkuna
Cllr. R. Makasela
Cllr. V.M Rapatsa
Cllr. M.P Mailula
Cllr. S.P Mashumu
Cllr. S.R De Beer
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
Chief Financial Officer
Corporate Services
Planning and Development
Technical Services
Community Services

Dr. K.K.L Pilusa (Resigned September 2024)
A.T Ndzimande
J.B Selapyane
J.M Mulaudzi
M.E Mphachoe
T.W Hlongwane

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	2025	2024
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47. Related parties (continued)

Related party balances

Loan accounts - Owing (to) by related parties

Mayor	862	1,615
Speaker	(23,857)	115,745
Mayoral Executive Committee members	385,496	495,907
Councillors	746,335	757,930

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
Councillors	See above for detailed name listing	28
Municipal Managers	Dr. K.K.L Pilusa (Terminated September 2024)	1
Chief Financial Officer	A.T Ndzimande	1
Senior Management	See above for detailed name listing	4

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Figures in Rand

47. Related parties (continued)

Remuneration of management

Management class: Municipal Manager and Chief Financial Officer

2025

	Basic salary	Other short-term employee benefits	Total
Name			
Dr. K.K.L Pilusa	248,856	384,271	633,127
J.B. Selapyane	334,532	323,151	657,683
A.T Ndzimande	564,002	479,280	1,043,282
M.E. Mphachoe	93,510	97,205	190,715
	1,240,900	1,283,907	2,524,807

2024

	Basic salary	Other short-term employee benefits	Total
Name			
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

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47. Related parties (continued)

Management class: Councillors

2025

	Basic salary	Other short-term employee benefits	Total
Name			
Executive committee	4,659,631	1,891,406	6,551,037
Councillors	7,139,167	3,570,196	10,709,363
	11,798,798	5,461,602	17,260,400

2024

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

Management class: Executive management

2025

	Basic salary	Other short-term employee benefits	Total
Name			
Technical Service	521,552	360,785	882,337
Corporate Services	280,530	192,018	472,548
Community Services	615,062	428,220	1,043,282
Planning and Development	615,062	428,220	1,043,282
	2,032,206	1,409,243	3,441,449

2024

	Basic salary	Other short-term employee benefits	Total
Name			
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

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48. Prior-year adjustments

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

1. **Payables from exchange - Mopani District Municipality (Water and Sanitation)** - The audited trade payable balance is inclusive of Mopani creditors. The journal to transfer the Mopani balance was prepared but mistakenly couldn't be processed on the system. The adjustment was to move the 2024 MDM creditors from the Ba-phalaborwa Trade payable accounts an amount of R521 871.

During the reversal of a cashbook withdrawal duplicate of R173 385, the reversed transaction also affected the Trade payable. The prior year adjustment was a result of a reversal of a cashbook transaction which affected bank and Trade payable gl accounts. .

Payables from exchange - Mopani District Municipality (Water and Sanitation): The Opening balance of MDM was misstated by R126 831 736.4 initially and the corrective Journal was posted in reverse which made the misstatement to be R253 663 472.8. The R126 831 736.4 was correctly posted on CaseWare and only the general ledger had a misstatement which was corrected in the current financial year.

Payables from Exchange Transaction- Unallocated Deposit amounting to R 40 565 126 dating back from 2023 financial year was reversed against the Accumulated Surplus, due to customers not claiming the unallocated monies.

2. **Property, Plant and Equipment, Donation Income, Depreciation and Impairment** - During the review of the assets register it was identified that road "Desmond Tutu Drive" to the carrying value of R4,701,272,35 in 2024 belonging to Roads Agency Limpopo have been included in the Ba-phalaborwa assets register. The asset was adjusted through reversing the donation income, depreciation and impairment transactions on parts of the assets.

It was identified that a project for Tambo upgrading of street gravel to tar phase 2B,C&D have been capitalised previously at incorrect amount. The carrying value of the amount capitalised was R38,819,854,51 in 2024 the carrying value of the amount which should have been capitalised is R52,634,672,99 which results with the difference of R13,814,818.

3. **Employee benefits obligations, Employee related cost, Finance cost and actuarial lossess** - Employee benefits obligation was overstated by including the liabilities of Mopani employees the adjustments were performed to ensure that only the liability of the municipality should be disclosed. The adjustments had impact on the finance cost, employee related cost and actuarial losses.
4. **Cash and cash equivalents** - Adjustments were made to cash and cash equivalents for petty cash balance that was coming from previous periods as a balance that was adjusted through retained earnings. There were also adjustments in relations to reversal of a cashbook withdrawal duplicate, the reversed transaction also affected the Trade payable. The prior year adjustment was a result of a reversal of a cashbook transaction which affected bank and Trade payable gl accounts
5. **Revenue from exchange transactions and Consumer debtors** - Revenue from Exchange Transaction - Estimate Consumption billed in June 2024 amounting to R1 715 352.08 was reversed in the incorrect Financial Year (2024/2025 FY) when the actual readings were obtained. This resulted in overstatement of 2024 FY Revenue and Understated the 2025 FY Revenue.
6. **Cash and cash equivalent;** Petty cash balance of R139,617 that was roled forward from previous financial periods in 2024 was incorrectly treated as opening balance in 23/2024 financial period was corrected through writting it off in the 23/2024 financial period to ensure that correct balances shows going forward.

Cash and cash balance for 23/2024 was adjust with an amount of R180,556 which relates to duplicate transactions that were in the cashbook. The adjustment also impacted trade and other payables with the same amount.

7. **Provisions** - During the year it was noted that there was a difference on the opening balance of provision of rehabilitation which was adjusted.

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48. Prior-year adjustments (continued)

8. **General expenses and Employee related cost** - SDL was incorrectly classified under employee related cost of R1,381,476 was reclassified to general expenses to correct the error.

General expenses and contracted services - An amount of R21 385 was reclassified between general expenses and contracted services due to remappings that were done during the year.

9. **VAT** - VAT was in correctly disclosed in the financial statements were the amounts were being net off to show as vat payable. The disclosure was revised and updated as per the requirements of GRAP were VAT receivable and VAT payable are suppose to be disclosed separatley.
10. **Revenue from exchange transactions and Grant Income** - During the year there was an adjust meant to revenue due to reclassification of the INEP grant which was required to be disclosed separatly which also affected the grant income with the same amount.
11. **Employee related costs and General expenses** - During the year it was noted that SDL was incorrectly classified as employee related cost and due to the nature of the expense it was reclassified to general expenses.
12. **Cash flow statements** - Most of the adjustments that were done in the income statement also affected note to the cash flow line items and working capital changes on the note to thecash flow as shown below
13. **Other Debtors** - Correction of Other Debtors was in relation to the following which in total amounted to R169 703.54
 (1) Prepaid Electricity debtors amounting to R140 300 recognized in the 2022 Financial Year and not reversed when the Payment was received from the Debtor (CIGICELL Prepaid Vending). This is in relation to the revenue for 30 June 2022 paid to the Municipality on the 1 July 2023.
 (2) R100.60 this amount relate to cashiers shortfall and
 (3) R29 302.94 this is in relation to the Councilors Laptops that were not returned to the Municipality after they're term came to an end.
14. **Irregular expenditure** - was adjusted through correction of prior year error (duplicated transactions) and prior year error (findings were resolved that were raised by the auditors).

Statement of financial position

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Cash and cash equivalents		54,437,729	(323,956)	-	54,113,773
Property, plant and equipment		804,434,923	9,113,547	-	813,548,470
VAT receivable		-	-	78,327,479	78,327,479
Employee benefit obligation		(60,477,583)	4,991,989	-	(55,485,594)
Other debtors		215,433	(169,704)	-	45,729
Consumer Debtors		71,665,300	(1,972,655)	-	69,692,645
Payables from exchange transactions		(468,315,490)	29,720,823	-	(438,594,667)
VAT payable		(47,066,726)	1,939,827	(78,327,479)	(123,454,378)
Provisions		110,591,870	15,233	-	110,607,103
Accumulated surplus		(852,742,255)	(43,315,104)	-	(896,057,360)
		(387,256,799)	-	-	(387,256,800)

Statement of financial performance

Ba-Phalaborwa Local Municipality

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Notes to the Annual Financial Statements for the year ended 30 June 2025

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48. Prior-year adjustments (continued)

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Revenue from exchange transactions		188,027,985	(1,700,119)	15,792,968	202,120,834
Revenue from non-exchange transactions		510,848,387	(4,644,067)	(15,792,968)	490,411,352
Employee related costs		(168,691,606)	341,973	1,381,476	(166,968,157)
Acturial losses		(2,772,061)	(405,076)	-	(3,177,137)
Contracted services		(65,207,558)	-	21,385	(65,186,173)
Finance costs		(22,902,367)	621,863	-	(22,280,504)
General expenditure		(126,196,064)	-	(1,402,861)	(127,598,925)
Depreciation and amortisation		(69,119,023)	785,958	-	(68,333,065)
Impairment of assets		(5,887,366)	483,283	-	(5,404,083)
Surplus for the year		238,100,327	(4,516,185)	-	233,584,142

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2024

48. Prior-year adjustments (continued)

Cash flow statement

2024

	Note	As previously reported	Correction of error	Restated
Note 44 Cash generated from operations				
Deficit		(153,460,272)	(4,516,185)	(157,976,457)
Adjustments for:				
Depreciation and amortisation		69,119,022	(785,957)	68,333,065
Changes in Landfill provision/(Loss) gain on sale of assets and liabilities		(11,426,691)	-	(11,426,691)
Amortisation		91,270	-	91,270
Loss on sale of fixed assets		(87,078)	-	(87,078)
Fair value adjustments		(31,933,398)	-	(31,933,398)
Change in valuation of employee benefit obligations		(4,076,545)	-	(4,076,545)
Actuarial gain/(losses) - Employee benefit liability		2,772,061	405,076	3,177,137
Current service cost - Employee benefit liability		3,066,611	341,973	3,408,584
Finance costs - Employee benefit liability		6,859,509	(621,863)	6,237,646
Finance costs - Rehabilitation provision		11,765,740	(15,233)	11,750,507
Interest income - overdue accounts		(49,630,624)	-	(49,630,624)
Impairment deficit		5,887,366	(483,283)	5,404,083
Debt impairment		258,191,379	-	258,191,379
Movements in operating lease assets and accruals		409	-	409
Inventory losses or write-downs		223,070	-	223,070
Non-cash item		-	(323,956)	(323,956)
Donations received		(51,703,016)	4,644,067	(47,058,949)
Increase in leave and bonus accrual		2,237,136	-	2,237,136
Changes in working capital:				
Inventories		5,221,158	-	5,221,158
Statutory receivables		(31,669,963)	-	(31,669,963)
Consumer debtors		(18,577,176)	1,972,655	(16,604,521)
Receivables from exchange transactions		(347,546)	(169,704)	(517,250)
Payables from exchange transactions		34,873,078	1,077,011	35,950,089
VAT		17,717,778	(1,939,827)	15,777,951
Unspent conditional grants and receipts		339,892	-	339,892
Consumer deposits		444,264	-	444,264
		65,897,434	(415,226)	65,482,208
Net increase/(decrease)				
Net increase/(decrease) in cash and cash equivalents		(10,348,159)	323,956	(10,024,203)
Cash and cash equivalents at the end of the year		54,437,729	(323,956)	54,113,773
		44,089,570	-	44,089,570

Errors

Irregular expenditure

Opening balance	-	41,097,900
Adjustments - Correction of prior year error (duplicated transactions)	-	(184,179)
Adjustments - Correction of prior year error (findings were resolved- comaf No.30 of 2020)	-	(323,050)
Restated opening balance	-	40,590,671

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2025

2024

49. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	Total
Other debtors	103,286	103,286
Trade and other receivables from exchange transactions	10,292,182	10,292,182
Consumer debtors	19,286,013	19,286,013
Cash and cash equivalents	34,951,269	34,951,269
VAT Receivables (input accrual) from exchange transactions	101,672,787	101,672,787
	166,305,537	166,305,537

Financial liabilities

	At amortised cost	Total
Finance lease obligations	5,928,729	5,928,729
Other financial liabilities	24,751,886	24,751,886
Trade and other payables from exchange transactions	347,049,282	347,049,282
VAT Payable (output accrual) from exchange transactions	154,437,836	154,437,836
	532,167,733	532,167,733

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
VAT Receivables (input accrual) from exchange transactions	78,327,479	78,327,479
	214,930,973	214,930,973

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
VAT Payable (output accrual) from exchange transactions	123,454,378	123,454,378
	593,971,920	593,971,920

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49. Financial instruments disclosure (continued)

Financial instruments in Statement of financial performance

2025

	At amortised cost	Total
Finance income	57,715,019	57,715,019
Finance costs	(21,489,618)	(21,489,618)
Debt impairment	(37,707,277)	(37,707,277)
	(1,481,876)	(1,481,876)

2024

	At amortised cost	Total
Finance income	53,839,100	53,839,100
Finance costs	22,902,367	22,902,367
Debt impairment	76,996,331	76,996,331
	153,737,798	153,737,798

50. Risk management

Liquidity risk

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

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 2025	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	19,191,431	5,560,455	-	-
Finance lease obligation	2,559,724	3,369,005	-	-
Payables from exchange transactions	347,049,282	-	-	-
At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	17,808,885	24,751,887	-	-
Derivative financial instruments	2,312,916	1,110,448	-	-
Trade and other payables	468,315,490	-	-	-

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	2025	2024
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50. 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	2025	2024
Receivables from exchange transactions	10,292,182	10,171,092
Consumer debtors	19,286,013	71,665,300
Cash and cash equivalents	34,951,269	54,437,729
Other debtors	103,286	215,433

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 2025 and 2024, the municipality's borrowings at variable rate were denominated in the Rand.

51. Unauthorised expenditure

Opening balance as previously reported	84,816,240	59,933,477
Add: Unauthorised expenditure - current	-	84,816,240
Less: Amount written off - Prior period	(84,816,240)	(59,933,477)
Closing balance	-	84,816,240

Cases under investigation

Municipal Finance Management Act	-	84,816,240
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52. Fruitless and wasteful expenditure

Opening balance as previously reported	7,193,499	7,321,659
Less: Amount written off - prior period	-	(128,160)
Closing balance	7,193,499	7,193,499

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	2025	2024
53. Irregular expenditure		
Opening balance as previously reported	40,590,671	34,268,829
Add: Irregular expenditure - current	14,425,558	20,879,208
Less: Amount written off - current	(25,962,097)	(14,050,137)
Less: Correction of prior year error (duplicated transactions)	-	(184,179)
Less: Correction of prior year error (findings were resolved- Comaf No.30 of 2020)	-	(323,050)
Closing balance	29,054,132	40,590,671

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		2025	2024
53. 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	1,572,393	20,879,208
The A Team Task Force	Conducted business with the municipality and the director did not declare that he is a business partner with the councillor of the municipality, furthermore the councillor A Ngobeni did not declare that he is a director of Legae enterprises as per his declaration of interest certificate	134,875	-
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	459,169	-
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	114,792	-
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	150,820	-
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	1,687,185	-
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	79,030	-
The A Team Task Force	"The Municipality has appointed Security service provider in August 2021 through competitive bidding processes for a period of three years to provide the security and the alarm system services, and the contract ended on the 31 August 2024. The Municipality was in the process of appointing a new tender for security services, however the process of appointing a new tender was not concluded by 31 August 2024. The Accounting Officer could not leave the Municipal assets unprotected, rather apply section 36 of SCM regulation and Supply Chain Management Policy (Deviation). The security company was appointed on a month-to-month basis through deviation (not exceeding six months) or until the procurement process is concluded. The Internal Audit reviewed the series of events by 31 of August 2024 and recommended that the deviation transactions be classified as Irregular expenditure."	1,461,042	-

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53. Irregular expenditure (continued)			
The A Team Task Force	The Municipality has appointed Security service provider in August 2021 through competitive bidding processes for a period of three years to provide the security and the alarm system services, and the contract ended on the 31 August 2024. The Municipality was in the process of appointing a new tender for security services, however the process of appointing a new tender was not concluded by 31 August 2024. The Accounting Officer could not leave the Municipal assets unprotected, rather apply section 36 of SCM regulation and Supply Chain Management Policy (Deviation). The security company was appointed on a month-to-month basis through deviation (not exceeding six months) or until the procurement process is concluded.	1,753,251	-
The A Team Task Force	The Internal Audit reviewed the series of events by 31 of August 2024 and recommended that the deviation transactions be classified as Irregular expenditure. The Municipality has appointed Security service provider in August 2021 through competitive bidding processes for a period of three years to provide the security and the alarm system services, and the contract ended on the 31 August 2024. The Municipality was in the process of appointing a new tender for security services, however the process of appointing a new tender was not concluded by 31 August 2024. The Accounting Officer could not leave the Municipal assets unprotected, rather apply section 36 of SCM regulation and Supply Chain Management Policy (Deviation). The security company was appointed on a month-to-month basis through deviation (not exceeding six months) or until the procurement process is concluded. The Internal Audit reviewed the series of events by 31 of August 2024 and recommended that the deviation transactions be classified as Irregular expenditure.	1,753,251	-

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Notes to the Annual Financial Statements for the year ended 30 June 2025

		2025	2024
53. Irregular expenditure (continued)			
The A Team Task Force	The Municipality has appointed Security service provider in August 2021 through competitive bidding processes for a period of three years to provide the security and the alarm system services, and the contract ended on the 31 August 2024. The Municipality was in the process of appointing a new tender for security services, however the process of appointing a new tender was not concluded by 31 August 2024. The Accounting Officer could not leave the Municipal assets unprotected, rather apply section 36 of SCM regulation and Supply Chain Management Policy (Deviation). The security company was appointed on a month-to-month basis through deviation (not exceeding six months) or until the procurement process is concluded.	1,753,251	-
The A Team Task Force	The Internal Audit reviewed the series of events by 31 of August 2024 and recommended that the deviation transactions be classified as Irregular expenditure. The Municipality has appointed Security service provider in August 2021 through competitive bidding processes for a period of three years to provide the security and the alarm system services, and the contract ended on the 31 August 2024. The Municipality was in the process of appointing a new tender for security services, however the process of appointing a new tender was not concluded by 31 August 2024. The Accounting Officer could not leave the Municipal assets unprotected, rather apply section 36 of SCM regulation and Supply Chain Management Policy (Deviation). The security company was appointed on a month-to-month basis through deviation (not exceeding six months) or until the procurement process is concluded. The Internal Audit reviewed the series of events by 31 of August 2024 and recommended that the deviation transactions be classified as Irregular expenditure.	1,753,251	-

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Notes to the Annual Financial Statements for the year ended 30 June 2025

		2025	2024
53. Irregular expenditure (continued)			
The A Team Task Force	The Municipality has appointed Security service provider in August 2021 through competitive bidding processes for a period of three years to provide the security and the alarm system services, and the contract ended on the 31 August 2024. The Municipality was in the process of appointing a new tender for security services, however the process of appointing a new tender was not concluded by 31 August 2024. The Accounting Officer could not leave the Municipal assets unprotected, rather apply section 36 of SCM regulation and Supply Chain Management Policy (Deviation). The security company was appointed on a month-to-month basis through deviation (not exceeding six months) or until the procurement process is concluded. The Internal Audit reviewed the series of events by 31 of August 2024 and recommended that the deviation transactions be classified as Irregular expenditure.	1,753,251	-
		14,425,561	20,879,208
Cases under investigation			
Municipal Supply Chain Management Policies or By-laws		14,425,558	20,879,208
Amount written-off			
After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R25,962,097 (2024: R14,050,137) from the total irregular expenditure amount. The write-off was approved after recommendations made by the Council Committee investigations. That the balance of R29,054,132 (2024: R41 097 900) still need to be tested against the available evidence of consequence management.			

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54. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of 743,659,877 and that the municipality's total assets exceed its liabilities by 750,302,245.

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.

55. Events after the reporting date

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

56. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	4,330,849	888,093
Amount paid - current year	(4,330,849)	(888,093)
	-	-

Audit fees

Current year subscription / fee	7,674,130	8,117,733
Amount paid - current year	(7,674,130)	(8,117,733)
	-	-

PAYE and UIF

Current year subscription / fee	28,100,758	25,890,520
Amount paid - current year	(28,100,758)	(25,890,520)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	28,597,323	25,634,300
Amount paid - current year	(28,597,323)	(25,634,300)
	-	-

VAT

VAT receivable/(Payables)	101,672,787	78,327,479
VAT receivables/(payable)	154,437,836	123,454,378
	256,110,623	201,781,857

VAT output payables and VAT input receivables are shown in note 17.

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

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Notes to the Annual Financial Statements for the year ended 30 June 2025

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57. Deviation from supply chain management regulations

Supplier	Project	Rand Amount	Date disclosed	Reason
Total Computer Services (Pty) Ltd		102,978	01/08/2024	Sole service provider
BB Truck and Tractors Services (Nissan UD Trucks)	TCS Annual Licence Renewal Truck service and repairs FBK 639 L	84,795	01/08/2024	Sole service provider
The A Team Task Force	Provision of Security Guarding Services and Alarm System on a month-to-month basis, but not exceeding six months	1,461,042	01/09/2024	The process of appointing the new tender was not concluded at that time, The Accounting Officer could not leave the Municipal assets not protected, rather apply section 36 of SCM regulation and Supply Chain Management Policy
The A Team Task Force	Provision of Security Guarding Services and Alarm System on a month-to-month basis, but not exceeding six months	1,753,251	01/10/2024	The process of appointing the new tender was not concluded at that time, The Accounting Officer could not leave the Municipal assets not protected, rather apply section 36 of SCM regulation and Supply Chain Management Policy
CCG Systems	Annual License for Sage	1,305,430	01/10/2024	Sole service provider
The A Team Task Force	The process of appointing the new tender was not concluded at that time, The Accounting Officer could not leave the Municipal assets not protected, rather apply section 36 of SCM regulation and Supply Chain Management Policy	1,753,250	01/11/2024	The process of appointing the new tender was not concluded at that time, The Accounting Officer could not leave the Municipal assets not protected, rather apply section 36 of SCM regulation and Supply Chain Management Policy

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Notes to the Annual Financial Statements for the year ended 30 June 2025

			2025	2024
57. Deviation from supply chain management regulations (continued)				
The A Team Task Force	Provision of Security Guarding Services and Alarm System on a month-to-month basis, but not exceeding six months	1,753,250	1/12/2024	The process of appointing the new tender was not concluded at that time, The Accounting Officer could not leave the Municipal assets not protected, rather apply section 36 of SCM regulation and Supply Chain Management Policy
The A Team Task Force	Provision of Security Guarding Services and Alarm System on a month-to-month basis, but not exceeding six months	1,753,250	01/01/2025	The process of appointing the new tender was not concluded at that time, The Accounting Officer could not leave the Municipal assets not protected, rather apply section 36 of SCM regulation and Supply Chain Management Policy
The A Team Task Force	Provision of Security Guarding Services and Alarm System on a month-to-month basis, but not exceeding six months	1,753,250	01/02/2025	The process of appointing the new tender was not concluded at that time, The Accounting Officer could not leave the Municipal assets not protected, rather apply section 36 of SCM regulation and Supply Chain Management Policy
BB Truck and Tractors Services (Nissan UD Trucks)	Service of a UD Truck Reg No: FBK639L	64,728	01/02/2025	Sole service provider
BB Truck and Tractors Services (Nissan UD Trucks)	Truck Service FBK 639 L	100,392	01/03/2025	Sole service provider
Adapt IT	Caseware annual licence renewal	98,198	01/04/2025	Sole service provider
Adapt IT	Mscosa Template (Specimen AFS) and Caseware working papers	123,951	01/04/2025	Sole service provider
BB Truck and Tractors Services (Nissan UD Trucks)	Truck Service and repairs DZB 998 L	127,046	01/05/2025	Sole service provider
Business Engineering	Payment of Annual License fee to continue utilizing Collaborator system as Municipal Electronic Document Management System	139,725	01/05/2025	Sole service provider

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Notes to the Annual Financial Statements for the year ended 30 June 2025

		2025	2024
57. Deviation from supply chain management regulations (continued)			
Morula Plumbing and Electrical Supply	Emergency for repair of overhead line, cable and switchgear at extension 05 Phalaborwa Town	188,182 01/05/2025	Emergency
S J N Projects and Engineering	Emergency for repair of cable at Extension 8 in Phalaborwa Town	175,550 01/05/2025	Emergency
BB Truck and Tractors Services (Nissan UD Trucks)	Truck Service and repairs FTX 958 L	168,674 01/06/2025	Sole service provider
Phalaborwa Herald (CTP)	Publication of Municipal Notices for 2024/25 Financial year	142,090 01/06/2025	Sole service provider
Government Printing Works	Publication of Municipal notice for General rates and fixed date for a payment in respect of 2025/26 financial year (01 July 2025 to 30 June 2026) in the Limpopo Provincial Gazette	36,315 01/06/2025	Sole service provider
Phalaborwa Herald (CTP)	Publication of Municipal Notices for 2024/25 Financial year (Accrual)	68,439 01/06/2025	Sole service provider
		13,153,786	

Notes to the Annual Financial Statements for the year ended 30 June 2025

	2025	2024
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58. 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.

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Notes to the Annual Financial Statements for the year ended 30 June 2025

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58. Accounting by principals and agents (continued)

Entity as agent

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

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

The Mopani District Municipality (MDM) and Ba-Phalaborwa Municipality (BPM) have entered into a Water Services Provider Contract whereby MDM acts as the Principal Water Service Authority (WSA) and the BPM act as the Water Services Provider (WSP). The original contract was entered into in 2014 and the updated agreement signed in the calendar year of 2019. The current agreement is valid for a period of three years from 2019 and expires in 30 June 2022. At the end of this period the principal (MDM) has an option of extending the contract for another period to a maximum of a further three years. The 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 - (2024: 13,388,184).

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 R (2024: R37 543 825).

As at 30 June 2025 the municipality realised revenue for the district amounting to R (2024: R155 352 251) and had debtors outstanding for the water and waste water sales amounting to R (2024: R1 532 844 294).

Inventories held on behalf of the district municipality amounted to R (2024: R4 040 606).

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

Water and sanitation	173,888,529	138,772,331
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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements for the year ended 30 June 2025

	2025	2024
58. Accounting by principals and agents (continued)		
Interest on overdue accounts	-	16,579,920
	173,888,529	155,352,251
Amount of expenses paid on behalf of the principal during the reporting period		
Salaries and wages	-	(17,757,061)
General expenses	-	(19,786,764)
	-	(37,543,825)
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	1,532,844,294	1,416,235,850
Revenue billed current year	173,888,529	243,440,317
Correction of prior period error adjustment	-	(126,831,873)
	1,706,732,823	1,532,844,294
All categories		
Opening balance	1,532,844,294	1,416,235,850
Revenue that principal is entitled to	173,888,529	243,440,317
Cash received on behalf of the principal	-	(126,831,873)
	1,706,732,823	1,532,844,294

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59. Budget differences

Material differences between budget and actual amounts

1. **Service 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. 98% of the budgeted income on refuse was collected.
2. **Agency fees** - The actual income for Agency fees received is lower than the budgeted amount and the accrual of agency fees under the agency relationship with Mopani District Municipality.
3. **Interest income - overdue account and bank** - The Municipality collected 78% of the budgeted amount for interest earned. 78% 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. **Interest income - property rates overdue account** - The municipality collected less than the budgeted income. 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.
5. **Other income** - Comprises of write back of receivables previously written off, Sales of goods and services, connection fees, building plans and related income items. The municipality received less applications for town planning and building plans due to slow development.
6. **Rental of facilities and equipment** - The municipality has collected more due to collection efforts. It was estimated to be low because of the past practises and the fact is we are on cash basis not accruals.
7. **Traffic fines** - The municipality collected 5% of the budgeted income. The decrease is attributed to culture of non-payment by community.
8. **Licences and permits** - The municipality collected 87% of the budgeted income and attributed due to decline in number of community preferring other stations.
9. **Property rates** - The municipality collected 66 % of budgeted revenue which the municipality did not perform due to payment of long outstanding debts from government institutions and culture on non-payment from the townships.
10. **Employee related costs** - The variance was due to vacant posts and cost containment by cutting of overtime.
11. **Remuneration of councillors** -The municipality budgeted using Upper limit grade 4 and the municipality was downgraded to grade 3.
12. **Contracted services** - This reduction is a results of cost containment measures and consultancy reduction plan.
13. **Depreciation and amortisation** - There was a delay in one project which was expected to be completed but still on work in progress.
14. **Finance costs** - The interest charges on Provisions and employee benefit obligations, finance lease and concessionary loan (Lepelle) which was estimated less during the budget processes.
15. **Bulk purchases** - Less usage of electricity as a result of electricity cable thefts and some customers are using solar.
16. **General expenses** - Inventory was under-budgeted and general expenses sitting on over by 26% of the budgeted amount..
17. **Fair value adjustment** - This was not budgeted for, an accounting treatment resulting from revaluation of municipal properties.
18. **Acturial gains/losses** - This was not budgeted for, resulting from long service awards and Post Medical Aid Scheme actuarial gains.
19. **Inventory losses/write-downs** - This was not budgeted for and is resulting from inventory write offs.

Notes to the Annual Financial Statements for the year ended 30 June 2025

	2025	2024
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59. Budget differences (continued)

20. **Debt impairment/reversal** - This was under-budgeted by 16% .

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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements for the year ended 30 June 2025

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60. 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

Community and Social Services

Trading Services

Economic and Environmental Services

Governance and administration

Goods and/or services

Provision of health, community related services and licencing services

Provision of road infrastructure, solid waste, electricity, etc
Economic development for the town and strategy (IDP and SDBIP)

Providing administrative and corporate support, functions and financial reporting. Trading services - Electricity supply, waste management and sundry services.

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Figures in Rand

60. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Governance and administration	Community and Public Safety	Trading Services	Economic and Environmental Services	Total
Revenue					
Service charges	(1,402,449)	-	156,868,140	-	155,465,691
Sale of Goods and Rendering of Services: Construction Contract Revenue	190,523	375,758	3,002,860	464,058	4,033,199
Rental from facilities	526,255	-	-	-	526,255
Operational Revenue	196,783	126,424	1,130	-	324,337
Interest income - Service charges - overdue & bank and investment	4,887,015	-	14,381,939	-	19,268,954
Interest income - Property rates overdue accounts	39,034,940	-	-	-	39,034,940
Licences and permits	-	5,572,370	-	-	5,572,370
Government grants and subsidies	219,900,155	-	3,551,550	-	223,451,705
Transfers and subsidies - capital (monetary allocations)	-	-	35,105,178	-	35,105,178
Agency services	3,430,120	9,863,345	-	-	13,293,465
Fines, penalties and forfeits	-	767,812	-	-	767,812
Property rates	128,967,702	-	-	-	128,967,702
Actuarial gain	2,412,217	-	-	-	2,412,217
Total segment revenue	398,143,261	16,705,709	212,910,797	464,058	628,223,825
Entity's revenue					628,223,825

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Figures in Rand

	Governance and administration	Community and Public Safety	Trading Services	Economic and Environmental Services	Total
60. Segment information (continued)					
Expenditure					
Employee related costs	77,454,470	49,011,584	40,633,447	12,354,086	179,453,587
Remuneration of councillors	17,260,400	-	-	-	17,260,400
Debt impairment	146,916,584	-	-	-	146,916,584
Depreciation & amortisation	(26,999)	8,713,312	43,868,055	-	52,554,368
Finance costs	21,489,618	-	-	-	21,489,618
Bulk Purchases	-	-	138,091,679	-	138,091,679
Contracted services	42,416,752	3,958,982	7,073,246	6,385,052	59,834,032
Inventory consumed	7,051,923	912,688	33,922,084	224,721	42,111,416
Transfers and subsidies	218,739	-	-	-	218,739
Other Losses	725,685	-	-	-	725,685
General expenses	83,194,746	6,372,343	34,372,911	3,575,600	127,515,600
Total segment expenditure	396,701,918	68,968,909	297,961,422	22,539,459	786,171,708
Total segmental surplus/(deficit)	1,441,343	(52,263,200)	(85,050,625)	(22,075,401)	(157,947,883)
Assets					
Inventories	16,211,501	-	(1,549,090)	1,549,090	16,211,501
Receivables from exchange transactions	28,564,276	-	1,804,871,290	-	1,833,435,566
Receivables from non-exchange transactions	41,878,262	-	-	-	41,878,262
Other current assets	1,293,453	-	9,709,606	-	11,003,059
Cash and cash equivalents	(18,388,148)	(601,300)	52,833,075	-	33,843,627
Investment property	492,680,154	-	-	-	492,680,154
Property, plant and equipment	663,609,271	199,900	45,230,505	-	709,039,676
Heritage assets	75,760,449	-	-	-	75,760,449
Non-current receivables from non-exchange transactions	149,082	-	-	-	149,082
VAT	101,672,787	-	-	-	101,672,787
Total segment assets	1,403,431,087	(401,400)	1,911,095,386	1,549,090	3,315,674,163
Total assets as per Statement of financial Position					3,315,674,163

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Figures in Rand

	Governance and administration	Community and Public Safety	Trading Services	Economic and Environmental Services	Total
60. Segment information (continued)					
Liabilities					
Other financial liabilities	30,680,616	-	-	-	30,680,616
Finance lease obligation	6,035,390	-	-	-	6,035,390
Payables from exchange transactions	1,326,282,472	-	838,004,406	-	2,164,286,878
Trade and other payables from non-exchange transactions	36,998,455	-	(36,745,178)	-	253,277
VAT payable	145,315,046	-	-	-	145,315,046
Provisions	344,646,890	-	-	-	344,646,890
Other non-current liabilities	52,361,540	-	-	-	52,361,540
Other current liabilities	(365,698)	-	-	-	(365,698)
Total segment liabilities	1,941,954,711	-	801,259,228	-	2,743,213,939
Total liabilities as per Statement of financial Position					2,743,213,939

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Figures in Rand

60. Segment information (continued)

2024

	Governance and Adminisatrati on	Community and Public Safety	Trading Services	Economic and Environmental Services	Total
Revenue					
Service charges	(2,576,759)	21,257,178	117,429,595	-	136,110,014
Sale of Goods and Rendering of Services: Construction Contract Revenue	15,792,968	-	-	-	15,792,968
Rental from facilities	341,525	-	-	-	341,525
Interest income - Service charges - overdue & bank and investments	3,551,263	8,977,274	6,842,868	-	19,371,405
Interest income - Property rates and overdue accounts	34,467,695	-	-	-	34,467,695
Licenses and permits	-	4,295,503	-	-	4,295,503
Government grants and subsidies	192,546,232	305,090	56,080,107	-	248,931,429
Agency services	9,196,610	4,191,574	-	-	13,388,184
Other income	1,292,233	-	-	-	1,292,233
Property rates	127,739,856	-	-	-	127,739,856
Traffic fines	-	280,025	-	-	280,025
Public contributions and donations	47,058,949	-	-	-	47,058,949
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	11,441,924	-	-	-	11,441,924
Total segment revenue	472,872,972	39,306,644	180,352,570	-	692,532,186
Entity's revenue					692,532,186

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Figures in Rand

60. Segment information (continued)

Expenditure

	Governance and Adminisatrati on	Community and Public Safety	Trading Services	Economic and Environmental Services	Total
Employee related costs	70,924,502	43,547,061	41,433,327	11,063,266	166,968,156
Remuneration of Councilors	16,986,624	-	-	-	16,986,624
Debt impairment	258,191,379	-	-	-	258,191,379
Depreciation & amortisation	49,704,499	-	18,628,566	-	68,333,065
Impairment of assets	5,404,083	-	-	-	5,404,083
Finance costs	22,280,504	-	-	-	22,280,504
Bulk purchases	-	-	116,159,527	-	116,159,527
Contracted services	48,672,269	2,446,515	10,888,960	3,199,814	65,207,558
Inventories losses/ written down	223,070	-	-	-	223,070
Acturial loss	3,177,137	-	-	-	3,177,137
General expenses	75,172,276	6,875,832	42,794,357	2,735,075	127,577,540
Total segment expenditure	550,736,343	52,869,408	229,904,737	16,998,155	850,508,643
Total segmental surplus/(deficit)	(77,863,371)	(13,562,764)	(49,552,167)	(16,998,155)	(157,976,457)

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	Governance and Adminisatrati on	Community and Public Safety	Trading Services	Economic and Environmental Services	Total
60. Segment information (continued)					
Assets					
Inventories	17,030,404	-	-	-	17,030,404
Statutory receivables	172,335,005	-	-	-	172,335,005
Other debtors	45,729	-	-	-	45,729
Consumer debtors	69,692,645	-	-	-	69,692,645
Cash and cash equivalents	54,113,773	-	-	-	54,113,773
Investment property	472,391,899	-	-	-	472,391,899
Property, plant and equipment	654,400,165	47,770,597	111,377,708	-	813,548,470
Intangible assets	6	-	-	-	6
Heritage assets	317,000	-	-	-	317,000
Receivables from exchange transactions	10,171,092	-	-	-	10,171,092
VAT receivable from exchange transactions	78,327,479	-	-	-	78,327,479
Total segment assets	1,528,825,197	47,770,597	111,377,708	-	1,687,973,502
Total assets as per Statement of financial Position					1,687,973,502
Liabilities					
Other financial liabilities	42,560,772	-	-	-	42,560,772
Finance lease obligation	3,423,364	-	-	-	3,423,364
Payables from exchange transactions	25,839,248	1,945,360	410,810,058	-	438,594,666
VAT payable	123,454,378	-	-	-	123,454,378
Consumer deposits	5,266,513	-	-	-	5,266,513
Employee benefit obligation	55,485,594	-	-	-	55,485,594
Unspent conditional grants and receipts	340,218	-	-	-	340,218
Provisions	110,576,637	-	-	-	110,576,637
Operating lease liability	21,233	-	-	-	21,233
Total segment liabilities	366,967,957	1,945,360	410,810,058	-	779,723,375
Total liabilities as per Statement of financial Position					779,723,375

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60. Segment information (continued)

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.