

Ba-Phalaborwa Local Municipality

(Registration number LIM334)

Annual Financial Statements for the year ended 30 June 2021



Ba-Phalaborwa Local Municipality (Registration number LIM334) Annual Financial Statements for the year ended 30 June 2021 Published 31 August 2021

* See Note

Ba-Phalaborwa Local Municipality

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General Information

Legal form of entity

Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)

Nature of business and principal activities

The provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.

Legislation governing the municipality's operations

Constitution of the Republic of south Africa (Act 108 of 1998)
Local Government: Municipal Finance Management Act (Act no.56 of 2003)
Local Government: Municipal Systems Act (Act 32 of 2000)
Local Government: Municipal Structures Act (Act 117 of 1998)
Municipal Property Rates Act (act of 6 2004)
Division of Revenue Act (Act 1 of 2007)

Mayoral committee

Executive Mayor

Cllr. MM Malatji

Speaker

Cllr. E Hlugnani

Chief Whip

Cllr. D Rapatsa

Executive Committee Members

Cllr. S L Mohlala - Exco Member

Cllr. T Nkuna -Exco Member

Cllr. M S Magomane -Exco Member

Cllr. S R De Beer - Exco Member

Cllr. M M Malesa - Exco Member

Cllr. S P Mashumu - Exco Member

Councillors

Cllr. KO Pilusa (MPAC Chairperson)

Cllr. R Makasela

Cllr. KA Peta

Cllr. KP Mhlari

Cllr. ST Mkanzi

Cllr. B Ramothwala

Cllr. NJ Mampuru

Cllr. ME Mokgalaka

Cllr. Z Ndlovu

Cllr. EA Mokoena

Cllr. PK Mashego

Cllr. LM Matlala

Cllr. TS Ndlovu

Cllr. GH Lamola

Cllr. A Ngobeni

Cllr. MRS Williamson

Cllr. SM Shayi

Cllr. DR Bayana

Cllr. MMA Mathebula

Cllr. RJ Mphogo

Cllr. MJ Valoyi

Cllr. SK Shai

Cllr. AN Mmola

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	Cllr. VM Rapatsa Cllr. MS Sekwakwa Cllr. NA Sono (Deceased) Cllr. EF Nyathi (Appointed: 01 December 2020) Cllr. MP Mailula (Appointed: 01 March 2021) Cllr. TC Malatjie
Grading of local authority	Grade 3
Accounting Officer	Moakamela MI
Chief Finance Officer (CFO)	Ndzimande AT (Acting CFO)
Registered office	Civic Centre, Nelson Mandela Drive Phalaborwa 1390
Business address	Civic Centre Nelson Mandela Drive Phalaborwa 1390
Postal address	Ba-Phalaborwa Municipality Private Bag 01020 Phalaborwa 1390
Bankers	Standard Bank of South Africa ABSA Bank
Auditors	Auditor-General South Africa
Legal representative	Masengane KE Attorneys Isaih Nyathi Attorneys Thomas & Swanepoel Inc Mathonsi Attorneys Sikhitha Daniels & Associates Ngcingwana Inc Bernhard Van Der Hoven Gerhard Wagenaar Rapela Inc Attorneys Kgohlishi Abie Mamabolo Incorporated Kgatla Attorneys Maboka Mangena Attorneys Mahowa Inc Attorneys Mahumani Inc Maponya Inc Matabane Inc Mohale Incorporated
Published	31 August 2021

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General Information

Audit Committee Members

Ravhudzulo KP CA(SA) - Chairperson

Adv Nevondwe LT - Member

Mangoma L - Member

Ngobeni SAB - Member

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
LGSETA	Local Government Services Sector Education & Training Authority
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Act
SALGA	South African Local Government Association
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
mSCOA	Municipal Standard Chart of Accounts
MSIG	Municipal System Improvement grant
NDPG	Neighbourhood Development and Partnership Grant

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Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2022 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, she is supported by the municipality's executive management.

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

I certify that the salaries, allowances and benefits of councillors as disclosed in note 36 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The annual financial statements set out on page 7, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed on its behalf by:

Moakamela Ml
Accounting Officer

Phalaborwa
31 August 2021

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Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

		2021	2020 Restated*
	Note(s)		
Assets			
Current Assets			
Inventories	8	21,631,437	15,981,352
Receivables from non-exchange transactions	9	63,264,640	71,678,870
VAT receivable		4,043,095	-
Receivables from exchange transactions	10	211,194,447	62,173,421
Cash and cash equivalents	11	69,319,706	54,987,291
		369,453,325	204,820,934
Non-Current Assets			
Biological assets that form part of an agricultural activity	3	141,973	135,859
Investment property	4	394,700,618	250,070,000
Property, plant and equipment	5	872,607,488	893,505,638
Intangible assets	6	273,821	365,094
Heritage assets	7	317,000	317,000
		1,268,040,900	1,144,393,591
Total Assets		1,637,494,225	1,349,214,525
Liabilities			
Current Liabilities			
Other financial liabilities	12	14,222,478	13,578,588
Finance lease obligation	13	172,204	486,094
Payables from exchange transactions	14	547,471,366	418,306,189
VAT payable	15	-	3,698,215
Consumer deposits	16	4,275,689	4,339,318
Employee benefit obligation	17	1,643,388	1,535,770
Unspent conditional grants and receipts	18	1,143,192	15,351,839
Provisions	19	2,781,448	2,534,709
		571,709,765	459,830,722
Non-Current Liabilities			
Other financial liabilities	12	74,535,452	83,473,576
Finance lease obligation	13	-	172,204
Employee benefit obligation	17	48,606,756	42,243,666
Provisions	19	93,172,469	99,450,493
		216,314,677	225,339,939
Total Liabilities		788,024,442	685,170,661
Net Assets		849,469,783	664,043,864
Reserves			
Revaluation reserve	20	38,072,442	38,072,442
Accumulated surplus		811,397,341	625,971,422
Total Net Assets		849,469,783	664,043,864

* See Note 48

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Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

		2021	2020 Restated*
	Note(s)		
Revenue			
Revenue from exchange transactions			
Service charges	22	121,309,681	150,251,535
Rental of facilities and equipment	23	5,219	430,016
Agency services	24	9,050,768	6,015,271
Licences and permits	25	5,689,723	2,645,086
Other income	26	1,941,671	1,813,550
Interest income - bank and overdue accounts	27	27,721,416	14,304,702
Fair value adjustments	28	144,636,732	8,926,537
Actuarial gains	17	386,095	12,751,525
Total revenue from exchange transactions		310,741,305	197,138,222
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	29	95,114,067	141,850,344
Interest income - overdue accounts	29	19,818,069	16,469,949
Transfer revenue			
Government grants & subsidies	30	252,461,449	182,872,154
Public contributions and donations	32	1,791,763	2,054,055
Traffic fines	31	301,201	864,248
Other transfer revenue		-	162,985
Total revenue from non-exchange transactions		369,486,549	344,273,735
Total revenue	21	680,227,854	541,411,957
Expenditure			
Employee related costs	33	(145,210,020)	(150,047,714)
Remuneration of councillors	34	(15,304,119)	(17,743,167)
Depreciation and amortisation	35	(74,024,295)	(73,030,878)
Impairments of assets	36	(9,717,798)	(160,959)
Finance costs	37	(18,640,508)	(8,662,609)
Debt Impairment	38	(39,994,029)	(89,888,366)
Bulk purchases	39	(86,757,786)	(84,703,814)
Contracted services	40	(32,252,578)	(48,192,138)
Loss on disposal of assets and liabilities		(852,426)	(141,161,536)
Inventories losses/write-downs	8	(662,722)	(1,675,310)
General Expenses	41	(71,385,654)	(77,106,406)
Total expenditure		(494,801,935)	(692,372,897)
Surplus (deficit) for the year		185,425,919	(150,960,940)

* See Note 48

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Statement of Changes in Net Assets

	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 01 July 2019	38,072,442	613,880,232	651,952,674
Changes in net assets			
Surplus for the year	-	(19,333,451)	(19,333,451)
Total changes	-	(19,333,451)	(19,333,451)
Opening balance as previously reported	38,072,442	594,543,781	632,616,223
Adjustments			
Prior year adjustments	-	31,427,641	31,427,641
Restated* Balance at 01 July 2020 as restated*	38,072,442	625,971,422	664,043,864
Changes in net assets			
Surplus for the year	-	185,425,919	185,425,919
Total changes	-	185,425,919	185,425,919
Balance at 30 June 2021	38,072,442	811,397,341	849,469,783
Note(s)	20		

* See Note 48

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Cash Flow Statement for the year ended 30 June 2021

		2021	2020 Restated*
	Note(s)		
Cash flows from operating activities			
Receipts			
Cash received from customers		151,002,189	162,892,000
Grants		266,670,096	171,764,366
Interest income		2,967,703	2,709,876
Other income		1,946,890	2,406,551
		422,586,878	339,772,793
Payments			
Employee costs		(151,002,189)	(162,892,000)
Finance costs		(18,640,508)	(8,662,609)
Suppliers and other payments		(172,968,185)	(100,881,450)
		(342,610,882)	(272,436,059)
Net cash flows from operating activities	43	79,975,996	67,336,734
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(55,714,651)	(30,973,497)
Cash flows from financing activities			
Repayment of other financial liabilities		(9,442,836)	(16,963,641)
Finance lease payments		(486,094)	(437,975)
Net cash flows from financing activities		(9,928,930)	(17,401,616)
Net increase/(decrease) in cash and cash equivalents		14,332,415	18,961,621
Cash and cash equivalents at the beginning of the year		54,987,291	36,025,670
Cash and cash equivalents at the end of the year	11	69,319,706	54,987,291

* See Note 48

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

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	171,195,451	-	171,195,451	121,309,681	(49,885,770)	Refer to note 58
Rental of facilities and equipment	581,034	(266,158)	314,876	5,219	(309,657)	
Agency services	-	7,286,731	7,286,731	9,050,768	1,764,037	
Licences and permits	14,366,361	-	14,366,361	5,689,723	(8,676,638)	Refer to note 58
Other income	12,685,254	-	12,685,254	1,941,671	(10,743,583)	Refer to note 58
Agency fees	2,992,190	-	2,992,190	-	(2,992,190)	Refer to note 58
Interest received - outstanding debtors	65,033,940	(5,000,000)	60,033,940	27,721,416	(32,312,524)	Refer to note 58
Interest received - investment	2,702,136	-	2,702,136	-	(2,702,136)	Refer to note 58
Total revenue from exchange transactions	269,556,366	2,020,573	271,576,939	165,718,478	(105,858,461)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	139,526,000	(5,000,000)	134,526,000	95,114,067	(39,411,933)	Refer to note 58
Property rates - penalties imposed	-	-	-	19,818,069	19,818,069	Refer to note 58
Transfer revenue						
Government grants & subsidies	208,780,000	44,820,795	253,600,795	252,461,449	(1,139,346)	Refer to note 58
Public contributions and donations	-	3,837,606	3,837,606	1,791,763	(2,045,843)	
Fines, Penalties and Forfeits	1,339,843	(1,000,000)	339,843	301,201	(38,642)	
Total revenue from non-exchange transactions	349,645,843	42,658,401	392,304,244	369,486,549	(22,817,695)	
Total revenue	619,202,209	44,678,974	663,881,183	535,205,027	(128,676,156)	
Expenditure						
Personnel	(167,896,707)	-	(167,896,707)	(145,210,020)	22,686,687	Refer to note 58
Remuneration of councillors	(20,053,028)	-	(20,053,028)	(15,304,119)	4,748,909	Refer to note 58

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

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Depreciation and amortisation	(75,358,111)	-	(75,358,111)	(74,024,295)	1,333,816	Refer to note 58
Impairment loss/ Reversal of impairments	-	-	-	(9,717,798)	(9,717,798)	Refer to note 58
Finance costs	(2,753,090)	-	(2,753,090)	(18,640,508)	(15,887,418)	Refer to note 58
Debt Impairment	(40,338,483)	-	(40,338,483)	(39,994,029)	344,454	
Bulk purchases	(109,172,352)	-	(109,172,352)	(86,757,786)	22,414,566	Refer to note 58
Contracted Services	(58,865,458)	(6,720,000)	(65,585,458)	(32,252,578)	33,332,880	Refer to note 58
General Expenses	(75,941,607)	(95,686)	(76,037,293)	(71,385,654)	4,651,639	Refer to note 58
Repairs and Maintenance	(30,873,699)	(1,450,000)	(32,323,699)	-	32,323,699	Refer to note 58
Total expenditure	(581,252,535)	(8,265,686)	(589,518,221)	(493,286,787)	96,231,434	
Operating surplus	37,949,674	36,413,288	74,362,962	41,918,240	(32,444,722)	
Loss on disposal of assets and liabilities	-	-	-	(852,426)	(852,426)	Refer to note 58
Fair value adjustments	-	6,114	6,114	144,636,732	144,630,618	
Actuarial gains/losses	-	-	-	386,095	386,095	
Inventories losses/write-downs	-	-	-	(662,722)	(662,722)	
	-	6,114	6,114	143,507,679	143,501,565	
Surplus before taxation	37,949,674	36,419,402	74,369,076	185,425,919	111,056,843	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	37,949,674	36,419,402	74,369,076	185,425,919	111,056,843	

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Accounting Policies

	2021	2020
Note(s)		

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

Trade receivables / Held to maturity investments and/or loans and receivables

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

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

Allowance for slow moving, damaged and obsolete stock

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

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Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

Provisions

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

Post-retirement benefits

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

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 17.

Effective interest rate

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

Allowance for doubtful debts

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

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Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Recognition and Derecognition of Land

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

Accounting by principals and agent

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

Additional information is disclosed in Note 56.

Impairment of statutory receivables

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

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

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

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1.4 Significant judgements and sources of estimation uncertainty (continued)

Accounting for adjustments to revenue

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

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

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

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

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

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

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

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

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

1.5 Biological assets that form part of an agricultural activity

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

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

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

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

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

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1.6 Investment property

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

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

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

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

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

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

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

Fair value

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

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

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

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

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

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

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

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

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

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

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1.6 Investment property (continued)

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

1.7 Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	30 years
Computer software	Straight-line	5 Years
Infrastructure	Straight-line	2 - 100 years
Community	Straight-line	5 - 100 years

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1.7 Property, plant and equipment (continued)

Other property, plant and equipment	Straight-line	3 - 20 years
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The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

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

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

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

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

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

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

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

1.8 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

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1.9 Intangible assets

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

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

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

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Accounting Policies

1.10 Heritage assets

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

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

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

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

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

The cost of a heritage asset comprises:

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

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

Subsequent measurement

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

Impairment

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

Transfers

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

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

Derecognition

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

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

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1.11 Financial instruments

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

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

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

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

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

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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1.11 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

Classification

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

Class

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

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
VAT Payables
Employee Benefit Obligation
Unspent Government Conditional Grants

Category

Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at Fair Value
Financial liability measured at amortised cost

1.12 Statutory receivables

Identification

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Accounting Policies

1.12 Statutory receivables (continued)

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

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1.12 Statutory receivables (continued)

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

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

Derecognition

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

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

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

1.13 Leases

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

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

Finance leases - lessor

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

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

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1.13 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.14 Inventories

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

Subsequently inventories are measured at the lower of 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 formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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1.14 Inventories (continued)

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

1.15 Construction contracts and receivables

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

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

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

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

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

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

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

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

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

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

1.16 Impairment of 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.

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1.16 Impairment of cash-generating assets (continued)

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.

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 estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

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

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1.16 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

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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1.16 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.16 Impairment of 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.

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

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

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

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

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 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

Useful life is either:

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

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

Designation

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

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

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

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

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

Identification

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

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.18 Employee benefits

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

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

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

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

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

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

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

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

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

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1.18 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

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

Insured benefits

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

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

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

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1.18 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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

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1.18 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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1.18 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

1.18 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

1.18 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.

1.19 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus (deficit).

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

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Accounting Policies

1.19 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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1.19 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 1.16 and 1.17.

If the related asset is measured using the revaluation model:

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

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

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

1.20 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.21 Revenue from exchange transactions

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

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1.21 Revenue from exchange transactions (continued)

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

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

Measurement

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

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

Sale of goods

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

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

Rendering of services

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

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

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

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

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

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Accounting Policies

1.21 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.

1.22 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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1.22 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.

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Accounting Policies

1.22 Revenue from non-exchange transactions (continued)

Taxes

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

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

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

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

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

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

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

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

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.

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

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Accounting Policies

1.25 Accounting by principals and agents (continued)

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

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

1.26 Comparative figures

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

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Accounting Policies

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).

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

1.28 Fruitless and wasteful expenditure

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

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

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

1.29 Irregular expenditure

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

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

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

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

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

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

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

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1.30 Budget information

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

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

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

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

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

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

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

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

Comparative information is not required.

1.31 Related parties

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.32 Events after reporting date

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

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

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

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

1.33 Revaluation reserves

Recognition and measurement

The realisation of an increase of property, plant and equipment carrying value as a result of a revaluation, the increase is credited to a non-distributable reserve. However, the increase shall be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit. If the carrying amount of an asset is decreased as a result of a revaluation, the decrease shall be recognised in surplus or deficit to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

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

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

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2021

2020

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

2.2 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 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	01 April 2009	Unlikely there will be a material impact
• Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards	01 April 2021	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2009	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2021	Unlikely there will be a material impact
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01 April 2021	Unlikely there will be a material impact
• Directive 7 (revised): The Application of Deemed Cost	01 April 2021	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2021	Unlikely there will be a material impact
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2021	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2021	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2021	Not expected to impact results but may result in additional disclosure
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2021	Unlikely there will be a material impact

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Figures in Rand

3. Biological assets that form part of an agricultural activity

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Trees in timber plantation - Consumable	141,973	-	141,973	135,859	-	135,859

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

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

Reconciliation of biological assets that form part of an agricultural activity - 2020

	Opening balance	Gains or losses arising from changes in fair value	Total
Trees in timber plantation - Consumable	155,751	(19,892)	135,859

Non-financial information

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

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

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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

	2021	2020
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3. Biological assets that form part of an agricultural activity (continued)

Methods and assumptions used in determining fair value

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

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

The fair value gain or loss on is recognised in the statement of financial performance for the year. During the current year a fair value adjustment of R6 114 (2020: R19 892).

Fair value less estimated point-of-sale costs of agricultural produce harvested during the period, determined at the point of harvest	141,972	135,859
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Notes to the Annual Financial Statements for the year ended 30 June 2021

2021 2020

4. Investment property

	2021			2020		
	Cost / Valuation	Fair Value Adjustments	Carrying value	Cost / Valuation	Fair Value Adjustments	Carrying value
Investment property	394,700,618	-	394,700,618	250,070,000	-	250,070,000

Reconciliation of investment property - 2021

	Opening balance	Fair value adjustments	Total
Investment property	250,070,000	144,630,618	394,700,618

Reconciliation of investment property - 2020

	Opening balance	Disposals	Transfers	Fair value adjustments	Total
Investment property	122,858,571	(138,099,000)	256,364,000	8,946,429	250,070,000

Fair value of investment properties	306,559,985	250,070,000
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Pledged as security

There are no Investment properties pledged as security.:

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

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

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

Details of valuation

The effective date of the revaluations was 30 June 2021. 2021. The valuations were performed by an independent valuer, Mr NB Makgakga of Makgakga property Valuers. The valuer is not connected to the municipality and has recent experience in location and category of the investment properties being valued.

The 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 for all properties. The function of the valuer is to determine the behavioural pattern of the seller and buyer in a marketplace and endeavour to take cognisance of the most probable considerations that would play the most important decision of the prospective buyer in establishing the price to be paid. In adopting this approach, it is necessary to assume that both the seller and buyer are willing participant to the transactions and are informed of the existing conditions at the time. For this reasons, similar properties that have changed hands and have been exposed to the market have been used. Necessary pertinent adjustments have been allowed.

The valuer had applied an adjustment rate to the base property values as per the 2017 general valuation roll, due to among other reasons, the fluctuating prices in recent property sales on the local market as well as other market factors/forces which had a direct impact on the comparable sales approach..

During the current year a fair value adjustment was recognised amounting to R56 489 984 (2020: R8 946 429) have been recognised in the statement of financial performance.

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Figures in Rand

5. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	74,710,868	-	74,710,868	75,563,293	-	75,563,293
Buildings	331,877,072	(210,672,045)	121,205,027	331,303,850	(194,089,264)	137,214,586
Infrastructure	837,908,307	(498,237,043)	339,671,264	832,565,057	(450,017,220)	382,547,837
Community Assets	454,863,459	(224,045,260)	230,818,199	407,633,626	(208,726,997)	198,906,629
Library books	-	-	-	69,538	(69,538)	-
Capital work in progress (WIP)	94,977,491	-	94,977,491	86,715,583	-	86,715,583
Other property, plant and equipment (Movables)	46,264,634	(35,039,995)	11,224,639	43,535,372	(30,977,662)	12,557,710
Total	1,840,601,831	(967,994,343)	872,607,488	1,777,386,319	(883,880,681)	893,505,638

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5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers received	Transfers	Changes in estimations and CPI	Depreciation	Impairment loss	Total
Land	75,563,293	-	(852,425)	-	-	-	-	-	74,710,868
Buildings	137,214,586	573,222	-	-	-	-	(16,582,781)	-	121,205,027
Infrastructure	382,547,837	5,343,251	-	-	-	-	(39,691,488)	(8,528,336)	339,671,264
Community Assets	198,906,629	-	-	39,339,387	-	7,890,445	(15,318,262)	-	230,818,199
Work in Progress	86,715,583	47,601,295	-	-	(39,339,387)	-	-	-	94,977,491
Other property, plant and equipment (Movables)	12,557,710	2,196,883	-	-	-	-	(2,340,491)	(1,189,463)	11,224,639
	893,505,638	55,714,651	(852,425)	39,339,387	(39,339,387)	7,890,445	(73,933,022)	(9,717,799)	872,607,488

At year end the Provision for Environmental Rehabilitation was reassessed to fair value based on the discounted cash flow method. The reassessment resulted in the decrease in the Provision account for Landfill by an amount of R 7 890 445. As the provisions is linked to the Landfill Site Asset accounts, the corresponding balance of the R 7 890 445 increased the value of Landfill Site Assets. This increase in Landfill Site Assets is disclosed as a form of disposal in the reconciliation note above.

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5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers received	Transfers	Changes in estimations and CPI	Depreciation	Impairment loss	Total
Land	75,563,293	-	-	-	-	-	-	-	75,563,293
Buildings	152,016,229	1,288,003	-	449,883	-	-	(16,539,529)	-	137,214,586
Infrastructure	409,502,072	2,595,274	-	10,130,870	(435,257)	-	(39,245,122)	-	382,547,837
Community	209,470,266	524,051	-	-	-	2,798,367	(13,886,055)	-	198,906,629
Capital work in progress	84,265,969	27,061,682	-	-	(24,612,068)	-	-	-	86,715,583
Other property, plant and equipment (Movables)	17,491,561	1,558,542	(3,062,536)	-	-	-	(3,268,898)	(160,959)	12,557,710
	948,309,390	33,027,552	(3,062,536)	10,580,753	(25,047,325)	2,798,367	(72,939,604)	(160,959)	893,505,638

Pledged as security

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

Depreciation rates

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

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Notes to the Annual Financial Statements for the year ended 30 June 2021

	2021	2020
5. Property, plant and equipment (continued)		
Reconciliation of Work-in-Progress 2021		
	Included within Infrastructure	Total
Opening balance	86,715,583	86,715,583
Additions/capital expenditure	47,601,295	47,601,295
Transferred to completed items	(39,339,387)	(39,339,387)
	94,977,491	94,977,491

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Total
Opening balance	84,265,969	84,265,969
Additions/capital expenditure	27,061,682	27,061,682
Transferred to infrastructure	(24,612,068)	(24,612,068)
	86,715,583	86,715,583

Expenditure incurred to repair and maintain property, plant and equipment

During the year the municipality incurred R23 790 467 (2020: R18 856 890) to repair and maintain property, plant and equipment and other assets.

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

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Figures in Rand

6. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2,279,945	(2,006,124)	273,821	2,279,945	(1,914,851)	365,094

Reconciliation of intangible assets - 2021

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

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software, other	456,368	(91,274)	365,094

Pledged as security

There are no intangible assets pledged for security.

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Figures in Rand

7. Heritage assets

	2021			2020		
	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 2021

	Opening balance	Total
Historical monuments	317,000	317,000

Reconciliation of heritage assets 2020

	Opening balance	Total
Historical monuments	317,000	317,000

Service concession arrangements

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Notes to the Annual Financial Statements for the year ended 30 June 2021

	2021	2020
8. Inventories		
Consumable stores	21,631,437	15,981,352
8.1 Inventory write-downs		
Stock count variances	(16,652)	(54,614)
Inventory write down	(646,070)	(1,620,696)
	(662,722)	(1,675,310)
It is the municipality's policy to make inventory write downs for obsolete and expired stock. During the current year, the assessment of inventory for impairment resulted in write downs reported above..		
Inventory expensed		
Inventory issued during the current year	7,167,470	667,380
There were no inventories pledged as security in the current year		
9. Receivables from non-exchange transactions		
Consumer debtors - Rates	62,941,914	71,621,210
Consumer debtors - Traffic fines	322,726	57,660
	63,264,640	71,678,870
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Taxes	114,810,259	71,621,210
Financial asset receivables included in receivables from non-exchange transactions above	116,590,355	71,678,870
Total receivables from non-exchange transactions	116,590,355	71,678,870
Receivables from non-exchange transactions pledged as security		
There are no receivables from non-exchange transactions that were pledged as security.		
Credit quality of receivables from non-exchange transactions		
The credit quality of other 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	(388,328,316)	(324,194,638)
Provision for impairment	(11,587,433)	(64,133,678)
	(399,915,749)	(388,328,316)

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Notes to the Annual Financial Statements for the year ended 30 June 2021

	2021	2020
10. Receivables from exchange transactions		
Gross Balances		
Electricity	84,013,866	66,639,052
Waste Management	123,570,355	109,234,305
Sundries	219,754,759	83,760,749
	427,338,980	259,634,106
Less: Allowance for impairment		
Electricity	(31,424,476)	(29,653,444)
Waste Management	(97,834,903)	(95,283,489)
Sundries	(86,885,154)	(72,523,752)
	(216,144,533)	(197,460,685)
Net balance		
Electricity	52,589,390	36,985,608
Waste Management	25,735,452	13,950,816
Sundries	132,869,605	11,236,997
	211,194,447	62,173,421
Rates		
Current (0 -30 days)	29,478,465	9,938,819
31 - 60 days	9,285,089	7,906,456
61 - 90 days	8,417,894	7,507,909
91 - 120 days	7,779,214	6,554,828
121 - 365 days	15,010,457	5,882,962
> 365 days	46,619,236	356,481,432
	116,590,355	394,272,406
Electricity		
Current (0 -30 days)	9,383,746	5,581,985
31 - 60 days	3,732,991	2,526,585
61 - 90 days	4,965,824	2,064,636
91 - 120 days	1,707,625	1,732,553
121 - 365 days	3,891,366	1,478,651
> 365 days	60,975,525	37,824,276
	84,657,077	51,208,686
Waste Management		
Current (0 -30 days)	2,102,886	1,812,792
31 - 60 days	1,887,988	1,625,343
61 - 90 days	1,800,780	1,801,514
91 - 120 days	1,758,627	1,411,826
121 - 365 days	3,440,394	1,402,236
> 365 days	116,741,470	94,425,770
	127,732,145	102,479,481

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Notes to the Annual Financial Statements for the year ended 30 June 2021

	2021	2020
10. Receivables from exchange transactions (continued)		
Sundries		
Current (0 -30 days)	1,158,639	752,043
31 - 60 days	1,211,320	735,094
61 - 90 days	1,170,377	829,454
91 - 120 days	1,173,553	720,859
121 - 365 days	2,302,061	696,781
> 365 days	88,178,329	116,052,796
	95,194,279	119,787,027
Reconciliation of allowance for impairment		
Balance at beginning of the year	(197,460,685)	(212,473,054)
Contributions to allowance	(18,683,848)	(25,754,688)
Debt impairment written off against allowance	-	40,767,057
	(216,144,533)	(197,460,685)
Consumer debtors pledged as security		
There are no receivables from exchange transactions that were pledged as security..		
Credit quality of consumer debtors		
The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterpart default rates:		
11. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	1,471	233
Bank balances	5,221,987	2,624,674
Short-term deposits	64,096,248	52,362,384
	69,319,706	54,987,291

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Notes to the Annual Financial Statements for the year ended 30 June 2021

2021 2020

11. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
Standard Bank - Cheque Account - 330-451-3670001	4,259,325	3,220,820	1,552,402	12,776,553	1,562,604	21,779,406
Standard Bank - Investment account - 238-711-102-001	46,522,241	15,215,924	5,241,598	46,522,241	15,215,924	5,241,598
Standard Bank - InvestmentAccount - 238-711-102-002	10,370,365	30,154,159	5,459,534	10,370,365	30,154,159	5,459,534
Standard Bank - InvestmentAccount - 238-711-102-004	6,716,985	6,540,870	6,259,979	6,716,985	6,540,870	6,259,979
Standard Bank - InvestmentAccount - 238-711-102-005	359,419	348,081	330,220	359,419	348,081	330,220
Standard Bank - InvestmentAccount - 243-098-804-000	954,450	948,022	940,902	947,959	948,022	940,902
ABSA Bank - Call Account - 406-162-3641	1,720	2,181	2,631	1,720	2,181	-
ABSA Bank - Fixed Deposit - 206-427-0257	125,518	120,164	113,108	125,518	120,164	-
Standard Bank - Cheque Account - 372-331-149000	8,212	-	-	8,212	-	-
Cash on Hand	1,471	-	-	1,471	-	-
Total	69,319,706	56,550,221	19,900,374	77,830,443	54,892,005	40,011,639

12. Other financial liabilities

At amortised cost

Concessionary loan - Lepelle Northern Water	74,535,452	83,473,576
Concessionary loan - Lepelle Northern Water	14,222,478	13,578,588

The Municipality has a concessionary loan with Lepelle Northern Water (LNW) amounting to R174 100 000. The loan arose when the Municipality was still a Water Supply Authority. The loan is repayable in monthly equal installments of R1 700 000 and bears no interest. This has been discounted using the interest rate of 7.5% to reflect the time value of money. The loan is unsecured. The municipality have defaulted in making a payment of the monthly installments with a total amount of nominal value of R (2020: R100 200 000) translating to (2020: 19 months installments). There were no renegotiations that took place between the Municipality and LNW regarding the repayment terms and revised installment amount before the annual financial statements were authorised for issue. The Municipality is putting concerted efforts to settle the installment in arrears.

88,757,930 97,052,164

Total other financial liabilities 88,757,930 97,052,164

Non-current liabilities

At amortised cost	74,535,452	83,473,576
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Notes to the Annual Financial Statements for the year ended 30 June 2021

	2021	2020
12. Other financial liabilities (continued)		
Current liabilities		
At amortised cost	14,222,478	13,578,588
13. Finance lease obligation		
Minimum lease payments due		
- within one year	176,073	529,806
- in second to fifth year inclusive	-	176,073
	176,073	705,879
less: future finance charges	(3,869)	(47,611)
Present value of minimum lease payments	172,204	658,268
Present value of minimum lease payments due		
- within one year	172,204	486,064
- in second to fifth year inclusive	-	172,204
	172,204	658,268
Non-current liabilities	-	172,204
Current liabilities	172,204	486,094
	172,204	658,298
Ba-Phalaborwa Local Municipality has finance leases for Computer equipments (Laptops, Ipads and Modem) with MTN and Vodacom as well as Ipads with Mobile Telephone Networks (Pty) Ltd which were entered into in the current year. The monthly repayments were R47 968. The interest rate used implicit in the lease at inception is 10% per annum.		
.		
14. Payables from exchange transactions		
Trade payables	145,937,960	66,336,619
Sundry payables	22,014,815	22,011,820
Accrued leave pay	17,448,360	20,956,311
Unallocated Deposits received	33,227,120	-
Retentions	12,356,658	8,501,257
Other Creditors	555,909	555,909
Payroll Accruals	19,951,021	(307,643)
Mopani District Municipality (Water and Sanitation)	295,979,523	300,251,916
	547,471,366	418,306,189
15. VAT payable		
Tax refunds payables	-	3,698,215
16. Consumer deposits		
Electricity	4,275,689	4,339,318

Ba-Phalaborwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

2021 2020

17. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan..

Post retirement benefit plan

Post retirement medical aid plan

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

The employer's post-employment health care liability consists of a commitment to pay a portion of the pensioners' post-employment medical scheme contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary member. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary pensioner. The municipality is committed to pay any existing (pensioners) and their dependents will continue to receive a 60% or 70% (per month per member) as at 30 June 2021 amounting to an average of R3 243 (2020: R3 095). The liability in respect of active members has been proportioned between past service and future service. The liability in respect of current pensioners is fully accounted for.

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

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

Post Employee Medical Aid Scheme

Opening accrued liability	(34,364,898)	(44,021,000)
Service cost	(1,844,025)	(2,316,000)
Interest cost	(4,720,695)	(4,762,000)
Actuarial (gain)/loss	489,405	11,904,582
Medical contribution subsidies	1,001,040	1,107,000
	(39,439,173)	(38,087,418)

Long Service Awards

Opening accrued liability	(5,692,017)	(5,892,058)
Service cost	(488,767)	(559,371)
Interest cost	(473,030)	(496,131)
Actuarial (gain)/loss	(486,674)	846,943
Medical contribution subsidies	534,728	408,600
	(6,605,760)	(5,692,017)

Non-current liabilities	(48,606,756)	(42,243,666)
Current liabilities	(1,643,388)	(1,535,770)
	(50,250,144)	(43,779,436)

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.

Ba-Phalaborwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

	2021	2020
17. Employee benefit obligations (continued)		
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	43,779,436	49,913,058
Benefits paid	(1,535,768)	(1,515,600)
Net expense recognised in the statement of financial performance	8,006,476	(4,618,022)
	50,250,144	43,779,436
Net expense recognised in the statement of financial performance		
Current service cost	2,679,928	2,875,371
Interest cost	5,712,643	5,258,131
Actuarial (gains) losses	(386,095)	(12,751,524)
	8,006,476	(4,618,022)
Calculation of actuarial gains and losses		
Actuarial (gains) losses arising from changes in financial assumptions	(872,769)	(5,147,077)
Actuarial (gains) losses arising from experience adjustments	486,674	(7,604,447)
	(386,095)	(12,751,524)
Key assumptions used		
Assumptions used at the reporting date:		
Post Employee Medical Aid Scheme		
Discount rates used	11.70 %	13.94 %
Consumer price inflation	7.06 %	8.67 %
Health care cost inflation	8.56 %	10.17 %
Net discount rate	2.89 %	3.42 %
Long Service Awards		
Discount rates used	7.87 %	8.72 %
Consumer price inflation	4.91 %	8.67 %
Salary increase rate	5.91 %	5.10 %
Net Discount Rate	1.85 %	3.44 %
Normal retirement age	65	65
Fully accrued age	63	63
Age difference between spouses	3	3

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Notes to the Annual Financial Statements for the year ended 30 June 2021

2021 2020

17. Employee benefit obligations (continued)

Other assumptions

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

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	14,136,772	10,921,280
Effect on defined benefit obligation	32,371,896	25,577,276

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

Defined contribution plan

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

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

The amount recognised as an expense for defined contribution plans is 7,523,786 4,178,543

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

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant (MIG)	(95,907)	11,368,413
Integrated Electrification Programme (INEP)	62,673	3,260,097
Financial Management Grant (FMG)	669,155	723,329
Expanded Public Works Programme Integrated Grant (EPWP)	368	-
Electricity Efficiency Demand Side Management Grant	506,903	-
	1,143,192	15,351,839

Movement during the year

Balance at the beginning of the year	15,351,839	4,244,051
Additions during the year	44,963,593	43,230,942
Income recognition during the year	(59,172,240)	(32,123,154)
	1,143,192	15,351,839

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

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

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

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

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Notes to the Annual Financial Statements for the year ended 30 June 2021

	2021	2020		
19. Provisions				
Reconciliation of provisions - 2021				
	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	99,450,493	(12,156,244)	5,878,220	93,172,469
Bonus	2,534,709	246,739	-	2,781,448
	101,985,202	(11,909,505)	5,878,220	95,953,917
Reconciliation of provisions - 2020				
	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	99,183,370	(7,364,740)	7,631,863	99,450,493
Bonus	2,442,906	91,803	-	2,534,709
	101,626,276	(7,272,937)	7,631,863	101,985,202
Non-current liabilities			93,172,469	99,450,493
Current liabilities			2,781,448	2,534,709
			95,953,917	101,985,202

Environmental rehabilitation provision

The provision for landfill sites rehabilitation relates to estimated cost for the rehabilitation of three (3) land fill sites operated by the municipality. In terms of the Environmental Conservation Act No. 73 of 1989, the municipality is supposed to rehabilitate such land upon closure of the dumping sites.

Provision is based on engineering estimates 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 reached its useful life and it is estimated that R76 601 275 (2020: R70 016 840) will be spent to rehabilitate the site. Namakgale landfill site has reached its useful life and it is estimated that R9 895 830 (2020: R30 741 234) will be spent to rehabilitate the site. Gravelotte landfill site has been recommended for closure as it does not comply with minimum requirements of a landfill site. The estimated costs for rehabilitating the site is R17 038 313 (2020: R15 304 956) will be spent to rehabilitate the site. The estimated cash flows have been discounted using the net effective interest rate 2.25%.

20. Revaluation reserve

Opening balance	38,072,442	38,072,442
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Ba-Phalaborwa Local Municipality

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Notes to the Annual Financial Statements for the year ended 30 June 2021

	2021	2020
21. Revenue		
Service charges	121,309,681	150,251,535
Rental of facilities and equipment	5,219	430,016
Agency services	9,050,768	6,015,271
Licences and permits	5,689,723	2,645,086
Other income	1,941,671	1,813,550
Interest received - bank and overdue accounts	27,721,416	14,304,702
Property rates	95,114,067	141,850,344
Interest income - overdue accounts	19,818,069	16,469,949
Government grants & subsidies	252,461,449	182,872,154
Public contributions and donations	1,791,763	2,054,055
Traffic fines	301,201	864,248
Other transfer revenue	-	162,985
	535,205,027	519,733,895

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

Service charges	121,309,681	150,251,535
Rental of facilities and equipment	5,219	430,016
Agency services	9,050,768	6,015,271
Licences and permits	5,689,723	2,645,086
Other income	1,941,671	1,813,550
Interest received - investment	27,721,416	14,304,702
	165,718,478	175,460,160

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

Taxation revenue

Property rates	95,114,067	141,850,344
Property rates - penalties imposed	19,818,069	16,469,949

Transfer revenue

Government grants & subsidies	252,461,449	182,872,154
Public contributions and donations	1,791,763	2,054,055
Traffic fines	301,201	864,248
Other transfer revenue	-	162,985
	369,486,549	344,273,735

22. Service charges

Sale of electricity	105,277,283	130,868,593
Refuse removal	16,032,398	19,382,942
	121,309,681	150,251,535

23. Rental of facilities and equipment

Premises

Hiring of municipal halls	-	112,912
Rent received from investment property	5,219	202,169
	5,219	315,081

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Notes to the Annual Financial Statements for the year ended 30 June 2021

	2021	2020
23. Rental of facilities and equipment (continued)		
Facilities and equipment		
Hiring of stadium	-	65,173
Advertisement of billboards	-	49,762
	-	114,935
	5,219	430,016

24. Agency services

Water and Sanitation	6,123,544	6,014,386
Vehicle Licenses	2,927,224	885
	9,050,768	6,015,271

25. Licences and permits

Drivers licences	187,276	424,555
Licences	5,213,465	2,119,317
Roadworthy certification	288,982	101,214
	5,689,723	2,645,086

26. Other income

Building plan fees	79,960	58,896
Cemetery fees	190,153	140,823
Clearance certificates	7,862	53,069
Connection fees	312,631	593,612
Advertisements	192,339	-
Sundry income	665,065	501,200
Selling bid documents	10,435	1,894
Selling of municipal land	395,917	464,056
Building Plans Photocopies	2,728	-
Write-back of receivable	84,581	-
	1,941,671	1,813,550

Other Income 11 represents the Provision for Rehabilitation Cost Reduction due to fair values assessment at year end. The related amount of the same value is recorded in Provision Liability note. The changes (reduction) in the cost of rehabilitating the land is recognized as a form of Income in the Statement of Financial Performance in order to match the Expense in the form of Finance Cost that is recognised in the same statements under Finance Cost.

27. Interest income - bank and overdue accounts

Bank	2,718,496	2,967,703
Interest charged on trade and other receivables	25,002,920	11,336,999
	27,721,416	14,304,702

28. Fair value adjustments

Investment property (Fair value model)	144,630,618	8,946,429
Biological assets - (Fair value model)	6,117	(19,892)
	144,636,735	8,926,537

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Notes to the Annual Financial Statements for the year ended 30 June 2021

	2021	2020
29. Property rates		
Rates received		
Residential	61,961,300	141,850,344
Commercial	24,108,444	-
State	7,390,879	-
Municipal	55,280	-
Small holdings and farms	2,587,863	-
Income forgone	(989,699)	-
	95,114,067	141,850,344
Interest income - overdue accounts	19,818,069	16,469,949
	114,932,136	158,320,293
Valuations		
Residential	5,599,889	5,599,889
Commercial	2,745,945	2,745,945
State	441,201	441,201
Municipal	1,175,045	1,175,045
Agriculture	3,723,673	3,723,673
Other	2,452,165	2,452,165
	16,137,918	16,137,918

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

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

Ba-Phalaborwa Local Municipality

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Notes to the Annual Financial Statements for the year ended 30 June 2021

	2021	2020
30. Government grants and subsidies		
Operating grants		
Equitable share	195,936,245	150,749,000
Financial management grant	2,330,845	1,956,671
Municipal infrastructure grant	40,922,004	24,721,663
Integrated National Electrification Programme Grant	8,180,626	3,739,903
Local government sector education training authority grant	-	264,917
Expanded Public Works Programme Grant	1,098,632	1,142,000
Energy Efficiency and Demand Side Management Grant	3,993,097	-
Municipal Disaster Grant	-	298,000
	252,461,449	182,872,154

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	56,525,204	32,123,154
Unconditional grants received	195,936,245	150,749,000
	252,461,449	182,872,154

Equitable Share

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

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

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

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

The R 30 083 000 additional budget was allocated to the municipality through Equitable Share, and it remains part of Equitable Share as an Unconditional Grant.

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

Included in the Equitable Share of R 193 227 000 is Additional Covid Allocation for an amount of R 33 083 000.

Equitable Share

Current-year receipts	33,083,000	-
Spent /(Incurred Expenditure)	(2,356,794)	-
	30,726,206	-

Municipal Infrastructure Grant (MIG)

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Notes to the Annual Financial Statements for the year ended 30 June 2021

	2021	2020
30. Government grants and subsidies (continued)		
Balance unspent at beginning of year	11,368,413	4,064,075
Current-year receipts	31,373,600	32,026,000
Conditions met - transferred to revenue	(40,922,004)	(24,721,662)
Withheld	(1,915,916)	-
	(95,907)	11,368,413

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

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

The Municipality applied for roll over of the unspent portion of the grant to be approved by National Treasury.

Integrated National Electrification Grant (INEP)

Balance unspent at beginning of year	3,260,097	32,346
Current-year receipts	5,000,000	7,000,000
Conditions met - transferred to revenue	(8,197,424)	(3,739,903)
Withheld	-	(32,346)
	62,673	3,260,097

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

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

The Municipality applied for roll over of the unspent portion of the grant to be approved by the National Treasury..

Financial Management Grant (FMG)

Current-year receipts	3,000,000	2,215,000
Conditions met - transferred to revenue	(2,330,845)	(2,215,000)
	669,155	-

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

The Financial Management Grant (FMG) is paid to the municipality to help implement the financial reforms required by the MFMA 2003. The grant also pays for the cost of the financial management internship programme, i.e. salary of the financial management interns..

Local government sector education training authority grant

Current-year receipts	-	264,917
Conditions met - transferred to revenue	-	(264,917)
	-	-

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

Expanded Public Works Programme Grant (EPWP)

Current-year receipts	1,099,000	1,000,000
Conditions met - transferred to revenue	(1,098,632)	(1,000,000)
	368	-

Ba-Phalaborwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

	2021	2020
30. Government grants and subsidies (continued)		
The Energy Efficiency Demand Site Management Program (EEDSM)		
Balance unspent at beginning of year	-	147,630
Current-year receipts	4,500,000	-
Conditions met - transferred to revenue	(3,993,097)	-
Withheld	-	(147,630)
	506,903	-

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

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

31. Traffic fines

Municipal Traffic Fines	301,201	864,248
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32. Public contributions and donations

Phalabora Mining Company (PMC) donations	1,791,763	2,054,055
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Ba-Phalaborwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements for the year ended 30 June 2021

	2021	2020
33. Employee related costs		
Basic	79,631,684	78,841,192
Bonus	6,965,401	-
Medical aid - company contributions	6,785,400	5,965,266
UIF	709,339	610,363
WCA	777,492	667,201
SDL	1,184,250	1,096,928
Other payroll levies	-	323,720
Bargaining council	41,620	37,456
Short term benefit	-	324,034
Defined contribution plans	16,926,854	15,225,581
Travel, motor car, accommodation, subsistence and other allowances	17,864,132	15,424,853
Overtime payments	6,087,124	5,388,515
Long-service awards	3,514,664	7,740,335
13th Cheques	-	6,311,879
Acting allowances	2,483,781	2,703,174
Housing benefits and allowances	-	591,215
Defined benefits and allowances	-	7,672,502
Stipends	-	1,123,500
	142,971,741	150,047,714

Remuneration of municipal manager - Moakamela MI

Annual Remuneration	640,548	650,248
Travel Allowance	427,032	417,342
Contributions to UIF, Medical and Pension Funds	-	176,613
Other benefits	36,529	90,434
Cellphone allowance	18,000	18,000
	1,122,109	1,352,637

Remuneration of chief finance officer - Mogano TJ

Annual Remuneration	178,888	548,957
Car Allowance	119,260	345,490
Contributions to UIF, Medical and Pension Funds	-	64,592
Other benefits	11,079	124,797
Cellphone Allowance	8,000	24,000
Leave pay	178,216	-
	495,443	1,107,836

During the current year the Chief Financial Officer resigned in 30 November 2020. The position is currently vacant and Mr. Amos Thulane Ndzimande is acting Chief Financial Officer. An amount of R67 734 of acting allowance was earned during the period of acting from 01 December 2020 until 30 June 2021.

Remuneration of director planning and development services - Maluleke HP

Annual Remuneration	178,888	535,742
Car Allowance	119,260	345,490
Contributions to UIF, Medical and Pension Funds	-	154,283
Other benefits	6,070	77,642
Cellphone Allowance	8,000	24,000
Leave Pay	180,882	-
	493,100	1,137,157

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Notes to the Annual Financial Statements for the year ended 30 June 2021

	2021	2020
33. Employee related costs (continued)		
During the current year the director for Planning Development resigned in 30 October 2020, Chueu M acting on the position from 01 January 2021 until 30 June 2021. An amount of R68 220 for acting allowance was earned during this period..		
Remuneration of director corporate services - Pilusa KK		
Annual Remuneration	134,166	548,958
Car Allowance	78,264	345,490
Contributions to UIF, Medical and Pension Funds	3,764	102,089
Other benefits	164,252	39,491
Cellphone Allowance	6,000	24,000
	386,446	1,060,028
During the current year Mokoena SS and Mashale TS acted in the position for the periods from 1 July 2020 until 31 April 2020 and 01 November 2020 until 30 April 2021 respectively. An amount of acting allowance amounting to R40 768 (Mokoena SS) and R59 823 (Mshale TS) was earned during this period.		
Remuneration of director technical services - Mdungazi NC and Baloyi PM		
Annual Remuneration	137,692	497,840
Car Allowance	63,344	265,202
Bonuses	45,466	-
Contributions to UIF, Medical and Pension Funds	-	186,840
Other benefits	60,854	209,279
Cellphone Allowance	6,000	24,000
	313,356	1,183,161
The above director resigned at the end of 30 June 2020, the position is vacant. Mahumani and Madiope S acted in the position from 01 August 2020 until 31 October 2020 and 01 December 2020 until 30 May 2021 respectively. An amount of R88 332 for acting allowance was earned during this period. Baloyi PM is currently appointed permanent to the position		
Remuneration of Community Services department - Kanwendo MH		
Annual Remuneration	152,166	-
Car Allowance	58,767	-
Cellphone Allowance	6,000	-
	216,933	-
The above position was vacant during the current year, Zungu H and Mokhabukhi NS have acted from 01 July 2020 until 30 September 2020 and 30 November and 30 March 2021. An amount of R59 825 for Acting allowance amounting was earned during this period.		
34. Remuneration of councillors		
Executive Committee members	6,172,900	5,815,612
Councillors	9,131,219	11,893,372
Other benefits	-	34,183
	15,304,119	17,743,167
35. Depreciation and amortisation		
Property, plant and equipment	73,933,022	72,939,604
Intangible assets	91,273	91,274
	74,024,295	73,030,878

Ba-Phalaborwa Local Municipality

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Notes to the Annual Financial Statements for the year ended 30 June 2021

	2021	2020
36. Impairment of assets		
Impairments		
Property, plant and equipment	9,717,798	160,959
During the current year conditional assessment of infrastructure it was identified that some of the assets have deteriorated. The recoverable amount of the asset was based on its value in use determined using the asset indicator based on the conditional rating of the asset.		
37. Finance costs		
Non-current borrowings	18,596,766	8,004,331
Finance leases	43,742	-
Late payment of suppliers	-	79,858
Discounting of provisions	-	578,420
	18,640,508	8,662,609
38. Debt impairment		
Debt impairment	39,994,029	89,888,366
39. Bulk purchases		
Electricity - Eskom	86,757,786	84,703,814
Included in the bulk electricity purchases is the 27.44% (2020: 23.59%) 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 R17 064 819 (2020: R16 529 679.76). The loss in terms of Units amounted to 20 274 357 kWh (2020: 18 140 121 kWh)		
40. Contracted services		
Presented previously		
Information Technology Services	-	14,936
Agency Services	-	467,355
Operating Leases	-	2,730,366
Actuarial and Accounting Services	9,165,919	6,828,222
Insurance	404,850	1,676,210
Outsourced Services		
Business and Advisory	925,360	-
Cleaning Services	1,293,841	-
Meter Management	1,092,276	1,466,686
Mini Dumping Sites	178,000	-
Security Services	11,454,729	11,686,832
Transport Services	59,470	-
Consultants and Professional Services		
Business and Advisory	110,928	16,053,415
Infrastructure and Planning	2,086,915	-
Legal fees	-	7,268,116
Contractors		
Electrical	1,064,540	-
Inspection Fees	2,275,419	-
Tracing Agents and Debt Collectors	2,140,331	-

Ba-Phalaborwa Local Municipality

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Notes to the Annual Financial Statements for the year ended 30 June 2021

	2021	2020
40. Contracted services (continued)	32,252,578	48,192,138
41. General expenses		
Accommodation	-	1,788,965
Advertising and marketing campaigns	2,015,279	1,455,171
Auditors remuneration	6,653,473	5,975,733
Bank charges	327,685	291,399
Cleaning	-	9,685
Commission paid	-	2,181,235
Computer expenses	1,000	-
Consulting and professional fees	-	252,927
Consumables	17,128,500	8,423,996
Entertainment	407,407	53,261
Bursaries	1,749,017	663,087
Hire of equipment	5,622,535	5,617,206
Internet and connectivity	-	87,463
IT expenses	159,617	157,815
Indigent support	949,565	2,859,348
Expanded Public Works Programme	-	1,329,048
Motor vehicle licence fees	-	(69,011)
Electricity non-bulk purchases	-	3,836,680
Motor vehicle expenses	204,384	-
Occupational health and Safety	-	660,580
Fuel and oil	94,972	1,903,232
Placement fees	56,983	78,579
Postage and courier	3,536	516,473
Printing and stationery	407,733	565,318
Promotions	-	168,500
Protective clothing	-	1,129,220
Project maintenance costs	-	824,095
Repairs and maintenance	698,924	16,667,342
Public participation	-	2,189,548
Staff welfare	-	427,472
Subscriptions and membership fees	5,006,270	3,608,174
Telephone and fax	1,785,146	1,796,002
Training	-	1,600,624
Travel - local	138,719	2,156,108
Refuse	15,834	-
Title deed search fees	-	10,359
Uniforms	945,832	-
Municipal Services	47,059,932	-
Pounding	-	351,450
Audit and risk committee remuneration	-	688,000
Financial management grant expenses	-	9,320,890
Landfill site restoration expenses	-	(2,798,367)
Strategic Sessions	-	328,799
Contribution from estimates - landfill	(20,046,689)	-
	71,385,654	77,106,406
42. Auditors' remuneration		
Fees	6,653,473	5,975,733

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	2021	2020
43. Cash generated from operations		
Surplus (deficit)	185,425,919	(150,960,940)
Adjustments for:		
Depreciation and amortisation	74,024,295	73,030,878
Gain on sale of assets and liabilities	852,426	141,161,536
Fair value adjustments	(144,645,350)	(8,926,537)
Finance costs	18,640,508	8,662,609
Interest income	(47,530,865)	(30,774,651)
Impairment deficit	9,717,798	160,959
Debt impairment	39,994,029	89,888,366
Actuarial gains/losses	(386,095)	(12,751,525)
Movements in provisions	439,423	1,368,220
Donations received	(1,791,762)	(2,054,055)
Inventory losses/write-downs	662,722	1,675,310
Changes in working capital:		
Inventories	(5,650,085)	257,061,031
Receivables from exchange transactions	8,414,230	38,919,456
Receivables from non-exchange transactions	(149,021,026)	(24,784,966)
Payables from exchange transactions	112,843,415	(329,243,653)
VAT	(7,741,310)	3,698,215
Unspent conditional grants and receipts	(14,208,647)	11,107,788
Consumer deposits	(63,629)	98,693
	79,975,996	67,336,734

44. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	211,194,447	211,194,447
Receivables from non-exchange transactions	63,264,640	63,264,640
Cash and Cash equivalent	69,319,706	69,319,706
	343,778,793	343,778,793

Financial liabilities

	At amortised cost	Total
Other financial liabilities	88,757,930	88,757,930
Financial lease obligation	172,204	172,204
Payables from exchange transactions	547,471,366	547,471,366
Consumer deposits	4,275,689	4,275,689
	640,677,189	640,677,189

2020

Financial assets

	At amortised cost	Total
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Notes to the Annual Financial Statements for the year ended 30 June 2021

	2021	2020
44. Financial instruments disclosure (continued)		
Receivables from non-exchange transactions	71,678,870	71,678,870
Receivables from exchange transactions	62,173,421	62,173,421
Cash and cash equivalents	54,987,291	54,987,291
	188,839,582	188,839,582

Financial liabilities

	At amortised cost	Total
Other financial liabilities	97,322,164	97,322,164
Payables from exchange transactions	418,306,189	418,306,189
Finance lease obligation	658,298	658,298
Consumer deposits	4,339,318	4,339,318
	520,625,969	520,625,969

Financial instruments in Statement of financial performance

2021

	At amortised cost	Total
Interest income - overdue accounts and interest	47,530,865	47,530,865
Finance costs	(18,640,508)	(18,640,508)
	28,890,357	28,890,357

2020

	At amortised cost	Total
Interest income - overdue accounts and interest	30,774,651	30,774,651
Finance costs	(8,662,609)	(8,662,609)
	22,112,042	22,112,042

45. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	51,709,067	40,592,707
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Total capital commitments

Already contracted for but not provided for	51,709,067	40,592,707
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Authorised operational expenditure

Total commitments

Total commitments

Authorised capital expenditure	51,709,067	40,592,707
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This committed expenditure relates to various projects and will be financed by available bank facilities, existing cash resources and funds internally generated.

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2021 2020

46. Contingencies

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

Contingent liabilities incurred relating to interests in other entities

Contingent liabilities

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

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

Makwande Chartered Accountants and Business Advisors [1]	400,000	-
Tlhaola Dynamic (Pty) Ltd [2]	3,039,811	3,039,811
LE Thom [3]	1,294,796	1,294,797
Thaki William Mojapelo and Masako Mary Mojapelo	-	16,046,000
Tippuprox (Pty) Ltd [4]	5,528,500	5,528,500
Millioniers Club CC [5]	1,650,000	1,650,000
Malatji Khensani Eulender	-	1,200,000
Kgopotso Lekgothwane [6]	2,600,000	2,600,000
Christoffel Smith [7]	112,758	112,758
Lwazi Engineering	-	1,259,715
Juxtapose (Pty) Ltd [8]	3,690,587	3,690,587
M L Nkosi Electrical Contractors cc and Soma Construction cc [9]	1,929,975	1,929,975
R Shai	-	120,000
Ba-Phalaborwa Municipality [19]	800,000	800,000
Frans Johannes Meintjies N O and others [11]	300,000	300,000
TT Thete [12]	100,000	100,000
SAMRO NPC [13]	793,829	793,829
Sebatane Daniel Mohlatlole [14]	189,300	-
Khumbudzo Ntshaveni [15]	180,000	-
Khumbudzo Ntshaveni [16]	50,002,000	-
Mopani Flying Squad [17]	400,000	-
Tshiamiso Trading [18]	400,000	-

1. The company wants the court to overturn the judgment the ruled in the municipality's favour in the previous dispute. Date of hearing is the 21st May 2021.

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

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

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

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2021

2020

46. Contingencies (continued)

5. 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 appointed on October 2015. He has the certificate. By this time, they had already been paid R776 262.48 which they had been invoicing monthly. The Director: Technical telephonically informed Millionaires Club about the appointment at the end of September 2015. A letter of notification was also faxed but later turned out that it did not go through. Millionaires Club cc stopped sending invoices from October 2015. Millionaires Club brought 6 invoices on the 31st March 2016 claiming that they were for services rendered from October 2015 to the 31st March 2016 which they never did.

6. Summons against the municipality in the amount of R2 000 000.00 for an alleged negligent failure by the municipality to barricade a ditch which had been dug up by municipal workers, resulting in the plaintiff falling in it and getting seriously injured.

7. Christoffel Smith issued summons in the amount of R14 115.38 for an alleged damage caused to his vehicle by an alleged pothole on a municipal road. Plaintiff asked for a postponement as they were not ready.

8. Juxtapose (Pty) LTD was engaged by the municipality to design extension of municipal offices for an amount of R1 766 988.12. They allege that they did the work of which R768 642.09 is outstanding and further that they were orally requested to do further work which amounted to R2 471 945.00.

9. M L Nkosi Electrical Contractors cc and Soma Construction cc demand payment from Ba-Phalaborwa Municipality in the amount of R1 579 974.73 for work done. From reading of all documents relating to the award of the tender, they tendered in the amount of R19 541 461.41 but were awarded the tender in the amount of R18 541 461.41, an amount which was never tendered for by any tenderer. The municipality entered into an agreement with these service providers to change the amount, the scope of work and the duration of the contract within four months of entering into the contract.

11. 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 the municipality.

12. Mr T.T, Thete has interdicted the municipality from disconnecting electricity supply to his properties while he does not pay for the same services. Matter withdrawn from court. Thete tendered to make arrangement with the municipality for all outstanding payments. File closed.

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

14. Sebatane Daniel Mohlatlole claims an amount of R69 299.69 against the municipality for alleged damage to his furniture by water flowing from the street into his house. He alleges that the municipality failed to maintain its drainage system while he also built a parameter wall that blocks easy flow of water from his property.

15. 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. The judge ordered that the matter be placed on opposed roll as the applicant filed opposing papers later. New date will be secured.

16. Ms. Khumbudzo Ntshaveni is suing the municipality in the amount of R50 002 000.00 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.

17. The company wants to be appointed as a security service provider after the expiry of the contract it has with the municipality. Date of taxing costs is 27 June 2021.

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

19. Transfer of properties sold to various residents at Namakgale and registration of owners to obtain deeds of grants at Lulekani

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2021 2020

46. Contingencies (continued)

Contingent assets

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

Ba-Phalaborwa Municipality versus Geldenhys' estate [1]	200,000	200,000
Ba-Phalaborwa Municipality versus Mavambo ITS [2]	3,559,810	3,559,810
Ba-Phalaborwa Municipality versus Mbiyani Florence Chauke [3]	80,000	80,000
Ba-Phalaborwa Municipality versus Marais [4]	80,000	80,000
Ba-Phalaborwa Municipality versus Mr. Doctor Nkuna [5]	80,000	80,000
Ba-Phalaborwa Municipality versus Mr. Charmakala Group and Mogudi Estate [6]	180,000	180,000
Eviction of illegal occupier of Lekang gape day care centre [7]	120,000	-

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

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

3. Ba-Phalaborwa Municipality versus Mbiyani Florence Chauke - The former employee negligently infringed Greater Kruger Tourism cc's copyright as a result the municipality had to pay R200 000.00 in settlement. Summons issued.

4. A farmer by the name of P.P. Marais has invaded a farm belonging to the municipality. Application to be lodged.

5. Mr. Doctor Nkuna was erroneously sold an erf zone for religious purpose. He was refunded. However, by the time he was refunded, he already had a title deed. The municipality is applying to court to get the ownership revert to it. Application to be lodged

6. 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 to be lodged

7. Eviction

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2021 2020

47. Related parties

Relationships

Mayor	M.M Malatji
Speaker	E. Hlungwani
Chief Whip	D. Rapatsa
	.
Mayoral Executive Committee Councillors	.
- Exco Chairperson: Governance and Administration	T. Nkuna
- Exco Chairperson: Planning and Development	M.M Malesa
- Exco Chairperson: Municipal Infrastructure and Services	M.M Magomane
- Exco Chairperson: Budget and Treasury	S.L Mohlala
- Exco Chairperson: Community and Social Services	S.R De Beer
- Exco Member	S.P Mashumu
	.
Councillors	K.O Pilusa
	K.A Peta
	K.P Mhlarhi
	ST Mkanzi
	B. Ramothwala
	N.J Mampuru
	Z. Ndlovu
	A.N Mmola
	M.E Mokgalaka
	E.A Mokoena
	P.K Mashego
	L.M Matlala
	V.M Rapatsa
	T.C Malatjie
	T.S Ndlovu
	S. GH Lamola
	A. Ngobeni
	S MRS Williamson
	S.M Shayi
	D.R Bayana
	M.M.A Mathebula
	R.J Mphogo
	M.J Valoyi
	S.K Shai
	M.S Sekwakwa
	E.F Nyathi (Appointed: 1 December 2020)
	M.P Mailula (Appointed: 1 March 2021)
	N.A Sono (Terminated: January 2021)
	.
Municipal Manager	Maite I Moakamela
Acting Chief Financial Officer	A Nzimande
Senior Management	.
- Senior Manager: Corporate Services	K.K Pilusa
- Acting Senior Manager: Community Services	M.J Kanwendo
- Acting Senior Manager: Planning & Development	M. Chueu
- Senior Manager: Technical Services	P.M Baloyi

Related party balances

Loan accounts - Owing (to) by related parties

Mayor	281	-
Chief Whip (Account paid in advance)	(1,328)	-
Mayoral Executive Committee Members	1,081	-
Councillors	16,680	-

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	2021	2020
47. Related parties (continued)		
Municipal Manager	4,071	-

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

Compensation to accounting officer and other key management		
Short-term employee benefits	737,776	-
Defined contribution plans	637,000	-
	1,374,776	-

Key Oversight & Management Information

Class	Description	Number
Mayor	Meriam Malatji	1
Speaker	Erick Hlungwani	1
Mayoral Executive Committee	See above for detailed names listing	7 (Including Chief Whip)
Municipal Manager	Maite I Moakamela	1
Acting Chief Financial Officer	A Nzimande	1
Senior Management	See above for detailed names listing	4

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Figures in Rand

47. Related parties (continued)

Remuneration of management

Management class: Municipal Manager & Chief Financial Officer

2021

	Basic salary	Other short-term employee benefits	Post-employment benefits	Total
Name				
M.I Moakamela (Municipal Manager)	640,548	481,561	-	1,122,109
A. Ndzimande (Acting CFO)	425,604	464,029	93,633	983,266
	1,066,152	945,590	93,633	2,105,375

2020

	Basic salary	Other short-term employee benefits	Total
Name			
M.I Moakamela (Municipal Manager)	650,248	702,389	1,352,637
T.J Mogano (Former CFO)	548,957	558,879	1,107,836
	1,199,205	1,261,268	2,460,473

Management Class: Councillors

2021

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Figures in Rand

47. Related parties (continued)

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

2020

	Basic salary	Total
Name		
Executive committee	5,815,612	5,815,612
Councillors	11,927,555	11,927,555
	17,743,167	17,743,167

Management class: Executive management

2021

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

2020

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Figures in Rand

47. Related parties (continued)

Name	Basic salary	Other short-term employee benefits	Total
Technical Service	497,840	685,321	1,183,161
Corporate Services (acting)	454,790	644,887	1,099,677
Community Services	548,958	511,070	1,060,028
Planning and Development	535,742	601,415	1,137,157
Corporate Services	397,585	600,915	998,500
	2,434,915	3,043,608	5,478,523

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2021

2020

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:

Property, plant and equipment - Infrastructure; Depreciation and Accumulated surplus - prior period error - during the review of the fixed assets register, it was identified that incorrect useful lives was used to calculate prior years depreciation resulting in the understatement of property, plant and equipment infrastructure and overstating the accumulated surplus with amount of R82 365 345. As a result of the review of useful lives and residual value it impacted on the prior year depreciation amounting to R10 511 104.

Provisions: Environmental Rehabilitation Cost Balance & Finance Cost: During the current year review of the opening balances of the prior period financial statements, it was identified that the movement, Cost and Interest, in the Provision liability for Environmental Rehabilitation was not recognized in the financial statements. While the movement amounts are disclosed in the prior year notes they were nonetheless not added correctly to determine the closing balance of the provision balance. The net effect of this error is an increase in the provisions cost balance by R 267 123.

Unspent Grants: INEP and EEDSM Prior Period Grants Balances Understatement: During the prior period (2019.20) the Unspent INEP and EEDSM Conditional Grants had opening balances of R32 346 and R147 630 respectively that arose from the 2018.19 financial year. In the 2018.19 financial year the grants were unspent, and the municipality did not apply for a rollover into the 2019.20 financial year. In the 2019.20 (prior period) financial year Treasury withheld the grants total amount of R179 976 from the Equitable Share allocation of the municipality and thereby vesting the conditions of the grants by the municipality. The municipality should have recognized the revenue arising from the vesting of the grants and reverse the unspent liability balances of the grants in the prior period. This error is corrected in the current year AFS by restating the prior period disclosed amounts and balances for the grants. The Equitable Share revenue was also adjusted by the R179 976 total amount that was withheld by treasury. Another amount was identified that the EEDSM was misstated with an amount of R473 439 which was recognised as revenue in the prior years prematurely. This resulted in the unspent EEDSM being understated with a net amount of R441 093 and INEP amounting to R147 640.

Investment Properties; Loss on sale of assets and Accumulated surplus - Prior period error - During the current year review and physical verification of land, it was identified that there is land which was omitted in the previous years, resulting in the understatement of vacant land and accumulated surplus with an amount of R21 953 000,00. It was also identified that there are properties in Occupied/Duplicated which did not have an Opening balance from 2019, but was rather transferred from Inventories in 2020, which were later found to be Occupied or Duplicated in FAR resulting in the overstatement of investment properties with R251 862 000, understating the loss on sale of assets with R113 650 000 and accumulated surplus with R138 212 000.

Property, Plant and Equipment - Land; Loss on sale of assets and Accumulated surplus - Prior period error - During the current year review and physical verification of land, it was identified that there is vacant land which was included in land PPE where the municipality lost control of, this resulted in understatement of loss on disposal with amount of R5 170 000 and overstatement of land PPE with the same amount. Also it was identified that an amount of Investment Properties was erroneously misstated with an amount of R20 000.

Property, Plant and Equipment - Land; Investment Properties and Accumulated Surplus - Prior period error - During the current year review and physical verification of land, it was identified that there is land which was omitted in the previous years. Resulting in the understatement of Land and accumulated surplus amounting to R 317 000. It was identified that there is land which was vacant without plans of developing nor sale in the PPE land, understanding Investment property and PPE - Land with amount of R400 000.

Finance lease obligations and Finance Costs - during the previous year it was identified that there are two lease contracts not included in the calculations and the interest rate implicit in the lease was incorrectly determined. this resulted in overstatement of finance lease obligation and finance costs with an amount of R149 703.

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2021

2020

48. Prior-year adjustments (continued)

Property, Plant and Equipment - Movable assets; Accumulated depreciation - prior period error; Loss on disposal of assets - during the current year review of assets and performing a physical verification, it was identified that there are differences in the fixed asset register with the records, after the confirmation of the condition of assets there was a useful lives and residual values review which impacted on the depreciation which was calculated in the previous years due to incorrect useful lives allocated to the assets. The above assessment and identification resulted in the overstatement of Property, plant and equipment amounting to R5 408 300; Impairment loss understated with an amount of R160 958; loss on disposal understated amounting to R441 309; depreciation amounting to R1 651 769 and Accumulated surplus - prior period error amounting to R6 457 801.

Property, Plant and Equipment - Buildings; Property, plant Equipment - Infrastructure; Depreciation and Accumulated surplus - prior period error - during the review of the fixed asset register it was identified there were assets which were omitted, there was also a review of useful lives and residual values which resulted in the identification that the buildings were understated resulting in the amount of R63 963 864. Also it was identified that some buildings assets with a carrying value of R648 681 was incorrectly classified as Infrastructure resulting in the overstatement of the class and understatement of buildings also impact on the depreciation amounting to R4 493 434. This resulted in the accumulated surplus understated with an amount of R49 860 018.

Property, Plant and Equipment - Community Assets; General expenses; Accumulated surplus - Prior period error and Depreciation - during the review of useful lives and residual values it was identified that the assets were overcharged in the prior year as a result of not accounting for the assessments resulted in the understatement of PPE community assets amounting to R102 285 556. the review also impact on the depreciation for the 2019/20 financial amounting to R10 508 476. Accumulated surplus was understated by R91 423 545.66. It was also identified that the changes in estimates and CPI from the provision was incorrectly recorded under expenses resulting in the understatement of expenses and PPE community assets amounting to R2 798 367.

Intangible assets and Depreciation and Amortisation - during the review of intangible assets it was identified that the useful live of the intangible assets was incorrectly determined resulting in a revision of the useful lives, this resulted in the adjustment of the accumulated amortisation on the class amounting to R390 197. The assessment resulted in the amortisation of R91 273 recognised for the 2019/20 financial year.

Payables from exchange transaction - Mopani and Accumulated surplus - prior period error - during the current year review and reconciliation of the municipality and Mopani District municipality account, it was identified that the municipality overstated the transfer creditor account for the water and waste water services they perform on behalf of the District. this resulted in the overstatement of payables from exchange and understatement of accumulated surplus prior period error amounting to R122 783 975.

Employee benefit Obligation; Actuarial gains; Employee benefits; Finance Costs and Accumulated Surplus - Prior period error - During the current year audit, it was identified that Water employees belongin to a Post Employment Medical Subsidy was excluded from the accounting records. Evidence was identified that the municipality is bearing the costs without recovery from Mopani. This resulted in the understatement of the opening balance of benefit obligation with an amount of R4 162 000, Actuarial gain for the year amounting to R1 230 480, Employee related costs (service costs) amounting to R330 000 and Finance costs amounting to R461 000. The impact on the accumulated surplus for the year was R 4 162 000.

Intangible Assets: Cost additions due to prior period reclassification adjustment - During the prior period of 2019.20 the property, plant & equipment (PPE) included Library books because of an erroneously reclassification of the carrying amount of the library books of R69 538 from Intangible Assets to PPE. As part of the reclassification the value of the library books was deducted from Intangible Assets and added to PPE. In the current period of 2020.21 this reclassification error is correct by adding the R69 538 back into the cost of the Intangible Assets and reducing the Library Books under PPE to zero. As the library books amortization years was not impacted there is not impact on the opening balance of Accumulated Surplus

Property, plant and equipment - Infrastructure and Public contributions and donations - During the current year PMC Mine donated Infrastrure to the municipality to the value of R2 054 055 which was incorrectly accounted for in the 2020/2021 financial year. resulting in the understatement of Other revenue from Public contributions and donations. Depreciation impact of the infrastructure donated amounted to R29 826.

Statement of financial position

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48. Prior-year adjustments (continued)

2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Investment Properties		480,399,000	(230,329,000)	-	250,070,000
Property, plant and equipment		750,598,954	142,906,684	-	893,505,638
Finance lease obligation - Long-term portion		(140,979)	-	(31,225)	(172,204)
Finance lease obligation - Short term portion		(667,022)	149,733	31,225	(486,064)
Intangible assets		165,709	199,385	-	365,094
Unspent government grants		(15,058,376)	(293,463)	-	(15,351,839)
Provisions - long term		(104,340,659)	(267,123)	5,157,289	(99,450,493)
Provision - short-term		(534,730)	-	(1,999,979)	(2,534,709)
Payables from exchange transactions		(543,624,873)	122,783,975	2,534,709	(418,306,189)
Employee benefit obligation - short term		(903,202)	-	(632,568)	(1,535,770)
Employee benefit obligation - long term		(33,461,695)	(3,722,520)	(5,059,451)	(42,243,666)
Accumulated surplus prior period error		(594,543,781)	(31,427,671)	-	(625,971,452)
		(62,111,654)	-	-	(62,111,654)

Statement of financial performance

2020

	Note	As previously reported	Correction of error	Restated
Finance Costs		(8,084,189)	(578,420)	(8,662,609)
Depreciation		(74,785,298)	1,754,420	(73,030,878)
Loss on sale of assets		(17,250,302)	(123,911,234)	(141,161,536)
General expenditure		(79,904,773)	2,798,367	(77,106,406)
Employee related costs		(149,717,714)	(330,000)	(150,047,714)
Actuarial gains		11,521,045	1,230,480	12,751,525
Public Contributions and donations		-	2,054,055	2,054,055
Surplus for the year		(318,221,231)	(116,982,332)	(435,203,563)

Commitments - Operational

During the current year audit it was identified that the operational commitments was disclosed in contravention of GRAP requirements, this resulting in the commitments being overstated by R25 657 418 (2019: Nil).

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49. Risk management

Liquidity risk

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

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	13,578,508	75,179,342	-	-
Finance lease obligations	172,204	-	-	-
Payables from exchange transactions	547,471,366	-	-	-
At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	13,578,508	83,473,576	-	-
Finance lease obligations	486,094	172,204	-	-
Payables from exchange transactions	418,306,189	-	-	-

Credit risk

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

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

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

Financial instrument	2021	2020
Receivables from non-exchange transactions	63,264,640	71,678,870
Receivables from exchange transactions	211,194,447	62,173,421
Cash and cash equivalent	69,319,706	54,987,291

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 2021 and 2020, the municipality's borrowings at variable rate were denominated in the Rand.

50. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus (deficit) of (16,197,639) and that the municipality's total liabilities exceed its assets by -.

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50. Going concern (continued)

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

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

51. Events after the reporting date

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

52. Unauthorised expenditure

Opening balance as previously reported	503,816,588	420,832,213
Opening balance as restated	503,816,588	420,832,213
Add: Expenditure identified - current	27,120,364	82,984,375
Less: Approved/condoned/authorised by council - prior period	(420,832,213)	-
Closing balance	110,104,739	503,816,588

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

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

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

Non-cash	11,232,946	75,475,495
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Analysed as follows: non-cash

Loss on disposal of property, plant and equipment	852,426	17,250,302
Debt impairment	-	56,549,883
Impairment of assets	9,717,798	-
Inventories losses / write downs	662,722	1,675,310
	11,232,946	75,475,495

Unauthorised expenditure: Budget overspending – per municipal department:

Finance	15,887,418	7,508,880
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53. Fruitless and wasteful expenditure

Opening balance as previously reported	14,488,377	14,065,858
Opening balance as restated	14,488,377	14,065,858
Add: Expenditure identified - current	86,673	422,519
Less: Approved/condoned/authorised by council - prior period	(9,343,227)	-
Closing balance	5,231,823	14,488,377

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53. Fruitless and wasteful expenditure (continued)

That Council approved a write off of only R9 343 227 of fruitless and wasteful expenditure which emanates from interest paid to the service providers such as Telkom, Eskom, SARS, AGSA, COIDA for late payment made due to insufficient cash flow. That the balance of R4 722 631 still need to be tested against the available evidence.

Expenditure identified in the current year include those listed below:

	Disciplinary proceedings	steps	taken/criminal		
Interest - Eskom				-	56,437
Interest - SARS (PAYE, SDL, VAT)	None Taken			86,652	-
Interest - Telkom				21	3,254
Interest - Auditor General South Africa				-	19,701
Interest - Sebata EMS				-	343,027
				86,673	422,419

No Disciplinary steps have been taken against any employee relating to the charging of Interest by SARS.

54. Irregular expenditure

Opening balance as previously reported	276,171,148	257,225,149
Opening balance as restated	276,171,148	257,225,149
Add: Irregular Expenditure - current	28,553,529	18,945,999
Less: Amount condoned- prior period	(171,733)	-
Closing balance	304,552,944	276,171,148

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		2021	2020
54. Irregular expenditure (continued)			
Incidents/cases identified in the current year include those listed below:			
	Disciplinary steps taken/criminal proceedings		
Infra Projects Africa	Various operational procurement made without following proper supply chain procedures	3,773,346	11,739,650
Uranus Consulting Engineers	Various operational procurement made without following proper supply chain procedures	1,331,971	3,382,429
Superior Quality Engineering and Technologies 8	Various operational procurement made without following proper supply chain procedures	1,042,488	-
Baatshuma	Service provider appointed did not include the BBE certificate for the subcontractor, the Municipality did not evaluate based on the Sub - Contract Non member attended and evaluated in the tender bid evaluation committee	2,963,062	-
Charlin Consulting	Provision of services on expired tender	592,400	-
Provision of services on expired tender	Directors did not declare interest on the form and is employed by the state	-	16,091
Dima K Safaris and Tours	tender did not specify the minimum threshold for local production and content, as required by the regulation above	14,800	-
Gumela General Dealer and Projects	The bid specification for the below quotations did not specify the minimum threshold for local content	1,985,188	-
Hlapi Holdings	The bid specification for the below tender did not specify the minimum threshold for local content, as required by the regulation above	197,050	-
Jusben Consulting Engineers	3 quotations was not obtained from a supplier listed on the list of prospective suppliers	2,590,526	-
Media24	The bid specification for the below tender did not specify the minimum threshold for local content, as required by the regulation above	20,488	-
MLO Investments	suppliers conducted business with the municipality and the directors did not declare that they are business partners with the councillor and exco member of the municipality, furthermore the business partners identified below did not declare that they are directors of the below businesses	3,733,153	-
Morcar Trading	suppliers conducted business with the municipality and the directors did not declare that they are business partners with the councillor and exco member of the municipality, furthermore the business partners identified below did not declare that they are directors of the below businesses	193,546	-
Motopiwa Trading	that only one instead of the required 3 quotations was obtained from a supplier listed on the list of prospective suppliers.	147,990	-
Palabora Herald		231,551	-

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		2021	2020
54. Irregular expenditure (continued)			
The A Team Task Force	conducted business with the municipality and the director did not declare that he is a business partner with the councillor of the municipality, furthermore the councillor A Ngobeni did not declare that he is a director of Legae enterprises as per his declaration of interest certificate	8,162,470	-
ZevoFusion	The bid specification for the below tender did not specify the minimum threshold for local content, as required by the regulation above	1,573,500	-
		28,553,529	15,138,170

Amounts written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R173 133 from the total irregular expenditure amount as it was proven that the finding was resolved by Auditor General of South Africa.

That the balance of R248 600 291 still need to be tested against the available evidence of consequence management.

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	2021	2020
55. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	94,010	1,706,829
Amount paid - current year	(94,010)	(1,706,829)
	-	-
Audit fees		
Current year subscription / fee	6,090,516	5,973,291
Amount paid - current year	(6,090,516)	(5,973,291)
	-	-
PAYE and UIF		
Current year subscription / fee	27,293,971	22,928,649
Amount paid - current year	(27,293,971)	(22,928,649)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	25,875,739	24,467,591
Amount paid - current year	(25,875,739)	(24,467,591)
	-	-
VAT		
VAT receivable	7,741,310	(3,698,215)
VAT payable	3,698,215	-
	11,439,525	(3,698,215)

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

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

56. Accounting by principals and agents

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

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

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

The unpunctuality 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 5% collection fee on monies collected that it with-hold and pay over the 95% over to the Mopani District Municipality.

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2020

56. Accounting by principals and agents (continued)

Entity as agent

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

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

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

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

Ba-Phalaborwa Municipality receives a management fee of 10% as an agency fee based on the water and sanitation cash collections. The municipality also recovers the costs that it incurs on behalf of the district municipality.

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is 6,980,840 (2020: 6,015,271)

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 R31 233 188 (2020: R33 579 172).

As at 30 June 2021 the municipality realised revenue for the district amounting to R237 917 320 (2020: R206 653 171) and had debtors outstanding for the water and waste water sales amounting to R1 024 100 472 (2020: R963 066 804)

Inventories held on behalf of the district municipality amounted to R5 346 592 (2020: R4 235 977).

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

Water

Additional details

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

Salaries

Additional details

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	186,724,881	174,301,931
Interest on overdue accounts	51,192,438	32,351,240

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	2021	2020
56. Accounting by principals and agents (continued)		
	237,917,319	206,653,171
Amount of expenses paid on behalf of the principal during the reporting period		
Salaries	(19,820,235)	(18,384,633)
General expenses	(11,402,953)	(15,194,539)
	(31,223,188)	(33,579,172)
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	963,066,804	963,066,804
Revenue that principal is entitled to	237,917,320	-
Cash received on behalf of the principal	(176,883,652)	-
	1,024,100,472	963,066,804
All categories		
Opening balance	963,066,804	963,066,804
Revenue that principal is entitled to	237,917,320	-
Cash received on behalf of the principal	(176,883,652)	-
	1,024,100,472	963,066,804

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2020

57. Deviation from supply chain management regulations

Supplier	Project	Amount	Date disclosed	Reason
RGR Services	Special repair of TLBs on the rear differential brakes and hydraulic valve bank	105,849	30/06/2021	Three Quotes not sourced
Mampudidi Property and Development	Hiring of Refuse Compactor truck at wet rate	179,000	30/06/2021	Hiring of Refuse Compactor truck at wet rate
Mampudidi Property and Development	Hiring of Refuse Compactor truck at wet rate	187,950	30/06/2021	Service provider outside panel appointed due to emergency
Mampudidi Property and Development	Hiring of Refuse Compactor truck at wet rate	89,500	30/06/2021	Exceptional Cases where it is impractical to follow SCM process
The A Team Task Force	Interim Provision for security guarding services and alarm system for a period of three months	3,072,225	30/06/2021	Emergency
The A Team Task Force	Security Services for a period of six months starting from the 01st of March 2021 to the 31st of August 2021	6,144,450	30/06/2021	Expired contract extended due to court interdict on appointment of new supplier.
Francks Engineering	Repair of a refuse compactor truck DSL 360L	103,623	30/06/2021	Three quotations not sourced
Earthmoving Filtration And Compaction (RGR)	Repair of a municipal Volvo grader	35,125	30/06/2021	Three quotations not sourced
		9,917,722		

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2020

58. Budget differences

Material differences between budget and actual amounts

1. Interest on long outstanding debtors - The Interest earned on outstanding debtors was over budgeted .Consumers are still taking longer to pay outstanding amount . The interest earned in 2020 was R27 806 948.

2. Government and grants and subsidies - The unspent grant was deducted from equitable shares

3. Traffic fines - The municipality collected 100.4% of the traffic fines . The traffic fines were under budgeted due to culture on none payment of traffic fines by the offenders

4, Agency services - Slow payments by consumer which had an adverse impact on agency fee collection from Mopani

5.Contractd Services - Contracted services for the year increased by **R17.4m** due to additional projects contracted by the municipality.

6. Employee related costs - contract of some of section 57 employees came to and end and lower annual increment on employees salaries.

7. Property rates - The municipality collected 73% of budgeted revenue this is a result of decrease in the value of property on the supplementary valuation roll received from the valuer. In Addition the municipality provides a relief measure in respect of payment of the rates in form of rebates.

8. Remuneration of councillors - The municipality over budgeted the impairment of debtors as result of slow paying of accounts by consumers.

9. Services charges - 69% of the budgeted income on electricity was collected The under collection was a result of continuous loadshedding in the country and it affected the collection of revenue. 83% of the budgeted income on refuse was collected .The Land sold to customers yet to be developed /serviced (i.e. Namakgale Zone D). The refuse to be collected in this area was incorporated in the budget but the area was not serviced

9. Rental of facilities - Increase in number of tenants renting municipal property

10. Depreciation and amortisation - The excessive increase in depreciation is as result of review and assessment on PPE`s useful lives. An assessment was made on the condition of the assets and noted there deteriorating

11. Finance charges - The valuation of landfill site interest was included in the current year

12. Bulk purchases - Low usage due to national loadshedding

13. Contractd services - The project budgeted under contracted were incorrectly mapped

14, Repairs and maintenance - Project anticipated to be implemented in the current year were put on hold due to Covid 19 restriction