



Polokwane Municipality
Consolidated
Audited Annual Financial Statements
for the year ended 30 June 2024

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

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Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

General Information

Country of incorporation and domicile

South Africa

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

The Constitution of the Republic of South Africa, 1996
The Local Government: Municipal Structures Act, 1998 (Act 117 of 1998)
The Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)
The Local Government: Municipal Finance management Act, 2003 (Act 56 of 2003)
Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004)
Municipal Fiscal Powers and Functions Act, 2007 (Act 12 of 2007)
Local Government: Municipal Demarcation Act, 1998 (Act 27 of 1998)
Intergovernmental Relations Framework Act, 2005 (Act 13 of 2005)
Division of Revenue Act (Act 1 of 2007)

Executive Mayor, Members of Mayoral Committee

Portfolio

Executive Mayor and chairperson of mayoral committee
Speaker
Chief WIP
MMC Finance
MMC Water and Sanitation
MMC Roads, Transport and Stormwater
MMC Planning and Economic Development
MMC Admin and Governance
MMC Human Settlements
MMC Sports, Arts, Culture and Special Focus
MMC Energy Provision
MMC Waste and Environment
MMC Community Services

Councillor

MJ Mpe
KW Modiba
PA Rapetswa
T Nkwe
MA Moakamedi
TD Moloto
PR Mashangoane
MB Kgare
FZ Mashalane
TJ Mamabolo
NA Sivhabu
SJ Malope
J Pemma

Polokwane Municipality

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General Information

Council Members

Nr	Surname	Initials	Nr	Surname	Initials
1	Baloyi	KJ	2	Bologo	N
3	Botha	AH	4	Chidi	DRT
5	Choshi	PP	6	Clarke	SE
7	Dikgale	SJ	8	Hamise	LH
9	Hiine	PJ	10	Hopane	ME
11	Joubert	FJ	12	Kalla	SSMG
13	Kganyago	MS	14	Komape	MP
15	Leballo	MM	16	Lebogo	MJ
17	Legodi	NP	18	Lekota	MF
19	Lephalala	LF	20	Letsoalo	MF
21	Lourens	RF	22	Lubbe	H
23	Mabasa	MW	24	Mabote	MG
25	Madikoto	WL	26	Mahladisa	MJ
27	Mahlatji	MS	28	Mahopo	SM
29	Mailula	KE	30	Makhafola	MD
31	Malatji	KM	32	Mamadi	E
33	Marx	FH	34	Mashabela	SA
35	Mathoho	K	36	Mathye	MV
37	Matonzi	MT	38	Modiba	MD
39	Modiba	MT	40	Mogoboya	ML
41	Mohlapamaswi	E	42	Mahloana	TK
43	Mokgohloa	TS	44	Mokobodi	MV
45	Mokome	MS	46	Molepo	FJ
47	Molepo	MM	48	Molope	NL
49	Moloto	MH	50	Morifi	TJ
51	Morotoba	MF	52	Moshoeu	PE
53	Mothapo	LM	54	Mothiba	TP
55	Mphelo	MD	56	Murwa	TPK
57	Muthabine	MR	58	Nchabeleng	MM
59	Ngoasheng	LH	60	Ntlemo	TJ
61	Pheedi	MR	62	Phoshoko	MS
63	Phukubje	D	64	Pretorius	M
65	Radise	CM	66	Rakoma	TMD
67	Ralefatane	MJ	68	Ramakgolo	MM
69	Ramaphakela	MF	70	Ramaselele	MS
71	Ramoraswi	MJ	72	Raphela	MP
73	Ratsoma	M	74	Retters	HJ
75	Sathekge	MW	76	Sebati	SA
77	Segoale	LM	78	Seshoka	SJ
79	Shadung	MA	80	Shibambu	KB
81	Shivhabu	NA	.		

Polokwane Municipality

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General Information

Executive management

Position

Municipal Manager
Acting Chief Financial Officer
Deputy Chief Financial Officer
Director Planning and Economic Development
Director Community Services
Acting Director Corporate and Shared Services
Acting Director Strategic Planning, Monitoring and Evaluation
Director Transportation Services
Acting Director Energy Services
Director Water and Sanitation
Director Roads

Name

TLP Nemugumoni
T Nonyane
T Nonyane
M Mashego
E Hutamo
PD Matsi
V Mthombeni

D Ramakgwakgwa
MC Mothata
M Thaba
R Mabunda

Members of the Audit Committee

Chairperson
Member
Member
Member
Member

SAB Ngobeni
R Maboe
TA Lekoloane
KA Mabitsela
MD Mogano

Accounting Officer

TLP Nemugumoni

Executive Mayor

M.J Mpe

Grading of local authority

10

Business address

Civic Centre
Cnr Landros Mare and Bodenstein Streets
Polokwane
0699

Postal address

P.O. Box 111
Polokwane
0700

Attorneys

AM Carrim Attorneys
Mpho Mohale Incorporated
Kgatla Incorporated
MC Rathelele Incorporated
Tshikovhi Incorporated Attorneys
Chuene Mahlo Incorporated
Mohale Incorporated
Mohuba Incorporated
Lebea and Associates
Kuaho Attorneys
Mmakola Matsimela Incorporated
Mponyane Ledwaba Incorporated
Raphela Attorneys
GSM Mohlabi Incorporated
Kgohlishi Able Mamabolo

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

General Information

	Mahowa Incorporated
	Mohube Setsoale Mabusela Incorporated
	Dikgati Mphahlele Attorneys
	GN Moabelo Incorporated
	Moloko Phooko Attorneys
	Poopela Maaake Attorneys
Telephone	015 023 5000
Auditors	Auditor-General of South Africa (AGSA)

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Abbreviations

AARTO	Administrative Adjudication of Road Traffic Offences
CIGFARO	Chartered Institute of Government, Finance, Audit and Risk Officers
CDM	Capricorn District Municipality
CPI	Consumer Price Index
DBSA	Development Bank of South Africa
EEDSM	Energy Efficiency and Demand Side Management
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
GFS	Government Finance Statistics
GRAP	Generally Recognised Accounting Practice
INEP	Integrated National Electrification Programme
IT	Information Technology
IUDG	Integrated Urban Development Grant
JSE	Johannesburg Stock Exchange
MBA	Master of Business Administration
MFMA	Municipal Finance Management Act
MMC	Member of Mayoral Committee
MPAC	Municipal Public Accounts Committee
MSCOA	Municipal Standard Chart of Accounts
NDPG	Neighbourhood Development and Partnership Grant
NLTA	National Land Transport Act
NRA	Normal Retirement Age
PAYE	Pay As You Earn
PHA	Polokwane Housing Association
PPE	Property, Plant and Equipment
PTNG	Public Transport Network Grant
RBIG	Regional Bulk Infrastructure Grant
RSA	Republic of South Africa
SACNASP	South African Council of Natural Scientific Professions
SAIEES	South African Institute of Ecologists and Environmental Scientists
SETA	Sector Education and Training Authority
SDL	Skills Development Levy

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Abbreviations

SALGA	South African Local Government Association
SARS	South African Revenue Services
SCM	Supply Chain Management
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
WSIG	Water Service Infrastructure Grant

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

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 consolidated unaudited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the consolidated unaudited annual financial statements fairly present the state of affairs of the group 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 consolidated unaudited annual financial statements and was given unrestricted access to all financial records and related data.

The consolidated unaudited 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 consolidated unaudited 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 group 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 group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group 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 consolidated unaudited 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 group's cash flow forecast for the year to 30 June 2025 and, in the light of this review and the current financial position, she is satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

I certify that the salaries, allowances and benefits of councillors as disclosed in Note 35 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

THUSO NEMUGUMONI
MUNICIPAL MANAGER

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Report

The Accounting Officer submits her report for the year ended 30 June 2024.

1. Review of activities

Main business and operations

The group is engaged in local government activities, which include planning and promotion of integrated development plan and supplying of the services to the community which are water, sanitation, fire and environmental health services.

Net deficit of the group was R 79 795 461 (2023: deficit R 352 116 646).

2. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of R 5 661 198 980 and that the municipality's total assets exceed its liabilities by R16 036 907 072.

The consolidated unaudited 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. All impairments were measured and judged in line with past performances.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year, that may need to be adjusted for or disclosed in the Financial Statements.

The consolidated unaudited annual financial statements set out on pages 10 to 154, which have been prepared on the going concern basis, were approved by the accounting officer on 30 September 2024 and were signed on its behalf by:

THUSO NEMUGUMONI
MUNICIPAL MANAGER

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

		Group		Company	
Figures in Rand	Note(s)	2024	2023 Restated*	2024	2023 Restated*
Assets					
Current Assets					
Cash and cash equivalents	2	345 429 844	187 784 673	343 278 496	184 371 391
Receivables from exchange transactions	3	862 244 589	769 687 292	861 879 737	769 003 183
Other receivables from exchange transactions	4	16 607 143	33 771 123	16 584 034	33 748 014
Receivables from non-exchange transactions	5	328 675 854	345 710 314	328 668 305	345 702 765
Inventories	6	112 808 412	93 995 322	112 808 412	93 995 322
VAT receivable	7	14 013 278	47 824 737	14 013 278	47 824 737
VAT input accrual	7	106 176 476	92 221 762	106 176 476	92 221 762
Total Current Assets		1 785 955 596	1 570 995 223	1 783 408 738	1 566 867 174
Non-Current Assets					
Investment property	8	1 024 964 286	997 033 036	1 024 964 286	997 033 036
Property, plant and equipment	9	15 007 564 894	15 259 028 206	14 571 550 142	14 809 391 210
Biological assets	10	15 622 003	14 905 421	15 622 003	14 905 421
Heritage assets	11	21 867 568	21 867 569	21 867 568	21 867 569
Intangible assets	12	35 574 431	35 118 295	35 556 809	35 093 576
Investment in subsidiary	13	-	-	1 000	1 000
Living resources	14	11 606 694	9 368 462	11 606 694	9 368 462
Total Non-Current Assets		16 117 199 876	16 337 320 989	15 681 168 502	15 887 660 274
Total Assets		17 903 155 472	17 908 316 212	17 464 577 240	17 454 527 448
Liabilities					
Current Liabilities					
Consumer deposits	15	67 479 006	68 587 999	65 469 909	66 794 150
Payables from exchange transactions	16	743 626 449	648 551 312	731 057 499	633 312 246
Payables from non - exchange transactions	17	16 743 876	25 780 275	16 735 566	25 771 966
Borrowings	18	27 778 472	25 088 400	27 778 472	25 088 400
Finance Lease liabilities	19	10 610 561	21 052 712	10 610 561	21 052 712
Employee benefits	20	16 691 270	9 740 921	16 301 297	9 116 740
Provision	21	3 656 736	-	3 656 736	-
VAT output accrual	7	119 142 965	125 382 657	119 142 965	125 382 657
Total Current Liabilities		1 005 729 335	924 184 276	990 753 005	906 518 871
Non-Current Liabilities					
Borrowings	18	319 910 020	347 688 492	319 910 020	347 688 492
Finance Lease liabilities	19	12 356 164	4 576 739	12 356 164	4 576 739
Employee benefits	20	402 557 326	397 894 611	401 698 326	397 144 611
Provision	21	125 695 555	117 269 606	125 695 555	117 269 606
Total Non-Current Liabilities		860 519 065	867 429 448	859 660 065	866 679 448
Total Liabilities		1 866 248 400	1 791 613 724	1 850 413 070	1 773 198 319
Net Assets		16 036 907 072	16 116 702 488	15 614 164 170	15 681 329 129
Net Assets presented by:					
Revaluation Reserve	22	10 375 708 105	10 375 708 105	10 257 919 444	10 257 919 444
Accumulated surplus		5 661 198 980	5 740 994 400	5 356 244 736	5 423 409 702
Total Net Assets		16 036 907 085	16 116 702 505	15 614 164 180	15 681 329 146

* See Note 62

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Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

		Group		Company	
Figures in Rand	Note(s)	2024	2023 Restated*	2024	2023 Restated*
Revenue					
Exchange Revenue					
Services charges – Electricity	23	1 368 902 843	1 179 655 522	1 368 902 843	1 179 655 522
Services charges – Waste management	23	142 911 569	140 929 587	142 911 569	140 929 587
Services charges – Waste water management	23	170 741 829	150 939 516	170 741 829	150 939 516
Services charges – Water	23	298 432 073	264 124 630	298 432 073	264 124 630
Rental from fixed assets	24	53 110 228	47 810 964	40 961 051	36 325 242
Interest earned from receivables	25	96 290 038	69 602 148	96 290 038	69 602 148
Interests on investments	26	48 177 770	38 814 998	48 177 770	38 814 996
Licences or permits	27	13 596 844	13 788 739	13 596 844	13 788 739
Agency services	28	26 226 845	23 554 336	26 226 845	23 554 336
Operational revenue	29	7 620 933	41 536 510	7 620 933	41 536 510
Sales of goods and rendering of services	30	21 211 187	26 360 476	21 211 187	26 360 476
Total Exchange Revenue		2 247 222 159	1 997 117 426	2 235 072 982	1 985 631 702
Non-Exchange Revenue					
Property rates	31	602 555 837	572 644 434	602 555 837	572 644 434
Transfers and subsidies	32	2 315 906 610	2 016 138 370	2 312 832 310	2 016 138 370
Fines, penalties and forfeits	33	40 978 661	42 532 264	40 978 661	42 451 266
Interest earned from receivables	25	55 411 975	40 925 649	55 411 975	40 925 649
Total Non-Exchange Revenue		3 014 853 083	2 672 240 717	3 011 778 783	2 672 159 719
Total Revenue		5 262 075 242	4 669 358 143	5 246 851 765	4 657 791 421
Expenditure					
Employee related cost	34	1 116 181 928	1 083 007 110	1 104 282 242	1 072 016 183
Remuneration of councillors	35	43 877 151	41 383 620	43 877 151	41 383 620
Irrecoverable debts written off	36	-	69 232 187	-	69 232 187
Debt impairment	37	353 249 004	249 324 547	347 769 222	244 638 494
Depreciation and amortisation	38	1 154 998 144	730 558 848	1 146 713 013	724 406 075
Finance costs	39	50 808 399	57 837 288	50 808 399	57 837 288
Bulk purchases	40	1 018 199 332	856 611 261	1 018 199 332	856 611 259
Inventory consumed	41	275 699 341	225 856 709	275 699 341	225 856 709
Contracted services	42	966 257 288	855 966 477	961 690 928	852 654 126
Government grants and subsidies	43	480 000	480 000	15 480 000	9 671 404
Operational cost	44	295 069 655	274 063 720	290 927 463	271 693 325
Total Expenditure		5 274 820 242	4 444 321 767	5 255 447 091	4 426 000 670
Operating (Deficit) surplus		(12 745 000)	225 036 376	(8 595 326)	231 790 751
Gain (loss) on disposal of assets	45	2 994 243	(583 009 739)	3 005 871	(583 009 739)
Fair value adjustments	46	61 562 019	125 144 354	61 562 019	125 144 354
Inventories (write-down)	47	(77 784 841)	(88 136 885)	(77 784 841)	(88 136 885)
Impairment losses	48	(53 821 882)	(31 150 752)	(45 352 723)	(31 148 802)
Deficit for the year		(79 795 461)	(352 116 646)	(67 165 000)	(345 360 321)

* See Note 62

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Statement of changes in net assets

Figures in Rand	Note	Revaluation reserve	Accumulated surplus	Total net assets
Group				
Opening balance as previously reported		7 601 069 756	5 890 056 241	13 491 125 997
Adjustments				
Correction of errors	62	-	203 054 805	203 054 805
Balance at 01 July 2022 as restated*		7 601 069 756	6 093 111 046	13 694 180 802
Deficit for the year		-	(352 116 646)	(352 116 646)
Increase in revaluation reserve		2 774 638 349	-	2 774 638 349
Total changes		2 774 638 349	(352 116 646)	2 422 521 703
Restated* Balance at 01 July 2023		10 375 708 105	5 740 994 441	16 116 702 546
Surplus for the year		-	(79 795 461)	(79 795 461)
Total changes		-	(79 795 461)	(79 795 461)
Balance at 30 June 2024		10 375 708 105	5 661 198 980	16 036 907 085
Note(s)				
Company				
Opening balance as previously reported		7 483 281 095	5 595 213 732	13 078 494 827
Adjustments				
Correction of errors	62	-	173 556 291	173 556 291
Restated Balance at 01 July 2022		7 483 281 095	5 768 770 023	13 252 051 118
Deficit for the year		-	(345 360 321)	(345 360 321)
Increase in revaluation reserve		2 774 638 349	-	2 774 638 349
Total changes		2 774 638 349	(345 360 321)	2 429 278 028
Restated* Balance at 01 July 2023		10 257 919 444	5 423 409 736	15 681 329 180
Deficit for the year		-	(67 165 000)	(67 165 000)
Total changes		-	(67 165 000)	(67 165 000)
Balance at 30 June 2024		10 257 919 444	5 356 244 736	15 614 164 180
Note(s)			62	

* See Note 62

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Cash Flow Statement

		Group		Company	
Figures in Rand	Note(s)	2024	2023 Restated*	2024	2023 Restated*
Cash flows from operating activities					
Receipts					
Cash receipts from customers		2 239 341 481	2 131 605 970	2 232 422 443	2 124 280 784
Transfers and Subsidies		2 302 888 120	1 885 525 818	2 299 813 820	1 885 525 818
VAT received		227 002 913	108 807 311	227 002 913	108 807 311
Interest		77 148 392	56 776 193	77 148 392	56 776 191
Payments					
Suppliers and employees		(3 747 783 799)	(3 549 701 426)	(3 741 698 520)	(3 544 130 559)
Finance charges		(38 318 678)	(46 109 771)	(38 285 264)	(46 073 292)
Net cash from(used) operating activities	50	1 060 278 429	586 904 095	1 056 403 784	585 186 253
Cash flows from investing activities					
Receipts					
Proceeds on disposal of fixed and intangible assets		7 522 738	560 558	7 522 738	560 558
Payments					
Capital assets		(862 885 305)	(602 017 231)	(857 748 726)	(601 342 232)
Net cash flows from investing activities		(855 362 567)	(601 456 673)	(850 225 988)	(600 781 674)
Cash flows from financing activities					
Payments					
Decrease in borrowing long-term		(25 088 400)	(22 587 835)	(25 088 400)	(22 587 835)
Decrease in finance lease		(22 182 291)	(10 115 360)	(22 182 291)	(10 115 360)
Net cash flows from financing activities		(47 270 691)	(32 703 195)	(47 270 691)	(32 703 195)
Net increase/(decrease) in cash		157 645 171	(47 255 773)	158 907 105	(48 298 616)
Cash and cash equivalents at year begin		187 784 673	235 040 446	184 371 391	232 670 007
		345 429 844	187 784 673	343 278 496	184 371 391

* See Note 62

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	Approved budget	*Budget adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason for the material variance
Figures in Rand						
Group - 2024						
Financial performance						
Revenue						
Exchange revenue						
Service charges - Electricity	1 820 600 637	5	1 820 600 642	1 368 902 843	(451 697 799)	BD9
Service charges - Water	350 836 030	-	350 836 030	298 432 073	(52 403 957)	BD11
Service charges - Waste Water Management	147 318 730	(6)	147 318 724	170 741 829	23 423 105	BD10
Service charges - Waste Management	141 640 330	-	141 640 330	142 911 569	1 271 239	BD1
Sale of goods and rendering of services	14 186 610	5 882	14 192 492	21 211 186	7 018 694	BD8
Agency services	31 873 566	-	31 873 566	26 226 844	(5 646 722)	BD4
Interest earned from receivables	89 293 921	-	89 293 921	96 290 038	6 996 117	BD1
Interest on investments	20 940 000	20 000 000	40 940 000	48 177 770	7 237 770	BD5
Rental from fixed assets	65 255 653	(26 999 989)	38 255 664	53 081 228	14 825 564	BD7
Licence and permits	14 097 901	-	14 097 901	13 596 844	(501 057)	BD1
Operational revenue	39 155 845	108 002	39 263 847	7 649 933	(31 613 914)	BD6
	2 735 199 223	(6 886 106)	2 728 313 117	2 247 222 157	(481 090 960)	
Non-exchange revenue						
Property rates	622 442 469	(8)	622 442 461	602 555 837	(19 886 624)	BD1
Fines, penalties and forfeits	42 049 228	(9)	42 049 219	40 978 661	(1 070 558)	BD1
Licences or permits	441 217	-	441 217	-	(441 217)	BD3
Transfer and subsidies	2 280 810 000	30 957 687	2 311 767 687	2 312 832 311	1 064 624	BD1
Interest	22 323 481	-	22 323 481	55 411 975	33 088 494	BD2
Gains on disposal of assets	-	-	-	2 994 242	2 994 242	BD16
Fair value adjustments	-	-	-	61 562 019	61 562 019	BD16
	2 968 066 395	30 957 670	2 999 024 065	3 076 335 045	77 310 980	
Total Revenue	5 703 265 618	24 071 564	5 727 337 182	5 323 557 202	(403 779 980)	
Expenditure						

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	Approved budget	*Budget adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason for the material variance
Figures in Rand						
Employee costs	(1 291 128 245)	132 790 440	(1 158 337 805)	(1 116 181 932)	42 155 873	BD1
Remuneration of councillors	(43 513 578)	(363 574)	(43 877 152)	(43 877 152)	-	BD1
Bulk purchases	(1 162 129 938)	143 930 606	(1 018 199 332)	(1 018 199 330)	2	BD1
Inventory consumed	(336 483 400)	37 157 030	(299 326 370)	(275 699 343)	23 627 027	BD1
Debt impairment	(287 553 327)	14 353 194	(273 200 133)	(353 249 003)	(80 048 870)	BD15
Depreciation and amortisation	(290 453 877)	(149 660 700)	(440 114 577)	(1 154 998 144)	(714 883 567)	BD12
Finance charges	(44 535 419)	(6 394 729)	(50 930 148)	(50 808 399)	121 749	BD1
Contracted services	(853 266 083)	(194 109 499)	(1 047 375 582)	(966 257 283)	81 118 299	BD1
Transfers and subsidies	(1 621 700)	1 070 000	(551 700)	(480 000)	71 700	BD1
Irrecoverable debts written off	-	(30 062)	(30 062)	-	30 062	BD14
Operational costs	(311 521 510)	(3 441 393)	(314 962 903)	(295 069 655)	19 893 248	BD1
Inventories (write-down)	-	-	-	(77 784 841)	(77 784 841)	BD13
Impairment losses	-	-	-	(53 821 882)	(53 821 882)	BD13
Total Expenditure	(4 622 207 077)	(24 698 687)	(4 646 905 764)	(5 406 426 964)	(759 521 200)	
Deficit for the year	1 081 058 541	(627 123)	1 080 431 418	(82 869 762)	(1 163 301 180)	

Company - 2024

Financial performance

Revenue by source

Exchange revenue

Service charges - Electricity	1 820 600 637	5	1 820 600 642	1 368 902 843	(451 697 799)	BD9
Service charges - Water	350 836 030	-	350 836 030	298 432 073	(52 403 957)	BD11
Service charges - Waste Water Management	147 318 730	(6)	147 318 724	170 741 829	23 423 105	BD10
Service charges - Waste Management	141 640 330	-	141 640 330	142 911 569	1 271 239	BD1
Sale of goods and rendering of services	14 186 610	5 882	14 192 492	21 211 186	7 018 694	BD8
Agency services	31 873 566	-	31 873 566	26 226 844	(5 646 722)	BD4
Interest earned from receivables	89 293 921	-	89 293 921	96 290 038	6 996 117	BD1
Interest on investments	20 940 000	20 000 000	40 940 000	48 177 770	7 237 770	BD5
Rental from fixed assets	12 511 900	7	12 511 907	40 961 051	28 449 144	BD7
Licence and permits	14 097 901	-	14 097 901	13 596 844	(501 057)	BD1

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	Approved budget	*Budget adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason for the material variance
Figures in Rand						
Operational revenue	39 040 845	2	39 040 847	7 620 933	(31 419 914)	BD6
	2 682 340 470	20 005 890	2 702 346 360	2 235 072 980	(467 273 380)	
Non-exchange revenue						
Property rates	622 442 469	(8)	622 442 461	602 555 837	(19 886 624)	BD1
Fines, penalties and forfeits	42 049 228	(9)	42 049 219	40 978 661	(1 070 558)	BD1
Licences or permits	441 217	-	441 217	-	(441 217)	BD3
Transfer and subsidies	2 280 810 000	30 957 687	2 311 767 687	2 312 832 311	1 064 624	BD1
Interest	22 323 481	-	22 323 481	55 411 975	33 088 494	BD2
Gains on disposal of assets	-	-	-	3 005 870	3 005 870	BD16
Fair value adjustments	-	-	-	61 562 019	61 562 019	BD16
	2 968 066 395	30 957 670	2 999 024 065	3 076 346 673	77 322 608	
Total Revenue	5 650 406 865	50 963 560	5 701 370 425	5 311 419 653	(389 950 772)	
Expenditure						
Employee costs	(1 258 954 173)	130 709 168	(1 128 245 005)	(1 104 282 246)	23 962 759	BD1
Remuneration of councillors	(43 513 578)	(363 574)	(43 877 152)	(43 877 152)	-	BD1
Bulk purchases	(1 162 129 938)	143 930 606	(1 018 199 332)	(1 018 199 332)	-	BD1
Inventory consumed	(336 483 400)	37 157 030	(299 326 370)	(275 699 343)	23 627 027	BD1
Debt impairment	(272 219 994)	12 553 198	(259 666 796)	(347 769 221)	(88 102 425)	BD15
Depreciation and amortisation	(272 219 995)	(153 388 560)	(425 608 555)	(1 146 713 013)	(721 104 458)	BD12
Finance charges	(44 535 419)	(6 394 729)	(50 930 148)	(50 808 399)	121 749	BD1
Contracted services	(839 992 407)	(190 015 791)	(1 030 008 198)	(961 690 923)	68 317 275	BD1
Transfers and subsidies	(11 621 700)	(3 930 000)	(15 551 700)	(15 480 000)	71 700	BD1
Irrecoverable debts written off	-	(30 062)	(30 062)	-	30 062	BD14
Operational costs	(308 363 113)	(3 541 653)	(311 904 766)	(290 927 463)	20 977 303	BD1
Inventories (write-down)	-	-	-	(77 784 841)	(77 784 841)	BD13
Impairment losses	-	-	-	(45 352 723)	(45 352 723)	BD13
	(4 550 033 717)	(33 314 367)	(4 583 348 084)	(5 378 584 656)	(795 236 572)	
Total Expenditure	(4 550 033 717)	(33 314 367)	(4 583 348 084)	(5 378 584 656)	(795 236 572)	
Deficit for the year	1 100 373 148	17 649 193	1 118 022 341	(67 165 003)	(1 185 187 344)	

Polokwane Municipality

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Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	Approved budget	*Budget adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason for the material variance
Figures in Rand						
Financial position						
Assets						
Current assets						
Cash and cash equivalents	295 856 620	(42 905 325)	252 951 295	343 278 489	90 327 194	BD18
Receivables from exchange transactions	817 952 062	169 945 625	987 897 687	861 879 737	(126 017 950)	BD20
Receivables from non-exchange transactions	65 651 723	253 493 851	319 145 574	328 668 313	9 522 739	BD1
Other current assets	48 496 336	6 072 118	54 568 454	16 584 034	(37 984 420)	BD27
Inventory	162 098 811	(8 101 943)	153 996 868	112 808 412	(41 188 456)	BD19
VAT	462 611 166	20 730 158	483 341 324	120 189 754	(363 151 570)	BD21
Current portion of non current receivables	22 055	(22 055)	-	-	-	
Total current assets	1 852 688 773	399 212 429	2 251 901 202	1 783 408 739	(468 492 463)	
Non-current assets						
Investment property	973 542 543	20 588 871	994 131 414	1 024 964 286	30 832 872	BD1
Property, plant and equipment	13 325 928 061	2 022 395 690	15 348 323 751	14 571 550 142	(776 773 609)	BD1
Biological assets	20 812 008	3 461 875	24 273 883	15 622 003	(8 651 880)	BD28
Living and non-living resources	-	-	-	11 606 694	11 606 694	BD28
Heritage assets	21 867 568	-	21 867 568	21 867 568	-	BD1
Intangible assets	190 094 325	(155 047 568)	35 046 757	35 556 808	510 051	BD1
Non-current receivables from non-exchange transactions	144 352	(144 352)	-	-	-	
Other non-current assets	1 000	-	1 000	1 000	-	BD1
Total non-current assets	14 532 389 857	1 891 254 516	16 423 644 373	15 681 168 501	(742 475 872)	
Total assets	16 385 078 630	2 290 466 945	18 675 545 575	17 464 577 240	(1 210 968 335)	
Liabilities						
Current liabilities						
Financial liabilities	5 755 549	15 297 163	21 052 712	38 389 034	17 336 322	BD24
Consumer deposits	67 346 081	(551 936)	66 794 145	65 469 912	(1 324 233)	BD1
Trade and other payables from exchange transactions	857 004 205	(284 261 670)	572 742 535	731 057 495	158 314 960	BD22
Trade and other payables from non-exchange transactions	156 389 303	(129 816 254)	26 573 049	16 735 566	(9 837 483)	BD23

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Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	Approved budget	*Budget adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason for the material variance
Figures in Rand						
Provision	36 896 819	80 370 729	117 267 548	19 958 033	(97 309 515)	BD26
VAT	537 066 298	(53 355 769)	483 710 529	119 142 965	(364 567 564)	BD21
Total current liabilities	1 660 458 255	(372 317 737)	1 288 140 518	990 753 005	(297 387 513)	
Non-current liabilities						
Financial liabilities	387 498 162	(35 232 931)	352 265 231	332 266 184	(19 999 047)	BD1
Provision	181 641 315	9 910 291	191 551 606	125 695 555	(65 856 051)	BD26
Other non-current liabilities	188 093 000	26 754 000	214 847 000	401 698 326	186 851 326	BD25
Total non-current liabilities	757 232 477	1 431 360	758 663 837	859 660 065	100 996 228	
Total liabilities	2 417 690 732	(370 886 377)	2 046 804 355	1 850 413 070	(196 391 285)	
Net assets	13 967 387 898	2 661 353 322	16 628 741 220	15 614 164 170	(1 014 577 050)	
Net Assets						
Accumulated Surplus/(Deficit)	6 308 275 889	78 111 783	6 386 387 672	5 356 244 693	(1 030 142 979)	
Revaluation reserves	7 659 112 137	2 583 241 543	10 242 353 680	10 257 919 444	15 565 764	BD1
Total current net assets	13 967 388 026	2 661 353 326	16 628 741 352	15 614 164 137	(1 014 577 215)	
Cash flow						
Cash flow from operating activities						
Receipts						
Cash receipts from customers	3 319 223 388	18 960 944	3 338 184 332	2 232 422 443	(1 105 761 889)	CF2
Transfers and Subsidies	2 280 810 000	30 957 687	2 311 767 687	2 299 813 820	(11 953 867)	CF1
Interest	20 940 000	20 000 000	40 940 000	77 148 392	36 208 392	CF3
VAT received	-	-	-	227 002 913	227 002 913	
	5 620 973 388	69 918 631	5 690 892 019	4 836 387 568	(854 504 451)	
Payments						
Suppliers and employees	(4 619 406 314)	93 156 743	(4 526 249 571)	(3 741 698 520)	784 551 051	
Finance charges	(42 308 648)	3 800 000	(38 508 648)	(38 285 264)	223 384	
	(4 661 714 962)	96 956 743	(4 564 758 219)	(3 779 983 784)	784 774 435	

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Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	Approved budget	*Budget adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason for the material variance
Figures in Rand						
Net cash from/(used) operating activities	959 258 426	166 875 374	1 126 133 800	1 056 403 784	(69 730 016)	
Cash flow from investing activities						
Receipts						
Proceeds on disposal of fixed and intangible assets	-	4 651	4 651	7 522 738	7 518 087	CF1
Payments						
Capital assets	(870 983 418)	(161 487 226)	(1 032 470 644)	(857 748 726)	174 721 918	CF1
Net cash from/(used) investing activities	(870 983 418)	(161 482 575)	(1 032 465 993)	(850 225 988)	182 240 005	
Cash flow from financing activities						
Payments						
Decrease in borrowings long term	(25 088 400)	1	(25 088 399)	(25 088 400)	(1)	CF1
Decrease in finance leases	-	-	-	(22 182 291)	(22 182 291)	CF1
	(25 088 400)	1	(25 088 399)	(47 270 691)	(22 182 292)	
Net Increase/ (Decrease) in cash held	63 186 608	5 392 800	68 579 408	158 907 105	90 327 697	
Cash/cash equivalents at the year begin:	232 670 007	(48 298 614)	184 371 393	184 371 391	(2)	
Cash/cash equivalents at the year end:	295 856 615	(42 905 814)	252 950 801	343 278 496	90 327 695	

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	Approved budget	*Budget adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason for the material variance
Figures in Rand						

Commentary

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	Approved budget	*Budget adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason for the material variance
Figures in Rand						

BD1 - Variance is below 10%. No explanation needed.

BD2 - The increase in interest is due to increased interest rate which resulted in higher debt book balance.

BD3 - The underperformance on licence and permits is due to no performance on instructor's certificate.

BD4 - The underperformance is due to customers using different platforms for application of licences.

BD5 - The increase in interest is as a result of investment made by the municipality and due to the increase in interest rate. The investments are made in accordance with the National Treasury payment schedule.

BD6 - There was no revenue earned on incidental cash surpluses, insurance fund and sale of property.

PHA: This variance is as a result of the entity not being able to bill Annerdale Extension 2. Consequently less administration fees were billed by the entity.

BD7 - Rental from fixed assets anticipated revenue increase is attributable to the revenue from straight lining as required by GRAP and due to the increase in customers that are using the municipal facilities for events.

PHA: The variance is as a result of vacant units which were not available for rental in time.

BD8 - The increase is due to bus fare services, occupational certificates and academic services.

BD9 - The reason for the decrease is attributable to consumers using alternative energy as well as the impact of load shedding. Massive decrease is expected due to an increase of ESKOM tariffs and illegal connections.

BD10 - The normal increase are attributable to the work in progress as zoning on properties are being verified and adjustments made to accounts. The completeness exercise is continuing to ensure alignment between zoning and billing.

BD11 - Water is underperforming because of faulty meters and flat batteries. Most of the accounts without readings were billed a fixed charge as approved by the council.

BD12 - Actual depreciation journals are captured monthly. This highly indicates insufficient budget for depreciation. In terms of National Treasury Circular the municipality cannot budget for a deficit.

BD13 - Impairment losses and inventory write-down is as a result of unplanned circumstances. In terms of the National Treasury Circular, the municipality cannot budget for a deficit. PHA: The variance is as a result of impairment loss which was not anticipated and hence not budgeted for..

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	Approved budget	*Budget adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason for the material variance
Figures in Rand						
BD14- Bad debts written off in the current financial year were written off against provision for impairment.						
BD15- The increase in debt provision was as a result of the increase in the municipality debt book and also customers who in turn of the outcome of the impairment assessment are unlikely to be able to settle their accounts when due.						
BD16- The resultant gains on disposal as well as fair value adjustments are based purely on market conditions at the time of the transaction. No budget is allocated due to the nature of these transactions.						
PHA: The variance is as a result of a loss on disposal of assets which was not anticipated and hence not budgeted for						
BD18- Increase in cash and cash equivalents was due to the investments that were made during the financial year and were redeemed.						
BD19- Attributable to water reticulation and electrical supplies. Cable theft and water pipe bursts were not anticipated.						
BD20- The underperformance on debtors is due to the fact that customers were given incentives on the balance outstanding and some debts were written down.						
BD21- The reason for VAT payable budgeting is due to the high debtors book compared to the creditors, therefore VAT output was expected to be more than VAT input at year end due to the outstanding debtors book.						
BD22- The increase is due to the accruals that were made at year end.						
BD23- The increase is due to acceleration of spending on grants.						
BD24- The overperformance is as a result of the budget allocation being made under non current provisions instead.						
BD25- The variance is due to overbudgeting.						
BD26- Management had expected a significant increase in the balance of provisions for the following reasons:						
- A notable steady increase in the interest rate over the year which could impact the actuarial valuation of the provision.						
- The Welevreden landfill site has only 2 years remaining. This could result in a higher provision as the time for restoration of the land is fast approaching.						
BD27: The budget for rental straight-lining was accurately provided for in line with the data strings which is under "other current assets". However, the actual amount for rental straight-lining has been presented under property rental debtors within the "receivables from exchange transactions" line on the AFS. This misalignment stems from an AG finding during the 2023 audit.						
BD28: The budget is a cumulative balance of both biological assets and living resources. In the prior years the MSCOA chart did not have a separate segment for living and non living resources. The movement was caused by the change in the number of animals in the game reserve.						

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	Approved budget	*Budget adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason for the material variance
Figures in Rand						

CF1- Variance is below 10%. No explanation needed.

CF2- The reason for the decrease is attributable to consumers using alternative energy and loadshedding.

CF3- The increase in interest is as a result of investments made by the municipality and due to the increase in interest rate. The investments are made in accordance with the National Treasury payment schedule. The interest received from consumer debtors has also been reclassified to the interest received line which was previously presented under "cash receipts from customers".

CF4- The underperformance on bulk purchases electricity is due to loadshedding.

CF5- Underprovision on finance charges.

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

The 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, rounded off to the nearest Rand.

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

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

These accounting policies are consistent with the previous period.

1. Summary of significant accounting policies

1.1 Presentation currency

These audited annual financial statements are presented in South African Rand, which is the functional currency of the Group and all values are rounded to the nearest rand.

1.2 Going concern assumption

These audited annual financial statements were prepared based on the expectation that the Group 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 Comparative figures

When the presentation or classification of items in the audited annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior periods.

1.5 Significant judgements and sources of estimation uncertainty

In preparing the audited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the audited 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 audited annual financial statements. Significant judgements include:

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Receivables

The group 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.

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

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

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 group 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 [name a key assumption] assumption 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 cash generating assets when events in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. 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 discounted cash-flow projection assumption may change, which may then impact our estimations, and may then require a material adjustment to the carrying value of assets.

Expected future cash flows used to determine the value in use of assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors such as exchange rates, inflation and interest.

Provisions

Provisions were raised and management determined an estimate based on the information available. The provision is discounted when the time value of money is material. Additional disclosure of these estimates of provisions are included in note 21 - Provisions

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

The present value of the post-retirement and other long term benefit 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 group 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 post retirement and long term benefit obligations. In determining the appropriate discount rate, the group considers the market yields at the reporting date on government bonds. Where there is no deep market in the government bonds with a sufficiently long maturity to match the estimated maturity of all the benefits paid, the municipality uses current market rates of the appropriate term to discount shorter payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in Note 20.

Effective interest rate

The group used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it 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.

In the application of the group's accounting policies, which are described below, management is required to make judgement, estimates and assumption that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experiences and other factors that are considered too reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Point that water, minerals, oils and gas and other non-regenerative resources meet the definition of inventory

Key judgements made and assumptions applied to establish where water, minerals, oils and gas and other non-regenerative resources meet the definition of inventory, are as follows:

The municipality regards water as inventory at the point where it enters the City's purification network. However, raw water in dams is not regarded as inventory, as it is not under the City's control. Control is demonstrated by an entity's ability to access.]

Service charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. The municipality council approved consumption estimates based on estimates which is used where the inaccessible meters does not have history that could be substantiated. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

1.6 Biological assets that form part of an agricultural activity

A biological asset is a living animal or plant that is used by the Group in an agricultural activity to attain agricultural produce, the harvested product of the Group's biological assets.

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.6 Biological assets that form part of an agricultural activity (continued)

Initial and subsequent measurement

Biological assets and agricultural produce are initially and subsequently measured at their fair value less estimated point-of-sale costs and agricultural produce harvested from the group's biological assets are measured at their fair value less estimated point-of-sale costs at the point of harvest.

Where biological assets and agricultural produce are acquired for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Point-of-sale costs include commissions to brokers and dealers, levies by regulatory agencies and commodity exchanges, transfer taxes and duties but exclude transport and other costs necessary to get the assets to a market.

The fair value of biological assets is estimated by reference to the market prices. The fair value of the plantations is based on the combined fair value of the land and the trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the trees.

A gain or loss arising on initial recognition of biological assets at fair value less estimated point-of-sale costs and from a change in the fair value less estimated point-of-sale costs is included in surplus or deficit for the period in which it arises. A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate is used to determine fair value.

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

Derecognition

Biological assets are derecognised when the Group disposes thereof or when it is no longer probable that future economic benefits or service potential will be generated from the biological assets. Any gain or loss that arises at the point of derecognition is recognised in the Statement of financial performance at the point of derecognition.

1.7 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.

The cost of self-constructed investment property is the cost at date of completion.

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Accounting Policies

1.7 Investment property (continued)

Transfers are made to and or from investment property only when there is a change in use. For a transfer from investment property to owner occupied (property, plant and equipment) the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to date of change in use

Initial recognition

At initial recognition, the group measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Subsequent measurement – fair value model

Subsequent to initial measurement investment property is measured at fair value. This entails determining the fair value of the investment property on a regular basis. To the extent that the fair value model is applied investment property is not depreciated.

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.

Derecognition/Disposal

Investment properties are derecognised (eliminated from the Statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of financial performance.

1.8 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 year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the group, and if the cost or fair value of the item can be measured reliably.

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Accounting Policies

1.8 Property, plant and equipment (continued)

Initial recognition and measurement

Property, plant and equipment are initially recognised at cost on its acquisition date. 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 the group. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the group for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset 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.

Major spare parts and servicing equipment qualify as property, plant and equipment when the group expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

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

Subsequent measurement - cost model

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all movable and leased assets are measured at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent measurement - revaluation model

Subsequent to initial recognition, Infrastructure assets and community assets are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses; whilst land is carried at a revalued amount based on municipal valuations, less subsequent accumulated impairment losses. Revaluations are performed by external independent values every three years to coincide with the implementation of the general valuation such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of financial position date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

An increase in the carrying amount of land and buildings as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

When revalued assets are sold or retired, the amounts included in the revaluation reserve in respect of that assets, are transferred to accumulated surplus or deficit.

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Accounting Policies

1.8 Property, plant and equipment (continued)

Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated using the straight line method, to allocate their cost or revalued amounts less their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets' future economic benefits or service potential are expected to be consumed by the group. 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 rates are based on the following estimated useful lives:

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Office equipment	Straight-line	3 - 10 years
IT equipment	Straight-line	3 - 7 years
Infrastructure	Straight-line	3 - 100 years
Community assets	Straight-line	5 - 100 years
Other property, plant and equipment	Straight-line	2 - 15 years

The estimated useful life, residual values and depreciation method are assessed at each reporting date on an indicator basis.

The useful lives, residual values and depreciation method are reviewed annually at the end of the financial year where there is any indication that the group's expectations about the residual amount and the useful life of an asset has changed since the preceding reporting date. Any adjustments arising from the annual review are applied prospectively.

Depreciation of an asset commences when the asset is ready for its intended use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the relevant lease. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use.

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying values of assets (Cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of financial performance as a gain or loss on disposal of property, plant and equipment.

Assets which the group 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.

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

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Accounting Policies

1.8 Property, plant and equipment (continued)

Site rehabilitation and restoration costs

Where the Group has an obligation to rehabilitate and restore items of property, plant and equipment such obligations are referred to as "rehabilitation provisions". The cost of an item of property, plant and equipment includes the initial estimate of the costs of rehabilitation and restoring the site on which it is located, the obligation for which the Group incurs either when the item is acquired or as a consequence of having used the item during a particular period.

As 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 group considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.9 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets.

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	3 - 5 years, Indefinite
Service operating and land rights	Straight-line	Indefinite

Initial recognition and measurement

Intangible assets are initially recognised at cost. The cost of an intangible assets is the purchase price and other costs attributable to bring the intangible assets to the location and condition necessary for it to be capable of operating in the manner intended by the group, or where an intangible assets is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Subsequent measurement

Amortisation is calculated on cost, using the straight-line method, over the useful lives of the assets, which is estimated to be between 3 to 5 years upon initial recognition. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Derecognition

Intangible assets 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 on the disposal or retirement of an intangible assets is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of financial performance.

1.10 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the unaudited annual financial statements.

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Accounting Policies

1.10 Heritage assets (continued)

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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.

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.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

Initial recognition and measurement

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

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets 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 the group. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the group for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired. The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Subsequent measurement

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the group and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the Group replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets are measured at cost less accumulated impairment losses. Heritage assets are not depreciated.

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Accounting Policies

1.10 Heritage assets (continued)

Dererecognition

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of financial performance as a gain or loss on disposal of heritage assets.

1.11 Investment in controlled entities

In the municipality's separate draft annual financial statements, investments in investments in controlled entities are carried at cost.

Investments in controlled entities that are accounted for in accordance with the accounting policy on Financial instruments in the consolidated draft annual financial statements, are accounted for in the same way in the controlling entity's separate draft annual financial statements.

1.12 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. Financial instruments are classified into three categories namely, financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost. The Group determines the classification of its financial instruments at initial recognition.

A financial instrument is recognised if the entity becomes a party to the contractual provisions of the instrument.

1.12.1 Classification of financial instruments

Financial assets

A financial asset is any asset that is a cash or contractual right to receive cash. In accordance with GRAP 104 the Financial Assets of the group are classified as follows into the three categories allowed by this standard:

Financial asset at amortised cost being a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Financial assets measured at fair value being financial assets that meet either of the following conditions:

- Derivatives;
- Combined instruments that are designated at fair value;
- Instruments held for trading;
- Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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

The group has the following types of financial assets as reflected on the face of the Statement of financial position or in the notes thereto:

Type of financial asset

Finance lease receivables
Long-term receivables
Current portion of long-term receivables
Consumer debtors
Other debtors
Bank balances and cash

Classification in terms of GRAP 104

Financial assets at amortised cost
Financial assets at amortised cost
Financial assets at amortised cost
Financial assets at amortised cost
Financial assets at amortised cost
Financial assets at amortised cost

Accounting Policies

1.12 Financial instruments (continued)

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The group categorises cash and cash equivalents as financial assets at amortised cost.

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

The following main categories of financial liabilities and the classification determining how they are measured exist:

- Financial liabilities measured at amortised cost; or
- Financial liabilities measured at fair value.

The group has the following types of financial liabilities as reflected on the face of the Statement of financial position or in the notes thereto:

Type of financial liability	Classification in terms of GRAP 104
Long-term liabilities	Financial liability at amortised cost
Current portion of long-term liabilities	Financial liability at amortised cost
Other creditors	Financial liability at amortised cost

Any other financial liabilities should be classified as financial liabilities at amortised cost.

1.12.2 Initial and subsequent measurement

Initial recognition and measurement

A financial instruments is recognised, when the group becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. In the case of a financial instruments not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instruments are added or deducted from the fair value, as appropriate on initial recognition.

Accounting Policies

1.12 Financial instruments (continued)

Subsequent measurement – Financial assets

Financial assets consist of cash and cash equivalents, deposits, receivables and investments.

Receivables are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Changes in the carrying amount of the provision is recognised in the Statement of financial performance. When a receivable is considered uncollectible, it is written off against the provision. Any gains or losses arising from the change in fair value of investments measured at fair value are recognised in the Statement of financial performance.

Residual interests that do not have a quoted market price in an active market, and the fair value of which cannot be reliably are subsequently measured at cost less any impairment. Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Any calculated impairment is recognised in the Statement of financial performance.

Financial assets at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial assets. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to group and loans that have fixed and determinable payments that are not quoted in an active market are classified as financial assets at amortised cost.

Financial assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the Statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the Statement of financial performance.

Subsequent measurement – Financial liabilities

Financial liabilities consist of payables, interest bearing loans and bank overdrafts. These liabilities are subsequently measured at amortised cost, using the effective interest rate method. Finance costs are expensed in the Statement of financial performance in the period in which they are incurred except where stated otherwise (see accounting policy on borrowing costs).

1.12.3 Impairment of financial assets

Consumer debtors

Consumer debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.

Other debtors

Other debtors are reviewed individually considering payment histories and disputes about certain amounts. Provision for impairment is made accordingly.

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Accounting Policies

1.12 Financial instruments (continued)

1.12.4 Derecognition

Financial assets

The group derecognises financial assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to non-recoverability.

If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial assets, the group continues to recognise the financial assets and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire.

1.13 Consumer deposits

The municipality recognises consumer deposits as a current liability when the municipality becomes a party to the contract i.e. when the deposit is made. The consumer deposit is recognised as a liability as the municipality has an obligation to pay the money back to the consumer once the consumer account is closed. As the timing of when a consumer will close their account is unknown, the consumer deposits are classified as a current liability.

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 purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

1.14 Leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the group. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Entity as lessee - Finance leases

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 municipality's incremental borrowing rate.

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.

Entity as lessor - operating leases

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Accounting Policies

1.14 Leases (continued)

The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. The liability is not discounted.

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. Income for leases is disclosed under revenue in statement of financial performance.

1.15 Inventories

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the municipality and the cost of the inventories can be measured reliably.

Initial measurement:

Inventories are initially measured at cost. Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Where inventories are acquired through a non-exchange transaction, their costs are their fair value as at the date of acquisition.

Subsequent measurement:

Land and water inventory:

Subsequently inventories are measured at the lower of cost and net realisable value unless distributed through a non-exchange transaction or consumed in the production process of goods to be distributed at no charge or for a nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Consumables:

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 group 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 carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. The cost of inventories is assigned using the weighted average cost formula, except for water which is determined at cost at the reporting date due to it being measured at the lower of cost and current replacement cost.

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.

1.16 Impairment of property, plant and equipment, investment property, intangible assets and heritage assets

The group classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. A commercial return means that the return charged by the entity is commensurate with the risk associated with holding the asset and the asset is intended to generate positive cash inflows. All other assets are classified as non-cash-generating assets.

1.17 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).

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Accounting Policies

1.17 Impairment of cash-generating assets (continued)

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.

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.

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

Designation

At initial recognition, the group 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 an group's objective of using the asset.

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

Irrespective of whether there is any indication of impairment, the group 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 group estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the group applies the appropriate discount rate to those future cash flows.

Accounting Policies

1.17 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the group:

- 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 group 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 prime 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.

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

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

Accounting Policies

1.17 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 group 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 group 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.

Accounting Policies

1.17 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The group 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.

1.18 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

Polokwane Municipality

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Accounting Policies

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

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

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

- * Assets acquired by the municipality are mainly used as per the municipality's mandate for service delivery purposes to customers that pay for the services but also to indigents. As the assets that are used for service delivery are similar, assets that generate cash flows cannot be distinguished from the non-cash generating assets and therefore are distinguished as non-cash generating.
- * In the event that the assets that generate cash flows can be clearly identified the assets will be designated as cash-generating.

Designation

At initial recognition, the group 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 an group's objective of using the asset.

The group 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 group 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 group 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 group designates the asset as a non-cash-generating asset and applies this accounting policy.

Impairment is a loss in the 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).

Identification

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

The group 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 group 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.

Accounting Policies

1.18 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 group 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.

Restoration cost approach

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

Service units approach

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Accounting Policies

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

Reversal of an impairment loss

The group 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 group estimates the recoverable service amount of that asset.

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

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

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

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

1.19 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.

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.

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

Accounting Policies

1.19 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.

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Accounting Policies

1.19 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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Accounting Policies

1.19 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.

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 audited annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

Accounting Policies

1.19 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.19 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.

1.20 Provisions

Provisions are recognised when the group has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the group, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, where the provision being measured involves a large population of items; the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of financial performance as a finance cost as it occurs.

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.20 Provisions (continued)

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the group's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of financial performance.

At year end a provision is raised for the rehabilitation of landfill sites. The provision is the net present value of the future cash flows to rehabilitate damaged land at year end.

As 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 adjustments result 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 be fully recoverable. If there is such an indication, the municipality tests the asset for the impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in the accounting policy on impairment of cash-generating assets and/ or impairment of non-cash generating assets.

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 are recognised in surplus or deficit as they occur.

1.21 Contingent assets and contingent liabilities

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the group.

1.22 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.23 Revenue

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Accounting Policies

1.23 Revenue (continued)

Recognition and measurement

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the group and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Stage of completion is determined by a variety of methods. Depending on the nature of the transaction, the methods may include:

- surveys of work performed;
- services performed to date as a percentage of total services to be performed;
- the proportion that costs incurred to date bear to the estimated total costs of the transaction. Only costs that reflect services performed to date are included in costs incurred to date. Only costs that reflect services performed or to be performed are included in the estimated total costs of the transaction.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Revenue from exchange transactions refers to revenue that accrued to the group directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the group received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Polokwane Municipality

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Accounting Policies

1.23 Revenue (continued)

1.23.1 Revenue from exchange transactions

Service charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. The municipality council approved consumption estimates based on estimates which is used where the inaccessible meters does not have history that could be substantiated. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to Sewerage and refuse removal is recognised monthly in arrears by applying the approved tariff. The municipality use the approved tariff for basic charge and based on the size of the property determine the revenue to be recognised..

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Pre-paid electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

Interest earned and rentals received

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.

Traffic charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

Income from agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of the principal has been quantified. The income recognised is in terms of the agency agreement.

Sale of goods

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

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group 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 group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue recognition of unclaimed deposits

Unclaimed deposits older than three (3) years are recognised as revenue.

Revenue from bus fares

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.23 Revenue (continued)

Paper Ticket: Revenue from the sales of Paper ticket is recognised as revenue by the municipality at the point of sale.

Automated Fare collection system: Revenue from the sale of automated fare collection card will be recognised at the point of sale. Revenue for service rendered will be recognised based on the usage of the bus services by the commuters.

Parking fee revenue

Revenue from Parking fees is recognised when the municipality issues the respective invoice to the agent.

1.23.2 Revenue from non-exchange transactions

Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the group is entitled to collect.

Subsequent to initial recognition and measurement, the group assess the collectability of the revenue and recognises a separate impairment loss where appropriate.

Donations and contributions

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

Transfers and subsidies

Unconditional grants

Equitable share allocations are recognised in revenue at the start of the financial year.

Conditional grants

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

Services received in-kind

Services in kind are recognised at its fair value when it is significant to the operations and/or service delivery objectives and when it is probable that the future economic benefits or service potential will flow to the group and the fair value of the assets can be measured reliably. If the services in-kind are not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, only the nature and type of services in-kind received during the reporting period is disclosed.

Polokwane Municipality

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Accounting Policies

1.24 Unspent conditional grants

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

1.25 Investment income

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

1.26 Borrowing costs

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

Borrowing costs are recognised as an expense in the Statement of financial performance in the period in which they are incurred.

1.27 Unauthorised expenditure

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA), defines Unauthorised expenditure as follows:

- Overspending of the total amount appropriated in the group's approved budget;
- Overspending of the total amount appropriated for a vote in the approved budget;
- Expenditure from a vote unrelated to the department or functional area covered by the vote;
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- Spending of an allocation referred to in the above paragraphs of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- A grant by the group otherwise than in accordance with this Act.

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA) also defines a Vote as:

- One of the main segments into which a budget of a group is divided for the appropriation of money for the different departments or functional areas of the group; and
- Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

The group uses the Municipal Standard Chart of Accounts (mSCOA) Functions and Sub-functions, previously the Government Finance Statistics (GFS) functions, as well as departments as the main groupings of segments of the group's budget segments within the group are grouped per department to facilitate greater accountability and budget implementation by the respective Executive Directors as well as per mSCOA classification to facilitate comparisons on a higher level.

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. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.28 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance.

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

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

1.29 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act 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 group's supply chain management policy.

Polokwane Municipality

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Accounting Policies

1.29 Irregular expenditure (continued)

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of financial performance and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance.

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

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

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

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

1.30 Revaluation reserve

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

1.31 Segment information

A segment is an activity of an entity:

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

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

The reportable segments identified are those functional segments reported in the Government Finance Statistics (GFS's) format and the Municipal Vote (Departmental) format per the Monthly Section 71 Management Reports. The information that will be reported is aligned to the monthly section 71 reports which are reviewed by the executive management. The Government Finance Statistics (GFS's) format allows for universal comparability of segments. The main factors considered in selecting the segments were the level of comparability with other preparers and a level of aggregation that does not detract from presenting the separate revenue or service delivery components.

The Municipality uses the Municipal Vote (Departmental) as Primary and the GFS as Secondary segment reporting levels. The assets and liabilities are not reviewed at all on a segregated basis.

Polokwane Municipality

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Accounting Policies

1.31 Segment information (continued)

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

1.32 Budget information

Group 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 group shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

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

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

The audited 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.

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the annual financial statements in determining whether a difference between the budgeted and actual amount is material.

All comparisons of the budget and actual amounts shall be presented on a comparative basis to the budget. Comparative information includes the following:

- the approved and final amounts;
- actual amounts and final budget amounts.

1.33 Related parties and related party transactions

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. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

Related parties include key management personnel, close members of family of key management and councillors.

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.

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.33 Related parties and related party transactions (continued)

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

Key management personnel include all heads of department or members of the municipal council of the reporting municipality where that council has jurisdiction. The Council, together with the Municipal Manager and Section 57 employees has authority and responsibility to plan and control the activities of the municipality, to manage the resources and for the overall achievement of municipal objectives.

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.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

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

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

1.34 Events after reporting date

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

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

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

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

1.35 Statutory receivables

1.35.1 Identification

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

The group has the following major categories under the ambit of statutory receivables:

- VAT receivables, in terms of the VAT Act;
- Rates debtors, in terms of the Municipal Property Rates Act;
- Traffic fine debtors, in terms of the National Traffic Act as well as the Criminal Procedure Act.

1.35.2 Recognition

The group 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.

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Accounting Policies

1.35 Statutory receivables (continued)

1.35.3 Measurement

The group initially measures statutory receivables at their transaction amount.

The group 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.

1.35.4 Impairment

Statutory receivables, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Statutory receivables are impaired where there is objective evidence of impairment of Statutory receivables (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 108.

A provision for impairment of receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

According to GRAP 108, the assessment for impairment needs to be made for each individual financial asset separately or for groups of statutory receivables with similar credit risks. The following methodology was followed to make a provision for bad debts for the year under review:

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.

Rates debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.

1.35.5 Derecognition

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

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

1.36 Value Added Tax

The group is registered with the South African Revenue Service (SARS) for Value Added Tax on the payment basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

VAT is accounted for on an accrual basis in the annual financial statements. VAT output accrual and VAT input accrual is separately disclosed in the Annual Financial Statements as these will only become a receivable (for Input VAT Accrual) or payable (for Output VAT accrual) from/to SARS once the actual cash receipt or cash payment relating to the transaction has occurred.

Polokwane Municipality

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Accounting Policies

1.37 Principal-agent arrangements

The group is party to a principal-agent arrangement for SANRAL, Cigicell Pty Ltd, Park Point Pty Ltd, Easy Pay and the Department of Transport. In terms of the arrangement the group is the principal for SANRAL, Cigicell Pty Ltd, Park Point Pty Ltd and Easy Pay. The Municipality is the agent for the Department of Transport. .

Identification

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

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

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

Binding arrangement

The group 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 group 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 group concludes that it is not the agent, then it is the principal in the transactions.

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

Recognition

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

1.38 Living resources

Living resources are those resources, other than biological assets that form part of an agricultural activity, that undergo biological transformation.

Living resources include living organisms, for example animals and plants that are used or held for:

- the delivery or provision of goods and services
- research
- conservation
- recreation
- agricultural activities
- education or training; and
- rehabilitation or breeding purposes

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.38 Living resources (continued)

Definitions

Group of resources means a grouping of living or non-living resources of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Living resources are those resources that undergo biological transformation.

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted.

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted.

Initial and subsequent measurement

A living resource shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the entity; and the cost or fair value of the asset can be measured reliably.

The definition of an asset is met if the living resource is controlled by the entity, because of past events, and from which future economic benefits or service potential is expected to flow to the entity. Control is assessed with guidance of GRAP 110.

Living resources are initially recognised at cost on its acquisition date. The cost of a living resource 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Subsequent expenditure relating to living is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset.

Elements of cost are determined with reference to GRAP 110 which take into account borrowing costs as well as combinations of monetary and non-monetary exchanges for acquisitions.

One or more living resources may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets. For example, two entities that are engaged in breeding activities may exchange resources to improve the bloodline of a specific animal. When one non-monetary asset is exchanged for another, the cost of such a living resource is measured at fair value unless the fair value of neither the asset received, nor the asset given up is reliably measurable. If the acquired living resource is not measured at fair value, its cost is measured at the carrying amount of the asset given up. The acquired item is measured in this way even if an entity cannot immediately derecognise the asset given up.

The fair value of an asset for which comparable market transactions do not exist is reliably measurable if (a) the variability in the range of reasonable fair value estimates is not significant for that asset or (b) the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value. If an entity can reliably determine the fair value of either the asset received or the asset given up, then the fair value of the asset given up is used to measure the cost of the asset received. This applies unless the fair value of the asset received is more clearly evident.

Subsequent measurement – revaluation model

After recognition as an asset, a group of living resources, whose fair value can be measured reliably, are carried at a revalued amount, which is its fair value at the date of the revaluation. Revaluations are 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 period will be the same as followed for Property, Plant and Equipment, which is every three years. The accounting treatment for revaluations will be as per GRAP 110

An increase in the carrying amount of living resources as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.38 Living resources (continued)

Determining fair value

The fair value of a living resource is the price at which the living resource could be exchanged between knowledgeable, willing parties in an arm's length transaction. Fair value specifically excludes an estimated price inflated or deflated by special terms or circumstances, such as special considerations or concessions granted by anyone associated with the exchange. Fair value of living and non-living resources is determined and accounted for with guidance from GRAP 110.

Depreciation

Living and non-living resources shall not be depreciated due to the nature in which they are held. These animals are kept in the reserves and are left to roam in the reserve without being traced or tagged. Therefore, the revalued amount will be used for the purpose of reporting until the next revaluation date.

Derecognition

The carrying amount of a living resources derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying values of assets and consideration received / receivable.

1.39 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried at amortised cost. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are carried at amortised cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

1.40 Change in accounting policies, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the group shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the group shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Details of changes in accounting policies, changes in estimates and correction of errors are disclosed in the notes to the audited annual financial statements where applicable.

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.41 Service concession arrangements

The group analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements.

Where the municipality owns the asset:

In the case where the municipality is the legal owner of the asset, the asset is recognised using the same recognition and measurement criteria as those guided by GRAP 17.

Where the municipality does not own the asset:

Where a party (operator) contributes an asset to the arrangement, the group recognises that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognised are measured at their fair value. To the extent that an asset has been recognized, the group also recognises a corresponding liability, adjusted by a cash consideration paid or received.

1.42 New standards and interpretations

1.1 Standards, amendments to standards and interpretations issued, but not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 July 2024 or later periods:

Standard/ Interpretation:

Effective date:
Years beginning on or after

Expected impact:

1.2 Standards, amendments to standards and interpretations issued, but not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the group's accounting periods beginning on or after 01 July 2024 or later periods but are not relevant to its operations:

Standard/ Interpretation:

Effective date:
Years beginning on or after

Expected impact:

- | | | |
|--|---------------|--|
| • GRAP 1 - Presentation of Financial Statements (Going concern) | 01 April 2009 | Unlikely there will be a material impact |
| • GRAP 103 - Heritage Assets | 01 April 2009 | Unlikely there will be a material impact |
| • GRAP 2023: Improvements to the Standards of GRAP 2023 | 01 April 2009 | Unlikely there will be a material impact |
| • GRAP 104 (as revised): Financial Instruments | 01 April 2025 | Unlikely there will be a material impact |
| • iGRAP 21: The Effect of Past Decisions on Materiality | 01 April 2023 | Unlikely there will be a material impact |
| • GRAP 1 (amended): Presentation of Financial Statements (Materiality) | 01 April 2023 | Unlikely there will be a material impact |

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Audited Annual Financial Statements

	Group		Company	
Figures in Rand	2024	2023	2024	2023

2. Cash and cash equivalents

2.1 Cash and cash equivalents

Cash and cash equivalents consist of the following:

Call deposits and investments

Other cash and cash equivalents
Short term deposits

	245	513	-	-
	1 949 946	1 793 849	-	-
	1 950 191	1 794 362	-	-

Cash at bank

Bank account

	343 465 283	185 975 898	343 264 186	184 357 038
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Cash on hand

	14 370	14 413	14 310	14 353
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Total cash and cash equivalents

	345 429 844	187 784 673	343 278 496	184 371 391
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2.2 Bank accounts

The group has the following bank accounts:

Standard Bank	Business current account - 030172349	342 629 244	183 765 763	342 629 244	183 765 763
Standard Bank	Business current account - Housing account - 330535269	634 942	591 275	634 942	591 275
First National Bank	FNB Bank - Annedale Ext 2 - cheque account - 62808280490	6 185	7 495	-	-
First National Bank	FNB Bank - Polokwane Ext 76 - cheque account - 62808279352	296	561	-	-
First National Bank	FNB Bank - 32 day Interest plus account - 74372485836	1 949 946	1 793 849	-	-
First National Bank	FNB Bank - Refundable deposit - cheque account - 62118359191	245	513	-	-
First National Bank	FNB Bank - Operational - cheque account - 62078322105	194 615	1 610 804	-	-
Total		345 415 473	187 770 260	343 264 186	184 357 038

Polokwane Municipality

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Notes to the Consolidated Audited Annual Financial Statements

	Group		Company	
Figures in Rand	2024	2023	2024	2023

2. Cash and cash equivalents (continued)

2.3 Difference between cash book and bank statement

2024

	Group			Company		
	Cash book	Bank statement	Difference	Cash book	Bank statement	Difference
Standard Bank - Business current account - 030172349	342 629 244	341 491 143	1 138 101	342 629 244	341 491 143	1 138 101
Standard Bank - Business current account - DBSA - 80472818	-	-	-	-	-	-
Standard Bank - Business current account - Grant account - 251753846	-	-	-	-	-	-
Standard Bank - Business current account - Housing account - 330535269	634 942	634 942	-	634 942	634 942	-
First National Bank - Annedale Ext 2 - 62808280490	6 185	6 185	-	-	-	-
First National Bank - Polokwane Ext 76 - 62808279352	296	296	-	-	-	-
First National Bank - 32 day notice - 74372485836	1 949 946	1 949 946	-	-	-	-
First National Bank - Refundable Deposit - 62118359191	245	245	-	-	-	-
First National Bank - Operational - 62078322105	194 615	194 615	-	-	-	-
	345 415 473	344 277 372	1 138 101	343 264 186	342 126 085	1 138 101

2023

	Group			Company		
	Cash book	Bank statement	Difference	Cash book	Bank statement	Difference
Standard Bank - Business current account - 030172349	183 765 763	182 560 100	1 205 663	183 765 763	182 560 100	1 205 663
Standard Bank - Business current account - DBSA - 80472818	-	-	-	-	-	-
Standard Bank - Business current account - Grant account - 251753846	-	-	-	-	-	-
Standard Bank - Business current account - Housing - 330535269	591 275	591 275	-	591 275	591 275	-
First National Bank - Annedale Ext 2 - 62808280490	7 495	7 495	-	-	-	-
First National Bank - Polokwane Ext 76 - 62808279352	561	561	-	-	-	-
First National Bank - 32 day notice - 74372485836	1 793 849	1 793 849	-	-	-	-
First National Bank - Refundable Deposit - 62118359191	513	513	-	-	-	-

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Audited Annual Financial Statements

Figures in Rand	Group		Company	
	2024	2023	2024	2023
2. Cash and cash equivalents (continued)				
First National Bank - Operational - 62078322105	1 610 804	1 610 804	-	-
	187 770 260	186 564 597	1 205 663	184 357 038
			183 151 375	1 205 663

No cash and cash equivalents are kept as collateral.

3. Receivables from exchange transactions

Net consumer receivables from exchange transactions	3.1				
Electricity		190 477 318	158 697 698	190 477 318	158 697 698
Waste management		109 359 256	95 393 449	109 359 256	95 393 449
Waste water management		95 694 998	75 610 306	95 694 998	75 610 306
Water		243 325 349	210 733 579	243 325 349	210 733 579
		638 856 921	540 435 032	638 856 921	540 435 032
Other receivables from exchange transactions	3.2				
Housing selling scheme		193 189	320 830	193 189	320 830
Property rental debtors		211 566 247	172 193 837	133 949 233	99 737 348
Other sundry debtors		190 203 605	254 586 904	190 203 605	254 586 904
Provision for impairment		(178 575 373)	(197 849 311)	(101 323 211)	(126 076 931)
		223 387 668	229 252 260	223 022 816	228 568 151
Total receivables from exchange transactions		862 244 589	769 687 292	861 879 737	769 003 183

The amount disclosed in this note is net of impairment. Refer to note 3.1 & 3.2 for the amount before the provision (gross) and the actual value of the provision.

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Audited Annual Financial Statements

	Group		Company	
Figures in Rand	2024	2023	2024	2023

3. Receivables from exchange transactions (continued)

3.1 Consumer receivables

Group

	2024			2023		
	Gross	Impairment	Total	Gross	Impairment	Total
Consumer receivables from exchange transactions						
Electricity	345 120 792	(154 643 474)	190 477 318	315 550 464	(156 852 766)	158 697 698
Waste management	214 321 804	(104 962 548)	109 359 256	189 677 907	(94 284 458)	95 393 449
Waste water management	187 506 702	(91 811 704)	95 694 998	154 649 648	(79 039 342)	75 610 306
Water	465 277 562	(221 952 213)	243 325 349	419 017 287	(208 283 708)	210 733 579
Total consumer receivables from exchange transactions	1 212 226 860	(573 369 939)	638 856 921	1 078 895 306	(538 460 274)	540 435 032

Company

	2024			2023		
	Gross	Impairment	Total	Gross	Impairment	Total
Consumer receivables from exchange transactions						
Electricity	345 120 792	(154 643 474)	190 477 318	315 550 464	(156 852 766)	158 697 698
Waste management	214 321 804	(104 962 548)	109 359 256	189 677 907	(94 284 458)	95 393 449
Waste water management	187 506 702	(91 811 704)	95 694 998	154 649 648	(79 039 342)	75 610 306
Water	465 277 562	(221 952 213)	243 325 349	419 017 287	(208 283 708)	210 733 579
Total consumer receivables from exchange transactions	1 212 226 860	(573 369 939)	638 856 921	1 078 895 306	(538 460 274)	540 435 032

3.1.1 Ageing of consumer receivables

Group - 2024

	Not due			Past due		
	Total	Current	30 days	60 days	90 days	120+ days
Consumer receivables from exchange transactions						
Total by debt type						
Electricity	345 120 792	105 808 985	18 255 595	12 629 408	12 645 810	195 780 994
Waste management	214 321 804	15 843 211	8 697 664	6 972 004	6 343 840	176 465 085
Waste water management	187 506 702	26 307 158	8 513 493	6 803 807	6 140 088	139 742 156
Water	465 277 562	47 909 224	13 337 103	17 286 712	13 305 924	373 438 599
Total by debt type	1 212 226 860	195 868 578	48 803 855	43 691 931	38 435 662	885 426 834

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Audited Annual Financial Statements

	Group		Company	
Figures in Rand	2024	2023	2024	2023

3. Receivables from exchange transactions (continued)

Group - 2023

	Not due		Past due			
	Total	Current	30 days	60 days	90 days	120+ days
Consumer receivables from exchange transactions						
Total by debt type						
Electricity	315 550 464	92 712 110	15 190 409	8 780 491	11 690 262	187 177 192
Waste management	189 677 907	18 066 232	7 983 357	6 388 809	5 582 367	151 657 142
Waste water management	154 649 648	13 597 011	8 093 811	6 535 840	6 413 338	120 009 648
Water	419 017 287	37 394 324	16 063 586	7 237 110	28 743 280	329 578 987
Total by debt type	1 078 895 306	161 769 677	47 331 163	28 942 250	52 429 247	788 422 969

Company - 2024

	Not due		Past due			
	Total	Current	30 days	60 days	90 days	120+ days
Consumer receivables from exchange transactions						
Total by debt type						
Electricity	345 120 792	105 808 985	18 255 595	12 629 408	12 645 810	195 780 994
Waste management	214 321 804	15 843 211	8 697 664	6 972 004	6 343 840	176 465 085
Waste water management	187 506 702	26 307 158	8 513 493	6 803 807	6 140 088	139 742 156
Water	465 277 562	47 909 224	13 337 103	17 286 712	13 305 924	373 438 599
Total by debt type	1 212 226 860	195 868 578	48 803 855	43 691 931	38 435 662	885 426 834

Company - 2023

	Not due		Past due			
	Total	Current	30 days	60 days	90 days	120+ days
Consumer receivables from exchange transactions						
Total by debt type						
Electricity	315 550 464	92 712 110	15 190 409	8 780 491	11 690 262	187 177 192
Waste management	189 677 907	18 066 232	7 983 357	6 388 809	5 582 367	151 657 142
Waste water management	154 649 648	13 597 011	8 093 811	6 535 840	6 413 338	120 009 648
Water	419 017 287	37 394 324	16 063 586	7 237 110	28 743 280	329 578 987
Total by debt type	1 078 895 306	161 769 677	47 331 163	28 942 250	52 429 247	788 422 969

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Audited Annual Financial Statements

Figures in Rand

3. Receivables from exchange transactions (continued)

3.1.2 Impairment reconciliation of consumer receivables

Group

	2024				2023			
	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance
Consumer receivables from exchange transactions								
Electricity	156 852 767	37 181 953	(39 391 246)	154 643 474	151 745 013	47 585 049	(42 477 296)	156 852 766
Waste management	94 284 458	26 286 267	(15 608 177)	104 962 548	91 214 179	18 316 364	(15 246 085)	94 284 458
Waste water management	79 039 342	29 370 984	(16 598 622)	91 811 704	76 465 505	25 656 122	(23 082 285)	79 039 342
Water	208 283 708	49 258 130	(35 589 625)	221 952 213	201 501 158	64 536 215	(57 753 665)	208 283 708
Total consumer receivables	538 460 275	142 097 334	(107 187 670)	573 369 939	520 925 855	156 093 750	(138 559 331)	538 460 274

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Audited Annual Financial Statements

Figures in Rand

3. Receivables from exchange transactions (continued)

Company

	2024				2023			
	Opening balance	Impairment raised	Debt written off	Closing balance	Opening balance	Impairment raised	Debt written off	Closing balance
Consumer receivables from exchange transactions								
Electricity	156 852 767	37 181 953	(39 391 246)	154 643 474	151 745 013	47 585 049	(42 477 296)	156 852 766
Waste management	94 284 458	26 286 267	(15 608 177)	104 962 548	91 214 179	18 316 364	(15 246 085)	94 284 458
Waste water management	79 039 342	29 370 984	(16 598 622)	91 811 704	76 465 505	25 656 122	(23 082 285)	79 039 342
Water	208 283 708	49 258 130	(35 589 625)	221 952 213	201 501 158	64 536 215	(57 753 665)	208 283 708
Total consumer receivables	538 460 275	142 097 334	(107 187 670)	573 369 939	520 925 855	156 093 750	(138 559 331)	538 460 274

3.1.3 Consumer receivables pledged as security

No consumer debtors are pledged as security

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Audited Annual Financial Statements

	Group		Company	
Figures in Rand	2024	2023	2024	2023

3. Receivables from exchange transactions (continued)

3.2 Trade receivables

3.2.1 Ageing of trade receivables

Group - 2024

	Not due			Past due		
	Total	Current	30 days	60 days	90 days	120+ days
Housing selling scheme	193 189	1 127	1 127	1 127	1 127	188 681
Property rental debtors	211 566 247	3 288 422	2 671 361	2 449 565	2 380 771	200 776 128
Other sundry debtors	190 203 605	4 363 283	4 935 633	2 386 355	2 313 819	176 204 515
Total	401 963 041	7 652 832	7 608 121	4 837 047	4 695 717	377 169 324

Group - 2023

	Not due			Past due		
	Total	Current	30 days	60 days	90 days	120+ days
Housing selling scheme	320 830	1 545	1 545	1 545	1 545	314 650
Property rental debtors	172 193 837	32 268 600	1 226 040	1 237 229	1 238 269	136 223 699
Other sundry debtors	254 586 904	13 609 595	4 627 377	2 604 009	2 857 853	230 888 070
Total	427 101 571	45 879 740	5 854 962	3 842 783	4 097 667	367 426 419

Company - 2024

	Not due			Past due		
	Total	Current	30 days	60 days	90 days	120+ days
Housing selling scheme	193 189	1 127	1 127	1 127	1 127	188 681
Property rental debtors	133 949 233	2 431 721	1 861 583	1 696 985	1 659 065	126 299 879
Other sundry debtors	190 203 605	4 363 283	4 935 633	2 386 355	2 313 819	176 204 515
Total	324 346 027	6 796 131	6 798 343	4 084 467	3 974 011	302 693 075

Company - 2023

	Not due			Past due		
	Total	Current	30 days	60 days	90 days	120+ days
Housing selling scheme	320 830	1 545	1 545	1 545	1 545	314 650
Property rental debtors	99 737 348	31 795 069	815 213	815 213	815 213	65 496 640
Other sundry debtors	254 586 904	13 609 595	4 627 377	2 604 009	2 857 853	230 888 070
Total	354 645 082	45 406 209	5 444 135	3 420 767	3 674 611	296 699 360

3.2.2 Trade receivables pledged as security

No Receivable were pledged as security

Minimum lease payments receivable

The municipality is a lessor of various buildings, vacant land, hawker stands as well as land where mobile phone masts are erected. The contract terms and escalation rates vary from one contract to another. It has also entered into numerous developer contracts. The municipality lets out these properties to the general public

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Audited Annual Financial Statements

Figures in Rand	Group		Company	
	2024	2023	2024	2023
3. Receivables from exchange transactions (continued)				
Within a year	8 407 490	9 354 505	8 407 490	9 354 505
Between 1 and 5 years	34 783 943	28 736 105	34 783 943	28 736 105
After 5 years	732 690 182	656 404 726	732 690 182	656 404 726
	775 881 615	694 495 336	775 881 615	694 495 336
4. Other receivables from exchange transactions				
Deposits	1 107 234	975 474	1 107 234	975 474
Abeyance	4.1 1 853 009	3 173 989	1 853 009	3 173 989
Control, clearing and interface accounts	4.2 1 896 386	2 316 505	1 896 386	2 316 505
Prepayments and advances	4.3 11 727 405	27 282 046	11 727 405	27 282 046
Staff loans	23 109	23 109	-	-
Total	16 607 143	33 771 123	16 584 034	33 748 014
4.1 Reconciliation of Abeyance				
Sundry debtors - auctioneer	3 185 394	3 185 394	3 185 394	3 185 394
Leelyn Parking Management	1 562 511	1 562 511	1 562 511	1 562 511
Interest recoverable from DBSA	17 708	17 708	17 708	17 708
Receivable from SANRAL	1 853 009	3 173 989	1 853 009	3 173 989
Provision for impairment	(4 765 613)	(4 765 613)	(4 765 613)	(4 765 613)
	1 853 009	3 173 989	1 853 009	3 173 989
4.2 Reconciliation of control,clearing and interface accounts				
Accrued Interest	1 783 840	2 306 185	1 783 840	2 306 185
Over/Under Banking	112 546	10 320	112 546	10 320
	1 896 386	2 316 505	1 896 386	2 316 505
4.3 Reconciliation of prepayments and advances				
Subscriptions	11 614 688	12 039 801	11 614 688	12 039 801
Recoveries from Staff	112 717	168 717	112 717	168 717
Fleet procurement	15 073 528	15 073 528	15 073 528	15 073 528
Fleet procurement impairment	(15 073 528)	-	(15 073 528)	-
	11 727 405	27 282 046	11 727 405	27 282 046
5. Receivables from non-exchange transactions				
Consumer receivables				
Property rates	5.1 323 885 790	341 411 725	323 885 790	341 411 725
Other receivables				
Fines	5.1 4 782 515	4 291 040	4 782 515	4 291 040
SARS PAYE	7 549	7 549	-	-
	4 790 064	4 298 589	4 782 515	4 291 040
Total receivables	328 675 854	345 710 314	328 668 305	345 702 765
Current portion of non exchange receivables	328 675 854	345 710 314	-	-

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Audited Annual Financial Statements

	Group		Company	
Figures in Rand	2024	2023	2024	2023

5. Receivables from non-exchange transactions (continued)

5.1 Receivables from non-exchange transactions

Group

	2024			2023		
	Gross	Impairment	Total	Gross	Impairment	Total
Consumer receivables						
Property rates	635 657 331	(311 771 541)	323 885 790	567 723 825	(226 312 100)	341 411 725
Other receivables						
Fines	76 849 648	(72 067 133)	4 782 515	171 121 561	(166 830 521)	4 291 040
SARS PAYE	7 549	-	7 549	7 549	-	7 549
	76 857 197	(72 067 133)	4 790 064	171 129 110	(166 830 521)	4 298 589
Total	712 514 528	(383 838 674)	328 675 854	738 852 935	(393 142 621)	345 710 314

Company

	2024			2023		
	Gross	Impairment	Total	Gross	Impairment	Total
Consumer receivables						
Property rates	635 657 331	(311 771 541)	323 885 790	567 723 825	(226 312 100)	341 411 725
Other receivables						
Fines	76 849 648	(72 067 133)	4 782 515	171 121 561	(166 830 521)	4 291 040
Total	712 506 979	(383 838 674)	328 668 305	738 845 386	(393 142 621)	345 702 765

Polokwane Municipality

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5. Receivables from non-exchange transactions (continued)

5.1.1 Ageing of receivables from non-exchange transactions

Group - 2024

Consumer receivables

Property rates

	Not due		Past due		
Total	Current	30 days	60 days	90 days	120+ days
635 657 331	49 062 808	33 241 866	19 063 691	15 382 370	518 906 596

Group - 2023

Consumer receivables

Property rates

	Not due		Past due		
Total	Current	30 days	60 days	90 days	120+ days
567 723 825	48 954 000	23 184 548	21 496 031	21 019 346	453 069 900

Company - 2024

Consumer receivables

Property rates

	Not due		Past due		
Total	Current	30 days	60 days	90 days	120+ days
635 657 331	49 062 808	33 241 866	19 063 691	15 382 370	518 906 596

Company - 2023

Consumer receivables

Property rates

	Not due		Past due		
Total	Current	30 days	60 days	90 days	120+ days
567 723 825	48 954 000	23 184 548	21 496 031	21 019 346	453 069 900

Polokwane Municipality

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Notes to the Consolidated Audited Annual Financial Statements

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5. Receivables from non-exchange transactions (continued)

5.1.2 Impairment reconciliation of receivables from non-exchange transactions

Group

	2024				2023			
	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance
Consumer receivables								
Property rates	(226 312 100)	(125 174 535)	39 715 094	(311 771 541)	(216 920 785)	(29 017 233)	19 625 918	(226 312 100)
Other receivables								
Fines	(166 830 521)	(28 371 425)	123 134 813	(72 067 133)	(135 889 894)	(30 940 627)	-	(166 830 521)
R/D Cheques	-	-	-	-	(1 449 164)	1 449 164	-	-
	(166 830 521)	(28 371 425)	123 134 813	(72 067 133)	(137 339 058)	(29 491 463)	-	(166 830 521)
Total	(393 142 621)	(153 545 960)	162 849 907	(383 838 674)	(354 259 843)	(58 508 696)	19 625 918	(393 142 621)

Company

	2024				2023			
	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance
Consumer receivables								
Property rates	(226 312 100)	(125 174 535)	39 715 094	(311 771 541)	(216 920 785)	(29 017 233)	19 625 918	(226 312 100)
Other receivables								
Fines	(166 830 521)	(28 371 425)	123 134 813	(72 067 133)	(135 889 894)	(30 940 627)	-	(166 830 521)
R/D Cheques	-	-	-	-	(1 449 164)	1 449 164	-	-
	(166 830 521)	(28 371 425)	123 134 813	(72 067 133)	(137 339 058)	(29 491 463)	-	(166 830 521)
Total	(393 142 621)	(153 545 960)	162 849 907	(383 838 674)	(354 259 843)	(58 508 696)	19 625 918	(393 142 621)

Polokwane Municipality

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Notes to the Consolidated Audited Annual Financial Statements

	Group		Company	
Figures in Rand	2024	2023	2024	2023

5. Receivables from non-exchange transactions (continued)

5.1.3 Other receivables from non-exchange transactions pledged as security

No Other receivables from non-exchange transactions are pledged as security

6. Inventories

Materials and supplies		106 949 508	88 278 259	106 949 508	88 278 259
Water	6.1	596 784	454 943	596 784	454 943
Land		5 262 120	5 262 120	5 262 120	5 262 120
Total Inventories		112 808 412	93 995 322	112 808 412	93 995 322

The amount of write-down of inventories recognised as an expense is R 9 278 544 (2023: R 792 800).

Change in the estimated cost to sell of Materials and supplies:

During the year, the estimated cost to sell had been re-estimated at the end of the current period to reflect the actual cost to sell in line with the commission payable to the appointed municipal auctioneers. The effect on the inventory write-down are as follows:

Impact on Inventory balance at year end is an increased value of R1 308 256 and the corresponding decrease in the inventory write-down.

6.1 Water

Opening balance		454 943	404 785	454 943	404 785
System input volume		281 691 685	241 167 026	281 691 685	241 167 026
Authorised consumption		(213 043 546)	(153 772 783)	(213 043 546)	(153 772 783)
Water losses	40.2	(68 506 297)	(87 344 085)	(68 506 297)	(87 344 085)
Closing balance		596 785	454 943	596 785	454 943

6.2 Inventory pledged as security

None of the inventories are pledged as security.

7. VAT receivable/(payable)

The municipality is registered for VAT on the payment basis.

VAT receivable/(payable)	14 013 278	47 824 737	14 013 278	47 824 737
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The VAT output accrual and VAT input accrual balances are as a result of transactions being accounted for on the accrual basis. These are amounts that will become due to (Output VAT) or from (Input VAT) SARS upon the actual realisation or payment of cash from these transactions.

VAT output accrual	119 142 965	125 382 657	119 142 965	125 382 657
VAT input accrual	106 176 476	92 221 762	106 176 476	92 221 762

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	Group		Company	
Figures in Rand	2024	2023	2024	2023
8. Investment property				
8.1 Reconciliation of carrying value				
Opening carrying value				
Opening carrying value	997 033 036	953 878 922	997 033 036	953 878 922
Fair Value Adjustments	27 931 250	49 054 112	27 931 250	49 054 112
Carrying value of disposals / transfers				
Carrying value at the date of disposal	-	(5 899 998)	-	(5 899 998)
Closing carrying value	1 024 964 286	997 033 036	1 024 964 286	997 033 036
Fair value	1 024 964 286	997 033 036	1 024 964 286	997 033 036

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.

8.2 Investment property contractual commitments

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement

8.3 Restrictions on investment property

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal.

8.4 Investment property pledged as security

No investment property assets are pledged as security.

Details of valuation

The values were determined by an external professional valuer registered in terms of the Property Valuers Act No 47 of 2000, Registration number 4761. The value of investment property comprising of land and building was determined by using a combination of valuation approaches. Each of these approaches assessed the relevance of each specific property based on their nature, use and comparable market transactions. The preferred valuation methodology applied to vacant land was that of comparable market related sales based on use, location and extent. In cases where no reasonable comparable sales were available the discounted cash flow methodology was used based on market related rentals for similar properties. Investment properties were fair valued by Rev ME Baloyi, a registered professional associated valuer with SACPU, registration number: 6263/7.

Amounts recognised is surplus or deficit

Rental revenue from Investment Property	20 779 104	15 092 407	8 629 927	3 606 685
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Property interests

There are no property interests held under operating leases.

Operating expenses

The municipality does not incur any operating expenses (including repairs and maintenance) on investment properties.

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Audited Annual Financial Statements

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9. Property, plant and equipment

9.1 Summary

Group	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	572 260 872	-	572 260 872	572 260 872	-	572 260 872
Movable assets and other	427 492 051	(252 671 953)	174 820 098	411 178 902	(247 893 763)	163 285 139
Infrastructure	28 335 912 016	(19 048 298 039)	9 287 613 977	27 581 817 888	(18 123 038 719)	9 458 779 169
Buildings	411 126 151	(88 090 781)	323 035 370	411 126 151	(71 376 570)	339 749 581
Concession assets	97 261 065	(45 921 651)	51 339 414	97 261 065	(32 703 640)	64 557 425
Community Assets	5 642 406 993	(3 463 510 533)	2 178 896 460	5 608 529 287	(3 275 082 832)	2 333 446 455
Leased assets	37 418 614	(14 888 737)	22 529 877	43 484 964	(18 042 847)	25 442 117
Construction Work-in-progress	2 397 068 826	-	2 397 068 826	2 301 507 448	-	2 301 507 448
Total	37 920 946 588	(22 913 381 694)	15 007 564 894	37 027 166 577	(21 768 138 371)	15 259 028 206

Company	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	462 481 622	-	462 481 622	462 481 622	-	462 481 622
Movable assets and other	426 754 711	(252 060 445)	174 694 266	410 609 195	(247 432 221)	163 176 974
Infrastructure	28 335 912 016	(19 048 298 039)	9 287 613 977	27 581 817 888	(18 123 038 719)	9 458 779 169
Roads Infrastructure	97 261 065	(45 921 651)	51 339 414	97 261 065	(32 703 640)	64 557 425
Community Assets	5 642 406 993	(3 463 510 533)	2 178 896 460	5 608 529 287	(3 275 082 832)	2 333 446 455
Leased Assets	37 418 614	(14 888 737)	22 529 877	43 484 964	(18 042 847)	25 442 117
Construction Work-in-progress	2 393 994 526	-	2 393 994 526	2 301 507 448	-	2 301 507 448
Total	37 396 229 547	(22 824 679 405)	14 571 550 142	36 505 691 469	(21 696 300 259)	14 809 391 210

Polokwane Municipality

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Notes to the Consolidated Audited Annual Financial Statements

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2024

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	572 260 872	-	-	-	-	-	572 260 872
Movable assets and other	163 285 139	34 635 676	(1 184 111)	12 583 576	(33 077 022)	(1 423 160)	174 820 098
Infrastructure	9 458 779 169	72 494 818	(2 797 088)	700 163 343	(908 280 708)	(32 745 557)	9 287 613 977
Buildings	339 749 581	-	-	-	(8 245 052)	(8 469 159)	323 035 370
Concession assets	64 557 425	-	-	-	(9 516 208)	(3 701 803)	51 339 414
Community Assets	2 333 446 455	11 196 474	(270 188)	24 849 698	(183 751 474)	(6 574 505)	2 178 896 460
Leased assets	25 442 117	19 519 565	(277 094)	(12 583 576)	(9 571 135)	-	22 529 877
Construction Work-in-progress	2 301 507 448	820 574 419	-	(725 013 041)	-	-	2 397 068 826
	15 259 028 206	958 420 952	(4 528 481)		-(1 152 441 599)	(52 914 184)	15 007 564 894

Polokwane Municipality

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Notes to the Consolidated Audited Annual Financial Statements

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2023

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Impairment loss	Total
Land	552 194 010	24 787	-	-	20 042 075	-	-	572 260 872
Movable assets and other	178 094 318	25 083 160	(103 670)	-	-	(33 298 638)	(6 490 031)	163 285 139
Infrastructure	7 937 443 827	48 175 176	(7 015 475)	290 422 428	1 742 300 956	(530 745 588)	(21 802 155)	9 458 779 169
Buildings	105 226 831	-	-	231 463 407	9 174 802	(6 115 459)	-	339 749 581
Concession assets	74 047 633	-	-	-	-	(9 490 208)	-	64 557 425
Community Assets	1 994 979 572	3 166 405	(87 216)	1 405 555	474 747 686	(138 482 059)	(2 283 488)	2 333 446 455
Leased assets	21 320 460	12 960 338	-	-	-	(8 838 681)	-	25 442 117
Construction Work-in-progress	2 049 256 765	544 647 793	-	(291 827 983)	-	-	(569 127)	2 301 507 448
	12 912 563 416	634 057 659	(7 206 361)	231 463 407	2 246 265 519	(726 970 633)	(31 144 801)	15 259 028 206

Reconciliation of property, plant and equipment - Company - 2024

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	462 481 622	-	-	-	-	-	462 481 622
Movable assets and other	163 176 974	34 573 397	(1 172 497)	12 583 576	(33 044 024)	(1 423 160)	174 694 266
Infrastructure	9 458 779 169	72 494 834	(2 797 088)	700 163 343	(908 280 724)	(32 745 557)	9 287 613 977
Concession assets	64 557 425	-	-	-	(9 516 208)	(3 701 803)	51 339 414
Community Assets	2 333 446 455	11 196 474	(270 188)	24 849 698	(183 751 474)	(6 574 505)	2 178 896 460
Leased assets	25 442 117	19 519 565	(277 094)	(12 583 576)	(9 571 135)	-	22 529 877
Construction Work-in-progress	2 301 507 448	817 500 119	-	(725 013 041)	-	-	2 393 994 526
	14 809 391 210	955 284 389	(4 516 867)		-(1 144 163 565)	(44 445 025)	14 571 550 142

Polokwane Municipality

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Company - 2023

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Impairment loss	Total
Land	472 710 825	24 787	-	-	(10 253 990)	-	-	462 481 622
Movable assets and other	177 955 320	25 083 160	(101 720)	-	-	(33 269 755)	(6 490 031)	163 176 974
Infrastructure	7 937 443 827	48 175 176	(7 015 475)	290 422 428	1 742 300 956	(530 745 588)	(21 802 155)	9 458 779 169
Concession assets	74 047 633	-	-	-	-	(9 490 208)	-	64 557 425
Community Assets	1 994 979 572	3 166 405	(87 216)	1 405 555	474 747 686	(138 482 059)	(2 283 488)	2 333 446 455
Leased assets	21 320 460	12 960 339	-	-	-	(8 838 682)	-	25 442 117
Construction Work-in-progress	2 049 256 765	544 647 793	-	(291 827 983)	-	-	(569 127)	2 301 507 448
	12 727 714 402	634 057 660	(7 204 411)	-	2 206 794 652	(720 826 292)	(31 144 801)	14 809 391 210

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.

9.2 Property, plant and equipment contractual commitments

The contractual commitment for the acquisition of property, plant and equipment is as follows:

Infrastructure	1 065 652 989	1 023 105 879	1 065 652 989	1 023 105 879
Buildings	3 921 353	-	-	-
	1 069 574 342	1 023 105 879	1 065 652 989	1 023 105 879

9.3 Property, plant and equipment pledged as security

No assets have been pledged as security.

Polokwane Municipality

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Notes to the Consolidated Audited Annual Financial Statements

	Group		Company	
Figures in Rand	2024	2023	2024	2023

9. Property, plant and equipment (continued)

9.4 Maintenance of property, plant and equipment

9.4.1 Maintenance of property, plant and equipment by nature and type of expenditure

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

Contracted services	435 976 706	433 518 232	435 476 959	433 406 095
Employee related costs	251 183 374	252 770 842	251 183 374	252 770 842
Inventory consumed	41 256 784	46 456 488	41 256 784	46 456 488
Operational costs	15 505 293	10 493 922	15 505 293	10 493 922
	743 922 157	743 239 484	743 422 410	743 127 347

Change in estimated remaining useful lives

Property, plant and equipment

Depreciable assets - During the year, the useful life of property, plant and equipment had been re-estimated at the beginning of the current period to reflect the actual pattern of service potential derived from the assets. The effect on the current and future periods will be a decrease in the depreciation charge of R143 578 552 in the current period and an equal increase in the depreciation charge of R143 578 552 over the remaining period/s.

9.5 Other information

Borrowing costs capitalised

There are no borrowing costs that have been capitalised to the property, plant and equipment value.

Assets subject to finance lease (Net carrying value)

Leased Assets	22 529 877	25 442 117	22 529 877	25 442 117
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Revaluations

The effective date of the revaluations was Friday, 30 June 2023. Revaluations were performed by MMB Consulting. MMB Consulting and its directors are not connected to the municipality. (The valuations are performed by Madie Bapela CA(SA)(RA), Madishe Shokoane CA(SA) and Max Pawandiwa (Pr Eng-Civil)).

Land and infrastructure are re-valued independently every three years (four years for the municipal entity).

The valuation for Public Service Infrastructure were valued through a calculated nominal value.

The valuation for land is based on the market rate per square metre, taking into account the extent of the property.

All assumptions were based on current market conditions at the time of the valuation.

Delayed and halted projects

Polokwane Municipality

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Notes to the Consolidated Audited Annual Financial Statements

	Group		Company	
Figures in Rand	2024	2023	2024	2023

9. Property, plant and equipment (continued)

Carrying value of delayed and halted projects

Terminated contracts due to poor performance by contractors	540 754 193	472 273 215	540 754 193	472 273 215
Delay in servitude negotiation and payment agreements	10 076 698	6 646 633	10 076 698	6 646 633
Variation orders	539 874 083	480 397 025	539 874 083	480 397 025
Lack of funding	6 796 945	297 622 342	6 796 945	297 622 342
Lack of capacity by Eskom	4 855 314	9 075 445	4 855 314	9 075 445
	1 102 357 233	1 266 014 660	1 102 357 233	1 266 014 660

Within the above carrying value of delayed and halted projects is a carrying value of R158 333 817 661 (Prior year: R409 600 159) relating to halted projects.

No impairment loss was recognised in the current reporting period (2023: R569 127) on the above capital projects. Condition assessment were performed for consideration of impairment in all the delayed and halted projects.

Work in progress

Group

Reconciliation of work-in-progress 2024

	Included within infrastructure assets	Included within community assets	Included within other PPE	Total
Opening balance	1 794 711 762	506 795 687	-	2 301 507 449
Additions/capital expenditure	718 287 620	70 800 354	31 685 251	820 773 225
Transferred to completed items	(694 629 107)	(12 900 065)	(17 483 868)	(725 013 040)
Expensed	-	-	(198 802)	(198 802)
	1 818 370 275	564 695 976	14 002 581	2 397 068 832

Reconciliation of work-in-progress 2023

	Included within infrastructure assets	Included within community assets	Included within other PPE	Total
Restated opening balance	1 549 461 506	499 795 434	219 954 123	2 269 211 063
Additions/capital expenditure	554 560 718	8 863 026	11 509 284	574 933 028
Transferred to completed items	(290 422 427)	(1 405 556)	(231 463 407)	(523 291 390)
Expensed	(18 776 125)	-	-	(18 776 125)
Impairment loss	(111 910)	(457 217)	-	(569 127)
	1 794 711 762	506 795 687	-	2 301 507 449

Company

Polokwane Municipality

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	Group		Company	
Figures in Rand	2024	2023	2024	2023

9. Property, plant and equipment (continued)

Reconciliation of work-in-progress 2024

	Included within infrastructure assets	Included within community assets	Included within other PPE	Total
Opening balance	1 794 711 762	506 795 687	-	2 301 507 449
Additions/capital expenditure	718 287 620	70 800 354	28 610 951	817 698 925
Transferred to completed items	(694 629 107)	(12 900 065)	(17 483 868)	(725 013 040)
Expensed	-	-	(198 802)	(198 802)
	1 818 370 275	564 695 976	10 928 281	2 393 994 532

Reconciliation of work-in-progress 2023

	Included within infrastructure assets	Included within community assets	Included within other PPE	Total
Restated opening balance	1 549 461 506	499 795 434	-	2 049 256 940
Additions/capital expenditure	554 560 718	8 863 026	-	563 423 744
Transferred to completed items	(290 422 427)	(1 405 556)	-	(291 827 983)
Expenses	(18 776 125)	-	-	(18 776 125)
Impairment loss	(111 910)	(457 217)	-	(569 127)
	1 794 711 762	506 795 687	-	2 301 507 449

Concession assets

The overall objective is to provide public transport services that is reliable and safe at an affordable price.

The municipality entered into a negotiated 3 year interim agreement with Esilux Pty Ltd (Operator) to provide the said service on behalf of the municipality at a negotiated rate. The purpose of the arrangement is to capacitate both the operator and the municipality in running public transport services in terms of the NLTA (National Land Transport Act) as an added service of the municipality. The interim agreement will be coming to an end at the end of August 2024. The municipality is currently engaged in discussion to finalise the 12 year negotiated contract in terms of the NLTA.

The operator has the full rights to use the busses for the duration of the contract to provide public transport services. The service concession asset will be utilised by the operator up to the end of the current contract. In addition it is expected that the operator will continue to utilise the asset for the duration of an additional two years post expiry of the new contract that will be entered into.

The municipality reserves the right to terminate the service arrangement in the event of the operator not adhering to the service standard.

Service concession assets comprises of 26 busses (five 9m busses and twenty one 12m busses) as at 30 June 2024.

Polokwane Municipality

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	Group		Company	
Figures in Rand	2024	2023	2024	2023

10. Biological assets

10.1 Reconciliation of carrying value

Group

	2024		2023	
	Biological assets measured at fair value	Total	Biological assets measured at fair value	Total
Opening carrying value	14 905 421	14 905 421	14 872 363	14 872 363
Fair value less costs to sell adjustments				
Consumable assets	716 582	716 582	33 058	33 058
Closing carrying value	15 622 003	15 622 003	14 905 421	14 905 421

Company

	2024		2023	
	Biological assets measured at fair value	Total	Biological assets measured at fair value	Total
Opening carrying value	14 905 421	14 905 421	14 872 363	14 872 363
Fair value less costs to sell adjustments				
Timber trees	716 582	716 582	33 058	33 058
Closing carrying value	15 622 003	15 622 003	14 905 421	14 905 421

10.2 Biological assets contractual commitments

There is no commitment for the development or acquisition of biological assets.

10.3 Restrictions on biological assets

There are no biological assets whose title is restricted and the municipality does not have restrictions regarding the sale of the biological assets.

10.4 Financial risk management strategies

There are no financial management risks related to agricultural activity in the municipality.

Non-financial information

All biological assets relate to timber.

All biological assets held by the municipality are bearer biological assets. These assets are used for more than one financial year.

The municipality does not have consumable biological assets.

The municipality does not have any biological assets held for sale or held for distribution at no charge or for nominal value.

The municipality holds biological assets at the Kromdraai farm which are held for more than one financial year.

Polokwane Municipality

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Notes to the Consolidated Audited Annual Financial Statements

	Group		Company	
Figures in Rand	2024	2023	2024	2023

10. Biological assets (continued)

The fair value of the timber is determined with reference to recent market prices for the biological assets in the market.

The biological assets are matured and have reached harvest stage.

There was no harvest of biological assets during the financial year.

11. Heritage assets

11.1 Reconciliation of carrying value

Group - 2024

	Heritage sites	Memorials and statues	Artworks	Total
Opening carrying value as at 01 July 2023				
Cost	144 000	3 858 647	17 897 171	21 899 818
Accumulated impairment losses	-	-	(32 250)	(32 250)
	144 000	3 858 647	17 864 921	21 867 568
Cost	144 000	3 858 647	17 897 171	21 899 818
Accumulated impairment losses	-	-	(32 250)	(32 250)
	144 000	3 858 647	17 864 921	21 867 568

Group - 2023

	Heritage sites	Monuments and parks	Other assets	Total
Opening carrying value as at 01 July 2022				
Cost	144 000	3 858 647	17 897 172	21 899 819
Accumulated impairment losses	-	-	(32 250)	(32 250)
	144 000	3 858 647	17 864 922	21 867 569
Cost	144 000	3 858 647	17 897 172	21 899 819
Accumulated impairment losses	-	-	(32 250)	(32 250)
	144 000	3 858 647	17 864 922	21 867 569

Company - 2024

	Heritage sites	Memorials and statues	Artworks	Total
Opening carrying value as at 01 July 2023				
Cost	144 000	3 858 647	17 897 171	21 899 818
Accumulated impairment losses	-	-	(32 250)	(32 250)
	144 000	3 858 647	17 864 921	21 867 568
Cost	144 000	3 858 647	17 897 171	21 899 818
Accumulated impairment losses	-	-	(32 250)	(32 250)
Closing carrying value as at 30 June 2024	144 000	3 858 647	17 864 921	21 867 568

Polokwane Municipality

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	Group		Company	
Figures in Rand	2024	2023	2024	2023

11. Heritage assets (continued)

Company - 2023

	Heritage sites	Memorials and statues	Artworks	Total
Opening carrying value as at 01 July 2022				
Cost	144 000	3 858 647	17 897 172	21 899 819
Accumulated impairment losses	-	-	(32 250)	(32 250)
	144 000	3 858 647	17 864 922	21 867 569
Closing carrying value as at 30 June 2023				
Cost	144 000	3 858 647	17 897 172	21 899 819
Accumulated impairment losses	-	-	(32 250)	(32 250)
	144 000	3 858 647	17 864 922	21 867 569

11.2 Restrictions on heritage assets

There are no restrictions on any class of heritage assets owned by the municipality.

11.3 Heritage assets pledged as security

No heritage assets are pledged as security.

Age and/or condition of heritage assets

The majority of the heritage assets have a condition grading of 3 which translates to fair as per the municipality's generic condition assessment methodology. Three assets with the condition grading of 1 which translate to very poor were impaired.

Heritage assets borrowed from other entities

There are 16 heritage assets that are borrowed from Ditsong Museums.

Heritage assets on loan to other entities

No heritage assets are loaned to other entities.

Contractual commitments for the acquisition, maintenance and restoration of heritage assets

No amount included in the commitments amount as disclosed in the respective note relate to heritage assets.

Compensation from third parties

No compensation from third parties were received as no items of heritage assets were impaired, lost or given up.

Heritage assets used for more than one purpose

The assets are only used for heritage use and no other purpose.

Fair value of heritage assets (measured at cost less accumulated impairment losses)

As the fair values are not materially different from the cost of the heritage assets together with the fact that there are no fluctuation in the carrying values of both years, the fair values are not separately disclosed.

Heritage assets which fair values cannot be reliably measured

The following categories of heritage assets could not be measured reliably and are kept in separate lists other than the heritage assets register:

- One asset: Artist could not be traced.
- Assets received as donation from Wits Art Museum.

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	Group		Company	
Figures in Rand	2024	2023	2024	2023

11. Heritage assets (continued)

- Assets brought by local artist for exhibition purposes.
- Art work produced by Bakone Malapa labourers including cultural demonstrative items.

Expenditure incurred to repair and maintain heritage assets

There were no expenditure incurred relating to repairs and maintenance of heritage assets during the year.

Heritage assets under construction

There are no heritage assets currently under construction.

Held for disposal

There are no heritage assets currently held for disposal.

12. Intangible assets

12.1 Reconciliation of carrying value

Group - 2024

		Computer software	Service, operating and land rights	Total
Opening carrying value as at 01 July 2023				
Cost		58 743 820	1 304 768	60 048 588
Accumulated depreciation and impairment		(24 930 293)	-	(24 930 293)
		33 813 527	1 304 768	35 118 295
Additions from transfer of functions / mergers		3 920 383	-	3 920 383
Amortisation	38	(2 556 545)	-	(2 556 545)
		1 363 838	-	1 363 838
Carrying value of disposals / transfers				
Cost		(565 860)	-	(565 860)
Accumulated depreciation and impairment		565 860	-	565 860
		-	-	-
Impairment loss / reversal of impairment	38	(907 702)	-	(907 702)
Closing carrying value as at 30 June 2024		34 269 663	1 304 768	35 574 431
Cost		62 098 343	1 304 768	63 403 111
Accumulated amortisation and impairment		(27 828 680)	-	(27 828 680)
		34 269 663	1 304 768	35 574 431

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Figures in Rand	Group		Company	
	2024	2023	2024	2023
12. Intangible assets (continued)				
Group - 2023				
		Computer software	Service, operating and land rights	Total
Opening carrying value as at 01 July 2022				
Cost		58 649 372	1 304 768	59 954 140
Accumulated depreciation and impairment		(21 342 079)	-	(21 342 079)
		37 307 293	1 304 768	38 612 061
Additions from acquisitions		94 448	-	94 448
Amortisation	38	(3 588 214)	-	(3 588 214)
		(3 493 766)	-	(3 493 766)
Closing carrying value as at		33 813 527	1 304 768	35 118 295
Cost		58 743 820	1 304 768	60 048 588
Accumulated amortisation and impairment		(24 930 293)	-	(24 930 293)
		33 813 527	1 304 768	35 118 295
Company - 2024				
		Computer software	Service, operating and land rights	Total
Opening carrying value as at 01 July 2023				
Cost		58 660 144	1 304 768	59 964 912
Accumulated amortisation and impairment		(24 871 336)	-	(24 871 336)
		33 788 808	1 304 768	35 093 576
Additions from transfer of functions / mergers		3 920 383	-	3 920 383
Amortisation	38	(2 549 448)	-	(2 549 448)
		1 370 935	-	1 370 935
Carrying value of disposals / transfers				
Cost		(565 860)	-	(565 860)
Accumulated depreciation and impairment		565 860	-	565 860
		-	-	-
Impairment loss / reversal of impairment	38	(907 702)	-	(907 702)
Closing carrying value as at 30 June 2024		34 252 041	1 304 768	35 556 809
Cost		62 014 667	1 304 768	63 319 435
Accumulated amortisation and impairment		(27 762 626)	-	(27 762 626)
		34 252 041	1 304 768	35 556 809

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	Group		Company	
Figures in Rand	2024	2023	2024	2023
12. Intangible assets (continued)				
Company - 2023				
		Computer software	Service, operating and land rights	Total
Opening carrying value as at 01 July 2022				
Cost		58 565 696	1 304 768	59 870 464
Accumulated amortisation and impairment		(21 291 554)	-	(21 291 554)
		37 274 142	1 304 768	38 578 910
Additions from acquisitions		94 448	-	94 448
Amortisation	38	(3 579 782)	-	(3 579 782)
		(3 485 334)	-	(3 485 334)
Closing carrying value as at		33 788 808	1 304 768	35 093 576
Cost		58 660 144	1 304 768	59 964 912
Accumulated amortisation and impairment		(24 871 336)	-	(24 871 336)
		33 788 808	1 304 768	35 093 576

There are no intangible assets work in progress that are halted, delayed or taking a significantly long time to be developed in the current financial year.

12.1.1 Intangible assets with indefinite useful lives

The following intangible assets have been assessed to have indefinite useful lives:

Polokwane Municipality has servitudes as part of their intangible assets as contained within their records. These servitudes are assessed as having an indefinite useful life. The reason supporting this assessment is as follows:

The right of way/servitude merely exists because the asset exists and the need of service exists. Therefore, the servitude will continue to exist until such time as the need for the service (addressed through the associated infrastructure asset itself) no longer exists. In fact, the ability to operate and maintain this asset is dependent on the existence of this right, this need is confirmed through the inclusion of section 101 of the Municipal Systems Act which governs municipal rights to access premises.

Service, operating and land rights - Carrying amount: R1 304 768

These are rights that are acquired under a once off transaction and that will be enforceable in the foreseeable future without requiring any additional payments or renewals.

Computer Software - Carrying amount: R25 364 713

These are software acquired by the municipality, which can be used indefinitely until the municipality does not need them, without requiring additional fees. The period over which the municipality can use the software is not linked to the length of a contract with the service provider.

12.2 Intangible assets contractual commitments

There is no contractual commitment for the acquisition, development or disposal of intangible assets.

12.3 Restrictions on intangible assets

There are no title restrictions for any of the municipal intangible assets.

12.4 Intangible assets pledged as security

No intangible assets are pledged as security.

12.5 Impairment

Polokwane Municipality

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	Group		Company	
Figures in Rand	2024	2023	2024	2023

12. Intangible assets (continued)

An impairment loss of R907 702 (2023: Rnil) was incurred.

12.6 Research and development expenditure

There was no expenditure incurred for the research and development of intangible assets during the current financial year.

12.7 Review of useful lives

In the current year, useful lives were reviewed for intangible assets that are nearing the end of their useful lives. The remaining useful lives were allocated based on the users intention to continue with the use of the assets. The impact is immaterial.

13. Investment in subsidiary

13.1 Investment in associate

Name of associate	Principal activities of associate	Interest held 2024	Interest held 2023	Fair value of Investment* 2024	Fair value of Investment* 2023
Polokwane Housing Association	Provision of low cost rental housing	100.00 %	100.00 %	1 000	1 000

13.1.1 Reconciliation of carrying value

Opening carrying value	-	-	1 000	1 000
New investments	-	-	-	-
Disposals	-	-	-	-
Closing carrying value	-	-	1 000	1 000

14. Living resources

14.1 Reconciliation of carrying value

Group

	2024		2023	
	Game	Total	Game	Total
Opening carrying value at 01 July 2023				
Carrying value at revalued amount	9 368 462	9 368 462	5 912 645	5 912 645
Revaluation adjustments	-	-	5 709 493	5 709 493
Disposals	-	-	(2 659 877)	(2 659 877)
Increase/(decrease)	2 238 232	2 238 232	406 201	406 201
	2 238 232	2 238 232	3 455 817	3 455 817
Closing carrying value as at 30 June 2024	11 606 694	11 606 694	9 368 462	9 368 462
Revalued amount	11 606 694	11 606 694	9 368 462	9 368 462

Company

	2024		2023	
	Game	Total	Game	Total
Opening carrying value at 01 July 2023				
Carrying value at revalued amount	9 368 462	9 368 462	5 912 645	5 912 645

Polokwane Municipality

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	Group		Company	
Figures in Rand	2024	2023	2024	2023
14. Living resources (continued)				
Revaluation adjustments	-	-	5 709 493	5 709 493
Disposals	-	-	(2 659 877)	(2 659 877)
Increase/(decrease)	2 238 232	2 238 232	406 201	406 201
	2 238 232	2 238 232	3 455 817	3 455 817
Closing carrying value as at 30 June 2024	11 606 694	11 606 694	9 368 462	9 368 462
Revalued amount	11 606 694	11 606 694	9 368 462	9 368 462

The municipality has 901 matured animals and 17 immature animals at the end of the reporting period (2023: 851) which are managed and protected in terms of the National Environment Management Act as well as the Protected Area Act.

14.2 Living resources that are borrowed from or on loan to other entities

There are no living resources which are borrowed from or loaned to other entities.

14.3 Restrictions on living resources

There are no restrictions with regards to the municipality's ability to sell the animals. Animals are traded during hunting season when the carrying capacity of the game reserve is exceeded, while protecting endangered species.

14.4 Living resources pledged as security

No living resources are pledged as security.

14.5 Living resources contractual commitments

There is no contractual commitment for acquisition, development or disposal of living and non living resources.

14.6 Compensation from third parties

There was no compensation for impairment, losses and resources given up for the financial year.

14.7 Revaluations

Living resources are revalued every third financial year, with the latest revaluation done in the 2022-23 financial year. The municipality has previously experienced challenges relating to measurement of the fair value of the living resources, in particular those species which has a low market activity.

The impact of adopting the Standard of GRAP 110 for living and non living resources is immaterial. The impact of the change is the amount reflected in the note above.

15. Consumer deposits

Electricity	43 540 811	45 154 411	43 540 811	45 154 411
Rental properties	11 509 844	11 572 183	9 500 747	9 778 334
Water	12 428 351	11 861 405	12 428 351	11 861 405
Total	67 479 006	68 587 999	65 469 909	66 794 150

16. Payables from exchange transactions

Affiliates, related parties and associated companies	16.1	3 311 152	3 311 152	3 311 152	3 311 152
Bulk purchases	16.2	163 314 970	127 471 914	163 314 970	127 471 914
Contractors	16.3	171 780 563	141 871 449	171 780 563	141 871 449
Control and clearing accounts	16.4	15 114 172	17 095 471	15 104 663	17 085 962
Employee benefits	16.5	22 703 484	21 703 047	22 134 732	21 292 684
Other payables	16.6	367 402 108	337 098 279	355 411 419	322 279 085
Total		743 626 449	648 551 312	731 057 499	633 312 246

Polokwane Municipality

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Notes to the Consolidated Audited Annual Financial Statements

	Group		Company	
Figures in Rand	2024	2023	2024	2023
16. Payables from exchange transactions (continued)				
Current	743 626 449	648 551 312	731 057 499	633 312 246
16.1 Affiliates, related parties and associated companies				
Capricorn District Municipality	3 311 152	3 311 152	3 311 152	3 311 152
16.2 Bulk purchases				
Bulk water	31 755 946	21 551 746	31 755 946	21 551 746
Bulk electricity	131 559 024	105 920 168	131 559 024	105 920 168
Total	163 314 970	127 471 914	163 314 970	127 471 914
16.3 Contractors				
Retentions	171 780 563	141 871 449	171 780 563	141 871 449
16.4 Control and clearing accounts				
Prepaid electricity	14 749 063	16 466 919	14 749 063	16 466 919
Salary Control - Employee Related Costs	356 162	619 605	355 600	619 043
Skills control	8 947	8 947	-	-
Total	15 114 172	17 095 471	15 104 663	17 085 962
16.5 Employee benefits				
Bonus	22 703 484	21 703 047	22 134 732	21 292 684
16.6 Other payables				
Agency fees	624 898	-	624 898	-
Auditor-General of South Africa	-	166 888	-	166 888
Payables - Work in progress	9 209 283	11 209 283	-	-
Payables and accruals	256 362 060	216 633 442	254 891 185	214 403 751
Unallocated deposits	19 715 028	22 457 820	18 404 497	21 077 600
Advance payments	81 490 839	86 630 846	81 490 839	86 630 846
Total	367 402 108	337 098 279	355 411 419	322 279 085
17. Payables from non - exchange transactions				
Group 2024				

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	Group		Company	
Figures in Rand	2024	2023	2024	2023

17. Payables from non - exchange transactions (continued)

	Opening balance	Funds received	Funds surrendered	Funds utilised	Total
Integrated National Electrification Programme Grant	467 687	17 161 000	-	(17 622 654)	6 033
Neighbourhood Development Partnership Grant	4 974 227	22 168 000	(4 974 228)	(22 167 999)	-
Energy Efficiency and Demand Side Management Grant	-	4 000 000	-	(3 994 213)	5 787
Public Transport Network Grant	12 270 925	163 978 000	(12 270 925)	(159 625 651)	4 352 349
Regional Bulk Infrastructure Grant	-	238 539 000	-	(238 539 000)	-
Water Services Infrastructure Grant	1	67 700 000	-	(67 700 001)	-
Municipal Disaster Relief Grant	4 500 084	14 280 000	-	(12 529 191)	6 250 893
Integrated Urban Development Grant	-	435 949 000	-	(435 949 000)	-
Local Government Financial Management Grant	-	2 400 000	-	(2 400 000)	-
Infrastructure Skills Development Grant	-	5 869 000	-	(3 351 390)	2 517 610
Expanded Public Works Programme	-	11 135 000	-	(11 135 000)	-
Capricorn District Municipality	17 589	-	-	-	17 589
Department of Local Government and Housing	2 949 709	-	-	-	2 949 709
Local Government - Housing Accreditation	591 743	43 852	-	-	635 595
Social Housing Regulatory Authority	8 310	-	-	-	8 310
	25 780 275	983 222 852	(17 245 153)	(975 014 099)	16 743 875

Group 2023

	Opening balance	Funds received	Funds surrendered	Funds utilised	Total
Integrated National Electrification Programme Grant	6 949 177	33 000 000	(6 949 177)	(32 532 313)	467 687
Neighbourhood Development Partnership Grant	22 686 122	25 088 000	(16 663 162)	(26 136 732)	4 974 228
Energy Efficiency and Demand Side Management Grant	85 226	1 000 000	(85 226)	(1 000 000)	-
Public Transport Network Grant	71 428 598	166 506 000	(71 428 598)	(154 235 075)	12 270 925
Regional Bulk Infrastructure Grant	28 319 399	134 584 000	(28 319 399)	(134 584 000)	-
Water Services Infrastructure Grant	12 553 041	63 124 000	(12 553 040)	(63 124 000)	1
Municipal Disaster Relief Grant	84	4 500 000	-	-	4 500 084
Integrated Urban Development Grant	10 124 399	376 044 000	-	(386 168 399)	-
Local Government Financial Management Grant	303	2 400 000	-	(2 400 303)	-
Infrastructure Skills Development Grant	-	6 000 000	-	(6 000 000)	-
Expanded Public Works Programme	-	11 570 000	-	(11 570 000)	-
Capricorn District Municipality	17 589	-	-	-	17 589
Department of Local Government and Housing	2 949 709	-	-	-	2 949 709
Local Government - Housing Association	560 868	30 875	-	-	591 743
Department of Sports, Art and Culture	133 704	-	(133 704)	-	-
Social Housing Regulatory Authority	8 309	-	-	-	8 309
	155 816 528	823 846 875	(136 132 306)	(817 750 822)	25 780 275

Company 2024

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	Group		Company	
Figures in Rand	2024	2023	2024	2023

17. Payables from non - exchange transactions (continued)

	Opening Balance	Funds received	Funds surrendered	Funds utilised	Total
Integrated National Electrification Programme Grant	467 687	17 161 000	-	(17 622 654)	6 033
Neighbourhood Development Partnership Grant	4 974 227	22 168 000	(4 974 228)	(22 167 999)	-
Energy Efficiency and Demand Side Management Grant	-	4 000 000	-	(3 994 213)	5 787
Public Transport Network Grant	12 270 925	163 978 000	(12 270 925)	(159 625 651)	4 352 349
Regional Bulk Infrastructure Grant	-	238 539 000	-	(238 539 000)	-
Water Services Infrastructure Grant	1	67 700 000	-	(67 700 001)	-
Municipal Disaster Relief Grant	4 500 084	14 280 000	-	(12 529 191)	6 250 893
Integrated Urban Development Grant	-	435 949 000	-	(435 949 000)	-
Local Government Financial Management Grant	-	2 400 000	-	(2 400 000)	-
Infrastructure Skills Development Grant	-	5 869 000	-	(3 351 390)	2 517 610
Expanded Public Works Programme	-	11 135 000	-	(11 135 000)	-
Capricorn District Municipality	17 589	-	-	-	17 589
Department of Local Government and Housing	2 949 709	-	-	-	2 949 709
Local Government - Housing Accreditation	591 743	43 852	-	-	635 595
	25 771 965	983 222 852	(17 245 153)	(975 014 099)	16 735 565

Company - 2023

	Opening balance	Funds received	Funds surrendered	Funds utilised	Total
Integrated National Electrification Programme Grant	6 949 177	33 000 000	(6 949 177)	(32 532 313)	467 687
Neighbourhood Development Partnership Grant	22 686 122	25 088 000	(16 663 162)	(26 136 732)	4 974 228
Energy Efficiency and Demand Side Management Grant	85 226	1 000 000	(85 226)	(1 000 000)	-
Public Transport Network Grant	71 428 598	166 506 000	(71 428 598)	(154 235 075)	12 270 925
Regional Bulk Infrastructure Grant	28 319 399	134 584 000	(28 319 399)	(134 584 000)	-
Water Services Infrastructure Grant	12 553 041	63 124 000	(12 553 040)	(63 124 000)	1
Municipal Disaster Relief Grant	84	4 500 000	-	-	4 500 084
Integrated Urban Development Grant	10 124 399	376 044 000	-	(386 168 399)	-
Local Government Financial Management Grant	303	2 400 000	-	(2 400 303)	-
Infrastructure Skills Development Grant	-	6 000 000	-	(6 000 000)	-
Expanded Public Works Programme	-	11 570 000	-	(11 570 000)	-
Capricorn District Municipality	17 589	-	-	-	17 589
Department of Local Government and Housing	2 949 709	-	-	-	2 949 709
Local Government - Housing Accreditation	560 868	30 875	-	-	591 743
Department of Sports, Art and Culture	133 704	-	(133 704)	-	-
	155 808 219	823 846 875	(136 132 306)	(817 750 822)	25 771 966

Reconciliation of funds surrendered

Paid back to National Treasury	17 245 153	135 998 602	17 245 153	135 998 602
Paid back to Provincial Government	-	133 704	-	133 704
	17 245 153	136 132 306	17 245 153	136 132 306

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	Group		Company	
Figures in Rand	2024	2023	2024	2023
18. Borrowings				
Total borrowings				
Annuity and Bullet Loans	347 688 492	372 776 892	347 688 492	372 776 892
Less: Current portion transferred to current liabilities	(27 778 472)	(25 088 400)	(27 778 472)	(25 088 400)
Total non-current borrowings	319 910 020	347 688 492	319 910 020	347 688 492

18.1 Summary of arrangements

The Municipality had entered into a loan agreement with the Development Bank of Southern Africa in March 2017 to borrow R235 million at a interest rate of 10.756% over 14.92 years. The last instalment is repayable on 31 January 2032.

The Municipality had entered into a loan agreement with Standard Bank in January 2018 to borrow R205 million at a interest rate of 10.98% over 15years. The last instalment is repayable on 31 January 2032.

19. Finance Lease liabilities

Finance lease liabilities	19.1	22 966 725	25 629 451	22 966 725	25 629 451
Less: Transferred to current liabilities		(10 610 561)	(21 052 712)	(10 610 561)	(21 052 712)
Total non-current liabilities		12 356 164	4 576 739	12 356 164	4 576 739

The municipality leases cellphones and photocopiers under finance leases.

The cellphone lease contracts were signed with Telkom over a period of 2 years.

The photocopier contracts were signed with Mabapa Trading CC over a period of 3 years after the expiry of the contract with Dido Digital. A contingent rent of 14 cents (black) and 70 cents (colour) is charged per copy.

The vehicle leases from ABSA expired during the current year.

19.1 Finance lease payable

The group as lessee

The obligations under finance leases are as follows:

Total future minimum lease payments				
Payable within 1 year	12 867 596	22 622 931	12 867 596	22 622 931
Payable within 2 to 5 years	13 839 223	4 956 534	13 839 223	4 956 534
Total minimum lease payments	26 706 819	27 579 465	26 706 819	27 579 465
Less: Future finance charges	(3 740 094)	(1 950 014)	(3 740 094)	(1 950 014)
Total	22 966 725	25 629 451	22 966 725	25 629 451
Present value of minimum lease payments				
Payable within 1 year	10 610 561	21 052 712	10 610 561	21 052 712
Payable within 2 to 5 years	12 356 164	4 576 739	12 356 164	4 576 739
Total	22 966 725	25 629 451	22 966 725	25 629 451
Current liability	10 610 561	21 052 712	10 610 561	21 052 712
Non-current liability	12 356 164	4 576 739	12 356 164	4 576 739
Total contingent rents recognised as an expense	2 632 530	2 112 344	2 632 530	2 112 344

Polokwane Municipality

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		Group		Company	
Figures in Rand		2024	2023	2024	2023
20. Employee benefits					
Non-current employee benefits					
Post employment health care benefits	20.1	223 958 000	214 847 000	223 958 000	214 847 000
Ex-Gratia pension benefits	20.2	14 703 000	13 583 000	14 703 000	13 583 000
Leave	20.3	98 708 326	108 015 611	98 708 326	108 015 611
Long-service awards	20.4	65 188 000	61 449 000	64 329 000	60 699 000
		402 557 326	397 894 611	401 698 326	397 144 611
Current employee benefits					
Post employment health care benefits	20.1	8 280 000	-	8 280 000	-
Leave	20.3	8 302 270	9 640 921	8 021 297	9 116 740
Long-service awards	20.4	109 000	100 000	-	-
		16 691 270	9 740 921	16 301 297	9 116 740
		419 248 596	407 635 532	417 999 623	406 261 351
Total					

20.1 Post employment health care benefits

The group provides certain post-retirement medical benefits by funding the medical aid contributions of qualifying retired members of the group. According to the rules of the Medical Aid Funds, with which the group is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the group is liable for a certain portion of the medical aid membership fee. The group operates an unfunded defined benefit plan for these qualifying employees.

	Number		Number	
In-service members (Employees)	1 193	1 197	1 193	1 197
Continuation members (Retirees)	769	813	769	813
In service employees (Non-members)	130	132	130	132
Total members	2 092	2 142	2 092	2 142

The liability in respect of past service has been estimated as follows:

In-service members (Employees)	159 660 000	145 268 000	159 660 000	145 268 000
Continuation members (Retirees)	72 578 000	69 579 000	72 578 000	69 579 000
Total liability	232 238 000	214 847 000	232 238 000	214 847 000
Current	8 280 000	-	8 280 000	-
Non-current	223 958 000	214 847 000	223 958 000	214 847 000
Total liability	232 238 000	214 847 000	232 238 000	214 847 000

The group makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Key Health
- LA Health
- Fed Health
- Samwumed

The Future-service Cost for the ensuing year is estimated to be R 10 498 000 whereas the Interest Cost is estimated to be R 28 658 000.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

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20. Employee benefits (continued)

Rates of interest

Discount rate	Yield curve	Yield curve	Yield curve	Yield curve
Consumer Price Inflation (CPI)	Difference between nominal and yield curve	Difference between nominal and yield curve	Difference between nominal and yield curve	Difference between nominal and yield curve
Medical aid contribution inflation	CPI+1%	CPI+1%	CPI+1%	CPI+1%
Net effective discount rate	Yield curve based	Yield curve based	Yield curve based	Yield curve based

GRAP 25 defines the determination of the Discount Rate Assumption to be used as follows:

'The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.'

The Actuaries used the nominal and real zero curves as at 28 June 2024 supplied by the JSE to determine the discount rates and CPI assumptions at each relevant time period.

Mortality rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS. Furthermore, no updates were made for the impact of COVID 19 as there is insufficient evidence to suggest that it would have an impact on mortality rates in the future.

Normal and average retirement age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements. The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Amounts recognised in the statement of financial position

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

Present value of unfunded obligations	232 238 000	214 847 000	232 238 000	214 847 000
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Amounts recognised in the statement of financial performance

The amounts recognised in the statement of financial performance is as follows:

Current service cost	9 429 000	9 858 000	9 429 000	9 858 000
Interest cost	27 828 000	22 505 000	27 828 000	22 505 000
Actuarial loss/ (gain) recognised in the year	(11 893 566)	1 756 927	(11 893 566)	1 756 927
Total post-retirement benefit included in employee related costs	34	25 363 434	34 119 927	25 363 434

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	Group		Company	
Figures in Rand	2024	2023	2024	2023
20. Employee benefits (continued)				
Movement in the present value of the defined benefit obligation				
Opening balance	214 847 000	188 093 000	214 847 000	188 093 000
Current service cost	9 429 000	9 858 000	9 429 000	9 858 000
Interest cost	27 828 000	22 505 000	27 828 000	22 505 000
Actual employer benefit payments	(7 972 434)	(7 365 927)	(7 972 434)	(7 365 927)
Actuarial loss/(gain) recognised in the year	(11 893 566)	1 756 927	(11 893 566)	1 756 927
	232 238 000	214 847 000	232 238 000	214 847 000

History of present value of unfunded defined benefit

	2020	2021	2022	2023	2024
Present value of defined benefit obligation	197 335 000	204 408 000	188 093 000	214 847 000	232 238 000

Company

	2020	2021	2022	2023	2024
Present value of defined benefit obligation	197 335 000	204 408 000	188 093 000	214 847 000	232 238 000

Sensitivity Analysis

The effect of a 1% movement in the assumed rate of medical aid inflation is as follows:

	+1% Increase	-1% Decrease	+1% Increase	-1% Decrease
Effect on the defined benefit obligation	258 277 000	207 609 000	258 277 000	207 609 000
Effect on the aggregate of the interest cost	31 962 000	25 536 000	31 962 000	25 536 000
Effect on the aggregate of the current service cost	12 212 000	8 919 000	12 212 000	8 918 000

The effect of a 20% movement in the assumed mortality rates are as follow on the ensuing years assumptions:

	+20% Mortality rate	-20% Mortality rate	+20% Mortality rate	-20% Mortality rate
Total accrued liability	216 760 000	250 789 000	216 760 000	250 789 000
Effect on the aggregate of the interest cost	26 710 000	30 992 000	26 710 000	30 992 000
Effect on the aggregate of the current service cost	9 736 000	11 399 000	9 736 000	11 399 000

ZAQ Consultants and Actuaries were the appointed actuaries for the year ending 30 June 2024.

20.2 Ex-Gratia pension benefits

20.2.1 Provision for ex-gratia pension benefits

Movements in the present value of the defined benefit obligation

Opening Balance	13 582 998	14 355 000	13 582 998	14 355 000
Interest	974 000	1 723 000	974 000	1 723 000
Current service cost	1 722 000	1 134 000	1 722 000	1 134 000
Actual employer benefit payments	(1 392 204)	(1 173 367)	(1 392 204)	(1 173 367)
Actuarial (gain)/loss recognised in the year	(183 794)	(2 455 633)	(183 794)	(2 455 633)
Closing balance	14 703 000	13 583 000	14 703 000	13 583 000
Non-current	14 703 000	13 583 000	14 703 000	13 583 000

Key assumptions

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	Group		Company	
Figures in Rand	2024	2023	2024	2023

20. Employee benefits (continued)

The basis on which the discount rate has been determined is as follows:

To obtain the applicable discount rate, the implied duration of the liability to obtain an appropriate interest rate on the yield curve is used. The nominal and real zero curves as at 28 June 2024 supplied by the JSE is used to determine the discounted rates and CPI assumptions is used.

The discount rate used is 12.35%.

The consumer price inflation value used is 6.91%

Net effective discount rate: 5.09%

The normal retirement age is 65 years whilst the average retirement age used is 63 years in order to implicitly allow for ill health and early retirements.

Mortality rate used has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. No updates are made for the impact of COVID 19 as there is insufficient evidence that it would have an impact on mortality rates in the future.

Sensitivity analysis

The effect of a 1% movement in the assumed rate of inflation is as follows:

	1% Decrease	1% Increase	1% Decrease	1% Increase
Effect on the interest cost	1 598 000	1 984 000	1 598 000	1 984 000
Effect on current service cost	901 000	1 163 000	901 000	1 163 000
Effect on the defined benefit obligation	13 311 000	16 308 000	13 311 000	16 308 000

20.3 Leave

20.3.1 Provision for leave

Movements in the present value of the defined benefit obligation

Opening Balance	117 656 532	157 558 014	117 132 351	156 528 127
Reductions (Payments, remeasurement etc.)	(10 402 728)	(37 116 103)	(10 402 728)	(36 610 397)
Reversals	(243 208)	(2 785 379)	-	(2 785 379)

Closing balance	107 010 596	117 656 532	106 729 623	117 132 351
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Current	8 302 270	9 640 921	8 021 297	9 116 740
Non-current	98 708 326	108 015 611	98 708 326	108 015 611

20.4 Long-service awards

20.4.1 Provision for long-service awards

Movements in the present value of the defined benefit obligation

Opening Balance	61 549 000	59 228 000	60 699 000	58 512 000
Current cost	5 109 000	5 221 000	5 022 000	5 144 000
Interest cost	6 716 000	6 743 000	6 626 000	6 665 000
Benefits paid	(362 580)	(210 969)	(262 580)	(181 969)
Actuarial (gain)/loss	(7 714 420)	(9 432 031)	(7 755 420)	(9 440 031)

Closing balance	65 297 000	61 549 000	64 329 000	60 699 000
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Current	109 000	100 000	-	-
Non-current	65 188 000	61 449 000	64 329 000	60 699 000

Discount rate: Yield curve

CPI: Difference between nominal and real yield curve

Normal salary increase rate: CPI+1%

Net effective discount rate: Yield curve based

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Figures in Rand	2024	2023	2024	2023

20. Employee benefits (continued)

Sensitivity analysis

The effect of a 1% movement in the normal salary inflation are as follow on the ensuing years assumptions:

	1% Decrease	1% Increase	1% Decrease	1% Increase
Effect on the defined benefit obligation	60 860 000	68 107 000	60 860 000	68 107 000
Effect on the aggregate of the current service cost	4 814 000	5 500 000	4 814 000	5 500 000
Effect on the aggregate of the interest cost	6 388 000	7 197 000	6 388 000	7 197 000

The effect of a 20% movement in the withdrawal rates are as follow on the ensuing years assumptions:

	-20% Withdrawal rate	+20% Withdrawal rate	-20% Withdrawal rate	+20% Withdrawal rate
Effect on the defined benefit obligation	66 853 000	61 990 000	66 853 000	61 990 000
Effect on the aggregate of the current service cost	5 419 000	4 888 000	5 419 000	4 888 000
Effect on the aggregate of the interest cost	7 059 000	6 513 000	7 059 000	6 513 000

21. Provision

Landfill Sites	21.1	129 352 291	117 269 606	129 352 291	117 269 606
Current		3 656 736	-	3 656 736	-
Non-current		125 695 555	117 269 606	125 695 555	117 269 606

21.1 Landfill Sites

Opening Balance	117 269 606	125 456 774	117 269 606	125 456 774
Change in landfill closure provision	(440 450)	(19 951 164)	(440 450)	(19 951 164)
Interest cost	12 523 135	11 763 996	12 523 135	11 763 996
Closing balance	129 352 291	117 269 606	129 352 291	117 269 606
Current	3 656 736	-	3 656 736	-
Non-current	125 695 555	117 269 606	125 695 555	117 269 606

The landfill rehabilitation provision is created for the rehabilitation of Aganang and Weltevreden landfill site which is evaluated at each year-end to reflect the best estimate at reporting date. The valuation for the landfill site was performed by a team from **Environmental and Sustainability Solutions CC** consisting of Mr Seakle Godschalk MSc(Zoology) with the following qualifications: MCom(Accounting), SAIEES, CIGFARO, SACNASP and Maryna Mohr with the following qualifications: DTech (Environmental Management), MBA. The warranty provision represents management's best estimate of the liability under one period warranties granted on (electrical) (products), based on (prior experience) (and) (industry averages for defective products).

Key financial assumptions used in this calculation were as follows:

Weltevreden landfill

CPI - 5.1704%
Discount rate - 10.1704
Net effective discount rate - 5%

Aganang landfill.

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Figures in Rand	2024	2023	2024	2023

21. Provision (continued)

CPI - 5.1704%

Discount rate - 10.6704%

Net effective discount rate - 5.5%

The approximate size used as at 30 June 2024 is 378 726 square metres for Weltevreden. The total area of the landfill is 298 314 square metres at the Aganang landfill site.

Remaining useful life:

Weltevreden: 2 years

Aganang: 47 years

The disclosed amount of R129 352 290 represents a decrease of R440 450 from the provision of R117 269 605 in the previous financial year. The factors that cause a decrease in the closure provision relates to changes in the CPI, discount rate and unit costs amounting to R440 450. The interest charge relating to the assessment amounts to R12 523 135.

The corresponding asset is measured using the revaluation model.

22. Revaluation Reserve

Revaluation Reserve	10 375 708 105	10 375 708 105	10 257 919 444	10 257 919 444
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Reconciliation of Revaluation reserve

Opening balance	10 375 708 105	7 601 069 756	10 257 919 444	7 483 281 095
Revaluation for the year		- 2 774 638 349		- 2 774 638 349

10 375 708 105	10 375 708 105	10 257 919 444	10 257 919 444
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Refer to Statement of changes in net assets for more detail and the movement on Reserves.

23. Services charges

Electricity

Electricity charges	1 368 902 843	1 179 655 522	1 368 902 843	1 179 655 522
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Waste management

Waste management charges	142 911 569	140 929 587	142 911 569	140 929 587
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Waste water management

Waste water management charges	170 741 829	150 939 516	170 741 829	150 939 516
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Water management

Water management charges	298 432 073	264 124 630	298 432 073	264 124 630
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Total

1 980 988 314	1 735 649 255	1 980 988 314	1 735 649 255
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24. Rental from fixed assets

Market related	32 331 124	32 718 557	32 331 124	32 718 557
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Non-market related	20 779 104	15 092 407	8 629 927	3 606 685
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Total

53 110 228	47 810 964	40 961 051	36 325 242
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24.1 Rental by asset class

Market related

Property, plant and equipment	32 331 124	32 718 557	32 331 124	32 718 557
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Non-market related

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

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Figures in Rand	Group		Company	
	2024	2023	2024	2023
24. Rental from fixed assets (continued)				
Property, plant and equipment	12 173 013	11 501 058	23 836	15 336
Investment property	8 606 091	3 591 349	8 606 091	3 591 349
	20 779 104	15 092 407	8 629 927	3 606 685
Total	53 110 228	47 810 964	40 961 051	36 325 242
24.2 Rental by type				
Market related				
Property, plant and equipment				
Community assets				
• Ad-hoc rentals	17 702 186	13 754 713	17 702 186	13 754 713
• Straight-lined operating	14 628 788	18 963 844	14 628 788	18 963 844
	32 330 974	32 718 557	32 330 974	32 718 557
Other assets				
• Ad-hoc rentals	150	-	150	-
Total property, plant and equipment	32 331 124	32 718 557	32 331 124	32 718 557
Non-market related				
Property, plant and equipment				
Other assets				
• Ad-hoc rentals	12 173 013	11 501 058	23 836	15 336
Investment property				
Ad-hoc rentals	8 606 091	3 591 349	8 606 091	3 591 349
Total non-market related	20 779 104	15 092 407	8 629 927	3 606 685
Total	53 110 228	47 810 964	40 961 051	36 325 242
25. Interest earned from receivables				
Service charges	96 290 038	69 602 148	96 290 038	69 602 148
Property rates	25.1 55 411 975	40 925 649	55 411 975	40 925 649
Total	151 702 013	110 527 797	151 702 013	110 527 797
25.1 Interest earned from non-exchange receivables				
Consumer receivables				
Property rates	55 411 975	40 925 649	55 411 975	40 925 649
26. Interests on investments				
Bank accounts	21 080 865	17 812 552	21 080 865	17 812 550
Short-term investments and call accounts	27 096 905	21 002 446	27 096 905	21 002 446
Total	48 177 770	38 814 998	48 177 770	38 814 996
27. Licences or permits				
Exchange revenue	27.1 13 596 844	13 788 739	13 596 844	13 788 739

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Notes to the Consolidated Audited Annual Financial Statements

	Group		Company	
Figures in Rand	2024	2023	2024	2023

27. Licences or permits (continued)

27.1 Licenses and permits - Exchange revenue

Road and transport	13 594 947	13 781 297	13 594 947	13 781 297
Trading	1 897	7 442	1 897	7 442
Total	13 596 844	13 788 739	13 596 844	13 788 739

28. Agency services

Public Entities	332 199	134 796	332 199	134 796
Provincial	25 894 646	23 419 540	25 894 646	23 419 540
Total	26 226 845	23 554 336	26 226 845	23 554 336

29. Operational revenue

Administrative Handling Fees	708 902	721 398	708 902	721 398
Arbor City Awards Competition	700 000	-	700 000	-
Commission	4 292 710	2 366 819	4 292 710	2 366 819
Incidental Cash Surpluses	12 208	36 583 862	12 208	36 583 862
Inspection fees	53 125	45 677	53 125	45 677
Request for information	66 670	48 831	66 670	48 831
Skills Development Levy Refund	1 727 423	1 750 820	1 727 423	1 750 820
Staff and Councillors Recoveries	59 895	19 103	59 895	19 103
Total	7 620 933	41 536 510	7 620 933	41 536 510

30. Sales of goods and rendering of services

Academic Services	34 036	87 624	34 036	87 624
Advertisements	126 711	116 118	126 711	116 118
Application Fees for Land Usage	495 786	1 136 418	495 786	1 136 418
Building Plan Approval	6 625 900	8 405 139	6 625 900	8 405 139
Cemetery and Burial	1 305 458	1 205 213	1 305 458	1 205 213
Clearance Certificates	1 654 095	1 333 822	1 654 095	1 333 822
Entrance Fees	877 533	867 472	877 533	867 472
Escort Fees	306 808	149 690	306 808	149 690
Fire Services	164 594	131 054	164 594	131 054
Library Fees	20 895	19 371	20 895	19 371
Occupation Certificates	224 495	268 277	224 495	268 277
Parking Fees	1 913	-	1 913	-
Photo copies, Faxes and Telephone charges	15 271	10 362	15 271	10 362
Sale of Goods	5 338	386 910	5 338	386 910
Transport Fees	9 350 104	12 231 910	9 350 104	12 231 910
Weighbridge Fees	2 250	11 096	2 250	11 096
Total	21 211 187	26 360 476	21 211 187	26 360 476

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	Group		Company	
Figures in Rand	2024	2023	2024	2023
31. Property rates				
Agricultural Property	12 480 580	(487 175)	12 480 580	(487 175)
Business and Commercial Properties	259 871 959	245 593 944	259 871 959	245 593 944
Farm Properties	-	11 520 471	-	11 520 471
Industrial Properties	63 841 604	60 150 920	63 841 604	60 150 920
Public Benefit Organisations	478 822	(387 605)	478 822	(387 605)
Public Service Infrastructure Properties	125 475	319 165	125 475	319 165
Public service purposes properties	22 126 261	-	22 126 261	-
Residential Properties	243 631 136	234 831 522	243 631 136	234 831 522
State-owned Properties	-	21 103 192	-	21 103 192
Total	602 555 837	572 644 434	602 555 837	572 644 434

32. Transfers and subsidies

Operational

Monetary allocations or revenue	32.1	1 538 725 422	1 403 549 423	1 538 725 422	1 403 549 423
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Capital

Allocations in-kind	32.2	3 982 090	576 297	3 982 090	576 297
Monetary allocations or revenue	32.3	773 199 098	612 012 650	770 124 798	612 012 650

Total transfers and subsidies: Capital

Total		777 181 188	612 588 947	774 106 888	612 588 947
		2 315 906 610	2 016 138 370	2 312 832 310	2 016 138 370

32.1 Monetary allocations or revenue: Operational

National Treasury - conditional grants		219 604 269	205 738 170	219 604 269	205 738 170
National Treasury - equitable share		1 318 621 153	1 196 549 603	1 318 621 153	1 196 549 603
Public contributions and donations		500 000	1 261 650	500 000	1 261 650
Total		1 538 725 422	1 403 549 423	1 538 725 422	1 403 549 423

Revenue recognised per grant

Expanded Public Works Programme Integrated Grant		11 135 000	11 570 000	11 135 000	11 570 000
Infrastructure Skills Development Grant		2 759 462	6 000 000	2 759 462	6 000 000
Local Government Financial Management Grant		2 024 065	2 055 303	2 024 065	2 055 303
Water Services Infrastructure Grant		-	11 511 012	-	11 511 012
Public Transport Network Grant		88 491 123	78 525 573	88 491 123	78 525 573
Integrated National Electrification Programme Grant		-	4 188 727	-	4 188 727
Integrated Urban Development Grant		115 194 619	91 887 555	115 194 619	91 887 555
Total		219 604 269	205 738 170	219 604 269	205 738 170

32.2 Allocations in-kind: Capital

Private enterprises		3 982 090	576 297	3 982 090	576 297
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32.3 Monetary allocations: Capital

Departmental agencies and accounts		3 074 300	-	-	-
Foreign government and international organisations		14 714 969	-	14 714 969	-
National government		755 409 829	612 012 650	755 409 829	612 012 650
Total		773 199 098	612 012 650	770 124 798	612 012 650

Revenue recognised per grant

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	Group		Company	
Figures in Rand	2024	2023	2024	2023
32. Transfers and subsidies (continued)				
Integrated National Electrification Programme Grant	17 622 654	28 343 585	17 622 654	28 343 585
Neighbourhood Development Partnership Grant	22 167 999	26 136 732	22 167 999	26 136 732
Local Government Finance Management Grant	375 935	345 000	375 935	345 000
Energy Efficiency and Demand Side Management Grant	3 994 213	1 000 000	3 994 213	1 000 000
Water Services Infrastructure Grant	67 700 000	51 612 988	67 700 000	51 612 988
Public Transport Network Grant	71 134 528	75 709 501	71 134 528	75 709 501
Regional Bulk Infrastructure Grant	238 539 000	134 584 000	238 539 000	134 584 000
Infrastructure Skills Development Grant	591 928	-	591 928	-
Municipal Disaster Relief Grant	12 529 191	-	12 529 191	-
Integrated Urban Development Grant	320 754 381	294 280 844	320 754 381	294 280 844
Social Housing Regulatory Authority	3 074 300	-	-	-
	758 484 129	612 012 650	755 409 829	612 012 650

Analysis of donations received in kind

Included in the donations amount that are donations received in kind. Refer to the table below for the respective details:

Upgrading of roads - Greenery Shopping Centre	3 982 090	-	3 982 090	-
Clear view fence	-	96 111	-	96 111
Jojo tanks	-	217 156	-	217 156
Pressure reducing valve	-	263 030	-	263 030
	3 982 090	576 297	3 982 090	576 297

Analysis of cash donations

Mayors charity fund	500 000	1 211 650	500 000	1 211 650
Marathon	-	50 000	-	50 000
International cash donations for roads	14 714 969	-	14 714 969	-
	15 214 969	1 261 650	15 214 969	1 261 650

32.4.1 Equitable share

Balance at the beginning of the year	-	-	-	-
Current year receipts	1 301 376 000	1 060 551 000	1 301 376 000	1 060 551 000
Offset December tranche - roll overs not approved	17 245 152	135 998 603	17 245 152	135 998 603
	1 318 621 152	1 196 549 603	1 318 621 152	1 196 549 603

This grant is an unconditional grant and is partially utilized for the provision of indigent support through basic service delivery.

32.4.2 Finance Management Grant

Balance at the beginning of the year	-	303	-	303
Current year receipts	2 400 000	2 400 000	2 400 000	2 400 000
Conditions met - transferred to revenue	(2 400 000)	(2 400 303)	(2 400 000)	(2 400 303)
	-	-	-	-

This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. The conditions of the grant were met. No funds have been withheld.

32.4.3 Public Transport Network Grant

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	Group		Company	
Figures in Rand	2024	2023	2024	2023
32. Transfers and subsidies (continued)				
Balance at the beginning of the year	12 270 926	71 428 599	12 270 926	71 428 599
Current year receipts	163 978 000	166 506 000	163 978 000	166 506 000
Conditions met - transferred to revenue	(159 625 651)	(154 235 075)	(159 625 651)	(154 235 075)
Paid back to National Treasury	(12 270 925)	(71 428 598)	(12 270 925)	(71 428 598)
	4 352 350	12 270 926	4 352 350	12 270 926

The grant was used for public transport and non motorised transport infrastructure.

32.4.4 Municipal Disaster Relief Grant

Balance at the beginning of the year	4 500 084	84	4 500 084	84
Current year receipts	14 280 000	4 500 000	14 280 000	4 500 000
Conditions met - transferred to revenue	(12 529 191)	-	(12 529 191)	-
	6 250 893	4 500 084	6 250 893	4 500 084

32.4.5 Limpopo Provincial Government

Balance at the beginning of the year	2 949 710	2 949 710	2 949 710	2 949 710
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The grant was utilised in the planning phase of the Convention Centre.

32.4.6 Limpopo Local Government and Housing

Balance at the beginning of the year	591 743	560 868	591 743	560 868
Current year receipts	43 853	30 875	43 853	30 875
	635 596	591 743	635 596	591 743

The grant was used to fund the housing accreditation process.

32.4.7 Integrated National Electrification Programme Grant

Balance at the beginning of the year	467 687	6 949 177	467 687	6 949 177
Current year receipts	17 161 000	33 000 000	17 161 000	33 000 000
Conditions met - transferred to revenue	(17 622 654)	(32 532 313)	(17 622 654)	(32 532 313)
Paid back to National Treasury	-	(6 949 177)	-	(6 949 177)
	6 033	467 687	6 033	467 687

The grant was used to fund projects to address the electrification backlogs in rural areas.

32.4.8 Capricorn District Municipality

Balance at the beginning of the year	17 589	17 589	17 589	17 589
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
	17 589	17 589	17 589	17 589

32.4.9 Expanded Public Works Programme Incentive Grant

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	Group		Company	
Figures in Rand	2024	2023	2024	2023
32. Transfers and subsidies (continued)				
Balance at the beginning of the year	-	-	-	-
Current year receipts	11 135 000	11 570 000	11 135 000	11 570 000
Conditions met - transferred to revenue	(11 135 000)	(11 570 000)	(11 135 000)	(11 570 000)
	-	-	-	-

The grant was used to fund projects in order to maximise job creation and skills development.

32.4.10 Neighbourhood Development Partnership Grant

Balance at the beginning of the year	4 974 227	22 686 122	4 974 227	22 686 122
Current year receipts	22 168 000	25 088 000	22 168 000	25 088 000
Conditions met - transferred to revenue	(22 136 758)	(26 136 732)	(22 136 758)	(26 136 732)
Paid back to National Treasury	(4 974 228)	(16 663 162)	(4 974 228)	(16 663 162)
	31 241	4 974 228	31 241	4 974 228

The grant was used to fund projects in order to provide community infrastructure to improve quality of life of residents in townships.

32.4.11 Infrastructure Skills Development Grant

Balance at the beginning of the year	-	-	-	-
Current year receipts	5 869 000	6 000 000	5 869 000	6 000 000
Conditions met - transferred to revenue	(3 351 390)	(6 000 000)	(3 351 390)	(6 000 000)
	2 517 610	-	2 517 610	-

32.4.12 Regional Bulk Infrastructure Grant

Balance at the beginning of the year	-	28 319 400	-	28 319 400
Current year receipts	238 539 000	134 584 000	238 539 000	134 584 000
Conditions met - transferred to revenue	(238 539 000)	(134 584 000)	(238 539 000)	(134 584 000)
Paid back to National Treasury	-	(28 319 400)	-	(28 319 400)
	-	-	-	-

The grant was used to fund projects in order to provide bulk infrastructure to improve quality of life of residents.

32.4.13 Energy Efficiency and Demand Side Management Grant

Balance at the beginning of the year	-	85 226	-	85 226
Current year receipts	4 000 000	1 000 000	4 000 000	1 000 000
Conditions met - transferred to revenue	(3 994 213)	(1 000 000)	(3 994 213)	(1 000 000)
Paid back to National Treasury	-	(85 226)	-	(85 226)
	5 787	-	5 787	-

The grant was used to reduce electricity consumption and improve energy efficiency.

32.4.14 Water Services Infrastructure Grant

Polokwane Municipality

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	Group		Company	
Figures in Rand	2024	2023	2024	2023
32. Transfers and subsidies (continued)				
Balance at the beginning of the year	-	12 553 040	-	12 553 040
Current year receipts	67 700 000	63 124 000	67 700 000	63 124 000
Conditions met - transferred to revenue	(67 696 540)	(63 124 000)	(67 696 540)	(63 124 000)
Paid back to National Treasury	-	(12 553 040)	-	(12 553 040)
	3 460	-	3 460	-

The grant was used to fund projects in order to provide water infrastructure to improve quality of life of residents.

32.4.15 Integrated Urban Development Grant

Balance at the beginning of the year	-	10 124 399	-	10 124 399
Current year receipts	435 949 000	376 044 000	435 949 000	376 044 000
Conditions met - transferred to revenue	(435 949 000)	(386 168 399)	(435 949 000)	(386 168 399)
	-	-	-	-

32.4.16 Department of Sports Arts and Culture

Balance at the beginning of the year	-	133 704	-	133 704
Paid back to the Department	-	(133 704)	-	(133 704)
	-	-	-	-

32.4.17 Social Housing Regulatory Authority

Balance at the beginning of the year	8 310	8 310	-	-
Current year receipts	3 074 300	-	-	-
Conditions met - transferred to revenue	(3 074 300)	-	-	-
	8 310	8 310	-	-

33. Fines, penalties and forfeits

Fines	33.1	38 820 345	41 441 158	38 820 345	41 441 158
Forfeits	33.2	2 158 316	1 091 106	2 158 316	1 010 108
Total		40 978 661	42 532 264	40 978 661	42 451 266

33.1 Fines

Traffic fines

Municipal fines	31 739 600	32 276 325	31 739 600	32 276 325
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Other fines

Illegal connections	6 941 900	9 041 812	6 941 900	9 041 812
Law enforcement	-	30	-	30
Overdue books	431	6 816	431	6 816
Pound fees	138 414	116 175	138 414	116 175
	7 080 745	9 164 833	7 080 745	9 164 833
Total	38 820 345	41 441 158	38 820 345	41 441 158

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	Group		Company	
Figures in Rand	2024	2023	2024	2023

33. Fines, penalties and forfeits (continued)

33.2 Forfeits

Deposits	-	80 998	-	-
Retentions	2 100 173	888 530	2 100 173	888 530
Unclaimed money	58 143	121 578	58 143	121 578
Total	2 158 316	1 091 106	2 158 316	1 010 108

34. Employee related cost

Senior management	34.1	14 166 613	14 127 691	14 166 613	14 127 691
Municipal staff	34.2	1 101 497 901	1 067 774 753	1 090 115 629	1 057 888 492
Board members and entities	34.3	517 414	1 104 666	-	-
Total		1 116 181 928	1 083 007 110	1 104 282 242	1 072 016 183

Polokwane Municipality

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Figures in Rand

34. Employee related cost (continued)

34.1 Senior management costs

Group - 2024

	Municipal manager	Chief financial officer	Director Strategic, Planning, Monitoring and Evaluation	Director Community Services	Director Energy Services	Director Planning and Economic Development	Director Transport Services	Director Water and Sanitation	Director Corporate and Shared Services	Director Roads	Deputy Chief Financial Officer	Total
Basic salary	1 642 992	371 020	-	1 317 252	719 109	1 317 252	728 579	728 579	-	609 471	1 065 883	8 500 137
Service-related benefits	-	306 916	81 805	-	183 108	-	57 747	132 014	81 805	-	-	843 395
Allowances	590 733	126 695	-	421 668	234 697	468 328	261 683	273 999	-	222 960	495 150	3 095 913
Medical	40 982	9 168	-	63 329	-	40 982	36 942	24 625	-	31 173	-	247 201
Pension	273 534	-	-	242 798	117 630	218 827	145 069	145 069	-	109 802	213 177	1 465 906
Unemployment insurance	2 125	531	177	2 125	1 063	2 195	1 240	1 240	177	1 063	2 125	14 061
	2 550 366	814 330	81 982	2 047 172	1 255 607	2 047 584	1 231 260	1 305 526	81 982	974 469	1 776 335	14 166 613

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Figures in Rand

34. Employee related cost (continued)

Group - 2023

	Municipal manager	Chief financial officer	Director Strategic, Planning, Monitoring and Evaluation	Director Community Services	Director Energy Services	Director Planning and Economic Development	Director Transportation and Services	Director Water and Sanitation	Director Corporate and Shared Services	Deputy Chief Financial Officer	Total
Basic salary	1 360 990	1 191 164	562 067	509 845	1 293 234	724 544	12 664	16 885	1 013 299	1 011 274	7 695 966
Service-related benefits	43 934	46 841	479 232	46 209	-	232 825	95 094	269 506	531 055	-	1 744 696
Allowances	528 000	787 912	222 706	199 209	490 685	260 974	21 089	28 261	502 768	489 899	3 531 503
Medical	35 392	52 967	-	25 035	-	25 205	-	-	-	-	138 599
Pension	242 729	-	80 375	98 072	237 587	105 119	-	-	56 848	182 029	1 002 759
Unemployment insurance	2 125	2 125	1 063	1 063	2 125	1 594	177	177	1 594	2 125	14 168
	2 213 170	2 081 009	1 345 443	879 433	2 023 631	1 350 261	129 024	314 829	2 105 564	1 685 327	14 127 691

Company - 2024

	Municipal manager	Chief financial officer	Director Strategic, Planning, Monitoring and Evaluation	Director Community Services	Director Energy Services	Director Planning and Economic Development	Director Transport Services	Director Water and Sanitation	Director Corporate and Shared Services	Director Roads	Deputy Chief Financial Officer	Total
Basic salary	1 642 992	371 020	-	1 317 252	719 109	1 317 252	728 579	728 579	-	609 471	1 065 883	8 500 137
Service-related benefits	-	306 916	81 805	-	183 108	-	57 747	132 014	81 805	-	-	843 395
Allowances	590 733	126 695	-	421 668	234 697	468 328	261 683	273 999	-	222 960	495 150	3 095 913
Medical	40 982	9 168	-	63 329	-	40 982	36 942	24 625	-	31 173	-	247 201
Pension	273 534	-	-	242 798	117 630	218 827	145 069	145 069	-	109 802	213 177	1 465 906
Unemployment insurance	2 125	531	177	2 125	1 063	2 195	1 240	1 240	177	1 063	2 125	14 061
	2 550 366	814 330	81 982	2 047 172	1 255 607	2 047 584	1 231 260	1 305 526	81 982	974 469	1 776 335	14 166 613

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34. Employee related cost (continued)

Company - 2023

	Municipal manager	Chief financial officer	Director Strategic, Planning, Monitoring and Evaluation	Director Community Services	Director Energy Services	Director Planning and Economic Development	Director Transportation Services	Director Water and Sanitation	Director Corporate and Shared Services	Deputy Chief Financial Officer	Total
Basic salary	1 360 990	1 191 164	562 067	509 845	1 293 234	724 544	12 664	16 885	1 013 299	1 011 274	7 695 966
Service-related benefits	43 934	46 841	479 232	46 209	-	232 825	95 094	269 506	531 055	-	1 744 696
Allowances	528 000	787 912	222 706	199 209	490 685	260 974	21 089	28 261	502 768	489 899	3 531 503
Medical	35 392	52 967	-	25 035	-	25 205	-	-	-	-	138 599
Pension	242 729	-	80 375	98 072	237 587	105 119	-	-	56 848	182 029	1 002 759
Unemployment insurance	2 125	2 125	1 063	1 063	2 125	1 594	177	177	1 594	2 125	14 168
	2 213 170	2 081 009	1 345 443	879 433	2 023 631	1 350 261	129 024	314 829	2 105 564	1 685 327	14 127 691

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	Group		Company	
Figures in Rand	2024	2023	2024	2023

34. Employee related cost (continued)

Additional information on acting allowances:

2024

1. Included in the allowances for the Chief Financial Officer's salary is an amount of R162 541 for acting allowance. The acting allowance was paid to the Deputy Chief Financial Officer for the period 1 July 2023 to 30 June 2024 (1 year) in which he acted.
2. Included in the allowances for the Director Strategic, Planning, Monitoring and Evaluation's salary is an amount of R81 804 for acting allowance. The acting allowance was paid to the Manager: Performance Management System for the period 1 July 2023 to 30 June 2024 (1 year) in which he acted.
3. Included in the allowances for the Director Transportation Service's salary is an amount of R57 747 for acting allowance. The acting allowance was paid to the Manager: Public Transport Regulations for the period 1 July 2023 to 30 November 2023 (5 months) in which he acted.
4. Included in the allowances for the Director Water and Sanitation's salary is an amount of R132 014 for acting allowance. The acting allowance was paid to the Assistant Manager: Water and Sanitation for the period 1 July 2023 to 30 November 2023 (5 months) in which he acted.
5. Included in the allowances for the Director Corporate and Shared Services's salary is an amount of R81 805 for acting allowance. The acting allowance was paid to the Manager: Office of the Municipal Manager for the period 1 July 2023 to 30 June 2024 (1 year) in which he acted.
6. Included in the allowances for the Director Energy Services' salary is an amount of R38 749 for acting allowance. The acting allowance was paid to the Manager: Energy Services for the period 1 January 2024 to 30 June 2024 (6 months) in which he acted.

2023 -

1. Included in the allowances for the Municipal Manager's salary is an amount of R25 843 for acting allowance. The acting allowance was paid to the Chief Financial Officer for the period 1 July 2022 to 31 July 2022 (1 month) in which he acted. Director: Community Services received a backpay in December 2022 for the period in which he acted.
2. Included in the allowances for the Chief Financial Officer's salary is an amount of R46 841 for acting allowance. The acting allowance was paid to the Deputy Chief Financial Officer for the period 1 July 2022 to 31 July 2022 (1 month) and from 1 May 2023 to 30 June 2023 (2 months) in which he acted.
3. Included in the allowances for the Director: Community Services' salary is an amount of R46 208 for acting allowance. The acting allowance was paid to Manager: Environmental Services for the period 1 July 2022 to 31 December 2022 (6 months) in which he acted.
4. Included in the allowances for the Director: Transportation Services' salary is an amount of R95 094 for acting allowance. The acting allowance was paid to Manager: Public Transport Regulations for the period 1 July 2022 to 30 June 2023 (12 months) in which he acted.
5. Included in the allowances for the Director: Water and Sanitation's salary is an amount of R269 506 for acting allowance. The acting allowance was paid to Assistant Manager: Water and Sanitation for the period 1 July 2022 to 30 June 2023 (12 months) in which he acted.
6. Included in the allowances for the Director: Corporate Service's salary is an amount of R16 904 for acting allowance. The acting allowance was paid to Deputy Chief Financial Officer for the period 1 April 2023 to 30 April 2023 (1 month); as well as Manager: Office of the Municipal Manager for the period 1 May 2023 to 30 June 2023 (2 months) in which they acted.
7. Included in the allowances for the Director: Strategic Planning, Monitoring and Evaluation's salary is an amount of R47 820 for acting allowance. The acting allowances were paid to Manager: Project Management and Manager: Performance Management for the periods 1 December 2022 to 30 April 2023 (5 months) and 1 May 2023 to 30 June 2023 (2 months), respectively, in which they acted.
8. Included in the allowances for the Director: Planning and Economic Development's salary is an amount of R46 930 for

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	Group		Company	
Figures in Rand	2024	2023	2024	2023

34. Employee related cost (continued)

acting allowance. The acting allowance was paid to Manager: Planning and Economic Development for the period 7 August 2022 to 31 January 2023 (6 months) in which he acted.

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	Group		Company	
Figures in Rand	2024	2023	2024	2023

34. Employee related cost (continued)

34.2 Municipal staff costs

Basic salary	592 529 961	567 864 751	585 142 012	561 289 740
Bonuses	568 751	410 363	-	-
Service-related benefits	220 418 740	226 892 147	220 013 816	226 286 591
Allowances	66 387 887	65 878 836	65 185 363	65 103 803
Bargaining council	259 599	251 264	258 650	250 419
Medical	49 828 090	45 528 803	49 335 372	45 068 515
Pension	115 072 274	109 240 994	113 796 287	108 228 605
Post-retirement benefit: Medical	37 257 000	32 363 000	37 257 000	32 363 000
Post-retirement benefit: Pension	14 344 000	14 666 000	14 344 000	14 666 000
Unemployment insurance	4 831 599	4 678 595	4 783 129	4 631 819
Total	1 101 497 901	1 067 774 753	1 090 115 629	1 057 888 492

The executive director emoluments of the municipal entity are included in the above municipal staff costs.

This can be analysed as follows:

2024	Basic salary	Medical aid	Provident fund	UIF & SDL	Total
Chief Executive Officer	579 827	36 258	56 611	7 944	680 640
Acting Chief Executive Officer - T.M Mashego	76 304	-	-	1 131	77 435
	656 131	36 258	56 611	9 075	758 075

2023	Basic salary	Medical aid	Provident fund	UIF & SDL	Total
Chief Executive Officer	1 171 578	73 238	105 304	16 729	1 366 849

The CEO's contract on 30 November 2023 marking the conclusion of his tenure with the municipal entity. As a result, the entity has initiated the process of appointing a new CEO. In the interim, Ms Molatelo Mashego has been seconded by the parent municipality to act as CEO.

34.3 Board members and entities costs

Group - 2024

	MJ Gololo	AM Kgosana	SM Mashabela	SM Vilakazi	O Galane	Other expenditure relating to directors	Total
Directors fees	64 589	64 589	247 353	64 589	64 589	-	505 709
Travel	-	-	3 604	-	-	-	3 604
Other	-	-	-	-	-	8 101	8 101
Total	64 589	64 589	250 957	64 589	64 589	8 101	517 414

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	Group		Company				
Figures in Rand	2024	2023	2024	2023			
34. Employee related cost (continued)							
Group - 2023							
	MJ Gololo	AM Kgosana	SM Mashabela	SM Vilakazi	O Galane	Other expenditure relating to directors	Total
Directors fees	161 473	145 325	418 597	145 325	177 619	-	1 048 339
Travel	224	894	4 698	294	46	-	6 156
Other	-	-	-	-	-	50 171	50 171
Total	161 697	146 219	423 295	145 619	177 665	50 171	1 104 666

35. Remuneration of councillors

Executive Mayor/Mayor	35.1	1 206 341	1 151 406	1 206 341	1 151 406
Chief whip	35.2	917 103	877 065	917 103	877 065
Speaker	35.3	977 711	931 900	977 711	931 900
Executive committee	35.4	7 268 995	6 903 830	7 268 995	6 903 830
Section 79 committee chairperson	35.5	5 659 033	1 847 098	5 659 033	1 847 098
All other councillors	35.6	27 847 968	29 672 321	27 847 968	29 672 321
Total		43 877 151	41 383 620	43 877 151	41 383 620

35.1 Executive Mayor/Mayor

Allowances and service related benefits

Basic salary	942 274	876 569	942 274	876 569
Cell phone allowance	45 400	40 800	45 400	40 800
In-kind benefits	3 991	7 500	3 991	7 500
Motor vehicle allowance	-	372	-	372
Medical aid benefits	73 335	94 680	73 335	94 680
Pension fund contributions	141 341	131 485	141 341	131 485
Total	1 206 341	1 151 406	1 206 341	1 151 406

35.2 Chief whip

Allowances and service related benefits

Basic salary	565 899	540 499	565 899	540 499
Cell phone allowance	45 400	40 800	45 400	40 800
In-kind benefits	3 991	7 500	3 991	7 500
Motor vehicle allowance	216 928	207 191	216 928	207 191
Pension fund contributions	84 885	81 075	84 885	81 075
Total	917 103	877 065	917 103	877 065

35.3 Speaker

Allowances and service related benefits

Basic salary	605 355	576 261	605 355	576 261
Cell phone allowance	45 492	40 800	45 492	40 800
In-kind benefits	4 008	7 500	4 008	7 500
Motor vehicle allowance	232 053	219 798	232 053	219 798
Travelling allowance	-	1 102	-	1 102
Pension fund contributions	90 803	86 439	90 803	86 439
Total	977 711	931 900	977 711	931 900

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Figures in Rand	Group		Company	
	2024	2023	2024	2023
35. Remuneration of councillors (continued)				
35.4 Executive committee				
Allowances and service related benefits				
Basic salary	4 571 818	4 315 646	4 571 818	4 315 646
Cell phone allowance	454 092	408 000	454 092	408 000
In-kind benefits	39 859	67 329	39 859	67 329
Motor vehicle allowance	1 385 830	1 319 619	1 385 830	1 319 619
Medial aid benefits	133 833	145 889	133 833	145 889
Pension fund contributions	683 563	647 347	683 563	647 347
Total	7 268 995	6 903 830	7 268 995	6 903 830
35.5 Section 79 committee chairperson				
Allowances and service related benefits				
Basic salary	3 636 877	1 382 502	3 636 877	1 382 502
Cell phone allowance	453 000	122 400	453 000	122 400
In-kind benefits	39 869	21 083	39 869	21 083
Motor vehicle allowance	935 205	113 738	935 205	113 738
Medical aid benefits	56 101	-	56 101	-
Pension fund contributions	537 981	207 375	537 981	207 375
Total	5 659 033	1 847 098	5 659 033	1 847 098
35.6 All other councillors				
Allowances and service related benefits				
Basic salary	17 565 283	18 889 367	17 565 283	18 889 367
Cell phone allowance	3 202 952	3 168 691	3 202 952	3 168 691
In-kind benefits	265 565	556 007	265 565	556 007
Motor vehicle allowance	4 408 558	4 417 159	4 408 558	4 417 159
Medial aid benefits	70 094	80 710	70 094	80 710
Pension fund contributions	2 335 516	2 560 387	2 335 516	2 560 387
Total	27 847 968	29 672 321	27 847 968	29 672 321
36. Bad debts				
Other write offs	-	69 232 187	-	69 232 187
37. Debt impairment				
Receivables from non exchange transactions	5	153 545 960	59 957 860	153 545 960
Receivables from exchange transactions	3&5	199 703 044	189 366 687	194 223 262
Total		353 249 004	249 324 547	347 769 222
38. Depreciation and amortisation				
Amortisation				
Intangible assets	12.1	2 556 545	3 588 215	2 549 448
Depreciation				
Property, plant and equipment		1 152 441 599	726 970 633	1 144 163 565
Total		1 154 998 144	730 558 848	1 146 713 013
39. Interest, dividends and rent on land				
Interest	39.1	50 808 399	57 837 288	50 808 399

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Figures in Rand	Group		Company	
	2024	2023	2024	2023
39. Interest, dividends and rent on land (continued)				
39.1 Interest cost				
Financial liabilities				
• Government loans		35 359 502	42 336 217	35 359 502
Finance leases	19.1	1 880 525	3 737 075	1 880 525
Interest costs non-current provisions	21	12 523 135	11 763 996	12 523 135
Overdue accounts	16.6	1 045 237	-	1 045 237
Total		50 808 399	57 837 288	50 808 399
40. Bulk purchases				
Electricity: Eskom		1 018 199 330	856 611 259	1 018 199 332
40.1 Electricity losses				
Group				
	2024		2023	
	KHW	Amount	KHW	Amount
Units purchased	599 488 310	1 018 199 332	590 229 916	856 611 259
Units sold	(526 244 124)	(893 797 938)	(528 705 467)	(767 319 723)
Total loss	73 244 186	124 401 394	61 524 449	89 291 536
Percentage loss:				
Distribution loss	12.22 %	12.22 %	10.42 %	10.42 %
Company				
	2024		2023	
	KHW	Amount	KHW	Amount
Units purchased	599 488 310	1 018 199 332	590 229 916	856 611 259
Units sold	(526 244 124)	(893 797 938)	(528 705 467)	(767 319 723)
Total loss	73 244 186	124 401 394	61 524 449	89 291 536
Percentage loss:				
Distribution loss	12.22 %	12.22 %	10.42 %	10.42 %
40.2 Water losses				
Group				
	2024		2023	
	KL	Amount	KL	Amount
Units purchased	30 740 146	282 146 627	29 795 664	241 391 091
Units sold	(23 271 283)	(213 640 330)	(18 998 294)	(153 947 963)
Total loss	7 468 863	68 506 297	10 797 370	87 443 128
Percentage loss:				
Distribution losses	24.00 %	24.00 %	36.00 %	36.00 %

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Notes to the Consolidated Audited Annual Financial Statements

Figures in Rand	Group		Company	
	2024	2023	2024	2023

40. Bulk purchases (continued)				
Company				
	2024		2023	
	KL	Amount	KL	Amount
Units purchased	30 740 146	282 146 627	29 795 664	241 391 091
Units sold	(23 271 283)	(213 640 330)	(18 998 294)	(153 947 963)
Total loss	7 468 863	68 506 297	10 797 370	87 443 128
Percentage loss:				
Distribution losses	24.00 %	24.00 %	36.00 %	36.00 %

41. Inventory consumed				
Materials and supplies	62 655 795	72 083 926	62 655 795	72 083 926
Water	213 043 546	153 772 783	213 043 546	153 772 783
Total	275 699 341	225 856 709	275 699 341	225 856 709

42. Contracted services				
Consultants and professional services	42.1	300 311 301	282 858 272	299 764 291
Contractors	42.2	249 595 627	259 063 006	249 095 880
Outsourced services	42.3	416 350 360	314 045 199	412 830 757
Total		966 257 288	855 966 477	961 690 928

42.1 Consultants and professional services				
Business advisory services				
Accounting and auditing		24 924 144	18 954 388	24 377 536
Audit committee		990 927	1 040 705	990 927
Business and financial management		42 085 995	39 510 865	42 085 995
Commissions and committees		395 183	279 832	395 183
Communications		12 445 298	8 282 773	12 445 298
Credit rating agencies		402	-	-
Project management		15 536 429	16 759 187	15 536 429
Quality control		2 660 462	2 412 844	2 660 462
Research and advisory		9 850 389	3 970 167	9 850 389
Total business advisory services		108 889 229	91 210 761	108 342 219
Laboratory services				
Water		24 164 468	45 751 469	24 164 468
Legal services				
Legal advice and litigation		31 559 039	25 110 408	31 559 039
Engineering services				
Civil engineering		134 328 576	119 296 675	134 328 576
Infrastructure and planning services				
Town planner infrastructure and planning		1 369 989	1 488 959	1 369 989
Total consultants and professional services		300 311 301	282 858 272	299 764 291

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Notes to the Consolidated Audited Annual Financial Statements

Figures in Rand	Group		Company	
	2024	2023	2024	2023
42. Contracted services (continued)				
42.2 Contractors				
General services				
Electrical	24 863 746	28 044 413	24 863 746	28 044 413
Employee wellness	236 240	227 340	236 240	227 340
Event promoters	482 645	188 994	482 645	188 994
Fire protection	3 038 071	3 450 830	3 038 071	3 450 830
First aid	379 683	1 034 338	379 683	1 034 338
Forestry	14 009	14 629	14 009	14 629
Gardening services	4 602 370	2 736 948	4 602 370	2 736 948
Grading of sport fields	457 602	318 842	457 602	318 842
Management of informal settlements	-	114 295	-	114 295
Safeguard and security	11 552 262	10 133 375	11 552 262	10 133 375
Sewerage services	34 744 102	40 662 095	34 744 102	40 662 095
Transportation	40 662 141	49 375 472	40 662 141	49 375 472
Total general services	121 032 871	136 301 571	121 032 871	136 301 571
Maintenance services				
Maintenance of buildings and facilities	46 251 466	34 022 141	45 751 719	33 910 004
Maintenance of equipment	36 480 507	54 554 701	36 480 507	54 554 701
Maintenance of other assets	45 830 783	34 184 593	45 830 783	34 184 593
Total maintenance service	128 562 756	122 761 435	128 063 009	122 649 298
Total contractor	249 595 627	259 063 006	249 095 880	258 950 869
42.3 Outsourced services				
Business and advisory services				
Business and Financial Management	2 608 567	-	2 608 567	-
Commissions and Committees	80 410 400	57 740 008	80 410 400	57 740 008
Communications	5 056 898	5 559 995	5 056 898	5 559 995
Human Resources	364 560	395 619	364 560	395 619
Valuer	6 612 255	1 682 804	6 612 255	1 682 804
Total business and advisory services	95 052 680	65 378 426	95 052 680	65 378 426
General services				
Animal Care	915 880	1 464 248	915 880	1 464 248
Burial Services	2 125 212	273 779	2 125 212	273 779
Catering Services	2 049 539	3 496 735	2 049 539	3 496 735
Cleaning Services	7 267 151	1 111 507	7 267 151	1 111 507
Clearing and Grass Cutting Services	2 311 585	2 708 196	2 311 585	2 708 196
Hygiene Services	667 833	1 322 979	667 833	1 322 979
Medical Services [Medical Health Services & Support]	-	124 545	-	124 545
Meter Management	13 603 036	7 216 467	13 603 036	7 216 467
Personnel and Labour	59 223 675	47 809 201	59 223 675	47 809 201
Refuse Removal	82 938 874	68 400 513	82 938 874	68 400 513
Removal of Structures and Illegal Signs	434 010	-	434 010	-
Sewerage Services	8 468 283	-	8 468 283	-
Translators, Scribes and Editors	15 500	11 200	15 500	11 200
Transport Services	47 933 831	45 887 944	47 933 831	45 887 944
Total general services	227 954 409	179 827 314	227 954 409	179 827 314
Trading services				
Connection/Dis-connection: Electricity	2 301	68	2 301	68
Electrical	7 735	-	7 735	-
Security Services	93 333 235	68 839 391	89 813 632	66 193 388
Total trading services	93 343 271	68 839 459	89 823 668	66 193 456

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Figures in Rand		Group		Company	
		2024	2023	2024	2023
42. Contracted services (continued)					
Total outsourced services		416 350 360	314 045 199	412 830 757	311 399 196
43. Transfers and subsidies - Expenditure					
Operational					
Monetary allocations	43.1	480 000	480 000	15 480 000	9 671 404
43.1 Monetary allocations: Operational					
Municipal Entities		-	-	15 000 000	9 191 404
Non-profit institutions		480 000	480 000	480 000	480 000
Total		480 000	480 000	15 480 000	9 671 404
44. Operational cost					
Advertising, Publicity and Marketing		46 020 037	26 460 835	45 976 485	26 409 470
Bank Charges, Facility and Card Fees		7 221 534	5 906 560	7 188 120	5 870 081
Bursaries (Employees)		1 321 823	2 518 454	1 321 823	2 518 454
Commission		421 132	159 958	421 132	159 958
Communication		16 225 086	17 743 856	16 225 086	17 743 856
Contribution to Provisions		-	1	-	1
Deeds		884	-	884	-
Drivers Licences and Permits		550	525	550	525
Entrance Fees		52 413	26 025	52 413	26 025
External Audit Fees		15 689 449	17 390 021	14 307 681	16 190 028
External Computer Service		24 640 081	24 580 271	24 640 081	24 580 271
Firearm Handling Fees		14 260	-	14 260	-
Hire Charges		2 339 789	8 209 438	2 339 789	8 209 438
Indigent Relief		14 549 282	14 753 530	14 549 282	14 753 530
Insurance Underwriting		43 083 388	29 160 914	42 827 931	28 941 519
Learnerships and Internships		1 274 855	5 544 197	1 274 855	5 544 197
Management Fee		141 100	171 459	141 100	171 459
Municipal Services		4 149 184	4 699 860	4 149 184	4 699 860
Office Decorations		-	768	-	-
Printing, Publications and Books		307 449	134 359	305 606	129 616
Professional Bodies, Membership and Subscription		12 111 051	11 240 277	12 058 449	11 194 977
Registration Fees		4 632 237	4 255 034	4 599 530	4 221 458
Remuneration to Ward Committees		8 764 871	7 103 775	8 764 871	7 103 775
Legal Fees		2 147 847	407 240	-	-
Signage		612 337	-	612 337	-
Skills Development Fund Levy		9 549 046	9 537 990	9 456 836	9 458 946
System Access and Information Fees		278 065	804 070	242 608	716 900
Toll Gate Fees		83 972	69 120	83 972	69 120
Travel Agency and Visa's		3 826 969	2 989 251	3 826 969	2 989 251
Travel and Subsistence		1 950 884	1 787 675	1 920 829	1 582 353
Uniform and Protective Clothing		19 443 182	11 297 708	19 407 902	11 297 708
Wet Fuel		46 836 237	61 939 578	46 836 237	61 939 578
Workmen's Compensation Fund		7 380 661	5 170 971	7 380 661	5 170 971
Total		295 069 655	274 063 720	290 927 463	271 693 325
45. Gain/(Loss) on disposal of fixed and intangible assets					
Gains/(losses) on disposals	45.1	2 994 243	(583 009 739)	3 005 871	(583 009 739)

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Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Audited Annual Financial Statements

Figures in Rand	Group		Company	
	2024	2023	2024	2023
45. Gain/(Loss) on disposal of fixed and intangible assets (continued)				
45.1 Gains/(losses) on disposals				
Investment property	-	(5 899 998)	-	(5 899 998)
Property, plant and equipment	2 994 243	(575 010 422)	3 005 871	(575 010 422)
Living resources	-	(2 099 319)	-	(2 099 319)
Total	2 994 243	(583 009 739)	3 005 871	(583 009 739)
Analysis of Gains/(losses) on property, plant and equipment				
Loss on disposal	2 994 243	(7 537 657)	3 005 871	(7 537 657)
Revaluation loss	-	(567 472 765)	-	(567 472 765)
	2 994 243	(575 010 422)	3 005 871	(575 010 422)
46. Fair value adjustment				
Biological assets	716 583	57 875	716 583	57 875
Investment property	27 931 249	49 452 050	27 931 249	49 452 050
Living resources	2 238 232	6 148 752	2 238 232	6 148 752
Actuarial Assessments	30 675 955	69 485 677	30 675 955	69 485 677
	61 562 019	125 144 354	61 562 019	125 144 354
47. Inventory (write down)				
Inventory	(9 278 544)	(792 800)	(9 278 544)	(792 800)
Water losses	(68 506 297)	(87 344 085)	(68 506 297)	(87 344 085)
	(77 784 841)	(88 136 885)	(77 784 841)	(88 136 885)
48. Impairment loss / (reversals)				
Intangible assets	12.1 907 702	-	907 702	-
Property, plant and equipment	52 914 180	31 150 752	44 445 021	31 148 802
Total	53 821 882	31 150 752	45 352 723	31 148 802
49. Auditors remuneration				
External Audit Fees	15 689 449	17 390 021	14 307 681	16 190 028

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Notes to the Consolidated Audited Annual Financial Statements

	Group		Company	
Figures in Rand	2024	2023	2024	2023
50. Net cash from/(used) operating activities				
Deficit for the year	(79 795 461)	(352 116 646)	(67 165 000)	(345 360 321)
Adjustments for:				
Depreciation and amortisation	1 154 998 144	730 558 848	1 146 713 013	724 406 075
Bad debts written off	5 479 782	73 918 240	-	69 232 187
(Gains) / Losses on disposal of assets	(2 994 243)	583 009 739	(3 005 871)	583 009 739
Fair value adjustment	(30 886 064)	(55 658 677)	(30 886 064)	(55 658 677)
Impairment loss	53 821 882	31 150 752	45 352 723	31 148 802
Inventory losses	77 784 841	88 136 885	77 784 841	88 136 885
Capital assets donated	(3 982 090)	(576 297)	(3 982 090)	(576 297)
Movement in working capital				
(Increase) / Decrease in receivables	(63 838 565)	(41 170 835)	(58 678 115)	(37 233 063)
(Increase) / Decrease in inventory	(96 597 931)	(59 479 374)	(96 597 931)	(59 479 374)
Increase / (Decrease) in Provisions	23 854 137	(19 043 031)	23 820 956	(19 413 942)
Increase / (Decrease) in VAT	13 617 053	(29 030 632)	13 617 053	(29 030 632)
Increase / (Decrease) in trade and other payables	17 853 343	(232 758 622)	18 466 669	(233 958 875)
Increase / (Decrease) in unspent conditional grants and receipts trade and other payable non-exchange transactions	(9 036 399)	(130 036 255)	(9 036 400)	(130 036 254)
Net cash flows from operating activities	1 060 278 429	586 904 095	1 056 403 784	585 186 253

51. Financial instruments

51.1 Fair value of financial instruments

The management of the group is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the audited annual financial statements approximate their fair values. In accordance with GRAP 104 the Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of financial position, are as follows:

Group

Financial assets				
Amortised cost				
Trade and other receivables from exchange transactions	3	862 244 589	862 244 589	769 687 292
Other receivables from exchange transactions		16 607 143	16 607 143	33 771 123
Receivables from non exchange transactions		328 675 854	328 675 854	345 710 314
Cash and cash equivalents	2	345 429 844	345 429 844	187 784 673
VAT receivable		14 013 278	14 013 278	47 824 737
		1 566 970 708	1 566 970 708	1 384 778 139
Financial liabilities				
Amortised cost				
Unsecured bank facilities:				
Financial liabilities	19	332 266 184	332 266 184	352 265 231
Trade and other payables:				
Consumer deposits	15	67 479 006	67 479 006	68 587 999
Trade and other payables from exchange transactions	16	743 626 449	743 626 449	648 551 312
Current portion of financial liabilities	19	38 389 033	38 389 033	46 141 112
		849 494 488	849 494 488	763 280 423
Total financial liabilities		1 181 760 672	1 181 760 672	1 115 545 654
Total financial instruments		385 210 036	385 210 036	269 232 485

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Notes to the Consolidated Audited Annual Financial Statements

	Group		Company	
Figures in Rand	2024	2023	2024	2023

51. Financial instruments (continued)

Company

		2024		2023	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Amortised cost					
Trade and other receivables from exchange transactions	3	861 879 737	861 879 737	769 003 183	769 003 183
Other receivables from exchange transactions		16 584 034	16 584 034	33 748 014	33 748 014
Receivables from non exchange transactions		328 668 305	328 668 305	345 702 765	345 702 765
Cash and cash equivalents	2	343 278 496	343 278 496	184 371 391	184 371 391
VAT receivable		14 013 278	14 013 278	47 824 737	47 824 737
Investment in associate		1 000	1 000	1 000	1 000
		1 564 424 850	1 564 424 850	1 380 651 090	1 380 651 090
Financial liabilities					
Amortised cost					
Unsecured bank facilities:					
Financial liabilities	19	332 266 184	332 266 184	352 265 231	352 265 231
Trade and other payables:					
Consumer deposits	15	65 469 909	65 469 909	66 794 150	66 794 150
Trade and other payables from exchange transactions	16	731 057 499	731 057 499	633 312 246	633 312 246
Current portion of financial liabilities	19	38 389 033	38 389 033	46 141 112	46 141 112
		834 916 441	834 916 441	746 247 508	746 247 508
Total financial liabilities		1 167 182 625	1 167 182 625	1 098 512 739	1 098 512 739
Total financial instruments		397 242 225	397 242 225	282 138 351	282 138 351

The fair values of financial assets and financial liabilities are determined as follows:

Fair values for financial assets are based on quoted market prices in active markets for an identical instrument.

For financial liabilities the contractual undiscounted cash flow is used. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

51.2 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Council. The Group manages liquidity risk by effectively managing its working capital, capital expenditure, external borrowings and cash flows.

Group - 30 June 2024

	Within 1 year	2 to 5 years	5 years +	Total
Maturity analysis				
Borrowings - capital repayments	27 778 472	193 564 670	126 345 361	347 688 503
Borrowings - interest	37 145 580	131 055 593	20 528 408	188 729 581
Trade and other payables	743 626 449	-	-	743 626 449
Finance lease - capital repayments - cellphones	5 303 524	274 796	-	5 578 320
Finance lease - capital repayments - photocopiers	5 307 037	12 081 364	-	17 388 401
Finance lease - interest - cellphones	493 672	12 828	-	506 500
Finance lease - interest - photocopiers	1 763 363	1 470 236	-	3 233 599
	821 418 097	338 459 487	146 873 769	1 306 751 353

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	Group		Company	
Figures in Rand	2024	2023	2024	2023

51. Financial instruments (continued)

Group - 30 June 2023

	Within 1 year	2 to 5 years	5 years +	Total
Maturity analysis				
Borrowings - capital repayments	25 088 399	174 036 420	173 652 083	372 776 902
Borrowings - interest	39 835 654	150 583 843	38 145 738	228 565 235
Trade and other payables	648 551 312	-	-	648 551 312
Finance lease - capital repayments - vehicles	12 906 261	-	-	12 906 261
Finance lease - capital repayments - cellphones	4 626 243	4 576 736	-	9 202 979
Finance lease - capital repayments - photocopiers	3 520 208	-	-	3 520 208
Finance lease - interest - vehicles	210 486	-	-	210 486
Finance lease - interest - cellphones	1 149 076	379 798	-	1 528 874
Finance lease - interest - photocopiers	210 656	-	-	210 656
	736 098 295	329 576 797	211 797 821	1 277 472 913

Company - 30 June 2024

	Within 1 year	2 to 5 years	5 years +	Total
Maturity analysis				
Borrowings - capital repayments	27 778 472	193 564 670	126 345 361	347 688 503
Borrowings - interest	37 145 580	131 055 593	20 528 408	188 729 581
Trade and other payables	731 057 499	-	-	731 057 499
Finance lease - capital repayments - cellphones	5 303 524	274 796	-	5 578 320
Finance lease - capital repayments - photocopiers	5 307 037	12 081 364	-	17 388 401
Finance lease - interest - cellphones	493 672	12 828	-	506 500
Finance lease - interest - photocopiers	1 763 363	1 470 236	-	3 233 599
	808 849 147	338 459 487	146 873 769	1 294 182 403

Company - 30 June 2023

	Within 1 year	2 to 5 years	5 years +	Total
Maturity analysis				
Borrowings - capital repayments	25 088 399	174 036 420	173 652 083	372 776 902
Borrowings - interest	39 835 654	150 583 843	38 145 738	228 565 235
Trade and other payables	633 312 246	-	-	633 312 246
Finance lease - capital repayments - vehicles	12 906 261	-	-	12 906 261
Finance lease - capital repayments - cellphones	4 626 243	4 576 736	-	9 202 979
Finance lease - capital repayments - photocopiers	3 520 208	-	-	3 520 208
Finance lease - interest - vehicles	210 486	-	-	210 486
Finance lease - interest - cellphones	1 149 076	379 798	-	1 528 874
Finance lease - interest - photocopiers	210 656	-	-	210 656
	720 859 229	329 576 797	211 797 821	1 262 233 847

51.3 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

Polokwane Municipality

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Notes to the Consolidated Audited Annual Financial Statements

	Group		Company	
Figures in Rand	2024	2023	2024	2023

51. Financial instruments (continued)

The Group manages credit risk in its borrowing and investing activities by only dealing with well-established financial institutions of high credit standing, and by spreading its exposure over a range of such institutions in accordance with its approved investment policies. Credit risk relating to consumer debtors is managed in accordance with the Group's credit control and debt collection policy. The Group's credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in the accounting policies and Note 3&5 to the audited annual financial statements.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The carrying amount of financial assets recorded in the unaudited consolidated annual financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Trade and other receivables from exchange transactions	3	862 244 589	769 687 292	861 879 737	769 003 183
Bank and cash balances	2	345 429 844	187 784 673	343 278 496	184 371 391
Maximum credit and interest risk exposure		1 207 674 433	957 471 965	1 205 158 233	953 374 574

52. Contingent assets and liabilities

Contingent liabilities

Public liability claims	33 457 848	39 574 287	33 457 848	39 574 287
Services rendered	12 991 314	30 992 678	12 991 314	30 992 678
Breach of contract	70 021 431	81 242 274	70 021 431	81 242 274
General damages	17 813 099	121 632 193	17 813 099	121 632 193
	134 283 692	273 441 432	134 283 692	273 441 432

Contingent assets

Breach of contract	14 095 040	14 095 040	14 095 040	14 095 040
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The above legal matters are ongoing and have not yet been finalised.

The nature of contingent liabilities are as follows:

Public liability claims: These are claims against the municipality, which are handled through municipal insurance, relating to motor vehicle accidents, unlawful arrests, and damages caused by municipal infrastructure.

Service rendered: These are claims against the municipality for non payment of alleged services rendered.

Breach of contract: These are claims against the municipality that relate to disagreements on the interpretations of contracts.

General damages: These are claims against the municipality relating to motor vehicle accidents, unlawful arrests, and damages caused by municipal infrastructure. These cases are handled through the municipality's appointed attorneys.

The nature of contingent assets are as follows:

Breach of contract: These are claims in which the municipality is a plaintiff. The municipality is claiming for monies collected on behalf of the municipality by service providers and never paid over.

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	Group		Company	
Figures in Rand	2024	2023	2024	2023

53. Unauthorised, irregular, fruitless and wasteful expenditure

53.1 Unauthorised expenditure

Opening balance as previously reported	1 631 926 182	1 669 131 938	1 631 926 182	1 669 131 938
Add: Unauthorised expenditure – current	941 373 538	1 040 556 582	932 058 521	1 040 556 582
Less: Amounts written-off – current	(2 290 309 252)	(1 077 762 333)	(2 290 309 252)	(1 077 762 333)
Closing balance	282 990 468	1 631 926 187	273 675 451	1 631 926 187

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

Non cash items	941 373 538	1 040 556 582	932 058 521	1 040 556 582
Cash items	-	-	-	-
	941 373 538	1 040 556 582	932 058 521	1 040 556 582

Analysed as follows: non cash items

Depreciation and amortisation	721 938 690	278 769 931	721 104 460	278 769 931
Inventories (consumed/issued/write-down)	77 498 913	88 136 885	77 498 913	88 136 885
Losses on disposal of assets	11 628	583 009 739	-	583 009 739
Impairment losses	53 821 882	31 148 803	45 352 723	31 148 803
Debt impairment	88 102 425	-	88 102 425	-
Bad debts written off	-	59 491 224	-	59 491 224
	941 373 538	1 040 556 582	932 058 521	1 040 556 582

The write off of R2 290 309 252 related to the unauthorised expenditure incurred. The write off was approved in Council Resolution number CR/58/07/24 and CR145/11/24.

53.2 Irregular expenditure

Opening balance as previously reported	289 639 713	262 322 692	268 377 676	241 163 582
Correction of prior period error	(19 049 843)	-	(19 049 843)	-
Irregular expenditure identified in the current year relating to FY2022-23	23 459 725	-	23 459 725	-
Irregular expenditure identified in the current year relating to FY2022-23	28 592 176	28 592 176	28 592 176	28 592 176
Opening balance as restated	322 641 771	290 914 868	301 379 734	269 755 758
Add: Irregular expenditure - current	399 969 606	255 808 363	399 460 502	255 808 363
Add: Irregular expenditure – prior period	-	23 562 652	-	23 459 725
Less: Overstatement of prior period irregular expenditure	-	(19 049 843)	-	(19 049 843)
Less: Amounts written-off – current	(561 266 719)	(228 594 269)	(561 266 719)	(228 594 269)
Less: Amounts written-off – prior period	(19 266 314)	-	-	-
Closing balance	142 078 344	322 641 771	139 573 517	301 379 734

Irregular expenditure incurred is due to non compliance with SCM regulations.

The council resolution number for the above write-off of irregular expenditure is CR/28/07/23; CR/156/01/24; CR/81/08/24 and CR/58/07/24.

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53. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

53.3 Fruitless and wasteful expenditure

Opening balance as previously reported	17 619 446	17 619 446	17 125 046	17 125 046
Add: Fruitless and wasteful expenditure – current	6 105 151	-	6 105 151	-
Less: Amount recoverable – current	(16 680 253)	-	(16 680 253)	-
Less: Amounts written-off – current	(3 115 585)	-	(2 621 185)	-
Closing balance	3 928 759	17 619 446	3 928 759	17 125 046

Analysis of fruitless and wasteful expenditure incurred:

Interest on late payment to Workmen Compensation Fund	3 102 366	-	3 102 366	-
Payment for project standing time	3 002 785	-	3 002 785	-
Total	6 105 151	-	6 105 151	-

Fruitless and wasteful expenditure is incurred due to late payment to Department of Labour.

The council resolution number for the above write-off of fruitless and wasteful expenditure is CR/81/08/24.

54. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Infrastructure	1 065 652 989	1 023 105 879	1 065 652 989	1 023 105 879
• Other	17 720 150	-	13 798 797	-
	1 083 373 139	1 023 105 879	1 079 451 786	1 023 105 879

Total capital commitments

Already contracted for but not provided for	1 083 373 139	1 023 105 879	1 079 451 786	1 023 105 879
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Authorised operational expenditure

Already contracted for but not provided for

• Security expenditure	-	1 246 264	-	-
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Total operational commitments

Already contracted for but not provided for	-	1 246 264	-	-
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Total commitments

Total commitments

Authorised capital expenditure	1 083 373 139	1 023 105 879	1 079 451 786	1 023 105 879
Authorised operational expenditure	-	1 246 264	-	-
	1 083 373 139	1 024 352 143	1 079 451 786	1 023 105 879

The commitment amount is disclosed inclusive of VAT.

Polokwane Municipality

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Figures in Rand	2024	2023	2024	2023

55. Related party disclosures

55.1 Nature of related party relationships

Related party: Councillors	Nature of relationship: Refer to General Information page
Director	Refer to Accounting Officer's report
Ultimate company	Polokwane Municipality
Company	Polokwane Municipality
Controlled entities	Polokwane Housing Association. Refer to the Related Party transactions note below as well as Note 13
Members of key management	Refer to Employee cost Note 34
Councillor remuneration	Refer to Remuneration of Councillors Note 35

55.2 Related party transactions

Compensation to councillors - Payments to councillors are for allowances as gazetted. Refer to Note 35 for remuneration of councillors.

Controlled entities - the municipality has exempted PHA from paying municipal rates and taxes.

There is a shared Internal Audit unit which performs the functions of internal audit for Polokwane Housing Association at no cost.

Revenue

Operational grant	15 000 000	9 191 404	15 000 000	9 191 404
Accounting fees paid on behalf of PHA - Munsoft	1 205 651	1 096 046	1 205 651	1 096 046
Accounting fees paid on behalf of PHA - MMB	2 118 792	1 071 823	2 118 792	1 071 823
	18 324 443	11 359 273	18 324 443	11 359 273

55.3 Related party balances

Controlled entities

No guarantees were given or received.

There were no loans given or taken from Polokwane Housing Association during the year.

55.4 Remuneration of management

Management class: Board members

Refer to Note 36 - Employee related costs

Management class: Councillors/mayoral committee members

Refer to Note 37 - Remuneration of councillors"

Management class: Executive management

Refer to note 36 "Employee related costs"

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Figures in Rand	2024	2023	2024	2023

56. Deviations from SCM regulations - SCM Regulation 36

In terms of section 36 of the Group SCM regulations, any deviations from SCM policy needs to be approved by the director and noted by Council. The awards listed below have been approved by the director and noted by Council.

Nature and value of deviations from SCM Regulations granted during the reporting year:

Information technology	1 367 588	1 056 788	1 367 588	1 056 788
Membership and conferences	483 373	461 627	483 373	461 627
Deviations less than R200,000	1 151 743	934 110	1 151 743	934 110
Other	1 393 800	215 855	1 393 800	215 855
Total amount approved by the director and noted by council	4 396 504	2 668 380	4 396 504	2 668 380

The following deviations have been appointed on a rate basis:

- Legal
- Newspaper and radio advertisements

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the audited annual financial statements.

Prescribed procurement processes were not followed but was approved by the Municipal Manager in terms of delegated powers and in accordance with Supply Chain Management Regulations and Policy. Valid reasons for deviations were recorded in all instances

Polokwane Municipality

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	Group		Company	
Figures in Rand	2024	2023	2024	2023
57. Principal-agent arrangements				
57.1 Group acting as the principal				
SANRAL	421 132	159 958	421 132	159 958
Cigicell Pty Ltd	21 722 579	23 046 898	21 722 579	23 046 898
Park Point Pty Ltd	-	-	-	-
Easy Pay	2 436 669	2 450 884	2 436 669	2 450 884
	24 580 380	25 657 740	24 580 380	25 657 740

SANRAL

The group is a party to a principal-agent arrangement with SANRAL, wherein the municipality acts as the principal.

SANRAL is entitled to 5% of the service fee.

No resources held at SANRAL are owned by the municipality. All resources that are utilised by SANRAL in support of the function is owned by SANRAL. Consequently, there will be no cost implications in the event of termination of the arrangement.

Fees paid as commission to the agent	421 132	159 958	421 132	159 958
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Cigicell Pty Ltd

The group is a party to a principal-agent arrangement with Cigicell Pty Ltd, wherein the municipality acts as the principal.

Polokwane Municipality appointed Cigicell for vending of prepaid electricity and water to its Customers (third party); as well as the collection the payment of outstanding accounts on its behalf.

Cigicell Pty Ltd is entitled to 2.25% of the face value of the revenue collected via the vending system. Cigicell Pty Ltd is also entitled to an amount of between 1.5% to 3.7% of the money collected. This range is dependant on the payment method used.

No resources held at Cigicell Pty Ltd are owned by the municipality. All resources that are utilised by Cigicell Pty Ltd in support of the function is owned by Cigicell Pty Ltd. Consequently, there will be no cost implications in the event of termination of the arrangement.

Fees paid as commission to the agent	21 722 579	23 046 898	21 722 579	23 046 898
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Park Point Pty Ltd

The group is a party to a principal-agent arrangement with Park Point Pty Ltd, wherein the municipality acts as the principal.

Polokwane Municipality appointed Park Point for collection of parking fees from its customers (third party) on its behalf.

Park Point Pty Ltd is entitled to 75% of the face value of the revenue collected on street parking.

No resources held at Park Point Pty Ltd are owned by the municipality. All resources that are utilised by Park Point Pty Ltd in support of the function is owned by Park Point Pty Ltd. Consequently, there will be no cost implications in the event of termination of the arrangement.

Reconciliation of amounts payable to Park Point Pty Ltd

Fees paid as commission to the agent	-	-	-	-
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No commission has been paid to the municipality since inception of the agreement.

Polokwane Municipality

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Notes to the Consolidated Audited Annual Financial Statements

	Group		Company	
Figures in Rand	2024	2023	2024	2023

57. Principal-agent arrangements (continued)

Easy Pay

The group is a party to a principal-agent arrangement with Easy Pay, wherein the municipality acts as the principal.

Polokwane Municipality appointed EasyPay for the collection of payments made by customers (third party) relating to outstanding accounts on its behalf. EasyPay is entitled to R7.17 per transaction of the receipts from customers via their system..

No resources held at EasyPay are owned by the municipality. All resources that are utilised by EasyPay in support of the function is owned by EasyPay. Consequently, there will be no cost implications in the event of termination of the arrangement..

Reconciliation of amounts payable to Easy Pay

Fees paid as commission to the agent	2 436 669	2 450 884	2 436 669	2 450 884
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Notes to the Consolidated Audited Annual Financial Statements

	Group		Company	
Figures in Rand	2024	2023	2024	2023

57. Principal-agent arrangements (continued)

57.2 Group acting as the agent

Department of Transport	25 894 645	23 419 540	25 894 645	23 419 540
South African National Roads Agency Ltd	332 199	134 796	332 199	134 796
	26 226 844	23 554 336	26 226 844	23 554 336

The municipality is a party to two principal-agent arrangements:

- Department of Transport
- South African National Roads Agency

Department of Transport

The group is the agent to the provincial Department of Transport.

The provincial government, through the respective provincial department of transport, is mandated to collect motor vehicle licenses on an annual basis. The provincial department of transport determines the fee that is payable annually by motor vehicle owners, which varies depending on the type of motor vehicle owned.

To make the payment of the motor vehicle licenses easier, the provincial departments entered into a contractual arrangement with the Polokwane municipality to undertake this activity on their behalf. In terms of the arrangement:

- The provincial department of transport issues the motor vehicle licence renewal form to the respective owners of the motor vehicles, indicating the amount due for the year
- The municipality provide facilities for owners of motor vehicles to pay their licences.
- The provincial department provides the municipality with access to its IT systems so that they can capture the amounts received and issue the motor vehicle licenses on their behalf. The system automatically generates the motor vehicle license upon capturing the payment of the fees due.
- The municipality collect the fees due from motor vehicles owners and simultaneously issue the new licenses on behalf of the provincial government.
- The municipalities are required to pay over any revenue (cash) collected to the provincial government in respect of motor vehicle licenses.
- The municipalities are entitled to retain 20% and 3% of the cash collected for undertaking this activity for the provincial Department of Transport and AARTO respectively.

No significant risks exist other than risks associated with cash management. The application controls designed within the IT system are adequate to correctly account for such revenues.

Revenue recognised as compensation for the transactions carried out on behalf of the principal	25 894 645	23 419 540	25 894 645	23 419 540
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Revenue received or to be received on behalf of the principal	128 666 102	115 441 317	128 666 102	115 441 317
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Payables held on behalf of the principal

Opening balance	-	-	-	-
Expenses incurred	128 666 102	115 441 317	128 666 102	115 441 317
Cash paid	(127 964 666)	(115 441 317)	(127 964 666)	(115 441 317)
Closing balance	701 436	-	701 436	-

There are no expenditure paid or incurred on behalf of the principal.

There are no receivables held on behalf of the principal.

South African National Roads Agency Ltd

Polokwane Municipality

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Notes to the Consolidated Audited Annual Financial Statements

	Group		Company	
Figures in Rand	2024	2023	2024	2023
57. Principal-agent arrangements (continued)				
The group is the agent to the South African National Roads Agency Ltd. The municipality is entitled to a commission of 4% based on the proceeds collected by SANRAL.				
Revenue recognised as compensation for the transaction carried out on behalf of the principal	332 199	134 796	332 199	134 796
Revenue received or to be received on behalf of the principal	8 313 344	3 369 897	8 313 344	3 369 897
Payables held on behalf of the principal				
Opening balance	-	-	-	-
Expenses incurred	8 313 344	3 369 897	8 313 344	3 369 897
Cash paid	(8 389 881)	(3 369 897)	(8 389 881)	(3 369 897)
Closing balance	(76 537)	-	(76 537)	-

There are no expenditure paid or incurred on behalf of the principal.

There are no receivables held on behalf of the principal.

58. Events after the reporting date

During July 2024 AFRIFORUM took NERSA to court because NERSA approved tariffs for municipalities without submitting the Cost Of Supply Study. The Court ruled in favor of the customers and ordered that the municipalities that did not submit cost of supply for tariff approval may need to refund the customers and the implication will be 12.72% of the total electricity billed estimated at R27 037 552.76.

Council had approved the write-off for unauthorised, irregular and fruitless and wasteful expenditure along with the recoverable portion of fruitless and wasteful expenditure, as outlined in the respective notes, after year end.

59. Additional disclosure in terms of Municipal Finance Management Act

	Group		Company	
Contributions to SALGA				
Current year subscription / fee	12 039 802	10 924 197	12 039 802	10 924 197
Amount paid - current year	(12 039 802)	(10 924 197)	(12 039 802)	(10 924 197)
	-	-	-	-
Audit fees				
Opening balance	166 888	1 469 515	166 888	1 469 515
Current year subscription / fee	15 522 561	17 390 021	14 140 793	16 190 028
Amount paid - current year	(15 689 449)	(18 692 648)	(14 307 681)	(17 492 655)
	-	166 888	-	166 888
PAYE and UIF				
Current year subscription / fee	184 821 621	180 519 971	184 773 151	180 473 195
Amount paid - current year	(184 821 621)	(180 519 971)	(184 773 151)	(180 473 195)
	-	-	-	-

Polokwane Municipality

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Notes to the Consolidated Audited Annual Financial Statements

	Group		Company	
Figures in Rand	2024	2023	2024	2023

59. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Current year subscription / fee	256 706 979	242 036 848	254 938 274	240 544 317
Amount paid - current year	(256 706 979)	(242 036 848)	(254 938 274)	(240 544 317)
	-	-	-	-

VAT

VAT output payables and VAT input receivables are shown in note 7.

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

VAT on the payment basis reflects a net VAT payable amount of R1 046 789 (2023: 14 663 842)

Councillors' arrear consumer accounts

2024:

There were no Councillor accounts that had a balance outstanding for more than 90 days at 30 June 2024

2023:

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
TPK Murwa	2 620	6 737	9 357
MF Ramaphakela	3 319	1 545	4 864
	5 939	8 282	14 221

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

	Highest outstanding amount	Aging (in days)
TPK Murwa	6 737	120
ML Segoale	1 545	120
	8 282	-

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	Group		Company	
Figures in Rand	2024	2023	2024	2023

60. Statutory Receivables

Statutory receivables consists of:

2024 - Group

	Gross amount	Impairment	Carrying amount
Property rates	635 657 331	(311 771 541)	323 885 790
Traffic fines	76 849 648	(72 067 133)	4 782 515
VAT receivable	14 013 278	-	14 013 278
	726 520 257	(383 838 674)	342 681 583

2023 - Group

	Gross amount	Impairment	Carrying amount
Property rates	567 723 825	(226 312 100)	341 411 725
Traffic fines	171 121 561	(166 830 521)	4 291 040
VAT receivable	47 824 737	-	47 824 737
	786 670 123	(393 142 621)	393 527 502

2024 - Company

	Gross amount	Impairment	Total
Property rates	635 657 331	(311 771 541)	323 885 790
Traffic fines	76 849 648	(72 067 133)	4 782 515
VAT receivable	14 013 278	-	14 013 278
	726 520 257	(383 838 674)	342 681 583

2023 - Company

	Gross amount	Impairment	Total
Property rates	567 723 825	(226 312 100)	341 411 725
Traffic fines	171 121 561	(166 830 521)	4 291 040
VAT receivable	47 824 737	-	47 824 737
	786 670 123	(393 142 621)	393 527 502

61. Segment information

General information

Identification of segments

The group is organised and reports to management on the basis of three major functional areas: Community and public safety, Economic and environmental services and Trading services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

The municipality's operations are in the Limpopo Province.

Separate financial and other relevant information on geographical areas in which the municipality operates is not available. The cost to develop the necessary information would be excessive.

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	Group			Company		
Figures in Rand	2024	2023	2024	2023		
61. Segment information (continued)						
Group - 2024						
	Community and public safety	Economic and environmental services	Trading services	Other	Unallocated	Total
Segment revenue						
External revenue from non-exchange transactions	3 074 731	31 878 014	10 923 990		- 2 913 564 373	2 959 441 108
External revenue from exchange transactions	40 755 347	66 732 669	1 981 688 313		- 13 578 019	2 102 754 348
Interests on investments	-	-	-		- 48 177 770	48 177 770
Interest earned from receivables	-	-	89 412 602		- 62 289 411	151 702 013
Fair value adjustments	2 954 815	-	440 447		- 126 002 750	129 398 012
Gain on disposal of assets	-	-	-		- 3 005 870	3 005 870
Total	46 784 893	98 610 683	2 082 465 352		- 3 166 618 193	5 394 479 121
Segment expenses						
Total segment expenses	333 673 113	523 337 742	2 161 582 991		- 1 050 419 848	4 069 013 694
Depreciation and amortisation	192 086 238	525 331 702	361 222 936		- 76 357 269	1 154 998 145
Fair value adjustments	-	38 937 379	-		- 28 898 614	67 835 993
Impairment losses on financial assets	8 469 159	40 227 764	-		- 5 124 959	53 821 882
Interest expense	-	-	-		- 50 808 399	50 808 399
Inventory write-down	-	-	-		- 9 278 544	9 278 544
Water losses	-	-	-		- 68 506 297	68 506 297
Loss on disposal of assets	11 628	-	-		-	11 628
Total	534 240 138	1 127 834 587	2 522 805 927		- 1 289 393 930	5 474 274 582
Surplus for the year	(487 455 245)	(1 029 223 904)	(440 340 575)		- 1 877 224 263	(79 795 461)
Other information						
Segment assets	3 187 888 262	4 051 347 453	7 420 777 374	113 421	3 243 028 962	17 903 155 472
Segment liabilities	23 329 966	31 981 502	884 656 706	-	926 280 226	1 866 248 400
Total capital expenditure	44 804 250	242 202 146	571 503 104	-	99 911 466	958 420 966

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Figures in Rand	Group			Company		
	2024	2023	2024	2023		
61. Segment information (continued)						
	Community and public safety	Economic and environmental services	Trading services	Other	Unallocated	Total
Segment revenue						
External revenue from non-exchange transactions	88 144	32 968 497	9 041 812	-	2 589 216 618	2 631 315 071
External revenue from exchange transactions	39 982 155	65 424 031	1 735 649 821	61 612	47 582 663	1 888 700 282
Interests on investments	2	-	-	-	38 814 996	38 814 998
Interest earned from receivables	-	-	-	-	110 527 797	110 527 797
Gain on disposal of assets	-	42 287 258	19 951 164	-	62 905 932	125 144 354
Total	40 070 301	140 679 786	1 764 642 797	61 612	2 849 048 006	4 794 502 502
Segment expenses						
Total segment expenses	291 257 943	686 644 577	1 829 188 198	-	848 834 915	3 655 925 633
Depreciation and amortisation	144 372 318	316 923 067	229 756 045	-	39 507 418	730 558 848
Loss on disposal of assets	-	575 900 882	-	-	7 108 857	583 009 739
Impairment losses	1 950	-	-	-	31 148 802	31 150 752
Interest expense	-	-	-	-	57 837 288	57 837 288
Inventory write-down	-	-	-	-	792 800	792 800
Water losses	-	-	-	-	87 344 085	87 344 085
Total	435 632 211	1 579 468 526	2 058 944 243	-	1 072 574 165	5 146 619 145
Surplus for the year	(379 614 185)	(1 438 788 740)	(294 301 447)	61 612	1 776 473 841	(352 116 643)
Other information						
Segment assets	3 376 246 544	4 943 995 281	7 417 104 815	15 172	2 170 954 400	17 908 316 212
Segment liabilities	27 873 531	91 189 322	437 424 493	-	1 235 126 378	1 791 613 724
Total capital expenditure	17 297 155	218 388 161	361 564 077	-	36 808 268	634 057 661
Company - 2024						
	Community and public safety	Economic and environmental services	Trading services	Other	Unallocated	Total
Segment revenue						
External revenue from non-exchange transactions	431	31 878 014	10 923 990	-	2 913 564 373	2 956 366 808
External revenue from exchange transactions	28 606 170	66 732 669	1 981 688 313	-	13 578 019	2 090 605 171
Interests on investments	-	-	-	-	48 177 770	48 177 770
Interest earned from receivables	-	-	89 412 602	-	62 289 411	151 702 013
Fair value adjustments	2 954 815	-	440 447	-	126 002 750	129 398 012
Gain on disposal of assets	-	-	-	-	3 005 870	3 005 870
Total	31 561 416	98 610 683	2 082 465 352	-	3 166 618 193	5 379 255 644

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Notes to the Consolidated Audited Annual Financial Statements

	Group			Company	
Figures in Rand	2024	2023	2024	2023	
61. Segment information (continued)					
Segment expenses					
Total segment expenses	307 585 093	523 185 568	2 161 871 427	- 1 065 255 448	4 057 897 536
Depreciation and amortisation	183 801 107	520 455 727	357 726 037	- 75 988 772	1 137 971 643
Fair value adjustments	-	38 937 379	-	-	38 937 379
Impairment losses on financial assets	-	40 227 764	-	- 5 124 959	45 352 723
Interest expense	-	-	-	- 50 808 399	50 808 399
Inventory write-down	-	-	-	- 9 278 544	9 278 544
Water losses	-	-	-	- 68 220 369	68 220 369
Total	491 386 200	1 122 806 438	2 519 597 464	- 1 274 676 491	5 408 466 593
Surplus for the year	(459 824 784)	(1 024 195 755)	(437 132 112)	- 1 891 941 702	(29 210 949)
Other information					
Segment assets	2 749 309 030	4 057 681 401	7 424 675 819	113 421	3 275 357 921
Segment liabilities	7 494 636	31 981 502	884 656 706	-	918 073 209
Total capital expenditure	41 667 671	242 202 146	571 503 104	-	103 319 389
Company - 2023					
	Community and public safety	Economic and environmental services	Trading services	Other	Municipal governance and administration
Segment revenue					
External revenue from non-exchange transactions	7 146	32 968 497	9 041 812	- 2 589 216 618	2 631 234 073
External revenue from exchange transactions	28 496 431	65 424 031	1 735 649 821	61 612	47 582 663
Interests on investments	-	-	-	-	38 814 996
Interest earned from receivables	-	-	-	-	110 527 797
Gain on disposal of assets	-	42 287 258	19 951 164	-	62 905 932
Total	28 503 577	140 679 786	1 764 642 797	61 612	2 849 048 006
Segment expenses					
Total segment expenses	269 898 217	686 644 577	1 829 188 198	- 858 026 318	3 643 757 310
Depreciation and amortisation	138 219 545	316 023 352	229 756 045	- 40 213 397	724 212 339
Loss on disposal of assets	-	575 900 882	-	- 7 108 857	583 009 739
Impairment losses	-	-	-	- 31 148 802	31 148 802
Interest expense	-	-	-	- 57 837 288	57 837 288
Inventory write-down	-	-	-	- 792 800	792 800
Water losses	-	-	-	- 87 344 085	87 344 085
Total	408 117 762	1 578 568 811	2 058 944 243	- 1 082 471 547	5 128 102 363
Surplus for the year	(379 614 185)	(1 437 889 025)	(294 301 446)	61 612	1 766 576 459
Other information					
Segment assets	2 922 456 784	4 943 788 265	7 417 697 877	15 172	2 170 955 400
Segment liabilities	9 458 126	91 189 322	437 424 493	-	1 223 706 263
Total capital expenditure	17 297 155	218 388 161	361 564 077	-	36 808 268

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Notes to the Consolidated Audited Annual Financial Statements

62. GRAP 3 adjustments

The following restatements and adjustments occurred which are set out below:

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Audited Annual Financial Statements

62. GRAP 3 adjustments (continued)

62.1 Adjustments of Statement of financial position items

Group - 2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Assets					
Current assets					
Cash and cash equivalents	2	187 784 673	-	-	187 784 673
Receivables from exchange transactions	3	723 147 192	45 855 991	684 109	769 687 292
Receivables from non-exchange transactions	5	346 407 367	(697 053)	-	345 710 314
Other receivables from exchange transactions	4	34 455 232	-	(684 109)	33 771 123
Inventories	6	93 995 322	-	-	93 995 322
VAT receivable		45 397 113	2 427 624	-	47 824 737
VAT input accrual		92 221 762	-	-	92 221 762
		1 523 408 661	47 586 562	-	1 570 995 223
Non-current assets					
Investment property	8	994 131 414	110 751 520	(107 849 898)	997 033 036
Property, plant and equipment	9	15 100 334 043	50 844 265	107 849 898	15 259 028 206
Biological assets	10	14 905 421	-	-	14 905 421
Heritage assets	11	21 867 568	-	-	21 867 568
Intangible assets	12	35 118 295	-	-	35 118 295
Living resources		9 368 462	-	-	9 368 462
		16 175 725 203	161 595 785	-	16 337 320 988
Total assets		17 699 133 864	209 182 347	-	17 908 316 211
Net assets and liabilities					
Current liabilities					
Consumer deposits	15	66 794 150	-	1 793 849	68 587 999
Payables from exchange transactions	16	630 074 969	20 270 193	(1 793 849)	648 551 313
Payables from non-exchange transactions	17	25 780 275	-	-	25 780 275
Borrowings	19	25 088 400	-	-	25 088 400
Finance lease liabilities		21 052 712	-	-	21 052 712
Employee benefits		9 640 920	100 000	-	9 740 920
VAT output accrual		135 527 215	(10 144 558)	-	125 382 657
		913 958 641	10 225 635	-	924 184 276
Non-current liabilities					
Borrowings	19	347 688 492	-	-	347 688 492
Finance lease liabilities		4 576 739	-	-	4 576 739
Employee benefits		397 144 611	750 000	-	397 894 611
Provisions	21	117 269 606	-	-	117 269 606
		866 679 448	750 000	-	867 429 448
Total net assets					
Revaluation reserve	22	10 360 142 341	15 565 764	-	10 375 708 105
Accumulated surplus		5 558 353 451	182 640 949	-	5 740 994 400
		15 918 495 792	198 206 713	-	16 116 702 505
Total net assets and liabilities		17 699 133 881	209 182 348	-	17 908 316 229

Company - 2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Assets					

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Audited Annual Financial Statements

62. GRAP 3 adjustments (continued)

Current assets

Cash and cash equivalents	2	184 371 391	-	-	184 371 391
Receivables from exchange transactions	3	723 147 192	45 855 991	-	769 003 183
Receivables from non-exchange transactions	5	346 399 818	(697 053)	-	345 702 765
Other receivables from exchange transactions	4	33 748 014	-	-	33 748 014
Inventories	6	93 995 322	-	-	93 995 322
VAT receivable		45 397 113	2 427 624	-	47 824 737
VAT input accrual		92 221 762	-	-	92 221 762
		1 519 280 612	47 586 562	-	1 566 867 174

Non-current assets

Investment property	8	994 131 414	110 751 520	(107 849 898)	997 033 036
Property, plant and equipment	9	14 679 379 626	22 161 686	107 849 898	14 809 391 210
Intangible assets	12	35 093 576	-	-	35 093 576
Biological assets	10	14 905 421	-	-	14 905 421
Living resources	14	9 368 462	-	-	9 368 462
Heritage assets	11	21 867 569	-	-	21 867 569
Investment in subsidiary	13	1 000	-	-	1 000
		15 754 747 068	132 913 206	-	15 887 660 274

Total assets

17 274 027 680	180 499 768	-	17 454 527 448
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Net assets and liabilities

Current liabilities

Consumer deposits	15	66 794 150	-	-	66 794 150
Payables from exchange transactions	16	613 278 175	20 034 071	-	633 312 246
Payables from non-exchange transactions	17	25 771 966	-	-	25 771 966
Borrowings	18	25 088 400	-	-	25 088 400
Lease liabilities		21 052 712	-	-	21 052 712
Employee benefits	20	9 116 740	-	-	9 116 740
VAT output accrual		135 527 215	(10 144 558)	-	125 382 657
		896 629 358	9 889 513	-	906 518 871

Non-current liabilities

Borrowings	18	347 688 492	-	-	347 688 492
Lease liabilities		4 576 739	-	-	4 576 739
Employee benefits	20	397 144 611	-	-	397 144 611
Provisions	21	117 269 606	-	-	117 269 606
		866 679 448	-	-	866 679 448

Total net assets

Reserves and funds	22	10 242 353 680	15 565 764	-	10 257 919 444
Accumulated surplus		5 268 365 211	155 044 491	-	5 423 409 702
		15 510 718 891	170 610 255	-	15 681 329 146

Total net assets and liabilities

17 274 027 697	180 499 768	-	17 454 527 465
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Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Audited Annual Financial Statements

62. GRAP 3 adjustments (continued)

62.2 Adjustments of Statement of financial performance items

Group - 2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Revenue					
Non-exchange revenue					
Property rates	31	573 341 488	(697 054)	-	572 644 434
Transfers and subsidies	32	2 016 138 370	-	-	2 016 138 370
Fines, penalties and forfeits	33	42 532 264	-	-	42 532 264
Interest on receivables	25	40 925 649	-	-	40 925 649
		2 672 937 771	(697 054)		- 2 672 240 717
Exchange revenue					
Services charges - Electricity	23	1 180 205 665	(550 143)	-	1 179 655 522
Services charges - Waste management	23	141 795 082	(865 495)	-	140 929 587
Services charges - Waste water management	23	156 210 029	(5 270 513)	-	150 939 516
Services charges - Water	23	264 634 375	(509 745)	-	264 124 630
Rental	24	46 043 182	1 767 782	-	47 810 964
Interest on investments	26	38 814 998	-	-	38 814 998
Interest on receivables	25	75 516 570	(5 914 422)	-	69 602 148
Licences or permits	27	13 788 739	-	-	13 788 739
Agency services	28	23 554 336	-	-	23 554 336
Operational revenue	29	41 536 510	-	-	41 536 510
Sales of goods and rendering of services	30	26 360 476	-	-	26 360 476
		2 008 459 962	(11 342 536)		- 1 997 117 426
Total revenue		4 681 397 733	(12 039 590)		- 4 669 358 143
Expenditure					
Employee related cost	34	(1 082 073 685)	(850 000)	(83 425)	(1 083 007 110)
Remuneration of councillors	35	(41 383 620)	-	-	(41 383 620)
Irrecoverable debts written off		(328 701 294)	218 747 321	40 721 786	(69 232 187)
Debt impairment		-	(208 602 761)	(40 721 786)	(249 324 547)
Depreciation and amortisation	38	(728 502 944)	(2 055 904)	-	(730 558 848)
Finance costs	39	(57 837 288)	-	-	(57 837 288)
Bulk purchases	40	(856 611 259)	-	-	(856 611 259)
Inventory consumed	41	(225 856 708)	-	-	(225 856 708)
Contracted services	42	(840 914 461)	(12 406 013)	(2 646 003)	(855 966 477)
Transfers and subsidies	43	(480 000)	-	-	(480 000)
Operational cost	44	(263 276 242)	(13 516 906)	2 729 428	(274 063 720)
Total expenditure		(4 425 637 501)	(18 684 263)		- (4 444 321 764)
Gains and losses					
Gain (loss) on disposal of assets	45	(583 009 739)	-	-	(583 009 739)
Fair value adjustments		114 834 361	10 309 993	-	125 144 354
Inventories (write-down)		(88 136 885)	-	-	(88 136 885)
Impairment losses		(31 150 752)	-	-	(31 150 752)
		(587 463 015)	10 309 993		- (577 153 022)
Deficit for the year		(331 702 783)	(20 413 860)		- (352 116 643)

Company - 2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Revenue					
Non-exchange revenue					
Property rates	31	573 341 488	(697 054)	-	572 644 434

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Audited Annual Financial Statements

62. GRAP 3 adjustments (continued)

Transfers and subsidies	32	2 016 138 370	-	-	2 016 138 370
Fines, penalties and forfeits	33	42 451 266	-	-	42 451 266
Interest on receivables	25	40 925 649	-	-	40 925 649
		2 672 856 773	(697 054)		- 2 672 159 719
Exchange revenue					
Services charges - Electricity	23	1 180 205 665	(550 143)	-	1 179 655 522
Services charges - Waste management	23	141 795 082	(865 495)	-	140 929 587
Services charges - Waste water management	23	156 210 029	(5 270 513)	-	150 939 516
Services charges - Water	23	264 634 375	(509 745)	-	264 124 630
Rental	24	34 557 460	1 767 782	-	36 325 242
Interest on investments	26	38 814 996	-	-	38 814 996
Interest on receivables	25	75 516 570	(5 914 422)	-	69 602 148
Licences or permits		13 788 739	-	-	13 788 739
Agency services	27	23 554 336	-	-	23 554 336
Operational revenue	28	41 536 510	-	-	41 536 510
Sales of goods and rendering of services	29	26 360 476	-	-	26 360 476
		1 996 974 238	(11 342 536)		- 1 985 631 702
Total revenue		4 669 831 011	(12 039 590)		- 4 657 791 421
Expenditure					
Employee related cost	34	(1 072 016 183)	-	-	(1 072 016 183)
Remuneration of councillors	35	(41 383 620)	-	-	(41 383 620)
Bad debts written off		(324 015 241)	218 747 321	36 035 733	(69 232 187)
Debt impairment		-	(208 602 761)	(36 035 733)	(244 638 494)
Depreciation and amortisation	38	(723 166 105)	(1 239 970)	-	(724 406 075)
Finance costs	39	(57 837 288)	-	-	(57 837 288)
Bulk purchases	40	(856 611 259)	-	-	(856 611 259)
Inventory consumed	41	(225 856 708)	(1)	-	(225 856 709)
Contracted services	42	(840 315 341)	(12 338 785)	-	(852 654 126)
Transfers and subsidies	43	(9 671 404)	-	-	(9 671 404)
Operational cost	44	(258 345 313)	(13 348 012)	-	(271 693 325)
Total expenditure		(4 409 218 462)	(16 782 208)		- (4 426 000 670)
Gains and losses					
Gain/(losses) on assets	45	(583 009 739)	-	-	(583 009 739)
Fair value adjustments	46	114 834 361	10 309 993	-	125 144 354
Inventories (write-down)	47	(88 136 885)	-	-	(88 136 885)
Impairment (losses)/reversals	37	(31 148 802)	-	-	(31 148 802)
Total Gains and losses		(587 461 065)	10 309 993		- (577 151 072)
Deficit for the year		(326 848 516)	(18 511 805)		- (345 360 321)

Statement of Financial Position - Group

Receivables from exchange transactions

Balance as previously reported	723 147 192
Correction of commencement dates of lease contracts	65 678 397
Correction of customer accounts	(19 822 406)
Reclassification of bad debts expense to a provision	184 883 369
Reversal of debt impairment	21 639 988
Correction of provision expense	(206 523 357)
Group reclassification of PHA trade debtors from Other receivables from exchange transactions	684 109
	769 687 292

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Audited Annual Financial Statements

62. GRAP 3 adjustments (continued)

Other receivables from exchange transactions

Balance as previously reported	34 455 232
Group reclassification of PHA trade debtors to Receivables from exchange transactions	(684 109)
	33 771 123

Receivables from non exchange transactions

Balance as previously reported	346 407 367
Correction of customer accounts	(697 053)
Reversal of debt impairment	9 391 316
Reclassification of bad debts expense to provision	19 625 917
Correction of provision expense	(29 017 233)
	345 710 314

VAT receivable

Balance as previously reported	45 397 113
Erroneous omission of VAT on a contracted service invoice	2 427 624
	47 824 737

Investment property

Balance as previously reported	994 131 414
Correction of fair value adjustment on commercial property	56 087 560
Correction of fair value adjustment on investment property	11 232 435
Derecognition of property not belonging to the municipality	(2 102 000)
Reclassification of land from Investment property to land under Property, plant and equipment	(122 208 830)
Recognition of properties previously omitted	59 892 457
	997 033 036

Property, plant and equipment

Balance as previously reported	15 100 334 043
Derecognition of RAL roads	(9 929 214)
Expensing of non asset items	(4 009 716)
Reclassification of land from Investment property	122 208 830
Revaluation of land to investment property	(11 232 435)
Revaluation of donated infrastructure assets	12 439 267
Expensing of non capital expenditure	(14 766 409)
Accounting for depreciation on donated assets received	(1 239 968)
Accounting for donated infrastructure assets	36 541 229
PHA: Recognition of land not previously included in the fixed assets register	14 442 750
PHA: Adjusting 2023 closing accumulated depreciation not previously included in the fixed assets register	(26 445 395)
PHA: Recognition of building not previously included in the fixed assets register	40 685 223
	15 259 028 205

Consumer deposits

Balance as previously reported	66 794 150
Group reclassification of PHA customer deposits from Payables from exchange transactions	1 793 849
	68 587 999

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Audited Annual Financial Statements

62. GRAP 3 adjustments (continued)

Payables from exchange transactions

Balance as previously reported	630 074 969
Correction of period in which expenses were accrued	20 034 070
PHA: Audit committee expense not previously accounted for	37 429
PHA: Legal fees for services rendered in the previous year	168 894
PHA: Repairs and maintenance expense for work done in previous year	29 800
Group reclassification of PHA customer deposits to Consumer deposits	(1 793 849)
	648 551 313

Employee benefits - current

Balance as previously reported	9 640 920
PHA: Long service award not previously accounted for	100 000
	9 740 920

VAT output accrual

Balance as previously reported	135 527 215
VAT impact due to reversal of debt impairment	2 822 607
VAT impact due to reclassification of bad debts expense to a provision	13 970 663
VAT impact due to correction of provision expense	(26 937 828)
	125 382 657

Employee benefits - non current

Balance as previously reported	397 144 611
PHA: Long service award not previously accounted for	750 000
	397 894 611

Revaluation reserve

Balance as previously reported	10 360 142 341
Revaluation related to donated assets	12 439 267
Accounting for revaluation on land	3 126 497
	10 375 708 105

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Audited Annual Financial Statements

62. GRAP 3 adjustments (continued)

Accumulated surplus

Balance as previously reported	5 558 353 451
Adjustments affecting periods prior to 2022-2023 financial year	
- Rental income: Correction of rental straight lining	57 198 527
- Recognition of properties previously omitted	59 892 457
- Correction of fair value adjustment on commercial property	(31 770)
- Derecognition of RAL roads	(9 929 214)
- Derecognition of investment property	(2 102 000)
- Correction of valuation on investment property	42 651 070
- RAL roads expenditure	(3 977 946)
- Recognition of donated assets	36 541 228
- Accrual of operational costs erroneously omitted	(14 863 099)
- Correction of period in which the provision was reversed	8 177 041
- PHA: Recognition of building previously omitted	29 498 513
Adjustments of profit and loss items for the 2022-23 financial year	
- Rental income: Correction of rental straight lining	8 479 871
- Rental income: Correction of customer accounts	(6 712 089)
- Contracted services: Correction of VAT	2 427 624
- Interest from receivables: Correction of customer accounts	(5 914 422)
- Property rates: Correction of customer accounts	(697 054)
- Service charges electricity: Correction of customer accounts	(550 144)
- Service charges waste management: Correction of customer accounts	(865 495)
- Service charges waste water management: Correction of customer accounts	(5 270 514)
- Service charges water management: Correction of customer accounts	(509 745)
- Depreciation on donated assets	(1 239 968)
- Bad debts: Correction and reclassification of bad debts expense	254 783 054
- Debt impairment: Correction and reclassification of bad debts expense	(244 638 494)
- Operational costs: Correction of period in which the expense is recognised	(13 348 013)
- Contracted services: Incorrect capitalisation of expenses	(14 766 409)
- Fair value: Correction of fair value adjustment on commercial property	7 180 753
- Fair value: Correction of fair value of investment properties	6 255 738
- Fair value: Correction on reclassified properties	(3 126 497)
- PHA: Employee related costs	(850 000)
- PHA: Depreciation	(815 934)
- PHA: Contracted services	(67 228)
- PHA: Operational costs	(168 894)
	5 740 994 398

Statement of Financial Position - Company

Receivables from exchange transactions

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Audited Annual Financial Statements

62. GRAP 3 adjustments (continued)

Balance as previously reported	723 147 192
Correction of commencement dates of lease contracts	65 678 397
Correction of customer accounts	(19 822 406)
Reclassification of bad debts expense to a provision	184 883 369
Reversal of debt impairment	21 639 988
Correction of provision expense	(206 523 357)
	769 003 183

Receivables from non-exchange transactions

Balance as previously reported	346 399 818
Correction of customer accounts	(697 053)
Reversal of debt impairment	9 391 316
Reclassification of bad debts expense to a provision	19 625 917
Correction of provision expense	(29 017 233)
	345 702 765

VAT receivable

Balance as previously reported	45 397 113
Erroneous omission of VAT on a contracted services invoice	2 427 624
	47 824 737

Investment Property

Balance as previously reported	994 131 414
Correction of fair value adjustment on commercial property	56 087 560
Correction of fair value adjustments on investment property	11 232 435
Derecognition of property not belonging to the municipality	(2 102 000)
Reclassification of land from Investment property to land under Property, plant and equipment	(122 208 830)
Recognition of properties previously omitted	59 892 457
	997 033 036

Property, plant and equipment

Balance as previously reported	14 679 379 626
Derecognition of RAL roads	(9 929 214)
Expensing of non asset items	(4 009 716)
Reclassification of land from investment property	122 208 830
Revaluation of land to Investment property	(11 232 435)
Revaluation on donated infrastructure assets	12 439 267
Expensing of non capital expenditure	(14 766 409)
Accounting for depreciation on donated assets received	(1 239 968)
Accounting for donated infrastructure assets	36 541 229
	14 809 391 210

Trade and other payables

Balance as previously reported	613 278 176
Correction of period in which expenses were accrued	20 034 070
	633 312 246

VAT output accrual

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Audited Annual Financial Statements

62. GRAP 3 adjustments (continued)

Balance as previously reported	135 527 215
VAT impact due to reversal of debt impairment	2 822 607
VAT impact due to reclassification of bad debts expense to a provision	13 970 663
VAT impact due to correction of provision expense	(26 937 828)
	125 382 657

Revaluation reserve

Balance as previously reported	10 242 353 680
Revaluation relating to donated assets	12 439 267
Accounting for revaluation on land	3 126 497
	10 257 919 444

Accumulated surplus

Balance as previously reported	5 268 365 211
Adjustments affecting periods prior to 2022-23 financial year	
- Rental income: Correction of rental straight lining	57 198 527
- Recognition of properties previously omitted	59 892 457
- Correction of fair value adjustment on commercial property	(31 770)
- Derecognition of RAL Roads	(9 929 214)
- Derecognition of investment property	(2 102 000)
- Correction of valuation on investment property	42 651 070
- RAL roads expenditure	(3 977 946)
- Recognition of donated assets	36 541 228
- Accrual of operational costs erroneously omitted	(14 863 099)
- Correction of period in which the provision was reversed	8 177 041
Adjustments of profit and loss items for the 2022-23 financial year:	
- Rental income: Correction of rental straight lining	8 479 871
- Rental income: Correction of customer accounts	(6 712 089)
- Contracted services: correction of VAT	2 427 624
- Interest from receivables: Correction of customer accounts	(5 914 422)
- Property rates: Correction of customer accounts	(697 054)
- Service charges electricity: Correction of customer accounts	(550 144)
- Service charges waste management: Correction of customer accounts	(865 495)
- Service charges waste water management: Correction of customer accounts	(5 270 514)
- Service charges water management: Correction of customer accounts	(509 745)
- Depreciation on donated assets	(1 239 968)
- Bad debts: correction and reclassification of bad debts expense	254 783 054
- Debt impairment: Correction and reclassification of bad debts expense	(244 638 494)
- Operational costs: Correction of period in which the expense is recognised	(13 348 013)
- Contracted services: incorrect capitalisation of expenses	(14 766 409)
- Fair value: Correction of fair value adjustment on commercial property	7 180 753
- Fair value: Correction of fair value of investment properties	6 255 738
- Fair value: Correction on reclassified properties	(3 126 497)
	5 423 409 701

Statement of Financial Performance - Group

Property rates

Balance as previously reported	573 341 488
Correction of customer accounts	(697 054)
	572 644 434

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Audited Annual Financial Statements

62. GRAP 3 adjustments (continued)

Services charges - Electricity

Balance as previously reported	1 180 205 665
Correction of customer accounts	(550 143)
	1 179 655 522

Service charges - Waste management

Balance as previously reported	141 795 082
Correction of customer accounts	(865 495)
	140 929 587

Service charges - Waste water management

Balance as previously reported	156 210 029
Correction of customer accounts	(5 270 513)
	150 939 516

Service charges - Water

Balance as previously reported	264 634 375
Correction of customer accounts	(509 745)
	264 124 630

Rental

Balance as previously reported	46 043 182
Correction on commencement dates of lease contracts	8 479 871
Correction of customer accounts	(6 712 089)
	47 810 964

Interest earned from receivables

Balance as previously reported	75 516 570
Correction of customer accounts	(5 914 422)
	69 602 148

Employee related costs

Balance as previously reported	1 082 073 685
Reclassification of cellphone allowance from operational cost	83 425
Long service award expense	850 000
	1 083 007 110

Irrecoverable debts written off

Balance as previously reported	328 701 294
Reclassification of bad debts expense to provision	(190 538 624)
Reclassification of provision expense from irrecoverable debts written off to debt impairment	(36 035 733)
Reversal of debt impairment	(28 208 697)
Group reclassification of PHA Debt impairment	(4 686 053)
	69 232 187

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Audited Annual Financial Statements

62. GRAP 3 adjustments (continued)

Debt impairment

Balance as previously reported	-
Correction of provision expense	208 602 761
Reclassification of provision from Irrecoverable debts written off	36 035 733
Group reclassification of PHA Debt impairment previously presented under irrecoverable debts written off	4 686 053
	249 324 547

Depreciation and amortisation

Balance as previously reported	728 502 944
Depreciation recognised on donated assets	1 239 968
PHA: Correction of prior year depreciation on buildings recognised	815 934
	730 558 846

Contracted services

Balance as previously reported	840 914 461
Erroneous omission of VAT on a contracted service invoice	(2 427 624)
Incorrect capitalisation of expenses	14 766 409
PHA: Reclassification of security services from operational cost	2 646 003
PHA: Expenses not previously accounted for	67 228
	855 966 477

Operational costs

Balance as previously reported	263 276 242
Raising of expense erroneously omitted	5 170 971
Correction of period for reversal of provision	8 177 041
PHA: Reclassification of expenses to contracted services	(2 646 003)
PHA: Reclassification of expenses to employee costs	(83 425)
PHA: Legal fees not previously accounted for	168 894
	274 063 720

Fair value adjustments

Balance as previously reported	114 834 361
Correction of fair value adjustment on commercial property	7 180 753
Correction of fair value adjustment on investment property	6 255 738
Fair value on reclassified properties	(3 126 497)
	125 144 355

Statement of Financial Performance - Company

Property rates

Polokwane Municipality

Consolidated Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Consolidated Audited Annual Financial Statements

62. GRAP 3 adjustments (continued)

Balance as previously reported	573 341 488
Correction of customer accounts	(697 054)
	572 644 434

Service charges - Electricity

Balance as previously reported	1 180 205 665
Correction of customer accounts	(550 143)
	1 179 655 522

Service charges - Waste management

Balance as previously reported	141 795 082
Correction of customer accounts	(865 495)
	140 929 587

Service charges - Waste water management

Balance as previously reported	156 210 029
Correction of customer accounts	(5 270 513)
	150 939 516

Service charges - Water

Balance as previously reported	264 634 375
Correction of customer accounts	(509 745)
	264 124 630

Rental

Balance as previously reported	34 557 460
Correction of commencement dates of lease contracts	8 479 871
Correction of customer accounts	(6 712 089)
	36 325 242

Interest earned from receivables

Balance as previously reported	75 516 570
Correction of customer accounts	(5 914 422)
	69 602 148

Contracted services

Balance as previously reported	840 315 341
Erroneous omission of VAT on a contracted services invoice	(2 427 624)
Incorrect capitalisation of expenses	14 766 409
	852 654 126

Depreciation and amortisation

Balance as previously reported	723 166 105
Depreciation recognised on donated assets	1 239 968

Polokwane Municipality

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Notes to the Consolidated Audited Annual Financial Statements

62. GRAP 3 adjustments (continued)

724 406 073

Bad debts written off

Balance as previously reported	324 015 241
Reclassification of bad debts expense to provision	(190 538 624)
Reclassification of provision expense from bad debts written off to debt impairment	(36 035 733)
Reversal of debt impairment	(28 208 697)
	69 232 187

Debt impairment

Balance as previously reported	-
Correction of provision expense	208 602 761
Reclassification of provision from bad debts written off to debt impairment	36 035 733
	244 638 494

Operational cost

Balance as previously reported	258 345 313
Raising of expense erroneously omitted	5 170 971
Correction of period for reversal of provision	8 177 041
	271 693 325

Fair value adjustments

Balance as previously reported	114 834 361
Correction of fair value adjustment on commercial property	7 180 753
Correction of fair value adjustment on investment property	6 255 738
Fair value on reclassified properties	(3 126 497)
	125 144 355

61.3 Adjustments of Disclosure Notes

Group

Polokwane Municipality

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Notes to the Consolidated Audited Annual Financial Statements

62. GRAP 3 adjustments (continued)

Note 52: Contingent liability

Balance as previously reported	284 086 122
Correction of cases recorded and calculation errors	(10 644 690)
	273 441 432

Note 53.2: Irregular expenditure

Balance as previously reported	289 639 713
Irregular expenditure incorrectly recognised	(19 049 843)
Irregular expenditure erroneously omitted for periods prior to FY2023	28 592 176
Irregular expenditure erroneously omitted relating to FY2023	23 459 725
	322 641 771

Note 54: Commitments

Balance as previously reported	998 789 789
Correction of commitment amounts	24 316 090
	1 023 105 879

Note 57: Principal and Agent arrangements - EasyPay commission paid

Balance as previously reported	-
Commission paid erroneously omitted	2 450 884
	2 450 884

Company

Note 52: Contingent liability

Balance as previously reported	284 086 122
Correction of cases recorded and calculation errors	(10 644 690)
	273 441 432

Note 53.2 Irregular expenditure

Balance as previously reported	268 377 676
Irregular expenditure incorrectly recognised	(19 049 843)
Irregular expenditure erroneously omitted for periods prior to FY2023	28 592 176
Irregular expenditure erroneously omitted relating to FY2023	23 459 725
	301 379 734

Note 54: Commitments

Balance as previously reported	998 789 789
Correction of commitment amounts	24 316 090
	1 023 105 879

Note 57: Principal and Agent arrangements - EasyPay commission paid

Balance as previously reported	-
Commission paid erroneously omitted	2 450 884
	2 450 884