



Polokwane Municipality  
Audited Consolidated Annual Financial Statements  
for the year ended 30 June 2022

Final audited

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

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

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The following supplementary information does not form part of the audited consolidated annual financial statements and is unaudited:

Final audited

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## General Information

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<b>Country of incorporation and domicile</b>	South Africa
<b>Legal form of entity</b>	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
<b>Legislation governing the municipality's operations</b>	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)
<b>Executive mayor and chairperson of mayoral committee</b>	
<b>Portfolio</b>	<b>Councillor</b>
Honourable Mayor and chairperson of mayoral committee	TP Nkadimeng - (Last day in office 31-10-2021) MJ Mpe (Newly elected 01-11-2021)
Speaker	MJ Ralefatane - (Last day in office 31-10-2021) KW Modiba - (Newly elected 01-11-2021)
Chief WIP	MK Teffo (Last day in office 31-10-2021) PA Rapetswa (Newly elected 01-11-2021)
MMC Finance	RC Molepo (Last day in office 19-07-2021) MB Malebana (20-07-2021 to 31-10-2021) T Nkwe (Newly elected 01-11-2021)
MMC Water and Sanitation	NW Kganyago (Last day in office 31-10-2021) MA Moakamedi (Newly elected 01-11-2021)
MMC Roads, Transport and Stormwater	MF Kubjana (Last day in office 31-10-2021) MK Kgare (Newly elected 01-11-2021)
MMC LED, Land use and Spatial Planning	H Shaikh (Last day in office 31-10-2021) PR Mashangoane (Newly elected 01-11-2021)
MMC Admin and Governance	LR Setati (Last day in office 31-10-2021) FZ Mashalane (Newly elected 01-11-2021)
MMC Housing	T Nkwe (Last day in office 31-10-2021) J Pemma (Newly elected 01-11-2021)
MMC Sports, Arts, Culture and Special Focus	MC Maja (Last day in office 31-10-2021) TJ Mamabolo (Newly elected 01-11-2021)
MMC Energy Provision	MB Malebana (Last day in office 31-10-2021) TD Moloto (Newly elected 01-11-2021)
MMC Waste and Environment	SJ Malope (Last day in office 31-10-2021) SJ Malope (Newly elected 01-11-2021)
MMC Community Services	ML Mothata (Last day in office 31-10-2021) RV Shadung (Newly elected 01-11-2021)

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## General Information

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### Council members - end of term

Nr	Surname	Initials	Nr	Surname	Initials
1	Baloyi	AR	2	Botha	AH
3	Chidi	TDR	4	Coetzee	C
5	Choshi	ME	6	Clarke	SE
7	Dikgale	SJ	8	Haas	FA
9	Hiine	PJ	10	Hopane	TE
11	Joubert	FJ	12	Kaka	MJ
13	Khan	N	14	Laka	MW
15	Ledwaba	MV	16	Lekgodi	NJ
17	Lekgodi	Z	18	Lephalala	LF
19	Lourens	RF	20	Mabote	MG
21	Machaba	NE	22	Maenetja	MF
23	Makamela	ME	24	Makgopja	TP
25	Makwela	JF	26	Makwela	M
27	Malatji	ME	28	Maleka	ME
29	Malema	PR	30	Mamabolo	CM
31	Manaka	HS	32	Manamela	PE
33	Mankga	HM	34	Manyaka	TR
35	Marx	HF	36	Masekela	AM
37	Mashau	TS	38	Mashiane	MC
39	Mathye	MV	40	Matonzi	MT
41	Mehlape	ML	42	Mokamedi	MA
43	Modiba	KW	44	Modiba	MT
45	Modiba	MS	46	Moeti	TF
47	Mogale	TJ	48	Mohlabeng	DM
49	Mohlasedi	MF	50	Mohlaona	RP
51	Mojapelo	TSP	52	Molepo	FJ
53	Molope	MB	54	Moshoeu	PE
55	Mothapo	MS	56	Mothapo	ME
57	Mothapo	JE	58	Mothata	LS
59	Mothiba	MJ	60	Mothiba	TP
61	Mphekswana	KJ	62	Phaka	TG
63	Phala	MR	64	Phosoko	MS
65	Pretorius	M	66	Ramakgoakgoa	MM
67	Ramaphakela	MF	68	Ramaphoko	MO
69	Rapetswa	PA	70	Raphela	TR
71	Sathekge	MW	72	Sekgobela	MR
73	Sesera	MC	74	Shadung	RV
75	Shibambu	KB	76	Shivhabu	NA
77	Skosana	KM	78	Tsheola	KG
79	Tsiri	MM	80	Vallabh	K

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## General Information

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### Newly Elected Council Members

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

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## General Information

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### Executive management

<b>Position</b>	<b>Name</b>
Municipal Manager	TLP Nemugumoni
Chief Executive Officer (Polokwane Housing Association)	J.T Maimela
Chief Financial Officer	N Essa
Deputy Chief Financial Officer	T Nonyane
Acting Director Planning and Economic Development	M Segooa
Acting Director Community Services	E Hutamo
Director Corporate and Shared Services	M Matshivha
Director Strategic Planning, Monitoring and Evaluation	T Ntshakala
Acting Director Transportation Services	D Ramakgwakgwa
Director Energy Services	J Fourie
Acting Director Water and Sanitation	M Thaba

### Members of the Audit Committee

Chairperson (current)	SAB Ngobeni
Chairperson (previous)	MW Mokwele
Member	MF Kekana
Member	R Maboe
Member	JM Mabuza
Member	MP Ramutsheli

**Accounting Officer** TLP Nemugumoni

**Chief Financial Officer (CFO)** N Essa

**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  
Maboku Mangena Attorneys  
Kgatla Incorporated  
Matabane Incorporated  
Noko Maimela Incorporated  
Rachoene Attorneys  
Mohale Incorporated  
Popela Maake Incorporated

**Telephone** 015 023 5000

**Auditors** Auditor-General of South Africa (AGSA)

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Abbreviations

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ASB	Accounting Standards Board
AFS	Annual Financial Statements
CIGFARO	Chartered Institute of Government, Finance, Audit and Risk Officers
CDM	Capricorn District Municipality
CPI	Consumer Price Index
DBSA	Development Bank of South Africa
DORA	Division of Revenue Act
EPWP	Expanded Public Works Programme
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
IGRAP	Interpretation of the Standards of Generally Recognised Accounting Practice
LGSETA	Local Government Services Sector Education and Training Authority
LSA	Long Service Award
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MPAC	Municipal Public Accounts Committee
MPRA	Municipal Property Rates Act
MSA	Municipal Systems Act
MSIG	Municipal System Improvement Grant
NDPG	Neighbourhood Development And Partnership Grant
PAYE	Pay As You Earn
PPE	Property, Plant and Equipment
SETA	Sector Education and Training Authority
SDL	Skills Development Levy
SALGA	South African Local Government Association
SARS	South African Revenue Service
SCM	Supply Chain Management
UIF	Unemployment Insurance Fund
VAT	Value Added Tax

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Accounting Officer's Responsibilities and Approval

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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 audited consolidated annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the audited consolidated annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the audited consolidated annual financial statements and was given unrestricted access to all financial records and related data.

The audited consolidated 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 audited consolidated 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 audited consolidated 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 2023 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 37 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.

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**Ms Thuso Nemugumoni**  
**Municipal Manager**



# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Accounting Officer's Report

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The accounting officer submits her report for the year ended 30 June 2022.

### 1. Review of activities

#### Main business and operations

The municipality 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 195 661 765 (2021: surplus R 206 875 628).

### 2. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus of R 5 826 484 637 and that the municipality's total assets exceed its liabilities by R16 324 275 479

The audited consolidated 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 Annual Financial Statements. The Accounting Officer, Thuso Nemugumoni was appointed on 1 August 2022.

The audited consolidated annual financial statements set out on page 8, which have been prepared on the going concern basis, were approved by the accounting officer on 30 September 2022 and were signed on its behalf by:

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**Ms Thuso Nemugumoni**  
**Municipal Manager**

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	Group		Company	
		2022	2021	2022	2021
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents	3	235 040 446	303 000 968	232 670 007	301 154 768
Receivables from exchange transactions	4	779 871 516	631 730 268	779 871 516	631 730 268
Other receivables from exchange transactions	5	63 180 151	45 782 574	62 529 284	44 970 141
Receivables from non-exchange transactions	6	325 710 057	258 912 987	313 617 270	246 927 342
Inventories	7	124 039 073	175 678 458	124 039 073	175 678 458
VAT receivable/(payable)	8	-	21 748 923	-	21 748 923
		<b>1 527 841 243</b>	<b>1 436 854 178</b>	<b>1 512 727 150</b>	<b>1 422 209 900</b>
<b>Non-Current Assets</b>					
Investment property	9	973 542 543	1 132 976 111	973 542 543	1 132 976 111
Property, plant and equipment	10	13 102 331 148	13 208 725 959	12 800 862 402	12 925 318 174
Biological assets	11	14 872 363	9 028 200	14 872 363	9 028 200
Heritage assets	12	21 867 568	21 899 818	21 867 568	21 899 818
Intangible assets	13	190 174 296	195 539 862	190 141 144	195 498 278
Investment in associate / joint venture	14	-	-	1 000	1 000
Long-term receivables	15	144 352	144 352	144 352	144 352
Living resources	16	5 939 645	4 450 352	5 939 645	4 450 352
		<b>14 308 871 915</b>	<b>14 572 764 654</b>	<b>14 007 371 017</b>	<b>14 289 316 285</b>
<b>Total Assets</b>		<b>15 836 713 158</b>	<b>16 009 618 832</b>	<b>15 520 098 167</b>	<b>15 711 526 185</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Consumer deposits	17	67 555 872	68 065 848	67 555 872	68 065 848
Payables from exchange transactions	18	836 553 668	848 530 810	827 391 377	831 356 317
Unspent conditional grants and receipts	19	155 816 530	80 545 902	155 808 221	80 537 593
Borrowings	20	22 587 835	20 076 910	22 587 835	20 076 910
Lease liabilities	21	8 256 113	9 663 454	8 256 113	9 663 454
Provisions	22	10 504 499	8 177 040	10 504 499	8 177 040
Provisions - Employee benefits	23	12 932 006	13 473 555	11 902 119	12 487 864
VAT payable	8	14 281 871	-	14 281 871	-
		<b>1 128 488 394</b>	<b>1 048 533 519</b>	<b>1 118 287 907</b>	<b>1 030 365 026</b>
<b>Non-Current Liabilities</b>					
Borrowings	20	372 776 892	395 364 727	372 776 892	395 364 727
Lease liabilities	21	14 721 270	22 337 445	14 721 270	22 337 445
Provisions	22	123 129 315	139 553 046	123 129 315	139 553 046
Provisions - Employee benefits	23	405 586 008	413 962 459	405 586 008	413 962 459
		<b>916 213 485</b>	<b>971 217 677</b>	<b>916 213 485</b>	<b>971 217 677</b>
<b>Total Liabilities</b>		<b>2 044 701 879</b>	<b>2 019 751 196</b>	<b>2 034 501 392</b>	<b>2 001 582 703</b>
<b>Net Assets</b>		<b>13 792 011 279</b>	<b>13 989 867 636</b>	<b>13 485 596 775</b>	<b>13 709 943 482</b>
<b>Net assets presented by:</b>					
Reserves and funds	24	7 737 429 934	7 739 624 535	7 659 112 138	7 661 306 739
Accumulated surplus		6 054 581 345	6 250 243 101	5 826 484 637	6 048 636 743
<b>Total Net Assets</b>		<b>13 792 011 279</b>	<b>13 989 867 636</b>	<b>13 485 596 775</b>	<b>13 709 943 482</b>

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Performance

Figures in Rand	Note(s)	Group		Company	
		2022	2021	2022	2021
<b>Revenue</b>					
<b>Non-exchange revenue</b>					
Property rates	25	544 917 825	468 974 386	544 917 825	468 974 386
Government grants and subsidies	26	1 871 344 458	2 204 526 686	1 871 344 458	2 151 377 262
Fines, penalties and forfeits	27	32 030 491	38 938 653	31 864 937	38 938 653
Interest on receivables	28	28 235 969	29 082 660	28 235 969	29 082 660
<b>Total non-exchange revenue</b>		<b>2 476 528 743</b>	<b>2 741 522 385</b>	<b>2 476 363 189</b>	<b>2 688 372 961</b>
<b>Exchange revenue</b>					
Services charges - Electricity	29	1 214 406 449	1 043 345 432	1 214 406 449	1 043 345 432
Services charges - Water	29	294 127 397	240 651 382	294 127 397	240 651 382
Services charges - Waste water management	29	166 196 547	162 380 152	166 196 547	162 380 152
Services charges - Waste management	29	147 037 830	136 312 207	147 037 830	136 312 207
Rental	30	37 979 798	27 482 982	28 617 938	18 131 607
Interests on investments	31	9 640 821	12 333 424	9 640 821	12 333 424
Interest earned from receivables	28	54 011 015	33 976 851	54 011 015	33 976 851
Licences or permits	32.1	13 494 592	6 199 133	13 494 592	6 199 133
Agency services	33	24 614 228	22 604 494	22 640 956	20 640 122
Operational revenue	34	3 116 628	3 850 581	3 116 628	3 850 581
Sales of goods and rendering of services	35	21 692 246	14 726 957	21 692 246	14 726 957
<b>Total exchange revenue</b>		<b>1 986 317 551</b>	<b>1 703 863 595</b>	<b>1 974 982 419</b>	<b>1 692 547 848</b>
<b>Total revenue</b>		<b>4 462 846 294</b>	<b>4 445 385 980</b>	<b>4 451 345 608</b>	<b>4 380 920 809</b>
<b>Expenditure</b>					
Employee related cost	36	(1 037 529 538)	(983 207 029)	(1 026 750 358)	(973 200 316)
Remuneration of councillors	37	(39 349 489)	(38 692 456)	(39 349 489)	(38 692 456)
Bad debts written off	38	(206 268 071)	(162 478 833)	(199 542 544)	(154 120 011)
Depreciation and amortisation	39	(767 023 206)	(892 823 345)	(761 893 476)	(887 679 408)
Finance costs	40	(59 778 378)	(61 770 412)	(59 778 378)	(61 770 412)
Bulk Purchases	41	(878 180 156)	(765 100 662)	(878 180 154)	(765 100 660)
Inventory consumed	42	(341 046 818)	(296 908 135)	(341 046 818)	(296 908 135)
Contracted services	43	(949 685 566)	(774 375 619)	(949 192 290)	(774 281 656)
Transfers and subsidies	44	(440 000)	(61 632 761)	(45 240 000)	(127 711 115)
Operational cost	45	(245 717 017)	(223 168 170)	(239 050 060)	(217 048 867)
<b>Total expenditure</b>		<b>(4 525 018 239)</b>	<b>(4 260 157 422)</b>	<b>(4 540 023 567)</b>	<b>(4 296 513 036)</b>
<b>Operating (deficit) surplus</b>		<b>(62 171 945)</b>	<b>185 228 558</b>	<b>(88 677 959)</b>	<b>84 407 773</b>
Loss on disposal of assets	46	(69 947 563)	(732 783)	(69 947 563)	(724 757)
Fair value adjustments	47	(15 875 045)	40 332 936	(15 875 045)	40 332 936
Inventories (write-down)	48	(29 116 710)	(13 377 561)	(29 116 710)	(13 377 561)
Impairment losses	49	(18 550 502)	(4 575 522)	(18 534 834)	(4 575 522)
<b>(Deficit) surplus for the year</b>		<b>(195 661 765)</b>	<b>206 875 628</b>	<b>(222 152 111)</b>	<b>106 062 869</b>

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Statement of changes in net assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
<b>Group</b>			
Opening balance as previously reported	7 874 157 879	6 044 609 755	13 918 767 634
Adjustments			
Correction of errors	-	(1 242 282)	(1 242 282)
<b>Balance at 01 July 2020 as restated*</b>	<b>7 874 157 879</b>	<b>6 043 367 473</b>	<b>13 917 525 352</b>
Surplus for the year	-	206 875 628	206 875 628
Increase in revaluation reserve	(134 533 344)	-	(134 533 344)
Total changes	(134 533 344)	206 875 628	72 342 284
<b>Balance at 01 July 2021</b>	<b>7 739 624 536</b>	<b>6 250 243 110</b>	<b>13 989 867 646</b>
Surplus for the year	-	(195 661 765)	(195 661 765)
Increase in revaluation reserve	(2 194 602)	-	(2 194 602)
Total changes	(2 194 602)	(195 661 765)	(197 856 367)
<b>Balance at 30 June 2022</b>	<b>7 737 429 934</b>	<b>6 054 581 345</b>	<b>13 792 011 279</b>
Note(s)	24		
<b>Company</b>			
Opening balance as previously reported	7 795 840 083	5 950 722 979	13 746 563 062
Adjustments			
Correction of errors	-	(8 149 105)	(8 149 105)
<b>Balance at 01 July 2020 as restated*</b>	<b>7 795 840 083</b>	<b>5 942 573 874</b>	<b>13 738 413 957</b>
Surplus for the year	-	106 062 869	106 062 869
Revaluation of assets	(134 533 344)	-	(134 533 344)
Total changes	(134 533 344)	106 062 869	(28 470 475)
<b>Balance at 01 July 2021</b>	<b>7 661 306 740</b>	<b>6 048 636 748</b>	<b>13 709 943 488</b>
Surplus for the year	-	(222 152 111)	(222 152 111)
Increase in revaluation reserve	(2 194 602)	-	(2 194 602)
Total changes	(2 194 602)	(222 152 111)	(224 346 713)
<b>Balance at 30 June 2022</b>	<b>7 659 112 138</b>	<b>5 826 484 637</b>	<b>13 485 596 775</b>
Note(s)	24		

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Cash Flow Statement

Figures in Rand	Note(s)	Group		Company	
		2022	2021	2022	2021
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Cash receipts from customers		2 195 697 877	1 892 890 326	2 173 256 593	1 889 839 026
Transfers and Subsidies		1 946 615 086	2 198 892 408	1 946 615 086	2 145 742 984
Interest		9 640 821	12 333 424	9 640 821	12 333 424
<b>Payments</b>					
Suppliers and Employees		(3 448 739 231)	(3 242 904 884)	(3 465 821 052)	(3 295 937 530)
Finance charges		(49 907 093)	(61 770 412)	(49 907 093)	(61 770 412)
<b>Net cash from(used) operating activities</b>	51	<b>653 307 460</b>	<b>799 440 862</b>	<b>613 784 355</b>	<b>690 207 492</b>
<b>Cash flows from investing activities</b>					
<b>Payments</b>					
Capital assets		(691 407 898)	(859 655 756)	(652 409 031)	(750 496 021)
Investment property		-	(278 840)	-	(278 840)
<b>Net cash flows from investing activities</b>		<b>(691 407 898)</b>	<b>(859 934 596)</b>	<b>(652 409 031)</b>	<b>(750 774 861)</b>
<b>Cash flows from financing activities</b>					
<b>Payments</b>					
Decrease in borrowing long-term		(20 076 910)	(50 069 423)	(20 076 910)	(50 069 423)
Decrease in finance lease		(9 783 175)	(8 502 691)	(9 783 175)	(8 502 691)
<b>Net cash flows from financing activities</b>		<b>(29 860 085)</b>	<b>(58 572 114)</b>	<b>(29 860 085)</b>	<b>(58 572 114)</b>
<b>Net increase/(decrease) in cash</b>		<b>(67 960 523)</b>	<b>(119 065 848)</b>	<b>(68 484 761)</b>	<b>(119 139 483)</b>
Cash and cash equivalents at year begin		303 000 968	422 066 816	301 154 768	420 294 251
		<b>235 040 445</b>	<b>303 000 968</b>	<b>232 670 007</b>	<b>301 154 768</b>

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Group</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from non exchange transactions</b>						
Fines, penalties and forfeits	38 140 200	-	<b>38 140 200</b>	32 030 491	<b>(6 109 709)</b>	N8
Property rates	547 228 000	-	<b>547 228 000</b>	544 917 825	<b>(2 310 175)</b>	N1
Transfers and subsidies	2 006 354 075	39 418 443	<b>2 045 772 518</b>	1 871 344 458	<b>(174 428 060)</b>	N1
Interest, dividend and rent on land	20 248 220	-	<b>20 248 220</b>	28 235 969	<b>7 987 749</b>	N7
<b>Total revenue from exchange transactions</b>	<b>2 611 970 495</b>	<b>39 418 443</b>	<b>2 651 388 938</b>	<b>2 476 528 743</b>	<b>(174 860 195)</b>	
<b>Revenue from exchange transactions</b>						
Agency services	30 910 500	-	<b>30 910 500</b>	24 614 228	<b>(6 296 272)</b>	N9
Interests on investments	15 683 400	-	<b>15 683 400</b>	9 640 821	<b>(6 042 579)</b>	N6
Interest earned from receivables	80 992 880	-	<b>80 992 880</b>	54 011 015	<b>(26 981 865)</b>	N7
Operational revenue	75 794 200	-	<b>75 794 200</b>	3 116 628	<b>(72 677 572)</b>	N10
Rental from Fixed Assets	28 810 200	(1 194 850)	<b>27 615 350</b>	37 979 798	<b>10 364 448</b>	N5
Sales of goods and rendering of services	28 829 300	-	<b>28 829 300</b>	21 692 246	<b>(7 137 054)</b>	N10
Services charges - Electricity	1 419 770 900	-	<b>1 419 770 900</b>	1 214 406 449	<b>(205 364 451)</b>	N2
Services charges - Waste management	126 897 400	-	<b>126 897 400</b>	147 037 830	<b>20 140 430</b>	N4
Services charges - Waste water management	131 984 800	-	<b>131 984 800</b>	166 196 547	<b>34 211 747</b>	N3
Services charges - Water	275 100 800	-	<b>275 100 800</b>	294 127 397	<b>19 026 597</b>	N1
Licences or permits	13 282 700	(400 200)	<b>12 882 500</b>	13 494 592	<b>612 092</b>	N1
<b>Total revenue from exchange transactions</b>	<b>2 228 057 080</b>	<b>(1 595 050)</b>	<b>2 226 462 030</b>	<b>1 986 317 551</b>	<b>(240 144 479)</b>	
<b>Total revenue</b>	<b>4 840 027 575</b>	<b>37 823 393</b>	<b>4 877 850 968</b>	<b>4 462 846 294</b>	<b>(415 004 674)</b>	
<b>Expenditure</b>						
Bad debts written off	(258 000 000)	54 677 256	<b>(203 322 744)</b>	(206 268 071)	<b>(2 945 327)</b>	N1
Bulk purchases	(887 799 800)	9 619 646	<b>(878 180 154)</b>	(878 180 154)	-	N1
Contracted services	(740 177 704)	(216 080 729)	<b>(956 258 433)</b>	(949 685 566)	<b>6 572 867</b>	N1
Depreciation, amortisation and impairment	(255 027 000)	500 000	<b>(254 527 000)</b>	(767 023 206)	<b>(512 496 206)</b>	N11
Employee related costs	(1 022 150 687)	(38 491 423)	<b>(1 060 642 110)</b>	(1 037 529 538)	<b>23 112 572</b>	N1
Finance costs	(50 000 000)	(3 278 356)	<b>(53 278 356)</b>	(59 778 378)	<b>(6 500 022)</b>	N12
Inventory consumed	(288 938 910)	(35 622 702)	<b>(324 561 612)</b>	(341 046 818)	<b>(16 485 206)</b>	N1
Remuneration of councillors	(43 420 620)	4 049 763	<b>(39 370 857)</b>	(39 349 489)	<b>21 368</b>	N1
Operational cost	(236 474 695)	(17 591 457)	<b>(254 066 152)</b>	(245 717 017)	<b>8 349 135</b>	N1
Transfers and subsidies	(440 000)	-	<b>(440 000)</b>	(440 000)	-	
<b>Total expenditure</b>	<b>(3 782 429 416)</b>	<b>(242 218 002)</b>	<b>(4 024 647 418)</b>	<b>(4 525 018 237)</b>	<b>(500 370 819)</b>	
<b>Operating deficit</b>	<b>1 057 598 159</b>	<b>(204 394 609)</b>	<b>853 203 550</b>	<b>(62 171 943)</b>	<b>(915 375 493)</b>	
Loss on disposal of assets and liabilities	-	-	-	(69 947 563)	<b>(69 947 563)</b>	

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Comparison of Budget and Actual Amounts for the year ended 30 June 2022

	Original budget	*Budget adjustments	Final adjustments budget	**Shifting of funds	***Virement	Final budget	Unauthorised expenditure
Figures in Rand							
Fair value adjustments	-	-	-	(15 875 045)	(15 875 045)		
Impairment loss	-	-	-	(18 550 502)	(18 550 502)		
Inventories (write-down)	-	-	-	(29 116 710)	(29 116 710)		
	-	-	-	(133 489 820)	(133 489 820)		
<b>Deficit before taxation</b>	<b>1 057 598 159</b>	<b>(204 394 609)</b>	<b>853 203 550</b>	<b>(195 661 763)</b>	<b>(1 048 865 313)</b>		
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>1 057 598 159</b>	<b>(204 394 609)</b>	<b>853 203 550</b>	<b>(195 661 763)</b>	<b>(1 048 865 313)</b>		

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Comparison of Budget and Actual Amounts for the year ended 30 June 2022

	Original budget	*Budget adjustments	Final adjustments budget	**Shifting of funds	***Virement	Final budget	Unauthorised expenditure
Figures in Rand							
<b>Company</b>							
<b>Statement of Financial Performance</b>							
<b>Revenue</b>							
<b>Revenue from non-exchange transactions</b>							
Fines, penalties and forfeits	38 140 200	-	38 140 200	31 864 937	(6 275 263)		N8
Property rates	547 228 000	-	547 228 000	544 917 825	(2 310 175)		N1
Transfers and subsidies	2 006 354 075	16 163 443	2 022 517 518	1 871 344 458	(151 173 060)		N1
Interest, dividend and rent on land	20 248 220	-	20 248 220	28 235 969	7 987 749		N7
<b>Total revenue from non-exchange transactions</b>	<b>2 611 970 495</b>	<b>16 163 443</b>	<b>2 628 133 938</b>	<b>2 476 363 189</b>	<b>(151 770 749)</b>		
<b>Revenue from exchange transactions</b>							
Agency services	28 910 500	-	28 910 500	22 640 956	(6 269 544)		N9
Interests on investments	15 683 400	-	15 683 400	9 640 821	(6 042 579)		N6
Interest earned from receivables	80 992 880	-	80 992 880	54 011 015	(26 981 865)		N7
Operational revenue	75 794 200	-	75 794 200	3 116 628	(72 677 572)		N10
Rental from Fixed Assets	14 937 800	-	14 937 800	28 617 938	13 680 138		N5
Sales of goods and rendering of services	28 829 300	-	28 829 300	21 692 246	(7 137 054)		N10
Services charges - Electricity	1 419 770 900	-	1 419 770 900	1 214 406 449	(205 364 451)		N2
Services charges - Waste management	126 897 400	-	126 897 400	147 037 830	20 140 430		N4
Services charges - Waste water management	131 984 800	-	131 984 800	166 196 547	34 211 747		N3
Services charges - Water	275 100 800	-	275 100 800	294 127 397	19 026 597		N1
Licences or permits	13 282 700	(400 200)	12 882 500	13 494 592	612 092		N1
<b>Total revenue from exchange transactions</b>	<b>2 212 184 680</b>	<b>(400 200)</b>	<b>2 211 784 480</b>	<b>1 974 982 419</b>	<b>(236 802 061)</b>		
<b>Total revenue</b>	<b>4 824 155 175</b>	<b>15 763 243</b>	<b>4 839 918 418</b>	<b>4 451 345 608</b>	<b>(388 572 810)</b>		
<b>Expenditure</b>							
Bad debts written off	(250 000 000)	54 677 256	(195 322 744)	(199 542 544)	(4 219 800)		N1
Bulk purchases	(887 799 800)	9 619 646	(878 180 154)	(878 180 154)	-		N1
Contracted services	(739 377 704)	(216 080 729)	(955 458 433)	(949 192 290)	6 266 143		N1
Depreciation and amortisation	(250 000 000)	-	(250 000 000)	(761 893 476)	(511 893 476)		N11
Employee related costs	(1 009 600 886)	(38 509 015)	(1 048 109 901)	(1 026 750 358)	21 359 543		N1
Finance costs	(50 000 000)	(3 278 356)	(53 278 356)	(59 778 378)	(6 500 022)		N12
Inventory consumed	(288 938 910)	(35 622 702)	(324 561 612)	(341 046 818)	(16 485 206)		N1
Remuneration of councillors	(43 420 620)	4 049 763	(39 370 857)	(39 349 489)	21 368		N1
Bad Debts Written Off	(230 382 070)	(16 486 332)	(246 868 402)	(239 050 060)	7 818 342		N1
Transfers and subsidies	(40 000 100)	(5 239 900)	(45 240 000)	(45 240 000)	-		N1
<b>Total expenditure</b>	<b>(3 789 520 090)</b>	<b>(246 870 369)</b>	<b>(4 036 390 459)</b>	<b>(4 540 023 567)</b>	<b>(503 633 108)</b>		
<b>Operating deficit</b>	<b>1 034 635 085</b>	<b>(231 107 126)</b>	<b>803 527 959</b>	<b>(88 677 959)</b>	<b>(892 205 918)</b>		
Gain/loss on disposal of assets	-	-	-	(69 947 563)	(69 947 563)		
Fair value adjustment	-	-	-	(15 875 045)	(15 875 045)		
Impairment loss	-	-	-	(18 534 834)	(18 534 834)		
Inventory	-	-	-	(29 116 710)	(29 116 710)		



# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Comparison of Budget and Actual Amounts for the year ended 30 June 2022

	Original budget	*Budget adjustments	Final adjustments budget	**Shifting of funds	***Virement	Final budget	Unauthorised expenditure
Figures in Rand							
	-	-	-	(133 474 152)	(133 474 152)		
<b>Deficit before taxation</b>	<b>1 034 635 085</b>	<b>(231 107 126)</b>	<b>803 527 959</b>	<b>(222 152 111)</b>	<b>(1 025 680 070)</b>		
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>1 034 635 085</b>	<b>(231 107 126)</b>	<b>803 527 959</b>	<b>(222 152 111)</b>	<b>(1 025 680 070)</b>		

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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

These consolidated 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 and are 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 interim financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

### Basis of preparation

#### 1. Summary of significant accounting policies

##### 1.1 Presentation currency

These audited consolidated 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 consolidated 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 consolidated 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.

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.5 Significant judgements and sources of estimation uncertainty

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

#### 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 22 - Provisions

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 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.

#### 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

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 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 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.

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 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.

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 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 – revaluation model

Subsequent to initial recognition, land and buildings are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and 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.

# Polokwane Municipality

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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.



# Polokwane Municipality

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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
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.

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 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.

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

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

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved 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 a 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

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

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 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

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 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
Bank overdraft	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.

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 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.

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 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

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 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 & 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).

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 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.



# Polokwane Municipality

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## Accounting Policies

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### 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.

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 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.

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 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

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 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.

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 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 oversized or overcapacity asset. Oversized 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

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### 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.

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 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.

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 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.

Final audited



# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 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-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

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

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

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 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

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 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 is 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.

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 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 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.

Final audited

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 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. 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.

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.23 Revenue (continued)

#### 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.

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the group's interest it is recognised as interest earned in the Statement of financial performance.

##### 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.

##### Parking fee revenue

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

##### Revenue from bus fares

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.23 Revenue (continued)

Paper ticket: Revenue from the sales of paper tickets 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.

### 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.



# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.28 Fruitless and wasteful expenditure (continued)

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.

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 Housing development reserve

Sections 15(5) and 16 of the Housing Act, 1997 (Act 107 of 1997), which came into operation on 1 April 1998, requires that the group maintain a separate housing operating account. This legislated separate operating account will be known as the Housing Development Fund. The Housing Act also requires in terms of section 14(4)(d)(iii)(aa) read with, inter alia, section 16(2) that the net proceeds of any letting, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the group for housing development, subject to the approval of the Provincial MEC responsible for housing. Loans from national and provincial government that were used to finance housing selling schemes were extinguished on 1 April 1998 and transferred to the Housing Development Fund.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- Housing Development Fund must have its own separate bank account or allocated investments and must be backed by cash or related assets.
- Any contributions to or from the fund must be shown as transfers in the Statement of changes in net assets.
- Interest earned on the investments backing up this fund must be recorded as part of interest earned in surplus or deficit for the year and can be transferred via the Statement of changes in net assets to the Housing Development Fund.

### 1.31 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.

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.32 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.

### 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.

### 1.33 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 2021/07/01 to 2022/06/30.

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

The audited consolidated 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.

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.33 Budget information (continued)

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.

### 1.34 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.

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.

### 1.35 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.

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.35 Events after reporting date (continued)

The municipality has considered the impact of COVID-19 on its operations during the year and its future operations. Full details are provided in the Accounting Officer's report.

### 1.36 Statutory receivables

#### 1.36.1 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
- Rates debtors
- Traffic fine debtors
- Availability charges debtors:

#### 1.36.2 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.

#### 1.36.3 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.

#### 1.36.4 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.

#### 1.36.5 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;

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.36 Statutory receivables (continued)

- 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.

### 1.37 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.

### 1.38 Principal-agent arrangements

The group is party to a principal-agent arrangement for [include details here]. In terms of the arrangement the group is the and is responsible for [include details here].

#### 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.

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.38 Principal-agent arrangements (continued)

#### 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.

### 1.39 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

#### 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.

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.39 Living resources (continued)

#### 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 less any accumulated depreciation and accumulated impairment losses. 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.

#### 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.

#### Determining fair value

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.39 Living resources (continued)

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.

### 1.40 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.

### 1.41 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 consolidated annual financial statements where applicable.



# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021

Final audited

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

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### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

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

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
<ul style="list-style-type: none"><li>Guideline: Guideline on the Application of Materiality to Financial Statements</li></ul>	01 July 2022	Unlikely there will be a material impact - The effective date of this guideline has still not been established.
<ul style="list-style-type: none"><li>GRAP 104 (as revised): Financial Instruments</li></ul>	01 July 2022	Unlikely there will be a material impact - The effective date of this guideline has still not been established.

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# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021
<b>3. Cash and cash equivalents</b>				
<b>3.1 Cash and cash equivalents</b>				
Cash and cash equivalents consist of the following:				
<b>Call deposits and investments</b>				
Other cash and cash equivalents	754	417	-	-
Short term deposits	1 684 814	1 644 474	-	-
	<b>1 685 568</b>	<b>1 644 891</b>	-	-
<b>Cash at bank</b>				
Bank account	233 340 465	301 340 864	232 655 654	301 139 615
Cash on hand	14 413	15 213	14 353	15 153
<b>Total cash and cash equivalents</b>	<b>235 040 446</b>	<b>303 000 968</b>	<b>232 670 007</b>	<b>301 154 768</b>

### 3.2 Bank accounts

The group has the following bank accounts:

Standard Bank	Business current account - 030172349	232 095 282	300 593 492	232 095 282	300 593 492
Standard Bank	Business current account - DBSA - 80472818	(212)	-	(212)	-
Standard Bank	Business current account - Grant account - 251753846	-	-	-	-
Standard Bank	Business current account - Housing account - 330535269	560 562	546 132	560 562	546 132
First National Bank	FNB Bank - Annedale Ext 2 - 62808280490	423 830	7 099	-	-
First National Bank Terms and conditions	FNB Bank - Polokwane Ext 76 - 62808279352	784	456	-	-
First National Bank Terms and conditions	FNB Bank - 32 days notice - 74372485836	1 684 814	1 644 474	-	-
First National Bank Terms and conditions	FNB Bank - Refundable Deposit - 62118359191	754	417	-	-
First National Bank Terms and conditions	FNB Bank - Operational - 62078322105	260 197	193 694	-	-
<b>Total</b>		<b>235 026 011</b>	<b>302 985 764</b>	<b>232 655 632</b>	<b>301 139 624</b>

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021

### 3. Cash and cash equivalents (continued)

#### 3.3 Difference between cash book and bank statement

##### 2022

	Group			Company		
	Cash book	Bank statement	Difference	Cash book	Bank statement	Difference
Standard Bank - Business current account - 030172349	232 095 282	230 362 239	1 733 043	232 095 282	230 362 239	1 733 043
Standard Bank - Business current account - DBSA - 80472818	(212)	(212)	-	(212)	(212)	-
Standard Bank - Business current account - Grant account - 251753846	-	-	-	-	-	-
Standard Bank - Business current account - Housing account - 330535269	560 562	560 562	-	560 562	560 562	-
First National Bank - Annedale Ext 2 - 62808280490	423 830	423 925	(95)	-	-	-
First National Bank - Polokwane Ext 76 - 62808279352	784	784	-	-	-	-
First National Bank - 32 Days Notice - 74372485836	1 684 814	1 684 814	-	-	-	-
First National Bank - Refundable Deposit - 62118359191	754	754	-	-	-	-
First National Bank - Operational - 62078322105	260 197	260 197	-	-	-	-
	<b>235 026 011</b>	<b>233 293 063</b>	<b>1 732 948</b>	<b>232 655 632</b>	<b>230 922 589</b>	<b>1 733 043</b>

##### 2021

	Group			Company		
	Cash book	Bank statement	Difference	Cash book	Bank statement	Difference
Standard Bank - Business current account - 030172349	300 593 492	298 801 209	1 792 283	300 593 492	298 801 209	1 792 283
Standard Bank - Business current account - DBSA - 80472818	-	-	-	-	-	-
Standard Bank - Business current account - Grant account - 251753846	-	-	-	-	-	-
Standard Bank - Business current account - Housing account - 330535269	546 132	546 132	-	546 132	546 132	-
First National Bank - Annedale Ext 2 - 62808280490	7 099	7 099	-	-	-	-
First National Bank - Polokwane Ext 76 - 62808279352	456	456	-	-	-	-
First National Bank - 32 Days Notice - 74372485836	1 644 474	1 644 474	-	-	-	-
First National Bank - Refundable Deposit - 62118359191	417	417	-	-	-	-

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021
<b>3. Cash and cash equivalents (continued)</b>				
First National Bank - Operational - 62078322105	193 694	193 694	-	-
	<b>302 985 764</b>	<b>301 193 481</b>	<b>1 792 283</b>	<b>301 139 624</b>
			<b>299 347 341</b>	<b>1 792 283</b>
<b>4. Receivables from exchange transactions</b>				
<b>Consumer receivables</b>	4.1			
Electricity		319 483 832	255 098 576	319 483 832
Waste management		197 319 517	158 604 176	197 319 517
Waste water management		207 182 102	157 782 456	207 182 102
Water		451 613 093	387 870 008	451 613 093
		<b>1 175 598 544</b>	<b>959 355 216</b>	<b>1 175 598 544</b>
				<b>959 355 216</b>
<b>Trade receivables</b>	4.2			
Housing selling scheme		304 447	292 972	304 447
Merchandising, jobbing and contracts		-	(1)	-
Property rental debtors		2 658 194	2 419 301	2 658 194
Water and sanitation service authority		-	(1)	-
Other sundry debtors		249 103 697	235 230 014	249 103 697
R/D cheques		1 449 163	1 449 741	1 449 163
Provision for impairment		(649 242 529)	(567 016 974)	(649 242 529)
		<b>(395 727 028)</b>	<b>(327 624 948)</b>	<b>(395 727 028)</b>
				<b>(327 624 948)</b>
<b>Total receivables from exchange transactions</b>		<b>779 871 516</b>	<b>631 730 268</b>	<b>779 871 516</b>
				<b>631 730 268</b>

The amount disclosed in this note is net of impairment. Refer to note 4.1 & 4.2 for the amount before the provision (gross) and the actual value of the provision.

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# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021

### 4. Receivables from exchange transactions (continued)

#### 4.1 Consumer receivables

##### 4.1.1 Ageing of consumer receivables

##### Group - 2022

	Total	Not due		Past due		
		Current	30 days	60 days	90 days	120+ days
<b>Consumer receivables from exchange transactions</b>						
<b>Total by debt type</b>						
Electricity	319 483 832	114 083 656	18 343 406	11 044 729	8 670 655	167 341 386
Waste management	197 319 517	62 011 255	6 522 932	4 544 987	3 914 513	120 325 830
Waste water management	207 182 102	99 473 052	7 253 003	4 595 879	3 932 031	91 928 137
Water	451 613 093	71 339 899	12 390 196	8 974 823	7 742 056	351 166 119
<b>Total by debt type</b>	<b>1 175 598 544</b>	<b>346 907 862</b>	<b>44 509 537</b>	<b>29 160 418</b>	<b>24 259 255</b>	<b>730 761 472</b>

##### Group - 2021

	Total	Not due		Past due		
		Current	30 days	60 days	90 days	120+ days
<b>Consumer receivables from exchange transactions</b>						
<b>Total by debt type</b>						
Electricity	255 098 576	85 057 070	13 680 872	7 034 417	6 087 413	143 238 804
Waste management	158 604 176	60 027 320	5 169 903	3 881 220	3 375 390	86 150 343
Waste water management	157 782 456	85 961 958	4 558 435	3 264 082	2 838 392	61 159 589
Water	387 870 008	101 179 486	10 827 286	8 637 713	6 924 334	260 301 189
<b>Total by debt type</b>	<b>959 355 216</b>	<b>332 225 834</b>	<b>34 236 496</b>	<b>22 817 432</b>	<b>19 225 529</b>	<b>550 849 925</b>

##### Company - 2022

	Total	Not due		Past due		
		Current	30 days	60 days	90 days	120+ days
<b>Consumer receivables from exchange transactions</b>						
<b>Total by debt type</b>						
Electricity	319 483 832	114 083 656	18 343 406	11 044 729	8 670 655	167 341 386
Waste management	197 319 517	62 011 255	6 522 932	4 544 987	3 914 513	120 325 830
Waste water management	207 182 102	99 473 052	7 253 003	4 595 879	3 932 031	91 928 137
Water	451 613 093	71 339 899	12 390 196	8 974 823	7 742 056	351 166 119
<b>Total by debt type</b>	<b>1 175 598 544</b>	<b>346 907 862</b>	<b>44 509 537</b>	<b>29 160 418</b>	<b>24 259 255</b>	<b>730 761 472</b>

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021

### 4. Receivables from exchange transactions (continued)

#### Company - 2021

	Total	Not due		Past due		
		Current	30 days	60 days	90 days	120+ days
<b>Consumer receivables from exchange transactions</b>						
<b>Total by debt type</b>						
Electricity	255 098 576	85 057 070	13 680 872	7 034 417	6 087 413	143 238 804
Waste management	158 604 176	60 027 320	5 169 903	3 881 220	3 375 390	86 150 343
Waste water management	157 782 456	85 961 958	4 558 435	3 264 082	2 838 392	61 159 589
Water	387 870 008	101 179 486	10 827 286	8 637 713	6 924 334	260 301 189
<b>Total by debt type</b>	<b>959 355 216</b>	<b>332 225 834</b>	<b>34 236 496</b>	<b>22 817 432</b>	<b>19 225 529</b>	<b>550 849 925</b>

#### 4.1.2 Consumer receivables pledged as security

No consumer debtors are pledged as security

Final audited

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021

### 4. Receivables from exchange transactions (continued)

#### 4.2 Trade receivables

##### 4.2.1 Ageing of trade receivables

##### Group - 2022

	Total	Not due		Past due		
		Current	30 days	60 days	90 days	120+ days
Housing selling scheme	304 447	1 242	1 233	1 233	1 233	299 506
Property rental debtors	2 658 194	108 556	100 516	100 516	100 516	2 248 090
Other sundry debtors	249 103 697	20 539 121	4 465 141	3 853 063	3 612 148	216 634 224
<b>Total</b>	<b>252 066 338</b>	<b>20 648 919</b>	<b>4 566 890</b>	<b>3 954 812</b>	<b>3 713 897</b>	<b>219 181 820</b>

##### Group - 2021

	Total	Not due		Past due		
		Current	30 days	60 days	90 days	120+ days
Housing selling scheme	292 972	1 391	1 392	2 381	2 230	285 578
Merchandising, jobbing and contracts	(1)	(1)	-	-	-	-
Property rental debtors	2 419 301	100 516	93 070	93 070	93 070	2 039 575
Other sundry debtors	235 230 014	11 558 887	7 321 743	6 700 521	4 275 612	205 373 251
<b>Total</b>	<b>237 942 286</b>	<b>11 660 793</b>	<b>7 416 205</b>	<b>6 795 972</b>	<b>4 370 912</b>	<b>207 698 404</b>

##### Company - 2022

	Total	Not due		Past due		
		Current	30 days	60 days	90 days	120+ days
Housing selling scheme	304 447	1 242	1 233	1 233	1 233	299 506
Property rental debtors	2 658 194	108 556	100 516	100 516	100 516	2 248 090
Other sundry debtors	249 103 697	20 539 121	4 465 141	3 853 063	3 612 148	216 634 224
<b>Total</b>	<b>252 066 338</b>	<b>20 648 919</b>	<b>4 566 890</b>	<b>3 954 812</b>	<b>3 713 897</b>	<b>219 181 820</b>

##### Company - 2021

	Total	Not due		Past due		
		Current	30 days	60 days	90 days	120+ days
Housing selling scheme	292 972	1 391	1 392	2 381	2 230	285 578
Merchandising, jobbing and contracts	(1)	(1)	-	-	-	-
Property rental debtors	2 419 301	100 516	93 070	93 070	93 070	2 039 575
Other sundry debtors	235 230 014	11 558 887	7 321 743	6 700 521	4 275 612	205 373 251
<b>Total</b>	<b>237 942 286</b>	<b>11 660 793</b>	<b>7 416 205</b>	<b>6 795 972</b>	<b>4 370 912</b>	<b>-</b>

#### 4.2.2 Trade receivables pledged as security

No Receivable were pledged as security

#### Reconciliation of allowance for impairment



# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021
<b>4. Receivables from exchange transactions (continued)</b>				
Balance at the beginning of the year	(567 016 973)	(489 408 181)	(567 016 973)	(489 408 181)
RD cheques opening balance	1 449 740	1 449 740	1 449 740	1 449 740
RD cheques during the year	(577)	-	(577)	-
Contributions to provision for consumer debtors	(82 225 556)	(77 608 792)	(82 225 556)	(77 608 792)
	<b>(647 793 366)</b>	<b>(565 567 233)</b>	<b>(647 793 366)</b>	<b>(565 567 233)</b>
<b>5. Other receivables from exchange transactions</b>				
Deposits	1 851 088	1 577 941	800 724	800 724
Trade debtors	(422 606)	12 107	-	-
Operating lease - straight lining	27 315 428	12 297 531	27 315 428	12 297 531
Control, clearing and interface accounts	2 532 850	2 302 732	2 532 850	2 302 732
Abeyance	6 025 091	4 180 599	6 025 091	4 180 599
Prepayments and advances	25 833 136	25 366 500	25 833 136	25 366 500
Staff loans	23 109	23 109	-	-
Current portion of non-current receivables	15 22 055	22 055	22 055	22 055
<b>Total</b>	<b>63 180 151</b>	<b>45 782 574</b>	<b>62 529 284</b>	<b>44 970 141</b>
<b>Reconciliation of current portion of non-current receivables</b>				
Housing Selling Schemes	3 891	3 891	3 891	3 891
Sporting and Other Bodies	18 164	18 164	18 164	18 164
	<b>22 055</b>	<b>22 055</b>	<b>22 055</b>	<b>22 055</b>
<b>Reconciliation of Abeyance</b>				
Sundry debtors - auctioneer	3 185 394	3 185 393	3 185 394	3 185 393
Debtor suspense account	-	977 498	-	977 498
Interest recoverable from DBSA	17 708	17 708	17 708	17 708
Receivable from Esilux	2 821 989	-	2 821 989	-
	<b>6 025 091</b>	<b>4 180 599</b>	<b>6 025 091</b>	<b>4 180 599</b>
<b>Reconciliation of control, clearing and interface accounts</b>				
Accrued Interest	970 339	740 221	970 339	740 221
Leelyn Parking Management	1 562 511	1 562 511	1 562 511	1 562 511
	<b>2 532 850</b>	<b>2 302 732</b>	<b>2 532 850</b>	<b>2 302 732</b>
<b>Minimum rental receipts</b>				
Within a year	10 951 871	7 174 845	10 951 871	7 174 845
Between 1 and 5 years	38 907 281	23 208 682	38 907 281	23 208 682
After 5 years	652 140 655	114 294 570	652 140 655	114 294 570
	<b>701 999 807</b>	<b>144 678 097</b>	<b>701 999 807</b>	<b>144 678 097</b>
<b>6. Receivables from non-exchange transactions</b>				
<b>Consumer receivables</b>				
Property rates	6.1	308 295 789	198 293 201	308 295 789
				198 293 201

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021
<b>6. Receivables from non-exchange transactions (continued)</b>				
<b>Other receivables</b>				
Fines	6 128 660	48 634 141	6 128 660	48 634 141
SARS: PAYE	3 659	(103 483)	-	-
Grant receivable	12 089 128	12 089 128	-	-
Over payments	(807 179)	-	(807 179)	-
	<b>17 414 268</b>	<b>60 619 786</b>	<b>5 321 481</b>	<b>48 634 141</b>
<b>Total receivables</b>	<b>325 710 057</b>	<b>258 912 987</b>	<b>313 617 270</b>	<b>246 927 342</b>

### 6.1 Receivables from non-exchange transactions

#### Group

	2022			2021		
	Gross	Impairment	Total	Gross	Impairment	Total
<b>Consumer receivables</b>						
Property rates	525 216 574	(216 920 785)	308 295 789	407 930 020	(209 636 819)	198 293 201
<b>Other receivables</b>						
Fines	142 018 554	(135 889 894)	6 128 660	126 590 704	(77 956 563)	48 634 141
SARS: PAYE	3 659	-	3 659	(103 483)	-	(103 483)
Grant receivable	12 089 128	-	12 089 128	12 089 128	-	12 089 128
Over payments	(807 179)	-	(807 179)	-	-	-
	<b>153 304 162</b>	<b>(135 889 894)</b>	<b>17 414 268</b>	<b>138 576 349</b>	<b>(77 956 563)</b>	<b>60 619 786</b>
<b>Total</b>	<b>678 520 736</b>	<b>(352 810 679)</b>	<b>325 710 057</b>	<b>546 506 369</b>	<b>(287 593 382)</b>	<b>258 912 987</b>

#### Company

	2022			2021		
	Gross	Impairment	Total	Gross	Impairment	Total
<b>Consumer receivables</b>						
Property rates	525 216 574	(216 920 785)	308 295 789	407 930 020	(209 636 819)	198 293 201
<b>Other receivables</b>						
Fines	142 018 554	(135 889 894)	6 128 660	126 590 704	(77 956 563)	48 634 141
Over payments	(807 179)	-	(807 179)	-	-	-
	<b>141 211 375</b>	<b>(135 889 894)</b>	<b>5 321 481</b>	<b>126 590 704</b>	<b>(77 956 563)</b>	<b>48 634 141</b>
<b>Total</b>	<b>666 427 949</b>	<b>(352 810 679)</b>	<b>313 617 270</b>	<b>534 520 724</b>	<b>(287 593 382)</b>	<b>246 927 342</b>

# Polokwane Municipality

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## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021

### 6. Receivables from non-exchange transactions (continued)

#### 6.1.1 Ageing of receivables from non-exchange transactions

##### Group - 2022

	Total	Not due		Past due		
		Current	30 days	60 days	90 days	120+ days
<b>Consumer receivables</b>						
Property rates	525 216 574	47 165 341	19 541 622	16 349 617	42 440 713	399 719 281

##### Group - 2021

	Total	Not due		Past due		
		Current	30 days	60 days	90 days	120+ days
<b>Consumer receivables</b>						
Property rates	407 930 020	7 368 659	19 056 691	13 350 827	12 218 113	355 935 730

##### Company - 2022

	Total	Not due		Past due		
		Current	30 days	60 days	90 days	120+ days
<b>Consumer receivables</b>						
Property rates	525 216 574	47 165 341	19 541 622	16 349 617	42 440 713	399 719 281

##### Company - 2021

	Total	Not due		Past due		
		Current	30 days	60 days	90 days	120+ days
<b>Consumer receivables</b>						
Property rates	407 930 020	7 368 659	19 056 691	13 350 827	12 218 113	355 935 730

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# Polokwane Municipality

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## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

### 6. Receivables from non-exchange transactions (continued)

#### 6.1.2 Impairment reconciliation of receivables from non-exchange transactions

##### Group

	2022			2021		
	Opening balance	Impairment raised	Closing balance	Opening balance	Impairment raised	Closing balance
<b>Consumer receivables</b>						
Property rates	209 636 820	7 283 965	216 920 785	191 293 831	18 342 988	209 636 819
<b>Other receivables</b>						
Fines	77 956 563	57 933 331	135 889 894	44 928 068	33 028 495	77 956 563
<b>Total</b>	<b>287 593 383</b>	<b>65 217 296</b>	<b>352 810 679</b>	<b>236 221 899</b>	<b>51 371 483</b>	<b>287 593 382</b>

##### Company

	2022			2021		
	Opening balance	Impairment raised	Closing balance	Opening balance	Impairment raised	Closing balance
<b>Consumer receivables</b>						
Property rates	209 636 820	7 283 965	216 920 785	191 293 831	18 342 988	209 636 819
<b>Other receivables</b>						
Fines	77 956 563	57 933 331	135 889 894	44 928 068	33 028 495	77 956 563
<b>Total</b>	<b>287 593 383</b>	<b>65 217 296</b>	<b>352 810 679</b>	<b>236 221 899</b>	<b>51 371 483</b>	<b>287 593 382</b>

#### 6.1.3 Other receivables from non-exchange transactions pledged as security

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

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021
<b>7. Inventories</b>				
Materials and supplies	116 985 927	162 574 111	116 985 927	162 574 111
Water	7.1 404 786	255 683	404 786	255 683
BRT Taxis	-	6 200 304	-	6 200 304
Land	6 648 360	6 648 360	6 648 360	6 648 360
<b>Total Inventories</b>	<b>124 039 073</b>	<b>175 678 458</b>	<b>124 039 073</b>	<b>175 678 458</b>

The amount of write-down of inventories recognised as an expense is R 29 116 710 (2021: R13 377 561). Refer to note 42.1.

### 7.1 Water

Opening balance	255 683	312 112	255 683	312 112
System input volume	258 973 831	191 032 246	258 973 831	191 032 246
Authorised consumption	(171 829 775)	(147 683 518)	(171 829 775)	(147 683 518)
Water losses	41.1 (86 994 953)	(43 405 157)	(86 994 953)	(43 405 157)
<b>Closing balance</b>	<b>404 786</b>	<b>255 683</b>	<b>404 786</b>	<b>255 683</b>

### 7.2 Inventory pledged as security

None of the inventories are pledged as security.

## 8. VAT receivable/(payable)

VAT receivable/(payable)	(14 281 871)	21 748 923	(14 281 871)	21 748 923
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The VAT payable is netted off against the VAT receivable resulting in a net amount of R14 281 871 payable to SARS. For the breakdown of the balance, please refer to the table below:

VAT claimable (Input accrual)	108 169 344	114 967 702	108 169 344	114 967 702
VAT payable (Output accrual)	(137 347 482)	(115 270 976)	(137 347 482)	(115 270 976)
Nett VAT Refundable by SARS	14 896 267	22 052 197	14 896 267	22 052 197
	<b>(14 281 871)</b>	<b>21 748 923</b>	<b>(14 281 871)</b>	<b>21 748 923</b>

## 9. Investment property

### 9.1 Reconciliation of carrying value

#### Opening carrying value

Cost	1 132 976 112	1 092 364 336	1 132 976 112	1 092 364 336
Additions from acquisitions	-	278 839	-	278 839
Fair Value Adjustments	(92 042 603)	40 332 936	(92 042 603)	40 332 936
	<b>(92 042 603)</b>	<b>40 611 775</b>	<b>(92 042 603)</b>	<b>40 611 775</b>

#### Carrying value of disposals / transfers

Cost	(67 390 966)	-	(67 390 966)	-
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<b>Closing carrying value</b>	<b>973 542 543</b>	<b>1 132 976 111</b>	<b>973 542 543</b>	<b>1 132 976 111</b>
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 9.2 Investment property contractual commitments

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

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021

### 9. Investment property (continued)

#### 9.3 Restrictions on investment property

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

#### 9.4 Investment property pledged as security

No investment property assets are pledged as security.

#### Details of valuation

The values were determined by an external profession 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 Gail Adams, a registered professional associated valuer (SA), registration number: 4761.

#### Amounts recognised is surplus or deficit

Rental from Fixed Assets	37 979 798	27 482 982	28 617 938	18 131 607
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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

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

### 10. Property, plant and equipment

#### 10.1 Summary

Group	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	392 114 146	-	392 114 146	392 114 146	-	392 114 146
Movable assets and other	483 553 801	(238 265 349)	245 288 452	427 060 602	(186 313 757)	240 746 845
Infrastructure	21 817 066 082	(13 827 605 025)	7 989 461 057	21 510 133 850	(13 259 885 988)	8 250 247 862
Buildings	127 366 512	(74 390 886)	52 975 626	127 366 512	(69 280 558)	58 085 954
Community Assets	4 561 926 314	(2 566 946 742)	1 994 979 572	4 477 418 080	(2 425 420 894)	2 051 997 186
Leased assets	49 227 196	(27 726 969)	21 500 227	49 225 370	(18 849 560)	30 375 810
Construction Work-in-progress	2 406 012 068	-	2 406 012 068	2 185 158 156	-	2 185 158 156
<b>Total</b>	<b>29 837 266 119</b>	<b>(16 734 934 971)</b>	<b>13 102 331 148</b>	<b>29 168 476 716</b>	<b>(15 959 750 757)</b>	<b>13 208 725 959</b>

Company	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	363 714 146	-	363 714 146	363 714 146	-	363 714 146
Movable assets and other	482 971 094	(237 821 639)	245 149 455	426 477 895	(185 896 684)	240 581 211
Infrastructure	21 817 066 082	(13 827 605 025)	7 989 461 057	21 510 133 850	(13 259 885 988)	8 250 247 862
Community Assets	4 561 926 314	(2 566 946 742)	1 994 979 572	4 477 418 080	(2 425 420 894)	2 051 997 186
Leased Assets	49 227 196	(27 726 969)	21 500 227	49 225 370	(18 849 560)	30 375 810
Construction Work-in-progress	2 186 057 945	-	2 186 057 945	1 988 401 959	-	1 988 401 959
<b>Total</b>	<b>29 460 962 777</b>	<b>(16 660 100 375)</b>	<b>12 800 862 402</b>	<b>28 815 371 300</b>	<b>(15 890 053 126)</b>	<b>12 925 318 174</b>

## Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

### Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

#### 10. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - Group - 2022

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	392 114 146	-	-	-	-	-	392 114 146
Movable assets and other	240 746 845	39 599 140	(759 481)	18 508 839	(40 586 213)	(12 220 678)	245 288 452
Infrastructure	8 250 247 862	4 520 781	(74 545)	302 497 884	(565 346 466)	(2 384 459)	7 989 461 057
Buildings	58 085 954	-	-	-	(5 094 661)	(15 667)	52 975 626
Community Assets	2 051 997 186	-	-	84 508 234	(141 128 008)	(397 840)	1 994 979 572
Leased assets	30 375 810	759 659	(113 252)	-	(9 521 990)	-	21 500 227
Construction Work-in-progress	2 185 158 156	631 487 035	-	(407 133 520)	-	(3 499 603)	2 406 012 068
	<b>13 208 725 959</b>	<b>676 366 615</b>	<b>(947 278)</b>	<b>(1 618 563)</b>	<b>(761 677 338)</b>	<b>(18 518 247)</b>	<b>13 102 331 148</b>



# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

### 10. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Group - 2021

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	392 114 146	-	-	-	-	-	392 114 146
Movable assets and other	226 728 252	61 762 952	(16 954 590)	-	(30 789 769)	-	240 746 845
Infrastructure	8 329 780 197	16 344 905	(644 122)	609 812 298	(700 578 128)	(4 467 288)	8 250 247 862
Buildings	63 180 614	-	-	-	(5 094 660)	-	58 085 954
Community Assets	2 154 397 436	-	(47 378)	41 159 238	(143 448 141)	(63 969)	2 051 997 186
Leased assets	23 914 653	15 063 788	(744 221)	-	(7 858 410)	-	30 375 810
Construction Work-in-progress	2 228 074 471	608 055 221	-	(650 971 536)	-	-	2 185 158 156
	<b>13 418 189 769</b>	<b>701 226 866</b>	<b>(18 390 311)</b>	<b>-</b>	<b>(887 769 108)</b>	<b>(4 531 257)</b>	<b>13 208 725 959</b>

#### Reconciliation of property, plant and equipment - Company - 2022

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	363 714 146	-	-	-	-	-	363 714 146
Movable assets and other	240 581 211	39 599 141	(759 481)	18 508 839	(40 559 577)	(12 220 678)	245 149 455
Infrastructure	8 250 247 862	4 520 781	(74 545)	302 497 884	(565 346 466)	(2 384 459)	7 989 461 057
Community Assets	2 051 997 186	-	-	84 508 234	(141 128 008)	(397 840)	1 994 979 572
Leased assets	30 375 810	759 659	(113 252)	-	(9 521 990)	-	21 500 227
Construction Work-in-progress	1 988 401 959	608 289 109	-	(407 133 520)	-	(3 499 603)	2 186 057 945
	<b>12 925 318 174</b>	<b>653 168 690</b>	<b>(947 278)</b>	<b>(1 618 563)</b>	<b>(756 556 041)</b>	<b>(18 502 580)</b>	<b>12 800 862 402</b>

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

### 10. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Company - 2021

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	363 714 146	-	-	-	-	-	363 714 146
Movable assets and other	226 513 569	61 762 952	(16 947 738)	-	(30 747 572)	-	240 581 211
Infrastructure	8 329 780 197	16 344 905	(644 122)	609 812 298	(700 578 128)	(4 467 288)	8 250 247 862
Community Assets	2 154 397 436	-	(47 378)	41 159 238	(143 448 141)	(63 969)	2 051 997 186
Leased assets	23 914 653	15 063 788	(744 221)	-	(7 858 410)	-	30 375 810
Construction Work-in-progress	2 140 352 677	499 020 818	-	(650 971 536)	-	-	1 988 401 959
	<b>13 238 672 678</b>	<b>592 192 463</b>	<b>(18 383 459)</b>	<b>-</b>	<b>(882 632 251)</b>	<b>(4 531 257)</b>	<b>12 925 318 174</b>

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.

#### 10.2 Change in estimate

##### Useful life of 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 R77 531 486 in the current period and an equal increase in the depreciation charge of R77 531 486 over the remaining period/s.

#### 10.3 Property, plant and equipment contractual commitments

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

Infrastructure	705 502 041	869 108 992	705 502 041	869 108 992
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#### 10.4 Property, plant and equipment pledged as security

No assets have been pledged as security.

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021

### 10. Property, plant and equipment (continued)

#### 10.5 Maintenance of property, plant and equipment

##### 10.5.1 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	536 840 672	269 893 742	536 840 672	269 893 742
Employee costs	233 064 323	209 717 966	233 064 323	209 717 966
Inventory consumed	46 126 154	38 918 928	46 126 154	38 918 928
Operational costs	15 344 913	7 509 124	15 344 913	7 509 124
	<b>831 376 062</b>	<b>526 039 760</b>	<b>831 376 062</b>	<b>526 039 760</b>

#### 10.6 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	21 500 227	30 375 810	21 500 227	30 375 810
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##### Revaluations

The effective date of the revaluations was Tuesday, 30 June 2020. Revaluations were performed by MMB Consulting. MMB Consulting and its directors are not connected to the municipality. (The valuations are performed by Mr Zack van der Merwe [National Diploma Real Estate - Unisa (Property Valuation) RSA 2005].

Land and infrastructure are re-valued independently every three years.

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

#### Carrying value of delayed and halted projects

Projects terminated due to poor performance by contractors	408 285 221	216 947 871	408 285 221	216 947 871
Delay in servitude negotiation and payment agreements	3 339 785	2 407 018	3 339 785	2 407 018
	<b>411 625 006</b>	<b>219 354 889</b>	<b>411 625 006</b>	<b>219 354 889</b>

Withing the above carrying value of delayed and halted projects is a carrying value of R259 668 161 (Prior year: Rnil) relating to halted projects.

An impairment loss of R3 499 603 (2021: Rnil) has been recognised on the above capital projects. Condition assessment were performed for consideration of impairment in all the delayed projects.

##### Work in progress

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021
<b>10. Property, plant and equipment (continued)</b>				
<b>Reconciliation of work-in-progress - Group - 2022</b>	Included within infrastructure assets	Included within community assets	Included within other PPE	Total
Opening balance	1 661 115 360	308 777 776	215 265 037	2 185 158 173
Additions/capital expenditure	384 561 784	275 525 890	23 197 926	683 285 600
Transferred to completed items	(302 497 883)	(84 508 233)	(18 508 840)	(405 514 956)
Expensed	(56 568 023)	-	-	(56 568 023)
Transferred to prepayments	(348 570)	-	-	(348 570)
	<b>1 686 262 668</b>	<b>499 795 433</b>	<b>219 954 123</b>	<b>2 406 012 224</b>
<b>Reconciliation of work-in-progress - Group - 2021</b>	Included within infrastructure assets	Included within community assets	Included within other PPE	Total
Opening balance	1 900 836 660	220 625 853	95 110 757	2 216 573 270
Additions/capital expenditure	606 842 741	129 311 161	134 280 718	870 434 620
Transferred to completed items	(609 812 298)	(41 159 238)	-	(650 971 536)
Transfer to operational expenditure	(236 751 743)	-	-	(236 751 743)
Transfer to prepayments	-	-	(14 126 438)	(14 126 438)
	<b>1 661 115 360</b>	<b>308 777 776</b>	<b>215 265 037</b>	<b>2 185 158 173</b>
<b>Reconciliation of work-in-progress - Company - 2022</b>	Included within infrastructure assets	Included within community assets	Included within other PPE	Total
Opening balance	1 661 115 360	308 777 776	18 508 840	1 988 401 976
Additions/capital expenditure	384 561 784	275 525 890	-	660 087 674
Transferred to completed items	(302 497 883)	(84 508 233)	(18 508 840)	(405 514 956)
Expensed	(56 568 023)	-	-	(56 568 023)
Transferred to prepayments	(348 570)	-	-	(348 570)
	<b>1 686 262 668</b>	<b>499 795 433</b>	<b>-</b>	<b>2 186 058 101</b>
<b>Reconciliation of work-in-progress - Company - 2021</b>	Included within infrastructure assets	Included within community assets	Included within other PPE	Total
Opening balance	1 900 836 660	220 625 853	7 388 963	2 128 851 476
Additions/capital expenditure	606 842 741	129 311 161	25 246 315	761 400 217
Transferred to completed items	(609 812 298)	(41 159 238)	-	(650 971 536)
Expensed	(236 751 743)	-	-	(236 751 743)
Transferred to prepayments	-	-	(14 126 438)	(14 126 438)
	<b>1 661 115 360</b>	<b>308 777 776</b>	<b>18 508 840</b>	<b>1 988 401 976</b>

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021

### 11. Biological assets

#### 11.1 Reconciliation of carrying value

##### Group

	2022		2021	
	Biological assets measured at fair value	Total	Biological assets measured at fair value	Total
Opening carrying value	9 028 200	9 028 200	9 028 200	9 028 200
<b>Fair value less costs to sell adjustments</b>				
Timber trees	5 844 163	5 844 163	-	-
<b>Closing carrying value</b>	<b>14 872 363</b>	<b>14 872 363</b>	<b>9 028 200</b>	<b>9 028 200</b>

##### Company

	2022		2021	
	Biological assets measured at fair value	Total	Biological assets measured at fair value	Total
Opening carrying value - timber trees	9 028 200	9 028 200	9 028 200	9 028 200
<b>Fair value less costs to sell adjustments</b>				
Timber trees	5 844 163	5 844 163	-	-
<b>Closing carrying value</b>	<b>14 872 363</b>	<b>14 872 363</b>	<b>9 028 200</b>	<b>9 028 200</b>

#### 11.2 Biological assets contractual commitments

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

#### 11.3 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.

#### 11.4 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 group does not have consumable biological assets.

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

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

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

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021
<b>11. Biological assets (continued)</b>				
The biological assets are matured and have reached harvest stage.				
There was no harvest of biological assets during the financial year.				
<b>12. Heritage assets</b>				
<b>12.1 Reconciliation of carrying value</b>				
<b>Group - 2022</b>				
	Heritage sites	Memorials and statues	Artworks	Total
<b>Opening carrying value as at 01 July 2021</b>				
Cost	144 000	3 858 647	17 897 171	21 899 818
Accumulated impairment losses	-	-	(32 250)	(32 250)
	<b>144 000</b>	<b>3 858 647</b>	<b>17 864 921</b>	<b>21 867 568</b>
Cost	144 000	3 858 647	17 897 171	21 899 818
Accumulated impairment losses	-	-	(32 250)	(32 250)
	<b>144 000</b>	<b>3 858 647</b>	<b>17 864 921</b>	<b>21 867 568</b>
<b>Group - 2021</b>				
	Heritage sites	Memorials and statues	Artworks	Total
<b>Opening carrying value as at 01 July 2020</b>				
Cost	144 000	3 858 647	17 897 171	21 899 818
Cost	144 000	3 858 647	17 897 171	21 899 818
<b>Company - 2022</b>				
	Heritage sites	Memorials and statues	Artworks	Total
<b>Opening carrying value as at 01 July 2021</b>				
Cost	144 000	3 858 647	17 897 171	21 899 818
Accumulated impairment losses	-	-	(32 250)	(32 250)
<b>Closing carrying value as at 30 June 2022</b>	<b>144 000</b>	<b>3 858 647</b>	<b>17 864 921</b>	<b>21 867 568</b>
<b>Company - 2021</b>				
	Heritage sites	Memorials and statues	Artworks	Total
<b>Opening carrying value as at 01 July 2020</b>				
Cost	144 000	3 858 647	17 897 171	21 899 818
<b>12.2 Restrictions on heritage assets</b>				
There are no restrictions on any class of heritage assets owned by the municipality.				
<b>12.3 Heritage assets pledged as security</b>				
No heritage assets are pledged as security.				

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021

### 12. Heritage assets (continued)

#### 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 a condition grading of 1 which translates to "very poor" were impaired.

#### Heritage assets borrowed from other entities

No heritage assets are borrowed from other entities.

#### 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 reflected 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:  
One asset: Artist could not be traced.

#### 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.

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021
<b>13. Intangible assets</b>				
<b>13.1 Reconciliation of carrying value</b>				
<b>Group - 2022</b>				
		Computer software	Service, operating and land rights	Total
<b>Opening carrying value as at 01 July 2021</b>				
Cost		59 706 923	153 947 768	213 654 691
Accumulated depreciation and impairment		(18 114 829)	-	(18 114 829)
		<b>41 592 094</b>	<b>153 947 768</b>	<b>195 539 862</b>
Amortisation	39	(5 358 653)	-	(5 358 653)
<b>Carrying value of disposals / transfers</b>				
Cost		(1 148 531)	-	(1 148 531)
Accumulated depreciation and impairment		1 141 618	-	1 141 618
		<b>(6 913)</b>	<b>-</b>	<b>(6 913)</b>
<b>Closing carrying value as at 30 June 2022</b>		<b>36 226 528</b>	<b>153 947 768</b>	<b>190 174 296</b>
<b>Summary</b>				
Cost		58 558 392	153 947 768	212 506 160
Accumulated amortisation and impairment		(22 331 864)	-	(22 331 864)
		<b>36 226 528</b>	<b>153 947 768</b>	<b>190 174 296</b>
<b>Group - 2021</b>				
		Computer software	Service, operating and land rights	Total
<b>Opening carrying value as at 01 July 2020</b>				
Cost		59 769 292	153 947 768	213 717 060
Accumulated depreciation and impairment		(15 130 294)	-	(15 130 294)
		<b>44 638 998</b>	<b>153 947 768</b>	<b>198 586 766</b>
Change in accounting policy		1 493 989	-	1 493 989
Amortisation	39	(4 432 609)	-	(4 432 609)
		<b>(2 938 620)</b>	<b>-</b>	<b>(2 938 620)</b>
<b>Carrying value of disposals / transfers</b>				
Cost		(1 556 358)	-	(1 556 358)
Accumulated depreciation and impairment		1 448 074	-	1 448 074
		<b>(108 284)</b>	<b>-</b>	<b>(108 284)</b>
<b>Closing carrying value as at 30 June 2021</b>		<b>41 592 094</b>	<b>153 947 768</b>	<b>195 539 862</b>
Cost		59 706 923	153 947 768	213 654 691
Accumulated amortisation and impairment		(18 114 829)	-	(18 114 829)
		<b>41 592 094</b>	<b>153 947 768</b>	<b>195 539 862</b>



# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021
<b>13. Intangible assets (continued)</b>				
<b>Company - 2022</b>				
		Computer software	Service, operating and land rights	Total
<b>Opening carrying value as at 01 July 2021</b>				
Cost		59 623 247	153 947 768	213 571 015
Accumulated depreciation and impairment		(18 072 737)	-	(18 072 737)
		<b>41 550 510</b>	<b>153 947 768</b>	<b>195 498 278</b>
Amortisation	39	(5 350 221)	-	(5 350 221)
<b>Carrying value of disposals / transfers</b>				
Cost		(1 148 531)	-	(1 148 531)
Accumulated depreciation and impairment		1 141 618	-	1 141 618
		<b>(6 913)</b>	<b>-</b>	<b>(6 913)</b>
<b>Closing carrying value as at 30 June 2022</b>		<b>36 193 376</b>	<b>153 947 768</b>	<b>190 141 144</b>
<b>Summary</b>				
Cost		58 474 716	153 947 768	212 422 484
Accumulated amortisation and impairment		(22 281 340)	-	(22 281 340)
		<b>36 193 376</b>	<b>153 947 768</b>	<b>190 141 144</b>
<b>Company - 2021</b>				
		Computer software	Service, operating and land rights	Total
<b>Opening carrying value as at 01 July 2020</b>				
Cost		59 623 247	153 947 768	213 571 015
Accumulated depreciation and impairment		(15 034 085)	-	(15 034 085)
		<b>44 589 162</b>	<b>153 947 768</b>	<b>198 536 930</b>
Change in accounting policy		1 493 989	-	1 493 989
Amortisation	39	(4 425 531)	-	(4 425 531)
		<b>(2 931 542)</b>	<b>-</b>	<b>(2 931 542)</b>
<b>Carrying value of disposals / transfers</b>				
Cost		(1 493 989)	-	(1 493 989)
Accumulated depreciation and impairment		1 386 879	-	1 386 879
		<b>(107 110)</b>	<b>-</b>	<b>(107 110)</b>
<b>Closing carrying value as at 30 June 2021</b>		<b>41 550 510</b>	<b>153 947 768</b>	<b>195 498 278</b>
<b>Summary</b>				
Cost		59 623 247	153 947 768	213 571 015
Accumulated amortisation and impairment		(18 072 737)	-	(18 072 737)
		<b>41 550 510</b>	<b>153 947 768</b>	<b>195 498 278</b>

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.

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021

### 13. Intangible assets (continued)

#### 13.1.1 Intangible assets with indefinite useful lives

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

Other intangible assets	178 879 443	153 947 768	178 879 443	153 947 768
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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.

An increase in the current year of intangible assets with indefinite useful lives amounting to R24 931 675,08 was realised.

#### Service, operating and land rights: Carrying amount - 153 947 768

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 – 25 179 2856

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 service provider.

#### 13.2 Restrictions on intangible assets

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

#### 13.3 Intangible assets pledged as security

No intangible assets are pledged as security.

#### Impairment

There is no impairment for intangible assets for the current (and prior) financial year.

#### Research and development expenditure

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

#### 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.

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021

### 14. Investment in associate / joint venture

#### 14.1 Investment in Polokwane Housing Association

Name of associate	Principal activities of associate	Interest held 2022	Interest held 2021	Fair value of Investment* 2022	Fair value of Investment* 2021
Polokwane Housing Association	Provision of low cost rental housing	100.00 %	100.00 %	1 000	1 000

#### 14.1.1 Reconciliation of carrying value

Opening carrying value	-	-	1 000	1 000
Additions	-	-	-	-
Disposals	-	-	-	-
<b>Closing carrying value</b>	<b>-</b>	<b>-</b>	<b>1 000</b>	<b>1 000</b>

### 15. Long-term receivables

#### Other receivables

Housing selling schemes	144 352	144 352	144 352	144 352
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#### 15.1 Other non-current receivables

##### Group

	2022		2021	
	Gross	Total	Gross	Total
Housing selling schemes	144 352	144 352	144 352	144 352

##### Company

	2022		2021	
	Gross	Total	Gross	Total
Housing selling schemes	144 352	144 352	144 352	144 352

### 16. Living resources

#### 16.1 Reconciliation of carrying value

##### Group

	2022		2021	
	Game	Total	Game	Total
	<b>3</b>	<b>3</b>	<b>2</b>	<b>2</b>

#### Opening carrying value at 01 July 2021

Cost	4 450 352	4 450 352	4 450 352	4 450 352
Gains / Losses on fair value adjustments	1 489 293	1 489 293	-	-
<b>Closing carrying value as at 30 June 2022</b>	<b>5 939 645</b>	<b>5 939 645</b>	<b>4 450 352</b>	<b>4 450 352</b>

Cost	5 939 645	5 939 645	4 450 352	4 450 352
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# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021

### 16. Living resources (continued)

#### Company

	2022		2021	
	Game	Total	Game	Total
<b>Opening carrying value</b>				
Cost	4 450 352	4 450 352	4 450 352	4 450 352
Gains / Losses on fair value adjustments	1 489 293	1 489 293	-	-
<b>Closing carrying value</b>	<b>5 939 645</b>	<b>5 939 645</b>	<b>4 450 352</b>	<b>4 450 352</b>
Cost	5 939 645	5 939 645	4 450 352	4 450 352

The municipality has 1 315 animals which are managed and protected in terms of the National Environmental Management Act as well as the Protected Area Act.

#### 16.2 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.

#### Title restrictions

There are no living resources whose title is restricted.

#### Restrictions on use or capacity to sell

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.

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

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

#### Revaluations

Living resources are revalued every three financial years, with the latest revaluation done in the 2019-20 financial year. The municipality has not previously experienced any challenges relating to measurement of the fair value of living resources.

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.

### 17. Consumer deposits

Electricity	46 470 559	47 617 446	46 470 559	47 617 446
Rental properties	9 983 001	9 778 325	9 983 001	9 778 325
Valuation appeal	-	1	-	1
Water	11 102 312	10 670 076	11 102 312	10 670 076
<b>Total</b>	<b>67 555 872</b>	<b>68 065 848</b>	<b>67 555 872</b>	<b>68 065 848</b>

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company		
	2022	2021	2022	2021	
<b>18. Trade and other payables from exchange transactions</b>					
Affiliates, related parties and associated companies	18.1	3 311 152	3 311 152	3 311 152	3 311 152
Bulk purchases	18.2	137 247 449	148 291 109	137 247 449	148 291 109
Contractors	18.3	144 424 868	134 582 668	144 424 868	134 582 668
Control and clearing accounts	18.4	797 499	458 320	793 015	452 364
Employee benefits	18.5	21 031 212	20 277 194	20 647 467	19 906 426
Other payables	18.6	528 056 674	539 658 004	520 967 426	524 812 598
Statutory payables	18.7	1 684 814	1 952 363	-	-
<b>Total</b>		<b>836 553 668</b>	<b>848 530 810</b>	<b>827 391 377</b>	<b>831 356 317</b>
<b>18.1 Affiliates, related parties and associated companies</b>					
Capricorn District Municipality		3 311 152	3 311 152	3 311 152	3 311 152
<b>18.2 Bulk purchases</b>					
Bulk water		23 261 463	48 206 105	23 261 463	48 206 105
Bulk electricity		113 985 986	100 085 004	113 985 986	100 085 004
<b>Total</b>		<b>137 247 449</b>	<b>148 291 109</b>	<b>137 247 449</b>	<b>148 291 109</b>
<b>18.3 Contractors</b>					
Retentions		144 424 868	134 582 668	144 424 868	134 582 668
<b>18.4 Control and clearing accounts</b>					
Cash and bank		(1)	(1)	(1)	(1)
Medical aid control		-	23 031	-	23 031
Salary Control		793 580	429 333	793 016	429 334
Skills control		3 920	5 957	-	-
<b>Total</b>		<b>797 499</b>	<b>458 320</b>	<b>793 015</b>	<b>452 364</b>
<b>18.5 Employee benefits</b>					
Bonus		21 031 212	20 277 194	20 647 467	19 906 426
<b>18.6 Other payables</b>					
Agency fees		-	691 178	-	691 178
Auditor-General of South Africa		1 469 515	2 300 112	1 469 515	2 300 112
Payables - Work in progress		5 409 114	21 210 055	-	-
Payables and accruals		345 187 769	358 869 247	345 191 618	366 078 135
Unallocated deposits		59 195 245	59 051 557	58 144 881	58 274 340
Advance payments		87 637 495	71 287 999	87 003 876	71 220 977
Deferred income - prepaid water and electricity		29 157 536	26 247 856	29 157 536	26 247 856
<b>Total</b>		<b>528 056 674</b>	<b>539 658 004</b>	<b>520 967 426</b>	<b>524 812 598</b>
<b>18.7 Statutory payables</b>					
Deposits received		1 684 814	1 952 363	-	-

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

### 19. Unspent conditional grants and receipts

#### Group

	2022				2021			
	Opening balance	Funds received	Funds utilised	Closing balance	Opening balance	Funds received	Funds utilised	Closing balance
<b>Capital</b>								
Monetary allocations	168 596 080	509 975 896	(712 429 448)	(33 857 472)	298 881 179	936 712 734	(902 541 876)	333 052 037
<b>Operational</b>								
Monetary allocations	(88 050 178)	437 108 690	(159 384 510)	189 674 002	(150 963 873)	57 242 269	(158 784 531)	(252 506 135)
<b>Total</b>	<b>80 545 902</b>	<b>947 084 586</b>	<b>(871 813 958)</b>	<b>155 816 530</b>	<b>147 917 306</b>	<b>993 955 003</b>	<b>(1 061 326 407)</b>	<b>80 545 902</b>

#### Company

	2022				2021			
	Opening balance	Funds received	Funds utilised	Closing balance	Opening balance	Funds received	Funds utilised	Closing balance
<b>Capital</b>								
Monetary allocations	168 587 771	509 975 896	(712 429 448)	(33 865 781)	298 881 180	883 555 000	(849 392 452)	333 043 728
<b>Operational</b>								
Monetary allocations	(88 050 178)	437 108 690	(159 384 510)	189 674 002	(150 963 873)	57 242 269	(158 784 531)	(252 506 135)
<b>Total</b>	<b>80 537 593</b>	<b>947 084 586</b>	<b>(871 813 958)</b>	<b>155 808 221</b>	<b>147 917 307</b>	<b>940 797 269</b>	<b>(1 008 176 983)</b>	<b>80 537 593</b>

#### Group

2022

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company		Total
	2022	2021	2022	2021	
<b>19. Unspent conditional grants and receipts (continued)</b>					
	Opening balance	Funds received	Funds surrendered	Funds utilised	Total
Integrated National Electrification Programme Grant	561 112	28 000 000	-	(21 611 935)	6 949 177
Neighbourhood Development Partnership Grant	882	48 000 000	-	(25 314 760)	22 686 122
Energy Efficiency and Demand Side Management Grant	-	6 000 000	-	(5 914 774)	85 226
Public Transport Network Grant	29 730 676	178 544 000	(29 730 676)	(107 115 403)	71 428 597
Regional Bulk Infrastructure Grant	11 802 110	218 806 000	(310 266)	(201 978 445)	28 319 399
Water Services Infrastructure Grant	6 793 122	50 000 000	(4 678 613)	(39 561 468)	12 553 041
Municipal Disaster Relief Grant	-	2 600 000	-	(2 599 916)	84
Integrated Urban Development Grant	27 689 894	397 532 000	(22 311 723)	(392 785 772)	10 124 399
Local Government Financial Management Grant	446 216	2 400 000	(446 216)	(2 399 697)	303
Infrastructure Skills Development Grant	-	6 217 000	-	(6 217 000)	-
Expanded Public Works Programme	-	7 971 000	-	(7 971 000)	-
Capricorn District Municipality	17 589	-	-	-	17 589
Department of Local Government and Housing	2 949 709	-	-	-	2 949 709
Local Government - Housing Accreditation	546 282	14 586	-	-	560 868
Department of Sports Art and Culture	-	1 000 000	-	(866 296)	133 704
Social Housing Regulatory Authority	8 310	-	-	-	8 310
	<b>80 545 902</b>	<b>947 084 586</b>	<b>(57 477 494)</b>	<b>(814 336 466)</b>	<b>155 816 528</b>

### 2021

	Opening balance	Funds received	Funds surrendered	Funds utilised	Total
Integrated National Electrification Programme Grant	7 337 771	39 000 000	-	(45 776 658)	561 113
Municipal Infrastructure Grant	-	24 700 000	-	(24 700 000)	-
Neighbourhood Development Partnership Grant	22 255 922	22 751 000	(22 255 922)	(22 750 118)	882
Energy Efficiency and Demand Side Management Grant	653 891	-	-	(653 891)	-
Public Transport Network Grant	89 374 288	147 323 000	(20 733 484)	(186 233 128)	29 730 676
Regional Bulk Infrastructure Grant	16 726 837	292 133 000	(1 214 059)	(295 843 668)	11 802 110
Water Services Infrastructure Grant	8 067 286	50 000 000	-	(51 274 164)	6 793 122
Integrated Urban Development Grant	-	346 648 000	-	(318 958 106)	27 689 894
Local Government Financial Management Grant	-	2 500 000	-	(2 053 784)	446 216
Infrastructure Skills Development Grant	-	6 203 000	-	(6 203 000)	-
Expanded Public Works Programme	-	9 527 000	-	(9 527 000)	-
Capricorn District Municipality	17 589	-	-	-	17 589
Department of Local Government and Housing	2 949 709	-	-	-	2 949 709
Local Government - Housing Accreditation	534 013	12 269	-	-	546 282
Social Housing Regulatory Authority	-	53 157 734	(53 149 424)	-	8 310
	<b>147 917 306</b>	<b>993 955 003</b>	<b>(97 352 889)</b>	<b>(963 973 517)</b>	<b>80 545 903</b>

### Company

### 2022

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company		Total
	2022	2021	2022	2021	
<b>19. Unspent conditional grants and receipts (continued)</b>					
	Opening balance	Funds received	Funds surrendered	Funds utilised	Total
Integrated National Electrification Programme Grant	561 112	28 000 000	-	(21 611 935)	6 949 177
Neighbourhood Development Partnership Grant	882	48 000 000	-	(25 314 760)	22 686 122
Energy Efficiency and Demand Side Management Grant	-	6 000 000	-	(5 914 774)	85 226
Public Transport Network Grant	29 730 676	178 544 000	(29 730 676)	(107 115 403)	71 428 597
Regional Bulk Infrastructure Grant	11 802 110	218 806 000	(310 266)	(201 978 445)	28 319 399
Water Services Infrastructure Grant	6 793 122	50 000 000	(4 678 613)	(39 561 468)	12 553 041
Municipal Disaster Relief Grant	-	2 600 000	-	(2 599 916)	84
Integrated Urban Development Grant	27 689 894	397 532 000	(22 311 723)	(392 785 772)	10 124 399
Local Government Financial Management Grant	446 216	2 400 000	(446 216)	(2 399 697)	303
Infrastructure Skills Development Grant	-	6 217 000	-	(6 217 000)	-
Expanded Public Works Programme	-	7 971 000	-	(7 971 000)	-
Capricorn District Municipality	17 589	-	-	-	17 589
Department of Local Government and Housing	2 949 709	-	-	-	2 949 709
Local Government - Housing Accreditation	546 282	14 586	-	-	560 868
Department of Sports Art and Culture	-	1 000 000	-	(866 296)	133 704
	<b>80 537 592</b>	<b>947 084 586</b>	<b>(57 477 494)</b>	<b>(814 336 466)</b>	<b>155 808 218</b>

### 2021

	Opening balance	Funds received	Funds surrendered	Funds utilised	Total
Integrated National Electrification Programme Grant	7 337 771	39 000 000	-	(45 776 658)	561 113
Municipal Infrastructure Grant	-	24 700 000	-	(24 700 000)	-
Neighbourhood Development Partnership Grant	22 255 922	22 751 000	(22 255 922)	(22 750 118)	882
Energy Efficiency and Demand Side Management Grant	653 891	-	-	(653 891)	-
Public Transport Network Grant	89 374 288	147 323 000	(20 733 484)	(186 233 128)	29 730 676
Regional Bulk Infrastructure Grant	16 726 837	292 133 000	(1 214 059)	(295 843 668)	11 802 110
Water Services Infrastructure Grant	8 067 286	50 000 000	-	(51 274 164)	6 793 122
Integrated Urban Development Grant	-	346 648 000	-	(318 958 106)	27 689 894
Local Government Financial Management Grant	-	2 500 000	-	(2 053 784)	446 216
Infrastructure Skills Development Grant	-	6 203 000	-	(6 203 000)	-
Expanded Public Works Programme	-	9 527 000	-	(9 527 000)	-
Capricorn District Municipality	17 589	-	-	-	17 589
Department of Local Government and Housing	2 949 709	-	-	-	2 949 709
Local Government - Housing Accreditation	534 013	12 269	-	-	546 282
	<b>147 917 306</b>	<b>940 797 269</b>	<b>(44 203 465)</b>	<b>(963 973 517)</b>	<b>80 537 593</b>

### 20. Borrowings

#### Total borrowings

Annuity and Bullet Loans	395 364 727	415 441 637	395 364 727	415 441 637
<b>Less: Current portion</b>				
Annuity and Bullet Loans	(22 587 835)	(20 076 910)	(22 587 835)	(20 076 910)



# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021
<b>20. Borrowings (continued)</b>				
<b>Non-current borrowings</b>	<b>372 776 892</b>	<b>395 364 727</b>	<b>372 776 892</b>	<b>395 364 727</b>

### 20.1 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.

### 21. Lease liabilities

#### 21.1 Carrying value of lease liabilities

##### Group - 2022

	Amortised cost	Total
<b>Carrying value as at 30 June 2022</b>		
Finance lease liability	14 721 270	14 721 270
Transferred to current liabilities	8 256 113	8 256 113
<b>Total</b>	<b>22 977 383</b>	<b>22 977 383</b>

##### Group - 2021

	Amortised cost	Total
<b>Carrying value as at 30 June 2021</b>		
Finance lease liability	22 337 445	22 337 445
Transferred to current liabilities	9 663 454	9 663 454
<b>Total</b>	<b>32 000 899</b>	<b>32 000 899</b>

##### Company - 2022

	Amortised cost	Total
<b>Carrying value as at 30 June 2022</b>		
Finance lease liability	14 721 270	14 721 270
Transferred to current liabilities	8 256 113	8 256 113
<b>Total</b>	<b>22 977 383</b>	<b>22 977 383</b>

##### Company - 2021

	Amortised cost	Total
<b>Carrying value as at 30 June 2021</b>		
Finance lease liability	22 337 445	22 337 445
Transferred to current liabilities	9 663 454	9 663 454
<b>Total</b>	<b>32 000 899</b>	<b>32 000 899</b>

It is group policy to lease certain motor vehicles, cellphones and photocopiers under finance leases.

The vehicle lease contracts were signed with ABSA over a period of 5 years.

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

The photocopier contracts were signed with DIDO over a period of 3 years.

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021
<b>21. Lease liabilities (continued)</b>				
<b>21.2 Finance lease payable</b>				
<b>The group as lessee</b>				
The obligations under finance leases are as follows:				
<b>Total future minimum lease payments</b>				
Within 1 year	11 587 356	14 327 268	11 587 356	14 327 268
2 to 5 years	15 011 159	25 958 578	15 011 159	25 958 578
<b>Total minimum lease payments</b>	<b>26 598 515</b>	<b>40 285 846</b>	<b>26 598 515</b>	<b>40 285 846</b>
Less: Unearned finance revenue	(3 621 132)	(8 284 947)	(3 621 132)	(8 284 947)
	<b>22 977 383</b>	<b>32 000 899</b>	<b>22 977 383</b>	<b>32 000 899</b>
<b>Present value of minimum lease payments</b>				
Within 1 year	8 256 113	9 663 454	8 256 113	9 663 454
2 to 5 years	14 721 270	22 337 445	14 721 270	22 337 445
	<b>22 977 383</b>	<b>32 000 899</b>	<b>22 977 383</b>	<b>32 000 899</b>

Final audited

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company		
	2022	2021	2022	2021	
<b>22. Provisions</b>					
Landfill sites	22.2	125 456 774	139 553 046	125 456 774	139 553 046
Litigation	22.3	8 177 040	8 177 040	8 177 040	8 177 040
<b>Total</b>		<b>133 633 814</b>	<b>147 730 086</b>	<b>133 633 814</b>	<b>147 730 086</b>
Transferred to current provisions		(10 504 499)	(8 177 040)	(10 504 499)	(8 177 040)
<b>Total non-current provision</b>		<b>123 129 315</b>	<b>139 553 046</b>	<b>123 129 315</b>	<b>139 553 046</b>
Non-current		123 129 315	139 553 046	123 129 315	139 553 046
Current		10 504 499	8 177 040	10 504 499	8 177 040
<b>Total</b>		<b>133 633 814</b>	<b>147 730 086</b>	<b>133 633 814</b>	<b>147 730 086</b>

### 22.1 Provision for Taxi Association

Opening Balance		-	152 643 002	-	152 643 002
Reductions (Payments, remeasurement etc.)		-	(152 643 002)	-	(152 643 002)
<b>Closing balance</b>		-	-	-	-

### 22.2 Landfill sites

Opening Balance		139 553 046	130 249 031	139 553 046	130 249 031
Change in landfill closure provision		(23 967 557)	771 791	(23 967 557)	771 791
Interest cost		9 871 285	8 532 224	9 871 285	8 532 224
<b>Closing balance</b>		<b>125 456 774</b>	<b>139 553 046</b>	<b>125 456 774</b>	<b>139 553 046</b>
Transferred to current provisions		(2 327 459)	-	(2 327 459)	-
<b>Total non-current provision</b>		<b>123 129 315</b>	<b>139 553 046</b>	<b>123 129 315</b>	<b>139 553 046</b>

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 - 6,6085%  
Discount rate - 9,3585%  
Net effective discount rate - 2,75%

#### Aganang landfill

CPI - 6,6085%  
Discount rate - 10,6085%  
Net effective discount rate - 4%

The disclosed amount of R121 801 809 represents a decrease of R17 751 237 from the provision of R139 553 046 in the previous financial year. This comprises of changes in the CPI, discount rate and unit costs which resulted in the change in the closure provision of R27 622 522. The interest charge relating to the assessment amounts to R9 871 285.

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021
<b>22. Provisions (continued)</b>				
<b>22.3 Litigation</b>				
Opening Balance	8 177 040	8 177 040	8 177 040	8 177 040
Transferred to current provisions	(8 177 040)	8 177 040	(8 177 040)	(8 177 040)
<b>Total non-current provision</b>	<b>-</b>	<b>16 354 080</b>	<b>-</b>	<b>-</b>

Provision for Fleet Africa

This provision is due to a dispute on the invoices raised by Fleet Africa to the municipality for services rendered. Fleet Africa therefore took the matter to court. The timing of the outflow is uncertain on this matter.

### 23. Provisions - Employee benefits

#### Non-current employee benefits

Post employment health care benefits	23.1	188 093 000	204 408 000	188 093 000	204 408 000
Ex-Gratia pension benefits	23.2	14 355 000	11 630 000	14 355 000	11 630 000
Long-service awards benefits	23.3	58 512 000	54 512 000	58 512 000	54 512 000
Staff leave	23.4	144 626 008	143 412 459	144 626 008	143 412 459
		<b>405 586 008</b>	<b>413 962 459</b>	<b>405 586 008</b>	<b>413 962 459</b>

#### Current employee benefits

Staff leave	23.4	12 932 006	13 473 555	11 902 119	12 487 864
<b>Total employee benefits</b>		<b>418 518 014</b>	<b>427 436 014</b>	<b>417 488 127</b>	<b>426 450 323</b>

#### 23.1 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 contribution plan for these qualifying employees.

	Number	Number	Number	Number
In-service members (Employees)	1 107	1 146	1 107	1 146
Continuation members (Retirees)	784	927	784	927
In service employees (Non-members)	74	122	74	122
<b>Total members</b>	<b>1 965</b>	<b>2 195</b>	<b>1 965</b>	<b>2 195</b>
In-service members (Employees)	140 426 000	133 337 000	140 426 000	133 337 000
Continuation members (Retirees)	47 667 000	71 071 000	47 667 000	71 071 000
<b>Total liability</b>	<b>188 093 000</b>	<b>204 408 000</b>	<b>188 093 000</b>	<b>204 408 000</b>
Non-current	188 093 000	204 408 000	188 093 000	204 408 000

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

- Bonitas
- Hosmed
- Key Health
- LA Health
- Samwumed
- Resolution Health
- Government Employees Medical Scheme

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021

### 23. Provisions - Employee benefits (continued)

The Future-service Cost for the ensuing year is estimated to be R 9 858 000 whereas the Interest Cost is estimated to be R 22 505 000.

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

#### Rates of interest

Discount rate	Yield curve	Yield curve
Consumer Price Inflation (CPI)	Difference between nominal and yield curve CPI+1%	Difference between nominal and yield curve CPI+1%
Health care cost inflation rate	Yield curve based	Yield curve based
Net effective discount rate		

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

'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 30 June 2022 supplied by the JSE to determine the discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, they used the prevailing yield at the time of performing their calculations. The methodology was changed from a point estimate to that of a curve in order to present a more accurate depiction of the liability. Previously only one discount rate was used to value all the liabilities. This changed methodology would be seen as a change in estimate basis.

#### 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.

#### Normal 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	188 093 000	204 408 000	188 093 000	204 408 000
---------------------------------------	-------------	-------------	-------------	-------------

#### Amounts recognised in the statement of financial performance

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

Current service cost	9 435 000	8 267 000	9 435 000	8 267 000
Interest cost	21 956 000	24 146 000	21 956 000	24 146 000
Actuarial loss/ (gain) recognised in the year	(40 730 521)	(18 035 046)	(40 730 521)	(18 035 046)
<b>Total post-retirement benefit included in employee related costs</b>	<b>36 (9 339 521)</b>	<b>14 377 954</b>	<b>(9 339 521)</b>	<b>14 377 954</b>

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021
<b>23. Provisions - Employee benefits (continued)</b>				
<b>Movements in the present value of the defined benefit obligation</b>				
Opening balance	204 408 000	197 335 000	204 408 000	197 335 000
Current service cost	9 435 000	8 267 000	9 435 000	8 267 000
Interest cost	21 956 000	24 146 000	21 956 000	24 146 000
Actual employer benefit payments	(6 975 479)	(7 304 954)	(6 975 479)	(7 304 954)
Actuarial loss/ (gain) recognised in the year	(40 730 521)	(18 035 046)	(40 730 521)	(18 035 046)
<b>Present value of fund obligation at the end of the year</b>	<b>188 093 000</b>	<b>204 408 000</b>	<b>188 093 000</b>	<b>204 408 000</b>

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

### Present value of unfunded defined benefit

2021	-	-	204 408 000
2020	-	-	197 335 000
2019	-	-	193 906 000
2018	-	-	163 547 000
2017	-	-	160 479 000

### Sensitivity analysis on the Accrued Liability (R Millions)

Assumption	Change	Total	% change
Mortality rate	-14,784	173,309	20%
Mortality rate	18,088	206,181	-20%
Medical aid inflation	22,497	210,59	1%
Medical aid inflation	-21,874	166,219	-1%

### Sensitivity analysis on Current-service and Interest Costs

Assumption	Change	Current-service cost	Interest cost	Total	% Change
Mortality rate	3 203 000	10 863 000	24 703 000	35 566 000	20%
Mortality rate	-2 628 000	9 027 000	20 708 000	29 735 000	-20%
Medical aid inflation	4 465 000	11 563 000	25 265 000	36 828 000	1%
Medical aid inflation	-13 287 000	8 252 000	10 824 000	19 076 000	-1%

### Mortality Rates

Post retirement: PA (90) ultimate Mortality table was used.

Pre-retirement: The SA 85-90 ultimate table adjusted for female lives, was used.

### Continuation of Membership

With the appointment of ZAQ Consultants and Actuaries for the year ending 30 June 2022.

### 23.2 Ex-Gratia pension benefits

Provision and impairment	23.2.1	14 355 000	11 630 000	14 355 000	11 630 000
Non-current		14 355 000	11 630 000	14 355 000	11 630 000

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021
<b>23. Provisions - Employee benefits (continued)</b>				
<b>23.2.1 Provision and impairment</b>				
<b>23.2.2 Defined contribution plan</b>				
<b>Reconciliation of provision for ex gratia benefits</b>				
Opening balance	-	-	11 630 000	9 791 000
Current service cost	-	-	859 000	829 000
Interest	-	-	1 424 000	1 226 000
Benefits paid	-	-	(918 487)	(771 450)
Actuarial (gain)/loss	-	-	1 360 487	555 450
	-	-	<b>14 355 000</b>	<b>11 630 000</b>

### Key assumptions

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 30 June 2022 supplied by the JSE is used to determine the discounted rates and CPI assumptions is used.

The discount rate used is 12.22%. (Net effective discount rate: 3.78%).

The consumer price inflation value used is 8.13%

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

### 23.3 Long-service awards benefits

Provision for long-service awards	23.3.1	58 512 000	54 512 000	58 512 000	54 512 000
Non-current		58 512 000	54 512 000	58 512 000	54 512 000

### Long-service awards

Key assumptions:

Expected salary increase rate	CPI + 1%
Assumed salary increase on 1 July 2022	4.9%

The nominal and real zero curves as at 30 June 2022 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period is used. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years.

### 23.3.1 Provision for long service awards

#### Movements in the present value of the defined benefit obligation

Opening Balance	54 512 000	46 658 000	54 512 000	46 658 000
Interest cost	4 719 000	4 122 000	4 719 000	4 122 000
Current cost	5 061 000	4 278 000	5 061 000	4 278 000
Benefits paid	(283 489)	(264 062)	(283 489)	(264 062)
Actuarial (gain)/loss	(5 496 511)	(281 938)	(5 496 511)	(281 938)
<b>Closing balance</b>	<b>58 512 000</b>	<b>54 512 000</b>	<b>58 512 000</b>	<b>54 512 000</b>

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company		
	2022	2021	2022	2021	
<b>23. Provisions - Employee benefits (continued)</b>					
<b>23.4 Staff leave</b>					
Provision for staff leave	23.4.1	157 558 014	156 886 014	156 528 127	155 900 323
Less: Transfer to current portion		(12 932 006)	(13 473 555)	(11 902 119)	(12 487 864)
<b>Total non-current benefit</b>		<b>144 626 008</b>	<b>143 412 459</b>	<b>144 626 008</b>	<b>143 412 459</b>
Non-current		144 626 008	143 412 459	144 626 008	143 412 459
Current		12 932 006	13 473 555	11 902 119	12 487 864
<b>Total liability</b>		<b>157 558 014</b>	<b>156 886 014</b>	<b>156 528 127</b>	<b>155 900 323</b>
<b>23.4.1 Provision for staff leave</b>					
<b>Movements in the present value of the defined benefit obligation</b>					
Opening Balance		156 886 014	296 163 971	155 900 323	295 340 083
Increases		7 606 958	4 226 998	7 461 804	3 972 699
Reductions (Payments, remeasurement etc.)		(6 934 958)	(143 504 955)	(6 834 000)	(143 412 459)
<b>Closing balance</b>		<b>157 558 014</b>	<b>156 886 014</b>	<b>156 528 127</b>	<b>155 900 323</b>
<b>24. Reserves and funds</b>					
Revaluation reserve		7 737 429 934	7 739 624 535	7 659 112 138	7 661 306 739
<b>Reconciliation of Revaluation reserve</b>					
Opening balance		7 739 624 535	7 874 157 879	7 661 306 739	7 795 840 083
Revaluation for the year		(2 194 601)	(134 533 344)	(2 194 601)	(134 533 344)
		<b>7 737 429 934</b>	<b>7 739 624 535</b>	<b>7 659 112 138</b>	<b>7 661 306 739</b>
Refer to Statement of changes in net assets for more detail and the movement on Reserves.					
<b>25. Property rates</b>					
Business and commercial properties		242 271 414	215 206 382	242 271 414	215 206 382
Farm properties		8 484 142	13 171 877	8 484 142	13 171 877
Industrial properties		56 653 998	51 295 806	56 653 998	51 295 806
Municipal properties		-	(7 086)	-	(7 086)
Public benefit organisations		296 120	206 863	296 120	206 863
Public service infrastructure properties		345 839	329 113	345 839	329 113
Residential properties		217 597 721	170 713 605	217 597 721	170 713 605
Small Holdings		5 389	7 871	5 389	7 871
State-owned properties		19 263 202	18 049 955	19 263 202	18 049 955
<b>Total</b>		<b>544 917 825</b>	<b>468 974 386</b>	<b>544 917 825</b>	<b>468 974 386</b>
<b>26. Government grants and subsidies</b>					
<b>Operational</b>					
Monetary allocations or revenue	26.1	1 215 946 288	1 386 384 347	1 215 946 288	1 386 384 347
<b>Capital</b>					
Monetary allocations or revenue	26.2	655 398 170	818 142 339	655 398 170	764 992 915



# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021
<b>26. Government grants and subsidies (continued)</b>				
<b>Total</b>	<b>1 871 344 458</b>	<b>2 204 526 686</b>	<b>1 871 344 458</b>	<b>2 151 377 262</b>

### 26.1 Monetary allocations or revenue: Operational

National Treasury - conditional grants	158 071 998	198 980 604	158 071 998	198 980 604
National Treasury - equitable share	1 055 884 494	1 181 769 465	1 055 884 494	1 181 769 465
Public contributions and donations	1 123 500	5 634 278	1 123 500	5 634 278
Provincial government	866 296	-	866 296	-
<b>Total</b>	<b>1 215 946 288</b>	<b>1 386 384 347</b>	<b>1 215 946 288</b>	<b>1 386 384 347</b>

### Revenue recognised per grant

Energy Efficiency and Demand Side Management Grant	-	653 891	-	653 891
Expanded Public Works Programme Integrated Grant	7 971 000	9 527 000	7 971 000	9 527 000
Infrastructure Skills Development Grant	6 217 000	6 203 000	6 217 000	6 203 000
Local Government Financial Management Grant	2 399 697	2 053 784	2 399 697	2 053 784
Public Transport Network Grant	64 473 973	98 244 808	64 473 973	98 244 808
Urban Settlement Development Grant	-	53 492 815	-	53 492 815
Integrated National Electrification Programme Grant	9 891 728	28 805 306	9 891 728	28 805 306
Integrated Urban Development Grant	67 118 600	-	67 118 600	-
	<b>158 071 998</b>	<b>198 980 604</b>	<b>158 071 998</b>	<b>198 980 604</b>

### 26.2 Monetary allocations: Capital

Social Housing Regulatory Authority	-	53 149 424	-	-
National government	655 398 170	764 992 915	655 398 170	764 992 915
<b>Total</b>	<b>655 398 170</b>	<b>818 142 339</b>	<b>655 398 170</b>	<b>764 992 915</b>

### Revenue recognised per grant

Integrated National Electrification Programme Grant	11 720 207	16 971 353	11 720 207	16 971 353
Municipal Infrastructure Grant	-	24 700 000	-	24 700 000
Neighbourhood Development Partnership Grant	25 314 760	22 750 119	25 314 760	22 750 119
Urban Settlements Development Grant	-	265 465 291	-	265 465 291
Municipal Disaster Recovery Grant	2 599 916	-	2 599 916	-
Energy Efficiency and Demand Side Management Grant	5 914 774	-	5 914 774	-
Water Services Infrastructure Grant	39 561 468	51 274 164	39 561 468	51 274 164
Public Transport Network Grant	42 641 429	87 988 320	42 641 429	87 988 320
Regional Bulk Infrastructure Grant	201 978 445	295 843 668	201 978 445	295 843 668
Integrated Urban Development Grant	325 667 171	-	325 667 171	-
	<b>655 398 170</b>	<b>764 992 915</b>	<b>655 398 170</b>	<b>764 992 915</b>

### 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:

14000L Water tanker	-	1 021 800	-	1 021 800
Motor vehicle testing station: Truck tractor	-	930 888	-	930 888
Motor vehicle testing station: Semi trailer	-	3 432 590	-	3 432 590
	-	<b>5 385 278</b>	-	<b>5 385 278</b>

### Analysis of cash donations

# Polokwane Municipality

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## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021
<b>26. Government grants and subsidies (continued)</b>				
Mayors charity fund	1 123 500	249 000	1 123 500	249 000
<b>1. Equitable share</b>				
Balance unspent at the beginning of the year	-	-	-	-
Current year allocation	998 407 000	1 137 566 000	998 407 000	1 137 566 000
Offset December tranche - Rollovers not approved	57 477 494	44 203 465	57 477 494	44 203 465
	<b>1 055 884 494</b>	<b>1 181 769 465</b>	<b>1 055 884 494</b>	<b>1 181 769 465</b>

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

### 2. Finance Management Grant

Balance unspent at beginning of the year	446 216	-	446 216	-
Current year receipts	2 400 000	2 500 000	2 400 000	2 500 000
Conditions met - transferred to revenue	(2 399 697)	(2 500 000)	(2 399 697)	(2 500 000)
Paid back to National Treasury	(446 216)	-	(446 216)	-
	<b>303</b>	<b>-</b>	<b>303</b>	<b>-</b>

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.

### 3. Public Transport Network Grant

Balance unspent at beginning of the year	29 730 677	89 374 289	29 730 677	89 374 289
Current year receipts	178 544 000	147 323 000	178 544 000	147 323 000
Conditions met - transferred to revenue	(107 115 402)	(186 233 128)	(107 115 402)	(186 233 128)
Paid back to National Treasury	(29 730 676)	(20 733 484)	(29 730 676)	(20 733 484)
	<b>71 428 599</b>	<b>29 730 677</b>	<b>71 428 599</b>	<b>29 730 677</b>

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

### 4. Municipal Disaster Relief Grant

Balance unspent at beginning of the year	-	-	-	-
Conditions met - transferred to revenue	2 600 000	-	2 600 000	-
Conditions met - transferred to revenue	(2 599 916)	-	(2 599 916)	-
	<b>84</b>	<b>-</b>	<b>84</b>	<b>-</b>

### 5. Municipal Infrastructure Grant

Balance unspent at beginning of the year	-	-	-	-
Current year receipts	-	24 700 000	-	24 700 000
Conditions met - transferred to revenue	-	(24 700 000)	-	(24 700 000)
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

This grant was used to construct municipal infrastructure to provide basic services for the benefit of poor households. The conditions of the grant were met and no funds have been withheld.

### 6. Limpopo Provincial Government

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021

### 26. Government grants and subsidies (continued)

Balance unspent 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.

### 7. Limpopo Local Government and Housing

Balance unspent at beginning of the year	546 282	534 013	546 282	534 013
Current year receipts	14 586	12 269	14 586	12 269
	<b>560 868</b>	<b>546 282</b>	<b>560 868</b>	<b>546 282</b>

The grant was used to fund the housing accreditation process.

### 8. Integrated National Electrification Programme Grant

Balance unspent at beginning of the year	561 113	7 337 771	561 113	7 337 771
Current year receipts	28 000 000	39 000 000	28 000 000	39 000 000
Conditions met - transferred to revenue	(21 611 936)	(45 776 658)	(21 611 936)	(45 776 658)
	<b>6 949 177</b>	<b>561 113</b>	<b>6 949 177</b>	<b>561 113</b>

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

### 9. Capricorn District Municipality

Balance unspent at the beginning of the year	17 589	17 589	17 589	17 589
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
	<b>17 589</b>	<b>17 589</b>	<b>17 589</b>	<b>17 589</b>

### 10. Expanded Public Works Programme Incentive Grant

Balance unspent at the beginning of the year	-	-	-	-
Current year receipts	7 971 000	9 527 000	7 971 000	9 527 000
Conditions met - transferred to revenue	(7 971 000)	(9 527 000)	(7 971 000)	(9 527 000)
	-	-	-	-

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

### 11. Neighbourhood Development Partnership Grant

Balance unspent at the beginning of the year	881	22 255 922	881	22 255 922
Current year receipts	48 000 000	22 751 000	48 000 000	22 751 000
Conditions met - transferred to revenue	(25 314 760)	(22 750 119)	(25 314 760)	(22 750 119)
Paid back to National Treasury	-	(22 255 922)	-	(22 255 922)
	<b>22 686 121</b>	<b>881</b>	<b>22 686 121</b>	<b>881</b>

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

### 12. Skills Development Fund

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021
<b>26. Government grants and subsidies (continued)</b>				
Balance unspent at the beginning of the year	-	-	-	-
Current year receipts	6 217 000	6 203 000	6 217 000	6 203 000
Conditions met - transferred to revenue	(6 217 000)	(6 203 000)	(6 217 000)	(6 203 000)
	-	-	-	-

### 13. Regional Bulk Infrastructure Grant

Balance unspent at the beginning of the year	11 802 111	16 726 838	11 802 111	16 726 838
Current year receipts	218 806 000	292 133 000	218 806 000	292 133 000
Conditions met - transferred to revenue	(201 978 445)	(295 843 668)	(201 978 445)	(295 843 668)
Paid back to National Treasury	(310 266)	(1 214 059)	(310 266)	(1 214 059)
	<b>28 319 400</b>	<b>11 802 111</b>	<b>28 319 400</b>	<b>11 802 111</b>

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

### 14. Energy Efficiency and Demand Side Management Grant

Balance unspent at the beginning of the year	-	653 891	-	653 891
Current year receipts	6 000 000	-	6 000 000	-
Conditions met - transferred to revenue	(5 914 774)	(653 891)	(5 914 774)	(653 891)
	<b>85 226</b>	<b>-</b>	<b>85 226</b>	<b>-</b>

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

### 15. Water Services Infrastructure Grant

Balance unspent at the beginning of the year	6 793 122	8 067 286	6 793 122	8 067 286
Current year receipts	50 000 000	50 000 000	50 000 000	50 000 000
Conditions met - transferred to revenue	(39 561 468)	(51 274 164)	(39 561 468)	(51 274 164)
Paid back to National Treasury	(4 678 613)	-	(4 678 613)	-
	<b>12 553 041</b>	<b>6 793 122</b>	<b>12 553 041</b>	<b>6 793 122</b>

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

### 16. Integrated Urban Development Grant

Balance unspent at the beginning of the year	27 689 894	-	27 689 894	-
Current year receipts	397 532 000	346 648 000	397 532 000	346 648 000
Conditions met - transferred to revenue	(392 785 772)	(318 958 106)	(392 785 772)	(318 958 106)
Paid back to National Treasury	(22 311 723)	-	(22 311 723)	-
	<b>10 124 399</b>	<b>27 689 894</b>	<b>10 124 399</b>	<b>27 689 894</b>

### 17. Department of Sports Arts and Culture

Balance unspent at the beginning of the year	-	-	-	-
Current year receipts	1 000 000	-	1 000 000	-
Conditions met - transferred to revenue	(866 296)	-	(866 296)	-
	<b>133 704</b>	<b>-</b>	<b>133 704</b>	<b>-</b>

### 18. Social Housing Regulatory Authority

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company		
	2022	2021	2022	2021	
<b>26. Government grants and subsidies (continued)</b>					
Balance unspent at the beginning of the year	8 310	-	-	-	
Current year receipts	-	53 157 734	-	-	
Conditions met - transferred to revenue	-	(53 149 424)	-	-	
	<b>8 310</b>	<b>8 310</b>	-	-	
<b>27. Fines, penalties and forfeits</b>					
Fines	27.1	30 002 849	38 938 653	30 002 849	38 938 653
Forfeits	27.2	2 027 642	-	1 862 088	-
<b>Total</b>		<b>32 030 491</b>	<b>38 938 653</b>	<b>31 864 937</b>	<b>38 938 653</b>
<b>27.1 Fines</b>					
<b>Traffic fines</b>					
Municipal fines		17 838 804	30 588 850	17 838 804	30 588 850
<b>Other fines</b>					
Illegal connections		12 022 247	8 300 650	12 022 247	8 300 650
Law enforcement		11 799	-	11 799	-
Overdue books		1 125	-	1 125	-
Pound fees		128 874	49 153	128 874	49 153
		<b>12 164 045</b>	<b>8 349 803</b>	<b>12 164 045</b>	<b>8 349 803</b>
<b>Total</b>		<b>30 002 849</b>	<b>38 938 653</b>	<b>30 002 849</b>	<b>38 938 653</b>
<b>27.2 Forfeits</b>					
Deposits		165 554	-	-	-
Retentions		1 768 920	-	1 768 920	-
Unclaimed money		93 168	-	93 168	-
<b>Total</b>		<b>2 027 642</b>	<b>-</b>	<b>1 862 088</b>	<b>-</b>
<b>28. Interest earned from receivables</b>					
Service charges		54 011 015	33 976 851	54 011 015	33 976 851
Property rates		28 235 969	29 082 660	28 235 969	29 082 660
<b>Total</b>		<b>82 246 984</b>	<b>63 059 511</b>	<b>82 246 984</b>	<b>63 059 511</b>
<b>29. Service charges</b>					
<b>Electricity</b>					
Service charges		1 214 406 449	1 043 345 432	1 214 406 449	1 043 345 432
<b>Waste management</b>					
Service charges		147 037 830	136 312 207	147 037 830	136 312 207
<b>Waste water management</b>					
Service charges		166 196 547	162 380 152	166 196 547	162 380 152
<b>Water</b>					
Service charges		294 127 397	240 651 382	294 127 397	240 651 382
<b>Total service charges</b>		<b>1 821 768 223</b>	<b>1 582 689 173</b>	<b>1 821 768 223</b>	<b>1 582 689 173</b>

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company		
	2022	2021	2022	2021	
<b>30. Rental</b>					
Market related	27 511 056	17 005 375	27 511 056	17 005 375	
Non-market related	10 468 742	10 477 607	1 106 882	1 126 232	
<b>Total</b>	<b>37 979 798</b>	<b>27 482 982</b>	<b>28 617 938</b>	<b>18 131 607</b>	
<b>31. Interests on investments</b>					
Bank accounts	9 640 821	12 333 424	9 640 821	12 333 424	
<b>32. Licences or permits</b>					
Exchange revenue	32.1	13 494 592	6 199 133	13 494 592	6 199 133
<b>32.1 Licenses and permits - Exchange revenue</b>					
Road and transport		13 464 819	6 174 506	13 464 819	6 174 506
Trading		29 773	24 627	29 773	24 627
<b>Total</b>		<b>13 494 592</b>	<b>6 199 133</b>	<b>13 494 592</b>	<b>6 199 133</b>
<b>33. Agency services</b>					
District		1 973 272	1 964 372	-	-
Provincial		22 640 956	20 640 122	22 640 956	20 640 122
<b>Total</b>		<b>24 614 228</b>	<b>22 604 494</b>	<b>22 640 956</b>	<b>20 640 122</b>
<b>34. Operational revenue</b>					
Administrative Handling Fees		990	4 377	990	4 377
Arbor City Awards Competition		302 550	1 253 950	302 550	1 253 950
Collection Charges		-	224 996	-	224 996
Commission		2 768 320	2 265 373	2 768 320	2 265 373
Incidental Cash Surpluses		-	20 133	-	20 133
Inspection fees		10 065	5 179	10 065	5 179
Recovery Maintenance		13 325	14 935	13 325	14 935
Request for information		112	382	112	382
Staff and Councillors Recoveries		21 266	61 256	21 266	61 256
<b>Total</b>		<b>3 116 628</b>	<b>3 850 581</b>	<b>3 116 628</b>	<b>3 850 581</b>

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company		
	2022	2021	2022	2021	
<b>35. Sales of goods and rendering of services</b>					
Academic Services	1 390 842	987 541	1 390 842	987 541	
Amendment Fees	-	842	-	842	
Building Plan Approval	8 420 920	7 849 922	8 420 920	7 849 922	
Buyers Card	-	127	-	127	
Cemetery and Burial	1 472 997	1 653 299	1 472 997	1 653 299	
Clearance Certificates	1 574 999	1 310 227	1 574 999	1 310 227	
Development Charges	299 569	675 619	299 569	675 619	
Entrance Fees	687 459	415 571	687 459	415 571	
Escort Fees	-	1 651	-	1 651	
Fire Services	54 450	55 073	54 450	55 073	
Library Fees	36 937	(1 705)	36 937	(1 705)	
Occupation Certificates	337 677	328 442	337 677	328 442	
Parking Fees	435	973 614	435	973 614	
Photo copies, Faxes and Telephone charges	294 322	83	294 322	83	
Sale of Goods	6 019 649	476 651	6 019 649	476 651	
Transport Fees	1 101 990	-	1 101 990	-	
<b>Total</b>	<b>21 692 246</b>	<b>14 726 957</b>	<b>21 692 246</b>	<b>14 726 957</b>	
<b>36. Employee related cost</b>					
Senior management	36.1	16 904 565	17 354 822	16 904 565	17 354 822
Municipal staff	36.2	1 019 602 784	964 861 446	1 009 845 793	955 845 494
Board members and entities		1 022 189	990 761	-	-
<b>Total</b>		<b>1 037 529 538</b>	<b>983 207 029</b>	<b>1 026 750 358</b>	<b>973 200 316</b>

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

### 36. Employee related cost (continued)

#### 36.1 Senior management costs

##### Group - 2022

	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	468 348	1 120 579	1 219 514	1 305 506	1 219 514	1 217 210	965 239	1 574 448	1 219 514	160 673	10 470 545
Bonuses	58 544	-	-	-	-	-	-	-	-	-	58 544
Service-related benefits	545 075	-	-	231 795	-	-	39 309	81 952	-	-	898 131
Allowances	182 131	704 543	452 249	452 249	429 735	408 107	301 500	368 231	598 592	77 819	3 975 156
Medical	7 253	51 138	-	-	-	51 138	-	52 509	-	-	162 038
Pension	84 303	-	202 627	202 627	225 141	202 244	135 085	185 741	56 285	28 921	1 322 974
Unemployment insurance	708	2 125	2 125	2 125	2 125	2 125	1 417	1 948	2 125	354	17 177
	<b>1 346 362</b>	<b>1 878 385</b>	<b>1 876 515</b>	<b>2 194 302</b>	<b>1 876 515</b>	<b>1 880 824</b>	<b>1 442 550</b>	<b>2 264 829</b>	<b>1 876 516</b>	<b>267 767</b>	<b>16 904 565</b>

##### Group - 2021

	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	Total
Basic salary	1 522 677	1 121 398	1 219 514	1 219 514	1 219 514	1 218 628	1 219 514	1 219 514	1 219 514	11 179 787
Allowances	546 405	704 066	452 249	452 249	429 735	404 370	452 250	395 248	598 592	4 435 164
Medical	21 290	48 928	-	-	-	48 928	-	57 001	-	176 147
Pension	253 006	-	202 627	202 627	225 141	202 467	202 627	202 627	56 285	1 547 407
Unemployment insurance	1 813	1 813	1 813	1 813	1 813	1 813	1 813	1 813	1 813	16 317
	<b>2 345 191</b>	<b>1 876 205</b>	<b>1 876 203</b>	<b>1 876 203</b>	<b>1 876 203</b>	<b>1 876 206</b>	<b>1 876 204</b>	<b>1 876 203</b>	<b>1 876 204</b>	<b>17 354 822</b>



# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand

### 36. Employee related cost (continued)

#### Company - 2022

	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	468 348	1 120 579	1 219 514	1 305 506	1 219 514	1 217 210	965 239	1 574 448	1 219 514	160 673	10 470 545
Bonuses	58 544	-	-	-	-	-	-	-	-	-	58 544
Service-related benefits	545 075	-	-	231 795	-	-	39 309	81 952	-	-	898 131
Allowances	182 131	704 543	452 249	452 249	429 735	408 107	301 500	368 231	598 592	77 819	3 975 156
Medical	7 253	51 138	-	-	-	51 138	-	52 509	-	-	162 038
Pension	84 303	-	202 627	202 627	225 141	202 244	135 085	185 741	56 285	28 921	1 322 974
Unemployment insurance	708	2 125	2 125	2 125	2 125	2 125	1 417	1 948	2 125	354	17 177
	<b>1 346 362</b>	<b>1 878 385</b>	<b>1 876 515</b>	<b>2 194 302</b>	<b>1 876 515</b>	<b>1 880 824</b>	<b>1 442 550</b>	<b>2 264 829</b>	<b>1 876 516</b>	<b>267 767</b>	<b>16 904 565</b>

#### Company - 2021

	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	Total
Basic salary	1 522 677	1 121 398	1 219 514	1 219 514	1 219 514	1 218 628	1 219 514	1 219 514	1 219 514	11 179 787
Allowances	546 405	704 066	452 249	452 249	429 735	404 370	452 250	395 248	598 592	4 435 164
Medical	21 290	48 928	-	-	-	48 928	-	57 001	-	176 147
Pension	253 006	-	202 627	202 627	225 141	202 467	202 627	202 627	56 285	1 547 407
Unemployment insurance	1 813	1 813	1 813	1 813	1 813	1 813	1 813	1 813	1 813	16 317
	<b>2 345 191</b>	<b>1 876 205</b>	<b>1 876 203</b>	<b>1 876 203</b>	<b>1 876 203</b>	<b>1 876 206</b>	<b>1 876 204</b>	<b>1 876 203</b>	<b>1 876 204</b>	<b>17 354 822</b>

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021

### 36. Employee related cost (continued)

#### Additional information on acting allowances (2022)

Where other officials acted in the Executive Director positions and was remunerated accordingly, only the additional remuneration for acting in that position is disclosed. These acting positions are as follows:

1. Included in the allowances for the Municipal Manager salary is an amount of R217 885 for acting allowance. The acting allowance was paid to Director: Community Services for the period 20 September 2021 to 30 June 2022 (9 months) in which he acted.
2. Included in the allowances for the Director: Transportation Services' salary is an amount of R39 308 for acting allowance. The acting allowance was paid to Manager: Public Transport Regulations for the period 1 March 2022 to 30 June 2022 (4 months) in which he acted.
3. Included in the allowances for the Director: Water and Sanitation's salary is an amount of R81 952 for acting allowance. The acting allowance was paid to Assistant Manager: Water and Sanitation for the period 6 January 2022 to 30 June 2022 (6 months) in which he acted

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021
<b>36. Employee related cost (continued)</b>				
<b>36.2 Municipal staff costs</b>				
Basic salary	566 512 863	552 103 560	559 305 772	545 476 753
Bonuses	383 745	370 768	-	-
Service-related benefits	186 115 191	181 614 848	186 097 924	181 613 655
Allowances	68 654 628	57 982 352	68 080 063	57 416 787
Bargaining council	242 743	234 164	241 898	233 329
Group life insurance	-	39	-	39
Medical	42 760 595	40 007 768	42 356 459	39 627 377
Pension	106 483 732	102 994 838	105 513 470	102 225 276
Post-retirement benefit: Medical	31 391 000	14 377 954	31 391 000	14 377 954
Post-retirement benefit: Pension	12 063 000	10 728 512	12 063 000	10 728 512
Leave pay provision expense	145 155	254 299	-	-
Unemployment insurance	4 850 132	4 192 344	4 796 207	4 145 812
<b>Total</b>	<b>1 019 602 784</b>	<b>964 861 446</b>	<b>1 009 845 793</b>	<b>955 845 494</b>
<b>37. Remuneration of councillors</b>				
Executive mayor	37.1	994 203	1 091 397	994 203
Chief whip	37.2	814 510	829 647	814 510
Speaker	37.3	860 276	881 998	860 276
Executive committee	37.4	5 682 943	6 266 275	5 682 943
All other councillors	37.5	30 997 557	29 623 139	30 997 557
<b>Total</b>		<b>39 349 489</b>	<b>38 692 456</b>	<b>39 349 489</b>
<b>37.1 Executive mayor</b>				
Basic salary		749 313	730 266	749 313
Cell phone allowance		38 216	44 400	38 216
In-kind benefits		3 372	-	3 372
Motor vehicle allowance		12 400	120 000	12 400
Medical aid benefits		83 507	87 148	83 507
Pension fund contributions		107 395	109 583	107 395
<b>Total</b>		<b>994 203</b>	<b>1 091 397</b>	<b>994 203</b>
<b>37.2 Chief whip</b>				
Basic salary		494 225	483 838	494 225
Cell phone allowance		40 800	44 400	40 800
In-kind benefits		3 600	-	3 600
Motor vehicle allowance		193 143	196 312	193 143
Pension fund contributions		71 673	72 593	71 673
Medical aid benefits		11 069	32 504	11 069
<b>Total</b>		<b>814 510</b>	<b>829 647</b>	<b>814 510</b>
<b>37.3 Speaker</b>				
Basic salary		536 102	546 259	536 102
Cell phone allowance		40 800	44 400	40 800
In-kind benefits		3 600	-	3 600
Motor vehicle allowance		114 712	122 150	114 712
Travelling allowance		87 250	87 250	87 250

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021
<b>37. Remuneration of councillors (continued)</b>				
Pension fund contributions	77 812	81 939	77 812	81 939
<b>Total</b>	<b>860 276</b>	<b>881 998</b>	<b>860 276</b>	<b>881 998</b>
<b>37.4 Executive committee</b>				
Basic salary	3 632 464	3 614 839	3 632 464	3 614 839
Cell phone allowance	383 901	429 200	383 901	429 200
In-kind benefits	33 874	-	33 874	-
Motor vehicle allowance	964 822	1 450 363	964 822	1 450 363
Medial aid benefits	137 988	229 678	137 988	229 678
Pension fund contributions	529 894	542 195	529 894	542 195
<b>Total</b>	<b>5 682 943</b>	<b>6 266 275</b>	<b>5 682 943</b>	<b>6 266 275</b>
<b>37.5 All other councillors</b>				
Basic salary	20 363 813	17 110 473	20 363 813	17 110 473
Cell phone allowance	3 323 432	3 565 986	3 323 432	3 565 986
In-kind benefits	278 844	-	278 844	-
Motor vehicle allowance	4 191 104	6 003 577	4 191 104	6 003 577
Medial aid benefits	161 008	361 507	161 008	361 507
Pension fund contributions	2 679 356	2 581 596	2 679 356	2 581 596
<b>Total</b>	<b>30 997 557</b>	<b>29 623 139</b>	<b>30 997 557</b>	<b>29 623 139</b>
<b>38. Bad debts</b>				
Contributions to provisions for consumer debtors	86 883 824	102 224 210	86 883 824	102 224 210
Contributions to provisions for traffic fines	57 933 331	33 028 495	57 933 331	33 028 495
Bad debts written off	61 450 916	27 226 128	54 725 389	18 867 306
	<b>206 268 071</b>	<b>162 478 833</b>	<b>199 542 544</b>	<b>154 120 011</b>
<b>39. Depreciation and amortisation</b>				
<b>Amortisation</b>				
Intangible assets	13.1	5 358 653	4 432 609	5 350 221
<b>Depreciation</b>				
Property, plant and equipment	10	761 664 553	888 390 736	756 543 255
<b>Total</b>		<b>767 023 206</b>	<b>892 823 345</b>	<b>761 893 476</b>
<b>40. Interest, dividends and rent on land</b>				
Interest	40.1	59 778 378	61 770 412	59 778 378
<b>40.1 Interest cost</b>				
Financial liabilities				
• Government loans		44 848 077	48 317 311	44 848 077
Finance leases		4 614 223	4 920 877	4 614 223
Interest costs non-current provisions	22	9 871 285	8 532 224	9 871 285
Overdue accounts	18.6	444 793	-	444 793

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021
<b>40. Interest, dividends and rent on land (continued)</b>				
<b>Total</b>	<b>59 778 378</b>	<b>61 770 412</b>	<b>59 778 378</b>	<b>61 770 412</b>
<b>41. Bulk Purchases</b>				
Electricity: Eskom	878 180 154	765 100 660	878 180 154	765 100 660
<b>41.1 Electricity losses</b>				
<b>Group</b>				
	2022		2021	
	KHW	Amount	KHW	Amount
Units purchased	668 657 351	878 180 154	687 055 834	765 100 663
Units sold	(589 772 140)	(774 576 377)	(594 746 180)	(662 305 265)
<b>Total loss</b>	<b>78 885 211</b>	<b>103 603 777</b>	<b>92 309 654</b>	<b>102 795 398</b>
<b>Percentage loss:</b>				
Distribution loss	11.80 %	11.80 %	13.00 %	13.00 %
<b>Company</b>				
	2022		2021	
	KHW	Amount	KHW	Amount
Units purchased	668 657 351	878 180 154	687 055 834	765 100 663
Units sold	(589 772 140)	(774 576 377)	(594 746 180)	(662 305 265)
<b>Total loss</b>	<b>78 885 211</b>	<b>103 603 777</b>	<b>92 309 654</b>	<b>102 795 398</b>
<b>Percentage loss:</b>				
Distribution loss	11.80 %	11.80 %	13.00 %	13.00 %
<b>41.2 Water losses</b>				
<b>Group</b>				
	2022		2021	
	KL	Amount	KL	Amount
Units purchased	38 428 075	258 824 195	30 733 900	166 905 812
Units sold	(25 501 492)	(171 829 242)	(22 729 508)	(123 444 226)
<b>Total loss</b>	<b>12 926 583</b>	<b>86 994 953</b>	<b>8 004 392</b>	<b>43 461 586</b>
<b>Percentage loss:</b>				
Distribution losses	34.00 %	34.00 %	18.00 %	18.00 %

# Polokwane Municipality

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## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021
<b>41. Bulk Purchases (continued)</b>				
<b>Company</b>				
	2022		2021	
	KL	Amount	KL	Amount
Units purchased	38 428 075	258 824 195	30 733 900	166 905 812
Units sold	(25 501 492)	(171 829 242)	(22 729 508)	(123 444 226)
<b>Total loss</b>	<b>12 926 583</b>	<b>86 994 953</b>	<b>8 004 392</b>	<b>43 461 586</b>
<b>Percentage loss:</b>				
Distribution losses	34.00 %	34.00 %	18.00 %	18.00 %
<b>42. Inventory consumed</b>				
Consumables	6 159 584	4 554 565	6 159 584	4 554 565
Materials and supplies	59 535 981	65 805 838	59 535 981	65 805 838
Water	275 351 253	226 547 732	275 351 253	226 547 732
<b>Total</b>	<b>341 046 818</b>	<b>296 908 135</b>	<b>341 046 818</b>	<b>296 908 135</b>
<b>42.1 Inventory adjustments</b>				
Inventory	(29 116 710)	(13 377 561)	(29 116 710)	(13 377 561)
<b>43. Contracted services</b>				
Consultants and professional services	43.1	334 718 268	244 994 379	334 716 777
Contractors	43.2	269 272 577	174 501 762	269 066 119
Outsourced services	43.3	345 694 721	354 879 478	345 409 394
<b>Total</b>		<b>949 685 566</b>	<b>774 375 619</b>	<b>949 192 290</b>
<b>43.1 Consultants and professional services</b>				
<b>Business advisory services</b>				
Accounting and auditing		20 624 786	24 022 411	20 624 786
Audit committee		810 142	925 868	810 142
Business and financial management		50 334 233	67 205 560	50 334 233
Commissions and committees		208 562	148 838	208 562
Communications		6 885 069	9 004 683	6 885 069
Credit rating agencies		1 491	-	-
Project management		39 960 119	35 276 589	39 960 119
Quality control		2 346 089	425 194	2 346 089
Research and advisory		3 911 332	3 974 830	3 974 830
<b>Total business advisory services</b>		<b>125 081 823</b>	<b>140 983 973</b>	<b>125 080 332</b>
<b>Legal services</b>				
Legal advice and litigation		28 283 390	24 922 080	28 283 390
<b>Engineering services</b>				
Civil engineering		181 066 025	73 012 190	181 066 025
<b>Infrastructure and planning services</b>				
Town planner infrastructure and planning		287 030	6 076 136	287 030
<b>Total consultants and professional services</b>		<b>334 718 268</b>	<b>244 994 379</b>	<b>334 716 777</b>

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## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021
<b>43. Contracted services (continued)</b>				
<b>43.2 Contractors</b>				
<b>General services</b>				
Electrical	19 473 745	25 940 952	19 473 745	25 940 952
Employee wellness	438 903	425 979	438 903	425 979
Event promoters	475 516	199 007	475 516	199 007
Fire protection	3 269 900	893 474	3 269 900	893 474
First aid	1 026 674	-	1 026 674	-
Forestry	13 600	12 315	13 600	12 315
Gardening services	2 027 452	2 057 741	2 025 472	2 057 741
Grading of sport fields	1 502 266	78 887	1 502 266	78 887
Management of informal settlements	16 425	134 722	16 425	134 722
Safeguard and security	10 668 642	6 122 743	10 668 642	6 122 743
Sewerage services	16 444 190	41 815 902	16 444 190	41 815 902
Transportation	26 297 436	17 022 196	26 297 436	17 022 196
<b>Total general services</b>	<b>81 654 749</b>	<b>94 703 918</b>	<b>81 652 769</b>	<b>94 703 918</b>
<b>Maintenance services</b>				
Maintenance of buildings and facilities	53 843 694	49 371 531	53 639 216	49 134 272
Maintenance of equipment	43 404 965	18 893 099	43 404 965	18 893 099
Maintenance of other assets	90 369 169	11 533 214	90 369 169	11 533 214
<b>Total maintenance service</b>	<b>187 617 828</b>	<b>79 797 844</b>	<b>187 413 350</b>	<b>79 560 585</b>
<b>Total contractor</b>	<b>269 272 577</b>	<b>174 501 762</b>	<b>269 066 119</b>	<b>174 264 503</b>
<b>43.3 Outsourced services</b>				
<b>Business and advisory services</b>				
Commissions and Committees	76 194 620	54 575 955	76 194 620	54 575 955
Communications	6 966 646	7 383 579	6 966 646	7 383 579
Human Resources	391 951	310 518	391 951	310 518
Occupational Health and Safety	37 500	16 417 009	37 500	16 417 009
Valuer	643 544	3 382 405	643 544	3 382 405
<b>Total business and advisory services</b>	<b>84 234 261</b>	<b>82 069 466</b>	<b>84 234 261</b>	<b>82 069 466</b>
<b>General services</b>				
Animal Care	1 365 321	1 685 137	1 365 321	1 685 137
Burial Services	5 187 154	4 747 499	5 187 154	4 747 499
Call Centre	4 741 896	1 680 525	4 741 896	1 680 525
Catering Services	1 683 933	959 189	1 683 933	959 189
Cleaning Services	3 422 828	1 138 728	3 422 828	1 138 728
Clearing and Grass Cutting Services	2 701 521	1 961 388	2 701 521	1 961 388
Drivers Licence Cards	-	980	-	980
Hygiene Services	831 162	1 093 968	831 162	1 093 968
Internal Auditors	285 327	439 121	-	-
Meter Management	21 356 770	24 424 944	21 356 770	24 424 944
Personnel and Labour	48 200 878	36 375 761	48 200 878	36 375 761
Refuse Removal	69 015 877	62 483 519	69 015 877	62 483 519
Translators, Scribes and Editors	70 754	14 770	70 754	14 770
Transport Services	36 428 296	33 095 873	36 428 296	33 095 873
Water Tankers	-	48 378 077	-	48 378 077
<b>Total general services</b>	<b>195 291 717</b>	<b>218 479 479</b>	<b>195 006 390</b>	<b>218 040 358</b>
<b>Trading services</b>				
Connection/Dis-connection: Electricity	922 417	3 759	922 417	3 759
Security Services	65 246 326	54 326 774	65 246 326	54 326 774
<b>Total trading services</b>	<b>66 168 743</b>	<b>54 330 533</b>	<b>66 168 743</b>	<b>54 330 533</b>

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company		
	2022	2021	2022	2021	
<b>43. Contracted services (continued)</b>					
<b>Total outsourced services</b>	<b>345 694 721</b>	<b>354 879 478</b>	<b>345 409 394</b>	<b>354 440 357</b>	
<b>44. Transfers and subsidies - Expenditure</b>					
<b>Operational</b>					
Monetary allocations	44.1	440 000	480 000	45 240 000	66 558 354
<b>Capital</b>					
Allocations in-kind		-	61 152 761	-	61 152 761
<b>Total</b>		<b>440 000</b>	<b>61 632 761</b>	<b>45 240 000</b>	<b>127 711 115</b>
<b>44.1 Monetary allocations: Operational</b>					
Municipal Entities		-	-	44 800 000	66 078 354
Non-profit institutions		440 000	480 000	440 000	480 000
<b>Total</b>		<b>440 000</b>	<b>480 000</b>	<b>45 240 000</b>	<b>66 558 354</b>
<b>45. Operational cost</b>					
Advertising, Publicity and Marketing		10 284 894	8 728 513	10 272 490	8 720 574
Bank Charges, Facility and Card Fees		4 583 592	4 049 025	4 547 772	4 006 902
Bursaries (Employees)		1 036 192	996 138	1 036 192	996 138
Commission		(847 123)	-	(847 123)	-
Communication		19 850 075	24 136 848	19 754 462	24 015 192
Contribution to Provisions		-	771 791	-	771 791
Deeds		-	17 048	-	17 048
Drivers Licences and Permits		56 112	7 135	56 112	7 135
Entrance Fees		45 160	25 085	45 160	25 085
External Audit Fees		16 219 155	14 911 045	15 140 226	13 839 086
External Computer Service		8 180 152	9 488 165	8 180 152	9 474 361
Firearm Handling Fees		-	192 000	-	192 000
Hire Charges		8 800 397	5 468 112	8 800 397	5 468 112
Legal fees		2 718 643	1 472 711	-	-
Indigent Relief		15 775 531	16 049 068	15 775 531	16 049 068
Insurance Underwriting		24 226 709	19 537 792	24 024 486	19 325 094
Learnerships and Internships		7 977 646	7 697 433	7 977 646	7 697 433
Licences		5 325	4 915	5 325	4 915
Management Fee		60 865	3 728 761	60 865	3 728 761
Municipal Services		23 187 159	19 693 188	23 187 159	19 693 188
Staff welfare		-	1 780	-	-
Printing, Publications and Books		394 299	35 927	335 452	-
Professional Bodies, Membership and Subscription		10 354 798	9 590 040	10 316 698	9 551 940
Registration Fees		4 341 017	1 211 792	4 276 246	1 159 322
Remuneration to Ward Committees		69 239	2 758 625	69 239	2 758 625
Signage		2 200 901	1 193 950	2 200 901	1 193 950
Skills Development Fund Levy		11 908 925	11 990 293	11 825 826	11 941 886
System Access and Information Fees		1 065 571	1 227 049	987 652	573 501
Toll Gate Fees		36 972	42 932	36 972	14 182
Travel Agency and Visa's		2 752 250	1 954 965	2 752 250	1 954 965
Travel and Subsistence		424 654	230 843	353 052	178 872
Uniform and Protective Clothing		17 354 977	11 800 946	17 329 936	11 781 286
Security services		2 103 946	2 245 800	-	-
Wet Fuel		50 548 984	41 908 455	50 548 984	41 908 455
<b>Total</b>		<b>245 717 017</b>	<b>223 168 170</b>	<b>239 050 060</b>	<b>217 048 867</b>



# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company		
	2022	2021	2022	2021	
<b>46. Gain/(Loss) on disposal of fixed and intangible assets</b>					
Gains/(losses) on disposals	46.1	(69 947 563)	(732 783)	(69 947 563)	(724 757)
<b>46.1 Gains/(losses) on disposals</b>					
Investment property		(64 974 879)	-	(64 974 879)	-
Property, plant and equipment		(4 972 684)	(732 783)	(4 972 684)	(724 757)
<b>Total</b>		<b>(69 947 563)</b>	<b>(732 783)</b>	<b>(69 947 563)</b>	<b>(724 757)</b>
<b>47. Fair value adjustment</b>					
Biological assets		5 844 163	-	5 844 163	-
Investment property		(92 042 603)	40 332 936	(92 042 603)	40 332 936
Living resources		1 489 293	-	1 489 293	-
Actuarial Assessments		68 834 102	-	68 834 102	-
		<b>(15 875 045)</b>	<b>40 332 936</b>	<b>(15 875 045)</b>	<b>40 332 936</b>
<b>48. Inventory (write down)</b>					
Inventory		(29 116 710)	(13 377 561)	(29 116 710)	(13 377 561)
<b>49. Impairment losses on financial assets</b>					
<b>Impairment loss / reversal of impairment</b>					
Property, plant and equipment	10	18 550 502	4 575 522	18 534 834	4 575 522
<b>50. Auditors remuneration</b>					
External Audit Fees		16 219 155	14 911 045	15 140 226	13 839 086
<b>51. Net cash from/(used) operating activities</b>					
(Deficit) surplus after capital transfers and contributions		(203 263 835)	206 875 630	(222 152 111)	106 062 869
<b>Adjustments for:</b>					
Depreciation and amortisation		767 023 206	892 823 345	761 893 476	887 679 408
Bad debts written off		206 268 071	162 478 833	199 542 544	154 120 011
(Gains) / Losses on disposal of assets		69 947 563	732 783	69 947 563	724 757
Fair value adjustment		25 746 330	(40 332 936)	25 746 330	(40 332 936)
Impairment loss		18 550 502	4 575 522	18 534 834	4 575 522
Inventory losses		29 116 710	13 377 561	29 116 710	13 377 561
Capital assets donated		-	(5 634 278)	-	(5 634 278)
<b>Movement in working capital</b>					
(Increase) / Decrease in receivables		(423 465 185)	(259 043 516)	(433 566 039)	(235 719 704)
(Increase) / Decrease in inventory		22 522 675	(32 560 658)	22 522 675	(32 560 658)
Increase / (Decrease) in Provisions		23 115 641	27 033 804	23 058 468	26 845 338
Increase / (Decrease) in VAT		36 064 243	39 535 313	36 064 243	39 535 313
Increase / (Decrease) in trade and other payables		6 410 911	(143 049 135)	7 805 034	(161 085 996)
Increase / (Decrease) in unspent conditional grants and receipts trade and other payable non-exchange transactions		75 270 628	(67 371 406)	75 270 628	(67 379 715)
<b>Net cash flows from operating activities</b>		<b>653 307 460</b>	<b>799 440 862</b>	<b>613 784 355</b>	<b>690 207 492</b>

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Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company		
	2022	2021	2022	2021	
<b>52. Financial instruments</b>					
<b>52.1 Fair value of financial instruments</b>					
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 consolidated 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 follow:					
<b>Group</b>					
<b>Financial assets</b>					
<b>Amortised cost</b>					
Non-current receivables from exchange transactions	15	144 352	144 352	144 352	144 352
Trade and other receivables from exchange transactions	4	779 871 516	779 871 516	631 730 268	631 730 268
Other receivables from exchange transactions	15	51 760 036	51 760 036	45 782 575	45 782 575
Receivables from non exchange transactions		311 661 831	311 661 831	234 894 556	234 894 556
VAT receivable		-	-	21 935 585	21 935 585
Cash and cash equivalents	3	235 040 446	235 040 446	303 000 968	303 000 968
		<b>1 378 478 181</b>	<b>1 378 478 181</b>	<b>1 237 488 304</b>	<b>1 237 488 304</b>
<b>Financial liabilities</b>					
<b>Amortised cost</b>					
<b>Unsecured bank facilities:</b>					
Financial liabilities		387 498 162	387 498 162	417 702 172	417 702 172
<b>Trade and other payables:</b>					
Consumer deposits	17	67 555 872	67 555 872	68 065 848	68 065 848
Trade and other payables from exchange transactions	18	785 951 493	785 951 493	847 876 821	847 876 821
Current portion of financial liabilities		30 843 948	30 843 948	29 740 364	29 740 364
VAT payable		17 096 775	17 096 775	-	-
		<b>901 448 088</b>	<b>901 448 088</b>	<b>945 683 033</b>	<b>945 683 033</b>
<b>Total financial liabilities</b>		<b>1 288 946 250</b>	<b>1 288 946 250</b>	<b>1 363 385 205</b>	<b>1 363 385 205</b>
<b>Total financial instruments</b>		<b>89 531 931</b>	<b>89 531 931</b>	<b>(125 896 901)</b>	<b>(125 896 901)</b>

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021
<b>52. Financial instruments (continued)</b>				
<b>Company</b>				
	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
<b>Amortised cost</b>				
Non-current receivables from exchange transactions	15	144 352	144 352	144 352
Trade and other receivables from exchange transactions	4	779 871 516	779 871 516	631 730 268
Other receivables from exchange transactions	15	62 529 284	62 529 284	44 970 141
Receivables from non exchange transactions		306 457 867	306 457 867	229 815 734
Cash and cash equivalents	3	232 670 007	232 670 007	301 154 768
VAT receivable		-	-	21 935 585
Investment in associate		1 000	1 000	1 000
		<b>1 381 674 026</b>	<b>1 381 674 026</b>	<b>1 229 751 848</b>
				<b>1 229 751 848</b>
<b>Financial liabilities</b>				
<b>Amortised cost</b>				
<b>Unsecured bank facilities:</b>				
Financial liabilities		387 498 162	387 498 162	417 702 172
<b>Trade and other payables:</b>				
Consumer deposits	17	67 555 872	67 555 872	68 065 848
Trade and other payables from exchange transactions	18	827 391 377	827 391 377	831 356 317
Current portion of financial liabilities		30 843 948	30 843 948	29 740 364
VAT payable		17 096 775	17 096 775	-
		<b>942 887 972</b>	<b>942 887 972</b>	<b>929 162 529</b>
				<b>929 162 529</b>
<b>Total financial liabilities</b>		<b>1 330 386 134</b>	<b>1 330 386 134</b>	<b>1 346 864 701</b>
<b>Total financial instruments</b>		<b>51 287 892</b>	<b>51 287 892</b>	<b>(117 112 853)</b>

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.

### 52.2 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.

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021

### 52. Financial instruments (continued)

#### Company - 30 June 2022

	Within 1 year	2 to 5 years	5 years +	Total
<b>Maturity analysis</b>				
Borrowings - capital repayments	22 587 835	156 627 917	216 148 985	395 364 737
Borrowings - interest	42 336 217	179 382 555	60 572 888	282 291 660
Trade and other payables	785 951 493	-	-	785 951 493
Finance lease - capital repayments - vehicles	3 532 237	13 058 100	-	16 590 337
Finance lease - capital repayments - cellphones	3 135 425	213 122	-	3 348 547
Finance lease - capital repayments - photocopiers	1 588 450	1 450 049	-	3 038 499
Finance lease - interest - vehicles	2 941 086	212 962	-	3 154 048
Finance lease - interest - cellphones	157 804	9 638	-	167 442
Finance lease - interest - photocopiers	232 355	67 288	-	299 643
	<b>862 462 902</b>	<b>351 021 631</b>	<b>276 721 873</b>	<b>1 490 206 406</b>

#### Company - 30 June 2021

	Within 1 year	2 to 5 years	5 years +	Total
<b>Maturity analysis</b>				
Borrowings - capital repayments	20 076 910	99 992 563	295 372 167	415 441 640
Borrowings - interest	44 847 142	153 163 648	117 737 804	315 748 594
Trade and other payables	847 876 821	-	-	847 876 821
Finance lease - capital repayments - vehicles	2 908 985	16 590 336	-	19 499 321
Finance lease - capital repayments - cellphones	5 268 051	2 757 142	-	8 025 193
Finance lease - capital repayments - photocopiers	1 437 884	3 038 499	-	4 476 383
Finance lease - interest - vehicles	3 564 338	3 154 049	-	6 718 387
Finance lease - interest - cellphones	676 848	105 366	-	782 214
Finance lease - interest - photocopiers	382 920	299 643	-	682 563
	<b>927 039 899</b>	<b>279 101 246</b>	<b>413 109 971</b>	<b>1 619 251 116</b>

### 52.3 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.

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 6 to the audited consolidated 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 audited 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 follow:

# Polokwane Municipality

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Figures in Rand	Group		Company		
	2022	2021	2022	2021	
<b>52. Financial instruments (continued)</b>					
Long-term receivables	15	63 324 503	45 926 926	62 673 636	45 114 493
Trade and other receivables from exchange transactions	4	779 871 516	631 730 268	779 871 516	631 730 268
Bank and cash balances	3	235 040 446	303 000 968	232 670 007	301 154 768
<b>Maximum credit and interest risk exposure</b>		<b>1 078 236 465</b>	<b>980 658 162</b>	<b>1 075 215 159</b>	<b>977 999 529</b>

### 53. Contingent assets and liabilities

Contingent liabilities		259 596 972	225 439 301	259 596 972	225 439 301
Contingent assets		16 883 229	13 430 229	3 453 000	-

The above legal matters are ongoing and have not yet been finalised.

Refer to Annexure G for the contingent assets & liabilities register.

### 54. Unauthorised, irregular, fruitless and wasteful expenditure

#### 54.1 Unauthorised expenditure

Opening balance as previously reported		1 152 224 580	536 551 764	1 152 224 580	536 551 764
Add: Unauthorised expenditure – current		539 098 503	614 252 938	539 098 503	614 252 938
Add: Unauthorised expenditure - prior period as identified during audit		-	1 419 878	-	1 419 878
Less: Amounts written-off – prior period		(22 191 145)	-	(22 191 145)	-
<b>Closing balance</b>		<b>1 669 131 938</b>	<b>1 152 224 580</b>	<b>1 669 131 938</b>	<b>1 152 224 580</b>

#### Current year unauthorised expenditure analysed as follows: non-cash

Depreciation and amortisation		511 893 476	614 252 938	511 893 476	614 252 938
Interest on landfill site		6 500 022	-	6 500 022	-
Bad debts written off		4 219 800	-	4 219 800	-
Inventory consumed		16 485 205	-	16 485 205	-
		<b>539 098 503</b>	<b>614 252 938</b>	<b>539 098 503</b>	<b>614 252 938</b>

#### Current year unauthorised expenditure analysed as follows: cash items

Medical expenditure for residents		-	1 419 878	-	1 419 878
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The write off of R22 191 145 related to the unauthorised expenditure incurred in the financial year 2016/17. The write off was approved in Council Resolution number CR/65/10/21.

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021

### 54. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

#### 54.2 Irregular expenditure

Opening balance as previously reported	649 697 036	499 971 593	628 537 926	480 705 281
Correction of prior period error	-	26 048 946	-	26 048 946
<b>Opening balance as restated</b>	<b>649 697 036</b>	<b>526 020 539</b>	<b>628 537 926</b>	<b>506 754 227</b>
Add: Irregular expenditure - current	89 762 828	74 827 402	89 762 828	72 934 604
Add: Irregular expenditure incurred in the prior year but identified in the current year	-	23 133 991	-	23 133 991
Add: Irregular expenditure – prior period	-	25 715 104	-	25 715 104
<b>Closing balance</b>	<b>739 459 864</b>	<b>649 697 036</b>	<b>718 300 754</b>	<b>628 537 926</b>

Included in the opening balance is an amount of R7 101 865 from the former Aganang municipality.

#### 54.3 Fruitless and wasteful expenditure

Opening balance as previously reported	1 693 527	512 108	1 199 127	17 708
Add: Fruitless and wasteful expenditure – current	17 125 046	-	17 125 046	-
Add: Fruitless and wasteful expenditure expenditure – prior period	-	1 181 419	-	1 181 419
Less: Amount recoverable – current	(1 199 127)	-	(1 199 127)	-
<b>Closing balance</b>	<b>17 619 446</b>	<b>1 693 527</b>	<b>17 125 046</b>	<b>1 199 127</b>
Incident				
Interest due to late payments	444 793	17 708	444 793	17 708
Prepayments for goods not delivered	16 680 253	-	16 680 253	-
<b>Total</b>	<b>17 125 046</b>	<b>17 708</b>	<b>17 125 046</b>	<b>17 708</b>

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021
<b>55. Commitments</b>				
<b>Authorised capital expenditure</b>				
<b>Already contracted for but not provided for</b>				
• Infrastructure	705 502 041	869 108 992	705 502 041	869 108 992
• Property, plant and equipment	4 784 581	28 920 632	-	-
• Other	25 111 380	59 162 747	25 111 380	59 162 747
• Prior period correction: other	-	(33 504 178)	-	(33 504 178)
	<b>735 398 002</b>	<b>923 688 193</b>	<b>730 613 421</b>	<b>894 767 561</b>
<b>Total capital commitments</b>				
Already contracted for but not provided for	735 398 002	923 688 193	730 613 421	894 767 561
<b>Authorised operational expenditure</b>				
<b>Already contracted for but not provided for</b>				
• Contract amount balance	6 031 314	6 311 840	-	-
• Expenditure to date	(2 103 946)	(280 526)	-	-
	<b>3 927 368</b>	<b>6 031 314</b>	-	-
<b>Total operational commitments</b>				
Already contracted for but not provided for	3 927 368	6 031 314	-	-
<b>Total commitments</b>				
<b>Total commitments</b>				
Authorised capital expenditure	735 398 002	923 688 193	730 613 421	894 767 561
Authorised operational expenditure	3 927 368	6 031 314	-	-
	<b>739 325 370</b>	<b>929 719 507</b>	<b>730 613 421</b>	<b>894 767 561</b>

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021

### 56. Related party disclosures

#### 56.1 Nature of related party relationships

Related party	Nature of relationship
Accounting officer	Refer to accounting officer's report
Ultimate holding company	Polokwane Local Municipality
Company	Polokwane Local Municipality
Controlled entities	Polokwane Housing Association. Refer to related party transactions note below and note
Members of key management	Refer to Note 35 for remuneration. Refer to General Information page for councillors names. The remuneration to councillors have been included in this note.

#### 56.2 Related party transactions

Compensation to councillors - Payments to councillors are for allowances as gazetted. Refer to Note 36 for remuneration of councillors.

Controlled entities - the municipality has exempted PHA from paying rates though utilities are still payable.

#### Polokwane Housing Association

Grants	-	-	44 800 000	66 078 354
Accounting fees paid on behalf of PHA	-	-	996 405	582 417
	-	-	<b>45 796 405</b>	<b>66 660 771</b>

#### 56.3 Related party balances

##### Controlled entities

##### Commitments

Polokwane Housing Association (Social Housing Project)	-	-	-	24 150 000
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The commitment has been fully paid. Therefore, no commitment balance as at 30 June 2022.

No guarantees were given or received.

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

### 57. Deviations from SCM regulations - SCM Regulation 36

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

Deviations rand value	12 642 387	8 601 718	12 642 387	8 601 718
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# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021

### 58. Budget information

#### Explanation of variances between approved and final budget amounts

The reason for the variances between the approved and final budgets are mainly due to reallocations made within the approved budget parameters allowed for by the Virement Policy of Polokwane Municipality as approved by Council.

Explanation of variances greater than 10%: Final Budget and Actual Amounts.

N1 - The variance is below 10% and hence immaterial.

N2 - The underperformance is attributable to the use of alternative energy. Loadshedding, illegal consumption and terminated services due to credit control enforcement.

N3 - The overperformance is attributable to Mankweng flat rate charges levied on the system and non-qualifying indigent rebates reinstated due to customers not submitting all required documents for consideration.

N4 - The overperformance is attributable to Mankweng flat rate charges levied on the system and non-qualifying indigent rebates reinstated due to customers not submitting all required documents for consideration.

N5 - Rental of facility anticipated revenue increase is attributable to the revenue from straight lining as required by GRAP standards and the fact that lockdown restrictions were relaxed thereby allowing the customers to use the municipal facilities for events.

N6 - Low interest rates offered by banks compared to the prior period in line with SARB repo rate.

N7 - Underperformance of interest earned from outstanding debtors is attributable to the fact that the rate at which the debt was expected to increase went down. Payments of arrears improved. Interest reversed for Mankweng estimations as actual flat rate was levied on the system.

N8 - This stream of revenue increased due to increases in fines issued to offenders for the year under review.

N9 - The variance of agency fees is attributable to the fact that the municipality was still on lockdown at the beginning of the financial year. Covid Regulations imposed restrictions that affected the municipality's licensing operations resulting in low revenue raised.

N10 - Other revenue underperformance is attributable to the sale of stands which did not happen including building approval which the customers did not submit.

N11 - Due to reassessment of the useful lives and revaluation of infrastructure assets.

N12 - Attributable to landfill interest costs.

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021
<b>59. Principal-agent arrangements</b>				
<b>59.1 Group acting as the agent</b>				
Revenue recognised as compensation for the transactions carried out on behalf of the principal	22 640 956	20 889 121	22 640 956	20 889 121
Revenue received or to be received on behalf of the principal	104 154 444	83 363 394	104 154 444	83 363 394
<b>Payables held on behalf of the principal</b>				
Total collected	126 795 400	104 252 515	126 795 400	104 252 515
Paid over to the principal	(104 154 444)	(83 363 394)	(104 154 444)	(83 363 394)
Recognised as agency revenue	(22 640 956)	(20 889 121)	(22 640 956)	(20 889 121)
<b>Closing balance</b>	-	-	-	-

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

There are no receivables held on behalf of the principal.

The municipality is a party to a principal-agent arrangement.

The municipality 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.

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021

### 60. Events after the reporting date

#### Incentive Scheme

Polokwane Municipality has implemented a debt incentive scheme to its consumers (excluding government debtors) on balances outstanding as at 30 June 2022. The incentive scheme was approved by council on the 28 October 2022 with council resolution CR/51/10/2022 and is now effective and has been made public on Polokwane Municipality website on the 25 November 2022. This is considered a non-adjusting event, and provision has already been made on the impairment.

#### Incidental Revenue

Polokwane Municipality has by Council resolution approved the recognition of incidental revenue emanating from the payment made by customers without correct references. These balances are older than three years and considered prescribed in terms of the Prescription Act. The recognition will result in reclassification of unallocated amount R36 591 123 (Payable from exchange transaction unallocated Deposit) to incidental cash surplus ( Revenue from Non exchange transaction). This is considered a non-adjusting event, and as such will be don't in the current financial year.

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021
<b>61. Additional disclosure in terms of Municipal Finance Management Act</b>				
	Group		Company	
<b>Contributions to SALGA</b>				
Current year subscription / fee	10 293 063	9 534 740	10 293 063	9 534 740
Amount paid - current year	(10 293 063)	(9 534 740)	(10 293 063)	(9 534 740)
	-	-	-	-
<b>Audit fees</b>				
Current year subscription / fee	15 931 972	14 911 045	15 140 226	13 839 086
Amount paid - current year	(14 462 457)	(14 911 045)	(13 670 711)	(13 839 086)
	<b>1 469 515</b>	-	<b>1 469 515</b>	-
<b>PAYE and UIF</b>				
Current year subscription / fee	171 669 062	163 638 167	170 131 210	162 317 318
Amount paid - current year	(171 669 062)	(163 638 167)	(170 131 210)	(162 317 318)
	-	-	-	-
<b>Pension and Medical Aid Deductions</b>				
Current year subscription / fee	232 298 113	221 726 120	230 362 542	220 654 503
Amount paid - current year	(232 298 113)	(221 726 120)	(230 362 542)	(220 654 503)
	-	-	-	-

### VAT

VAT output payables and VAT input receivables are shown in note 8.

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

VAT on a cash basis reflects a net VAT payable amount of R14 281 871 (2021: 21 748 923 receivable)

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021

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

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2022:

30 June 2022	Outstanding more than 90 days R	Total R
MA Mohlapamaswi	984	984
TPK Murwa	173 819	173 819
TA Pheedi	2 036	2 036
MD Makhafola	2 266	2 266
CM Radise	1 162	1 162
ML Segole	756	756
TP Mothiba	5 356	5 356
	<b>186 379</b>	<b>186 379</b>

30 June 2021	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
C Coetzee	-	15	15
TS Mashau	2 365	-	2 365
FA Haas	1 755	-	1 755
ME Makamela	390	-	390
TP Nkadimeng	2 487	-	2 487
MS Sathekge	1 073	-	1 073
MF Mohlabeng	520	-	520
TSP Mojapelo	2 026	620	2 646
TF Moeti	975	-	975
FJ Joubert	1 808	-	1 808
MJ Ralefatane	3 612	-	3 612
MK Teffo	1 818	-	1 818
MF Ramaphakela	2 787	3 507	6 294
	<b>21 616</b>	<b>4 142</b>	<b>25 758</b>

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

30 June 2022	Highest outstanding amount	Aging (in days)
MA Mohlapamaswi	984	90
TPK Murwa	173 819	90
TA Pheedi	2 036	90
MD Makhafola	2 266	90
CM Radise	1 162	90
ML Segole	756	90
TP Mothiba	5 356	90
	<b>186 379</b>	-

30 June 2021	Highest outstanding amount	Aging (in days)
C Coetzee	15	90
TSP Mojapelo	620	90

# Polokwane Municipality

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## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021
<b>61. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>				
MF Ramaphakela	-	-	3 507	90
	-	-	<b>4 142</b>	-

### 62. 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 KwaZulu Natal 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.

#### Segment surplus or deficit, assets and liabilities

#### By function

#### Group - 2022

	Statement of financial performance			Statement of financial position
	Total segment revenue	Total segment expenditure	Total segment surplus/ (Deficit)	Total segment capital expenditure
<b>Governance and administration</b>				
Executive and council	-	298 267 858	(298 267 858)	-
Finance and administration	2 563 603 113	944 610 904	1 618 992 209	23 583 041
Internal audit	-	11 188 881	(11 188 881)	-
<b>Community and public safety</b>				
Community and social services	1 969 290	62 928 050	(60 958 760)	9 003 959
Sport and recreation	24 525 272	245 302 079	(220 776 807)	32 437 832
Public safety	1 445 292	66 055 169	(64 609 877)	-
Housing	12 576 386	40 867 853	(28 291 467)	-
Health	-	5 202 319	(5 202 319)	-
<b>Economic and environmental services</b>				
Planning and development	212 282 538	385 189 059	(172 906 521)	2 510 342
Road transport	57 504 115	982 334 314	(924 830 199)	295 095 730
Environmental protection	300 000	26 670 941	(26 370 941)	-
<b>Trading services</b>				
Energy sources	1 226 421 678	1 052 780 662	173 641 016	54 902 077
Water management	294 134 416	578 746 284	(284 611 868)	202 056 913
Waste water management	166 196 547	21 240 351	144 956 196	99 701 215
Waste management	171 005 387	141 086 661	29 918 726	18 007 347
<b>Total</b>	<b>4 731 964 034</b>	<b>4 862 471 385</b>	<b>(130 507 351)</b>	<b>737 298 456</b>

# Polokwane Municipality

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## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021
<b>62. Segment information (continued)</b>				
<b>Group - 2021</b>				
	Statement of financial performance			Statement of financial performance
	Total segment revenue	Total segment expenditure	Total segment surplus/ (Deficit)	Total segment capital expenditure
<b>Governance and administration</b>				
Executive and council	-	256 121 169	(256 121 169)	-
Finance and administration	2 693 525 490	847 156 149	1 846 369 341	80 470 403
Internal audit	-	10 399 453	(10 399 453)	-
<b>Community and public safety</b>				
Community and social services	7 464 963	67 073 558	(59 608 595)	2 232 977
Sport and recreation	5 724 094	247 607 705	(241 883 611)	60 514 198
Public safety	1 123 692	74 303 942	(73 180 250)	-
Housing	65 586 971	44 228 183	21 358 788	-
Health	-	7 985 054	(7 985 054)	-
<b>Economic and environmental services</b>				
Planning and development	62 594 846	132 475 023	(69 880 177)	-
Road transport	58 825 324	619 599 791	(560 774 467)	250 908 728
Environmental protection	178	24 435 575	(24 435 397)	-
<b>Trading services</b>				
Energy sources	1 051 643 678	985 844 556	65 799 122	50 016 458
Water management	240 659 052	666 605 353	(425 946 301)	198 949 753
Waste water management	162 379 720	87 200 744	75 178 976	194 707 676
Waste management	136 311 956	146 775 309	(10 463 353)	2 079 121
<b>Total</b>	<b>4 485 839 964</b>	<b>4 217 811 564</b>	<b>268 028 400</b>	<b>839 879 314</b>

### Company - 2022

	Statement of financial performance			Statement of financial position
	Total segment revenue	Total segment expenditure	Total segment surplus/ (Deficit)	Total segment capital expenditure
<b>Governance and administration</b>				
Executive and council	-	343 067 858	(343 067 858)	-
Finance and administration	2 563 603 113	944 610 904	1 618 992 209	23 583 041
Internal audit	-	11 188 881	(11 188 881)	-
<b>Community and public safety</b>				
Community and social services	1 969 290	62 928 050	(60 958 760)	9 003 959
Sport and recreation	24 525 272	245 302 079	(220 776 807)	32 437 832
Public safety	1 445 292	66 055 169	(64 609 877)	-
Housing	1 075 700	11 237 045	(10 161 345)	-
Health	-	5 202 319	(5 202 319)	-
<b>Economic and environmental services</b>				
Planning and development	212 282 538	385 189 059	(172 906 521)	2 510 342
Road transport	57 504 115	982 334 314	(924 830 199)	295 095 730
Environmental protection	300 000	26 670 941	(26 370 941)	-

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## Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand	Group		Company	
	2022	2021	2022	2021
<b>62. Segment information (continued)</b>				
<b>Trading services</b>				
Energy sources	1 226 421 678	1 052 780 662	173 641 016	54 902 077
Water management	294 134 416	578 746 284	(284 611 868)	202 056 913
Waste water management	166 196 547	21 240 351	144 956 196	99 701 215
Waste management	171 005 387	141 086 661	29 918 726	18 007 347
<b>Total</b>	<b>4 720 463 348</b>	<b>4 877 640 577</b>	<b>(157 177 229)</b>	<b>737 298 456</b>

### Company - 2021

	Statement of financial performance			Statement of financial position
	Total segment revenue	Total segment expenditure	Total segment surplus/ (Deficit)	Total segment capital expenditure
<b>Governance and administration</b>				
Executive and council	-	292 964 473	(292 964 473)	-
Finance and administration	2 693 525 490	847 738 566	1 845 786 924	80 470 403
Internal audit	-	10 399 453	(10 399 453)	-
<b>Community and public safety</b>				
Community and social services	7 464 963	67 073 558	(59 608 595)	2 232 977
Sport and recreation	5 724 094	247 607 705	(241 883 611)	60 514 198
Public safety	1 123 692	74 303 942	(73 180 250)	-
Housing	1 121 800	43 150 053	(42 028 253)	-
Health	-	7 985 054	(7 985 054)	-
<b>Economic and environmental services</b>				
Planning and development	62 594 846	132 475 023	(69 880 177)	-
Road transport	58 825 324	619 599 791	(560 774 467)	250 908 728
Environmental protection	178	24 435 575	(24 435 397)	-
<b>Trading services</b>				
Energy sources	1 051 643 678	985 844 556	65 799 122	50 016 458
Water management	240 659 052	666 605 353	(425 946 301)	198 949 753
Waste water management	162 379 720	87 200 744	75 178 976	194 707 676
Waste management	136 311 956	146 775 309	(10 463 353)	2 079 121
<b>Total</b>	<b>4 421 374 793</b>	<b>4 254 159 155</b>	<b>167 215 638</b>	<b>839 879 314</b>

### 63. GRAP 3 adjustments

The following restatements and adjustments occurred which are set out below:



# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

### 63. GRAP 3 adjustments (continued)

#### 63.1 Adjustments of Statement of financial position items

##### Group - 2022

	Note	Previously reported	Correction of error	Re-classification	Restated
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	3	303 000 968	-	-	303 000 968
Receivables from exchange transactions	4	439 200 426	192 529 842	-	631 730 268
Receivables from non-exchange transactions	6	174 904 371	84 008 616	-	258 912 987
Inventories	7	169 478 150	6 200 308	-	175 678 458
Other receivables from exchange transactions	5	20 166 089	25 616 485	-	45 782 574
VAT receivable/(payable)	8	45 026 798	(23 277 875)	-	21 748 923
		<b>1 151 776 802</b>	<b>285 077 376</b>	-	<b>1 436 854 178</b>
<b>Non-current assets</b>					
Long-term receivables	15	144 352	-	-	144 352
Investment property	9	715 040 632	417 935 479	-	1 132 976 111
Property, plant and equipment	10	16 497 182 834	(3 288 456 875)	-	13 208 725 959
Biological assets	11	9 028 200	-	-	9 028 200
Heritage assets	12	21 899 818	-	-	21 899 818
Intangible assets	13	170 360 576	25 179 286	-	195 539 862
Living resources	16	4 450 352	-	-	4 450 352
		<b>17 418 106 764</b>	<b>(2 845 342 110)</b>	-	<b>14 572 764 654</b>
<b>Total assets</b>		<b>18 569 883 566</b>	<b>(2 560 264 734)</b>	-	<b>16 009 618 832</b>
<b>Net assets and liabilities</b>					
<b>Current liabilities</b>					
Borrowings	20	20 076 910	-	-	20 076 910
Lease liabilities	21	9 663 454	-	-	9 663 454
Consumer deposits	17	68 565 261	(499 413)	-	68 065 848
Payables from exchange transactions	18	972 029 483	23 534 324	(147 032 997)	848 530 810
Unspent conditional grants and receipts	19	80 099 687	446 215	-	80 545 902
Employee benefits	23	1 356 459	8 496 558	3 620 538	13 473 555
Provisions	22	15 024 333	(6 847 293)	-	8 177 040
		<b>1 166 815 587</b>	<b>25 130 391</b>	<b>(143 412 459)</b>	<b>1 048 533 519</b>
<b>Non-current liabilities</b>					
Borrowings	20	395 364 727	-	-	395 364 727
Lease liabilities	21	21 873 970	463 475	-	22 337 445
Employee benefits	23	204 408 000	66 142 000	143 412 459	413 962 459
Provisions	22	210 510 394	(70 957 348)	-	139 553 046
		<b>832 157 091</b>	<b>(4 351 873)</b>	<b>143 412 459</b>	<b>971 217 677</b>
<b>Total net assets</b>					
Reserves	24	10 381 031 661	(2 641 407 126)	-	7 739 624 535
Accumulated surplus		6 189 879 227	60 363 874	-	6 250 243 101
		<b>16 570 910 888</b>	<b>(2 581 043 252)</b>	-	<b>13 989 867 636</b>
<b>Total net assets and liabilities</b>		<b>18 569 883 566</b>	<b>(2 560 264 734)</b>	-	<b>16 009 618 832</b>

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

### 63. GRAP 3 adjustments (continued)

#### 63.2 Adjustments of Statement of financial performance items

##### Group - 2022

	Note	Previously reported	Correction of error	Re-classification	Restated
<b>Revenue</b>					
<b>Non-exchange revenue</b>					
Property rates	25	472 481 861	(3 507 475)	-	468 974 386
Transfers and subsidies	26	2 199 338 624	(446 216)	5 634 278	2 204 526 686
Fines, penalties and forfeits	27	38 938 653	-	-	38 938 653
Interest on receivables	28	29 082 660	-	-	29 082 660
Public contributions and donations		5 634 278	-	(5 634 278)	-
		<b>2 745 476 076</b>	<b>(3 953 691)</b>		<b>- 2 741 522 385</b>
<b>Exchange revenue</b>					
Services charges - Electricity	29	-	(5 592 467)	1 048 937 899	1 043 345 432
Services charges - Water	29	-	4 161 603	236 489 779	240 651 382
Services charges - Waste water management	29	-	36 929 572	125 450 580	162 380 152
Services charges - Waste management	29	-	8 952 371	127 359 836	136 312 207
Rental	30	24 238 443	3 244 539	-	27 482 982
Interest on investments	31	12 333 424	-	-	12 333 424
Interest on receivables	28	37 053 432	(3 076 581)	-	33 976 851
Licences or permits	32	6 199 132	1	-	6 199 133
Agency services	33	22 604 494	-	-	22 604 494
Operational revenue	34	18 577 538	-	(14 726 957)	3 850 581
Sales of goods and rendering of services	35	-	-	14 726 957	14 726 957
Service charges		1 538 238 094	-	(1 538 238 094)	-
		<b>1 659 244 557</b>	<b>44 619 038</b>		<b>- 1 703 863 595</b>
<b>Total revenue</b>		<b>4 404 720 633</b>	<b>40 665 347</b>		<b>- 4 445 385 980</b>
<b>Expenditure</b>					
Employee related cost	36	(974 758 885)	(8 496 551)	48 407	(983 207 029)
Remuneration of councillors	37	(38 692 456)	-	-	(38 692 456)
Bad debt written off		(191 562 360)	29 083 527	-	(162 478 833)
Depreciation and amortisation	39	(953 235 210)	60 411 865	-	(892 823 345)
Finance costs	40	(61 910 286)	139 874	-	(61 770 412)
Bulk Purchases	41	(956 189 335)	191 088 673	-	(765 100 662)
Inventory consumed	42	(69 666 469)	(227 241 666)	-	(296 908 135)
Contracted services	43	(808 646 940)	34 710 442	(439 121)	(774 375 619)
Transfers and subsidies	44	(480 000)	(61 152 761)	-	(61 632 761)
Operating expenses	45	(232 207 440)	9 177 413	(138 143)	(223 168 170)
<b>Total expenditure</b>		<b>(4 287 349 381)</b>	<b>27 720 816</b>	<b>(528 857)</b>	<b>(4 260 157 422)</b>
<b>Gains and losses</b>					
Impairment losses on financial assets		-	(4 575 522)	-	(4 575 522)
Gain/(loss) on disposal of assets	46	545 382	(1 278 165)	-	(732 783)
Fair value adjustments		27 373 697	12 959 239	-	40 332 936
Inventory losses/write-downs		(20 865)	(13 356 696)	-	(13 377 561)
		<b>27 898 214</b>	<b>(6 251 144)</b>		<b>- 21 647 070</b>
<b>Surplus for the year</b>		<b>145 269 466</b>	<b>19 195 675</b>	<b>528 857</b>	<b>206 875 628</b>

#### Statement of Financial Position

#### Receivables from exchange transactions

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

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### 63. GRAP 3 adjustments (continued)

Balance as previously reported	439 200 426
Correction of billing on prepaid water	3 515 517
Correction of customer accounts	(2 194 046)
Reallocation of advance payments to service charges	2 198 020
Errors identified in the impairment calculation	122 470 635
Restatement of refuse and sewer revenue as a result of changes in tariffs	51 381 443
Reversal of write-off of disqualified indigent accounts	15 158 273
	<b>631 730 268</b>

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### Other receivables from exchange transactions

Balance as previously reported	20 166 089
Correction of operating lease - straight lining	11 266 341
Recognition of interest due from DBSA	17 708
Correction of receivables from Baroka Football Club	(741 002)
Recognition of amount due from third party	15 073 438
	<b>45 782 574</b>

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Operating lease - straight lining: A number of lease contracts were active were not considered for lease straight-lining previously.

Recognition of interest due from DBSA: An incorrect charge was made by the bank against the municipality. This error has been communicated and is in the process of being rectified.

### Receivables from non exchange transactions

Balance as previously reported	174 904 371
Correction of customer accounts	(17 278 787)
Correction of Mankweng billing	22 980 221
Errors identified in the impairment calculation	71 400 359
Recognition of grant receivable in the incorrect financial year	6 906 823
	<b>258 912 987</b>

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### Inventories

Balance as previously reported	169 478 150
Addition of BRT taxi's not previously recognised	6 200 308
	<b>175 678 458</b>

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### VAT receivable/(payable)

Balance as previously reported	45 026 798
Resultant impact on VAT from correction in receivables	(23 277 875)
	<b>21 748 923</b>

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### Investment property

Balance as previously reported	715 040 632
Additional properties identified during land audit	404 976 239
Fair value adjustment of additional properties recognised	12 959 240
	<b>1 132 976 111</b>

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### Property, plant and equipment

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

### 63. GRAP 3 adjustments (continued)

Balance as previously reported	16 497 182 834
Assets derecognised	(2 959 536 843)
Old projects capitalised	(464 347 213)
Correction of impairment	(4 575 522)
Land not previously included	136 311 712
Movables additions	2 694 558
Depreciation correction	996 633
PHA: Correction of work in progress through inaccurate payment allocations	(200)
	<b>13 208 725 959</b>

Some items were removed from the asset register based on the new accounting policy.

### Intangible assets

Balance as previously reported	170 360 576
Additional software not previously recognised	25 046 176
Correction of amortisation	133 110
	<b>195 539 862</b>

### Consumer deposits

Balance as previously reported	68 565 261
Correction of deposit incorrectly accounted for under control clearing accounts	(499 413)
	<b>68 065 848</b>

### Payables from exchange transactions

Balance as previously reported	972 029 483
Salary control account not cleared in the previous year	(10 370)
Correction of advance payments that should be classified as consumer debtors	2 198 020
Correction of system error	761 599
Correction of control clearing accounts incorrectly presented under other minor payables	499 410
Recognition of payable in relation to BRT Taxes	19 557 005
Reclassification of leave pay from accrual to provision	(147 403 765)
Group adjustment: Reclassification of municipal entity bonus from provision to payables from exchange transactions	370 768
PHA: Correction of payments to work in progress	(200)
PHA: Correction of expenses incurred that were recognised in the incorrect financial year	528 860
	<b>848 530 810</b>

The reason behind the reclassification of the municipal entity's bonus from provision to payables from exchange transactions is to align the accounting treatment of provision for bonus to that of the parent entity for purpose of consolidations.

### Unspent conditional grants and receipts

Balance as previously reported	80 099 687
Finance Management Grant surrendered	446 215
	<b>80 545 902</b>

### Current provisions

Balance as previously reported	16 380 792
Correction of provision raised relating to Taxi Association Compensation	(2 481 998)
Correction of provision for landfill sites	(4 365 295)

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

### 63. GRAP 3 adjustments (continued)

Group adjustment: Reclassification of municipal entity bonus from provision to payables from exchange transactions	(370 768)
Group adjustment: Reclassification of municipal entity provision for leave from provision to "provision - employee benefits"	(985 691)
	<b>8 177 040</b>

The reason behind the reclassification of the municipal entity's bonus from provision to payables from exchange transactions is to align the accounting treatment of provision for bonus to that of the parent entity for purpose of consolidations

#### Current provision - employee benefits

Balance as previously reported	-
Reclassification of leave provision previously recognised as an accrual	147 403 765
Correction of leave provision based on valuation report	8 496 558
Reclassification of leave provision from current to non current	(143 412 459)
Group adjustment: Reclassification of municipal entity provision for leave from provision to "provision - employee benefits"	985 691
	<b>13 473 555</b>

#### Non current lease liabilities

Balance as previously reported	21 873 970
Correction of lease calculation	463 475
	<b>22 337 445</b>

#### Non current provisions

Balance as previously reported	210 510 394
Correction of landfill provision	(4 815 348)
Reclassification of ex gratia to non current provision - employee benefits	(11 630 000)
Reclassification of long service award to non current provision - employee benefits	(54 512 000)
	<b>139 553 046</b>

#### Non current provisions - employee benefits

Balance as previously reported	204 408 000
Reclassification of staff leave provision into current and non current components	143 412 459
Reclassification of ex gratia from non current provision	11 630 000
Reclassification of long service award from non current provision	54 512 000
	<b>413 962 459</b>

#### Revaluation reserve

Balance as previously reported	10 381 031 661
Changes in revaluation as a result of corrections in Property, plant and equipment	(2 641 407 126)
	<b>7 739 624 535</b>

#### Accumulated surplus

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

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### 63. GRAP 3 adjustments (continued)

Balance as previously reported	6 189 879 227
Adjustments affecting periods prior to 2020-21 financial year:	-
- Service charges and bad debts	184 431 825
- Property plant and equipment adjustments (depreciation, impairment and fair value)	(689 265 808)
- Intangible assets (adjustment in carrying value)	25 179 299
- Investment property (fair value adjustment)	404 976 240
- Realisation of revaluation	63 982 810
- Employee related costs	10 370
- Transfers and subsidies	2 481 998
- PHA: Grant revenue	6 906 822
Adjustments of profit and loss items for the 2020-21 financial year:	-
- Service charges	44 505 241
- Rental	3 244 539
- Property rates	(3 507 475)
- Transfers and subsidies	(61 598 977)
- Interest earned from receivables	(3 076 581)
- Bad debts	29 083 527
- Contracted services	225 799 117
- Depreciation and amortisation	60 411 870
- Employee related costs	(8 496 558)
- Finance costs	139 875
- Inventory consumed	(227 241 667)
- Operational costs	9 177 415
- Gain/loss on disposal of assets	(1 278 165)
- Fair value adjustments	12 959 240
- Inventories (write-down)	(13 356 696)
- Impairment losses	(4 575 521)
Adjustments of profit and loss items for the 2020-21 financial year relating to PHA:	-
- Legal fees	(519 500)
- Internal audit fees	(9 357)
	<hr/>
	<b>6 250 243 110</b>

### Statement of Financial Performance

#### Property rates

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

### 63. GRAP 3 adjustments (continued)

Balance as previously reported	472 481 861
Correction of customer accounts	(3 507 475)
	<b>468 974 386</b>

### Government grants and subsidies

Balance as previously reported	2 199 338 624
Reclassification of Public contributions and donations	5 634 278
Finance Management Grant surrendered	(446 216)
	<b>2 204 526 686</b>

Based on MSCOA, public contributions and donations are now presented under government grants and subsidies.

### Public contributions and donations

Balance as previously reported	5 634 278
Reclassification to government grants and subsidies	(5 634 278)
	-

### Service charges

Balance as previously reported	1 538 238 094
Reclassified to service charges - electricity	(1 048 937 898)
Reclassified to service charges - water	(236 489 780)
Reclassified to service charges - waste water management	(127 359 836)
Reclassified to service charges - waste management	(125 450 580)
	-

Based on MSCOA AFS template, service charges should be presented separately per nature of the service rendered.

### Service charges - electricity

Balance as previously reported	-
Reclassification from service charges	1 048 937 898
Correction of customer accounts	(5 592 466)
	<b>1 043 345 432</b>

### Service charges - water

Balance as previously reported	-
Reclassification from service charges	236 489 780
Correction of customer accounts	1 104 631
Correction of billing on prepaid water	3 056 971
	<b>240 651 382</b>

### Service charges - Waste water management

Balance as previously reported	-
Reclassification from service charges	125 450 580
Restatement as a result of change in prior year on non residential tariff	36 929 572
	<b>162 380 152</b>

### Service charges - Waste management

# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

### 63. GRAP 3 adjustments (continued)

Balance as previously reported	-
Reclassification from service charges	127 359 836
Restatement as a result of change in prior year non residential tariff	8 952 371
	<b>136 312 207</b>

#### Rental

Balance as previously reported	24 238 443
Correction of rental straight-lining	3 244 539
	<b>27 482 982</b>

#### Operational revenue

Balance as previously reported	18 577 538
Reclassification of sale of goods and rendering of services seperately	(14 726 957)
	<b>3 850 581</b>

Based on MSCOA AFS template, sales of goods and rendering of services should be presented seperately.

#### Sale of goods and rendering of services

Balance as previously reported	-
Reclassification from operational revenue	14 726 957
	<b>14 726 957</b>

Based on MSCOA, revenue items that are classified as "sale of goods and rendering of services", should be presented seperately.

#### Employee related cost

Balance as previously reported	974 758 885
Impact of leave pay due to actuarial valuation	8 496 551
PHA: Reclassification of SDL to operational costs	(48 407)
	<b>983 207 029</b>

A decision was taken to obtain an actuarial valuation on the provision of leave. The approach was to adjust retrospectively which impacted the employee related costs.

#### Bad debts written off

Balance as previously reported	191 562 360
Restatement of impairment due to change in impairment methodology	(13 925 254)
Reversal of write off for disqualified indigents accounts	(15 158 273)
	<b>162 478 833</b>

#### Depreciation and amortisation

Balance as previously reported	953 235 210
Correction of amortisation due to changes in intangible assets	4 047 175
Correction of depreciation due to changes in property, plant and equipment	(64 459 037)
	<b>892 823 348</b>

#### Finance costs



# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

### 63. GRAP 3 adjustments (continued)

Balance as previously reported	61 910 286
Correction of finance costs relating to finance leases	(122 166)
Correction of interest on loan from DBSA	(17 708)
	<b>61 770 412</b>

#### Inventory consumed

Balance as previously reported	69 666 469
Correction of inventory consumed incorrectly capitalised	(11 235)
Correction of system error identified in the current year	761 599
Recognition of municipal water purified and issued	226 491 302
	<b>296 908 135</b>

#### Contracted services

Balance as previously reported	808 646 940
Transfer of maintenance expenditure from Work in progress to operational expenditure	692 187
Correction of accounting for water	(35 402 628)
PHA: Reclassification of internal audit fees to contracted services	429 764
PHA: Correction of internal audit fees incurred that were recognised in the incorrect financial year	9 357
	<b>774 375 620</b>

#### Operational costs

Balance as previously reported	232 207 440
Correction of current cost relating to provision for landfill	(9 180 643)
Work in progress expensed	3 228
PHA: Reclassification of SDL from employee related costs	48 407
PHA: Reclassification of internal audit fees to contracted services	(429 764)
PHA: Correction of legal fees incurred that were recognised in the incorrect financial year	519 500
	<b>223 168 168</b>

#### Gain/(Loss) on disposal of assets

Balance as previously reported	545 382
Correction of gain/losses as a result of corrections in property, plant and equipment	(1 278 165)
	<b>(732 783)</b>

#### Fair value adjustments

Balance as previously reported	(27 373 697)
Fair value on investment property not previously recognised	(12 959 239)
	<b>(40 332 936)</b>

#### Inventories (write-down)

Balance as previously reported	(20 865)
Write-down of BRT Taxi's to net realisable value	(13 356 696)
	<b>(13 377 561)</b>

#### Impairment losses

Balance as previously reported	-
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# Polokwane Municipality

Audited Consolidated Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Consolidated Annual Financial Statements

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### 63. GRAP 3 adjustments (continued)

Impairment losses on property, plant and equipment not previously recognised	(4 575 522)
	<b>(4 575 522)</b>

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### Bulk purchases

Balance as previously reported	956 189 335
Correction of water inventory accounting	(191 088 675)
	<b>765 100 660</b>

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### Interest on receivables

Balance as previously reported	37 053 432
Change due to customer account adjustments made in the current year that related to the prior year	(3 076 580)
	<b>33 976 852</b>

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### 63.3 Change in accounting estimate

During the year, estimates on impairment provision for receivables was changed which is based on the trend analysis of customer behaviour in relation to recoverability for inactive account, government and indigent accounts. The net effect due to this change in estimate is an increase of R15 596 511 in the provision balance.