Mopani District Municipality
(Registration number DC33)
Annual Financial Statements
for the year ended 30 June 2025

General Information

Nature of business and principal activities	Integrated Development Planning for the district municipality as a whole, including a framework for integrated development plans for the local municipalities within the area of the district municipality, taking into account the integrated developments plans on those local municipalities, Bulk supply of water that affects a significant proportion of municipalities in the district Bulk sewerage purification works and main sewage disposal that affects a significant proportion of the municipalities in the district. Municipal Health Services serving the area of the district municipality as a whole Fire Fighting services serving the area of the district municipality as a whole. Disaster Management services Provision of the water and sanitation services
Accounting Officer	Mr T.J Mogano
Grading of local authority	4
Chief Finance Officer (CFO)	Ms SP Mathevula
Registered office	Government Building Main Road Giyani 0826
Business address	Government Building Main Road Giyani 0826
Postal address	Private Bag X9687 Giyani 0826
Bankers	First National Bank
Auditors	Auditor General - South Africa

General Information

Attorneys	Ngoako Seabela Attorneys
	Mafa and Associates
	Selokela Mashatole Attorneys
	TJ Machete Attorneys
	Tshikovhi Inc Attorneys
	Wakaba & Partners
	Mahowa Maribolla Inc
	NN Mahumani Inc
	Lebea and Associates
	Verveen Attorneys
	Seleka Attorneys Inc
	Kgatla Attorneys
	Bethuel Makuka
	Maboku Mangena Attorneys
	Mphoke PK Magane Inc
	Mmakola Matsemela Inc
	Mvundlela Attorneys
	TF Matlakala Attorneys
	Moloko Phoko Attorneys
	Modjadji Raphesu Attorneys
	Mohale incorporated
	Machaba Incorporated Attorneys
	TT Ngobeni Attorneys
	Raphela Incorporated Attorneys
	Mello Attorneys
	MM Baloyi Incorporated
	Noko Maimela Incorporated
Audit Committee	A. Tshikovhi (Chairperson)
	S.A.B. Ngobeni
	T. Moroa
	M.P. Ramutsheli
Executive Mayor	Cllr. PJ. Shayi
	Cllr. NM. Maswanganyi (Speaker)
	Cllr. M. Lewele (Chief Whip)
Mayoral committee	Cllr. NR. Khandlhela
	Cllr. MH. Sefufi
	Cllr. NN. Baloyi
	Cllr. ML. Maloko
	Cllr. MS. Magomane
	Cllr. MG. Mangena (Resigned)
	Cllr. SL. Mohlala
	Cllr. MD. Makhananisa
	Cllr. BA. Shibambu

General Information

Other councillors	Cllr. CM. Ramathoka Cllr. FM. Moroatshehla Cllr. MMA. Mathebula Cllr. TJ. Senyolo Cllr. RN. Sekgobela Cllr. AT. Rabothata Cllr. BT. Mabilo Cllr. E. Hlungwani Cllr. HD. Lebeya Cllr. MM. Mukhabele Cllr. MP. Matlou Cllr. NH. Tshimbana Cllr. NJ. Mbhalati Cllr. PJ. Mampeule Cllr. PS. Mothomogolo (Chairperson of MPAC) Cllr. RT. Mavundza Cllr. SP. Letebele Cllr. MJ. Rakgoale Cllr. MN. Madike Cllr. MW. Mohale Cllr. S. Mavasa Cllr. SS. Mathebula Cllr. C. Stoltz Cllr. DG. Mkhabela Cllr. ML. Ramalepe Cllr. SP. Mashumu Cllr. WM. Maake Cllr. J. Mashele Cllr. MC. Morwatshehla Cllr. MS. Baloyi Cllr. SB. Ramoshaba Cllr. SM. Shai Cllr. MD. Selaelo Cllr. TA. Mabaso Cllr. Z. Ndhlovu Cllr. IN. Shivambo Cllr. MS. Mangena

Index

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

Index

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
SARS	South African Revenue Services
EPWP	Expanded Public Works Programme
PEMA	Post-Employment Medical Aid
SALGA	South African Local Government Association
SALGBC	South African Local Government Bargaining Council
MPAC	Municipal Public Accounts Committee
VAT	Value Added Taxation
PAYE	Pay As You Earn
UIF	Unemployment Insurance Fund
MDM	Mopani District Municipality

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The annual financial statements set out on pages 7 to 121, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2025 and were signed on its behalf by:

Mr T.J Mogano
Accounting Officer

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2025.

1. Review of activities

Main business and operations

The municipality operates in the Mopani district in South Africa and is involved in the following activities:

- Integrated Development Planning for the district municipality as a whole, including a framework for integrated development plans for the local municipalities within the area of the district municipality, taking into account the integrated developments plans on those local municipalities,
- Bulk supply of water that affects a significant proportion of municipalities in the district,
- Bulk sewerage purification works and main sewage disposal that affects a significant proportion of the municipalities in the district,
- Municipal Health Services serving the area of the district municipality as a whole,
- Fire Fighting services serving the area of the district municipality as a whole,
- Disaster Management services, and
- Provision of the water and sanitation services.

Net deficit of the municipality was R 197 691 630 (2024: surplus R 3 242 034 578).

2. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will be met on time. Contingent liabilities will be managed accordingly.

The municipality continues to receive its equitable share in line with Constitutional mandate and the Division of Revenue Act.

As at 30 June 2025, the municipality's current liabilities exceed the current assets by R779 062 717 (2024 : R1 400 843 987). However, the total assets of the municipality exceed total liabilities. The fact on its own does not bar the municipality to continue being a going concern given that going concern implies that the municipality will be in existence within 12 months of the balance sheet dates.

The following factors could have undermined the going concern assumptions indicated above if they were not properly managed as indicated:

- The municipality is experiencing challenges of collecting for revenue relating to water and sanitation. This is due to weakness in controls that are intended to manage of revenue at the local municipalities. The Local Municipalities are appointed as service providers and the District Municipality is the Water Service Authority;
- The litigation against the municipality to the value of R186 834 194 (2024: R186 633 645) provided continuity risk for the district municipality. However, management continues to monitor the risk by ensuring compliance.

Based on the above assessment done, the District Municipality is a going concern and thus should prepare its financial statements for the year ended 30 June 2025 under going concern assumptions. The municipality will continue with its endeavours to increase revenue and reserve, as well as, reducing the financial commitments to ensure good financial health.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The annual financial statements prepared in accordance with Generally Recognised Accounting Practices (GRAP) including any interpretations of such Statements issued by the Accounting Standards Board as the prescribed framework by National Treasury.

Accounting Officer's Report

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mr T.J Mogano	South Africa

6. Bankers

The District Municipality banks with First National Bank.

7. Auditors

Auditor General - South Africa will continue in office for the next financial period.

8. Accounting Officer's interest in contracts

The Accounting Officer declares that he has no interest whatsoever in the contracts of the Municiplality.

Statement of Financial Position as at 30 June 2025

	Notes	2025 R	2024 Restated* R
Assets			
Current Assets			
Inventories	3	24 979 793	32 540 932
Operating lease asset	11	3 639 521	3 639 521
Receivables from exchange transactions	4	2 074 753 358	2 785 019 496
Receivables from non-exchange transactions	5	174 465 482	126 862 075
VAT receivable	6	25 845 515	20 859 699
Cash and cash equivalents	7	163 526 193	180 738 863
		2 467 209 862	**3 149 660 586**
Non-Current Assets			
Property, plant and equipment	8	10 110 571 791	9 710 502 659
Intangible assets	9	1 864 573	2 316 408
Heritage assets	10	432 000	432 000
Receivables from exchange transactions	4	23 200 000	38 666 667
Operating lease asset	11	3 431 222	7 070 743
		10 139 499 586	**9 758 988 477**
Total Assets		**12 606 709 448**	**12 908 649 063**
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	1 672 893 644	1 659 920 018
Consumer deposits	14	4 124 815	4 061 725
Employee benefit obligation	15	11 128 686	9 930 583
Unspent conditional grants and receipts	17	-	74 904 273
		1 688 147 145	**1 748 816 599**
Non-Current Liabilities			
Operating lease liability	11	598 748	345 340
Employee benefit obligation	15	105 802 672	97 439 779
Payables from exchange transactions	12	564 383 119	616 577 955
		670 784 539	**714 363 074**
Total Liabilities		**2 358 931 684**	**2 463 179 673**
Net Assets		**10 247 777 764**	**10 445 469 390**
Accumulated surplus		10 247 777 764	10 445 469 390
Total Net Assets		**10 247 777 764**	**10 445 469 390**

* See Note 45

Statement of Financial Performance

	Notes	2025 R	2024 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	18	223 864 906	195 962 703
Interest charged on overdue consumer accounts	19	124 674 826	112 046 921
Other income	20	4 615 828	2 746 943
Interest received - investment	21	29 311 249	27 775 043
Total revenue from exchange transactions		**382 466 809**	**338 531 610**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	22	2 244 313 699	2 347 327 558
Revenue from debt forgiveness	23	40 946 404	9 952 251
Public contributions and donations		1 748 751	-
Services in kind revenue	24	-	526 654
Other non-exchange income	25	1 750 958	748 807
Total revenue from non-exchange transactions		**2 288 759 812**	**2 358 555 270**
Total revenue		**2 671 226 621**	**2 697 086 880**
Expenditure			
Employee related costs	26	(527 227 692)	(502 435 507)
Remuneration of councillors	27	(18 017 587)	(16 181 245)
Depreciation and amortisation	28	(231 117 979)	(238 898 407)
Finance costs	29	(18 942 021)	(73 779 176)
Lease rentals on operating lease	30	(6 813 929)	(4 319 522)
Debt Impairment	31	(905 278 612)	2 239 721 946
Inventory consumed and bulk purchases	32	(455 544 233)	(376 798 820)
Contracted services	33	(152 064 322)	(113 802 451)
Transfers and Subsidies		(54 430)	(18 965)
Notional expenses	24	-	(526 654)
Operating expenses	34	(188 283 058)	(166 846 089)
Consulting and professional fees	35	(108 958 086)	(80 926 176)
Repairs and maintenance	36	(123 696 803)	(92 559 809)
Household Sanitation (VIP Toilets)	37	(71 011 701)	(5 464 380)
Total expenditure		**(2 807 010 453)**	**567 164 745**
Operating (deficit) surplus		**(135 783 832)**	**3 264 251 625**
Gain (loss) on disposal of assets and liabilities	39	1 052 415	(1 091 434)
Actuarial gains	15	1 228 992	837 646
Impairment and write off - assets	38	(64 012 558)	(21 606 204)
Inventories losses/write-downs	3	(176 647)	(357 055)
		(61 907 798)	**(22 217 047)**
(Deficit) surplus for the year		**(197 691 630)**	**3 242 034 578**

* See Note 45

Statement of Changes in Net Assets

	Accumulated surplus / deficit R	Total net assets R
Opening balance as previously reported	7 318 711 231	7 318 711 231
Adjustments		
Prior year adjustments 45	(115 276 419)	(115 276 419)
Balance at 01 July 2023 as restated*	**7 203 434 812**	**7 203 434 812**
Changes in net assets		
Surplus for the year	3 242 034 578	3 242 034 578
Total changes	3 242 034 578	3 242 034 578
Restated* Balance at 01 July 2024	**10 445 469 394**	**10 445 469 394**
Changes in net assets		
Surplus for the year	(197 691 630)	(197 691 630)
Total changes	(197 691 630)	(197 691 630)
Balance at 30 June 2025	**10 247 777 764**	**10 247 777 764**

* See Note 45

Cash Flow Statement

	Note(s)	2025 R	2024 Restated* R
Cash flows from operating activities			
Receipts			
Sale of goods and services		169 504 830	61 419 667
Grants		2 123 556 981	2 241 187 710
Interest income		29 311 249	27 775 043
VAT refunds		287 023 687	169 395 862
Other receipts		5 504 942	3 035 451
		2 614 901 689	2 502 813 733
Payments			
Employee costs		(563 025 951)	(530 729 338)
Suppliers		(1 306 897 011)	(959 729 286)
Finance costs		(1 443 581)	(149 032)
		(1 871 366 543)	(1 490 607 656)
Net cash flows from operating activities	40	**743 535 146**	**1 012 206 077**
Cash flows from investing activities			
Purchase of property, plant and equipment		(763 090 250)	(849 944 551)
Proceeds from sale of property, plant and equipment		2 342 434	-
Net cash flows from investing activities		**(760 747 816)**	**(849 944 551)**
Net increase/(decrease) in cash and cash equivalents		**(17 212 670)**	**162 261 526**
Cash and cash equivalents at the beginning of the year		180 738 863	18 477 337
Cash and cash equivalents at the end of the year	7	**163 526 193**	**180 738 863**

* See Note 45

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
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	306 839 000	58 888 000	**365 727 000**	223 864 906	**(141 862 094)**	[BC1]
Interest charged on overdue consumer	73 416 000	-	**73 416 000**	124 674 826	**51 258 826**	[BC3]
Other income	2 000 000	-	**2 000 000**	4 615 828	**2 615 828**	[BC2]
Investment revenue	18 000 000	-	**18 000 000**	29 311 249	**11 311 249**	[BC3]
Gains on disposal of assets	-	3 280 000	**3 280 000**	-	**(3 280 000)**	
Total revenue from exchange transactions	**400 255 000**	**62 168 000**	**462 423 000**	**382 466 809**	**(79 956 191)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants and subsidies	1 928 430 000	(47 998 000)	**1 880 432 000**	2 244 313 699	**363 881 699**	[BC4]
Levies	-	-	**-**	40 946 404	**40 946 404**	[BC13]
Public contributions and donations	-	-	**-**	1 748 751	**1 748 751**	
Other non-exchange income	-	-	**-**	1 750 958	**1 750 958**	
Total revenue from non-exchange transactions	**1 928 430 000**	**(47 998 000)**	**1 880 432 000**	**2 288 759 812**	**408 327 812**	
Total revenue	**2 328 685 000**	**14 170 000**	**2 342 855 000**	**2 671 226 621**	**328 371 621**	
Expenditure						
Employee related costs	(526 096 000)	(8 981 000)	**(535 077 000)**	(527 227 692)	**7 849 308**	[BC5]
Remuneration of councillors	(23 761 000)	(3 313 000)	**(27 074 000)**	(18 017 587)	**9 056 413**	[BC6]
Depreciation and amortisation	(300 018 000)	(300 000)	**(300 318 000)**	(231 117 979)	**69 200 021**	[BC7]
Impairment loss/ Reversal of impairments	-	-	**-**	(64 012 558)	**(64 012 558)**	[BC16]
Finance costs	(30 734 000)	300 000	**(30 434 000)**	(18 942 021)	**11 491 979**	[BC8]
Lease rentals on operating lease	-	-	**-**	(6 813 929)	**(6 813 929)**	
Debt Impairment	(65 251 000)	-	**(65 251 000)**	(905 278 612)	**(840 027 612)**	[BC9]
Inventory consumed and bulk purchases	(413 496 000)	(23 024 000)	**(436 520 000)**	(455 544 233)	**(19 024 233)**	[BC10]
Contracted Services	(194 359 000)	(175 368 000)	**(369 727 000)**	(152 064 322)	**217 662 678**	[BC11]
Transfers and Subsidies	-	-	**-**	(54 430)	**(54 430)**	
Operating expenses	(124 406 000)	(1 138 000)	**(125 544 000)**	(491 949 648)	**(366 405 648)**	[BC12]
Other Losses	(861 000)	-	**(861 000)**	-	**861 000**	
Total expenditure	**(1 678 982 000)**	**(211 824 000)**	**(1 890 806 000)**	**(2 871 023 011)**	**(980 217 011)**	
Operating deficit	**649 703 000**	**(197 654 000)**	**452 049 000**	**(199 796 390)**	**(651 845 390)**	
Gain on disposal of assets and liabilities	-	-	**-**	1 052 415	**1 052 415**	
Actuarial gains/losses	-	-	**-**	1 228 992	**1 228 992**	
Inventories losses/write-downs	-	-	**-**	(176 647)	**(176 647)**	
	-	**-**	**-**	**2 104 760**	**2 104 760**	
Surplus	**649 703 000**	**(197 654 000)**	**452 049 000**	**(197 691 630)**	**(649 740 630)**	

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
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	35 941 000	(23 024 000)	**12 917 000**	24 979 793	**12 062 793**	[BC18]
Operating lease asset	10 538 000	-	**10 538 000**	3 639 521	**(6 898 479)**	
Receivables from exchange transactions	337 094 000	(202 260 000)	**134 834 000**	2 074 753 358	**1 939 919 358**	[BC19]
Receivables from non-exchange transactions	43 218 000	-	**43 218 000**	174 465 482	**131 247 482**	[BC20]
VAT receivable	352 896 000	32 177 000	**385 073 000**	25 845 515	**(359 227 485)**	[BC15]
Cash and cash equivalents	428 899 000	8 040 000	**436 939 000**	163 526 193	**(273 412 807)**	[BC23]
	1 208 586 000	**(185 067 000)**	**1 023 519 000**	**2 467 209 862**	**1 443 690 862**	
Non-Current Assets						
Property, plant and equipment	9 198 758 000	(24 726 000)	**9 174 032 000**	10 110 571 791	**936 539 791**	[BC24]
Intangible assets	4 958 000	23 000	**4 981 000**	1 864 573	**(3 116 427)**	[BC25]
Heritage assets	432 000	-	**432 000**	432 000	**-**	
Receivables from exchange transactions	-	-	**-**	23 200 000	**23 200 000**	[BC19]
Operating lease asset	3 323 000	-	**3 323 000**	3 431 222	**108 222**	[BC27]
	9 207 471 000	**(24 703 000)**	**9 182 768 000**	**10 139 499 586**	**956 731 586**	
Total Assets	**10 416 057 000**	**(209 770 000)**	**10 206 287 000**	**12 606 709 448**	**2 400 422 448**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	1 044 292 000	(20 949 000)	**1 023 343 000**	1 672 893 644	**649 550 644**	
VAT payable	296 398 000	8 833 000	**305 231 000**	-	**(305 231 000)**	[BC15]
Consumer deposits	4 006 000	-	**4 006 000**	4 124 815	**118 815**	
Employee benefit obligation	-	-	**-**	11 128 686	**11 128 686**	[BC30]
Unspent conditional grants and receipts	106 936 000	-	**106 936 000**	-	**(106 936 000)**	[BC31]
Provisions	61 486 000	-	**61 486 000**	-	**(61 486 000)**	[BC26]
	1 513 118 000	**(12 116 000)**	**1 501 002 000**	**1 688 147 145**	**187 145 145**	
Non-Current Liabilities						
Operating lease liability	-	-	**-**	598 748	**598 748**	
Employee benefit obligation	56 924 000	-	**56 924 000**	105 802 672	**48 878 672**	[BC30]
Provisions	28 219 000	-	**28 219 000**	-	**(28 219 000)**	[BC26]
Payables from exchange transactions	-	-	**-**	564 383 119	**564 383 119**	[BC29]
	85 143 000	**-**	**85 143 000**	**670 784 539**	**585 641 539**	
Total Liabilities	**1 598 261 000**	**(12 116 000)**	**1 586 145 000**	**2 358 931 684**	**772 786 684**	
Net Assets	**8 817 796 000**	**(197 654 000)**	**8 620 142 000**	**10 247 777 764**	**1 627 635 764**	
Net Assets						
Reserves						
Accumulated surplus	8 817 796 000	(197 654 000)	**8 620 142 000**	10 247 777 764	**1 627 635 764**	[BC21]

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
	R	R	R	R	R	

[BC1]The 2024/25 projections were based on the tariffs as approved by the District in consultation with the locals. All municipalities basic tariff has been increased by 5%..

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
	R	R	R	R	R	

[BC2] This is due to high volume of tender documents sold and the collection of revenue on other services like fire services and EHP.

[BC3] The positive cashflow position throughout financial year with high interest received more than anticipated.

[BC3] The variance is due to non payment by customers

[BC4] The variance is due to the allocation of WSIG 6B grants.

[BC5] The variance is due to reduction of overtime to essential service workers.

[BC6] The variance in council remuneration was due to the projection on the determination of upper limits

[BC7] The variance is due to under budgeting of depreciation and amortisation

[BC8] The variance is informed by the write-off of interest by LNW and DWS

[BC9] The variance is due to increased rate of non-payment by consumers.

[BC10/11/12] The variance is due to reclassification among operating expenses.

[BC13] The variance is due to levies and SETA grants not budgeted

[BC14] -

[BC15] The variance on VAT receivable and VAT payable

[BC16] The variance is due to impairment loss which was not budgeted for.

[BC17]

[BC18] The variance is due to slow moving of inventory

[BC19] The variance is due to local municipalities not transfering to the District revenue collected

[BC20] The variance is due to WSIG and Mametja Sekororo grants.

[BC21] The variance is due to correction of prior period error

[BC22]

[BC23] The variance is due to management of cash flow

[BC24] The variance is due to work in progress and additions to assets.

[BC25] The variance is due to additions to the intangible assets.

[BC26] Landfill site provision is no longer applicable

[BC27] The variance is due to operating lease not adequately budgeted for

[BC28] .

[BC29] The amount was not budgeted..

[BC30] The amount was not budgeted adequately.

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
	R	R	R	R	R	

[BC31]

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
	R	R	R	R	R	
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	10 759 000	-	**10 759 000**	169 504 830	**158 745 830**	
Grants	1 928 430 000	(95 996 000)	**1 832 434 000**	2 123 556 981	**291 122 981**	
Interest income	18 000 000	-	**18 000 000**	29 311 249	**11 311 249**	
Other receipts	-	-	**-**	5 504 942	**5 504 942**	
VAT refunds	145 613 000	86 995 000	**232 608 000**	287 023 687	**54 415 687**	
	2 102 802 000	**(9 001 000)**	**2 093 801 000**	**2 614 901 689**	**521 100 689**	
Payments						
Suppliers and employees	(1 286 003 000)	(206 937 000)	**(1 492 940 000)**	(1 869 922 962)	**(376 982 962)**	
Finance costs	(30 734 000)	300 000	**(30 434 000)**	(1 443 581)	**28 990 419**	
	(1 316 737 000)	**(206 637 000)**	**(1 523 374 000)**	**(1 871 366 543)**	**(347 992 543)**	
Net cash flows from operating activities	**786 065 000**	**(215 638 000)**	**570 427 000**	**743 535 146**	**173 108 146**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(510 808 000)	21 593 000	**(489 215 000)**	(763 090 250)	**(273 875 250)**	
Proceeds from sale of property, plant and equipment	-	-	**-**	2 342 434	**2 342 434**	
Net cash flows from investing activities	**(510 808 000)**	**21 593 000**	**(489 215 000)**	**(760 747 816)**	**(271 532 816)**	
Net increase/(decrease) in cash and cash equivalents	275 257 000	(194 045 000)	**81 212 000**	(17 212 670)	**(98 424 670)**	
Cash and cash equivalents at the beginning of the year	18 477 000	-	**18 477 000**	180 738 863	**162 261 863**	
Cash and cash equivalents at the end of the year	**293 734 000**	**(194 045 000)**	**99 689 000**	**163 526 193**	**63 837 193**	

Accounting Policies

	Note(s)	2025 R	2024 R

1. Significant account policies

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

1.1 Basis of preparations

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

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

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

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

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

1.5 Offsetting

Financial assets and liabilities are offset, and net amount reported on the statement of Financial Position only when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.6 Significant judgements and sources of estimation uncertainty

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

Receivables from exchange transactions

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

The impairment for receivables from exchange transactions 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 receivable 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 replacement cost. 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.

Accounting Policies

1.6 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use tangible assets are inherently uncertain and could materially change over time.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

Effective interest rate

The municipality 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.

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied are as follows:

The municipality assesses whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit. The municipality also considers whether it has the power to direct significant terms and conditions of the transaction in determining whether it is an agent or principal.

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

Additional information is disclosed in Note 55.

1.6 Significant judgements and sources of estimation uncertainty (continued)

Impairment of statutory receivables

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

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

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

Point that water meet the definition of inventory

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

Water is regarded as inventory when the Municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the Municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the Municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not classified as inventory.

Designation of assets as non-cash-generating, or cash-generating

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

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

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

Long services awards

The entitlement to long service award benefits is based on the employee remaining in service and the completion of a minimum service period of 10 years. Independent qualified actuaries carry out valuations of these obligations using the projected unit method. The assumptions used in determining the liability include the discount rate. Any changes in these assumptions will impact on the carrying amount of long service award. Additional information is disclosed in Note 15.

Subsequent events

Recognised amounts in the financial statements are adjusted to reflect events arising after the reporting date that provide evidence of conditions that existed at the reporting date. Events after the reporting date that are indicative of conditions that arose after the balance sheet date are disclosed by way of note to the financial statements.

Disclosure for each material category of non - adjusting events after the reporting date is done disclosing the nature of the event and the estimation of its financial effect of a statement that such an estimation cannot be made.

1.7 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

1.7 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Initial measurement

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

Subsequent measurement

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	10 - 30 years
Plant and machinery	Straight-line	4 - 10 years
Furniture and fixtures	Straight-line	5 - 7 years
Motor vehicles	Straight-line	7 - 15 years
IT equipment	Straight-line	4 years
Specialised vehicles	Straight-line	15 years
Water reservoir reticulation	Straight-line	5 - 60 years
Sewerage purification	Straight-line	5 - 60 years

Accounting Policies

1.7 Property, plant and equipment (continued)

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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.

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

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

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

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

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

Derecognition

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 8).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8).

1.8 Intangible assets

An asset is identifiable if it either:

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

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

Initial recognition

An intangible asset is recognised when:

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

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

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

Accounting Policies

1.8 Intangible assets (continued)

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent measurement

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	5 years
Licenses	Straight-line	5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8).

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

Derecognition

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

1.9 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 annual financial statements.

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.

Accounting Policies

1.9 Heritage assets (continued)

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.

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 8).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8).

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Derecognition

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

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

1.10 Financial instruments

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

Accounting Policies

1.10 Financial instruments (continued)

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

Financial instruments comprise of financial assets and liabilities in accordance with GRAP 104.

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

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

A financial asset is:

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

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

A residual interest is any contract that entitles the holder to an interest in the assets of a municipality after deducting all of its liabilities net assets.

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

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

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

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

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

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

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

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

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

Accounting Policies

1.10 Financial instruments (continued)

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short term receivables and payables are not discounted were initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

1.10 Financial instruments (continued)

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

1.10 Financial instruments (continued)

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification f the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

1.11 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

The municipality does not charge any interest on statutory receivables.

Other charges

The municipality does not levy any other charges statutory receivables.

1.11 Statutory receivables (continued)

Impairment losses

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

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

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

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

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

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

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

Derecognition

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

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - 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 municipality considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.12 Leases

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

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

Operating leases - lessee

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

Accounting Policies

1.13 Inventories

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

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

Water inventory

Water is regarded as inventory when the Municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the Municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated and is under the control of the Municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

1.14 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.

1.14 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.

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

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

Designation

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

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

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

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Accounting Policies

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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.

1.15 Net Assets

Net assets consist of residual interest of the municipality after deducting all of its liabilities.

1.16 Employee benefits

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

The Municipality provides short term benefits, long term benefits and long service awards for its employees and councillors.

Accounting Policies

1.16 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.

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service..

Leave pay
Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end and is shown as an accrual in the Statement of Financial Position.

Bonus Provisions
The Municipality recognises the expected cost of bonuses as a provision only when the Municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made at reporting date.

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.

Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

Accounting Policies

1.16 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.

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

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;

Accounting Policies

1.16 Employee benefits (continued)

- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

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

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

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

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

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

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

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

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

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out by independent qualified actuaries regularly, as may be required for fair presentation.

The municipality provides post-employment medical care benefits to retired employees after completion of a minimum service period. The expected cost of these benefits is accrued over the life expectancy of the retired employees.

The Municipality has an obligation to provide Long-service Allowance Benefits to all its employees.

1.16 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.

Long-service Allowance

The Municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the Municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The Municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

1.17 Provisions and contingencies

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

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

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

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

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

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

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

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

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

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

1.17 Provisions and contingencies (continued)

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

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

1.18 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.

1.19 Revenue from exchange transactions

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

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

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

Measurement

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

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see Note 56).

1.19 Revenue from exchange transactions (continued)

Services charges

Service charges relating to water is 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 from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

Interest income

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

1.20 Revenue from non-exchange transactions

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

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

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

Recognition

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

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

Measurement

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

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

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

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

Unconditional grants

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

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Conditional grants

Conditional grants recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of noncompliance 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 Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Re-imbursive Grant Receivable

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

Grants are recognized as non-exchange receivables to the extent that the Municipality has incurred expenditure prior to receiving the grant payout.

Gifts and donations, including goods in-kind

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

Services 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 Municipality 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.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

1.21 Investment income

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

1.22 Borrowing costs

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

1.22 Borrowing costs (continued)

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

Accounting Policies

1.23 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

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

1.24 Comparative figures

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

When the presentation or classification of items in the 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.

1.25 Unauthorised expenditure

Unauthorised expenditure means:

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

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

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

1.26 Fruitless and wasteful expenditure

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

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

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

1.27 Irregular expenditure

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

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

Irregular expenditure disclosed in the annual financial statements will comprise irregular expenditure incurred in the current year, whilst irregular expenditure incurred in the previous financial year will be disclosed as a comparative amount in the annual financial statements.

1.28 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.

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.

Accounting Policies

1.29 Budget information

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

The approved budget covers the fiscal period from 2024/07/01 to 2025/06/30.

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

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

1.30 Related parties

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

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

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

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

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

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

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

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

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

1.31 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).

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

1.32 Additional disclosure in terms of Municipal Finance Management Act

The Municipal Finance Management Act requires the Municipality to disclose details of amounts invoiced, amounts paid and outstanding balances relating to Contributions to organised local government, Audit fees, payments to SARS in respect of employee taxes (PAYE, UIF and SDL), Pension and Medical Aid Deductions as well as VAT. The Municipality collects such information from its records and disclosed it in Note 52.

Accounting Policies

1.33 Taxes - Value added tax

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of value added tax recoverable from, or payable to the South African Revenue Service is included as part of receivables in the Statement of Financial Position. The Municipality is registered at SARS for VAT on the payment basis. VAT control debit and credit accounts (recognised on transaction(s) date before payments) are presented on a net basis and they do not form part of financial instruments. Once payments are received or paid, the VAT receivable or payable from/(to) SARS is presented on a net basis and is accounted as a statutory receivable under GRAP 108 or statutory payable in line with GRAP 19.

VAT input accrual is recorded on the transaction date as a receivable and is reported under current assets together with VAT receivable on the same note in the Statement of Financial Position.

VAT output accrual is recorded as a payable on transaction date and is reported under current liabilities (VAT payable) on the Statement of Financial Position.

	2025 R	2024 R

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2025 or later periods:

GRAP 2023 Improvements to the Standards of GRAP 2023

The Board undertakes periodic revisions of the Standards of GRAP in line with best practice internationally among standard setters. The Improvements to the Standards of GRAP include changes resulting from amendments to the International Public Sector Accounting Standards and the International Financial Reporting Standards, as well as general improvements identified through consultation with stakeholders. The Improvements to the Standards of GRAP (2023) was approved by the Board and issued in November 2023.

GRAP1 - Presentation of Financial Statements

Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) Feb 2021

Disclosure of Accounting Policies: Changes from "significant accounting policies" to "material accounting policies" because the Standards of GRAP do not define the term "significant".

General Improvements

- Provide clarity to the terms "publicly available" and "publicly accountable".

- Remove encouraged disclosures with limited information value.

GRAP2 - Cash Flow Statements

General Improvements

Amend disclosures to read as "useful additional information that may be disclosed" as opposed to "encouraged disclosures".

GRAP3 - Accounting Policies, Changes in Accounting Estimates and Errors

Narrow scope amendments to IAS 8 Feb 2021

Change in the definition of an accounting estimate because the previous definition was not sufficiently clear.

General Improvements

Clarify that the requirements only apply to Standards of GRAP that are not yet effective for which the Minister of Finance has already determined an effective date.

GRAP5 - Borrowing Costs

Amendments to the IPSAS on Borrowing Costs (IPSAS 5) – Non-authoritative Guidance 2021

Add the Illustrative Examples in IPSAS 5 to GRAP 5.

GRAP13 - Leases

General Improvements

Remove encouraged disclosures with limited information value.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP17 - Property, Plant and Equipment

Improvements to IPSAS 2021

Amendments are made to prohibit proceeds from selling items produced before that asset is available, to be deducted from the cost of property, plant and equipment.

GRAP19 - Provisions, Contingent Liabilities and Contingent Assets

General Improvements

Remove encouraged disclosures with limited information value.

GRAP20 - Related Party Disclosures

General Improvements

Update the definition of “significant influence” to align with the Standard of GRAP on Investments in Associates and Joint Ventures (GRAP 36).

GRAP23 - Revenue from Non-exchange Transactions (Taxes and Transfers)

General Improvements

Remove encouraged disclosures with limited information value.

GRAP24 - Presentation of Budget Information in Financial Statements

Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) Feb 2021

Disclosure of Accounting Policies: Changes from “significant accounting policies” to “material accounting policies” because the Standards of GRAP do not define the term “significant”.

General Improvements

- Provide clarity to the terms “publicly available” and “publicly accountable”.

- Simplify the disclosures on the presentation of a reconciliation to improve the quality of reporting, by not prescribing the line items to reconcile to.

- Re-instate the Illustrative Examples that were deleted when GRAP 24 became effective.

GRAP27 - Agriculture

General Improvements

Remove encouraged disclosures and repackage it as “useful information” in another section of the Standard.

GRAP31 - Intangible Assets

General Improvements

- Clarify when the Standard of GRAP on Service Concession Arrangements: Grantor (GRAP 32) is applicable.

- Remove reference to fully depreciated assets.

- Remove encouraged disclosures with limited information value.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP104 - Financial Instruments

Improvements to IPSAS 2021

- Interest Rate Benchmark Reform - Amendments to provide a practical expedient not to treat changes in contractual cash flows as a modification.

- Amendments to clarify the fees that an entity includes when it applies the “10 percent” test to derecognise a financial liability.

Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) Feb 2021

Disclosure of Accounting Policies: Changes from “significant accounting policies” to “material accounting policies” because the Standards of GRAP do not define the term “significant”.

General Improvements

Remove encouraged disclosures with limited information value.

iGRAP20 - Accounting for Adjustments to Revenue

Narrow scope amendments to IAS 8 Feb 2021

Change in the definition of an accounting estimate because the previous definition was not sufficiently clear.

Directive 12 - The Selection of an Appropriate Reporting Framework by Public Entities

Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) Feb 2021

Disclosure of Accounting Policies: Changes from “significant accounting policies” to “material accounting policies” because the Standards of GRAP do not define the term “significant”.

Guideline on The Application of Materiality to Financial Statements

Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) Feb 2021

Disclosure of Accounting Policies: Changes from “significant accounting policies” to “material accounting policies” because the Standards of GRAP do not define the term “significant”.

General Improvements

Amendments resulting from the review of the Standard of GRAP on Cash Flow Statements (GRAP 2) and the Standard of GRAP on Presentation of Budget Information in Financial Statements (GRAP 24).

The effective date of these improvements have not yet been set.

The municipality expects to adopt the standard for the first time when the minister sets the effective date of the standards.

The impact of this standard is currently being assessed.

GRAP 1 (amended): Presentation of Financial Statements (Going Concern)

The Board undertook a project in 2021 to consider the guidance and disclosure requirements on going concern in the relevant Standards of GRAP. As an outcome of this project, the Board agreed to include additional guidance and disclosures on going concern in this Standard. Consequential amendments are also made to the Standard of GRAP on Events After the Reporting Date.

Applicability of going concern in the public sector

An entity prepares its financial statements on a going concern basis unless there is an intention to liquidate the entity, to cease operating, or if there is no realistic alternative but to do so. A liquidation or cessation of an entity’s operations will result in the termination of all its functions.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

In South Africa, specific legislative requirements need to be followed before a decision is taken to liquidate a public sector entity, to cease or scale back its operations, to transfer some or all of its functions to another entity, or to merge one or more entities. The "intention" to liquidate an entity, to cease or scale back its operations, to transfer some or all of its functions to another entity, or to merge one or more entities needs to be established. This intention can be reflected in a number of ways and may encompass legislation passed in Parliament or a provincial legislature, cabinet decision, ministerial order, a decision made by a municipal council, board, council or equivalent, a regulation or a notice, or other official means.

The liquidation or cessation of a public sector entity's operations is rare, and only in the case of dissolution without any continuation of the entity's operations will the going concern basis cease to apply. When all, or some of the functions of an entity are transferred to another entity, or when a decision is taken to merge one or more entities, the application of the going concern basis remains appropriate. This is because the entity's functions will continue to be provided in a modified form, even though they are executed by another entity.

The Board agreed to include explanatory guidance in this Standard on the application of the going concern assumption by public sector entities.

Where some of an entity's functions are transferred in a transfer of functions, and the remaining functions are discontinued, there are two separate transactions. The Board concluded that management should assess these transactions separately based on the functions transferred, those to be discontinued (if any), and those that may be retained and continued (if any), to determine if preparing the entity's financial statements on a going concern basis remains appropriate.

Disclosure on going concern

The Board's project highlighted a need for specific disclosures on going concern, material uncertainties relating to going concern, and actions taken by management to mitigate these uncertainties. Consideration was also given to the practices, guidance and requirements in other countries and/or from other standard-setting bodies on these matters.

To address the diversity in the information disclosed on going concern, the Board agreed to expand the disclosure requirements in this Standard to ensure that consistent disclosures are provided.

The effective date of these revisions have not yet been set.

The municipality expects to adopt the standard for the first time in when the minister sets the effective date for the standard.

The municipality is unable to reliably estimate the impact of the standard on the annual financial statements.

GRAP 103 (as revised): Heritage Assets

Background

The Accounting Standards Board (the Board) completed its post-implementation review of the Standard of GRAP on Heritage Assets (GRAP 103) (hereafter referred to as "the review") in 2020. Based on the feedback received as part of the review, the Board agreed to reconsider certain principles in GRAP 103.

The objective of the project was to revise and clarify principles in GRAP 103 following feedback received from the review and actions agreed by the Board.

Key amendments to GRAP 103

The Board agreed that the definition of a heritage asset in GRAP 103 should be reconsidered to better align it with the legislative explanation of a heritage resource in the National Heritage Resources Act, 1999, and the classification by the South African Heritage Resources Agency.

The proposed definition focuses on assets that have "cultural significance" and defines a heritage asset as "an asset that has cultural significance, and is held indefinitely for the benefit of present and future generations". "Cultural significance" has also been defined and described in GRAP 103 based on legislation.

The characteristics displayed by heritage assets, and the range of assets that could be heritage assets, have also been aligned with legislation.

The amendments further relate to the Classification of dual purpose heritage assets, Determining a reliable value for a heritage asset, Protective rights imposed on heritage assets, Re-assessing if a reliable value becomes available subsequently, Aggregation of individually insignificant heritage assets, Impairment of heritage assets, Mandatory disclosures of heritage assets borrowed or on loan.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of these revisions have not yet been set.

The municipality expects to adopt the standard for the first time when the minister sets the effective date for these revisions.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 104 (as revised): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:
- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the revisions is for years beginning or/after 01 April 2025.

The municipality expects to adopt the revisions for the first time on 01 April 2025.

The impact of this standard is currently being assessed.

Notes to the Annual Financial Statements

	2025 R	2024 R

3. Inventories

Consumable stores	23 978 665	31 956 115
Water for distribution	1 177 775	941 872
	25 156 440	32 897 987
Inventories (write-downs)	(176 647)	(357 055)
	24 979 793	**32 540 932**

Inventories recognised as an expense during the year :	409 229 907	376 953 698

Inventory recognised is made up of the following :		
Borehole spares	22 130 813	19 833 755
Potable water distributed	387 169 094	355 827 149
	409 299 907	**375 660 904**

Inventory pledged as security

No inventory was pledged as security in the period under review.

Water distribution
Distributed water is made up of the following :

Water inventory breakdown :		
Opening water	939 771	826 388
Potable Water Purchases (Lepelle Northern Water)	204 826 124	187 071 518
Raw water purchases (Department of Water and Sanitation)	51 826 563	44 590 516
Cost of purifying raw water	130 694 757	124 278 498
Potable water distributed	(387 169 095)	(355 827 149)
	1 118 120	**939 771**

Closing water inventory is made up of the following		
Potable water	697 285	563 655
Water inventory in progress	417 636	373 502
Raw water	3 199	2 614
	1 118 120	**939 771**

Inventories gains/(write-downs)

Inventories losses/write-downs	(176 647)	(357 055)

[1] Stock count variances are due to losses or excess of spares in the records when compared to the physical spares at the satelite stores. Stock losses are due to lost spares while gains are a result of previosuly unidentified spares that are found in the satelitle stores.

[2] The adjustment for changes due to average costs is a result of spares being purchased at a different prices at different intervals which we use to measure spares issued as well as closing inventory. The effect of such changes are reflected as a variance.

[3] The adjustment to the lower of cost and net replacement value is due the write down of closing stock as required by GRAP 12.

[4] There was a burglary at the Nsami Store on 5 April 2025.

Inventory (write downs) / gains		
Stock count variances [1]	43 701	-
Adjustments to changes in average cost [2]	708 681	(357 055)

Notes to the Annual Financial Statements

	2025 R	2024 R
3. New standards and interpretations (continued)		
Adjustment to lower of cost and net replacement value [3]	(1 138)	-
Stock theft [4]	(927 891)	-
	(176 647)	**(357 055)**

4. Receivables from exchange transactions

	2025 R	2024 R
Ba - Phalaborwa Municipality [4.1]	(1 557 983 511)	(603 430 396)
Consumer debtors - Water and sanitation [4.2]	3 471 979 219	3 182 976 928
Eskom - deposits	11 518 424	10 641 583
Payroll control	2 302 656	1 574 519
Prepaid expenditure [4.3]	13 097 328	446 553
Service providers [4.4]	439 586	(219 105)
Staff debtors [4.5]	91 603	75 232
VAT input accrued	156 508 053	231 620 849
	2 097 953 358	**2 823 686 163**

	2025 R	2024 R
Non-current assets	23 200 000	38 666 667
Current assets	2 074 753 358	2 785 019 496
	2 097 953 358	**2 823 686 163**

	2025 R	2024 R
Other non-financial asset receivables included in receivables from exchange transactions above are as follows:		
Prepaid expenditure	13 097 328	446 553
Staff debtors	91 603	75 232
Payroll Control	2 433 647	1 574 519
	15 622 578	**2 096 304**
Financial asset receivables included in receivables from exchange transactions above	**2 082 330 780**	**2 821 589 859**
Total receivables from exchange transactions	2 097 953 358	2 823 686 163

There are no statutory receivables in the receivables from exchange transactions disclosed above.

Notes to the Annual Financial Statements

	2025 R	2024 R

4. Receivables from exchange transactions (continued)

4.1. Ba - Phalaborwa Municipality

The debt owed by Ba-Phalaborwa Local Municipality has been impaired at year end following the assessment performed by Council. This was based on recovery statistics from payments received. The table below details the gross amount as well as impairment:

Description		
Gross carrying amount	414 013 025	343 896 684

The loan account is broken down into loan accounts and agency fees as tabulated below:

Description		
Loan Balance	414 013 025	343 896 684
Agency Fees Payable	(93 677 193)	(82 334 346)
	320 335 832	**261 562 338**

2025	Ba-Phalaborwa	Total
Loan Balance	414 013 025	414 013 025
Agency Fees Payable	(93 677 193)	(93 677 193)
Subtotal	320 335 832	320 335 832
Impairment	(318 240 936)	(318 240 936)
	2 094 896	**2 094 896**

2024	Ba-Phalaborwa	Total
Loan Balance	343 896 684	343 896 684
Agency Fees Payable	(82 334 364)	(82 334 364)
Subtotal	261 562 320	261 562 320
Less Impairment	(234 195 220)	(234 195 220)
	27 367 100	**27 367 100**

Notes to the Annual Financial Statements

	2025 R	2024 R

4. Receivables from exchange transactions (continued)

4.2. Consumer debtors - Water and sanitation

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to their historical information about how they service their municipal accounts.

	2025 R	2024 R
Gross balances		
Sewerage	955 144 305	585 178 856
Water	1 594 514 712	1 781 786 698
	2 549 659 017	**2 366 965 554**
Less: Allowance for impairment		
Sewerage	(926 283 628)	(581 688 485)
Water	(1 477 580 518)	(1 703 984 190)
	(2 403 864 146)	**(2 285 672 675)**
Net balance		
Sewerage	28 860 677	3 490 371
Water	116 934 194	77 802 508
	145 794 871	**81 292 879**
Sewerage - Ageing		
Current (0 -30 days)	11 409 878	6 097 375
31 - 60 days	10 810 422	4 898 304
61 - 90 days	8 096 265	4 720 961
91 - 120 days	9 396 936	4 619 425
121 - 365 days	915 467 699	561 915 212
	955 181 200	**582 251 277**
Water - Ageing		
Current (0 -30 days)	27 372 128	28 388 336
31 - 60 days	19 259 883	17 909 341
61 - 90 days	20 359 401	17 921 991
91 - 120 days	15 455 296	16 684 237
121 - 365 days	1 512 078 004	1 703 810 374
	1 594 524 712	**1 784 714 279**

Notes to the Annual Financial Statements

	2025 R	2024 R

4. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

Residential		
Current (0 -30 days)	25 984 360	23 804 255
31 - 60 days	20 803 125	17 179 454
61 - 90 days	18 013 447	17 139 526
91 - 120 days	20 091 005	17 066 670
121 - 365 days	1 991 872 032	1 771 159 348
Subtotal	2 076 763 969	2 147 474 285
Less: Allowance for impairment	(1 961 764 522)	(1 835 922 777)
	114 999 447	**10 426 476**

Business		
Current (0 -30 days)	7 940 892	7 299 134
31 - 60 days	5 232 347	3 263 228
61 - 90 days	2 785 446	3 023 895
91 - 120 days	2 282 743	2 371 848
121 - 365 days	243 130 454	198 766 969
Subtotal	261 371 882	83 234 602
Less: Allowance for impairment	(235 451 647)	(203 231 531)
	25 920 235	**11 493 543**

National and provincial government		
Current (0 -30 days)	4 855 858	3 382 321
31 - 60 days	4 034 833	2 364 963
61 - 90 days	7 656 772	2 479 531
91 - 120 days	2 432 484	1 865 144
121 - 365 days	192 543 217	295 799 269
Subtotal	211 523 164	75 879 180
Less: Allowance for impairment	(149 294 126)	(246 518 367)
	62 229 038	**59 372 861**

Reconciliation of allowance for impairment

Balance at beginning of the year	2 277 735 298	1 858 477 540
Amounts written off as uncollectible	(691 191)	-
Contributions to allowance	69 455 274	419 257 758
	2 346 499 381	**2 277 735 298**

Receivables breakdown by municipality

The table below shows the gross consumer debtors by category and municipality of origin as well as related impairment.

Notes to the Annual Financial Statements

	2025 R	2024 R

4. Receivables from exchange transactions (continued)

2025	Ba-Phaloborwa	Tzaneen	Giyani	Letaba	Maruleng	Vhembe	Total
Sewerage	806 390 225	36 916 370	47 976 990	62 955 202	905 517	-	955 144 304
Water	1 011 428 331	188 003 200	260 120 596	72 495 249	5 113 487	57 353 850	1 594 514 713
Subtotal	1 817 818 556	224 919 570	308 097 586	135 450 451	6 019 004	57 353 850	2 549 659 017
Less: Allowance for impairment sewerage	(798 595 228)	(16 478 618)	(47 955 253)	(62 641 305)	(613 224)	-	(926 283 628)
Less: Allowance for impairment - Water	(1 000 183 660)	(84 068 677)	(259 890 256)	(71 727 692)	(4 356 383)	-	(1 420 226 668)
	19 039 668	**124 372 275**	**252 077**	**1 081 454**	**1 049 397**	**57 353 850**	**203 148 721**

2024	Ba-Phaloborwa	Tzaneen	Giyani	Letaba	Maruleng	Vhembe	Total
Sewerage	264 327 859	40 376 937	222 482 016	57 273 574	718 470	-	585 178 856
Water	1 416 985 161	178 130 912	56 767 376	68 073 013	5 560 829	56 269 407	1 781 786 698
Subtotal	1 681 313 020	218 507 849	279 249 392	125 346 587	6 279 299	56 269 407	2 366 965 554
Less: Allowance for impairment Sewerage	(262 479 219)	(39 042 741)	(222 254 908)	(57 047 860)	(863 758)	-	(581 688 486)
Less: Allowance for impairment - Water	(1 405 286 019)	(170 054 171)	(56 706 319)	(67 478 500)	(4 459 181)	-	(1 703 984 190)
	13 547 782	**9 410 937**	**288 165**	**820 227**	**956 360**	**56 269 407**	**81 292 878**

Consumer debtors pledged as security

There were no consumer receivables that were pledged as security against any of the municipal liabilities at year end.

4.3. Prepaid expenditure

Prepaid expenditure relates to expenses that have been paid in the current year that relate to the following accounting period. In the current year, the prepayments were made up of the following:

Category		
Fuel prepayments	2 219 032	446 553
Insurance premiums	2 506 534	-
SALGA premiums	5 740 507	-
Eskom prepayments	2 613 255	-
	13 079 328	**446 553**

4.4. Service providers

Service provider debtors are stated at net carrying amount after deducting the allowance for impairment as detailed it the table below:

Description		
Gross carrying amount	11 996 188	8 706 242
Less impairment allowance	(8 451 563)	(8 451 563)
	3 544 625	**254 679**

4.5. Staff debtors

Staff debtors are stated at net carrying amount after deducting the allowance for impairment as detailed it the table below:

Notes to the Annual Financial Statements

	2025 R	2024 R

4. Receivables from exchange transactions (continued)

Description		
Gross carrying amount	4 107 220	4 151 913
Less impairment allowance	(3 792 208)	(3 792 208)
	315 012	**359 705**

Trade and other receivables pledged as security

There were no receivables from exchange transactions that were pledged as security against any of the municipal liabilities at year end.

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to their historical information about how they service their municipal accounts.

5. Receivables from non-exchange transactions

National Treasury [1]	26 242 727	-
Department of Water and Sanitation [2]	148 222 755	126 862 075
	174 465 482	**126 862 075**

Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Department of Water and Sanitation	148 222 755	126 862 075
National Treasury	26 242 727	-
	174 465 482	**126 862 075**
Total receivables from non-exchange transactions	174 465 482	126 862 075

Statutory receivables general information

Transaction(s) arising from statute

[1] The amount receivable from National Treasury represents over deductions by them on amounts withheld against the Municipality's equitable share amounting to R26 242 727.Treasury withheld this portion in the 2023/2024 financial year and again in the 2024/25 financial year resulting in double deduction. In the previous year, National treasury informed the Municipality of this deduction and was duly implemented. However, the Municipality further requested a debt settlement for unspent conditional grants against its Equitable shares in 2024/25 financial year amounting to R101 million (including the R26 million) in the current financial year again. National Treasury made the requisite deductions in the current financial year as reflected in the Equitable Share amount received, which resulted in an overpayment or double payment of the aforesaid unspent amount.

[2] Funding receivable from Department of Water and Sanitation represents grants receivable from Department of Water and Sanitation to the municipality upon completion of work done. In terms of the grant arrangements, the municipality first appoints contractors and performs the work on the projects and then uses the value of work performed to claim from the Department of Water and Sanitation. The receivable at the end of year represents invoices claimed from the Department of Water and Sanitation but not yet received at year end.

Interest or other charges levied/charged

The Municipality does not charge any interest on outstanding statutory receivables.

Basis used to assess and test whether a statutory receivable is impaired

No impairment was considered necessary as all DWS receivables were subsequently received after year end. None of these receivables have been pledged as security for the Municipality's financial liabilities.

	2025 R	2024 R

5. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions pledged as security

There are no receivables from non-exchange transactions that were pledged as security.

Grants Receivable are made up of the following		
DWS - WSIG Schedule 6B Grants	132 188 036	113 588 132
DWS - RBIG Mametja Sekororo	16 034 718	13 273 943
	148 222 754	**126 862 075**

These relate to project claim invoices outstanding from the Department of Water and Sanitation for which work has already been performed.

6. VAT receivable

VAT	25 845 515	20 859 699

The VAT receivable is made up o the following:

VAT Input accrued [1]	(5)	3
VAT due from SARS [2]	25 845 520	20 859 696
	25 845 515	**20 859 699**

VAT Input accrued [1]

This relates to the portion of input (invoices) that the Municipality has not yet paid over to suppliers (Accrual). Therefore, the Municipality is not yet entitled to claim from SARS until it pays them. In terms of the ASB's Fact sheet 11 - Classification of VAT it is not appropriate to net off this portion with that of sales output accrual reported under VAT payables in note 13.

VAT due from SARS [2]

This represents the VAT returns submitted to SARS and assessed but the refunds were only received by the Municipality after year end. This is a statutory receivable based on the ASB's ASB's Fact sheet 11 - Classification of VAT which clarified the matter. The balance is analysed as tabulated below:

Opening balance	20 859 696	69 458 683
Input VAT for the year	314 826 676	141 575 440
Output VAT for the year	(22 059 502)	(20 778 565)
Refunds received	(287 023 687)	(169 395 862)
Interest and penalties charged	(757 663)	-
Closing balance (Statutory receivable)	**25 845 520**	**20 859 696**

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	44 795 383	18 190 815
Short-term deposits	118 730 810	162 548 048
	163 526 193	**180 738 863**

Credit quality of cash at bank and short term deposits, excluding cash on hand

Credit quality of cash at bank and short term deposits, excluding cash on hand has been disclosed on Note 46.

7. Cash and cash equivalents (continued)

Cash and cash equivalents pledged as collateral

No item of cash and cash equivalents has been pledged as security.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
FNB - Public Sector Cheque - 62854372093 [1]	44 795 383	18 190 816	3 200 900	44 795 383	18 190 816	3 496 614
FNB - Money On Call - 62858452205	109 767 404	73 143 773	6 777 170	109 767 404	73 143 773	6 777 170
FNB - Money On Call - 62858453568	8 963 406	89 404 274	8 533 192	8 963 406	89 404 274	8 533 192
Total	**163 526 193**	**180 738 863**	**18 511 262**	**163 526 193**	**180 738 863**	**18 806 976**

[1] The difference between the cash book balance and bank statement was due to valid reconciling items which all cleared after year end.

8. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	194 217 079	(131 332 266)	62 884 813	194 217 079	(98 559 675)	95 657 404
Infrastructure	10 124 733 115	(2 901 112 682)	7 223 620 433	9 291 424 541	(2 636 911 435)	6 654 513 106
Land	11 980 776	-	11 980 776	11 980 776	-	11 980 776
Other property, plant and equipment	204 540 382	(127 673 452)	76 866 930	187 477 694	(116 539 766)	70 937 928
Work in progress	2 735 218 839	-	2 735 218 839	2 877 413 445	-	2 877 413 445
Total	**13 270 690 191**	**(3 160 118 400)**	**10 110 571 791**	**12 562 513 535**	**(2 852 010 876)**	**9 710 502 659**

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Impairment loss	Total
Buildings	95 657 404	-	-	-	-	(7 515 687)	(25 256 904)	62 884 813
Infrastructure	6 654 513 106	21 804 741	-	811 503 832	-	(227 460 243)	(36 741 003)	7 223 620 433
Land	11 980 776	-	-	-	-	-	-	11 980 776
Other property, plant and equipment	70 937 928	27 156 043	(1 290 034)	-	-	(18 273 195)	(1 663 812)	76 866 930
Work in progress	2 877 413 445	669 659 226	-	(811 503 832)	-	-	(350 000)	2 735 218 839
	9 710 502 659	**718 620 010**	**(1 290 034)**	**-**	**-**	**(253 249 125)**	**(64 011 719)**	**10 110 571 791**

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Buildings	102 544 106	638 600	-	-	(7 525 302)	-	95 657 404
Infrastructure	6 711 278 678	32 588 204	(34 958)	166 773 564	(237 793 129)	(18 299 253)	6 654 513 106
Land	11 980 776	-	-	-	-	-	11 980 776
Other property, plant and equipment	85 783 561	5 633 255	(1 056 476)	-	(17 930 507)	(1 491 905)	70 937 928
Work in progress	2 098 779 340	947 222 514	-	(166 773 564)	-	(1 814 845)	2 877 413 445
	9 010 366 461	**986 082 573**	**(1 091 434)**	**-**	**(263 248 938)**	**(21 606 003)**	**9 710 502 659**

Notes to the Annual Financial Statements

	2025 R	2024 R

8. Property, plant and equipment (continued)

Pledged as security

There were no assets held as security for any of the municipal liabilities.

Compensation received for losses on property, plant and equipment – included in operating profit.

Insurance claims	1 093 700	50 674

Other information

Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Sanitation network	318 512	318 512
Water network	79 947 148	82 887 501
Buildings	2 651 575 203	2 790 829 453
	2 731 840 863	**2 874 035 466**

Change in estimates - Assessment of Remaining Useful Life

In terms of the requirements of GRAP 17 the useful lives of all asset items were reviewed by management at year end. The remaining useful live expectations of some asset items differed from previous estimates. This resulted in a revision of some of the previous estimates which was accounted for as a change in accounting estimate. The effect of this revision is an decrease in the depreciation charges for the current period of 2025:R29 658 627

Notes to the Annual Financial Statements

	2025 R	2024 R

8. Property, plant and equipment (continued)

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

	2025 R	2024 R
Refurbishment of Nkowankowa sewer plant	5 519 000	5 519 000

Appointed contractors withdrew from the project. A 3-year capital plan including outer years for sourcing funds was developed to ensure completion of the project. The planned expenditure (MIG) of R 123 000 000.00 for the period 2026-2029.

Refurbishment of Foskor sewer pump	2 091 552	2 091 552

The project was delayed due to testing of pumps.

Sekgosese Ground water development scheme [1]	234 841 499	93 768 037

The overall project is a multi-year project, construction work has recommenced.

Construction of water reticulation in GA-Wally village	4 650 971	4 650 971

The project was delayed due to other phase being under construction.

Refurbishment DWAF	10 269 856	10 269 856

The project was delayed as result of Eskom connection and bulk line water supply.

Borehole development	-	18 884 841

The project is complete and functional..

Upgrading of water reticulation Maruleng	45 635 103	45 635 103

The project was delayed my project managemnt- awaiting another phase (Bulk line) to be functional.

Selwane Water Phase 2 D	9 895 782	9 895 782

The project is awaiting another phase ,selwane phase 2c.

Tours Bulk Water Scheme	277 485 210	177 070 525

The project was delayed due to pressure challenges on the bulk.

Upgrading of Senwamokgope Sewage Plant	-	21 987 362

The project is complete and functional in the current year.

Upgrading of Phalaborwa Sewage Plant	-	20 034 401

The project is complete and functional in the current year.

Upgrading of Nkowankowa Sewage Plant	16 350 998	16 350 998

A 3-year capital plan including outer years for sourcing funds was developed to ensure completion of the project. The planned expenditure (MIG) of R 123 000 000.00 for the period 2026-2029.

Kampersrus Sewage Plant	56 786 033	56 786 033

The project was delayed as result of Eskom connection.

Notes to the Annual Financial Statements

	2025 R	2024 R
8. Property, plant and equipment (continued)		
Namakgale Sewarage Project	-	3 518 468
The project is complete and functional in the current year.		
Upgrade of Water Reticulation GTM	15 740 464	15 740 464
The project was delayed due to the contractor abandoning site.		
Kampersrus Water Supply	32 780 364	32 780 364
The project was delayed due to other phase being under construction.		
Tours - Refurbishment	-	15 526 533
The project is complete and functional in the current year.		
Hoedspruit Bulk Water Supply The project was delayed due to land disputes (SANDF)..	59 556 733	59 556 733
Extension of scope for Sekgosese and Worcester Schemes - Senakwe	1 843 586	1 843 586
The project was delayed as result of Eskom connection.		
Extension of scope for Sekgosese and Worcester Schemes - Kuranta	-	1 972 479
The project is complete and functional in the current year.		
Upgrading of Maapane Water Reticulation Network	1	1
A 3-year capital plan including outer years for sourcing funds was developed to ensure completion of the project. The planned expenditure (MIG) is R 10 000 000.00 for the period 2027-2028.		
Upgrading of the internal water reticulation and extensions-Kuranta	-	824 904
The project is complete and functional in the current year.		
Makosha Village: Construction of A 1.7 km, 110 mm PVC Bulk pipeline and 300kl elevated Steel Tank	55 102	55 102
The project was delayed due to pressure testing		
Refurbishment of Control panels for clear water at Giyani water Works	1 306 060	1 306 060
The project is complete and functional in the current year.		
Assesment and refurbishing of water infrustructure in the willows and sedawa village	-	4 611 115
The project is complete and functional in the current year.		
Drought Relief (WSIG) Boreholes	-	41 521 948
The project is complete and functional in the current year.		
Assesment and refurbishing of water infrustructure of electo mechenical components Khanyisa village	3 436 050	3 436 050
The project was delayed due to other phase being under construction.		

	2025 R	2024 R
8. Property, plant and equipment (continued)		
Lephephane water reticulation	31 931 818	31 931 818
The project is delayed due to other phase being under construction (Phase 2B).		
Lulekani water scheme (Namakgale)	3 822 181	3 822 181
The project was delayed as result of Eskom connection.		
Upgrade and refurbishment of middle letaba water treatment works	10 588 499	10 588 499
The outstanding works is pressure testing the pipeline.		
Molalane Water works	7 687 660	7 687 660
The project was delayed due to other phase being under construction.		
Repair and Installation of Pumps and Motor (Nkambako Water Works)	3 120 350	3 120 350
The project was delayed due to other phase being under construction.		
Construction of water Reticulation Ngove	-	13 912
The project is complete and functional in the current year.		
Nkambako Water Treatment works	-	10 559 294
The project has been completed		
Sekgopo Water Supply COVID 19	3 475 881	4 838 510
The project was delayed due to other phase being under construction.		
Refurbishment of Kgapane Waste WaterTreatment	-	4 446 132
The project is complete and functional in the current year.		
Tours Water Reticulation COVID 19	26 968 066	32 561 462
The project was delayed due to other phase being under construction.		
Tours Bulk Water Scheme (Upgrading of Tours Water Treatment)	-	36 422 512
The project is complete and functional in the current year.		
Dzumeri upgrading of internal Reticulation	-	26 155
The project is complete and functional in the current year.		
Makhuvha_upgrading of internal water reticulation newtwork	-	335 970
The project is complete and functional in the current year .		
Maruleng LM Ground Water Augmentation	2 605 072	2 605 072
The project was delayed due to other phase being under construction.		
	868 443 891	**814 597 795**

Notes to the Annual Financial Statements

	2025 R	2024 R

8. Property, plant and equipment (continued)

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)

	2025	2024
Buildings (Mopani Office buildings)	1	1
The municipality abandoned construction of new office building at the Tzaneen Disaster Centre due to termination of service provider (Kgafela Cosntruction) which subsequently led to Litigation. The project was impaired to the carrying value of R1 in the 2017/2018 financial period.		
Modjadji Royal Pavilion and extension of fencing	1	1
The municipality abandoned project due to land dispute between the royal household and the municipality. The royal household gave the municipality another site to execute the project other than the initially provided at the beginning of the project. The project was also impaired to the carrying value of R1 in the 2017/18 financial period.		
Namakgale Sewer Project	1	1
The municipality abandoned project due to the fact that the municipality terminated contract with consultant responsible for running the project. The project was also impaired to the carrying value of R1 in the 2017/18 financial period.		
Refurbishment - Giyani water works (Impaired to R1)	1	1
The municipality abandoned the project because of the building structure that was cracking from the foundation. The refurbishments were impaired to R1 in the 2020-2021 financial period,		
	4	**4**

The four projects impaired had a total cost of R72 405 458 when they were impaired.

Reconciliation of Work-in-Progress 2025

	Buildings	Sanitation	Water	Total
Opening balance	318 512	82 887 501	2 790 829 453	2 874 035 466
Additions	-	941 950	668 717 279	669 659 229
Transfers	-	(3 782 303)	(807 721 529)	(811 503 832)
Impairment	-	(100 000)	(250 000)	(350 000)
	318 512	**79 947 148**	**2 651 575 203**	**2 731 840 863**

Reconciliation of Work-in-Progress 2024

	Buildings	Sanitation	Water	Total
Opening balance	318 512	83 394 901	2 011 687 816	2 095 401 229
Additions	-	-	947 222 514	947 222 514
Transfers	-	-	(166 773 564)	(166 773 564)
Impairment	-	(507 400)	(1 307 313)	(1 814 713)
	318 512	**82 887 501**	**2 790 829 453**	**2 874 035 466**

Notes to the Annual Financial Statements

	2025 R	2024 R

8. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance	2025 R	2024 R
Maintenance of buildings and facilities	2 006 123	2 796 195
Maintenance of infrastructure	95 055 381	78 592 064
Motor vehicle and other general municipal services	26 635 299	11 171 550
	123 696 803	**92 559 809**

Fixed assets register

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. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	5 456 672	(3 592 099)	1 864 573	5 456 672	(3 140 264)	2 316 408

Reconciliation of intangible assets - 2025

	Opening balance	Amortisation	Total
Computer software	2 316 408	(451 835)	1 864 573

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software	2 804 853	-	(488 445)	2 316 408

Pledged as security

None of the intangible assets has been pledged as security for any liability of the municipality.

10. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain	432 000	-	432 000	432 000	-	432 000

Reconciliation of heritage assets 2025

	Opening balance	Total
Mayoral chain	432 000	432 000

Notes to the Annual Financial Statements

	2025 R	2024 R

10. Heritage assets (continued)

Reconciliation of heritage assets 2024

	Opening balance	Total
Mayoral chain	432 000	432 000

Pledged as security

None of the heritage assets has been pledged as security for any liability of the Municipality.

11. Operating lease asset

	2025 R	2024 R
Non-current assets	3 431 222	7 070 743
Current assets	3 639 521	3 639 521
Non-current liabilities	(598 748)	(345 340)
	6 471 995	**10 364 924**

[1] The Municipality is leasing a pipeline from Blyde River Water Utility company for a period of 20 years effective from 01 April 2008 to 31 March 2028. Under the arrangement, the municipality is entitled to abstract 152 803 cubic meters of water per month from the Blyderivierspoort dam without any further payments. The lease payments were agreed at R15 950 144 including VAT and this was paid upfront at the commencement of lease. The municipality is liable for contingent rent should it abstract more than the 152 803 cubic meters in a month. This is to be charged at R0.83 per cubic meter.

[2] The Municipality is leasing a landline telephone system from MAB Technologies for a period of 37 months effective from 01 March 2024 to 31 March 2027. The Municipality paid for the rentals in full at the inception of the contract. Under the arrangement, the municipality is entitled to use the telephone system without any further payments and MAB Technologies is required to maintain it. The municipality will not take ownership of assets at the end of the contract.

[3] The current liability is in regards to the office lease agreement in place between Mopani District Municipality (lessee) and the Department of Public Works (Lessor) at the Giyani Government Complex in Giyani. The lease has a 5 year term with an annual escalation of 7%. The lease has been recognised on a straight-line basis over the lease term.

12. Payables from exchange transactions

	2025 R	2024 R
Bonus accrual [12.1]	10 508 703	9 984 218
Debtors with credit balances [12.2]	1 396 933	1 384 617
Greater Giyani Municipality [12.7]	47 795 107	46 775 957
Greater Letaba Municipality [12.7]	187 616 000	179 077 268
Greater Tzaneen Municipality [12.7]	389 499 154	381 726 536
Leave accrual [12.3]	46 343 450	43 008 553
Maruleng Municipality [12.7]	49 229 532	44 129 712
Retentions	269 951 867	230 135 364
Trade creditors at local municipalities	(29 232)	2 404 514
Trade payables [12.4 & 12.5]	955 585 810	1 067 448 987
VAT output accrued	279 379 439	270 422 247
	2 237 276 763	**2 276 497 973**

	2025 R	2024 R
Current liabilities	1 672 893 644	1 659 920 018
Non-current liabilities	564 383 119	616 577 955
	2 237 276 763	**2 276 497 973**

	2025 R	2024 R

12. Payables from exchange transactions (continued)

12.1. Bonus accrual

Municipality employees have structured their salary packages to include 13th cheque as bonus on the anniversary of their employment date except for employees who were transferred from Health Department and Water Department as their bonus is linked to the date, they joined the municipality. This arrangement is not applicable to Section 57 employees. In addition to the Bonus Maruleng Local Municipality has however cascaded the performance management system to its employees wherein the staff responsible for water and sanitation has been affected by the arrangement and receive the performance bonus relating to a performance. In addition to Bonus accrual the MDM has included the performance bonus awarded by Maruleng Local Municipality.

12.2. Debtors with credit balances

This relates to overpaid accounts by consumers.

12.3. Leave accrual

The municipality grants its employees 21 working days leave per year, except for section 57 employees who are entitled to 24 working days per calendar period. This leave is cumulative up to a limit of 48 working days.

There is no discounting applied to the calculation of the annual leave provisions. The leave provision is based on the estimated salaries and is capped at 48 days.

12.4. All other payables from exchange transactions

These relate to operational creditors of the municipality.

12.5. Trade payables

These represent outstanding municipal liabilities for its main operations are are tabulated below:

Department of Water and Sanitation [1]	385 646 858	387 543 040
Lepelle Northern Water [2]	317 856 784	335 792 029
SITA	-	423 796
Trade creditors [3]	252 082 168	343 690 122
	955 585 810	**1 067 448 987**

[1] The municipality signed a settlement agreement with the Department of Water and Sanitation a monthly payment of R2.5 million until the debt is fully paid up.

[2] The municipality entered into a settlement with Lepelle Northern Water wherein the municipality committed to pay R30 000 000 in the 2024 financial year, R72 000 000 in the 2025 financial year, R84 000 000 in the 2026 financial year and R97 000 000 in the 2027 financial year. Lepelle Northern Water agreed to write off historic collection penalty and historic interest totalling to R160 942 118. The write off is dependent on the actual amount of repayments made by the Municipality for the settlement of the historical debt. In the current year, the amount written off amounted to R40 946 404 (2024: R9 952 251). The total interest that has been written off to date is R50 898 655.

[3] These relate to operational creditors including accruals of the municipality.

12.6. Financial liabilities in payables from exchange transactions

The table below shows the reconciliation of payables from exchange transactions to financial liabilities disclosed in note 41.

	2 237 276 763	2 276 497 973
Less: Bonus accrual - employee benefits	(10 508 703)	(9 984 218)
Less: Leave accrual - employee benefits	(46 343 450)	(43 008 553)
	2 180 424 610	**2 223 505 202**

	2025 R	2024 R

12. Payables from exchange transactions (continued)

12.7 Local municipalities loan accounts

The loan accounts of the local municipalities are broken down into loan accounts and agency fees as tabulated below:

2025	Tzaneen	Giyani	Letaba	Maruleng	Total
Loan Balance	373 905 846	36 195 429	183 463 197	45 306 966	638 871 438
Agency Fees Payable	15 593 308	7 800 956	3 500 535	2 304 685	29 199 484
	389 499 154	**43 996 385**	**186 963 732**	**47 611 651**	**668 070 922**

2024	Tzaneen	Giyani	Letaba	Maruleng	Total
Loan Balance	368 856 965	37 038 072	175 872 101	37 299 636	619 066 774
Agency Fees Payable	12 869 571	7 216 470	3 205 167	1 920 357	25 211 565
	381 726 536	**44 254 542**	**179 077 268**	**39 219 993**	**644 278 339**

13. VAT payable

[1] VAT output accrued relates to the value of water and sanitation related invoices raised by the Municipality but not yet settled by the consumers. This obligation is only payable to SARS on receipt of outstanding money from the consumers. Since the payment is not yet due to SARS, it is reflected as an “accrual” until received from consumers. In terms of the ASB’s Fact sheet 11 - Classification of VAT it is not appropriate to net off this portion with that of VAT input accrual reported under VAT receivables in note 6.

14. Consumer deposits

	2025 R	2024 R
Water	4 124 815	4 061 725

15. Employee benefit obligations

Defined benefit plan

Defined benefit plan for the municipality consists of post-employment medical aid plan and long service award. In accordance with prevailing legislation, the defined benefits funds are actuarially valued at intervals of not more than two years. The Projected Unit Credit valuation method is used. The latest valuation was performed as at 30 June 2025 by ARCH Actuarial Consulting.

The municipality has no legal obligations to settle this liability with any immediate contributions or additional once off contributions.

The municipality intends to contribute to each defined benefit post-retirement medical scheme in accordance with the latest recommendations of the actuary to each scheme.

[A] Post-employment medical benefit plan (PEMA)

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependents may continue membership of the medical scheme.

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependents. Some options also differentiate on the basis of income.

Eligible employees will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement. All continuation members and their eligible dependents receive a 60% subsidy. Upon a member's death-in-service or death-in-retirement the surviving dependents will not continue to receive a subsidy.

This obligation is not cash backed at the end of the year. Further, the municipality does not have separate investments or assets to fund this (the obligation is wholly unfunded).

[B] Long service award (LSA)

The municipality provides long-service award to its permanent employees.

The Municipality offers employees LSA for every five years of service completed, from five years of service to 45 years of service, inclusive.

In accordance with the prevailing legislation, the defined benefits funds are actuarially valued at intervals of not more than two years. The Projected Unit Credit valuation method is used. The latest valuation was performed as at 30 June 2025.

The benefits awarded for long term are calculated as follows:

Completed service (In years)	Long services Bonuses (% of annual Earnings)
5 years	(2%) 5/250 x annual earnings
10 years	(6%) 15/250 x annual earnings
15 years	(10%) 25/250 x annual earnings
20, 25, 30, 35, 40, 45 years	(14%) 35/250 x annual earnings

The municipality has no legal obligation to settle this liability with any immediate contributions or additional once-off contribution.

This obligation is not cash backed at the end of the year. Further, the municipality does not have separate investments or assets to fund this (the obligation is wholly unfunded).

Notes to the Annual Financial Statements

	2025 R	2024 R

15. Employee benefit obligations (continued)

[C] Post-retirement medical aid plan and Long service award

Valuation Method

The projected Unit Credit Funding method has been used to determine the past service liabilities at the valuation date and expense in the year following the valuation date.

Liability of employer

Liabilities of an employer may be split between a past-service (or accrued) element and a future-service element. This serves to recognise the manner in which the accounting standards suggest that the liabilities be accrued uniformly over an employee's period of service. The method of accrual that has been used in this valuation is based on length of service at the valuation date relative to total potential service until the expected retirement date.

Valuation assets

As at the valuation date, the medical aid liability and long service award of the Municipality are unfunded. (No dedicated assets have been set aside to meet this liability. We therefore did not consider any assets as part of our valuation.

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

	2025	2024
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(69 943 690)	(63 105 482)
Present value of the defined benefit obligation-partly or wholly funded	(46 987 668)	(44 264 880)
	(116 931 358)	**(107 370 362)**
Non-current liabilities	(105 802 672)	(97 439 779)
Current liabilities	(11 128 686)	(9 930 583)
	(116 931 358)	**(107 370 362)**

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

	2025	2024
Opening balance	107 072 049	85 142 964
Benefits paid	(8 230 510)	(7 355 268)
Net expense recognised in the statement of financial performance	17 791 507	29 284 353
	116 633 046	**107 072 049**

Net expense recognised in the statement of financial performance

	2025	2024
Current service cost	7 017 447	20 123 279
Interest cost	12 003 052	9 998 720
Actuarial (gains) losses	(1 228 992)	(837 646)
	17 791 507	**29 284 353**

Calculation of actuarial gains and losses

	2025	2024
Actuarial (gains) losses – Obligation	(1 228 992)	(837 646)

Notes to the Annual Financial Statements

	2025 R	2024 R

15. Employee benefit obligations (continued)

Key assumptions used

[A] Post-employment medical aid plan

In estimating the liability for the post-employment health care benefits a number of assumptions are required. The GRAP 25 statement places the responsibility on management to set these assumptions, as guided by the principles set out in the Statement and in discussion with the actuary.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the post-employment health care arrangement – this is determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and future-service costs
are recognised over time. The key financial and demographic assumptions are summarised below:

Financial variables

The most important financial variables used in our valuation are the discount and medical aid inflation rates. We have assumed the following values for these variables:

	2025	2024
Discount rates used	11.30 %	12.27 %
Expected rate of return on assets	5.30 %	5.44 %
Expected rate of return on reimbursement rights	4.80 %	7.75 %

	2025	2024
Demographic Assumptions		
Average retirement age	62	62
Continuation of membership at retirement	75.00 %	75.00 %
Proportion with a spouse dependent at retirement	60.00 %	60.00 %
Proportion of eligible in-service non-members joining a scheme by retirement	15.00 %	15.00 %
Mortality during retirement	SA85-90	SA85-90
Mortality post-retirement	PA (90)-1	PA (90)-1

[B] Long service award

Key assumptions for long service awards are as follows:

	2025	2024
Financial variables		
Discount rate used	9.80 %	11.05 %
General earnings inflation rate (Long-term)	4.80 %	6.20 %
Net effective discount rate	- %	4.56 %

The earnings used in the valuation include assumed increase of 4% as per the SALGBC Circular No.: 23/2021.

	2025	2024
Demographic assumptions		
Average retirement age	62	62
Mortality during employment	SA 85-90	SA 85-90

Withdrawal from service

Age	Female	Male
20	9.00 %	9.00 %
30	6.00 %	6.00 %
40	5.00 %	5.00 %
50	3.00 %	3.00 %
55	0.00 %	0.00 %

Notes to the Annual Financial Statements

	2025 R	2024 R

15. Employee benefit obligations (continued)

Membership for Post-employment medical aid data:

The number of members entitled to receive post-employment medical aid subsidies from the municipality were:

Category	30-06-2025 Valuation	30-06-2024 Valuation
Current (In-service) members	444	403
Continuation members (Pensioners)	34	33
In-service (employee) non-members	214	250
	692	**686**

Accrued Contractual Liability

The figures below reflect the total value of the accrued contractual liability of the municipality in respect of the municipality in respect of post-employment medical aid benefit offered to employees:

Category		
Current (In-service) members	31 427 000	27 969 000
Continuation members (Pensioners)	15 164 000	13 914 000
In-service (employee) non-members	7 715 000	7 877 000
	54 306 000	**49 760 000**

Financial Assumptions

[i] Discount rate

A discount rate of 9.8% per annum has been used. The corresponding index-linked yield at this term is 5.30%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2025.

[ii] Health care inflation rate

The medical contribution inflation rate was set with reference to the past relationship between the (yield curve based) discount rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period.

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

The next contribution increase was assumed to occur with effect from 1 January 2025.

[iii] Replacement Ratio

This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contribution rate tables are income dependent. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

Demographic assumptions

Demographic assumptions are required to estimate the changing profile of current employees and retirees who are eligible for post-employment benefits.

[i] Pre-retirement Mortality

SA85-90 ultimate table, adjusted for female lives.

[ii] Post-retirement Mortality

15. Employee benefit obligations (continued)

PA (90) ultimate table, adjusted down by one year of age, and a 1% annual compound mortality improvement from 2010. This means that we expect 1% fewer people to die next year. In the year thereafter, we expect 1.99% fewer people to die, i.e. 1.99% is derived from [1-(1-1%) squared] and so on.

[iii] Withdrawal from service

If an eligible employee leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates. A sample of the assumed rates is set out below:

Age	Females	Males
20	9.00 %	9.00 %
25	8.00 %	8.00 %
30	6.00 %	6.00 %
35	5.00 %	5.00 %
40	5.00 %	5.00 %
45	4.00 %	4.00 %
50	3.00 %	3.00 %
55	0.00 %	0.00 %
>55	0.00 %	0.00 %

[iv] Average Retirement Age

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average which then implicitly allows for expected rates of ill-health and early retirement.

[v] Continuation of Membership

It has been assumed that 75% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

[vi] Proportion of Eligible In-Service Non-Members Joining a Scheme by Retirement

It has been assumed that 15% of eligible in-service non-members will be on a medical scheme at retirement (should they not exit employment before then).

[vii] Family Profile

It has been assumed that female spouses will be four years younger than their male counterparts. Furthermore, we've assumed that 60% of eligible employees on a health care arrangement at retirement will have a spouse dependent on their medical aid. For current retiree members, actual medical aid dependents were used and the potential for remarriage was ignored.

Sensitivity Analysis for Post-Employment Medical Aid

The liability at the Valuation Date was recalculated to show the effect of:

- a 1% increase and decrease in the assumed rate of health care cost inflation;
- a 1% increase and decrease in the discount rate;
- a one-year age reduction in the assumed rates of post-employment mortality;
- a one-year decrease in the assumed average retirement age;
- a 10% decrease in the assumed proportion of in-service members that continue to receive the subsidy after retirement.

In order to illustrate the sensitivity of the results to changes in certain key variables, the liability has been recalculated using the assumptions as below:

15. Employee benefit obligations (continued)

Assumption	Change	In-service members	Continuation members	Total	% Change
Central assumption	0.00 %	35 846 000	13 914 000	49 760 000	0.00 %
Health care inflation	1.00 %	38 620 000	14 786 000	53 406 000	7.00 %
	(1.00)%	32 482 000	13 025 000	45 507 000	(9.00)%
Discount rate	1.00 %	31 360 000	12 873 000	44 233 000	(11.00)%
	(1.00)%	41 339 000	15 117 000	56 456 000	13.00 %
Post-retirement mortality	1 year	34 931 000	13 518 000	48 449 000	(3.00)%
	-1 year	36 749 000	14 306 000	51 055 000	3.00 %
Average retirement age	-1 year	39 266 000	13 914 000	53 180 000	7.00 %
Continuation of members at retirement	(10.00)%	31 068 000	13 914 000	44 982 000	(10.00)%

The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 7% higher than that shown.

The sensitivity analysis on current-service and interest cost for the year ending 30 June 2025.

Assumption	Change	Current Service Costs	Interest Cost	Total	% Change
Central assumptions	0.00 %	2 042 000	5 600 000	7 642 000	0.00 %
Health care inflation rate	1.00 %	2 235 000	6 022 000	8 257 000	8.00 %
	(1.00)%	1 795 000	5 108 000	6 903 000	(10.00)%
Discount rate	1.00 %	1 726 000	5 360 000	7 086 000	(7.00)%
	(1.00)%	2 440 000	5 862 000	8 302 000	9.00 %
Post-employment mortality	1 year	1 991 000	5 450 000	7 441 000	(3.00)%
	-1 year	2 093 000	5 748 000	7 841 000	3.00 %
Average retirement age	-1 year	2 148 000	6 015 000	8 163 000	7.00 %
Continuation of members at retirement	(10.00)%	1 770 000	5 017 000	6 787 000	(11.00)%

[B] Sensitivity analysis for long service awards

The liability at the valuation date was recalculated to show the effect of:

- a 1% increase and decrease in the assumed general earnings inflation rate;
- a 1% increase and decrease in the discount rate;
- a two-year increase and decrease in the assumed average retirement age of eligible employees; and
- a two-fold increase and 50% increase in the assumed rates of withdrawal from services.

Sensitivity analysis on the unfunded liability

Assumption	Change	Liability	% Change
Central assumptions	0.00 %	41 493 000	0.00 %
General earnings inflation	1.00 %	43 552 000	5.00 %
	(1.00)%	39 606 000	(5.00)%
Discount rate	1.00 %	39 531 000	(5.00)%
	(1.00)%	43 664 000	5.00 %
Average retirement age	2 years	44 745 000	8.00 %
	-2 years	38 165 000	(8.00)%
Withdrawals	x2	37 449 000	(10.00)%
	x0.50	44 133 000	6.00 %

Sensitivity analysis on current service and interest costs for the year ending 30 June 2025:

Notes to the Annual Financial Statements

	2025 R	2024 R

15. Employee benefit obligations (continued)

Assumption	Change	Current Service Costs	Interest Cost	Total	% Change
Central assumptions	0.00 %	3 773 000	3 906 000	7 679 000	0.00 %
General earnings inflation	1.00 %	4 042 000	4 118 000	8 160 000	6.00 %
	(1.00)%	3 531 000	3 711 000	7 242 000	(6.00)%
Discount rate	1.00 %	3 558 000	4 039 000	7 597 000	(1.00)%
	(1.00)%	4 014 000	3 755 000	7 769 000	1.00 %
Average retirement age	2 years	3 994 000	4 327 000	8 321 000	8.00 %
	-2 years	3 553 000	3 538 000	7 091 000	(8.00)%
Withdrawal rates	x2	3 109 000	3 469 000	6 578 000	(14.00)%
	x0.50	4 238 000	4 189 000	8 427 000	10.00 %

15. Employee benefit obligations (continued)
Key Assumptions for Long service award

Financial variables

[i] Discount Rate

A discount rate of 9.8% per annum has been used. The first step in the derivation of this yield is to calculate the liability-weighted average of the yields corresponding to the actual terms until payment of long service awards, for each employee. The 9.8% is then derived as the liability-weighted average of the yields derived in the first step. The corresponding liability-weighted index-linked yield is 5.08%.These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2025.

The liability-weighted average term of the total liability is 8.25 years.

[ii] Earnings Inflation Rate

This assumption is required to reflect the estimated growth in earnings of the eligible employees until retirement. It is important in that the LSA are based on an employee's earnings at the date of the award.

The assumption is traditionally split into two components, namely General Earnings Inflation and Promotional Earnings Escalation. The latter is considered under demographic assumptions.

[iii] General Earnings Inflation

This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, earnings inflation is between 1.0% and 1.5% above CPI inflation.

Demographic assumptions

Demographic assumptions are required about the future characteristics of current employees who are eligible for LSA.

[i] Promotional Earnings Scale

The annual inflation rates below are in addition to the General Earnings Inflation assumption of 6.20% per annum for all employees:

Age band	Additional promotional scale
20 -24	5.00 %
25 - 29	4.00 %
30 - 34	3.00 %
35 - 39	2.00 %
40 - 44	1.00 %
> 44	0.00 %

[ii] Average Retirement Age

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement. Employees who have passed the assumed average retirement age have been assumed to retire at their next birthday.

[iii] Pre-retirement Mortality

SA85-90 ultimate table, adjusted down for female lives.

[iv] Withdrawal from Service

15. Employee benefit obligations (continued)

If an employee leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates. A sample of the assumed rates is set out below:

Age	Females	Males
20	9.00 %	9.00 %
25	8.00 %	8.00 %
30	6.00 %	6.00 %
35	5.00 %	5.00 %
40	5.00 %	5.00 %
45	4.00 %	4.00 %
50	3.00 %	3.00 %
55	0.00 %	0.00 %
>55	0.00 %	0.00 %

Disclosures on the actuarial valuations of Mopani employees stationed at local municipalities

The actuarial valuation for Mopani employers that are stationed at local municipalities were performed by different actuaries. The actuaries at the respective local municipality relied on the information as per the submission from the local municipality concerned. The methodologies used for valuations of PEMA and LSA are similar across the board

The number of employees stationed at local municipalities is too insignificant in comparison to the employees at MDM to have any negative influence on the total value of liability. It is against this background that further detailed assumptions and sensitivity analysis per local municipality are not disclosed.

Other assumptions

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

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

	2025 R	2024 R	2023 R	2022 R	2021 R
Defined benefit obligation	(69 943 690)	(63 105 482)	(56 995 253)	(53 464 820)	(44 803 443)
Plan assets	(46 987 668)	(44 264 880)	(28 108 067)	(23 584 088)	(25 914 513)

	2025 R	2024 R

15. Employee benefit obligations (continued)

Defined contribution plans

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

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

	2025 R	2024 R
The total economic entity contribution to such schemes recognised as an expense	52 248 782	49 330 620

Employee benefits obligation breakdown by municipality

The table below shows the Employee benefits obligation category and municipality of origin:

2025	Mopani	Ba-Phaloborwa	Tzaneen	Giyani	Letaba	Maruleng
PEMA	52 698 000	5 664 178	5 102 122	1 420 798	1 841 044	1 143 875
LSA	41 493 000	1 063 406	2 983 000	263 000	470 474	513 000
Total	**94 191 000**	**6 727 584**	**8 085 122**	**1 683 798**	**2 311 518**	**1 656 875**
Less current portion	(9 770 000)	(448 120)	(689 048)	(56 286)	(86 837)	(78 395)
	84 421 000	**6 279 464**	**7 396 074**	**1 627 512**	**2 224 681**	**1 578 480**

2024	Mopani	Ba-Phaloborwa	Tzaneen	Giyani	Letaba	Maruleng
PEMA	49 760 000	4 987 987	4 544 000	1 259 000	1 792 402	762 000
LSA	38 760 000	893 242	3 291 000	264 000	447 850	407 000
Total	**88 520 000**	**5 881 229**	**7 835 000**	**1 523 000**	**2 240 252**	**1 169 000**
Less current portion	(8 674 000)	(338 531)	(762 503)	(44 624)	(64 718)	(38 645)
	79 846 000	**5 542 698**	**7 072 497**	**1 478 376**	**2 175 534**	**1 130 355**

16. Multi-employer plans

The municipality makes provision for post-retirement benefits to eligible councilors and employees who belong to different pension schemes.

All councilors belong to the pension fund for municipal councilors.

Employees belong to a variety of approved Pension funds and provident funds as described below.

All these afore-mentioned funds are multi-employer plans and are subjected to either a tri-annual, bi-annual or annual actuarial valuations, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:
- The assets of each funds are held in one portfolio and are not notionally allocated to each of participating employer;
- One set of financial statements is compiled for each fund and financial statements are not drafted for each participating employer; and
- The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefits plans is to make the specified contributions. Where councilors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R52 248 782 (2024 :R49 330 620) represents contributions paid to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The retirement funds have been valued by making use of the discounted cash flow method of valuation.

Defined Benefit Schemes -Valuation outcome

Municipal Employee Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. We could not obtain the latest actuarial valuation report to determine impact on future contribution relating this scheme. We are unable to assess performance of the scheme.

Defined Contribution Schemes

Municipal Council pension fund:

The scheme is subject to a tri-annual actuarial valuation. We could not obtain the latest actuarial valuation report to determine impact on future contribution relating this scheme. We are unable to assess performance of the scheme.

Municipal Employees Gratuity Fund:

The scheme is subject to a tri-annual actuarial valuation. We could not obtain the latest actuarial valuation report to determine impact on future contribution relating this scheme. We are unable to assess performance of the scheme.

National Fund for Municipal Workers:

The Scheme is subject to an annual actuarial valuation. We could not obtain the latest actuarial valuation report to determine impact on future contribution relating this scheme. We are unable to assess performance of the scheme.

Government Employee Pension Fund:

The scheme is subject to an actuarial valuation at least once in every 3 years. We could not obtain the latest actuarial valuation report to determine impact on future contribution relating this scheme. We are unable to assess performance of the scheme.

The results of the March 2020 actuarial valuation show that the Fund is 108.3% funded, The Funding policy requires that the Board of Trustees ensure that the funding level of liabilities Is above 90%.This is in line with Rule 7.2 of the Rules of the Fund, which states that the employer contributions should be sufficient to ensure that the Fund is able to always meet its obligations, subject to a funding level of liabilities of at least 90%.

	2025 R	2024 R

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Heading		
Drought Relief WISG [1]	-	6 777 182
RBIG - COVID 19 relief grant [2]	-	36 090 000
Water Services Infrastructure Grant	-	32 037 091
	-	**74 904 273**

Movement during the year

Balance at the beginning of the year	74 904 273	106 936 475
Additions during the year	531 637 000	483 144 000
Income recognition during the year	(531 637 000)	(488 911 202)
Unapproved rollover	(74 904 273)	(26 265 000)
	-	**74 904 273**

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

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

See note 22 for reconciliation of grants from National/Provincial Government.

Repayment of unspent conditional grants

The Municipality has completed a repayment arrangement with National Treasury wherein all the R101 million of unspent grants from prior years will be repaid to National Treasury through deductions from the Equitable share due to the Municipality in the current year. National Treasury deducted an amount of R33.7 million per tranche over three payments in July 2024, December 2024 and March 2025 from the Equitable Share Grant.

18. Service charges

Sale of water	180 159 229	153 484 413
Sewerage and sanitation charges	43 705 677	42 478 292
VAT Recovery	-	(2)
	223 864 906	**195 962 703**

19. Interest charged on overdue consumer accounts

Interest charged on overdue consumer accounts	124 674 826	112 046 921

This relates to interest charged by the municipality for late payment of water and sanitation accounts by consumers.

20. Other income

Insurance claims	1 093 700	50 674
Reconnection fees	118 846	67 996
Sundry income	2 766 723	1 399 312
Tender fees [1]	636 559	1 228 961
	4 615 828	**2 746 943**

Notes to the Annual Financial Statements

	2025 R	2024 R

21. Interest received - investment

Interest revenue		
Interest received - Investment	29 311 249	27 775 043

The increase is due to an increase in money in the call account which has been unutilised throughout the whole year and has been invested.

22. Government grants and subsidies

Operating grants		
Equitable share	1 343 490 000	1 265 409 000
EPWP grant	6 799 000	8 226 000
Finance management grant	3 000 000	3 000 000
	1 353 289 000	**1 276 635 000**
Capital grants		
Municipal infrastructure grant	519 361 999	469 548 000
Water services infrastructure grant	-	5 722 202
Rural roads asset management grant	2 476 000	2 415 000
WSIG Schedule 6B grants	366 425 925	586 081 727
RBIG Mametja Sekororo grant	2 760 775	6 925 629
	891 024 699	**1 070 692 558**
	2 244 313 699	**2 347 327 558**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	900 823 699	1 081 918 558
Unconditional grants received	1 343 490 000	1 265 409 000
	2 244 313 699	**2 347 327 558**

Equitable Share

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

Municipal infrastructure grant

Current-year receipts	519 362 000	469 548 000
Conditions met - transferred to revenue	(519 362 000)	(469 548 000)
	-	-

The purpose of this grant is to improve access to basic service infrastructure for poor communities.

Finance management grant

Current-year receipts	3 000 000	3 000 000
Conditions met - transferred to revenue	(3 000 000)	(3 000 000)
	-	-

The Finance Management Grant (FMG) is the grant to assist with the appointment of finance interns and also to augment the salary for the Chief Financial Officer and lastly to capacitate the employees to meet minimum competency requirement to work in finance.

Notes to the Annual Financial Statements

	2025 R	2024 R

22. Government grants and subsidies (continued)

Rural roads asset management grant

	2025 R	2024 R
Balance unspent at beginning of year	-	45 000
Current-year receipts	2 476 000	2 370 000
Conditions met - transferred to revenue	(2 476 000)	(2 415 000)
	-	**-**

The purpose of the grant is to improve data on rural roads to guide infrastructure development.

Expanded Public Works Programme Integrated Grant

	2025 R	2024 R
Current-year receipts	6 799 000	8 226 000
Conditions met - transferred to revenue	(6 799 000)	(8 226 000)
	-	**-**

The purpose of the grant is to improve opportunities for sustainable employment based on experiential learning attained through the programme.

WSIG schedule 6B grants

	2025 R	2024 R
Balance unspent at beginning of year	(113 588 132)	(39 906 361)
Current-year receipts	347 826 021	512 399 956
Conditions met - transferred to revenue	(366 425 925)	(586 081 727)
	(132 188 036)	**(113 588 132)**

The purpose of the grant is to finance construction of water and sanitation infrastructure in the communities.

The closing balance is negative representing amounts receivable from the Department of Water Affairs at the end of the year as reported in note 5.

RBIG Mametja Sekororo

	2025 R	2024 R
Balance unspent at beginning of year	(13 273 943)	(12 099 259)
Current-year receipts	-	5 750 944
Conditions met - transferred to revenue	(2 760 775)	(6 925 628)
	(16 034 718)	**(13 273 943)**

The purpose of the grant is to finance construction of the Mametja Sekororo Water infrastructure.

The closing balance is negative representing amounts receivable from the Department of Water Affairs at the end of the year as reported in note 5.

RBIG - COVID 19 relief grant

	2025 R	2024 R
Balance unspent at beginning of year	36 090 000	36 090 000
Set-off against Equitable Share Grant	(36 090 000)	-
	-	**36 090 000**

The municipality received a COVID 19 relief grant from the Department of Water Affairs amounting to R36 090 000 in 2021 financial year. The purpose of the grant was to assist the municipality in providing water to the communities during the COVID pandemic period.

Notes to the Annual Financial Statements

	2025 R	2024 R

22. Government grants and subsidies (continued)

Water service infrastructure grant

Balance unspent at beginning of year	32 037 091	64 024 293
Conditions met - transferred to revenue	-	(5 722 202)
Set-off against Equitable Share Grant	(32 037 091)	(26 265 000)
	-	**32 037 091**

The purpose of this grant is to support refurbishment of water services infrastructure projects.

Drought Relief WISG

Balance unspent at beginning of year	6 777 182	6 777 182
Set-off against Equitable Share Grant	(6 777 182)	-
	-	**6 777 182**

The Department of Water and Sanitation allocated the municipality Drought relief grant in the financial period 2018/2019. The municipality could not fully spend the allocation. The grant allocation was not extended to period under review.

23. Revenue from debt forgiveness

Lepelle Northern Water debt write-off [1]	40 946 404	9 952 251

[1] This amount arose due to debt write off by Lepelle Northern Water on the amount owed by the District Municipality following conclusion of a debt settlement agreement. In terms of the agreement, the municipality committed to pay R30 000 000 in the 2024 financial year, R72 000 000 in the 2025 financial year, R84 000 000 in the 2026 financial year and R97 000 000 in the 2027 financial year. Lepelle Northern Water agreed to write off historic collection penalty and historic interest totalling to R160 942 118. The write off is dependent on the actual amount of repayments made by the Municipality for the settlement of the historical debt. In the current year, the amount written off in the current year amounted to R40 946 404 (2024 : R9 952 251).

24. Service in-kind

The nature and type of major classes of services in-kind received, are as follows

Services in-kind that are significant to the municipality's operations and/or service delivery objectives		
Free use of offices belonging to other organs of state [1]	-	526 654
Notional expenses		
Notional rent on office space [1]	-	(526 654)

[1] The municipality has been occupying an office space at Giyani Government Complex, under the property which belongs to the Department of Public Works. The municipality has been using this property from year 2003 for free up to 31 August 2023 after which a lease agreement was entered into for five (5) years commencing 01 September 2023. The municipality occupies the space of about 4872 square meters in office complex. The municipality has been occupying this office space without paying any rental to the Department of public works. Therefore, this qualified to be regarded as a service in kind. The deemed right of use of the building was significant to its operations and/or service delivery objectives as the building was used for housing of key departments which are integral to the execution of water and sanitation services to the community. The rental was valued by the Department of Public Works. The benefit affected the 2023/24 financial by two(2) months' worth of rentals and none in the current year since the Municipality is now paying for these services under the new lease agreement.

25. Other non-exchange income

LGW SETA income	1 750 958	748 807

Notes to the Annual Financial Statements

	2025 R	2024 R

26. Employee related costs

Bargaining council	115 369	105 799
Basic	308 251 524	285 469 802
Bonus	22 622 146	21 227 091
Car allowance	42 784 375	39 109 760
Defined contribution plans	52 248 782	49 330 620
Housing benefits and allowances	5 105 030	4 857 796
Leave expenditure	18 692 331	13 550 703
Long-service awards - service cost	4 153 675	17 358 048
Medical aid - company contributions	24 909 161	22 082 231
Non-pensionable allowance	142 380	237 300
Other allowances and levies	10 489 578	10 192 031
Overtime payments	25 998 807	28 147 530
Post-employment medical aid - service cost	2 863 772	2 765 231
SDL	4 308 246	3 996 038
UIF	1 993 642	1 896 661
Workman compensation	2 548 874	2 108 866
	527 227 692	**502 435 507**

Detailed senior management remuneration disclosures for Section 57 managers have been disclosed in note 44.

27. Remuneration of councillors

Executive Mayor	1 135 041	1 046 025
Speaker	819 186	927 835
Chief Whip	40 590	884 307
Other councillors	16 022 770	13 323 078
	18 017 587	**16 181 245**

In-kind benefits

The Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor and the Speaker have use of Council owned vehicles for official duties.

Additional information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

Detailed councillors' remuneration disclosures have been disclosed in note 44.

28. Depreciation and amortisation

Property, plant and equipment	230 666 144	238 409 962
Intangible assets	451 835	488 445
	231 117 979	**238 898 407**

29. Finance costs

Interest on late payment of trade and other payables	6 938 969	63 780 456
Post-employment benefits	12 003 052	9 998 720
	18 942 021	**73 779 176**

Notes to the Annual Financial Statements

	2025 R	2024 R

30. Lease rentals on operating lease

Premises		
Contractual amounts [1]	3 174 408	2 645 340
Infrastructure		
Contractual amounts [2]	3 639 521	1 674 182
	6 813 929	**4 319 522**

[1] The current liability is in regards to the office lease agreement in place between Mopani District Municipality (lessee) and the Department of Public Works (Lessor) at the Giyani Government Complex in Giyani. The lease has a 5 year term with an annual escalation of 7%. The lease has been recognised on a straight-line basis over the lease term.

[2] The Municipality is leasing a pipeline from Blyde River Water Utility company for a period of 20 years effective from 01 April 2008 to 31 March 2028. Under the arrangement, the municipality is entitled to abstract 152 803 cubic meters of water per month from the Blyderivierspoort dam without any further payments. The lease payments were agreed at R15 950 144 including VAT and this was paid upfront at the commencement of lease. The municipality is liable for contingent rent should it abstract more than the 152 803 cubic meters in a month. This is to be charged at R0.83 per cubic meter.

31. Debt impairment

Debt impairment - Consumer debtors	905 207 366	(2 275 458 422)
Debt impairment - Ba-Phalaborwa loan account	-	35 692 610
Debt impairment - Staff debtors and service providers	71 246	43 866
	905 278 612	**(2 239 721 946)**

32. Inventory consumed and bulk purchases

Borehole Spares	24 552 423	19 487 726
Chemicals	7 156 708	1 606 468
Water	423 835 102	355 704 626
	455 544 233	**376 798 820**

Notes to the Annual Financial Statements

	2025 R	2024 R

32. Inventory consumed and bulk purchases (continued)

Water losses

Production losses	**2025**	**2024**
Raw abstracted Volumes (m3)	33 001 957	34 117 576
Produced Volumes (m3)	(29 708 366)	(30 786 432)
	-	-
Loss	**3 293 591**	**3 331 144**

Distribution losses		
Produced and purchased volumes (m3)	48 376 116	49 434 224
Distributed Volumes (m3)	(35 987 799)	(37 184 181)
	-	-
Total	**12 388 317**	**12 250 043**

Percentage Loss:		
Production losses	9.980 %	9.764 %
Distribution losses	25.608 %	24.780 %

Losses in Rand value		
Production loss	5 267 525	4 353 700
Distribution losses	130 572 853	122 177 881
	135 840 378	**126 531 581**

33. Contracted services

Agency fees	13 331 099	12 827 094
Meter management	1 555 164	575 451
Security services	137 178 059	100 399 906
	152 064 322	**113 802 451**

Notes to the Annual Financial Statements

	2025 R	2024 R

34. Operating expenses

	2025 R	2024 R
Advertising	1 117 784	449 830
Audit committee remuneration	2 075 523	2 224 453
Auditors remuneration	14 564 953	11 420 278
Bank charges	220 008	236 118
Catering services	4 620 424	3 969 755
Consumable stores	8 426 056	8 673 808
Conferences and seminars	2 809 176	2 655 523
Electricity	24 925 532	28 171 347
Files and records management	1 600	318 004
Fines and penalties	690 102	-
Laboratory expenses	307 028	-
Fuel and oil	12 035 060	15 265 935
IT expenses	97 560	414 035
Insurance	4 577 560	3 518 406
Motor vehicle expenses	563 820	718 047
Municipal services	102 839	283 127
Municipal tribunal and planning members	555 485	303 054
Other expenses	4 665 626	2 545 421
Printing and stationery	4 131 943	1 181 436
Protective clothing	3 024 764	6 401 136
Road management system	2 353 043	2 336 989
Software expenses	7 315 000	2 200 639
Subscriptions and membership fees	5 725 889	5 393 257
Telephone and fax	7 394 062	5 551 394
Township establishment	2 454 391	-
Training	2 479 450	716 882
Travel - local	26 250 879	20 162 891
Waste management	-	175 266
Water tanker services	44 797 501	41 559 058
	188 283 058	**166 846 089**

35. Consultation and professional fees

	2025 R	2024 R
Accounting and advisory	9 043 813	12 783 102
Asset management	7 750 868	4 055 239
Legal advice and litigation [1]	73 453 251	46 985 220
Project management	18 099 504	17 007 515
Transport plan	610 650	95 100
	108 958 086	**80 926 176**

[1] The increase in legal expenses is due to a high number of disciplinary and investigation cases in the current year.

The breakdown of legal expenses for the year are as follows :

Investigations	21 973 312
Litigations	27 099 164
Labour relations	24 380 775
	73 453 251

36. Repairs and maintenance

	2025 R	2024 R
Maintenance of buildings and facilities	2 006 123	2 796 195
Maintenance of infrastructure	95 055 381	78 592 064
Motor Vehicle and other general municipal services	26 635 299	11 171 550
	123 696 803	**92 559 809**

Notes to the Annual Financial Statements

	2025 R	2024 R

37. Household Sanitation (VIP Toilets)

The increase in the cost for Household Sanitation costs is due to the resumption of the programme to provide Ventilated Improved Pit (VIP) toilets in the current year.

VIP Toilets	71 011 701	5 464 380

38. Impairment and write off - assets

Impairments		
Property, plant and equipment	64 012 558	21 606 204

The assessment of property, plant and equipment conditions was performed in current year and impairment loss was identified on some items of property, plant and equipment. The review led to the recognition of an impairment loss of R64 012 558 (2024: R21 606 204).

39. (Loss) gain on disposal of assets and liabilities

(Loss)/gain on disposal of items of Property, plant and equipment	1 052 415	(58 575)

40. Cash generated from operations

(Deficit) surplus	(197 691 630)	3 242 034 578
Adjustments for:		
Depreciation and amortisation	253 700 976	263 737 383
(Loss) gain on sale of assets and liabilities	(1 052 415)	1 091 434
Impairment loss	64 012 558	21 606 204
Debt impairment	905 278 612	(2 239 721 946)
Movements in operating lease assets and accruals	6 813 929	4 319 522
Movements in retirement benefit assets and liabilities	9 560 996	21 933 068
Inventory losses or write-downs	176 647	357 055
Services in kind revenue	-	(526 654)
Notional expenses	-	526 654
Donations	(1 748 751)	-
Income due to debt forgiveness	(40 946 404)	(9 952 251)
Changes in working capital:		
Inventories	7 384 490	6 876 245
Receivables from exchange transactions	(179 775 356)	(248 194 567)
Operating lease liability	253 408	345 340
Other receivables from non-exchange transactions	(47 603 407)	(74 856 456)
Payables from exchange transactions	47 943 350	18 029 436
VAT receivable	(4 756 270)	48 369 433
Unspent conditional grants and receipts	(74 904 269)	(32 032 201)
Consumer deposits	63 090	(29 360)
Operating lease asset	(3 174 408)	(11 706 840)
	743 535 146	**1 012 206 077**

Notes to the Annual Financial Statements

	2025 R	2024 R

41. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	2 082 330 780	2 082 330 780
Cash and cash equivalents	163 526 193	163 526 193
	2 245 856 973	**2 245 856 973**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	2 180 424 610	2 180 424 610
Consumer deposits	4 124 815	4 124 815
	2 184 549 425	**2 184 549 425**

2024

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	2 821 589 859	2 821 589 859
Cash and cash equivalents	180 738 863	180 738 863
	3 002 328 722	**3 002 328 722**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	2 223 505 202	2 223 505 202
Consumer deposits	4 061 725	4 061 725
	2 227 566 927	**2 227 566 927**

Financial instruments in Statement of financial performance

2025

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	153 986 075	153 986 075
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(6 938 969)	(6 938 969)
Impairment loss	(905 207 366)	(905 207 366)
	(758 160 260)	**(758 160 260)**

2024

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	139 821 964	139 821 964
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(63 780 456)	(63 780 456)
Impairment loss	2 239 765 812	2 239 765 812
	2 315 807 320	**2 315 807 320**

	2025 R	2024 R

42. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	932 161 895	966 891 403
Total capital commitments		
Already contracted for but not provided for	932 161 895	966 891 403

Authorised operational expenditure

Already contracted for but not provided for		
• Services	124 744 051	147 739 279
Total operational commitments		
Already contracted for but not provided for	124 744 051	147 739 279

Total commitments

Total commitments		
Authorised capital expenditure	932 161 895	966 891 403
Authorised operational expenditure	124 744 051	147 739 279
	1 056 905 946	**1 114 630 682**

Capital commitment represent future, capital expenditure. The municipality has an obligation to spend these amounts due to signed contracts with suppliers and approval as per Medium-Term Revenue and Expenditure Framework (MTREF). This committed expenditure relates to capital expenditure projects that are in line with municipalities service delivery. The balance of the commitments will be financed by the equitable share that will be received from National Treasury.

Prior period errors

Certain errors were identified and corrected retrospectively for commitments disclosure of the 2023/2024 financial year. The table below shows the impact:

Details	Amount
Amount Previously disclosed	1 304 688 100
Correction of errors [1]	(190 057 418)
Balance restated	**1 114 630 682**

[1] The errors were due to the following :
- Capital Commitments
The error of R187 919 676 was due to retentions and cessions which were ommitted in the previous year and have been subsequently corrected.

- Operational Commitments
The error of R2 137 742 was due to the reduction of values of contracts due to financial constraints as well as accounting for VAT on certain payments.

Notes to the Annual Financial Statements

	2025 R	2024 R

43. Contingencies

Litigation is in the process against the municipality relating to a number of disputes. The municipality's lawyers and management treat each case in its merits and does not see likelihood of these cases being successful. The contingent raised is based on litigation the municipality has instituted against third parties and management has assessed there is high possibility of the litigation working out in their favour.

Pending Legal Cases

	2025 R	2024 R
This matter involves a legal claim instituted against the two Municipalities by way of action proceedings (Summons) under High Court case number 7211/2014 in terms whereof a certain Anna Magaretha Botes (hereinafter referred to as Ms. Botes), claims the total sum of R950 000.00 against the Greater Letaba Local Municipality and Mopani District Municipality jointly and severally, the one paying the other to be absolved, for personal injuries allegedly suffered by Ms. Botes when she fell into an open manhole near her residential property. This action is defended by both the two Municipalities acting separately. The matter is before the high court. The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	950 000	950 000
	-	-
Matter between Palm Kwekery and MDM for failure to prevent wildfire that spread onto their properties and damaged their crops. The summons were issued by 4 plaintiffs but the first 2 withdrew their claim leaving just 2 pending claims. The matter is before the high court. The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	3 269 640	3 269 640
Matter between Oryx Pipes and MDM for a cession payment of outstanding invoice on the Nandoni pipeline project. Summons were issued for the full invoice amount. The parties have exchanged pleadings. The lawyers are currently engaging the municipal officials on which documents to discover as per the Plaintiff's request. The matter is before the high court. The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	2 183 903	2 183 903
Matter between EMC Consulting and MDM application for settlement of account on work done for the sefofotse and ditshosine/ ramahlatsi bulk water and reticulation. The matter is set for trial on 17 to 18 November 2025. The matter is before the high court. The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	29 730 284	29 730 284
Matter between Kgafela Construction and MDM for termination of contract for the building of Offices in Tzaneen. A counter claim was instituted against Kgafela Construction by the Municipality. We are awaiting trial date. The matter is before the high court. The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	43 611 996	43 611 996
Matter between SGL Engineering and MDM for Nkowankowa Sewer Project. The case was initially dismissed in favour of the municipality. SGL Engineering appealed and the matter. The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	2 412 435	2 412 435
Matter between MN Nengovhela and MDM. Civil non-payment of a claim for work done by the municipality. The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	4 500 136	4 500 136
Matter between BD Finance and MDM in regards to a cession payment is currently on pre-trial and is awaiting trial date. The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	375 000	375 000

Notes to the Annual Financial Statements

	2025 R	2024 R
43. Contingencies (continued)		
A claim by MN Nengovhela for alleged work done at Senakwe project. The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	461 664	461 664
A claim by Siphiwe Engineering and MDM for failing to make payment in respect of service rendered and disbursement incurred up to the completion of stage 3 for design development on the Thapane project. The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	17 554 634	17 554 634
A civil matter between Hlimbyi and MDM. Hlimbyi is claiming unpaid invoices relating to escalation costs security contract it had with the municipality. The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	2 978 401	2 978 401
Sebata has instituted Arbitration proceedings claiming an amount of for alleged work done prior to the termination of contract. The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	4 608 397	4 608 397
Matter between Kgatla Family and MDM/Civil Element. The family is suing for damages to property on during the Thapane water scheme phase 28 project. The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	995 000	995 000
Matter between Lilithalethu Trading and MDM. Lilithalethu Trading served with MDM a provisional sentence summons for retention on a completed project. The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	1 817 564	1 817 564
Matter between Nkuriso and MDM. Nkuriso is claiming damage for services that were rendered and the municipality refuses to settle the account. The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	25 180 676	25 180 676
Matter between CV Chabane and MDM.The defendant is suing MDM for work done on Kampersrus Sewage Plant Project. The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	5 120 169	5 120 169
Matter between MDM and Endecon Ubuntu. Endecon launched legal action for work done.The case is in trial. The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	1 530 513	1 530 513
Matter involving MDM and Chem Tech. This is claim for alleged services rendered. The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	822 192	822 192
Matter involving MDM and Joachim Johannes Nienaber relating to a motor vehicle accident claim. The matter is on pre-trial. The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	190 913	190 913
	-	-
Matter involving MDM and BMK Electro mechanics relating to a civil contract claim for work done. The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	2 500 690	2 500 690
Matter involving MDM and Mpumamanzi Group relating to a civil – claim for alleged work done. The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	269 788	269 788

43. Contingencies (continued)

	2025 R	2024 R
Matter involving MDM and Uranus Consulting Engineering for failure to pay for service rendered. The matter is trial ready. The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	3 432 331	3 432 331
Matter between Maite Nkoana and MDM seeking compensation relating to her car damages. The matter is trial ready. The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	37 384	37 384
Matter between Modiro Consulting and MDM. Modiro is suing for services rendered as a sub-contractor. The plaintiff is not in posession of a signed SLA. The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	1 129 464	1 129 464
Matter between JNK Trusses , MDM (first respondent) and an MDM employee (second respondent). The MDM employee was involved in an accident with the plaintiff's motor vehicle.The plaintiff claims the accident was solely due to negligence on the side of the MDM employee. As the employee was acting within the course and scope of his employment, the vicarious liability lies with MDM.The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	104 774	-
Matter between Zenobia Trading 242 CC and MDM. Zenobia is claiming for allege services rendered. The pleadings are still in process after initial pre-trial where Zenobia Trading 242 CC had informed MDM that they intend on amending their particulars of the claim. The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	7 197 119	7 197 119
Matter between Mokgobatlou and MDM where the individual claims have been appointed as a borehole operator and are now claiming for services rendered for the municipality.The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	74 506	74 506
Matter between Louis Leon Joubert , MDM (first respondent) and Greater Tzaneen Municipality (second respondent). The plaintiff was operating a compost business on the landfill owned by Greater Tzaneen Municipality.A fire broke out on the property leading to loss of inventory, vehicles and equipment that belonged to the plaintiff. The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	14 378 808	14 378 808
Matter between MDM and MP Malesela & others. These individuals claim to have been appointed as borehole operators and are now claiming for services rendered for the municipality. The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	3 465 814	3 465 814
Matter between HLTC (Pty) and MDM. The plaintiff is claiming for unpaid retention amount despite completing the project. The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	634 558	634 558
Matter between MDM and Makasela Consulting & Projects. A claim by Makasela Consulting & Projects and MDM for failing to make payment for completion of designs. The case was dismissed in favour of MDM but they have since appealed at the Surpreme Court. The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	5 219 666	5 219 666
Matter between MK Ramaselele and MDM where the individual claims to have been appointed as a borehole operator and are now claiming for services rendered for the municipality. The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	95 775	-
	186 834 194	**186 633 645**

Notes to the Annual Financial Statements

	2025 R	2024 R

43. Contingencies (continued)

Contingent assets

The municipality is suing the contractor and the contractor is counter suing MDM for cancellation of same contract by Kgafela. The matter is trial ready. The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	14 140 977	14 140 977
Matter between MDM and Tsurikomi SSV JV. The municipality is claiming refunds for overpayment on Kampersrus sewer phase 2. The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	1 393 881	1 393 881
Matter Between MDM and Modiro Consulting. MDM Is claiming recovery of funds as a result of negligence by the consulting engineer. The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	3 503 266	3 503 266
Matter between MDM and Twin Corner Construction. The municipality is claiming refunds for payment made for services not performe. The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	17 369 353	17 369 353
Matter between MDM and Councillors in regards to overpayment of Upper limit. Efforts on making collections from councillors are ongoing. The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	3 344 825	3 344 826
Matter between Patoka Trading and MDM. Patoka CC withdrew the case, the court ordered them to pay the costs of withdrawal and applications. The final amount due is yet to be determined by Master of taxation.	-	-
Matter between Siphiwe Engineering and MDM. Siphiwe withdrew the case and the court ordered that they pay wasted costs on the matter. The final amount due is yet to be determined by Master of taxation.	-	-
Matter between MDM and Lepelle Northern Water. MDM is claiming for amounts paid over to debt collectors but was not subsequently handed over to Lepelle Northern Water. The agreement between Lepelle Northern Water and the debt collectors has been deemed invalid by the High Court hence MDM is seeking restoration of the repaid amounts. The prospects of success are good for the municipality as per the assessment provided by the legal expert. We currently do not have a pending settlement offer.	46 700 583	46 700 583
	86 452 885	**86 452 886**

Prior period errors

The Municipality discovered errors of overstatement of contingent liabilities which have now been corrected retrospectively in current year. The table below details the corrections:

Details	Contingent liabilities	Contingent assets
Amount previously reported	(155 398 859)	37 371 732
Matter between Palm Kwekery and MDM for failure to prevent wildfire that spread onto their properties and damaged their crops. The summons were issued by 4 plaintiffs but the first 2 withdrew their claim leaving just 2 pending claims. The likelihood of the action against the district municipality being successful is considered as very likely by the lawyers and management of MDM.	1 414 500	-
Matter between MDM and MP Malesela & others. These individuals claim to have been appointed as borehole operators and are now claiming for services rendered for the municipality.	(3 465 814)	-

Notes to the Annual Financial Statements

	2025 R	2024 R
43. Contingencies (continued)		
Matter between SGL Engineering and MDM for Nkowankowa Sewer Project. Case has been dismissed in favour of the municipality. No liability due by the municipality.	(2 412 435)	-
Matter between Dr Mazana and MDM for accident due to road maintenance.	27 384	-
Matter between Patoka Trading and MDM. Patoka is suing for damages relating to use of propertywithout permission.	1 663 000	-
Matter involving MDM and Manengo Ngobeni for a civil – claim for damages as a result of a caraccident.	63 884	-
Happy Nkuna case no 46/2023. Mr Nkuna issued summons as a result of damage to his tyre due to a pothole. Mr Nkuna was served with plea.	109 536	-
Matter between Modiro Consulting and MDM. Modiro is suing for services rendered as a subcontractor.The plaintiff is not in posession of a signed SLA. The likelihood of success of the actionagainst MDM is considered low.	(1 129 464)	-
Matter between Zenobia Trading 242 CC and MDM. Zenobia is claiming for allege services rendered.The pleadings are still in process after initial pre-trial where Zenobia Trading 242 CC had informedMDM that they intend on amending their particulars of the claim.	(7 197 119)	-
Matter between Mokgobatlou and MDM where the individual claims to have been appointed as a borehole operator and are now claiming for services rendered for the municipality.	(74 506)	-
Matter between Louis Leon Joubert , MDM (first respondent) and Greater Tzaneen Municipality(second respondent). The plaintiff was operating a compost business on the landfill owned by GreaterTzaneen Municipality.A fire broke out on the propoerty leading to loss of inventory, vehicles andequipment that belonged to the plaintiff.	(14 378 808)	-
Matter between HLTC (Pty) and MDM. The plaintiff is claiming for unpaid retention amount despitecompleting the project. The prospects of MDM successfully defending the case are considered reallyhigh.	(634 558)	-
Matter between MDM and Makasela Consulting & Projects. A claim by Makasela Consulting & Projectsand MDM for failing to make payment for completion of designs. The case was dismissed in favour ofMDM but they have since appealed at the Surpreme Court.	(5 219 666)	-
Matter between MDM and Lepelle Northern Water. MDM is claiming for amounts paid over to debtcollectors but was not subsequently handed over to Lepelle Northern Water. The agreement betweenLepelle Northern Water and the debt collectors has been deemed invalid by the High Court henceMDM is seeking restoration of the repaid amounts.	-	46 700 583
Matter between MDM and Tsurikomi SSV JV. The municipality is claiming refunds for overpayment on Kampersrus sewer phase 2. The likelihood of the action by the district municipality being successful is considered as very likely by the lawyers and management of MDM.	-	20 000
Matter between MDM and Twin Corner Construction. The municipality is claiming refunds for payment made for services not performe. The likelihood of the action by the district municipality being successful is considered as very likely by the lawyers and management of MDM.	-	2 605 082
Matter between MDM and Councillors in regards to overpayment of Upper limit. Efforts on making collections from councillors are ongoing. The likelihood of the action by the district municipality being successful is considered as very likely by the lawyers and management of MDM.	-	(244 511)
	(186 632 925)	**86 452 886**

	2025 R	2024 R

44. Related parties

Relationships

Accounting Officer	Refer to accounting officers' report note 5.
Councillors	Refer to General Information page 2.
Members of key management	Mr. Mogano TJ (Municipal Manager) Ms. Mathevula SP (Chief Financial Officer) Ms. Ngobeni SN (Corporate Services) Mr. Shilowa JP (Water Services) Mr. Mahayi ML (Engineering Services) Ms. Ntimbani C (Community Services - until 31 July 2023) Mr. Monakedi TA (Planning and Development) Ms. Pilusa MB (Community Services - From 01 June 2024) Mr. Mudau NR (Acting: Community Services - August 2023 to January 2024) Mr. Masingi TF (Acting: Community Services - March 2024 to April 2024) Mr. Mojela J (Acting:Chief Financial Officer - From December 2024 to May 2025) Ms. LI Nkoane (Acting:Chief Financial Officer - June 2025 to date)

Related party balances

2025	Members of key management	Councillors	Total
Staff receivables	189 427	828 993	1 018 420
Subtotal	189 427	828 993	1 018 420
Less impairment recognised	(189 216)	(751 727)	(940 943)
	211	**77 266**	**77 477**

2024	**Members of key management**	**Councillors**	**Total**
Staff receivables	189 427	828 993	1 018 420
Subtotal	189 427	828 993	1 018 420
Less impairment recognised	(189 216)	(751 727)	(940 943)
	211	**77 266**	**77 477**

The impairment was recognised based on the related party (senior management and council) having left the municipality without signing repayment agreements, no payments received in the past year and in some cases the related party having been deceased. The municipality assessed these factors as objective evidence of impairment.

The municipality has no guarantee in relation to the debt raised.

Compensation to accounting officer and other key management

	2025	2024
Basic salary	9 352 529	7 844 212
Car allowances	3 016 605	2 743 091
Other short-term employee benefits	1 951 508	1 144 380
Acting allowances	168 726	155 597
Cellphone Allowance *	168 000	111 000
	14 657 368	**11 998 280**

	2025 R	2024 R

44. **Related parties (continued)**

Key management information

Remuneration of management

Management class: Section 57 Directors

2025

Name	Basic salary	Car allowances	Other short-term employee benefits	Acting allowances	Cellphone Allowance	Total
TJ. Mogano (Municipal Manager)	1 346 278	415 452	220 879	-	24 000	2 006 609
SP Mathevula (Chief Financial Officer)	1 100 547	339 615	79 071	-	24 000	1 543 233
SN. Ngobeni (Corporate Services)	1 065 701	292 462	262 021	-	24 000	1 644 184
JP. Shilowa (Water services)	1 100 547	339 615	33 244	-	24 000	1 497 406
ML. Mahayi (Engineering Services)	1 100 547	339 615	120 865	-	24 000	1 585 027
TA. Monakedi (Planning and development)	1 084 283	334 597	267 743	-	24 000	1 710 623
MB. Pilusa (Community Services - From 01 June 2024)	1 022 463	339 615	305 177	-	24 000	1 691 255
J. Mojela (Acting Chief Financial Office From December 2024 to May 2025)	722 656	309 206	322 021	159 659	-	1 513 542
LI Nkoane (Acting Chief Financial Office June 2015 to date)	809 507	306 428	340 487	9 067	-	1 465 489
	9 352 529	**3 016 605**	**1 951 508**	**168 726**	**168 000**	**14 657 368**

2024

Name	Basic salary	Car allowances	Other short-term employee benefits	Acting allowances	Cellphone Allowance	Total
TJ. Mogano (Municipal Manager)	1 224 039	384 700	56 905	-	18 000	1 683 644
SP Mathevula (Chief Financial Officer)	991 016	314 473	47 847	-	18 000	1 371 336
SN. Ngobeni (Corporate Services)	998 303	236 762	134 640	-	18 000	1 387 705
JP. Shilowa (Water services)	1 000 591	314 473	52 573	-	18 000	1 385 637
ML. Mahayi (Engineering Services)	989 491	319 191	50 557	-	18 000	1 377 239
C. Ntimbani (Community Services - until 31 July 2023)	106 397	31 919	104 278	-	1 500	244 094
TA. Monakedi (Planning and development)	946 565	314 474	33 959	-	18 000	1 312 998
MB. Pilusa (Community Services - From 01 June 2024)	82 192	27 397	2 768	-	1 500	113 857
NR. Mudau (Acting director: Community Services - August 2023 to January 2024)	770 858	311 482	393 626	77 644	-	1 553 610
TF. Masingi (Acting director: Community Services - March 2024 to April 2024)	734 760	488 220	267 227	77 953	-	1 568 160
	7 844 212	**2 743 091**	**1 144 380**	**155 597**	**111 000**	**11 998 280**

44. Related parties (continued)

The director of Community Service SC Ntimbani resigned in July 2023. NR. Mudau and TF. Masingi acted from August 2023 to April 2024 when MB Pilusa was hired.

Councillors

2025

2025	Basic Salary	Cellphone Allowance	Travel Allowance	Other	Sitting Allowance	Total
Cllr. PJ. Shayi	1 012 989	43 200	8 278	-	-	1 064 467
Cllr. NM. Maswanganyi	810 390	43 200	-	363	-	853 953
Cllr. SL Mohlala	439 830	-	311 707	488	-	752 025
Cllr. MH. Sefufi	760 404	43 200	260 355	-	-	1 063 959
Cllr. ML. Maloko	423 836	21 600	178 086	-	-	623 522
Cllr. NN. Baloyi	760 404	43 200	53 806	-	-	857 410
Cllr. CM. Ramathoka	138	-	36 925	-	53 920	90 983
Cllr. FM. Moroatshehla	14 662	-	57 839	-	-	72 501
Cllr. MMA. Mathebula	90 832	-	149 508	-	9 091	249 431
Cllr. TJ. Senyolo	11 852	-	29 912	-	-	41 764
Cllr. RN. Sekgobela	70	-	51 258	-	36 326	87 654
Cllr. AT. Rabothata	8 975	-	74 770	-	46 909	130 654
Cllr. BT. Mabilo	11 852	-	22 834	-	-	34 686
Cllr. E. Hlungwani	411 406	21 600	80 545	-	-	513 551
Cllr. GE. Kobane	1 246	-	-	-	-	1 246
Cllr. HD. Lebeya	320 574	21 600	33 605	-	-	375 779
Cllr. MG. Mangena	95 165	-	71 438	-	2 273	168 876
Cllr. MM. Mukhabele	411 192	21 600	117 401	-	-	550 193
Cllr. MP. Matlou	102 684	-	29 504	-	-	132 188
Cllr. NH. Tshimbana	411 406	21 600	133 541	-	-	566 547
Cllr. NJ. Mbhalati	403 642	21 600	59 315	-	-	484 557
Cllr. PJ. Mampeule	102 684	-	47 170	-	-	149 854
Cllr. PS. Mothomogolo	428 797	-	120 253	-	-	549 050
Cllr. RT. Mavundza	320 574	21 600	95 091	-	-	437 265
Cllr. SP. Letebele	11 852	-	44 379	-	-	56 231
Cllr. BA. Shibambu	440 401	43 200	218 411	-	-	702 012
Cllr. DJ. Mmetle Ramohlola**	20 013	-	5 021	-	-	25 034
Cllr. M. Lewele	760 404	43 200	138 485	-	-	942 089
Cllr. MD. Makhananisa	115 114	-	99 398	-	-	214 512
Cllr. MJ. Rakgoale	102 684	-	103 485	-	-	206 169
Cllr. MN. Madike	320 579	43 200	53 302	-	-	417 081
Cllr. MS. Magomane	423 836	21 600	85 588	-	-	531 024
Cllr. MW. Mohale	408 721	21 600	172 644	-	-	602 965
Cllr. NR. Khandlhela	760 404	43 200	62 905	-	-	866 509
Cllr. S. Mavasa	8 975	-	76 769	-	26 256	112 000
Cllr. SS. Mathebula	102 684	-	107 247	-	-	209 931
Cllr. C. Stoltz	86 651	-	50 412	-	6 818	143 881
Cllr. DG. Mkhabela	202	-	52 372	-	57 329	109 903
Cllr. ML. Ramalepe	90	-	55 724	-	57 722	113 536
Cllr. SP. Mashumu	150	-	70 221	-	64 383	134 754
Cllr. WM. Maake	192	-	43 222	-	58 544	101 958
Cllr. J. Mashele	211	-	55 437	-	66 891	122 539
Cllr. MC. Morwatshehla	211	-	42 907	-	63 168	106 286
Cllr. SB. Ramoshaba	90	-	67 572	-	54 313	121 975
Cllr. SM. Shayi	102	-	89 842	-	55 371	145 315
Cllr. TA. Mabaso	316 040	21 600	61 671	-	-	399 311
Cllr. Z. Ndhlovu	320 579	21 600	75 168	-	-	417 347
Cllr. MG. Letsoalo*	8 320	-	-	-	-	8 320

44. Related parties (continued)

Cllr. D. Malemela*	70	-	-	-	-	70
Cllr. IN. Shivambo	5 539	-	-	-	-	5 539
Cllr. MS. Mangena	26	-	5 020	-	11 756	16 802
Cllr MS Baloyi	61	-	46 120	-	41 578	87 759
Cllr MD Selaelo	320 579	-	52 411	-	-	372 990
Cllr EJ Mathonsi	313 036	-	109 196	-	-	422 232
Cllr B Soodi	280 033	20 536	41 529	-	-	342 098
Cllr SS Malatji	6	-	14 064	-	20 103	34 173
Cllr JS Masingi	3 584	-	36 674	-	25 573	65 831
Cllr T.P Chaka	3 213	-	-	-	4 076	7 289
Subtotal	12 490 256	603 736	4 160 337	851	762 400	18 017 580
	12 490 256	**603 736**	**4 160 337**	**851**	**762 400**	**18 017 580**

2024	Basic Salary	Cellphone Allowance	Travel Allowance	Other	Sitting Allowance	Total
Name						
Cllr. PJ. Shayi	990 646	45 600	9 779	-	-	1 046 025
Cllr. NM. Maswanganyi	792 506	45 600	87 757	1 972	-	927 835
Cllr. SL Mohlala	404 948	-	307 805	-	1 136	713 889
Cllr. MH. Sefufi	742 769	45 600	211 465	-	-	999 834
Cllr. ML. Maloko	414 548	22 800	165 195	-	-	602 543
Cllr. NN. Baloyi	742 668	45 600	48 093	-	-	836 361
Cllr. CM. Ramathoka	1 727	-	22 524	-	30 681	54 932
Cllr. FM. Moroatshehla	14 456	-	46 594	-	-	61 050
Cllr. MMA. Mathebula	88 824	-	96 353	-	-	185 177
Cllr. TJ. Senyolo	11 571	-	30 155	-	-	41 726
Cllr. I. Hlungwana *	9 227	-	-	-	-	9 227
Cllr. RN. Sekgobela	648	-	12 637	-	12 500	25 785
Cllr. AT. Rabothata	11 571	-	26 858	-	-	38 429
Cllr. BT. Mabilo	11 571	-	-	-	-	11 571
Cllr. E. Hlungwani	402 324	22 800	53 674	-	-	478 798
Cllr. GE. Kobane**	11 571	-	9 502	-	-	21 073
Cllr. GN. Bokisi	9 227	-	-	-	-	9 227
Cllr. HD. Lebeya	313 500	22 800	27 142	-	-	363 442
Cllr. MG. Mangena	100 444	-	92 040	-	-	192 484
Cllr. MM. Mukhabele	715 182	24 300	139 088	-	-	878 570
Cllr. Mafemani Patrick. Hlungwani	10 612	-	-	-	-	10 612
Cllr. Mabandla Patrick. Hlungwani**	1 407	-	1 665	-	1 136	4 208
Cllr. MP. Matlou	100 395	-	15 472	-	-	115 867
Cllr. NH. Tshimbana	402 324	22 800	66 263	-	-	491 387
Cllr. NJ. Mbhalati	402 324	22 800	59 203	-	-	484 327
Cllr. PJ. Mampeule	100 395	-	21 767	-	-	122 162
Cllr. PS. Mothomogolo	103 113	-	47 353	-	-	150 466
Cllr. RT. Mavundza	313 140	22 800	72 108	-	-	408 048
Cllr. SP. Letebele	11 571	-	22 818	-	-	34 389
Cllr. WL. Mtebule*	9 227	-	-	-	-	9 227
Cllr. BA. Shibambu	100 395	-	65 084	-	-	165 479
Cllr. DJ. Mmetle Ramohlola**	666 817	42 982	116 415	-	-	826 214
Cllr. M. Lewele	712 416	45 600	126 291	-	-	884 307
Cllr. MD. Makhananisa	112 555	-	77 752	-	-	190 307
Cllr. MJ. Rakgoale	100 395	-	70 644	-	-	171 039
Cllr. MN. Madike	311 378	43 800	20 005	-	-	375 183
Cllr. MS. Magomane	414 484	22 800	53 546	-	-	490 830
Cllr. MW. Mohale	370 625	22 800	107 724	-	-	501 149
Cllr. NR. Khandlhela	710 256	45 600	61 878	-	-	817 734
Cllr. S. Mavasa	11 571	-	45 606	-	-	57 177
Cllr. SS. Mathebula	100 395	-	87 947	-	-	188 342

					2025 R	2024 R

44. Related parties (continued)

Cllr. C. Stoltz	2 418	-	27 725	-	34 089	64 232
Cllr. DG. Mkhabela	2 332	-	58 497	-	48 862	109 691
Cllr. ML. Ramalepe	1 209	-	32 992	-	20 454	54 655
Cllr. SP. Mashumu	1 425	-	50 778	-	37 499	89 702
Cllr. TC. Letsoalo*	345	-	-	-	-	345
Cllr. WM. Maake	259	-	26 689	-	42 044	68 992
Cllr. EM. Mathaba*	605	-	-	-	-	605
Cllr. J. Mashele	2 009	-	50 571	-	51 134	103 714
Cllr. MC. Morwatshehla	2 245	-	42 818	-	51 134	96 197
Cllr. MS. Baloyi	1 339	-	42 601	-	17 045	60 985
Cllr. SB. Ramoshaba	1 209	-	36 779	-	21 590	59 578
Cllr. SM. Shayi	1 684	-	55 230	-	20 453	77 367
Cllr. MD. Selaelo	307 964	-	33 906	-	-	341 870
Cllr. TA. Mabaso	302 428	21 700	27 385	-	-	351 513
Cllr. Z. Ndhlovu	303 351	21 800	36 533	-	-	361 684
Cllr. MG. Letsoalo*	273 698	20 391	8 931	-	-	303 020
Cllr. D. Malemela*	-	-	2 424	-	6 818	9 242
Cllr. IN. Shivambo	9 090	-	17 786	-	1 136	28 012
Cllr. MS. Mangena	-	-	-	-	3 409	3 409
	12 069 333	**630 973**	**3 077 847**	**1 972**	**401 120**	**16 181 245**

* These Councillors resigned in the prior year.

** These Councillors resigned in the current year

The municipality has discovered that it had made overpayment relating to remuneration of councillors which resulted in councillors owing the municipality the portion which was identified as overpayment. The municipality has made a repayment arrangement with the affected councillors and its in the process of recovering the overpaid portion.

Councillors' balance owed to the municipality

The following relates to amounts owed by councillors emanating from overpayments of councillors remunerations in prior years. These balances are older than 90 days. No other amounts are owed by councillors.

Name		
Cllr. NM. Maswanganyi	12 812	12 812
Cllr. MH. Sefufi	(1 101)	9 913
Cllr. ML. Maloko	31 670	31 670
Cllr. NN. Baloyi	696 950	696 950
Cllr. CM. Ramathoka	24 971	29 966
Cllr. BT. Mathevula	11 999	11 999
Cllr. MSM. Lewele	(670)	10 403
Cllr. MC. Morwatshehla	(2 586)	11 267
Cllr. MW. Mohale	3 100	9 100
Cllr. MMA. Mathebula	4 913	4 913
	782 058	**828 993**

	2025 R	2024 R

45. Prior-year adjustments

The municipality identified errors affecting the reported financial statements of the previous financial years. Corrections have been made in the current financial year, where these items have been corrected and prior period amounts adjusted retrospectively in accordance with GRAP 3 – Changes in Accounting Policies, Accounting Estimates and Errors.

The municipality identified errors affecting the reported financial statements of the previous financial years. Corrections have been made in the current financial year, where these items have been corrected and prior period amounts adjusted retrospectively in accordance with GRAP 3 – Changes in Accounting Policies, Accounting Estimates and Errors.

Reclassifications

During the current financial year, Municipal Council decided to change certain general ledger account classifications in the annual financial statements to achieve a more accurate presentation in the municipal annual financial statements. As a result of these reclassifications, the prior years were restated retrospectively in terms of GRAP 3 – Changes in Accounting Policies, Accounting Estimates and Errors. The annual financial statement line items affected by these reclassifications were VAT receivable (Note 6) and VAT payable (Note)13. These reclassifications had no effect on the surplus previously reported in the prior year.

Reclassifications as reported in this set of financial statements relate to moving of account codes from one financial statement area to another as well as moving from a sub class of a financial statement area to another.

Disclosures

The municipality identified and corrected completeness and accuracy disclosure errors on commitments (Note 45). Details of the errors are disclosed in the relevant notes as indicated.

These were all corrected retrospectively as required by GRAP 3.

Receivables from exchange transactions (Note 4), Service charges (Note 19) and intermunicipal loan accounts (Notes 4 and 12)

During the current financial year, errors were identified where the Municipality misstated its consumer debtors in the previous years. These were due to errors in impairment calculations, preparing financial statements that were not tying to general ledger, incorrect interest calculations, and billing reports. There errors resulted in the district having differences between financial statements and underlying supporting documents. Corrections have been made in the current financial year, where these items have been corrected and prior period amounts adjusted retrospectively in accordance with GRAP 3 – Changes in Accounting Policies, Accounting Estimates and Errors. The accounts receivables and the related revenues were updated accordingly.

Accounts payable, general expenditure and accruals

During the current financial year, errors were identified where the Municipality had duplicated certain suppliers' invoices, omitted recording of supplier invoices and or posted invoices in incorrect accounting periods. Corrections have been made in the current financial year, where these items have been corrected and prior period amounts adjusted retrospectively in accordance with GRAP 3 – Changes in Accounting Policies, Accounting Estimates and Errors. The accounts payable and the related expenditure were updated accordingly.

Property, plant and equipment, Work in progress (WIP), depreciation, impairment and retentions

The municipality identified a multiple number of errors affecting property, plant and equipment and related depreciation, residual, values and impairment loss. In the previous years, some items of property, plant and equipment were recorded as expenses and some assets were duplicated in error. The municipality also incorrectly carried some completed project in WIP thereby understating completed assets and related depreciation. These have been corrected in the current financial year, where these items have been corrected and prior period amounts adjusted retrospectively in accordance with GRAP 3 – Changes in Accounting Policies, Accounting Estimates and Errors.

COIDA Payments

The amounts payable to the Compensation Fund were understated in the previous financial year. This error was pick up and corrected retrospectively in the current financial year. The related expenditure and payable for the previous year was adjusted and disclosed accordingly in line with GRAP3 requirements.t

VAT receivable (Note 6) and VAT Payable (Note 13)

	2025 R	2024 R

45. Prior-year adjustments (continued)

The Municipality identified and corrected several errors affecting VAT receivable and payable. These included VAT accounts rolling over into incorrect category, VAT paid to SARS not transferred from VAT accrual to VAT control account, incorrect treatment on VAT invoices and VAT not recorded in the general ledger. This has been corrected retrospectively in current year in line with GRAP 3 requirements.

Nature and effect of correction of errors

The impact of corrections of these errors as well as reclassifications on the Financial Statements of the Municipality are as follows:

Nature of errors	Reported surplus	Accumulated surplus	Non-current Assets	Current assets	Non-current Liabilities	Current Liabilities
Assets incorrectly expensed	12 327 985	(97 272 887)	85 206 842	-	-	(261 940)
Cash book and general ledger differences	-	-	-	(240 702)	-	240 702
Clearing VAT output	-	103 267 886	-	(108 587 911)	-	5 320 024
Completed assets not capitalised to infrastructure	1 934 798	8 453 418	(10 388 215)	-	-	-
Direct depreciation to water inventory	(300 499)	-	-	300 499	-	-
BPLM water transactions misstatements	(435 604 728)	349 514 421	-	89 998 486	-	(3 908 179)
Assets disposals not recorded	189 862	961 201	(1 151 063)	-	-	-
Direct labour on water	(18 649 955)	-	-	18 649 955	-	-
Direct expenses to inventory	(82 382 859)	-	-	82 382 859	-	-
Expenditure, assets and payables understated from the general ledger	(69 589 949)	(15 528 961)	(1 933 995)	46 536 532	-	40 516 373
Impairment and depreciation of property, plant and equipment errors	(60 859 118)	-	60 859 118	-	-	-
WIP Overstated	-	2 214 957	(2 214 957)	-	-	-
Interest on late payment of supplier invoices	91 684 449	-	-	-	-	(91 684 449)
Items of property, plant and equipment overstated	-	1 860 445	(1 860 445)	-	-	-
Raw water purchases	(27 179 423)	83 904 821	-	(13 246 207)	-	(43 479 190)
Operating lease assets understatement errors	974 615	-	(3 914 568)	2 939 953	-	-
Operating leased assets incorrectly capitalised	(788 255)	-	788 255	-	-	-
Staff debtors errors	16 923	-	-	(18 241)	-	1 317
Workmen compensation expenditure understated	-	984 841	-	-	-	(984 841)
GGLM transactions misttated	(21 503 907)	(219 920 858)	-	182 407 691	450 565	58 566 509
GLLM water transaction errors	(11 293 147)	(112 638 039)	-	123 931 186	-	-
GTLM Water transactions	(55 858 574)	(146 332 734)	-	204 934 009	-	(2 742 701)
Maruleng water transactions	(798 655)	1 222 763	-	4 603 929	-	(5 028 036)
MDM Water and rental expenses	(163 509)	-	-	-	-	163 509
Potable water issues	134 723 154	-	-	(134 723 154)	-	-
Provision for leave decrease	(95 624)	-	-	-	-	95 624
Straightlining office rentals	2 645 340	-	-	-	-	(2 645 340)
VDM revenue adjustment	(1 890 119)	-	-	2 173 637	-	(283 518)
Water inventory correction	312 937	(1 482 233)	-	1 169 295	-	-
Long service awards	-	201 787	-	-	(201 787)	-
Payables misstated	-	(496 372)	-	-	-	496 372
Water transactions at LMs misstated	(2 638 304 113)	2 476 302 337	-	218 351 548	-	(56 349 772)
Errors in PPE	7 703 528	739 904	(8 443 431)	-	-	-
Reclassifications	-	-	1 641 045	(1 641 045)	-	-
Local municipalities transactions error	651 614 045	(2 318 553 221)	-	1 667 293 905	-	(354 728)
PPE Errors	747 133	(2 546 127)	1 798 994	-	-	-
Bank transactions errors	-	1 917 964	-	-	-	(1 917 964)
WIP 94 corrections	-	(1 498 893)	1 498 893	-	-	-
	(2 520 387 665)	**115 276 420**	**121 886 473**	**2 387 216 224**	**248 778**	**(104 240 228)**

Notes to the Annual Financial Statements

	2025 R	2024 R

45. Prior-year adjustments (continued)

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

Statement of financial position

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Accumulated surplus		(8 040 358 135)	(2 405 111 247)	-	(10 445 469 382)
Cash and cash equivalents	7	180 979 576	(240 702)	-	180 738 874
Heritage assets	10	432 000	-	-	432 000
Intangible assets	9	5 336 377	(3 019 970)	-	246 861 499
Inventories	3	31 626 663	914 268	-	32 540 931
Operating lease asset: non-current portion	11	1 923 811	5 146 932	-	7 070 743
Operating lease asset: current portion	11	699 568	2 939 953	-	3 639 521
Property, plant and equipment	8	9 592 384 192	118 118 464	-	9 710 502 656
Receivables from exchange transactions: current portion	4	61 862 321	2 395 574 568	327 353 053	2 784 789 942
Receivables from exchange transactions: non-current portion	5	37 025 622	1 641 045	-	38 666 667
Receivables from non-exchange transactions	5	126 862 075	-	-	126 862 075
VAT receivable	6	375 750 618	(11 971 861)	(342 689 507)	21 089 250
Consumer deposits	14	(4 039 482)	(22 242)	-	(4 061 724)
Employee benefit obligation: non-current portion	15	(97 688 557)	248 778	-	(97 439 779)
Employee benefit obligation: current portion	15	(9 930 583)	-	-	(246 861 499)
VAT payable	13	(287 366 699)	-	287 366 699	-
Payables from exchange transactions: current portion	12	(1 284 017 124)	(103 872 646)	(272 030 245)	(1 659 920 015)
Payables from exchange transactions: non-current portion	12	(616 577 955)	-	-	(616 577 955)
Unspent conditional grants and receipts	17	(74 904 271)	-	-	(74 904 271)

45. Prior-year adjustments (continued)

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Actuarial gains/losses	15	(372 797)	(464 850)	-	(837 647)
Consulting and professional fees	35	81 085 153	(158 977)	-	80 926 176
Contracted services	33	114 636 548	(834 096)	-	113 802 452
Debt impairment	31	297 410 728	(2 537 132 673)	-	(2 239 721 945)
Depreciation and amortisation	28	299 587 946	(60 689 537)	-	238 898 409
Employee related costs	26	520 952 485	(18 516 972)	-	502 435 513
Finance costs	29	73 830 748	(51 572)	-	73 779 176
Gain on disposal of assets and liabilities	39	58 575	1 032 858	-	1 091 433
Impairment and write off - assets	38	22 100 004	(493 800)	-	21 606 204
Inventories losses/write-downs		357 055	-	-	357 055
Inventory consumed and bulk purchases	32	266 552 831	110 245 990	-	376 798 821
Lease rentals on operating lease	30	3 859 492	460 030	-	4 319 522
Notional expenses	24	-	526 654	-	526 654
Operating expenses	34	206 687 089	(39 841 004)	-	166 846 085
Remuneration of councillors	27	16 181 245	-	-	16 181 245
Repairs and maintenance	36	93 945 032	(1 385 223)	-	92 559 809
VIP Toilets	37	5 024 573	439 808	-	5 464 381
Government grants and subsidies	22	(2 347 327 559)	-	-	(2 347 327 559)
Income due to debt forgiveness	23	(9 952 251)	-	-	(9 952 251)
Interest charged on overdue consumer accounts	19	(112 147 777)	100 855	-	(112 046 922)
Investment revenue	21	(27 775 043)	-	-	(27 775 043)
Other income	20	(2 746 942)	-	-	(2 746 942)
Other non-exchange income	25	(748 807)	-	-	(748 807)
Service charges	18	(219 685 311)	23 722 609	-	(195 962 702)
Services in kind revenue	24	(3 159 924)	2 633 270	-	(526 654)
Transfers and subsidies		-	18 965	-	18 965
Surplus for the year		**(721 646 907)**	**(2 520 387 665)**	**-**	**(3 242 034 572)**

Cash flow statement

2024

	Note	As previously reported	Correction of error	Restated
Cash flow statement - 2024				
Net cash flows from operating activities	40	1 085 607 475	(73 401 385)	1 012 206 090
Net cash flows from investing activities		(923 105 332)	73 160 781	(849 944 551)
		162 502 143	**(240 604)**	**162 261 539**

Errors

The impact of these errors for the opening accumulated surplus at 01 July 2024 is reconciled as tabulated below:

Details	
Total cumulative effect of error corrections on surplus	2 405 111 247
Total effect of error corrections on surplus of 2023/2024 financial year	(2 520 387 666)
Effect on the accumulated surplus as at 01 July 2024	**(115 276 419)**

	2025 R	2024 R

46. Risk management

Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The municipality's approach is to ensure that sufficient liquidity is available to meet Its liabilities when due. The municipality uses cash flow forecasts to ensure that sufficient cash is available to meet expected operating expenses. This is guided by working capital and revenue enhancement policies.

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

The following are the contractual maturities of the financial liabilities, including interest payments and excluding the impact of netting agreements:

2025	Carrying amount	Carrying amount Contractual cash flows	1 year or less	>1 year
Payables from exchange transactions	2 180 424 610	2 180 424 610	1 616 041 491	564 383 119
Consumer deposits	4 124 815	4 124 815	4 124 815	-
	2 184 549 425	**2 184 549 425**	**1 620 166 306**	**564 383 119**

2024	Carrying amount	Carrying amount Contractual cash flows	1 year or less	>1 year
Payables from exchange transactions	2 223 505 202	2 223 505 202	1 606 927 247	616 577 955
Consumer deposits	4 061 725	4 061 725	4 061 725	-
	2 227 566 927	**2 227 566 927**	**1 610 988 972**	**616 577 955**

Credit risk

Investment

The municipality limits its exposure to credit risk by investing with only reputable financial institutions and within specific guidelines set in accordance with Council's approved investment policy.

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

Trade receivables

Trade receivables are amounts owing by consumers and are presented net of impairment loss. The municipality has a credit control policy in place and the
exposure to credit risk is monitored continuously.

The municipality establishes an allowance for doubtful debts that represents its estimate for anticipated losses in respect of receivables. Payments of accounts of consumer debtors which are unable to pay are negotiated in line with the credit control policy and terms of payments are agreed upon with the consumer.

Cash and cash equivalents

The municipality limits its exposure to credit risk by investing with only reputable financial institutions and within specific guidelines set in accordance with council's approved investment policy. The municipality does not consider there to be any significant exposure to credit risk.

The carrying amount of financial assets represents the maximum credit exposure.

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

	2025 R	2024 R

46. Risk management (continued)

Financial instrument		
Cash and cash equivalents	163 526 193	180 979 567
Receivables from exchange transactions	2 082 330 780	98 081 683
	2 245 856 973	**279 061 250**

The municipality invested excess funds in call accounts at tiered interest rates per annum for financial year ended 30 June 2025.

Credit quality of cash at bank and short-term deposits, excluding cash on hand

The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings:

Credit rating - Standard & Poor's		
First Rand Limited : A-1+	163 526 193	180 738 872

Market risk

Interest rate risk

As the municipality has no significant interest-bearing financial liabilities, the municipality's income and operating cash flows are substantially independent of changes in market interest rates except for the effect of interest received on cash placed on call accounts.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months is made without consultation with the councillor responsible for financial matters.

Consumer receivables comprise of many consumers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these receivables. Receivables from exchange transactions are presented net of an allowance for impairment.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Receivables from exchange transactions - normal credit terms	12.38 %	2 059 130 780	23 200 000	-	-	-
Cash in current banking institutions	Tiered	163 526 193	-	-	-	-
		2 222 656 973	**23 200 000**	**-**	**-**	**-**

47. Going concern

We draw attention to the fact that at 30 June 2025, although the Municipality had an accumulated surplus of R 10 247 777 764 and that the Municipality's total assets exceed its liabilities by R 10 247 777 764, its current liabilities exceeded its current assets by R779 062 717 (2024 :R1 400 843 987). This fact on its own does not prevent the Municipality to continue being a going concern given that going concern implies that the Municipality will be in existence within 12 months of the balance sheet dates.

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

Realisation of assets

Major assets of the Municipality are liquid and can be realised for market value as and when the need arises. This is positive on the going concern assessment.

Commitments

Notes to the Annual Financial Statements

	2025 R	2024 R

47. Going concern (continued)

The municipality has commitments amounting to R1 056 905 946 at the end of the year. These are backed by the approved grants (MIG, WSIG 6B). Further, to confirm positive assessment of going concern, users are advised to take cognisance of the motivations below:

- There is a commitment from National Treasury to fund the operations of the municipality through equitable share and conditional grants. This is substantiated by past practice and gazettes issued by National Treasury for the MTREF period under consideration.
- There is no change in the legislation that impact on the Municipality's ability to continue as a going concern.
- There are plans to ensure that there is effective spending of funds.

Other factors affecting going concern are as follows:-

The following factors if not monitored could undermine the going concern assumptions indicated above they were not properly managed as indicated.

- The Municipality is experiencing challenges of collecting for revenue relating to water and sanitation. This is due to weakness in controls that are intended to manage of revenue at the local municipalities. The local municipalities are appointed as service providers and the district municipality is the Water Service Authority.
- The Municipality has made significant improvements in it cash position and has been able to settle all its operating obligations within the required period (30 Days) and has also entered into settlement arrangements with Lepelle Northern Water whose obligation is R317 856 784 (2024: R335 792 029) and Department of Water and Sanitation with amount owed of R385 646 858 (2024: R387 543 040). This has a positive impact on going concern assessment.
- The municipality does have equivalent cash reserves to honour the contingent obligations to the value of R186 834 194 (2024: R186 633 645) should they fall due. Current settlements, reflect the municipality winning most of the cases even though they happened after reporting date. This has a positive impact on the going concern assessment.

Conclusion

Based on the above assessment done, the Municipality is a going concern and thus should prepare its financial statements for the year ended 30 June 2025 under the going concern assumption. The Municipality will continue with its endeavours to Increase revenue and reserve, as well as, reducing the financial commitments to ensure good financial health.

The Municipality continues to manage the mentioned risks individually in order to ensure that there do not pose major threat to going concern.

48. Events after the reporting date

The Municipality is not aware of any matter or circumstance arising since the end of the financial year.

	2025 R	2024 R

49. Unauthorised expenditure

	2025 R	2024 R
Opening balance as previously reported	1 857 925 689	1 543 460 157
Add: Unauthorised expenditure - current	336 263 348	314 465 532
Less: Amount written off - current	(777 077 402)	-
Closing balance	**1 417 111 635**	**1 857 925 689**

Unauthorised expenditure: Budget overspending – per municipal department:

	2025 R	2024 R
Municipal Manager	23 497 746	37 977 347
Finance	70 716 938	91 097 122
Corporate service	26 026 304	30 851 019
Water distribution	169 640 398	133 902 929
Vote 5: Technical Services	148 219	2 776 326
Community and social development	3 787 797	9 554 458
Waste Water Management	9 564 880	3 104 918
Planning and development	28 520 956	4 258 982
Mayor and Council	1 329 526	868 662
Public Safety	-	73 769
Health	3 030 585	-
	336 263 349	**314 465 532**

Breakdown by type of expenditure

	2025 R	2024 R
Operating expenditure	336 263 348	314 465 532

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes: overspending of the total amount appropriated in the municipality'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 paragraph (b), (c) or (d) of the definition of "allocation otherwise than in accordance with any conditions of the allocation; or a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

Amount under investigation

Unauthorised expenditure incurred in the previous year is still under investigation by the Municipal Public Accounts Committee (MPAC).

Causes of unauthorised expenditure

The unauthorised expenditure was due to various reasons such as :
1. Safeguarding of assets
2. Security costs
3. Avoiding service delivery protests
4. Unforeseen expenditure

for which some line items were either not budgeted or under budgeted. Refer to Statement of Comparison of Budget and Actual Amounts

Prior period errors

In the current year the municipality identified and corrected some errors for the 2023 financial year, relating to understatement of unauthorised expenditure. This was due to using incorrect general ledger figures in calculating the expenditure by management. This was corrected retrospectively, and the details are tabulated below:

Notes to the Annual Financial Statements

	2025 R	2024 R

49. Unauthorised expenditure (continued)

Details	Amount R
Unauthorised expenditure as previously reported for 2024 financial year	1 966 149 255
Less unauthorised expenditure written off but ommitted from the disclosure	(108 223 566)
Restated amount	**1 857 925 689**

50. Fruitless and wasteful expenditure

	2025 R	2024 R
Opening balance as previously reported	526 160 297	472 381 318
Add: Fruitless and wasteful expenditure identified - current	6 423 651	63 731 230
Less: Amount written off - prior period	(351 532 978)	(9 952 251)
Closing balance	**181 050 970**	**526 160 297**

In the current year, Lepelle Northern Water have written-off interest and penalties on historic debt amounting to R40 964 405 in relation to prior year interest and penalty amounts. This amount is included in the write-offs by MPAC in the current year.

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings	2025 R	2024 R
Interest incurred on late payment of suppliers	None	5 665 988	63 731 230
Interest and penalties from SARS	None	757 663	-
		6 423 651	**63 731 230**

The interest charged on debt owed to the Department of Water and Sanitation and Lepelle Northern Water contributed the biggest amounts to the fruitless and wasteful expenditure disclosed above. The breakdown is presented here:

Supplier	2025 R	2024 R
Department of Water and Sanitation	-	32 023 695
Lepelle Northern Water	5 495 388	31 607 730
Eskom	92 578	98 329
Other	78 022	1 476
	5 665 988	**63 731 230**

Notes to the Annual Financial Statements

	2025 R	2024 R

50. Fruitless and wasteful expenditure (continued)

Amount written-off

51. Irregular expenditure

	2025 R	2024 R
Opening balance as previously reported	1 371 236 759	1 349 142 862
Add: Irregular expenditure - current	14 314 406	7 662 179
Add: Irregular expenditure - prior period	-	14 431 718
Less: Irregular written off - current	(141 613 871)	-
Closing balance	**1 243 937 294**	**1 371 236 759**

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

	Disciplinary steps taken/criminal proceedings		
Non-compliance with SCM policy	Identified employees are subject to deciplinary hearing	5 363 921	13 299 126
Three written quotations not obtained	No criminal proceedings.	-	87 500
Definition of emergency not met (Not a deviation)	No criminal proceedings.	-	320 000
Bids split to avoid competitive bidding	No criminal proceedings.	-	394 500
Not advertised for required time	Municipality has developed a framework agreement guideline for appointments within panels. No disciplinary steps were taken.	8 950 485	2 719 014
Wrong criteria used to evaluate quotations	Appointments within panels. No disciplinary steps were taken.	-	158 758
CSD Printed before advert	No criminal proceedings	-	5 057 500
CSD Tax Non Compliant on date of appointemnt	No criminal proceedings	470 120	57 500
		14 784 526	**22 093 898**

	2025 R	2024 R

51. Irregular expenditure (continued)

Amount written-off

Irregular expenditure from the previous year amounting to R175 832 614 was investigated by MPAC during the year. After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R141 613 871 was proven without reasonable doubt that the amount was irrecoverable.

Prior period adjustment

In the current year, the restatements have been made to amounts previously disclosed in prior year. This was because the irregular expenditure was overstated the 2023/2024 financial year. This overstatement was due to incorrectly concluding that there was no formal way used by the municipality in allocating work to engineers on the panel. Below is the breakdown of the identified expenditure:

Non-compliance with Supply Chain Management regulation	Amount
Three written quotations not obtained	87 500
Definition of emergency not met (Not a deviation)	320 000
Wrong criteria used to evaluate quotations	158 758
Bids split to avoid competitive bidding	394 500
Not advertised for required time	2 719 014
Non-compliance with SCM Policy	5 636 946
CSD printed before advet date	5 057 500
Non tax compliant on appointed	57 500
	14 431 718

In the current year, the restatements have been made to amounts previously disclosed in prior years. This was due to the fact that the municipal irregular expenditure was overstated from the 2022/2023 financial year. The table below details the impact of corrections of these errors on the previously reported amounts:

Details	Amount
Irregular Expenditure as previously reported	1 356 805 040
Add: Understatement of Irregular Expenditure (Detailed above)	14 431 718
Restated balance	**1 371 236 758**

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Audit fees

	2025 R	2024 R
Current year subscription / fee	14 564 953	11 420 278
Amount paid - current year	(14 564 953)	(11 420 278)
	-	-

PAYE and UIF

	2025 R	2024 R
Opening balance	(1 988)	(1 988)
Current year subscription / fee	82 510 880	73 808 756
Amount paid - current year	(82 508 892)	(73 806 768)
	-	-

	2025 R	2024 R

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

Pension and Medical Aid Deductions

	2025 R	2024 R
Current year subscription / fee	35 450 818	61 390 143
Amount paid - current year	(35 450 818)	(61 390 143)
	-	**-**

VAT

	2025 R	2024 R
VAT receivable	25 845 515	20 859 699

VAT output payables and VAT input receivables are shown in note 6 and note 13 respectively.

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

53. Deviation from supply chain management regulations

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 annual financial statements.

In terms of Section 36 of the Municipal Supply Chain Management Regulations, any deviation from the supply chain management policy needs to be approved/condoned by the Municipal Manager. The total deviations for the period amounted to R3 085 637 (2024: R2 449 249) which has been tabled to council for noting in terms of Section 36(2). Paragraph 12{1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that deviations must be included as a note to the financial statements.

The amount for deviations consists of the following categories that make up the disclosed balance:

Category/Item		
Single supplier	2 585 637	1 027 617
Emergency	500 000	1 421 632
	3 085 637	**2 449 249**

Notes to the Annual Financial Statements

	2025 R	2024 R

54. Segment information

General information

Identification of segments

The municipal management is organised and reports to Council on the basis of five (5) major functional areas: Community services, Engineering Services, Mayor and Council, Planning and development and Water services. The segments were organised around the type of service delivered and the target community. Council uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management and Council as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Aggregated segments

The municipality operates throughout the jurisdiction of Mopani District. Segments were aggregated on the basis of services delivered as council considered that the economic characteristics of the segments throughout the district were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
Community services	Provision of fire services, health services, sports and recreation services to the community.
Engineering Services	Provision of project management services. Water infrastructure construction, maintenance.
Planning and development	Responsible for local economic development, spatial planning.
Water services	Provision of water and sanitation services to the community.
Mayor and Council	The council is responsible for governing the local area, provision of service delivery of municipal services to local residents and provision of political oversight to administration.

Notes to the Annual Financial Statements

Figures in Rand

54. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Community services	Engineering Services	Mayor and Council	Planning and development	Water services	Total
Revenue						
Revenue from non-exchange transactions	12 258	20 623 616	-	6 799 000	865 639 878	893 074 752
Revenue from exchange transactions	-	592 471	10	8 866	223 983 786	224 585 133
Interest revenue	-	-	-	-	124 674 826	124 674 826
Total segment revenue	**12 258**	**21 216 087**	**10**	**6 807 866**	**1 214 298 490**	**1 242 334 711**
Unallocated Interest revenue						29 311 249
Other unallocated revenue						1 399 580 661
Total revenue reconciling items						**1 428 891 910**
Entity's revenue						**2 671 226 621**
Expenditure						
Employee related costs	122 716 876	24 870 972	18 434 689	45 689 120	191 873 007	403 584 664
Remuneration of councillors	-	-	18 017 587	-	-	18 017 587
Depreciation and amortisation	11 895 042	-	-	7 515 687	204 877 262	224 287 991
Interest expense	-	-	-	-	12 003 052	12 003 052
Debt Impairment	-	-	-	-	905 207 365	905 207 365
Inventory consumed and bulk purchases	-	-	-	-	455 720 879	455 720 879
Contracted services	-	-	-	-	14 886 264	14 886 264
Transfers and Subsidies	-	-	54 430	-	-	54 430
Operating Expenses	9 288 707	4 906 987	6 707 387	7 829 422	88 384 798	117 117 301
Consulting and professional fees	-	610 650	-	21 399 504	-	22 010 154
Repairs and maintenance	1 877 880	433 080	-	173 913	118 853 659	121 338 532
VIP Toilets	-	-	-	-	71 011 701	71 011 701
Actuarial gains/losses	-	-	-	-	612 885	612 885
Total segment expenditure	**145 778 505**	**30 821 689**	**43 214 093**	**82 607 646**	**2 063 430 872**	**2 365 852 805**

	Community services	Engineering Services	Mayor and Council	Planning and development	Water services	Total
54. Segment information (continued)						
Total segmental surplus/(deficit)	**(145 766 247)**	**(9 605 602)**	**(43 214 083)**	**(75 799 780)**	**(849 132 382)**	**(1 123 518 094)**
Interest expense						(6 938 969)
Unallocated expenses						(496 126 470)
Total revenue reconciling items						1 428 891 910
Entity's surplus for the period						**(197 691 623)**
Assets						
Segment assets	55 218 302	37 239 440	(4 976 233)	12 708 319	2 716 521 365	2 816 711 193
Unallocated assets						9 789 998 266
Total assets as per Statement of financial Position						**12 606 709 459**
Liabilities						
Segment liabilities	141 254 401	2 753 506	(4 528 787)	1 494 436	380 506 143	521 479 699
Unallocated liabilities						1 837 451 986
Total liabilities as per Statement of financial Position						**2 358 931 685**

2024

	Community services	Engineering Services	Mayor and Council	Planning and development	Water services	Total
Revenue						
Revenue from non-exchange transactions	12 797	18 012 386	-	8 226 000	1 043 326 746	1 069 577 929
Revenue from exchange transactions	970	663 560	27 860	689	196 056 587	196 749 666
Interest revenue	-	-	-	-	112 046 922	112 046 922
Total segment revenue	**13 767**	**18 675 946**	**27 860**	**8 226 689**	**1 351 430 255**	**1 378 374 517**

54. Segment information (continued)

Interest revenue						27 775 043
Other unallocated revenue						1 290 937 321
Total revenue reconciling items						**1 318 712 364**
Entity's revenue						**2 697 086 881**
Expenditure						
Employee related costs	123 632 373	23 502 348	20 576 468	41 386 828	200 645 403	409 743 420
Remuneration of councillors	-	-	16 181 245	-	-	16 181 245
Depreciation and amortisation	10 784 695	-	(27 223)	7 525 302	212 954 154	231 236 928
Finance costs	-	-	-	-	1 954 720	1 954 720
Debt Impairment	-	-	-	-	(2 239 765 812)	(2 239 765 812)
Inventory consumed and bulk purchases	-	-	-	-	377 155 875	377 155 875
Contracted services	-	-	-	-	13 402 546	13 402 546
Transfers and Subsidies	-	-	18 965	-	-	18 965
Operating Expenses	6 074 044	2 222 703	4 392 253	7 316 213	83 548 099	103 553 312
Consulting and professional fees	-	7 816 162	-	9 286 452	-	17 102 614
Repairs and maintenance	1 898 388	488 807	-	-	87 376 419	89 763 614
VIP Toilets	-	-	-	-	5 464 381	5 464 381
Notional expenses	-	-	-	-	526 654	526 654
Actuarial gains/losses	-	-	-	-	(483 413)	(483 413)
Total segment expenditure	**142 389 500**	**34 030 020**	**41 141 708**	**65 514 795**	**(1 257 220 974)**	**(974 144 951)**
Total segmental surplus/(deficit)	**(142 375 733)**	**(15 354 074)**	**(41 113 848)**	**(57 288 106)**	**2 608 651 229**	**2 352 519 468**
Total revenue reconciling items						1 318 712 364
Interest expense						(71 824 456)
Unallocated expenses						(357 372 800)
Total revenue reconciling items						1 318 712 364
Entity's surplus for the period						**3 242 034 576**
Assets						
Segment assets	54 860 495	37 059 494	(5 116 030)	8 650 379	3 179 642 647	3 275 096 985
Unallocated assets						9 633 552 081

Notes to the Annual Financial Statements

Figures in Rand

54. Segment information (continued)

	Community services	Engineering Services	Mayor and Council	Planning and development	Water services	Total
Total assets as per Statement of financial Position						**12 908 649 066**
Liabilities						
Segment liabilities	143 426 731	5 552 031	(4 851 498)	1 139 596	300 291 991	445 558 851
Unallocated liabilities						2 017 620 817
Total liabilities as per Statement of financial Position						**2 463 179 668**

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Information about geographical areas

The municipality’s operations are in the Mopani District in Limpopo Province.

55. Accounting by principals and agents

The Municipality is a party to a principal-agent arrangements.

Details of the arrangment(s) are as follows:

Mopani District Municipality as a Water Service Authority, has delegated the responsibility of water distribution and rendering of sanitation services to the local municipalities within the district, namely: Greater Tzaneen Local Municipality, Greater Letaba Local Municipality, Maruleng Local Municipality, Ba - Phalaborwa Local Municipality and Greater Giyani Local Municipality. In terms of the agreements, the five local municipalities are to sell water to the consumers on behalf of MDM in return for an agency fee which is based on the cash collections as well as profit from water and sanitation trading.

Entity as principal

Resources (including assets and liabilities) of the entity under the custodianship of the agent

Notes to the Annual Financial Statements

	2025 R	2024 R

55. Accounting by principals and agents (continued)

Mopani District Municipality as a Water Service Authority, has delegated the responsibility of water distribution and rendering of sanitation services to the local municipalities within the district, namely: Greater Tzaneen Local Municipality, Greater Letaba Local Municipality, Maruleng Local Municipality, Ba - Phalaborwa Local Municipality and Greater Giyani Local Municipality.

In terms of the agreements, the five local municipalities are to sell water and provide sanitation services to the consumers on behalf of Mopani District Municipality (MDM).

As the principal agent MDM is liable for agency fees to each local municipality as disclosed in note 33. All cash collections by the locals are payable to MDM, and all water related expenses are to be reimbursed by MDM. The nature of expenses paid by the locals on behalf of MDM, includes inter alia, bulk water purchases, salaries of employees in the water department, contracted services, repairs and maintenance of water related infrastructure. These expenses are disclosed under the respective financial statements line items of the District Municipality.

Historically, there hasn't been cash payments/receipts between the principal and agents and all amounts owed to/by the local municipalities were netted off and disclosed in the inter-municipal loan accounts. However, in the current year, one of the local municipalities, Greater Letaba Local Municipality started servicing its loan and has paid R3 874 130 in the current year. The amount payable or receivable are disclosed under Payables from exchange transaction note 12 or Receivables from exchange transactions note 4.

The Local Municipalities are in full control of the billing systems and apply their credit control policies in managing MDM's consumer debtors. There were no changes to any significant terms and conditions of this agreement during the current reporting period.

MDM is entitled to all income and is liable for all expenses relating to water transactions at the local municipalities. The risk of non-payment by the customer, and variations due to increase/decrease in selling prices of water and sanitation services are bone by MDM.

Benefits and Risks

Non-payment risks of amounts receivable from the Local Municipalities is considered to be significant. However, as an alternative recovery method, the Local Municipalities are required to incur expenses relating to water related activities for reimbursement by MDM. These costs are not reimbursed directly by MDM but netted off against amounts receivable from the local municipalities.

Claims from Greater Tzaneen Municipality are limited to R30 000 000 per annum, any excess amount is recognised as part of other income.

Fees payable

	2025	2024
Agency fees incurred as compensation to the agent	13 331 099	12 827 094

There are fees payable to the Local Municipalities as agents. These are based on a percentage of cash collected for water and sanitation receivables for all the other 4 local municipalities while the agreement of Ba-Phalaborwa provides for this calculation based on the volumes of water distributed (sold) to consumers. However, no physical cash has been paid over but agency fees owed to the agents were raised as a payable and netted off with the other intermunicipal loan accounts under payables from exchange transactions in note 12 - payables from exchange transactions and note - receivables from exchange transactions.

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

Should the principal agent arrangement be terminated, Mopani District Municipality will take over the responsibility from the 5 local municipalities. The costs to be incurred will mainly include, obtaining of a billing system and other resources to enable sale of water to consumers within the district.

	2025 R	2024 R
56. Other statutory receivables		
VAT due from SARS	25 845 520	20 859 696
This represents amount of VAT that is receivable from the South African Revenue Service following the submission of the returns. Refer to note 6.		
Grants receivable This relates to Grants receivable from DWS for projects work completed .Refer to note 5 for further details.	148 222 755	126 862 075
National Treasury	26 242 727	-
The amount receivable from National Treasury represents over deductions by them on amounts withheld against the Municipality's equitable share amounting to R26 242 727. Treasury withheld this portion in the 2033/2024 financial year and gain in the 2024/2025 financial year resulting in double deduction. In the previous year, National treasury informed the Municipality of this deduction and was duly implemented. However, the Municipality further requested a debt settlement for unspent conditional grants against its Equitable shares in 2024/25 financial year amounting to R101 million (including the R26 million) in the current financial year again. National Treasury made the requisite deductions in the current financial year as reflected in the Equitable Share amount received resulting in an overpayment or double payment of the aforesaid unspent amount.		
	200 311 002	**147 721 771**

Statutory receivables general information

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of value added tax recoverable from, or payable to the South African Revenue Service (SARS) is included as part of VAT receivables in the Statement of Financial Position. Once payments are received or paid, the VAT returns are submitted to SARS and the resultant VAT receivable from SARS is accounted as statutory receivables. No interest is charged on outstanding VAT receivable from the South African Revenue Service. Also no impairment is recognised on this receivable since SARS always settles the VAT receivable in time.

Funding receivable from DWS represents grants payable by DWS to the municipality upon completion of work done. In terms of the grant arrangements, the municipality first appoints contractors and performs the work on the projects and then uses the value of work performed to claim from the DWS. The receivable at the end of year represents invoices claimed from the DWS but not yet received at year end.