Sekhukhune District Municipality
Financial statements
for the year ended 30 June 2025
Auditor General (SA)

General Information

Legal form of entity	A district municipality in terms of section 1 of the Local Government Municipal Structures Act 11 of 1998 read with section 155 (1) of the Constitution of the Republic of South Africa, Act 108 0f 1996.
Nature of business and principal activities	The provision of services (water and sanitation) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
Mayoral committee	Cllr Maitula B.M (Executive Mayor)
Executive Mayor	MMC (Infrastructure and Water Services) Makgolane RE
	MMC (Community Services) Mafefe O
	MMC (Budget and Treasury) Leshaba B
	MMC (Maintenance and Operations) Mabatane MC
	MMC (Corporate Services) Nkosi SM
	MMC (Youth) Leokana MD
	Cllr Ngobeni
	Cllr Mathipa MP
Councillors	Cllr Chego KS (Speaker of council)
	Cllr Machipa (Chief Whip of council)
	Cllr Mogofe A
	Cllr Tladi MD
	Cllr Maloba A
	Cllr Machai MJ
	Cllr Mealane KM
	Cllr Letsela NS
	Cllr Magatla LN
	Cllr Mashegoana MC
	Cllr Thokoane KZ
	Cllr Mokomane ML
	Cllr Mosoane E
	Cllr Rankoe P
	Cllr Nkosi SB
	Cllr Matjomane SD
	Cllr Sithole ME
	Cllr Maebelo LS
	Cllr Mohlamonyane TE
	Cllr Mashilo MS
	Cllr Makofane IT
	Cllr Ngwatle AT
	Cllr Mabelane JM
	Cllr Tlape MM
	Cllr Mokgoto K
	Cllr Mgiba NP
	Cllr Makutu TS
	Cllr Makofane T
	Cllr Magabe MS
	Cllr Senong MR
	Cllr Mosotho MT
	Cllr Matsetela ML
	Cllr Komane LM
	Cllr Kgwedi JL

General Information

	Cllr Tshivhula MP Cllr Mogotji FM
Grading of local authority	Grade 4 Municipality
Accounting Officer	Mr. Kgwale MM
Chief Finance Officer (CFO)	Mr. Nkadimeng HL
Registered office	03 West Street Groblersdal 0470
Postal address	Private Bag X8611 Groblersdal 0470
Bankers	Standard Bank
Auditors	Auditor General (SA)

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

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
MIG	Municipal Infrastructure Grant
WSIG	Water Services Infrastructure Grant
SALGA	South African Local Government Association

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 financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the 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 financial statements and were given unrestricted access to all financial records and related data.

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

I as the accounting officer acknowledges that I am 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 me to meet these responsibilities, I have set the 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.

I am 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 financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

I have reviewed the municipality's cash flow forecast for the year to 30 June 2025 and, in the light of this review and the current financial position, I am satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

Although the I am is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors. 6.

The financial statements set out on page 8 to 83, which have been prepared on the going concern basis, were approved by the accounting officer on 30 June 2025 and were signed on its behalf by:

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Accounting Officer
Mr. Kgwale MM

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2025.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. The meetings held by the audit committee are listed here under:

Name of member	Number of meetings attended
Mr. Mofokeng LS (Chairperson)	16
Ms. Ngoetjana S	16
Adv. Thubakgale L	16
Mr. Manyisane V	16
Mr. Mathabatha M	15

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the Municipal Finance Management Act.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review..

Evaluation of financial statements

The audit committee has:

- reviewed and discussed the audited financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management’s response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the financial statements, and are of the opinion that the audited financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

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Chairperson of the Audit Committee

Date: ______________________

Accounting Officer's Report

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

1. Review of activities

Main business and operations

Net surplus of the 2024/2025 financial year was R 172 699 430.00 as at 30 June 2025 (30 June 2024 - R 142 672 774.00)

Accounting Officer's Report

2. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of R 5 263 024 545.00

The 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 municipality to ensure that all matters of compliance are adhered to so as to ensure that all the conditional and unconditional grants allocated to the municipality are received in full as the municipality is currently grant dependent to fund its operations. The municipality is currently implementing the revenue strategy that is aimed as enhancing the its revenue base over time to ensure that there is financial sustainability without having to rely heavily on government grants and subsidies.

The municipality has adopted a voluntary financial recovery plan with the assistance of the National Treasury, the plan is aimed at improving the financial position of the municipality by enhancing its revenue base while also unlocking service delivery backlogs. Implementation of the plan is to be monitored by the provincial treasury on a monthly basis.

The municipality did receive a letter from the National Treasury on the 12th of November 2025, the letter was communicitating the intention by the National Treasury to withhold the second instalment of the equitable share due to the municipality by first week of December 2025, the National Treasury has indicated in the letter that the municipality hasn't complied fully its instruction to municipalities on concluding the investigations on the reported historical expenditure in the form of unauthorized, irregular, fruitless and wasteful expenditure, in addition the National Treasury indicated the municipality did not have a financial misconduct board that is fully functional to deal with issues of consequence management. It was on the basis of the two previously issued instructions that the National Treasury did communite to the municipality the intention to withheld the equitable share due for payment to the municipality in December 2025.

The municipality did respond to the letter by the National Treasury with supporting evidence on the reduction of the reported historical unauthorised, irregular, fruitless and wasteful expenditure to the maximum of the required 75% as at 20th of November 2025, the municipality went further to provide evidence on how the municipality has done well in preventing the occurance of new unwanted expenditure in the past couple of years. The municipality has also provided proof on the establishment of the financial misconduct board and its functionally to-date. The municipality went further to provide evidence on the implementation of the consequence management recommendations by the misconduct board.

The municipality currently awaits the results of the National Treasury's assessment the submissions made in response to their letter. The municipality remains very confident that National Treasury will release the equitable share funds in December 2025 on the basis that the historical unwanted expenditure was addressed to a maximum of the required 75% and also on the basis of the functionality of the financial misconduct board and the implementation of its regulations.

The municipality did assess the followong factors to arrive at a cocnlusion that the municipality shall receive its equitable share in december 2025:

Trade and other payables – Projected to be paid within 30 days of receiving the invoice in the ordinary course of business. The bulk of the trade creditors relate to the bulk water account with the Lepelle Northern Water Board on a historical debt that was disputed for quite a number of years till a settlement agreement that was proposed on the reconciled and validated total debt in July 2025. The total debt amounts to R 390 million as at 30 June. The payment arrangements were that the municipality will pay in total R 30 million each quarter while maintaining the current account, the first R 30 million of the arrangement has already been paid during the 1st quarter of the 2025/2026 financial year, payments towards the current billing were also processed up to the recent month of October 2025, the municipality has projected to settle the debt in 36 months from the date of the settlement agreement dated July 2025, the total historical debt is projected to reduce by around 33.5% each year. The municipality is also planning not to renew the 10 year bulk water supply account with the LNW when it comes to an end in the next few years, alternative sources of water supply already are in being developed and implemented by the municipality to ensure there are no interruptions in water services, about R 130 million of the total R 530 million trade payables were the year end accruals relating to the 2025/2026 financial year, these amounts were settled during the first quarter of the 2025/2026 financial year. The Trade payables of the municipality has reduced quite significantly going into the second quarter of the 2025/2026 financial year. The municipality is currently ensuring that trade payables are settled as and when they are due for payments.

High Current Liabilities
The municipality’s current liabilities has reduced quite significantly in the first and second quarter of the 2025/2026 financial year as indicated under the trade and other payables.

Contingent Liabilities

Accounting Officer's Report

2. Going concern (continued)
The municipality has entered into a settlement agreement with Dr JS Moroka during the second quarter of the 2025/2026 financial year, in terms of the new agreement the total debt agreed upon was around R 200 million of the claimed R 400 million after a validation process which was aimed at verifying the amounts claimed. The municipality has processed the first R 10 million payment towards the Dr JS Moroka debt in November 2025.11.23

On the R 103 million amount claimed by the Lepelle Northern Water Board, the dispute resolution process lead by the Limpopo provincial Coghsta resolved in October 2025 that the amount could not be reported as a debt due to the lack of supporting evidence by the Lepelle Northern Water on how the amount came about.

The municipality has planned to settle the two bulk water accounts in the next thirty six months.

Liquidity Ratios
The current ratio is improving once again after the municipality reached a settlement agreement with Lepelle Northern Water Board in July 2025, the ratio was sitting at 0.9: 1 by end of September 2025 and it is projected to close at 1.1: 1 by end of the second quarter of the 2025/2026 financial year.
The Liquidity ratio has also improved to 0.87: 1 by end of the quarter, the ratio is expected to improve to 1.05: 1 by end of the second quarter in the 2025/2026 financial year. The municipality will continue with payments towards the historical debts on both the Lepelle Northern Water and Dr JS Moroka accounts so that the liquid ratios keep on improving going into the next financial year and beyond.

Revenue Collection
The municipality's collection on own revenue sources was recorded at 59% for the 2024/2025 financial year due the revenue collection processes which were introduced in the first two quarters of the 2024/2025 financial year. The municipality has entered a second phase of the collection processes by introducing a smart water metering project in July 2025, the first batch of the smart meters was installed in July 2025 around Burgersfort.

3. Subsequent events

The municipality did receive a letter from the National Treasury during the second quarter of the 2025/2026 financial year communicating an intention by the National Treasury to withheld the second instalment of the 2025/2026 Equitable Share allocation due to the following reasons.

- Failure to reduce the historical unauthorised, irregular, fruitless and wasteful expenditure by 75% as previously recommended by the National Treasury
- Failure to establish a financial misconduct board.

The municipality has responded to the National Treasury and outlined the following mitigating processes which already have been implemented and some are currently being implemented.

The financial misconduct board was established and is currently functional, the committee is due to report in council during the second quarter of the 2025/2026 financial year. The appointment letters of members of the committee together with the attendance registers of the recent meetings were share with the National Treasury as POE on the functionality of the committee.

The Municipal Public Accounts Committee was capacitated with the necessary supporting staff, the committee did report twice to council during the 2024/2025 financial year and a total of R 242 million was written off after several investigations were conducted. The committee concluded further investigation processes and assisted council to write off about R 393 million during the first quarter of the 2025/2026 financial year. The committee is due to conclude two more investigations before the end of November 2025 amounting, cumulatively after all two investigations the municipality would have addressed over 75% of the historical UIFW expenditure. The municipality has already shared with the National Treasury a portfolio of evidence on the historical expenditure above 75% already processed by council before end of November 2025. The Municipal Public Accounts Committee has outlined their annual activity plan in terms of how and when the investigations will be carried and completed, the committee is currently doing well in terms of concluding the current investigations on the unauthorized, irregular, fruitless and wasteful expenditure.

4. Accounting policies

The financial statements were prepared in accordance with the prescribed standards of Generally Accepted Accounting Practice (GRAP), including any interpretations of such Statements issued by the Accounting Standard Board as the prescribed by the Municipal Finance Management Act.

Accounting Officer's Report

5. Bankers

The Standard Bank South Africa is the primary banker of the municipality for a period of five years.

6. Auditors

Auditor General (SA) will continue in office for the next financial period.

7. Provincial and National Treasury

The municipality is required, in terms of section 126(1)(a) of the MFMA, to submit its annual financial statements and those of the Sekhukhune Development Agency to the Auditor General South Africa within two months of the end of the annual financial year.

The financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on 30 June 2025 and were signed on its behalf by:

Accounting Officer
Mr. Kgwale MM

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	12	35 774 898	18 081 243
Other financial assets	5	1 000	1 000
Receivables from non-exchange transactions	13&16	15 393 239	10 342 929
VAT receivable		124 906 893	170 814 339
Prepayments	10	4 910 253	5 090 073
Receivables from exchange transactions	15	35 189 105	47 293 892
Cash and cash equivalents	17	391 480 180	552 691 059
		607 655 568	**804 314 535**
Non-Current Assets			
Property, plant and equipment	3	5 590 508 875	5 063 231 678
Heritage assets	4	746 802	615 315
		5 591 255 677	**5 063 846 993**
Total Assets		**6 198 911 245**	**5 868 161 528**
Liabilities			
Current Liabilities			
Operating lease liability	6	218 684	199 409
Payables from exchange transactions	7	795 858 257	656 196 358
Consumer deposits	9	5 920 219	5 508 777
Unspent conditional grants and receipts	18	9 173 647	42 776 109
Employee benefits	19	19 440 000	27 695 000
VAT payable	20	63 227 894	61 733 227
		893 838 701	**794 108 880**
Non-Current Liabilities			
Employee benefits	19	42 048 000	37 535 000
Total Liabilities		**935 886 701**	**831 643 880**
Net Assets		**5 263 024 544**	**5 036 517 648**
Accumulated surplus		5 263 024 545	5 036 517 648
Total Net Assets		**5 263 024 545**	**5 036 517 648**

* See Note 48 & 47

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	22	116 424 838	71 551 840
Interest received - Debtors		39 224 920	34 069 586
Other income		2 174 673	1 082 941
Interest - Investments	26	57 242 593	81 206 793
Total revenue from exchange transactions		**215 067 024**	**187 911 160**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	28	1 671 005 900	1 570 998 704
Fines, Penalties and Forfeits	23	890 112	9 326
Total revenue from non-exchange transactions		**1 671 896 012**	**1 571 008 030**
Total revenue	21	**1 886 963 036**	**1 758 919 190**
Expenditure			
Employee related costs	29	(422 563 849)	(432 773 919)
Remuneration of councillors	30	(16 301 304)	(17 935 498)
Depreciation and amortisation	31	(149 159 084)	(144 961 078)
Impairment loss	32	(9 046 525)	(7 348 419)
Finance costs and interests on overdue accounts	33	(32 785 697)	(18 964 288)
Lease rentals on operating lease	24	(52 092 341)	(45 782 700)
Debt Impairment	34	(99 298 034)	(83 509 317)
Bulk purchases	36	(165 686 135)	(231 345 755)
Contracted services	37	(360 322 935)	(313 097 579)
Transfers and Subsidies	27	(12 178 756)	(10 697 833)
Inventory losses/write-downs		(53 807 465)	(38 302 446)
Actuarial losses		(526 527)	(1 685 611)
General Expenses	35	(261 288 330)	(222 751 723)
Repairs and maintenance		(82 281 773)	(51 075 674)
Total expenditure		**(1 717 338 755)**	**(1 620 231 840)**
Fair value adjustments		131 487	63 198
Actuarial gains		2 943 662	3 922 226
Surplus for the year		**172 699 430**	**142 672 774**

* See Note 48 & 47

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2023	**4 947 652 340**	**4 947 652 340**
Changes in net assets		
Prior period adjustments	(53 807 466)	(53 807 466)
	(53 807 466)	(53 807 466)
Surplus for the year	142 672 774	142 672 774
Total recognised income and expenses for the year	88 865 308	88 865 308
Total changes	88 865 308	88 865 308
Opening balance as previously reported	5 108 084 553	5 108 084 553
Adjustments		
Prior year adjustments 48	(17 759 438)	(17 759 438)
Restated* Balance at 01 July 2024 as restated*	**5 090 325 115**	**5 090 325 115**
Changes in net assets		
Surplus for the year	172 699 430	172 699 430
Total changes	172 699 430	172 699 430
Balance at 30 June 2025	**5 263 024 545**	**5 263 024 545**

Note(s)

* See Note 48 & 47

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		29 231 591	653 664
Grants		1 637 403 438	1 359 671 780
Interest income		96 467 513	115 115 539
Other receipts		3 064 785	1 082 941
		1 766 167 327	1 476 523 924
Payments			
Employee costs		(414 112 981)	(399 655 369)
Suppliers		(799 304 526)	(757 761 937)
Remuneration of council		(16 301 304)	(17 935 498)
Finance costs		(5 855 807)	(597 532)
		(1 235 574 618)	(1 175 950 336)
Net cash flows from operating activities	38	**530 592 709**	**300 573 588**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(691 803 588)	(480 577 896)
Net increase/(decrease) in cash and cash equivalents		**(161 210 879)**	**(180 004 308)**
Cash and cash equivalents at the beginning of the year		552 691 059	732 695 367
Cash and cash equivalents at the end of the year	17	**391 480 180**	**552 691 059**

The accounting policies on pages 20 to 42 and the notes on pages 43 to 92 form an integral part of the financial statements.

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	113 840 164	242 000	**114 082 164**	116 424 838	**2 342 674**	
Interest received (Outstanding debtors)	19 016 199	6 199 129	**25 215 328**	39 224 920	**14 009 592**	
Gains on disposal of assets	675 000	-	**675 000**	-	**(675 000)**	
Other Income	2 366 536	65 290 264	**67 656 800**	2 174 673	**(65 482 127)**	
Interest received - investments	51 033 573	10 000 000	**61 033 573**	57 242 593	**(3 790 980)**	
Total revenue from exchange transactions	**186 931 472**	**81 731 393**	**268 662 865**	**215 067 024**	**(53 595 841)**	

* See Note 48 & 47

Revenue from non-exchange transactions					
Transfer revenue					
Government grants & subsidies - Operational	1 183 956 750	-	**1 183 956 750**	1 157 307 050	**(26 649 700)**
Fines, Penalties and Forfeits	777 965	600 000	**1 377 965**	890 112	**(487 853)**
Total revenue from non-exchange transactions	**1 184 734 715**	**600 000**	**1 185 334 715**	**1 158 197 162**	**(27 137 553)**
Total revenue	**1 371 666 187**	**82 331 393**	**1 453 997 580**	**1 373 264 186**	**(80 733 394)**
Expenditure					
Personnel	(476 765 322)	30 133 215	**(446 632 107)**	(422 563 849)	**24 068 258**
Remuneration of councillors	(18 319 544)	-	**(18 319 544)**	(16 301 304)	**2 018 240**
Depreciation	(94 920 919)	150 000	**(94 770 919)**	(149 159 084)	**(54 388 165)**
Impairment of assets	-	-	**-**	(9 046 525)	**(9 046 525)**
Finance costs	(110 460)	-	**(110 460)**	(32 785 697)	**(32 675 237)**
Lease rentals on operating lease	-	-	**-**	(52 092 341)	**(52 092 341)**
Debt Impairment	-	-	**-**	(99 298 034)	**(99 298 034)**
Inventory consumed - Bulk Water Supply	(167 382 621)	93 919 788	**(73 462 833)**	(165 686 135)	**(92 223 302)**
Contracted Services	(287 027 464)	(186 221 290)	**(473 248 754)**	(360 322 935)	**112 925 819**
Transfers and Subsidies	(20 900 000)	-	**(20 900 000)**	(12 178 756)	**8 721 244**
Actuarial losses	-	-	**-**	(526 527)	**(526 527)**
General expenses	(178 382 517)	(37 490 000)	**(215 872 517)**	(343 570 103)	**(127 697 586)**
Total expenditure	**(1 243 808 847)**	**(99 508 287)**	**(1 343 317 134)**	**(1 663 531 290)**	**(320 214 156)**
Operating deficit	**127 857 340**	**(17 176 894)**	**110 680 446**	**(290 267 104)**	**(400 947 550)**
Transfers and subsidies - Capital	567 661 250	40 503 664	**608 164 914**	513 698 850	**(94 466 064)**
Fair value adjustments	-	-	**-**	131 487	**131 487**
Actuarial gains	-	-	**-**	2 943 662	**2 943 662**
Inventories losses/write-downs	(5 500 000)	-	**(5 500 000)**	(53 807 465)	**(48 307 465)**
	562 161 250	**40 503 664**	**602 664 914**	**462 966 534**	**(139 698 380)**
Surplus before taxation	**690 018 590**	**23 326 770**	**713 345 360**	**172 699 430**	**(540 645 930)**
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**690 018 590**	**23 326 770**	**713 345 360**	**172 699 430**	**(540 645 930)**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

Revenue from exchange transactions
Service charges - No material charges on the revenue from service charges in the 2024/2025 financial year.

Interest Received (Outstanding Debtors) - The actual interest on outstanding debtors of R 39 224 920.00 was significantly higher than the annual budgeted amount by R 14 009 592 due to the non-payment of services by consumers on the historical water and sanitation debts.

Other Income - The actual annual revenue from other income sources of R 2 174 673.00 was materially less than the annual budgeted income by R 67 656 800.00 due to the misalignment of the other operational revenue votes in the budget data strings which could not be reallocated during the adjusted budget season, the error did not affect the total annual operational revenue budget as approved by council..

Interest Received - Investments - No material variance on the revenue earned from the short-term investments during the 2024/25 financial year.

Actuarial Gains - The was no budget provision on actuarial gains in the 2024/25 financial year, actuarial estimations require the expertise onf an actuary for reliable estimation and reporting, at the time of the budget preparation there was no reliable estimate on whether the municipality will realise a gain or incur a loss on the calculation of the employee benefits.

Revenue from non-exchange transactions
Government Grants & Subsidies - No material variances on the actual annual revenue from transfers and subsidies in the 2024/25 financial year.

Fines and Penalties - The actual revenue from fines and penalties amounts to R 890 112.00 in the 2024/2025 financial year, with about R 487 853.00 under collection as compared to the annual approved budget, less fines were issue than the budgeted number of fines planned for the 2024/25 financial year.

Expenditure
Employee related cost – No material variances on employee related cost as compared to its annual budget in the 2024/2025 financial year.

Remuneration of councillors – Annual expenditure on council remuneration was R 16 301 304.00 with a variance of R 2 018 240 in the 2024/2025 financial year, the budget provision did consider the late implementation of the upper limits for two financial year during the 2024/25 financial year.

Finance costs - The material variance of R 32 694 237.00 on finance costs was caused by the billing of interest on the overdue bulk water accounts for the Lepelle Northern Water and Department of Water and Sanitation during the 2024/2025 financial year.

Operating lease rentals - No material variances on the operating lease rentals reported for the 2024/2025 financial year.

Debt Impairment - R 99 098 034.00 material variance reported in the 2023/2024 financial year, no budget provision for the non-cash item expenditure on provision of doubtful debts in the 2023/2024 financial year as the municipality planned to collect more of the long overdue debts on service charges.

Inventory consumed - The bulk water purchases had a material variance of R 92 223 302 .00 in the 2024/2025 financial year, the municipality did process quite a significant number of invoice amounts relating to the prior years as per the payments arrangements which were agreed upon during the year, some of the processes invoices were not considered during the budgeting processes.

Contracted services - Contracted services reported a material variance of R 60 132 216.00 having considered the actual expenditure on operating leases budgeted for under contracted services, the requested services on water supply through the tankers was more than the budgeted number of programs during the financial year and as a result the expenditure was more than expected.

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

Transfers and subsidies - No material variances on the transfers and subsidies in the 2024/2025 financial year.

Actuarial losses - There is was no budget provision on actuarial losses during the 2024/2025 financial year, due to the non-availability on reliable actuarial estimates at the time of budget preparations.

General expenses – The R 127 697 586.00 material variance on general expenses was reported on general expenses in the 2024/2025 due to the increases of the repairs and maintenance expenditure, and electricity expenses during the financial year.

Current Assets
Inventories - The R 235 279 877.00 material variance on inventory was due to the estimated closing stock in water inventory as at 30th June 2025, the municipality did not perform a water inventory count which confirmed the water levels which were lower than the closing estimations as at year end.

Other financial assets - No material variances on other financial assets in the 2024/2025 financial year.

Receivables from non-exchange transactions – A material variance of R 76 189 024.00 on the receivables from non-exchagnge transactions, the budgeted amount did consider the schedule 6B indirect grants which were not moving as expected from the prior year, the municipality did improve the spending on the schedule 6B grants, as a result the actual receivables as at yer end were far less than expected.

VAT receivable – R 13 553 327.00 material variance on VAT receivable was due to the reversal of the VAT output on the debts impaired during the 2024/2025 financial year.

Prepayments – The R 4 910 253.00 material variance was due to the non-provision of budget on the pre-payments in the 2024/25 financial year.

Receivables from exchange transactions – A material variance of R 85 895 929.00 on the receivables from exchange transactions was reported during the financial year, the variance was caused by the material impairment of the long outstanding amounts on consumer debtors.

Cash and cash equivalents - The R 233 850 885.00 material variance on the csh balances at year end was caused by the improved spending on conditional grants, as a result the municipality has less amounts on unspent grants at year end than anticipated.

Non-current assets
Property, plant & equipment - The R 741 660 961 material variance on the carrying value of the property, plant and equipment was due to the accelerated spending on the water insfrastructure projects during the 2024/2025 financial year, more capital projects were also capitalized than expected during the budgeting preparations.

Heritage assets
Mayoral chain – R 746 802.00 material variance was reported on the heritage assets as there was no budget provision on these type of assets during the 2024/25 financial year. The asset already exist and revalued on an annual basis.

Current liabilities
Operating lease liability - No material variances on the lease liabilities in the 2024/2025 financail year.

Payables from exchange transactions - The R 248 223 509 material variance on payables from exchange transactions was due to the conclusion of the reconciliation on the debts to the Lepelle Northern Water and the Department of Water and Sanitation. The reconciled amounts which were previously disputed were accounted for during the 2024/2025 financial year.

Consumer deposits - R 5 920 219.00 material variance on consumer deposits was due to the increase in the deposits related to the service charges not yet allocated as at the end of the 2024/2025 financial year with any budget provision for the year.

Unspent conditional grants and receipts - The R 9 173 647.00 material variance on the unspent conditional grants was as a result the non-provision of budgets on unspent conditional grants as the municipality did plan to spent all of its conditional

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

grants by the 30th of June 2025.

Employee benefits on long service awards and unused leave - The current portion of the provisions on long service awards and unused leave days had a material variance of R 14 239 820 due to the new actuarial estimations on both benefits as at end of the 2024/2025 financial year. The material variance of R 7 123 209.00 on the long-term portion of the employee benefits also due to the new actuarial estimations on both benefits as at end of the 2024/25 financial year.

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	177 134 987	93 919 788	**271 054 775**	35 774 898	**(235 279 877)**	
Other financial assets	-	-	**-**	1 000	**1 000**	
Receivables from non-exchange transactions	91 582 263	-	**91 582 263**	15 393 239	**(76 189 024)**	
VAT receivable	50 850 653	-	**50 850 653**	124 906 893	**74 056 240**	
Prepayments	-	-	**-**	4 910 253	**4 910 253**	
Receivables from exchange transactions	121 085 034	-	**121 085 034**	35 189 105	**(85 895 929)**	
Cash and cash equivalents	580 331 065	45 000 000	**625 331 065**	391 480 180	**(233 850 885)**	
	1 020 984 002	**138 919 788**	**1 159 903 790**	**607 655 568**	**(552 248 222)**	
Non-Current Assets						
Property, plant and equipment	4 825 516 582	23 326 771	**4 848 843 353**	5 590 508 875	**741 665 522**	
Intangible assets	3 600 000	-	**3 600 000**	-	**(3 600 000)**	
Heritage assets	-	-	**-**	746 802	**746 802**	
	4 829 116 582	**23 326 771**	**4 852 443 353**	**5 591 255 677**	**738 812 324**	
Total Assets	**5 850 100 584**	**162 246 559**	**6 012 347 143**	**6 198 911 245**	**186 564 102**	
Liabilities						
Current Liabilities						
Operating lease liability	-	-	**-**	218 684	**218 684**	
Payables from exchange transactions	506 099 021	42 342 177	**548 441 198**	795 858 257	**247 417 059**	
Consumer deposits	-	-	**-**	5 920 219	**5 920 219**	
Unspent conditional grants and receipts	-	-	**-**	9 173 647	**9 173 647**	
Employee benefits	5 209 180	-	**5 209 180**	19 440 000	**14 230 820**	
VAT payable	-	-	**-**	63 227 894	**63 227 894**	
	511 308 201	**42 342 177**	**553 650 378**	**893 838 701**	**340 188 323**	
Non-Current Liabilities						
Employee benefits	49 155 209	-	**49 155 209**	42 048 000	**(7 107 209)**	
Total Liabilities	**560 463 410**	**42 342 177**	**602 805 587**	**935 886 701**	**333 081 114**	
Net Assets	**5 289 637 174**	**119 904 382**	**5 409 541 556**	**5 263 024 544**	**(146 517 012)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	5 289 637 174	119 904 382	**5 409 541 556**	5 263 024 544	**(146 517 012)**	

Sekhukhune District Municipality
Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	69 033 265	242 000	**69 275 265**	29 231 591	**(40 043 674)**	
Grants	1 749 818 000	40 503 665	**1 790 321 665**	1 637 403 438	**(152 918 227)**	
Interest income	51 033 573	-	**51 033 573**	96 467 514	**45 433 941**	
Other receipts	3 801 585	(242 000)	**3 559 585**	3 064 785	**(494 800)**	
	1 873 686 423	**40 503 665**	**1 914 190 088**	**1 766 167 328**	**(148 022 760)**	
Payments						
Suppliers and employee cost	(1 039 482 421)	(32 173 229)	**(1 071 655 650)**	(1 213 417 507)	**(141 761 857)**	
Remuneration of council	-	-	**-**	(16 301 304)	**(16 301 304)**	
Finance costs	-	-	**-**	(5 855 807)	**(5 855 807)**	
	(1 039 482 421)	**(32 173 229)**	**(1 071 655 650)**	**(1 235 574 618)**	**(163 918 968)**	
Net cash flows from operating activities	**834 204 002**	**8 330 436**	**842 534 438**	**530 592 710**	**(311 941 728)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(688 963 396)	(23 326 771)	**(712 290 167)**	(691 803 589)	**20 486 578**	
Proceeds from sale of property, plant and equipment	675 000	-	**675 000**	-	**(675 000)**	
Net cash flows from investing activities	**(688 288 396)**	**(23 326 771)**	**(711 615 167)**	**(691 803 589)**	**19 811 578**	
Net increase/(decrease) in cash and cash equivalents	145 915 606	(14 996 335)	**130 919 271**	(161 210 879)	**(292 130 150)**	
Cash and cash equivalents at the beginning of the year	411 569 616	82 842 177	**494 411 793**	552 691 059	**58 279 266**	
Cash and cash equivalents at the end of the year	**557 485 222**	**67 845 842**	**625 331 064**	**391 480 180**	**(233 850 884)**	

Accounting Policies

1. Presentation of Financial Statements

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

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

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

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. 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 of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

1.3 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined the estimations through the assistance of a qualified professional actuarist. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

1.4 Property, plant and equipment

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

The 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.

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.

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

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

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	Indifinite lifespan

1.4 Property, plant and equipment (continued)

Community assets	Straight-line	15 to 30 years
Machinery and Equipment	Straight-line	2 to 19 years
Transport assets	Straight-line	5 to 15 years
Furniture and office equipment	Straight-line	3 to 10 years
IT equipment	Straight-line	2 to 17 years
Leasehold improvements	Straight-line	5 to 10 years
Infrastructure	Straight-line	5 to 80 years

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

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

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

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

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

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

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

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

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

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

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

1.5 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.

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 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.

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.

1.5 Heritage assets (continued)

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 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 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 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).

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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 revalued amount as at end of the reporting period.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset’s carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset’s carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Transfers

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

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

Derecognition

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

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

1.6 Financial instruments

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

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

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

Derecognition is the removal of a previously recognised financial asset or financial liability from the 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 liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

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

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

1.6 Financial instruments (continued)

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

Initial recognition

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

Initial measurement of financial assets and financial liabilities

The entity 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 entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

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

1.6 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at 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 entity 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.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

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 entity 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 directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

1.6 Financial instruments (continued)

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 directly OR 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.

1.7 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

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

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

1.7 Statutory receivables (continued)

Other charges

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

Impairment losses

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

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

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

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

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

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

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

Derecognition

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 entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

Accounting Policies

1.8 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 - lessor

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

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

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

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

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

Operating leases - lessee

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

1.9 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 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.

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

1.10 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1.10 Cash and cash equivalents (continued)

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Some equity investments are included in cash equivalents when they are, in substance, cash equivalents.

Bank overdrafts which are repayable on demand forms an integral part of the entity’s cash management activities, and as such are included as a component of cash and cash equivalents.

1.11 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

Designation

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

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

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

1.11 Impairment of cash-generating assets (continued)

Identification

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

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

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

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

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

Basis for estimates of future cash flows

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.12 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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, are as follows:

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.

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.

Accounting Policies

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

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.

1.13 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity’s obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.13 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

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 presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.14 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.

1.14 Provisions and contingencies (continued)

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

Provisions are not recognised for future operating deficits.

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.

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.

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.15 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.

1.16 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 the accounting policy on Statutory Receivables).

Sale of goods

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

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

1.16 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

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

Interest, royalties and dividends

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

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

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

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

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

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

1.17 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

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

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

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.18 Investment income

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

1.19 Comparative figures

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

1.20 Unauthorised expenditure

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

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

1.21 Fruitless and wasteful expenditure

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

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

1.22 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).

1.23 Revaluation reserve

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

1.24 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.

1.24 Segment information (continued)

Measurement

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

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

1.25 Budget information

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

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

The approved budget is prepared on a accrual basis and presented by functional 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 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.

1.26 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.

1.26 Related parties (continued)

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 financial statements.

1.27 Events after reporting date

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

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

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

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

Notes to the Financial Statements

Figures in Rand	2025	2024

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

2.2 Standards and interpretations issued, but not yet effective

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

Notes to the Financial Statements

Figures in Rand

3. Property, plant and equipment

	2025			2024		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	14 460 000	-	14 460 000	14 460 000	-	14 460 000
Plant and machinery	11 435 232	(7 582 918)	3 852 314	10 187 806	(6 642 233)	3 545 573
Furniture and office equipment	11 377 506	(6 823 187)	4 554 319	10 097 390	(6 162 917)	3 934 473
Transport assets	65 545 992	(34 070 381)	31 475 611	60 347 141	(26 064 782)	34 282 359
IT equipment	27 398 908	(21 223 311)	6 175 597	26 405 170	(16 262 431)	10 142 739
Leasehold improvements	7 309 495	(7 309 495)	-	7 309 495	(7 087 077)	222 418
Roads Infrastructure	66 882 669	(46 147 913)	20 734 756	66 882 669	(44 770 856)	22 111 813
Community assets	26 142 910	(21 924 368)	4 218 542	26 142 910	(21 065 081)	5 077 829
Wastewater network	109 529 876	(52 665 060)	56 864 816	107 225 528	(50 075 731)	57 149 797
Water network	5 536 218 073	(1 386 647 615)	4 149 570 458	5 013 592 339	(1 248 390 104)	3 765 202 235
Assets under construction (WIP)	1 298 602 462	-	1 298 602 462	1 147 102 442	-	1 147 102 442
Total	**7 174 903 123**	**(1 584 394 248)**	**5 590 508 875**	**6 489 752 890**	**(1 426 521 212)**	**5 063 231 678**

Notes to the Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	14 460 000	-	-	-	-	-	14 460 000
Plant and machinery	3 545 573	1 580 000	-	-	(1 030 102)	(243 157)	3 852 314
Furniture and office equipment	3 934 473	1 280 117	-	-	(619 157)	(41 114)	4 554 319
Transport assets	34 282 359	5 198 851	-	-	(7 170 470)	(835 129)	31 475 611
IT equipment	10 142 739	993 738	-	-	(4 447 946)	(512 934)	6 175 597
Leasehold improvements	222 418	-	-	-	(222 418)	-	-
Roads Infrastructure	22 111 813	-	-	-	(1 377 057)	-	20 734 756
Buildings	5 077 829	-	-	-	(500 771)	(358 516)	4 218 542
Wastewater network	57 149 797	-	2 304 348	-	(2 561 143)	(28 186)	56 864 816
Water network	3 765 202 235	192 337 508	330 292 787	-	(131 234 583)	(7 027 489)	4 149 570 458
Assets under construction (WIP)	1 147 102 442	483 433 501	-	(331 933 481)	-	-	1 298 602 462
	5 063 231 678	**684 823 715**	**332 597 135**	**(331 933 481)**	**(149 163 647)**	**(9 046 525)**	**5 590 508 875**

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	14 460 000	-	-	-	-	-	14 460 000
Plant and machinery	4 714 892	332 574	-	-	(1 484 543)	(17 350)	3 545 573
Furniture and office equipment	3 027 168	2 082 657	-	-	(1 103 505)	(71 847)	3 934 473
Transport assets	36 960 497	4 622 370	-	-	(7 300 508)	-	34 282 359
IT equipment	12 245 094	2 149 469	-	-	(4 241 589)	(10 235)	10 142 739
Leasehold improvements	2 512 584	-	-	-	(2 289 990)	(176)	222 418
Roads Infrastructure	22 341 101	-	1 178 642	-	(1 407 930)	-	22 111 813
Buildings	5 669 155	-	-	-	(512 183)	(79 143)	5 077 829
Wastewater network	59 955 204	-	-	-	(2 558 085)	(247 322)	57 149 797
Water network	3 618 778 525	57 661 905	219 746 894	-	(124 062 743)	(6 922 346)	3 765 202 235
Assets under construction (WIP)	931 853 867	436 174 110	-	(220 925 535)	-	-	1 147 102 442
	4 712 518 087	**503 023 085**	**220 925 536**	**(220 925 535)**	**(144 961 076)**	**(7 348 419)**	**5 063 231 678**

Figures in Rand	2025	2024

3. Property, plant and equipment (continued)

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

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Infrastructure - Water	1 298 602 462	1 147 102 442

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Water infrastructure - Projects were delayed by protests members of the community	318 262 894	166 304 665
	318 262 894	**166 304 665**

A conditional assessment was conducted on the entire list of projects taking a significantly longer period of time to complete than expected as at 30 June 2025 and there was no indicator of any impairment to any of the projects at year end.

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
Water infrastruture - Projects were previously funded through conditional grants, funded was later withdrawn and the municipality had to source funding from the own revenue sources	77 685 355	177 768 416
	77 685 355	**177 768 416**

A conditional assessment was conducted on the entire list of projects where construction or development has been halted during the current or previous periods, as at 30 June 2025 there was no indicator of any impairment to any of the projects.

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		
Repairs and manitenance - Water Infrastrucutre	82 281 773	51 075 674

4. Heritage assets

	2025			2024		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Mayoral Chain	746 802	-	746 802	615 315	-	615 315

Reconciliation of heritage assets 2025

	Opening balance	Revaluation increase/(decrease)	Total
Mayoral chain	615 315	131 487	746 802

Reconciliation of heritage assets 2024

	Opening balance	Revaluation increase/(decrease)	Total
Mayoral chain	552 117	63 198	615 315

Revaluations

Mayoral Chains

Heritage assets held by the municipality have an unlimited lifespan. The materials utilised in the manufacturing process are the true value of these items and the municipality valued these materials on the following. The effective date of the revaluation was 2025/06/30. Revaluations were performed by independent valuer, Messer's Benjamin Jewellers of Groblersdal.

The valuations were perfoned utilising standards set by the Jewellery Council of South Africa of which the company is a member of.

5. Other financial assets

Notes to the Financial Statements

Figures in Rand	2025	2024

5. Other financial assets (continued)

Residual interest at cost		
Investment in Sekhukhune Development Agency	1 000	1 000
Current assets		
Residual interest at cost	1 000	1 000

Financial assets at cost

Nominal value of financial assets at cost

The municipality did contact an assessment as at the 30th of June 2025 on whether there is an objective evidence that the residual interest in the Sekhukhune Development Agency should be impaired or not, the results of the assessment were not indicative of any objective evidence that there is a need to impair the residual interest in the entity.	1 000	1 000

6. Operating lease asset (liability)

Current liabilities	218 684	199 409

7. Payables from exchange transactions

Trade payables	529 535 524	390 307 747
Other payables	24 773 206	22 509 827
Retention and Cessions	214 880 607	222 083 961
Deposits received	16 268 217	11 557 609
Bonus accrual	10 400 703	9 737 214
	795 858 257	**656 196 358**

VAT payables

Output VAT accrual	109 711 958	99 249 475
Provision for doubtful debts	(46 484 064)	(37 516 248)
	63 227 894	**61 733 227**

8. Taxes and transfers payable (non-exchange)

The amount of liabilities forgiven is - (2024: -).

9. Consumer deposits

Water	5 920 219	5 508 777

10. Prepayments

The municipality is a member of the South African Local Government Association. An annual membership fee is payable in advance for each financial year at a rate of 1% of the total annual employee related cost budget.

	-	-
Pre-payments	4 910 253	5 090 073
	4 910 253	**5 090 073**

Notes to the Financial Statements

Figures in Rand		2025	2024

11. Other asset 1

12. Inventories

Water inventory		1 704 490	1 522 163
Consumable stores		5 748 526	12 562 180
Maintenance mateirals		28 321 882	3 996 900
		35 774 898	**18 081 243**

Inventory reconciliation

Opening balance		18 081 243	18 154 154
Issues (Inventory recognized as expenditure during the year)		(35 347 884)	(24 003 170)
Purchases		52 783 425	24 173 531
Write-down to net realizable value (Fair value less cost to sell)	36	-	(182 087)
Inventory opening balance adjustments		258 114	(61 185)
Closing balance		**35 774 898**	**18 081 243**

13. Receivables from non-exchange transactions

Water Services Infrastructure Grant - Department of Water and Sanitation		7 046 564	5 747 825
VAT receivable - Makhuduthamaga Local Municipality		6 447 153	2 619 792
Sundry debtors		1 899 522	1 975 312
		15 393 239	**10 342 929**

Receivables from non-exchange transactions pledged as security

Receivables from non-exchange transactions were not pledged as security.

14. VAT receivable

Reconciliation			
Balance at the beginning of the year		108 081 112	78 296 839
Add: Net refunds as per VAT receivable		17 919 916	67 234 196
Add: Current year VAT suspense account		134 376 370	52 299 752
Less: Prior year suspense account		(68 696 730)	(48 720 409)
Less: Payments received from SARS		(176 485 734)	(84 495 974)
Adjustments: Impairment of doubful debts		46 484 064	44 466 708
		61 678 998	**109 081 112**

15. Receivables from exchange transactions

Gross balances			
Water		564 313 269	477 103 669
Waste water		44 524 955	38 093 970
Disconnections		5 873 303	3 775 948
Water consumption from the last readings		3 142 484	2 719 361
		617 854 011	**521 692 948**

Less: Allowance for impairment			
Water		(537 778 565)	(451 150 000)
Waste water		(39 581 891)	(22 176 901)
Other		(5 304 450)	(1 072 155)
		(582 664 906)	**(474 399 056)**

Figures in Rand	2025	2024

15. Receivables from exchange transactions (continued)

Net balance		
Water	26 534 704	25 953 669
Waste water	4 943 064	15 917 069
Other	568 853	2 703 793
Water consumption from the last readings	3 142 484	2 719 361
	35 189 105	**47 293 892**

Water		
Current (0 -30 days)	16 776 114	13 244 526
31 - 60 days	10 779 326	16 209 543
61 - 90 days	10 564 594	11 089 770
91 - 120 days	9 738 254	12 929 207
121 - 365 days	516 454 981	423 630 623
Less: Allowance for impairment	(537 778 565)	(438 761 981)
	26 534 704	**38 341 688**

Waste water		
Current (0 -30 days)	1 502 750	1 460 925
31 - 60 days	1 264 345	1 237 645
61 - 90 days	1 093 016	1 160 957
91 - 120 days	1 094 853	1 104 416
121 - 365 days	39 569 991	33 130 027
Less: Allowance for impairment	(39 581 891)	(32 195 938)
	4 943 064	**5 898 032**

Other (Refuse)		
Current (0 -30 days)	87 819	31 638
31 - 60 days	116 152	170 036
61 - 90 days	126 622	101 477
91 - 120 days	424 979	133 500
121 - 365 days	5 117 731	3 339 297
Less: Allowance for impairment	(5 304 450)	(3 441 138)
	568 853	**334 810**

Other (Last 15 days of the billing cycle in June)		
Current (0 -30 days)	3 142 494	2 719 361

Reconciliation of allowance for impairment		
Balance at beginning of the year	(474 399 056)	(383 642 354)
Contributions to allowance	(99 298 034)	(83 509 317)
Debt impairment written off against allowance	(8 967 816)	(7 247 385)
	(582 664 906)	**(474 399 056)**

Notes to the Financial Statements

Figures in Rand	2025	2024

15. Receivables from exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

The municipality claims VAT on all taxable supplies in terms of the VAT Act 89 of 1991.

VAT input is claimed on the value goods and services from suppliers registered as VAT vendors. VAT receivable at the end of the financial year is based on the total VAT input charge on operational goods and services supplied to the municipality and VAT input charge on acquisition of capital goods and services.

The municipality is currently registered for VAT purposes on a payment basis, the applicable VAT rate is 15% on all taxable supplies.

Reconciliation of statutory receivables under the receivables from exchnage transactionsReconciliation of statutory receivables under the receivables from exchnage transactions

Input VAT accrual	106 986 977	103 580 143
VAT receivable from SARS	17 919 916	67 234 196
	124 906 893	**170 814 339**

16. Receivables from non-exchange transactions

Gross balances		
Other debtors	1 899 522	1 975 312
RBIG deposits	7 046 564	5 747 825
Makhuduthamaga Local Municipality	6 447 153	2 619 792
	15 393 239	**10 342 929**

Net balance		
Other debtors	1 899 522	1 975 312
RBIG deposits	7 046 564	5 747 825
Makhuduthamaga Local Municipality	6 447 153	2 619 792
	15 393 239	**10 342 929**

17. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	391 480 180	552 691 059

Figures in Rand	2025	2024

17. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
Standard Bank Primary Cheque Account: 271149418	17 203 524	8 906 570	34 879 119	16 146 533	6 470 120	1 806 363
FNB Call Account: 62858613980	371 795 205	319 180 975	177 403 537	371 795 241	319 180 975	177 403 537
Standard Bank Call Account: 238890708008	882 980	3 612 147	151 855 260	882 980	3 613 734	151 855 260
ABSA Call Account: 9368456281	1 596 943	222 446 230	400 722 310	1 596 943	222 446 230	400 722 310
Nedbank Call Account: 03/7881071850/000019	1 058 483	980 000	907 897	1 058 483	980 000	907 897
Total	**392 537 135**	**555 125 922**	**765 768 123**	**391 480 180**	**552 691 059**	**732 695 367**

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	9 121 638	40 403 645
Rural Roads Asset Management System Grant (RRAMS)	51 992	2 372 464
	9 173 630	**42 776 109**

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

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

See note for reconciliation of grants from National/Provincial Government

Notes to the Financial Statements

Figures in Rand	2025	2024

19. Employee benefits

Reconciliation of employee benefits - 2025

	Opening Balance	Current service cost	Interest cost	Benefits paid	Actuarial Loss(Gain)	Total
Unused leave benefit	26 838 000	2 766 000	2 865 000	(2 884 338)	(2 943 662)	26 641 000
Long service award benefit	38 392 000	2 561 000	3 461 000	(10 093 527)	526 527	34 847 000
	65 230 000	**5 327 000**	**6 326 000**	**(12 977 865)**	**(2 417 135)**	**61 488 000**

Reconciliation of employee benefits - 2024

	Opening Balance	Past service cost	Current service cost	Interest cost	Benefits paid	Actuarial Loss/(Gain)	Total
Unused leave benefit	27 051 000	-	2 927 000	2 932 000	(2 149 774)	(3 922 226)	26 838 00
Long service award benefit	22 031 000	14 055 000	1 757 000	2 289 000	(3 425 611)	1 685 611	38 392 00
	49 082 000	**14 055 000**	**4 684 000**	**5 221 000**	**(5 575 385)**	**(2 236 615)**	**65 230 00**

	2025	2024
Non-current liabilities	42 048 000	37 535 000
Current liabilities	19 440 000	27 695 000
	61 488 000	**65 230 000**

19. Employee benefits (continued)

Long service award benefit

This is the present value of the total LSA expected to become payable under the employer's current arrangements and based on the assumptions made. This may be regarded as the amount of money that should be set aside in present-day terms to cover all expected LSA for current employees.The Municipality offers employees LSA for every five years of service completed, from ten years of service to 45 years of service.In the month that each "Completed Service" milestone is reached, the employee is granted an LSA. Working days awarded are valued at 1/261th of annual earnings per day.In the month that each "Completed Service" milestone is reached, the employee is granted an LSA. Working days awarded are valued at 1/261th of annual earnings per day.

In estimating the unfunded liability for LSA of the Municipality a number of actuarial assumptions are required.

1. Key Financial Assumptions

Assumption	**Value p.a**
Discount rate	9.5%
CPI Inflation rate	3.5%
General earnings inflation rate	4.5%

The next general earnings increase was assumed to take place on 1 July 2026.

2. Key Demographic assumptions

Assumption	**Value p.a**		
Average retirement age	62		
Mortality during employment	SA 85-90		
Withdrawal from service (sample annual rates)	Age	Female	Male
	20	9%	9%
	30	6%	6%
	40	5%	5%
	50	3%	3%
	55	0%	0%

Figures in Rand	2025	2024

19. Employee benefits (continued)

Unused leave benefit

This is the present value of the total Unused Leave benefit expected to become payable under the employer's current arrangements and based on the assumptions made. This may be regarded as the amount of money that should be set aside in present-day terms to cover all expected Unused Leave benefit for current employees.It is apparent that most employees accumulate a portion of their total annual leave allocation, in which case they become entitled to a benefit payable on withdrawal or retirement.

Employees are granted two days ordinary leave per month. This implies that a maximum of 24 days leave can be accumulated in any given year. Employees may accumulate Unused Leave up to a maximum of 48 days after which further leave is forfeited. All Unused Leave at the date of retirement or withdrawal is payable as a cash lump sum.The value of the Unused Leave (the benefit being valued) at the date of receipt is determined as follows:

- Estimated Unused Leave days at date of retirement or withdrawal; multiplied by
- Expected monthly salary at date of retirement or withdrawal; divided by
- 21.67

Employees' leave days are based on basic salary. The next general earnings increase was assumed to take place on 1 July 2026.

In estimating the unfunded liability for Unused Leave benefits of the Municipality a number of actuarial assumptions are required.

1. **Key Financial Assumptions**

Assumption	**Value p.a**
Discount rate	10.47%
General slalry inflation(long term)	5.57%
Net effective discount rate	4.65%

2. Key Demographic Assumptions

Assumption	**Value**
Average retirement age	62
Mortalitity during employment	SA 85-90
Rate of leave accumulation	Appendix A2.4
Withrawal from service (sample annual rates)	See Table A2.2 of the actuarial

There were no expecyted reimburments as at the 30th of June 2024.

20. Other liability 1

21. Revenue

	2025	2024
Service charges	116 424 838	71 551 840
Interest received (trading)	39 224 920	34 069 586
Other income	2 174 673	1 082 941
Interest received - investment	57 242 593	81 206 793
Government grants & subsidies	1 671 005 900	1 570 998 704
Fines, Penalties and Forfeits	890 112	9 326
Actuarial gains	3 168 662	3 763 226
Fair value adjustments	131 487	63 198
	1 890 263 185	**1 762 745 614**

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

	2025	2024
Service charges	116 424 838	71 551 840
Interest received (trading)	39 224 920	34 069 586
Other income	2 174 673	1 082 941
Interest received - investment	57 242 593	81 206 793
	215 067 024	**187 911 160**

Figures in Rand	2025	2024

21. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	1 671 005 900	1 570 998 704
Fines, Penalties and Forfeits	890 112	9 326
Actuarial gains	3 168 662	3 763 226
Fair value adjustments	131 486	63 198
	1 675 196 160	**1 574 834 454**

22. Service charges

Sale of water	99 675 640	55 379 163
Sewerage and sanitation charges	16 749 198	16 172 677
	116 424 838	**71 551 840**

23. Fines, Penalties and Forfeits

Building Fines	890 112	9 326

24. Lease rentals on operating lease

Premises		
Contractual amounts	39 183 558	32 638 944
Equipment		
Contractual amounts	12 908 783	13 143 756
	52 092 341	**45 782 700**

The municipality did not enter into any sublease contracts with another party, as a result there were no future minimum sublease payments expected to be received under non-cancellable sublease payments as at the 30th of June 2025.

Significant Leasing Arrangements

(i) The contingent rentals are based on the variable units of consumables as per the rental agreement.

(ii) The existence and terms of renewal or purchase options and escalations clauses.

- Opearting lease contracts exist for the duration of the lease term as per the lease agreement, unless otherwise terminated before expire date. Extentions on operating lease contracts are implemented within the provisions of the supply chain management regulations in applicable to local government. Escalations and purchase options on operating leases are implemented through the contract management of the municipality.

Future minimum payments		
Not later than one year	44 136 951	24 432 902
Later than one year but not later than five years	10 298 576	21 939 133
	54 435 527	**46 372 035**

Notes to the Financial Statements

Figures in Rand	2025	2024

25. Other revenue

Other income	2 174 673	1 082 941

The amount included in other revenue arising from exchanges of goods or services are as follows:		
Health services	1 539 846	523 304
Fire services	251 746	217 538
Sale of tender documents	216 826	152 652
Other	166 255	189 447
	2 174 673	**1 082 941**

26. Investment revenue

Interest revenue		
Short term investments	53 489 960	77 045 262
Primary bank account	3 752 633	4 161 531
	57 242 593	**81 206 793**

27. Transfer and subsidies

Other subsidies		
Sekhukhune District Development Agency Grants	12 178 756	10 697 833

Figures in Rand	2025	2024

28. Government grants & subsidies

Operating grants		
Equitable share	1 139 344 000	1 065 825 000
Expanded Public Works Program	10 676 002	15 355 000
Finance Management Grant	2 400 000	2 400 000
RRAMS	2 571 000	1 883 771
LG SETA	2 316 048	3 845 377
	1 157 307 050	**1 089 309 148**
Capital grants		
Municipal Infrastructure Grant	451 939 007	393 723 335
Regional Bulk Infrastructure Grant	17 295 231	51 952 541
Water Services Infrastructure Grant	44 464 612	36 013 680
	513 698 850	**481 689 556**
	1 671 005 900	**1 570 998 704**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	531 661 900	505 173 704
Unconditional grants received	1 139 344 000	1 065 825 000
	1 671 005 900	**1 570 998 704**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. R 1 139 344 000 was received by the municipality as the Equitable Share grant for the 2024/25 financial year.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	40 403 645	224 369 610
Current-year receipts	420 657 000	434 127 000
Conditions met - transferred to revenue	(451 939 008)	(393 723 335)
UNapproved rolled-over funds	-	(224 369 630)
	9 121 637	**40 403 645**

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

The Municipal Infrastructure Grant aims to eradicate municipal infrastructure backlogs in within the Sekhukhune District to ensure the provision of basic services such as water and sanitation. R 420 657 000 was received as a Municipal Infrastructure Grant in the 2024/2025 financial year, the municipality did receive approval of the 2023/24 unspent MIG funds rolled overr to the 2024/25 financial year, in total the R 461 060 645 was the total MIG allocation in the 2024/25 financial year. Total spending on the grant was 98% as at 30 June 2025.

Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	-	19
Current-year receipts	10 676 000	15 355 000
Conditions met - transferred to revenue	(10 676 000)	(15 355 000)
Unapproved roll-over funds	-	(19)
	-	**-**

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

Figures in Rand	2025	2024

28. Government grants & subsidies (continued)

The Expanded Public Works Programme is one of government's key programmes aimed at providing poverty and income relief through temporary work for the unemployed residents of the Sekhukhune District. The programme provides an important avenue for labour absorption and income transfers to poor households, in the short to medium-term. R 10 676 000 was received as a grant for the Expanded Public Works Program grant in the 2024/2025 financial year, spending on the grant was 100% as at 30 June 2025.

Water Services Infrastrucuture Grant (WSIG)

	2025	2024
Balance unspent at beginning of year	-	9 363 616
Current-year receipts	44 464 611	38 464 680
Conditions met - transferred to revenue	(44 464 611)	(36 013 680)
Unapproved roll-over funds	-	(11 814 616)
	-	-

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

The main goal of the Water Services Infrastructure Grant is to assist the municipality as the water authority to reduce the backlogs faced by the municipality in the provision of water and sanitation services within the district. The municipality did receive in total R 44 464 611 on WSIG funding during the 2024/2025 financial year. Total spending was 100% as at 30 June 2025.

Finance Management Grant (FMG)

	2025	2024
Current-year receipts	2 400 000	2 400 000
Conditions met - transferred to revenue	(2 400 000)	(2 400 000)
	-	-

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

The main purpose of the finance management grant is to promote and support reforms to municipal financial management and the implementation of the Municipal Finance Management Act (MFMA).The Grant is meant specifically to capacitate the officials in the budget and treasury office of the municipality through various training programms in financial management and also to maintain the systems of financial management employed by the municipality in managing its finances. R 2 400 000.00 was received as a Finance Management Grant in the 2024/2025 financial year, spending on the grant was 100% as at 30 June 2025.

Rural Roads Assets Management System Grant (RRAMS)

	2025	2024
Balance unspent at beginning of year	2 372 464	2 460 000
Current-year receipts	2 571 000	3 209 637
Conditions met - transferred to revenue	(2 571 000)	(1 881 420)
Unapproved roll-over funds	(2 320 472)	(1 415 753)
	51 992	**2 372 464**

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

The Rural Roads Asset Management System Grant seeks to assist the municipality to set up rural roads asset management systems, and collect road, bridges and traffic data on municipal road networks in line with the Road Infrastructure Strategic Framework for South Africa. R 2 571 000.00 was received during the 2024/2025 financial year, total expenditure was 100% as at 30 June 2025.

Regional Bulk Infrastructure Grant (RBIG)

	2025	2024
Current-year receipts	17 295 230	51 952 541
Conditions met - transferred to revenue	(17 295 230)	(51 952 541)
	-	-

Figures in Rand	2025	2024

28. Government grants & subsidies (continued)

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

The main goal of the Regional Bulk Infrastructure Grant is to assist the municipality in facilitating the successful execution and implementation of bulk projects which are characterized by regional significance. The implementation of the grant is currently administered by the Department of Water and Sanitation on behalf on the municipality since the 2019/2020 financial year wherein the municipality will incur expenditure on projects funded through the grant and claim such expenditures from the department on a monthly basis.

National Department of Labour:SETA

Current-year receipts	2 316 048	3 845 377
Conditions met - transferred to revenue	(2 316 048)	(3 845 377)
	-	-

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

The main aim of this grant is to encourage the municipality to contribute to skills development, address critical and scarce skills shortages, and create jobs and employment opportunities for its employees. R 2 316 048 is the amount received as the LG:SETA grant for the 2024/25 financial year, R 2 316 048.00 is the total expenditure of the grant in the 2024/2025 financial year.

Figures in Rand	2025	2024

29. Employee related costs

Basic	292 950 110	287 670 959
Medical aid - company contributions	15 997 068	15 031 178
UIF	1 707 655	1 856 393
SDL	3 425 533	3 267 845
Bargaining council	100 583	99 894
Group life insurance	1 582 422	1 338 611
Pension Fund	42 352 243	41 246 907
Travel, motor car, accommodation, subsistence and other allowances	31 526 523	32 979 085
Overtime payments	18 585 633	20 191 945
Current service cost: Long service awards and unpaid leave provision expense	5 327 000	18 739 000
Housing benefits and allowances	2 148 586	2 121 509
Cellphone allowance	2 368 477	2 288 781
Shift and standby allowance	4 477 016	5 911 812
Uniform allowance	15 000	30 000
	422 563 849	**432 773 919**

Remuneration of municipal manager

Annual Remuneration	1 200 482	909 729
Car Allowance	151 701	113 776
Annual Bonuses	94 603	23 400
Contributions to UIF, Medical and Pension Funds	292 311	205 093
	1 739 097	**1 251 998**

The application by the municipality to have the annual remuneration of the current municipal manager upgraded to the last notch wasapproved during the current financial year, compensation of the prior periods was processed from date of appointment.

Remuneration of chief finance officer

Annual Remuneration	1 065 106	1 013 261
Car Allowance	4 206	34 216
Annual Bonuses	-	23 988
Contributions to UIF, Medical and Pension Funds	72 503	67 262
	1 141 815	**1 138 727**

Director - Community Services

Annual Remuneration	852 326	139 123
Car Allowance	35 232	7 056
Annual Bonuses	5 626	3 998
Contributions to UIF, Medical and Pension Funds	212 039	14 855
	1 105 223	**165 032**

The position of the senior manager for community services remained vacant for the most part of the prior financial year, the position was filled for the entire period of the current financial year.

Director Infrastructure and Water Services

Annual Remuneration	1 052 390	998 202
Car Allowance	194 530	205 355
Annual Bonuses	-	23 988
Contributions to UIF, Medical and Pension Funds	13 372	13 212
	1 260 292	**1 240 757**

Figures in Rand	2025	2024

29. Employee related costs (continued)

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Director Planning and Economic Development

Annual Remuneration	964 531	973 861
Car Allowance	13 005	23 988
Annual Bonuses	71 586	84 615
Contributions to UIF, Medical and Pension Funds	207 158	206 779
	1 256 280	**1 289 243**

Director Corporate Services

Annual Remuneration	1 269 964	1 059 451
Car Allowance	9 726	23 988
Annual Bonuses	-	9 726
Contributions to UIF, Medical and Pension Funds	14 379	13 038
	1 294 069	**1 106 203**

Chief Operating Officer

Annual Remuneration	381 227	817 507
Car Allowance	90 000	262 145
Annual Bonuses	-	23 988
Contributions to UIF, Medical and Pension Funds	6 408	12 345
Acting allowance	89 113	-
Cellphone allowance	9 995	-
	576 743	**1 115 985**

The position of the Chief Operations Officer became vacant for a period of six months in the current financial year, as at 30 June 2025 the position was yet to be filled.

30. Remuneration of councillors

Executive Mayor	1 046 621	1 128 346
Chief Whip of council	445 899	779 041
Mayoral Committee Members	4 959 394	6 214 628
Council Speaker	877 080	871 580
Other Councillors	8 972 310	8 941 903
	16 301 304	**17 935 498**

Figures in Rand	2025	2024

30. Remuneration of councillors (continued)

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.

Executive Mayor: Cllr Mokganyetji MJ (1st July 2023 - 17th November 2023)		
Annual remuneration	-	536 832
Cellphone allowance	-	48 136
Contributions to UIF, Medical and Pension	-	86 348
	-	**671 316**

Executive Mayor: Cllr Maitula BM		
Annual remuneration	932 878	545 778
Cellphone allowance	47 000	31 336
Contributions to UIF, Medical and Pension	102 156	56 488
	1 082 034	**633 602**

Council Speaker: Cllr Chego DK		
Annual remuneration	775 232	738 166
Cellphone allowance	47 004	48 136
Contributions to UIF, Medical and Pension	62 518	62 577
	884 754	**848 879**

Chief Whip: Cllr Phokane MJ		
Annual remuneration	20 014	684 575
Cellphone allowance	-	45 484
Contributions to UIF, Medical and Pension	200	55 495
	20 214	**785 554**

Chief Whip: Cllr Machipa		
Annual remuneration	383 383	-
Cellphone allowance	19 800	-
Contributions to UIF, Medical and Pension	26 393	-
	429 576	**-**

Mayoral Committee Members		
Annual remuneration	3 856 494	4 347 994
Travel allowance	986 653	986 486
Cellphone allowance	329 959	352 583
Contributions to UIF, Medical and Pension	413 072	483 708
	5 586 178	**6 170 771**

Other councillors		
Annual remuneration	5 701 091	4 635 094
Travel allowance	1 847 231	2 752 139
Cellphone allowance	608 005	1 187 027
Contributions to UIF, Medical and Pension	400 416	178 456
	8 556 743	**8 752 716**

Notes to the Financial Statements

Figures in Rand	2025	2024

31. Depreciation and amortisation

Property, plant and equipment	149 159 084	144 961 078

32. Impairment loss

Impairments		
Property, plant and equipment	9 046 525	7 348 419
During the physical verification of asset evidence of damage was noted which led to the change in the condition of the assets and assessment of impairment, this could also be evident by the verification report and the picture taken during verification. The recoverable amount of the asset could not be determined		

33. Remuneration of council

Interest on overdue accounts	26 459 697	13 752 288
Discounting on employee benefits	6 326 000	5 212 000
	32 785 697	**18 964 288**

34. Debt impairment

Debt impairment	99 298 034	83 509 317

35. General expenses

Advertising	11 693 929	9 861 518
Auditors remuneration	9 243 565	8 407 049
Bank charges	1 455 312	2 229 548
Computer expenses	287 518	477 353
Audit committee expenses	1 652 981	1 603 263
IT support	1 873 672	2 477 871
Entertainment	563 569	372 437
Town planning expenses	89 872	-
Accommodation	6 578 214	6 040 451
Hire charges	7 207 321	6 522 447
Insurance	8 591 957	9 239 378
Worksman Compensation fund	2 732 453	20 072 097
Fuel and oil	23 241 529	24 462 168
Printing and stationery	5 217 350	3 474 051
Protective clothing	8 331 640	4 617 186
Software expenses	7 609 764	1 432 670
Staff welfare	4 826 444	1 253 265
Subscriptions and membership fees	5 090 073	5 105 341
Telephone and fax	4 319 026	4 186 888
Transport and freight	1 964 609	116 130
Training	748 689	2 780 791
Electricity	89 936 710	75 308 850
Other expenses	41 796 938	17 136 814
Catering services	6 075 988	5 593 257
Staff recruitment	358 210	280 562
Meter reading	9 401 967	9 274 070
Bursaries	399 030	426 268
	261 288 330	**222 751 723**

36. Bulk purchases

Water	165 686 135	231 345 755

Notes to the Financial Statements

Figures in Rand	2025	2024

37. Contracted services

Outsourced Services		
Security Services	65 184 787	65 167 316
Sewerage Services	14 987 164	1 022 924
Water Tankers	249 791 216	208 131 390
Consultants and Professional Services		
Business and Advisory	13 379 986	12 880 791
Legal Cost	16 979 800	25 895 158
	360 322 953	**313 097 579**

38. Cash generated from operations

Surplus	172 699 430	142 672 774
Adjustments for:		
Depreciation and amortisation	149 159 084	144 961 078
Fair value adjustments	(131 487)	(63 198)
Impairment loss	9 046 525	7 348 419
Debt impairment	99 298 034	83 509 317
Movements in operating lease assets and accruals	19 275	(284 189)
Movements in employee benefits	(3 742 000)	(17 078 001)
Actuarial gains	-	(3 922 226)
Finance cost: Actuarial	6 326 000	5 212 000
Inventory losses or write-downs	(53 807 465)	(38 302 446)
Current year service cost	5 327 000	18 739 000
Accrued interest income	(83 512)	(159 252)
Loss on sale of assets and liabilities	-	79 143
Changes in working capital:		
Inventories	(17 693 655)	72 911
Receivables from exchange transactions	57 682 113	(105 128 642)
Receivables from non-exchange transactions	(5 050 310)	25 118 298
Statutory receivables	45 907 446	(11 608 833)
Prepayments	179 820	15 268
Payables from exchange transactions	98 647 431	260 423 892
Unspent conditional grants and receipts	(33 602 462)	(211 326 924)
Consumer deposits	411 442	295 199
	530 592 709	**300 573 588**

39. Operating leases

Operating lease charges		
Premises		
• Contractual amounts	39 183 558	32 638 944
Equipment		
• Contractual amounts	12 908 783	13 143 756
	52 092 341	**45 782 700**

40. Fair value adjustments

Investment property (Fair value model)	131 487	63 198

41. Financial instruments disclosure

Categories of financial instruments

2025

41. Financial instruments disclosure (continued)

Financial assets

	At amortised cost	Total
Cash and cash equivelants	391 480 180	391 480 180
Receivables from exchange transactions	35 189 105	35 189 105
Receivables from non-exchange transactions	15 393 239	15 393 239
Other receivables	4 910 253	4 910 253
Residual value in the Sekhukhune Development Agency	1 000	1 000
	446 973 777	**446 973 777**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	(794 971 122)	(794 971 122)
Consumer deposits	(5 920 219)	(5 920 219)
	(800 891 341)	**(800 891 341)**

Notes to the Financial Statements

Figures in Rand	2025	2024

41. Financial instruments disclosure (continued)

2024

Financial assets

	At amortised cost	Total
Cash and cash equivalents	552 691 059	552 691 059
Receivables from exchange transactions	47 293 892	47 293 892
Receivables from non-exchange transactions	10 342 929	10 342 929
Other receivables	5 090 073	5 090 073
Residual value in Sekhukhune Development Agency	1 000	1 000
	615 418 953	**615 418 953**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	(656 196 358)	(656 196 358)
Consumer deposits	(5 508 777)	(5 508 777)
	(661 705 135)	**(661 705 135)**

42. Commitments

Authorised capital expenditure

	2025	2024
Already contracted for but not provided for		
• Property, plant and equipment	900 358 108	823 040 765
Total capital commitments		
Already contracted for but not provided for	900 358 108	823 040 765

Figures in Rand	2025	2024

43. Contingent Liabilities and assets

The following are the contingent liabilities of the municipality as at 30 June 2025. The municipality's management has individually assessed each liability and there was no indication of any probability on outflow of resources embodying economic benefits or service potential at year end.

	2025	2024
Mfumelelo Business Enterprise vs Sekhukhune District Municipality Nature of the liability: dispute of a claim for retention amount by Mpfumelelo Business Enterprise , the claim is valued at R 5 299 607.50 as at 30 June 2025. The municipality has a strong case against the claimant.	5 299 608	2 789 267
Zutari (pty) ltd vs Sekhukhune District Municipality Nature of the liability: dispute over a claim by Zutari (pty) ltd for consulting services, the company alleges to have rendered to the municipality consulting engineering services amounting to R 875 570.73 for the De Hoop/Nebo Plateau/Mampuru bulk water project. Summons received on the 2nd of June 2023 and municipality did serve and file the intention to defend. Judgement was handed in favour of the applicant in October 2024, the matter was finalized.	-	875 570
• The claim was settled during the 2024/25 financial year after summons were issued to the municipality through the high court to settle the claim.	-	10 587 120
• Dynamic Integrated Geoydro Environmental Services vs Sekhukhune District Municipality Nature of the liability: claim by the supplier for works which the supplier claims to have done for the municipality. The financial effect of the claim as at 30 June 2025 could be estimated at about R 911 543.00. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely. The company is also claiming an amount of R 23 256 465.27 in services rendered to the municipality and the municipality has submitted the required discovery documents to defend the matter, as at 30 June 2025 it was uncertain as to when the ruling on the matter will be provided. The plaintiff served notices and the municipality has entered a defence. The date of finalization of the matter was uncertain as at 30 June 2025 as the municipality is to submit more discovery documents on the matter. As at the reporting date, there was no indication of any possibility of a reimbursement on this matter	24 168 008	24 168 008
• Dynamic Integrated Geoydro Environmental Services vs Sekhukhune District Municipality Nature of the liability: new claim by the supplier for works which the supplier claims to have done for the municipality. The financial effect of the claim as at 30 June 2025 could be estimated at about R 13 460 799.30. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely. The company is also claiming an amount of R 28 202 790.00 in services rendered to the municipality and the municipality has submitted the required discovery documents to defend the matter, as at 30 June 2025 it was uncertain as to when the ruling on the matter will be provided. The plaintiff served notices and the municipality has entered a defence. The date of finalization of the matter was uncertain as at 30 June 2025 as the municipality is to submit more discovery documents on the matter in a process of negotiation. As at the reporting date, there was no indication of any possibility of a reimbursement on this matter.	41 663 589	-
• LBM Consulting vs Sekhukhune District Municipality Nature of the liability: dispute of a claim by the consultant for works which the consultant claims to have done for the municipality. The financial effect of the claim as at 30 June 2025 could be estimated at about R 973 835.97. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success. The plaintiff served the municipality with summons and a notice to defend was served by the municipality. Opposing affidavit and counter claim are to be served by the municipality. The municipality has filed papers to have the matter set down, as at 30th June 2025 the municipality was awaiting a court ruling on the matter.	973 835	973 835

Notes to the Financial Statements

Figures in Rand	2025	2024
43. Contingent Liabilities and assets (continued)		
• Mr Tumelo Modisane vs Sekhukhune DIstrict Municipality	1 000 000	1 000 000
Nature of the liability: a claim in delict by Mr Modisane to the municipality. The financial effect of the claim as at 30 June 2025 could be estimated at about R 1 000 000.00. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success. The plaintiff served summons to the municipality. The municipality entered defence and filed pleadings. The municipality approach the court with an application to have the matter struck off the roll, and a court rulling was yet to be made by the 30th of June 2025.		
• Mothoa vs Sekhukhune District Municipality	1 648 133	1 648 133
Nature of the liability: a claim in delict by Mr Mothoa to the municipality. The financial effect of the claim as at 30 June 2025 could be estimated at about R 1 648 133.70. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success. The plaintiff served summons to the municipality. The municipality entered defence and filed pleadings. The matter was set down for hearing on the 5th of May 2025, the hearing was postponed, as at 30th June 2025 the municipality was awaiting a new date for the hearing.		
• Mr Solomon Phasha vs Sekhukhune District Municipality	-	2 000 000
Nature of the liability: a claim in delict was submitted. The financial effect of the claim as at 30 June 2025 could be estimated at about R 2 000 000.00. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success. The plaintiff served summons to the municipality. The municipality entered defence and filed pleadings. The matter was settled during the 2024/2025 financial year.		
• Ms Julia Dibilong vs Selkhukhune District Municipality	-	1 500 000
Nature of the liability: claim in delict by Ms Julia Dibilong. The financial effect of the claim as at 30 June 2025 could be estimated at about R 1 500 000.00. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability. The plaintiff served summons to the municipality. The municipality entered defence and filed pleadings. The matter was settled during the 2024/25 financial year.		
• Ethokga Consulting and Projects vs Sekhukhune District Municipality	20 490 616	20 490 616
Nature of the liability: a claim for services the company claims to have rendered to the municipality. The financial effect of the claim as at 30 June 2025 could be estimated at about R 20 490 616.12. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success. The plaintiff transmitted a letter of demand and issued summons to the municipality. The matter is at a discovery level and an assessor has been appointed, the inspection in loco has been scheduled. The arbitration is set down for the 10th and 11th of August 2025.		
• Mr Kgopane MM vs Sekhukhune District Municipality	3 717 183	3 717 183
Nature of the liability: a claim in delict by Mr Kgopane to the municipality. The financial effect of the claim as at 30 June 2025 could be estimated at about R 3 717 183.00. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success. The paintiff served summons to the municipality. The municipality entered defence and filed pleadings. Plea was served as at 30th June 2025 and the is stayed awaiting the applicant to pursue.		
• Mr Tladi SJ vs Sekhukhune District Municipality	-	10 345
Nature of the liability: a claim in delict by Mr Tladi to the municipality. The matter was settled during the 2024/25 financial year.		
• SGL Engineering Projects (pty) ltd vs Sekhukhune District Municipality	2 304 545	2 304 545
Nature of the liability: a claim by SGL Engineering (pty) ltd for consulting services, the company alleges to have rendered to the municipality consulting engineering services amounting to R 2 304 545.94 for the design and management of the Zaaiplaas bulk water and reticulation project. The municipality was served with summons, Pleas was served to the plaintif and are awaiting a notice of set down 30th June 2025.		

Figures in Rand	2025	2024
43. Contingent Liabilities and assets (continued)		
• Mzamo V Group vs Sekhukhune District Municipality, litigation is against the municipality for a claim on a performance tendered by Mzamo V Group where the municipality is currently disputing, the claim is valued at R 180 000, the municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success and the matter was settled during the 2024/2025 financial year.	-	180 000
• Dr JS Moroka Local Municipality vs Sekhukhune District Municipality Nature of the liability, a dispute between the Sekhukhune District Municipality and Dr JS Moroka Local Municipality on a claim by the local municipality on a supply of water which it is claimed to have been supplied on behalf of the district municipality at a tariff that was not approved by the council of the local municipality and without a service level agreement between the two municipalities. The financial effect of the claim was estimated at R 415 028 875 .00 as at 30th June 2025. The dispute is currently serving in a court of law and it was uncertain as at 30th June 2025 as to how court may rule on the matter. There was however a possibility of reimbursement by the district municipality should it be proven that indeed there was a supply of water by the municipality, the remibursement would only be effected within the limits of the approved tarrif structures of the local municipality.	415 028 875	203 085 127
• Lepelle Northern Water Board vs Sekhukhune District Municipality Nature of the dispute, the Sekhukhune District Municipality has entered into a service level agreement with the Lepelle Northern Water Board for the supply of bulk water and maintenance services, the water board has submitted a claim to the municipality on for an amount of R 103 201 429.49 for a manitenance project to a Waste Water Treatment Plant of the municipality in the area of Burgersfort, the municipality rejected the claim on the basis that the contractor appointed by the Lepelle Northern Water Board did not complete the maintenance works and the works onsite were of a poor quality, the water board board reported to the municipality that the contractor was terminated, the water board also reported that the matter was settled through a court of law, the municipality has since requested from the water board full details of the appointment on the said contractor and the details of the court ruling together with detailed invoices of the amount claimed, the water board has failed to submit the requested information leading into a dispute that is currently mediated by the provincial department of Coghsta, as at 30th June 2025 the requested information on the disputed amount was not submitted to the municipality and the R 103 201 429 remained disputed as a result.	103 201 429	97 079 691
• BCX vs Sekhukhune District Municipality Nature of the dispute, the Sekhukhune District Municipality has received a statement of account from Business Connexion pty ltd during the month of July 2025, a business consulting firm currently assisting the municipality with an implementation of an mSCOA compliant financial system, the company has been rendering the business consultation services for a period of more than five years as at 30 June 2025. The company claims that the municipality owes to them a combined figure of about R 4 838 761.70 as at 30 June 2025 for services which were rendered previously dating back to 2023/2024 financial year. The municipality has since requested full details of the individual invoices to investigate the nature of the services rendered, according to the municipality's financial records payments are made on a monthly basis to BCX and there are no outstanding invoices to the company's services rendered. The matter isn't serving in any court of law and both the municipality and BCX planned to conclude the investigations on the amounts claimed by end of September 2025.	4 838 762	367 039
	624 334 583	**372 776 479**

43. Contingent Liabilities and assets (continued)

The Following are contingent liabilities reported as at 30 June 2025 where it was impracticable for management to attach the estimated cost of each possible liability.

Afri-Forum NPC vs Sekhukhune District Municipality
Nature of the liability: A claim by Afri-Forum NPC against the municipality in the Polokwane High Court for non-compliance in terms of the maintenance of the waste water plant in Marble Hall. The matter is yet to be heard before the court though the municipality is currently refurbishing the waste water treatment plant and it was not practical for management to attach a reliable estimate to the claim as at 30 June 2025. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success, and the case should be resolved within the next twelve month of the reporting period, as at 30th June 2025 no hearing was held on the matter, it is anticipated that the matter will be heard and resolved in the next financial year.

Mabotwane Security Services vs Sekhukhune District Municipality
Nature of the liability: A claim against the municipality by Mabotwane Security Services, the security company claims that the municipality appointed irregularly one other security company in four different clusters instead of appointing four different companies in all four clusters, the matter is currently heard before the court of law. It was impractical for management to attach a reliable estimated cost of the claim as at 30 June 2025. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success, the high court ruled that the bid be cancelled and the defendant filled and appeal, as at 30th June 2025 no court ruling was made on the matter..

Concerned residents of Flag Boshielo vs Sekhukhune District Municipality
Nature of the liability: A claim was instituted by the concerns citizens of Flag Boshielo that the municipality must supply certain quantities of water to the Flag Boshielo community. The value of the claim could not be quantified as at 30th June 2025. The concerned residents obtained a structured mandamus and the municipality do report to the court via the representing attorney.

Department of Water and Sanitation vs Sekhukhune District Municipality
Nature of the liability: The Department of Water and Sanitation has instituted a claim against the municipality to enforce compliance with the water and waste standards as embodied in the National Water Act and NEMA.The value of the claim could not be quantified as at the 30th June 2025 and the municipality is currently defending the matter.

KP33 vs Sekhukhune District Municipality
Nature of the liability: The company has instituted a claim against the municipality on unpaid taxes and rates, the value of the claim could not be quantified as at the 30th June 2025 and the municipality has entered defence of the matter.

The following labour matters were also reported as at 30 June 2024

Mr Langa Kabini vs Sekhukhune District Municipality
The applicant brought an application to the high court asking the court to set aside a decision by the respondent to constitutee a disciplinary hearing under the collective bargaining council. Summons we received by the municipality and a notice to oppose was netered into and an answering affidavit was filled. The municipality has filled papers with the court to have the matter set down, as at 30th June 2025 a ruling was yet to be made on the matter.

Sekhukhune District Municipality vs SAMWU OBO Masha and Others
Nature of the liability: A litigation process is ongoing for a claim by SAMWU, OBO, Masha & Others on a claim for a vehicle allowance that is currently offered by the municipality at a rate of 15%, the complainants argue that the allowancee must be set at 25% not 15%. It was impractical for the municipality to make a realistic cost of the claim as at 30th June 2025.

The following are the contingent assets of the municipality as at 30 June 2025

Notes to the Financial Statements

Figures in Rand	2025	2024
43. Contingent Liabilities and assets (continued)		
Sekhukhune District Municipality vs Maadima (pty) ltd	4 714 054	4 714 054
Nature of the contingent asset: a claim by the municipality to Maadima (pty) ltd as an underwriter of a guarantee to a contractor, the contractor did fail to complete the construction works on behalf of the municipality as per its appointment and the guaranteed monies were due to complete the remaining works. The financial effect of the claim as at 30 June 2025 could be estimated at about R 4 714 054.73. The municipality's lawyers and management consider the likelihood of the action against the Maadima (pty) ltd with 80% chances of success for the municipality. The letter of demand already served. The matter was at discovery level as at 30th June 2025 awaiting a court ruling.		
• Sekhukhune District Municipality vs Betrams & Standard Bank	25 080 622	25 080 622
Nature of the contingent asset: a claim by the municipality to Betrams (pty) ltd and Standard Bank on guarantees issued by the Standard Bank SA on behalf of Betrams (pty) ltd. The financial effect of the claim as at 30 June 2025 could be estimated at about R 25 080 622.05. The municipality's lawyers and management consider the likelihood of the action against Betrams (pty) ltd and Standard Bank SA with 80% chances of success for the municipality, and the case should be resolved within the next twenty-four months. Summons served on defendants. Notice of exception received and plea amended. Defendant served Rule 35(12 & 14) and the municipality provided the required documentation. The plaintiff provided the documents short of the tender document for Betrams,		
• Sekhukhune District Municipality vs Advocate Ngutshane	-	239 131
Nature of the contingent asset: a claim by the municipality to Advocate Ngutshane on a payment errneously paid into his bank account by the municipality. The matter was settled during the 2024/25 financial year.		
• Sekhukhune District Municipality vs Ndamakho Trading (Mapondo Tanks)	6 500 000	6 500 000
Nature of the contingent asset: a claim by the municipality to Ndamakho Trading (Mapondo Tanks) for an advance payment on the installation of water tanks which were never installed valued at around R 6 500 000.00. The municipality's lawyer's and management consider the likelihood of the action against Ndamakho Trading (Mapondo Tanks) with around 80% probability of success. Summons were issued to Ndamakho Trading (Mapondo Tanks). Notice of intention to defend was served by the defendant, a date of is yet to be determined for the matter to be set down.		
• Hexagon Technologies and Projects vs Sekhukhune District Municipality	-	7 421 365
Nature of the contingent asset: dispute on a claim of a consumer price index adjustment by Hexacon Technologies to the municipality.The financial effect of the claim as at 30th June 2025 could be estimated at about R 7 421 365.80. The plaintiff transmitted a letter of demand and issued summons to the municipality. The matter was settled and closed during the 2024/25 financial year.		
• Sekhukhune District Municipality vs Officials	12 084 011	12 084 011
Nature of the contingent asset: A claim by the municipality to a total of R 12 084 011 in invoices which were incorrectly and fraudulently paid into an incorrect bank account by officials of the municipality. The invoices were meant to pay the monthly instalments towards the cumulative debt on occupational health and safety membership with the department of labour. The matter in currently handled by the South African Police Service and it is expected to be concluded in the next twenty-four months. The municipality's lawyers and management consider the likelihood of the action against the officials with around 80% probability of success. As at the 30 June 2025 the municipality was awaiting a report from the South African Police Service on how the matter is to be concluded. The matter is set for trial in September 2025.		
• Sekhukhune District Municipality vs Guardrisk Insurance Company and Indwe Insurance Services	1 180 322	1 180 322
Nature of the contingent asset: The municipality lodged a claim with the insurance company after fulfilling its monthly insurance premiums, the company failed to honour the insurance payout on grounds which could not be justified and the municipality suffered R 1 180 322.39 in financial losses. As at 30th June 2025 the municipality has initiated processes of issuing summons to the insurance company.		
	49 559 009	**57 219 505**

Figures in Rand	2025	2024

44. Principal-agent arranegments

The Sekhukhune District Municipality, herein referred to as the principal agent, has entered into a memorandum of understanding with Makhuduthamaga Local Municipality for the repairs and maintenance as well as the construction of the water infrastructure assets on behlaf of the district municipality, should the principal-agent arrangement be terminated, the district municipality shall assume and compensate the local municipality all expenses incurred to-date, and any other assets (either conpleted or under construction) shall be transferred to the district municipality.

Description of the arrangement: The local municipality maintains, repairs and construct the selected water infrastrucutre assets of district municipality.

Significant terms and conditions of the arrangement: The significant terms of the arrangements are that the local municipality shall, at their own expense and having agreed with the distrcit municipality, repairs, maintain and refurbish the selected water infrastrucutre assets and claim all the expenditure incurred from the district municipality. The local municipality shall upon compltetion of the assets under construction, if any, transfer such assets to the district municipality. There were no changes to the arrnagement during the 2024/2025 financial year.

There were no risks identified in association with the arrangement..

Payments on maintenance and refurbishment programs that are under the custotianship of the agent	32 392 515	21 142 181
Amount due at year end	107 485	-
VAT receivables from the agent	(6 447 153)	(2 619 792)
	26 052 847	**18 522 389**

Figures in Rand	2025	2024

45. Related parties

Relationships

Members of key management	Note 26
Shareholding with significant influence	Sekhukhune Development Agency
Members of the municipal council	Listed hereunder

Related party balances

Transfers and subsidies	2025	2024
Sekhukhune Development Agency	12 178 756	10 697 833

Members of key management	2025	2024
Municipal Manager	1 739 097	1 251 997
Chief Financial Officer	1 141 815	1 138 727
Director: Corporate Services	1 294 069	1 106 203
Director: Infrastructure and Water Services	1 260 292	1 240 757
Director: Community Services	1 105 223	165 033
Director: Planning and Economic Development	1 256 280	1 289 243
Chief Operations Officer	576 743	1 115 985

Remuneration of councillors 2024/25	Annual remuneration	Travel allowance	Cellphone allowance	Pension, Medical, UIF & SDL	Sitting allowance & travel claims	Total
Cllr Maitula BM (Executive Mayor)	932 878	-	47 000	102 156	-	1 082 037
Cllr Chego DK (Council speaker)	775 232	-	47 000	62 518	-	884 754
Cllr Machipa TP	383 383	-	19 800	26 393	-	429 576
Cllr Phokane MJ (Chief Whip)	200 014	-	-	200	-	200 214
Cllr Nkosi SM	866 648	-	43 200	58 430	-	968 278
Cllr Mafefe OH	794 333	-	47 000	112 441	-	953 778
Cllr Leokana MD	169 280	-	21 600	1 293	-	192 173
Cllr Sefala KRE	725 224	-	47 000	119 909	-	892 137
Cllr Leshaba MB	866 985	-	47 000	59 139	-	973 128
Cllr Kupa MR	20 014	-	-	200	-	20 214
Cllr Malatji MN	2 999	-	-	200	-	3 199
Cllr Nkosi SB	8 118	-	1 800	99	-	10 017
Cllr Mashilo MS	70 792	-	7 200	478	-	78 470
Cllr Mabatane MC	812 796	-	47 000	58 674	-	918 475
Cllr Mogofe A	529 054	-	44 400	25 593	-	599 048
Cllr Tladi MD	319 510	-	44 400	24 989	-	388 899
Cllr Maloba AM	334 493	-	44 400	3 728	-	382 621
Cllr Mathebe JL	335 985	-	47 000	82 815	-	465 804
Cllr Ratau MF	368 196	-	47 000	25 141	-	440 341
Cllr Mohlala MJ	400 796	-	47 000	25 248	-	473 048
Cllr Mogotji FM	362 130	-	47 000	3 782	-	412 916
Cllr Tshivhula MP	323 952	-	47 000	25 015	-	395 971
Cllr Kgwedi JL	308 817	-	43 200	24 977	-	376 994
Cllr Matsetela ML	387 289	-	35 253	19 196	-	441 737
Cllr Magabe MS	228 386	-	21 600	1 326	-	251 312
Cllr Makofane T	166 615	-	21 600	610	-	188 825
Cllr Makutu TS	51 798	-	21 600	364	-	73 762
Cllr Mathipa MP	224 311	-	21 600	1 580	-	247 941
Cllr Mgiba NP	162 228	-	21 600	1 146	-	184 975
Cllr Mokgotho K	135 965	-	21 600	648	-	158 213
Cllr Thobejane LM	124 710	-	21 600	475	-	146 786
Cllr Tlape MM	51 540	-	21 600	1 165	-	140 383
Cllr Molapo WS	-	-	-	429	-	429
Cllr Mabelane MJ	39 505	-	1 800	115	-	41 422

Notes to the Financial Statements

45. Related parties (continued)

Cllr Ngwatle AD	31 197	-	21 600	378	-	53 174
Cllr Makofane IT	169 005	-	21 600	896	-	191 501
Cllr Malau TS	133 561	-	21 600	1 154	-	156 314
Cllr Mathabathe TS	10 616	-	7 200	125	-	17 941
Cllr Maibelo LS	22 905	-	21 600	348	-	44 852
Cllr Sithole LL	14 713	-	1 800	61	-	16 574
Cllr Matsomane ST	43 269	-	21 600	371	-	65 241
Cllr Rankoe TP	83 954	-	21 600	463	-	105 997
Cllr Mosoane E	23 505	-	1 800	79	-	25 384
Cllr Mokomane ML	112 567	-	21 600	557	-	134 724
Cllr Thokwane KZ	58 803	-	21 600	354	-	80 757
Cllr Mashegoana MC	22 220	-	1 800	69	-	24 088
Cllr Makobe PA	31 847	-	21 600	375	-	53 822
Cllr Lekoatsipa LN	98 982	-	21 600	336	-	120 918
Cllr Magatla LN	142 561	-	21 600	1 301	-	165 462
Cllr Letsela NS	85 002	-	21 600	337	-	106 939
Cllr Maelane KN	15 962	-	1 800	66	-	17 829
Cllr Machai MJ	13 874	-	1 800	103	-	15 778
Cllr Ngobeni CP	105 278	-	38 533	722	-	144 532
Cllr Kgagara TP	9 835	-	1 800	85	-	11 720
Cllr Maile LP	349 769	-	43 087	27 517	-	420 373
Cllr Matlala MA	122 792	-	18 000	885	-	141 677
Cllr Malepe KP	34 496	-	18 000	317	-	52 812
Cllr Thobejane ME	32 860	-	18 000	296	-	51 156
Cllr Matsomane ME	37 039	-	18 000	303	-	55 343
Cllr Machaba MG	29 971	-	18 000	280	-	48 251
Cllr Mthimunye MS	17 478	-	18 000	265	-	35 743
Cllr Mashiane S	10 960	-	18 000	267	-	29 226
Cllr Mokganyetji MJ	286 778	-	47 000	66 464	-	400 246
Cllr Makhudu LP	80 302	-	7 834	916	-	95 053
	13 716 077	**-**	**1 536 507**	**976 162**	**-**	**16 301 304**

Remuneration of councillors 2023/24	Annual remuneration	Travel allowance	Cellphone allowance	Pension, Medical, UIF & SDL	Sitting allowance	Total
Cllr Maitula BM (Executive Mayor)	545 778	-	31 336	56 488	-	633 602
Cllr Mokganyetji MJ (Executive Mayor)	536 832	-	48 136	86 348	-	671 316
Cllr Chego DK (Council speaker)	738 166	-	48 136	62 577	-	848 879
Cllr Phokane MJ (Chief whip)	684 575	-	45 484	55 495	-	785 554
Cllr Nkosi SM	715 121	-	46 800	46 054	-	807 975
Cllr Mafefe O	774 565	-	48 136	118 206	-	940 907
Cllr Leokana MD	237 580	-	21 200	1 607	2 359	262 746
Cllr Makgolane RE	670 306	-	48 136	106 926	-	825 368
Cllr Leshaba MB	862 353	-	48 136	59 341	-	969 830
Cllr Kupa MR	824 668	-	45 484	56 022	-	926 174
Cllr Malatji MN	228 835	-	20 717	13 456	-	263 008
Cllr Nkosi SB	141 467	-	21 200	1 173	-	163 840
Cllr Mashilo MS	177 615	-	21 200	1 359	-	200 174
Cllr Mabatane MC	826 640	-	48 136	58 501	-	933 277
Cllr Mogofe A	457 029	-	45 200	25 219	-	527 448
Cllr Tladi MD	304 635	-	45 200	24 723	-	374 558
Cllr Maloba AM	308 795	-	45 200	3 476	-	357 471
Cllr Mathebe JL	339 720	-	48 136	83 892	-	471 748
Cllr Ratau MF	572 940	-	48 136	39 913	-	660 989
Cllr Mohlala MJ	563 657	-	48 136	40 898	-	652 691
Cllr Mogotji FM	319 735	-	48 136	3 619	-	371 490
Cllr Tshivhula MP	323 230	-	48 136	25 045	-	396 411

Notes to the Financial Statements

Figures in Rand	2025	2024

45. Related parties (continued)

Cllr Kgwedi JL	291 550	-	45 600	25 020	-	362 170
Cllr Matsetela ML	452 989	-	48 136	25 641	-	526 766
Cllr Magabe MS	273 235	-	21 200	1 346	-	295 781
Cllr Makofane T	164 926	-	21 200	713	33 774	220 613
Cllr Makutu TS	54 496	-	21 200	504	23 245	99 445
Cllr Mathipa MP	245 949	-	21 200	1 453	25 474	294 076
Cllr Mgiba NP	157 075	-	21 200	1 108	-	179 383
Cllr Mokgotho K	137 053	-	21 200	725	32 680	191 658
Cllr Thobejane LM	118 372	-	21 200	563	25 646	165 781
Cllr Tlape MM	121 247	-	21 200	1 130	-	143 577
Cllr Molapo WS	23 062	-	19 981	322	18 656	62 022
Cllr Mabelane MJ	116 667	-	21 200	564	25 646	164 077
Cllr Ngwatle AD	2 291	-	21 200	305	14 067	37 863
Cllr Makofane IT	144 054	-	21 200	960	38 534	204 748
Cllr Malau TS	118 328	-	21 200	815	20 756	161 099
Cllr Mathabathe TS	2 334	-	21 200	329	18 742	42 605
Cllr Maibelo LS	17 843	-	21 200	289	10 442	49 774
Cllr Sithole LL	46 010	-	21 200	436	26 869	94 515
Cllr Matjomanae ST	25 214	-	21 200	353	22 194	68 960
Cllr Rankoe TP	91 965	-	21 200	844	20 052	134 061
Cllr Mosoane E	80 751	-	21 200	722	16 513	119 186
Cllr Mokomane ML	105 659	-	21 200	761	20 052	147 672
Cllr Thokwane KZ	82 750	-	21 200	613	15 333	119 896
Cllr Mashegoana MC	80 514	-	21 200	686	11 795	114 195
Cllr Makobe PA	16 830	-	21 200	416	7 077	45 523
Cllr Lekoatsipa LN	142 124	-	21 200	815	-	164 138
Cllr Magatla LN	98 967	-	21 200	854	-	121 021
Cllr Letsela NS	68 685	-	21 200	342	-	90 227
Cllr Maelane KN	59 380	-	21 200	409	-	80 989
Cllr Machai MJ	75 734	-	21 200	718	8 256	105 908
Council remuneration: operational cost	-	-	-	-	282 313	282 313
	14 570 296	**-**	**1 604 634**	**1 040 094**	**720 475**	**17 935 498**

46. Change in accounting estimate

Property, plant and equipment

The municipality has reviewed the useful life of the assets based on the physical inspection of the assets it resulted in increase of the useful of the asset.The below table shows the results of the change in the accounting estimate.

Description			Before	Effect	After
Transport	-	-	7 070 752	(329 485)	6 741 267
Machinery	-	-	1 164 287	(478 319)	685 968
Furniture and equipment	-	-	662 392	(390 842)	271 550
Water infrastructure	-	-	755 480	(304 538)	450 942
	-	**-**	**9 652 911**	**(1 503 184)**	**8 149 727**

47. Prior period errors

Notes to the Financial Statements

Figures in Rand	2025	2024

47. Prior period errors (continued)

MFMA Disclosures
The combined opening balance for the Pay As You Earn, Unemployment Insurance Fund & Skills Development Levy in the prior year was incorrectly disclosed as (R 302 253) , the error was corrected by correctly disclosing an opening balance of (R 328 124) in the prior year.

The combined opening balance for the Pension and Medical AId contributions in the prior year was incorrectly disclosed as R 128 321, the error was corrected by correctly disclosing an opening balance of (R 4 070) in the prior year.

Councilor's arrear consumer accounts
The disclosure on the highest amounts of consumer accounts beloging to council members was ommitted in the prior year, the error was corrected by disclosing the following councilors with highest arrear amounts in the prior year:

- Cllr Ratau MF R 34 318
- Cllr Ratau MF R 32 216
- Cllr Matsetela ML R 3 100

Contingent Assets
There was an ommision on the disclosure on contingent assets in the 2023/24 prior year to an amount of R 1 180 322.39. The amount relates to a claim by the municipality to an insurance company which the company did not honour as per the insurance agreement with the municipality. The error was corrected by including the matter in the litigation register and correctly disclosing the matter in the prior year.

Contingent Liabilities
There was an ommision on the disclosure on contingent liabilities in the 2023/24 financial year regarding a claim by SAMWU, OBO, Masha & Others, the complainants claim that the municipality is currently paying 15% vehicle allowance instead of 25%. The error was corrected by correctly disclosing the matter under contingent liabilities in the prior year.

Contingent Liabilities
The disclosure on contingent liabilities did not include the an amount claimed by BCX, a business consulting firm currently rendering the mSCOA financial system services to the municipality. The amount was disputed by the municipality on the basis that all outstanding invoics where paid on a monthly basis and services claimed by the municipality are to be investigated, an amount of R 367 038.60 was disclosed as a contingent liability as at 30 June 2025.

Unspent Conditional Granclaiments - Municipal Infrastructure Grant
The total unspent municipal infrastruture grant was incorrectly disclosed in the 2023/24 prior year. The disclosed amount was incorrectly overstated by R 8 595 579.15 . The error has since been corrected by disclosing the correct amount of R 40 233 365 as the unspent MIG funds in the 2023/24 prior year.

Unspent Conditional Grants - Water Services Infrastructure Grant
The total unspent water services infrastructure grant was incorrectly disclosed in the 2023/24 financial year. The disclosed amount was incorrectly overstated by R 12 620 401.00 . The error was corrected by disclosing the correct amount of R 0.00 as the unspent WSIG funds in the 2023/24 financial year.

Unspent Conditional Grants - Rural Road Asset Management Systems
The unspent contitional grant on the rural road asset management systems was incorrectly disclosed and understated in the prior year, the error was corrected by disclosing correctly R 1 744 473.00 as the unspend grants for the programs implimented under the rural road asset management grant. The disclosure on unspent conditional grant on the rural asset management systems was incorrectly stated.

Irregular Expenditure
The disclosure note on the irregular expenditure incurred in the prior year did not include some of the expenditure amounts which were identified as irregular expenditure. The total expenditure disclosed as irregular expenditure incurred in the prior year was therefore understated. The error was corrected by including in total an amount of R 20 606 699.00 of irregular expenditure as a prior period adjustments in the 2023/2024 financial year.

Related Party Transactions - Transfers and Subsidies
The disclosure on transfers and subsidies under the related party transactions in the 2023/24 prior year was disclosed and understated, the error was corrected by disclosing the correct amount of R 10 697 833.63 as tranfers and subsidies to the Sekhukhune Development Agency in the 2023/24 prior year.

47. Prior period errors (continued)

Debt impairment - expenses

The disclosure on the debt impairment expenditure was incorrectly overstated by R 33 752 814.00 in the priro year, the R 33 752 814.00 amount was in relation to the RBIG receivable incorrectly recognised into the books of the municipality in the prior year, the error was corrected by reducing the debt impairment expenditure by the same amount in the prior year.

Receivables from non-exchange transactions

The amount disclosed on receivables from non-transactions was understated by R 2 619 792.00 in the prior year, the amount was in relation to a debt by Makhuduthamaga Local Municipality on the VAT claims they've collected on behlaf of the district municipality in terms of the expenditure incurred as per the signed MOU between the two parties. The error was corrected by disclosing the R 2 619 792.00 as a receivable from non-exchnage transactions in the prior year.

VAT receivables

The amount disclosed on VAT receivable in the prior year was overstated by R 2 619 792.00, the amount was in relation to a debt by Makhuduthamaga Local Municipality on the VAT claims they've collected on behlaf of the district municipality in terms of the expenditure incurred as per the signed MOU between the two parties. The error was corrected by excluding the amount from the disclore on VAT receivable in the prior year.

Interest on overdue accounts and finance costs

The expenditure for the interest on overdue accounts and finance costs was incorrectly disclosed as R 5 765 833.00, the disclosed amount excluded the interest on the overdue accounts of the Lepelle Northern Water and Department of Water and Sanitation to an amount of R 13 210 454.78. The error was corrected by disclosing correctly R 18 964 288.78 interest on overdue accounts in the prior year.

Employee Benefits - Current Liability

The disclosure amount on employee benefits - current liability portion was incorrectly disclosed as R 34 201 000.00 in the prior year. The error was corrected by correctly disclosing the employee benefits - current liability portion as R 27 695 000.00 in the prior year. There was a recalculation of the employee benefits on the unused leave days based on the revised leave reports.

Employee Benefits - Non-current Liability

The disclosure amount on employee benefits - non-current liability portion was incorrectly disclosed as R 31 972 000.00 in the prior year. The error was corrected by correctly disclosing the employee benefits - current liability portion as R 37 535 000.00 in the prior year. There was a recalculation of the employee benefits on the unused leave days based on the revised leave reports.

Payables from Exchange Transactions -Trade payables

The amount on trade payables was incorrectly disclosed and understated by R 30 742 528 in the 2023/2024 financial year. Tne error was corrected and the R 30 742 528.00 amount of creditor invoices received and paid in the current was included as a disclosure on trade payables as restated.

Payables from Exchange Transactions -Trade payables

The amount on other payables was incorrectly disclosed and understated by R 5 127 521.00 in the 2023/2024 financial year. Tne error was corrected and the R 5 127 521.00 amount of creditor invoices received and paid in the current was included as a disclosure on trade payables as restated.

General Expenses

The following items of general expenditure were incorrectly disclosed in the 2023/24 financial year. The error was corrected by disclosing the general expenditure items with the restated individual expenditure amounts as deatiled below:

- Town planning R 0.00
- Accommodation R 6 040 451.00
- Hire charges R 6 522 447
- Telephone and fax R 4 186 888.00
- Training R 2 780 791.00
- Other expenses R 17 136 814.00
- Catering services R 5 593 257.00
- Meter reading R 9 274 070.00
- Advertising R 9 861 510.00
- Travel R 0.00

Other Income

The disclosed amount of R 1 082 941.00 on other income in the prior year did not disclosure a breakdown of the expenditure, the error was corrected by disclosing in the prior year the breakdown of the total disclosed amount as follows:

- Health services R 523 304.00

Notes to the Financial Statements

47. Prior period errors (continued)

- Fire services R 217 538.00
- Sale of tender documents R 152 652.00
- Other R 189 447.00

Contingent Liabilities
The total amount of contingent liabilities in the prior year was understated by R 97 079 691.49 in the prior year.The Sekhukhune District Municipality has entered into a service level agreement with the Lepelle Northern Water Board for the supply of bulk water and maintenance services, the water board has submitted a claim to the municipality on for an amount of R 97 079 691.49 for a manitenance project to a Waste Water Treatment Plant of the municipality in the area of Burgersfort, the municipality rejected the claim on the basis that the contractor appointed by the Lepelle Northern Water Board did not complete the maintenance works and the works onsite were of a poor quality, the water board reported to the municipality that the contractor was terminated, the water board also reported that the matter was settled through a court of law, the municipality has since requested from the water board full details of the appointment on the said contractor and the details of the court ruling together with detailed invoices of the amount claimed, the water board has failed to submit the requested information leading into a dispute that is currently mediated by the provincial department of Coghsta, as at 30th June 2024 the requested information on the disputed amount was not submitted to the municipality and the R 97 079 691.49 remained disputed as a result. The error was corrected by disclosing a contingent liability of the same amount in the 2023/2024 financial year.

Fruitless and wasteful expenditure
The opening balance for the fruitless and wasteful expenditure amount disclosed in the prior year was understated by R 10 518 688.00 in the prior year, the error was corrected by restating the opening balance to R 82 944 174.00 in the prior year. The fruitelss and wasteful expenditure incurred in the prior year was also understated by R 13 210 454.78, the eror was corrected by including the R 13 210 454.78 amount in the current year expenditure for the 2023/2024 financial year, both amounts relate to the disputed historical debts on both the two bulk water accounts for the Lepelle Northern Water and Department of Water and Sanitation.

Property, plant and equipment - Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)
The carrying value of the property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s) was undersated by R 29 294 812.00 in the prior year. The error was corrected by disclosing a corrected carrying value of R 172 708 470.61 in the prior year.

Contributions to organised local government
The annual financial statements of the municipality for the 2023/2024 prior year did not include a disclosure on contributions to organised local government, the error was corrected by disclosing, as part of the related parties disclosure, the following amounts under contributions to organised local government:

- Amounts paid to organised local government	R 21 142 180.75
- Amount due at year end	R 0.00

Statutory recievables included in the recceivables from exchange transactions
The municipality's annual finanical statements in the 2023/2024 prior year did not include a disclosure on the statutory receivables of Value Added Tax. The error was corrected by disclosing the following staturtory receivables in the prior year:

VAT Input accrual	R 103 580 143.00
VAT receivable from SARS	R 67 234 196.00

VAT Payable
The municipality's annual finanical statements in the 2023/2024 prior year did not include a disclosure on the VAT payable from Value Added Tax. The error was corrected by disclosing the following staturtory receivables in the prior year:

Output VAT accrual	R 99 249 475.00
Provision for doubdful debt impairment	(R 37 516 248.00)

Contrated services
The amount disclosed for contracted services expenditure in the 2023/2024 prior year was incorrectly overderstated by R 2 560 941.00 in the statement of financial performance, the error was corrected by disclosing a corrected amouint of R 313 097 579.00 as contracted services in the prior year.

Employee related cost
The amount disclosed for the employee related cost in the 2023/2024 prior year was incorrectly overderstated by R 18 001.00 in the statement of financial performance, the error was corrected by disclosing a corrected amouint of R 432 773 919.00 as employee related cost in the prior year.

47. Prior period errors (continued)

Interest on overdue accounts
The amount disclosed as interest on oversue accounts in the prior year was undersdated by R 10 518 688.00. The amounts relates to the interest charges on the previously disputed invoices for the Lepelle Northern Water, the error was corrected by disclosing correctly the R 10 518 688.00 interest charges in the prior year.

Presentation - Statement of Financial Performance
The revenue from exchange transactions in the 2023/2024 prior year did incorrectly include an amount of R 63 198.00 for the fair adjustments on the mayoral chain and an amount of R 3 763 226.00 for the acturial gains on the employee benefits.The error was corrected by presenting correcftly the amounts after the operating surplus of the municipality in the statement of financial performance.

Financial Instruments
The trade and payables amount of disclosed under financial liabilities in the prior year was incorrectly overstated by R 9 737 214.00 for the bonus provision, the error was corrected by disclosing separately the bonus provision amount in the prior year. The financial assets disclosure in the prior year did incorrectly include the VAT receivables amount of R 64 403 980.00, the error was corrected by excluding the VAT receivable amount under the financial assets.

Property, plant and equipment
The total amount disclosed under the property, plant and equipment (work in progress) was understated by R 887 135.18. The municipality did enter into a memorandum of understanding with the Makhuduthamaga Local Municipality on the repairs, maintenance and refurbishment of the water infrastructure assets, as at 30 June 2024 there was one projected which was implemented by the local municipality to a value of R 887 135.18, the project was not reported to the district municipality.The error was corrected by recognising the amount in the 2023/2024 work in progress register.

Water distribution losses - Statement of financial performance
The statement of financial performance in the 2023/2024 financial year did not include the disclosure on the water distribution losses to an amount of R 38 120 360.00. The total operational expenditure in the 2023/2024 financial year was understated by the same amount. The error was corrected by disclosing a water distribution loss of R 38 120 360.00 in the prior year.

Receivables from exchange transactions
The disclosure note on the receivables form exchange transactions in the prior year did not include the VAT Input Accrual and VAT Receivable from SARS, the error was corrected by disclosing separately the under the receivables from exchange transactions VAT Input Accrual to an amount of R 103 580 143.00 and VAT Receivable from SARS to an amount of R 67 234 196.00

Payables from exchange transactions
The disclosure on the payables from exchange transactions in the prior year did not include VAT Output Accrual and VAT on Doubful Debt Impairment, the error was corrected by disclosing separately under payables from exchange transactions VAT Output Accrual to an amount of R 99 249 475.00 and VAT on Doubtful Debt Impairment to an amount of (R 37 516 248.00)

Cash Flow State Statement
The statement of cash flow in the prior year disclosed amounts which were materially mistated, the cash from sale of goods and services was mistated, the cash paid to suppliers and employees was mistated. The mistatements were corrected by disclosing correcting the following amounts:

- Net cash flows from operating activities	R 300 573 588.00
- Purchase of property, plant and equipment	(R 480 577 896.00)

Property, plant and equipment - Halted projects
Carrying value of the property, plant and equipment where construction or development has been halted in the prior year was understated by an amount of R 5 050 944.83 for the WSIG project in Nebo phase 1. The error was corrected by including the project in the total carrying value of the halted projects in 2023/2024 financial year.

Notes to the Financial Statements

Figures in Rand	2025	2024

48. Prior-year adjustments

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

Statement of financial position

2024

	Note	As previously reported	Correction of error	Restated
VAT receivable		111 700 905	(2 619 792)	109 081 113
Receivables from non-exchange transactions		7 723 137	2 619 792	10 342 929
Payables from exchange transactions		(619 439 174)	(35 870 049)	(656 196 358)
Unspent conditional grants		(62 247 616)	19 471 507	(42 776 109)
Employee benefits - current portion		(34 201 000)	(6 106 000)	(27 695 000)
Work in Progress		1 146 284 546	(817 896)	1 147 102 442
Employee benefits - non-current portion		(31 972 001)	5 563 000	37 535 000
Accumulated surplus/(deficit)		(5 056 737 878)	17 759 438	(5 038 978 442)
		(4 538 889 081)	**-**	**(4 461 584 425)**

48. Prior-year adjustments (continued)

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Restated
Employee related cost		(432 791 920)	18 001	(432 773 919)
Remuneration of councillors		(17 935 498)	-	(17 935 498)
Depreciation and amortisation		(144 961 078)	-	(144 961 078)
Impairment loss		(7 348 419)	-	(7 348 419)
Finance cost and inetrest on overdue accounts		(5 765 833)	(13 198 455)	(18 964 288)
Lease rentals on operating lease		(45 782 700)	-	(45 782 700)
Debt impairment		(117 262 131)	33 752 814	(83 509 317)
Bulk purchases		(231 345 755)	-	(231 345 755)
Contracted services		(315 658 520)	2 560 941	(313 097 579)
Transfers and subsidies		(10 663 989)	(33 844)	(10 697 833)
Inventory losses/write-downs		(182 086)	(38 120 360)	(38 302 446)
Actuarial losses		(1 685 611)	-	(1 685 611)
General expenses		(220 224 627)	(2 527 096)	(222 751 723)
Repairs and maintenance		(51 075 674)	-	(51 075 674)
Revenue from exchange transactions		187 974 358	-	187 974 358
Revenue from non-exchange transactions		1 571 008 030	-	1 571 008 030
Actuarial gains		3 009 226	913 000	3 763 226
Surplus for the year		**159 307 773**	**(16 634 999)**	**142 513 774**

Cash flow statement

2024

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Sale of goods and services		71 551 840	(70 898 176)	653 664
Grants		1 376 929 598	(17 257 818)	1 359 671 780
Interest income		81 045 953	34 069 586	115 115 539
Other receipts		1 082 941	-	1 082 941
Employee costs		(412 724 645)	13 069 276	(399 655 369)
Suppliers		(777 718 547)	19 956 610	(757 761 937)
Remuneration of council		(17 935 498)	-	(17 935 498)
Finance costs		-	(597 532)	(597 532)
		322 231 642	**(21 658 054)**	**300 573 588**
Cash flow from investing activities				
Purchase of property, plant & equipment		(502 135 950)	21 558 054	(480 577 896)

49. Risk management

Financial risk management

Liquidity risk

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

49. Risk management (continued)

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Notes to the Financial Statements

Figures in Rand	2025	2024

49. Risk management (continued)

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

50. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of R 5 263 024 545

The 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 and that the subordination agreement referred to in note of these financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

51. Events after the reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date the financial statements are authorized for issue. The two types of events can be identified, (i) those that provide evidence of events that existed at the reporting date being the adjusting events after the reporting date and (ii) those that are indicative of conditions that arose after the reporting date as the non-adjusting events after the reporting date.

Management was not aware of any events after the reportind date, those which provided evidence of events that existed at the reporting date being the adjusting events aand/or those that were indicative of conditions that arose after the reporting date being non-adjusting events after the reporting date.

52. Unauthorised expenditure

Opening balance as previously reported	432 323 261	410 590 826
Add: Unauthorised expenditure - current	142 974 883	21 732 435
Closing balance	**575 298 144**	**432 323 261**

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

Non-cash	132 820 756	-
Cash	10 154 127	21 732 435
	142 974 883	**21 732 435**

Analysed as follows: non-cash

Depreciation and amortisation	33 522 722	-
Debt impairment (Consumer Debtors)	99 298 034	-
	132 820 756	**-**

Analysed as follows: cash

Contracted services (Legal advisory services)	10 154 127	21 732 435

Notes to the Financial Statements

Figures in Rand	2025	2024

52. Unauthorised expenditure (continued)

Unauthorised expenditure: Budget overspending – per municipal department:

Office of the Municipal Manager	10 154 127	21 732 435
Budget and Treasury Office	132 820 756	-
	142 974 883	**21 732 435**

Recoverability steps taken/criminal proceedings

No recoverability steps taken which resulted in possible crimial processdings during the 2024/2025 financail year..

Recoverability of unuathorised expenditure

The expenditure incurred was in related to the impairment of historical consumer debts and depreciation on non-current assets, the expenditre was also incured on legal advisory services.

53. Fruitless and wasteful expenditure

Opening balance as previously reported	97 139 426	82 944 175
Add: Fruitless and wasteful expenditure identified - current	28 909 106	797 517
Add: Fruitless and wasteful expenditure identified - prior period	-	13 397 734
Closing balance	**126 048 532**	**97 139 426**

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings
Interest on overdue accounts	Expenditure is yet to be reported in council
Interest on overdue accounts for Lepelle Northern Water and Department of Water and Sanitation	Expenditure is yet to be reported in council

Amount recovered

No amounts of fruitless and wasteful expenditure were recovered during the 2024/2025 financial year, investigations by the Municipal Public Accounts Committee were not yet finalized while some desciplinary measures were implemented in other cases.

Amount written-off

No amounts of fruitless and wasteful expenditure were written-off during the 2024/2025 financial year.

54. Irregular expenditure

Opening balance as previously reported	1 493 519 422	1 398 008 600
Add: Irregular expenditure - current	99 624 678	74 904 123
Add: Irregular expenditure - prior period	-	20 606 699
Less: Amount written off - current	(242 054 019)	-
Closing balance	**1 351 090 081**	**1 493 519 422**

Notes to the Financial Statements

Figures in Rand	2025	2024

54. Irregular expenditure (continued)

The municipality did report the following instances of irregular expenditure during the 2024/25 financial year, in comparisan to the 2022/23 financial year

Non-compliance with the provisions of the Municipal Finance Management Act	99 624 678	74 904 123
Non-compliance with the provisions of the Preferential Procurement Policy Framework Act and Municipal Finance Management Act	-	20 606 699
	99 624 678	**95 510 822**

Amounts recoverable

All amounts reported as irregular expenditure in both the current and prior periods were reported to council, council did refer all reported 30th June 2025, three investigation processes were concluded and no recommendations of recovery were made.

Amount written-off

The Municipal Public Accounts Committee has presented two reports in which two recommendations were presented two write off R 242 054 019.00 in total during the 2024/25 financial year.

Recoverability steps taken/criminal proceedings

The Municipal Public Accounts Committee investigations were not concluded as at 30 June 2025, as a result no steps or criminal proceedings were taken as yet.

55. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	5 090 073	5 105 341
Amount paid - current year	(5 090 073)	(5 105 341)
	-	-

Figures in Rand	2025	2024

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

Water losses

Water	53 807 465	38 120 360

The municipality is experiencing water distribution losses due to the high number of illegal water connections to the municipality's water infrastructure network. Management has implemented measures to monitor the water infrastructure constantly to detect and address any illegal water connections. Management is also in a process to procure a pre-paid water vending system that will assist in monitoring and detecting water leaks and any unsual water distributions within the municipality's water network.

Details of the water losses (2025)

Current		
Units produced	13 860 686	12 844 073
Units purchased	39 946 779	25 276 287
	53 807 465	**38 120 360**

Disciplinary steps taken/criminal proceedings

No disciplinary steps were taken against any official of the municipality. There were no criminal proceedings against any official of the municipality. The water distribution losses were incurred as reslut of the illegal water connections by members of the community.]

Amounts recoverable

No amounts of the water distributioon losses were deemed recoverable by council during the 2024/2025 financial year.

Audit fees

Current year subscription / fee	9 243 565	8 407 049
Amount paid - current year	(9 243 565)	(8 407 049)
	-	-

PAYE, UIF and SDL

Opening balance	(302 134)	(328 124)
Current year subscription / fee	77 926 159	71 089 188
Amount paid - current year	(77 925 669)	(71 063 198)
	(301 644)	**(302 134)**

Pension and Medical Aid Deductions

Opening balance	84 689	(4 070)
Current year subscription / fee	91 600 797	88 458 170
Amount paid - current year	(91 603 184)	(88 369 411)
	82 302	**84 689**

VAT

VAT receivable	1 339 852 780	-
VAT payable	(1 275 448 800)	(976 133 427)
	64 403 980	**(976 133 427)**

Figures in Rand	2025	2024

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2025:

30 June 2025	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr Ratau MF	386	5 435	5 821
Cllr Matsomane ST	2 424	16 752	19 176
	2 810	**22 187**	**24 997**

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr Ratau MF	359	4 318	4 677
Cllr Ratau MF	2 817	32 216	35 033
Cllr Matsetela ML	15 733	3 100	18 833
Cllr Matsetela M	447	-	447
Cllr Phokane MJ	665	-	665
	20 021	**39 634**	**59 655**

During the year the above listed councillors’ had arrear accounts outstanding for more than 90 days.

30 June 2025	Highest outstanding amount	Aging (in days)
Cllr Matsomane ST	16 752	120
Cllr Ratau MF	5 435	120
	22 187	**240**

30 June 2024	Highest outstanding amount	Aging (in days)
Cllr Ratau MF	4 318	120
Cllr Ratau MF	32 216	120
Cllr Matsetela ML	3 100	120
	39 634	**360**

Supply chain management regulations

Section 36 of the Municipal Supply Chain Management Regulations states that the accounting officer may dispense with the official procurement processes established by the applicable supply chain policy and procure any required goods or services through any convenient process which may include direct negotiations, but only (i) In an emergency , (ii) if such goods or services are produced or available from a single service provider, (iii) for the acquisition of special works of art or historical objects where specifications are difficult to complete, (iv) acquisitions of animals for zoos or (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes.

Incident		
Deviations as per section 36(1)(v) of the municipal supply chain regulations	6 879 735	6 017 199

56. Segment information

General information

56. Segment information (continued)

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: Water services, Waste Water Services & Other. The segments were organised around the type of service delivered. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Aggregated segments

The municipality operates throughout the Sekhukhune District of the Limpopo Province. Segments were aggregated on the basis of services delivered as management 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**
Water Management	Portable Water Supply
Waste Management	Sanitation Services
Sekhukhune Development Agency	Agency Services

56. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Other	Water	Waste Water Management	Total
Revenue				
Revenue from exchange transactions	-	99 675 640	16 749 198	116 424 838
Interest received - Debtors	39 224 920	-	-	39 224 920
Other Income	2 174 673	-	-	2 174 673
Interest - Investments	57 242 593	-	-	57 242 593
Government Grants and Subsidies	1 219 066 893	-	451 939 007	1 671 005 900
Fines, penalties & forfeits	890 112	-	-	890 112
Total segment revenue	**1 318 599 191**	**99 675 640**	**468 688 205**	**1 886 963 036**
Total revenue				**1 886 963 036**
Expenditure				
Employee related cost	371 802 727	50 761 122	-	422 563 849
Remuneration of councillors	16 301 304	-	-	16 301 304
Depreciation and amortisation	149 159 084	-	-	149 159 084
Impairment loss	9 046 525	-	-	9 046 525
Finance cost and interest on overdue accounts	32 785 697	-	-	32 785 697
Lease rentals on operating lease	52 092 341	-	-	52 092 341
Debt Impairment	99 298 034	-	-	99 298 034
Bulk Purchases	165 686 135	-	-	165 686 135
Contracted services	360 322 935	-	-	360 322 935
Transfers and subsidies	12 178 756	-	-	12 178 756
General expenses	261 288 330	-	-	261 288 330
Repairs and maintenance	82 281 773	-	-	82 281 773
Inventory losses/write downs	53 807 465	-	-	53 807 465
Actuarial losses	526 527	-	-	526 527
Total segment expenditure	**1 666 577 633**	**50 761 122**	**-**	**1 717 338 755**
Total segmental surplus/(deficit)				**169 624 281**

Notes to the Financial Statements

Figures in Rand

	Other	Water	Waste Water Management	Total
56. Segment information (continued)				
Fair value adjustments				131 487
Actuarial Gains				2 943 662
Total segmental suplus for the year				**172 699 430**
Assets				
Inventories	22 298 198	-	-	22 298 198
Other financial assets	1 000	-	-	1 000
Receivables from exchange transactions	35 189 105	-	-	35 189 105
Receivables from non-exchange transactions	15 393 239	-	-	15 393 239
VAT receivable	124 906 893	-	-	124 906 893
Cash and cash equivalents	391 480 180	-	-	391 480 180
Prepayments	4 910 253	-	-	4 910 253
Property, plant & equipment	85 471 139	5 448 172 920	56 864 816	5 590 508 875
Heritage assets	746 802	-	-	746 802
Total segment assets	**680 396 809**	**5 448 172 920**	**56 864 816**	**6 185 434 545**
Total assets as per Statement of financial Position				**6 185 434 545**
Liabilities				
Operating lease liability	218 684	-	-	218 684
Trade and other payables	795 858 257	-	-	795 858 257
Consumer deposits	5 920 219	-	-	5 920 219
Unspent conditional grants	9 173 647	-	-	9 173 647
Employee benefits	61 488 000	-	-	61 488 000
VAT payable	63 227 894	-	-	63 227 894
Total segment liabilities	**935 886 701**	**-**	**-**	**935 886 701**
Total liabilities as per Statement of financial Position				**935 886 701**

Information about geographical areas

The municipality’s operations are in the Limpopo Province.

Notes to the Financial Statements

Figures in Rand	2025	2024

56. Segment information (continued)

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