Greater Letaba Municipality
(Registration number LIM332)
Annual financial statements
for the year ended 30 June 2025

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Providing municipal services and maintaining the best interest of the local community mainly in the Greater Letaba area.
Mayoral committee	
Executive committee	Cllr Mamanyoha T.D (Mayor)
	Cllr Mokwathi M.M (Speaker)
	Cllr Ramalatso R.R (Whip of Council)
	Cllr Baloyi R.G (Infrastructure)
	Cllr Kgapane T.J (Finance)
	Cllr Lebeko N.F (Corporate & Shared Services
	Cllr Mosila M.R (Community Services)
	Cllr Ramaano M R (Sports Arts & Culture)
	Cllr Ramaremela M.L (Economic Development, Housing & Spartial Planning)
	Cllr Selowa M.G (Water & Sanitation)
	Cllr Mangena M.S (Enviromental)
	Cllr Mothele M.D (Road and Public Transport)
	Cllr Hlungwani S.J
Councillors	Cllr Kgatla ME
	Cllr Lebepe R.R
	Cllr Lebeya J.M
	Cllr Lekitima M.V
	Cllr Maake M.S
	Cllr Maake NL
	Cllr Mabidilala E
	Cllr Makgatho T.E
	Cllr Makhananisa M.D
	Cllr Makhurupetse M.M (Chairperson of MPAC)
	Cllr Malatja T.P
	Cllr Malatji M.C
	Cllr Malatji ME
	Cllr Maluleke M.J
	Cllr Mamaila B.A
	Cllr Mamatlepa DD
	Cllr Mampeule P.J
	Cllr Mankgero M.M
	Cllr Manyama M.I (Chairperson of Ethics)
	Cllr Mashao M.C
	Cllr Mashao MG
	Cllr Matlou MP
	Cllr Modika MS
	Cllr Modjadji G.C.H
	Cllr Mohale M.J (Chairperson of Women Commission)
	Cllr Mohale R.W
	Cllr Mokgomola N.P
	Cllr Mokhabukhi M.S
	Cllr Mukhufhi AS
	Cllr Monyela K.B
	Cllr Moroatshehla F.M

General Information

	Cllr Morwatshehla M.B Cllr Mothomogolo P.S Cllr Mulaudzi P Cllr Nakana M.R Cllr Ndima B.H Cllr Ngobeni M.P Cllr Ramabubutla L Cllr Ramalatso MA Cllr Rampyapedi S.E Cllr Rasebotja M.S Cllr Raseropo M.S Cllr Rasetsoke M.C Cllr Selowa D.L Cllr Senyolo T.J Cllr Seoka L.M Cllr Serumula M.L
Grading of local authority	Category B, Grade 3 Local Municipality
Audit Committee Members	Mr Marobane N (Chairperson) Mrs Mudau F.J Mr Teffo S.J Mr Molokomme CW
Chief Finance Officer (CFO)	Ms AN Sesene
Accounting Officer	Mr MO Sewape
Registered office	Civic Centre 44 Botha Street Modjadjiskloof Limpopo
Business address	Civic Centre 44 Botha Street Modjadjiskloof Limpopo 0835
Postal address	PO Box 36 Modjadjiskloof 0835
Bankers	First National Bank
Auditors	Auditor General of South Africa
Enabling Legislations	Division of Revenue Act (Act No. 3 of 2016) Municipal Finance Management Act (Act No. 56 of 2003) Municipal Property Rates Acr (Act No. 6 of 2000) Municipal System Act (Act No. 32 of 2000) Municipal Structure Act (Act No. 117 of 1998

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

COID	Compensation for Occupational Injuries and Diseases
GRAP	Generally Recognised Accounting Practice
AGSA	Auditor General South Africa
WIP	Work In Progress
MPAC	Municipal Public Accounts Committee
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
PAYE	Pay As You Earn
WCA	Workers Compensation Assistance
UIF	Unemployment Insurance Fund

Accounting Officer's Responsibility and Approval

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

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

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

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

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

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

The municipality is dependent on continued funding from the National Treasury, primarily through intergovernmental transfers such as the Equitable Share Allocation and the Municipal Infrastructure Grant (MIG), to sustain its operations.. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's internal auditors.

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

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2025 and were signed on its behalf by:

Mr MO Sewape
Municipal Manager

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services and maintaining the best interest of the local community mainly in the Greater Letaba area. and operates principally in South Africa.

2. Going concern

We draw attention to the fact that at June 30, 2025, the municipality had an accumulated surplus of R 1,218,463,394 and that the municipality's total assets exceed its total liabilities by R 1,218,439,652.

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

Going Concern disclosure is contained in note 54 of the notes to the financial statements

3. Subsequent events

No subsequent events identified for the year under review.

4. Accounting Officers' interest in contracts

None have been identified.

5. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board and in accordance with section 122(3) of the Municipal Finance Management Act, (Act No. 56 of 2003).

6. Accounting Officer

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

Name
Mr MO Sewape

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2025 and were signed on its behalf by:

Mr MO Sewape
Municipal Manager

Statement of Financial Position as at June 30, 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	7	9,466,917	10,452,612
Receivables from exchange transactions - General	8	29,760,338	24,472,764
Receivables from non-exchange transactions	9	1,264,270	2,860,476
VAT receivable - Statutory	10	8,159,273	1,334,558
Receivable from exchange transactions -Consumer debtors	11	8,348,273	6,201,339
Cash and cash equivalents	12	12,552,113	12,486,446
		69,551,184	**57,808,195**
Non-Current Assets			
Investment property	2	169,576	178,568
Property, plant and equipment	3	1,280,329,005	1,209,887,351
Intangible assets	4	14,708	29,699
Heritage assets	5	914,424	914,424
		1,281,427,713	**1,211,010,042**
Total Assets		**1,350,978,897**	**1,268,818,237**
Liabilities			
Current Liabilities			
Finance lease obligation	50	2,771,383	2,560,284
Payables from exchange transactions	15	69,986,558	79,791,320
Consumer deposits	17	426,399	409,368
Employee benefit obligation	6	513,000	804,000
Unspent conditional grants and receipts	13	-	5,084,978
VAT Payable Accrual	14	33,571,984	27,146,072
		107,269,324	**115,796,022**
Non-Current Liabilities			
Finance lease obligation	50	1,036,667	3,692,741
Employee benefit obligation	6	24,209,511	23,369,748
		25,246,178	**27,062,489**
Total Liabilities		**132,515,502**	**142,858,511**
Net Assets		**1,218,463,395**	**1,125,959,726**
Accumulated surplus		1,218,439,652	1,125,959,726
Total Net Assets		**1,218,439,652**	**1,125,959,726**

* See Note 53

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	31,629,028	32,143,338
Construction contracts	20	16,940,187	9,561,739
Rental of facilities and equipment	21	49,886	196,610
Interest received - outstanding receivables	51	2,240,913	3,475,275
Agency services	23	3,253,672	3,127,597
Licences and permits	24	2,908,133	2,258,063
Other income	25	1,295,320	1,665,683
Interest received - investment	26	5,431,756	4,692,787
Total revenue from exchange transactions		**63,748,895**	**57,121,092**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	21,898,244	20,495,447
Interest - Property Rates	51	730,049	236,499
Transfer revenue			
Government grants & subsidies	28	495,036,980	448,377,024
Fines, Penalties and Forfeits	22	15,325,442	352,150
Total revenue from non-exchange transactions		**532,990,715**	**469,461,120**
Total revenue	18	**596,739,610**	**526,582,212**
Expenditure			
Employee related costs	31	155,657,942	142,522,477
Remuneration of councillors	32	33,706,368	32,203,230
Depreciation and amortisation	33	49,766,874	47,345,174
Finance costs	52	3,058,886	2,519,036
Debt Impairment	35	25,259,774	42,697,046
Bad debts written off	36	1,091,271	-
Bulk purchases	37	20,719,875	19,859,883
Contracted services	29	125,601,532	129,975,697
General Expenses	30	86,574,826	77,371,956
Total expenditure		**501,437,348**	**494,494,499**
Operating surplus		**95,302,262**	**32,087,713**
Gain/Loss on assets	34	691,479	(3,361,751)
Actuarial gains/(losses)	6	2,585,851	962,676
Impairment Gains/ (Losses)	34	(6,075,924)	(1,011,667)
		(2,798,594)	**(3,410,742)**
Surplus for the year		**92,503,668**	**28,676,971**

* See Note 53

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at July 1, 2023	**1,093,094,486**	**1,093,094,486**
Changes in net assets		
Surplus for the year	28,676,971	28,676,971
Total changes	28,676,971	28,676,971
Opening balance as previously reported	1,121,771,457	1,121,771,457
Adjustments		
Prior prior year adjustments	4,188,269	4,188,269
Restated* Balance at July 1, 2024 as restated*	**1,125,959,726**	**1,125,959,726**
Changes in net assets		
Surplus for the year	92,503,668	92,503,668
Total changes	92,503,668	92,503,668
Balance at June 30, 2025	**1,218,463,394**	**1,218,463,394**

Note(s)

* See Note 53

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		60,616,820	37,872,536
Grants		495,036,980	453,462,002
Interest income		6,330,227	6,108,141
Property rates and fines		8,316,061	8,682,582
Revenue collected on behalf of principle agent		24,439,467	22,075,521
Other Income		1,345,206	1,665,683
Tax received - Refund from SARS		-	1,558,219
		596,084,761	531,424,684
Payments			
Employee costs		(187,799,544)	(174,075,376)
Suppliers		(247,331,254)	(224,664,287)
Finance costs		(211,284)	(155,668)
Expenditure incurred on behalf of principle agent		(30,145,915)	(33,069,406)
cashflow of discontinued		-	-
Tax paid to the suppliers		(6,824,716)	-
		(472,312,713)	(431,964,737)
Net cash flows from operating activities	39	**123,772,048**	**99,459,947**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(122,283,132)	(91,474,860)
Proceeds from disposal of property, plant and equipment	3	1,137,035	1,156,935
Net cash flows from investing activities		**(121,146,097)**	**(90,317,925)**
Cash flows from financing activities			
Finance lease payments		(2,560,284)	(238,360)
Net increase/(decrease) in cash and cash equivalents		**65,667**	**8,903,662**
Cash and cash equivalents at the beginning of the year		12,486,446	3,582,784
Cash and cash equivalents at the end of the year	12	**12,552,113**	**12,486,446**

* See Note 53

Greater Letaba Municipality

(Registration number LIM332)
Annual Financial Statements for the year ended June 30, 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual 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	34,436,000	-	**34,436,000**	31,629,028	**(2,806,972)**	1
Construction contracts	-	-	**-**	16,940,187	**16,940,187**	
Rental of facilities and equipment	261,000	-	**261,000**	49,886	**(211,114)**	9
Interest received - outstanding receivables	3,935,000	-	**3,935,000**	2,240,913	**(1,694,087)**	2
Agency services	3,533,000	-	**3,533,000**	3,253,672	**(279,328)**	3
Licences and permits	23,627,000	-	**23,627,000**	2,908,133	**(20,718,867)**	4
Other income	2,443,000	-	**2,443,000**	1,295,320	**(1,147,680)**	5
Interest received - investments	4,888,000	-	**4,888,000**	5,431,756	**543,756**	6
Total revenue from exchange transactions	**73,123,000**	**-**	**73,123,000**	**63,748,895**	**(9,374,105)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	21,522,000	-	**21,522,000**	21,898,244	**376,244**	7
Gain on disposal of assets	839,000	-	**839,000**	-	**(839,000)**	32
Interest - Property Rates	2,726,000	-	**2,726,000**	730,049	**(1,995,951)**	8
Transfer revenue						
Government grants & subsidies	423,528,000	-	**423,528,000**	495,036,980	**71,508,980**	10
Fines, Penalties and Forfeits	629,000	-	**629,000**	15,325,442	**14,696,442**	19
Total revenue from non-exchange transactions	**449,244,000**	**-**	**449,244,000**	**532,990,715**	**83,746,715**	
Expenditure						
Employee related costs	(151,912,000)	(150,000)	**(152,062,000)**	(155,657,942)	**(3,595,942)**	11
Remuneration of councillors	(32,821,000)	-	**(32,821,000)**	(33,706,368)	**(885,368)**	12
Depreciation and amortisation	(27,004,000)	-	**(27,004,000)**	(49,766,871)	**(22,762,871)**	13
Impairment loss/ Reversal of impairments	-	-	**-**	(6,075,924)	**(6,075,924)**	34
Finance costs	(81,000)	-	**(81,000)**	(3,058,886)	**(2,977,886)**	17
Debt Impairment	(15,955,000)	1,955,000	**(14,000,000)**	(25,259,774)	**(11,259,774)**	14
Bulk purchases	(22,615,000)	-	**(22,615,000)**	(20,719,875)	**1,895,125**	15
Contracted Services	(114,984,000)	(22,627,000)	**(137,611,000)**	(125,601,532)	**12,009,468**	16
General Expenses	(102,156,000)	(3,453,000)	**(105,609,000)**	(86,574,826)	**19,034,174**	18
Irrecoverable debts written off	-	(1,955,000)	**(1,955,000)**	(1,091,271)	**863,729**	33
Total expenditure	**(467,528,000)**	**(26,230,000)**	**(493,758,000)**	**(507,513,269)**	**(13,755,269)**	
Operating surplus	**54,839,000**	**(26,230,000)**	**28,609,000**	**89,226,341**	**60,617,341**	
Gain on disposal of assets and liabilities	-	-	**-**	691,479	**691,479**	32
Transfers and subsidies - capital	68,954,000	26,951,000	**95,905,000**	-	**(95,905,000)**	35
Actuarial gains/losses	-	-	**-**	2,585,851	**2,585,851**	36
	68,954,000	**26,951,000**	**95,905,000**	**3,277,330**	**(92,627,670)**	
Surplus before taxation	**123,793,000**	**721,000**	**124,514,000**	**92,503,671**	**(32,010,329)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**123,793,000**	**721,000**	**124,514,000**	**92,503,671**	**(32,010,329)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual 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	9,819,000	443,000	**10,262,000**	9,466,917	**(795,083)**	20
Receivables from exchange transactions - General	14,223,000	18,537,000	**32,760,000**	29,760,338	**(2,999,662)**	21
Receivables from non-exchange transactions	15,683,000	665,000	**16,348,000**	1,264,270	**(15,083,730)**	22
VAT receivable Statutory	882,000	24,118,000	**25,000,000**	8,159,273	**(16,840,727)**	23
Revenue from exchange transactions - Consumer debtors	-	-	**-**	8,348,273	**8,348,273**	37
Cash and cash equivalents	60,527,000	(26,222,000)	**34,305,000**	12,552,113	**(21,752,887)**	28
	101,134,000	**17,541,000**	**118,675,000**	**69,551,184**	**(49,123,816)**	
Non-Current Assets						
Investment property	188,000	(9,000)	**179,000**	169,576	**(9,424)**	40
Property, plant and equipment	1,261,939,000	47,731,000	**1,309,670,000**	1,280,329,005	**(29,340,995)**	24
Intangible assets	617,000	(587,000)	**30,000**	14,708	**(15,292)**	29
Heritage assets	965,000	(51,000)	**914,000**	914,424	**424**	30
Investments in associates	20,000,000	(20,000,000)	**-**	-	**-**	
	1,283,709,000	**27,084,000**	**1,310,793,000**	**1,281,427,713**	**(29,365,287)**	
Total Assets	**1,384,843,000**	**44,625,000**	**1,429,468,000**	**1,350,978,897**	**(78,489,103)**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	**-**	2,771,383	**2,771,383**	38
Payables from exchange transactions	82,696,000	(2,696,000)	**80,000,000**	69,986,558	**(10,013,442)**	25
Consumer deposits	13,273,000	(12,864,000)	**409,000**	426,399	**17,399**	31
Employee benefit obligation	2,161,000	1,203,000	**3,364,000**	513,000	**(2,851,000)**	26
Unspent conditional grants and receipts	-	5,085,000	**5,085,000**	-	**(5,085,000)**	39
VAT Payable Accrual	-	12,344,000	**12,344,000**	33,571,984	**21,227,984**	27
	98,130,000	**3,072,000**	**101,202,000**	**107,269,324**	**6,067,324**	
Non-Current Liabilities						
Finance lease obligation	-	-	**-**	1,036,667	**1,036,667**	38
Employee benefit obligation	17,139,000	10,064,000	**27,203,000**	24,209,511	**(2,993,489)**	26
	17,139,000	**10,064,000**	**27,203,000**	**25,246,178**	**(1,956,822)**	
Total Liabilities	**115,269,000**	**13,136,000**	**128,405,000**	**132,515,502**	**4,110,502**	
Net Assets	**1,269,574,000**	**31,489,000**	**1,301,063,000**	**1,218,463,395**	**(82,599,605)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1,269,574,000	31,489,000	**1,301,063,000**	1,218,463,395	**(82,599,605)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

The accounting policies on pages 14 to 41 and the notes on pages 41 to 93 form an integral part of the annual financial statements.

The accounting policies on pages 14 to 41 and the notes on pages 41 to 93 form an integral part of the annual financial statements.

Accounting Policies

Figures in Rand	Note(s)	2025	2024

1. Presentation of Annual Financial Statements

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

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

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

GRAP - 1 Presentation of Financial Statements
GRAP - 2 Cashflow Statements
GRAP - 3 Accounting Policies, Changes in Accounting Estimates and Errors
GRAP - 5 Borrowing Costs
GRAP - 9 Revenue from Exchange Transactions
GRAP - 12 Inventories
GRAP - 13 Leases
GRAP - 14 Events after the reporting date
GRAP - 16 Investment Property
GRAP - 17 Property Plant and Equipment
GRAP - 18 Segment Reporting
GRAP - 19 Provisions, Contingent Liabilities and Contingent Assets
GRAP - 20 Related Party Disclosures
GRAP - 21 Impairment of Non-Cash Generating Assets
GRAP - 23 Revenue from Non-exchange Transactions
GRAP - 24 Presentation of Budget Information in Financial Statements
GRAP - 25 Employee Benefits
GRAP - 31 Intangible Assets
GRAP -103 Heritage Assets
GRAP -104 Financial Instruments
GRAP -108 Statutory Receivables
GRAP -109 Accounting by Principals and Agents

At the date of authorisation of these Annual Financial Statements, the following standards and interpretations were in issue but not yet effective and have not been early adopted by the municipality.

GRAP - 1 Presentation of Financial Statements (Amended)
GRAP - 25 Employee Benefits (Revised)
GRAP -104 Financial Instruments (Revised)
IGRAP - 7 Defined Benefit Asset (Revised)
IGRAP - 21 Past Decisions on Materiality
GRAP - 26 Impairement of Cash Generating Assets

Standards issued and not yet effective are disclosed in detail, including their nature under note 47 of the notes to the financial statements.

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Trade receivables

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

Fair value estimation

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

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the 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].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Contingent provisions on entity combinations

Contingencies recognised in the current year required estimates and judgments, refer to note on entity combinations.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of waste network and other assets

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

Post-retirement benefits

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

Other key assumptions for post retirement benefit obligations are based on current market conditions. Additional information is disclosed in Note 6.

Effective interest rate

The municipality used the most relevant contractual risk rate applicable to each category of assets and liabilities to discount future cash flows. Where none exists the prime interest rate is used to discount future cash flows.

Debtors impairment

Consumer debtors

The provision for impairment is measured per individual debtors using the recoverability rate per debtors. The municipality provide for all excluding debtors with credit balances. An impairment loss is recognised in
surplus and deficit when there is objective evidence that it is impaired.

Traffic fines debtors

The provision for impairment is measured with reference to the recoverability rate.

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationship. The modified cash basis of accounting is applied when a accounting for the payments on behalf of the principal. Expenses are only debited to loan account when they are paid on behalf of the principal not when they are accreud.

Additional information is disclosed in Note 49.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

Accounting Policies

1.4 Investment property (continued)

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

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	**Useful life**
Property - buildings	30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

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

1.5 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.

Accounting Policies

1.5 Property, plant and equipment (continued)

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.

Transport assets and other plants and machinery have a residual value of 10% on cost of asset.

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

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight-line	10-55
Roads, pavements, bridges and storm water	Straight-line	10-100
Street names, signs and parking meters	Straight-line	5
Electricity reticulation	Straight-line	20-50
Finance lease	Straight-line	Limioted to contract
Infrastructure assets	Straight-line	5-100
Cementrery-	Straight-line	30 years
Other assets	Straight-line	2-15
Motor Vehicles	Straight-line	7-15
Plant and Equipment	Straight-line	2-25
IT Equipment	Straight-line	5-15
Office Equipment	Straight-line	5-15
Investment property	Straight-line	30 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.

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.

Accounting Policies

1.6 Intangible assets

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

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	5

1.7 Heritage assets

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

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.

1.7 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

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).

1.8 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.

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

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

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

A financial asset is:
- cash;

Accounting Policies

1.8 Financial instruments (continued)

- 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.

Initial recognition

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

The entity recognises financial assets using trade date accounting.

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.

Subsequent measurement of financial assets and financial liabilities

The municipality 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 municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal operating considerations. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality 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, an 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.

Reclassification

The municipality 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.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

1.8 Financial instruments (continued)

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from 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 municipality assess 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. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed 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.

Derecognition

Financial assets

The municipality derecognises a financial asset only when:

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

  - derecognise the asset; and

  - recognise separately any rights and obligations created or retained in the transfer.

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

Accounting Policies

1.8 Financial instruments (continued)

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

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the municipality adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the municipality obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the municipality recognise the new financial asset, financial liability or servicing liability at fair value.

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

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

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

Presentation

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

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

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that can be readily converted to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently received at fair value.

Accounting Policies

1.10 Tax

Value added tax

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of value added tax recoverable from, or payable to the taxation authority is included as part of receivables or payables in the Statement of Financial Position. The Municipality is registered at SARS for VAT on the payment basis in accordance with section 15(2)(a) of the VAT Act (Act No 89 of 1991) .The municipality is liable to account for VAT at the standard rate 15% from 1 April 2018 as announced by the minister of Finance) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes.

The municipality accounts for Value added tax on accrual basis.

1.11 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - 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.

1.12 Inventories

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

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

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

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

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

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

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

Accounting Policies

1.12 Inventories (continued)

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

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

1.13 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.

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.

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.

Accounting Policies

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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.

Accounting Policies

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

Redesignation

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

1.14 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

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

Accounting Policies

1.14 Employee benefits (continued)

Short-term employee benefits

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

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post-employment benefits

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

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

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

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

1.14 Employee benefits (continued)

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

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

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

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

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

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

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

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

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

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

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

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

1.14 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Accounting Policies

1.14 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.15 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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

1.15 Provisions and contingencies (continued)

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

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.

1.16 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.

Accounting Policies

1.16 Commitments (continued)

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.

1.17 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.

Service charges

Flat rate service charges relating to electricity which are based on consumption are metered and an estimate of consumption between the latest meter reading and the reporting date shall be recognised when:
- 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;

Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed and are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made then recognised in the statement of financial performance in the invoicing period in which meters have been read.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

.Revenue from the sale of electricity prepaid meter credit is recognised at the point of sale.

Accounting Policies

1.17 Revenue from exchange transactions (continued)

Interest income

Revenue arising from the use by others of entity assets yielding interest 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.

Agency Services

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

The revenue is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Collection charges are recognised when such amounts are incurred.

1.18 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.

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

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

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.

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

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.

Property Rates (including collection charges and penalty interest)

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met. Revenue from property rates is recognised when the legal entitlement to this revenue arises.

Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income

Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to property.

Gain/ Loss on assets:

Gain/ loss on assets are recognised in the on the statement of financial performance as revenue from non-exchange transaction or non-cash expenditure

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Government grants, subsidies and transfers

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

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

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

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the further of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position.

Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable. Stipulations can either be in the form of conditions or in the form of restrictions. For both conditions and restrictions a recipient may be required to use the transferred asset for a particular purpose. However the difference between a restriction and a condition is that a condition has an additional requirement which states that the asset or its future economic benefits or service potential should be returned to the transferor should the recipient not use the asset for the particular purpose stipulated.

When conditions are attached to a transferred asset, the municipality incurs a liability. The municipality has a present obligation comply with the conditions of the asset or to return the economic benefits or service potential of the asset to the transferor when the conditions are not met. Therefore, when a recipient initially recognises an asset that is subject to a condition, the recipient also incurs a liability.

Restrictions on transferred assets arise when there is an expectation and/or understanding about the particular way that the assets will be used. However, there is no requirement that the transferred asset, or future economic benefits or service potential are to be returned to the transferor if the assets are not used as per the expectation or understanding. Thus, initially gaining control of an asset with restrictions does not impose a present obligation on the recipient and consequently no liability is recognised. Contributed assets are recognised at fair value when the risks and rewards associated with such asset transfer to the Municipality.

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.

1.19 Investment income

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

1.20 Borrowing costs

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

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

Accounting Policies

1.21 Comparative figures

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

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.22 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 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 as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. Fruitless and wasteful expenditure is also disclosed on the notes. It get de-recognised when condoned by the Council

1.24 Irregular expenditure

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

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

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

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

1.25 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.

Accounting Policies

1.25 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.

1.26 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 economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 7/1/2024 to 6/30/2025.

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

The municipality consider all variances which are +-10% to be material and explanations are provided for them

Comparative information is not required.

1.27 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.

Accounting Policies

1.27 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 annual financial statements.

1.28 Events after reporting date

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

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

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

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

1.29 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

Investments in securities

1.30 Conditional grants and receipts

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

1.31 Expenditure

Expenditure is recognised as an expense when it is incurred (Accrual basis).

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

2. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	480,511	(310,935)	169,576	480,511	(301,943)	178,568

Reconciliation of investment property - 2025

	Opening balance	Depreciation	Total
Investment property	178,568	(8,992)	169,576

Reconciliation of investment property - 2024

	Opening balance	Depreciation	Total
Investment property	187,584	(9,016)	178,568

Notes to the Annual 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	33,571,077	-	33,571,077	33,571,077	-	33,571,077
Buildings	375,023,477	(108,914,284)	266,109,193	373,732,971	(95,843,001)	277,889,970
Leasehold property	7,808,147	(3,978,327)	3,829,820	7,617,466	(1,368,028)	6,249,438
Plant and machinery	30,746,181	(16,431,420)	14,314,761	29,880,895	(17,514,980)	12,365,915
Motor vehicles	18,943,689	(12,214,887)	6,728,802	20,587,350	(11,884,430)	8,702,920
Infrastructure	1,044,548,579	(255,691,019)	788,857,560	989,864,482	(224,243,554)	765,620,928
Other assets	17,416,130	(13,602,776)	3,813,354	14,923,638	(13,245,408)	1,678,230
WIP - Infrastructure	108,295,283	-	108,295,283	55,003,525	-	55,003,525
WIP - Buildings	54,809,155	-	54,809,155	48,805,348	-	48,805,348
Total	**1,691,161,718**	**(410,832,713)**	**1,280,329,005**	**1,573,986,752**	**(364,099,401)**	**1,209,887,351**

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfers received	Transfers Out	Depreciation	Impairment loss	Total
Land	33,571,077	-	-	-	-	-	-	33,571,077
Buildings	277,889,970	1,290,513	-	-	-	(12,531,380)	(539,910)	266,109,193
Leasehold Assets	6,249,438	190,681	-	-	-	(2,586,521)	(23,778)	3,829,820
Plant and machinery	12,365,915	4,055,097	(260,756)	-	-	(1,799,462)	(46,033)	14,314,761
Motor vehicles	8,702,920	-	(164,367)	-	-	(1,501,205)	(308,546)	6,728,802
Infrastructure	765,620,928	959,367	(5,393)	53,828,349	-	(30,367,769)	(1,177,922)	788,857,560
Other assets	1,678,230	3,256,227	(15,040)	-	-	(956,427)	(149,636)	3,813,354
WIP - Infrastructure	55,003,525	107,120,107	-	-	(53,828,349)	-	-	108,295,283
WIP - Buildings	48,805,348	9,833,908	-	-	-	-	(3,830,101)	54,809,155
	1,209,887,351	**126,705,900**	**(445,556)**	**53,828,349**	**(53,828,349)**	**(49,742,764)**	**(6,075,926)**	**1,280,329,005**

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	33,571,077	-	-	-	-	-	-	33,571,077
Buildings	291,367,484	-	-	-	-	(12,670,525)	(806,989)	277,889,970
Leasehold Assets	238,880	7,617,466	-	-	-	(1,606,908)	-	6,249,438
Plant and machinery	13,355,736	1,303,986	(216,195)	-	-	(2,050,863)	(26,749)	12,365,915
Motor vehicles	10,291,479	686,595	(575,095)	-	-	(1,700,059)	-	8,702,920
Infrastructure	688,060,299	1,988,401	-	104,284,455	-	(28,574,332)	(137,895)	765,620,928
Other assets	2,239,827	200,657	(21,901)	-	-	(700,319)	(40,034)	1,678,230
WIP - Infrastructure	82,582,504	80,410,971	(3,705,495)	-	(104,284,455)	-	-	55,003,525
WIP - Buildings	43,608,303	5,197,045	-	-	-	-	-	48,805,348
	1,165,315,589	**97,405,121**	**(4,518,686)**	**104,284,455**	**(104,284,455)**	**(47,303,006)**	**(1,011,667)**	**1,209,887,351**

The completion of these projects were delayed due to budget constraints and community disputes

Delayed Projects	Carrying Amount 30 June 2025	Reason for delay	Carrying Amount 30 June 2024
Old age facility Ga-Kgapane	64,690	Delay of the project was caused by budget contraints	64,690
Old age facility madumeleng	64,690	Delay of the project was caused by budget contraints	64,690
Roerfontien Youth Centre	82,000	Delay of the project was caused by budget contraints	82,000
Sekgopo Youth Centre	110,050	Delay of the project was caused by budget contraints	110,050
Rotterdam Library	128,825	Delay of the project was caused by budget contraints	128,825
Mokwakwaila youth centre	159,154	Delay of the project was caused by budget contraints	159,154

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Shamfam Community hall	140,000	Delay of the project was caused by budget contraints	140,000
Kgapane Park	135,716	Delay of the project was caused by budget contraints	135,716
Transfer station	87,983	Delay of the project was caused by budget contraints	87,983
Manokwe Cave	198,700	Delay of the project was caused by budget contraints	198,700
Thlothlokwnkwe Community hall	300,540	Delay of the project was caused by budget contraints	300,540
Lemondokop community hall	259,505	Delay of the project was caused by budget contraints	259,505
Development of landfill site phase 2 at Maphalle	5,924,810	Delay of the project was caused by budget contraints	1,746,128
Low level bridge Mokwasele ward 6	-	Delay of the project was caused by budget contraints	786,528
Low level bridge Tsamahansi ward 16	-	Delay of the project was caused by budget contraints	258,658
Maphalalle buy back centre	249,714	Delay of the project was caused by budget contraints	249,714
Rehabilitation of Botha Street	5,263,158	Delay of the project was caused by budget contraints	5,263,158
Low level bridge Ramaroka ward 21	-	Delay of the project was caused by budget contraints	786,299
	-	-	10,822,338
	13,169,535		**10,822,338**

Haulted Projects	**Carrying Amount 30 June 2025**	**Reason for delay**	**Carrying Amount 30 June 2024**

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

WIP53 - MADUMELENG SHOTONG SPORTS COMPLEX	40,608,791	The contractor was terminated due non perfomance. Contractor replacement is in progress	40,608,791
WIP57 - WARD 5 COMMUNITY HALL	1	Project completion delayed due to community stoppage due to disputed project site location. Council resolved that project be relocated to another site	1
Malematja Street paving	1	The project is still at design stage	1,590,788
Senwamokgope Street paving	1	Project is at the design stage	2,114,710
Upgrading of Doreen Street electrical network	2,581,703	Delay was caused by the termination of the first service provider by the Municiaplity	1,488,953

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Thibeni Street paving	3,731,000	The project was delayed due to termination of the first contractor due to abandoning site. Contractor replacement is in progress.	3,321,590
Subtotal	46,921,497	-	49,124,833
	46,921,497	**-**	**49,124,833**

Pledged securities

None of the property, plant and equipment are pledged as security for financial liabilities.

No componenets of the property,pland and equipment were pledge as security for borrowings or banking facilities.

The residual value and useful lives of property plant and equipment were reviewed and possible impairment has been assessed at reporting date

Effect of change in estimates

Solid waste	83,105	672,551
Buildings	684	-
Plant and machinery	16,359	15,467
Furniture and office equipment	308,596	142,833
Transport assets	165,076	18,788
Intangible assets	69,641	44,913
	643,461	**894,552**

Notes to the Annual Financial Statements

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		
Buildings	54,809,155	48,805,348
Roads Infrastructure	104,474,921	57,220,067
Electricity Infrastructure	3,820,361	1,488,953
	163,104,437	**107,514,368**

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		
Maintenace of Buildings and Facilities	7,432,017	10,757,650
Maintenace of Equipment	8,171,822	8,712,396
Maintenance of Unspecified Assets	8,196,970	12,555,653
	23,800,809	**32,025,699**

Maintenance of property, plant and equipment

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

4. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	644,468	(629,760)	14,708	1,319,316	(1,289,617)	29,699

Reconciliation of intangible assets - 2025

	Opening balance	Amortisation	Total
Computer software	29,699	(14,991)	14,708

Reconciliation of intangible assets - 2024

	Opening balance	Disposals	Amortisation	Total
Computer software	69,431	(14)	(39,718)	29,699

Pledged as security

No carrying value of intangible assets were pledged as securities.

Notes to the Annual Financial Statements

Figures in Rand

5. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Waterfall picnic site	103,000	-	103,000	103,000	-	103,000
Historical monuments and statues	556,424	-	556,424	556,424	-	556,424
Mayoral gold chain	195,000	-	195,000	195,000	-	195,000
Paintings	60,000	-	60,000	60,000	-	60,000
Total	**914,424**	**-**	**914,424**	**914,424**	**-**	**914,424**

Reconciliation of heritage assets 2025

	Opening balance	Total
Waterfall picnic site	103,000	103,000
Historical monuments and statues	556,424	556,424
Mayoral gold chain	195,000	195,000
Paintings	60,000	60,000
	914,424	**914,424**

Reconciliation of heritage assets 2024

	Opening balance	Total
Waterfall picnic site	103,000	103,000
Historical monuments and statues	556,424	556,424
Mayoral gold chain	195,000	195,000
Paintings	60,000	60,000
	914,424	**914,424**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Heritage assets (continued)

Pledged as security

No carrying value of heritage assets were pledged as security.

6. Employee benefit obligations

Defined benefit plans

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

	2025	2024
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(18,303,624)	(17,865,598)
Present value of the defined benefit obligation-partly or wholly funded	(6,418,887)	(6,308,150)
	(24,722,511)	**(24,173,748)**
Non-current liabilities	(24,209,511)	(23,369,748)
Current liabilities	(513,000)	(804,000)
	(24,722,511)	**(24,173,748)**

Post retirement benefit plan

6.1 Post retirement medical aid plan

The post-employment health care benefits valuation considers all current employees, retired employees and their dependants who participate in the health care arrangements and are entitled to a post-employment medical scheme subsidy. The postemployment health care liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability. The effective date of the valuation is 30 June 2025.

	2025	2024
The amounts recognised in the statement of financial position are as follows:		
Present value of the defined obligation - wholly unfunded	20,153,716	19,310,000
Non-Current Liabilities	20,055,151	18,962,000
Current Liabilities	98,565	348,000
	20,153,716	**19,310,000**

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

	2025	2024
Opening balance	18,627,139	15,406,000
Benefits paid	(348,000)	(166,000)
Net expense recognised in the statement of financial performance	1,191,716	3,387,139
	19,470,855	**18,627,139**

Net expense recognised in the statement of financial performance

	2025	2024
Current service cost	1,356,000	1,152,000
Interest cost	2,364,000	1,926,000
Actuarial (gains) losses	(2,584,284)	245,139
	1,135,716	**3,323,139**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Employee benefit obligations (continued)

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(2,584,284)	245,139

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	12.48 %	12.35 %
Medical cost trend rates	7.96 %	7.82 %
Average retirement age	62	62

The basis on which the medical aid inflation rate has been determined is as follows:

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

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 1.5% year on year.

We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would outstrip general inflation by 1% per annum over the foreseeable future.

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

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities.

However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 12.48% per annum has been used. The corresponding index-linked yield at this term is 4.25%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2025.

These rates were calculated by using a liability-weighted average of the yields for the two components of the liability. Each component’s fixed-interest and index-linked yields were taken from the respective bond yield curves at that component’s duration, using an iterative process (because the yields depend on the liability, which in turn depends on the yields).

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Employee benefit obligations (continued)

Other assumptions

It was assumed that the Municipality’s health care arrangements and subsidy policy would remain as outlined in Section 3. Furthermore, it was assumed that the level of benefits receivable, and the contributions payable in respect of such, would remain unchanged, with the exception of allowing for inflationary adjustments. Implicit in this approach is the assumption that current levels of cross-subsidy from in-service members to continuation members within the medical scheme are sustainable and will continue:

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

	2025 R	2024 R	2023 R	2022 R	2021 R
Defined benefit obligation	20,153,716	19,310,000	15,406,000	13,394,100	12,180,000
Surplus (deficit)	(20,153,716)	(19,310,000)	(15,406,000)	(13,394,100)	(12,180,000)

6.2 Long service awards obligation

Long service benefits are awarded in the form of a percentage of salary and a number of leave days once an employee has completed a certain number of years in service.

An actuarial valuation of the obligation has been performed by Arch Actuarial Consulting on all employees that are entitled to long service awards as at 30 June 2025. As at the valuation date, the long service award liabilities of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability.

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

	2025	2024
Carrying Value	6,889,361	6,300,000
Heading		
Non-current liabilities	5,750,268	5,844,000
Current liabilities	1,139,093	456,000
	6,889,361	**6,300,000**
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	6,300,000	5,657,000
Benefit Paid	(456,000)	(605,000)
Net expense recognised in the statement of financial performance	1,045,361	1,248,000
	6,889,361	**6,300,000**
Net expense recognised in the statement of financial performance in general expenses		
Current Service Cost	614,000	575,000
Interest cost	671,000	610,000
Actuarial (gain) / losses	(239,639)	63,000
	1,045,361	**1,248,000**
Calculation of actuarial gains and losses		
Actuarial (gains) losses - Obligations	(239,639)	63,000

Key assumptions used

Assumptions used at the reporting date:

	2025	2024
Discount rates used	9.18 %	11.05 %

Figures in Rand	2025	2024

6. Employee benefit obligations (continued)

Expected increase in salaries	4.55 %	6.20 %
Average retirement age	62	62

The basis on which the normal salary inflation rate has been determined is as follow:

We have derived the underlying future rate of consumer price price index (CPI inflation) from the relationship between the (yield curve based) inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus. The salaries used in the valuation include an assumed increase on 1 July 2024 of 6.20%. The next salary increase was assumed to take place on 1 July 2025.

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

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

We use the nominal and real zero curves as at 30 June 2025 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period. For example a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years.

Other assumptions

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future retirees. A one percentage point change in assumed normal salary inflation rate would have the following effects:

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

	2025	2024	2023	2022	2021
Defined benefit obligation	6,889,361	6,300,000	5,657,000	5,297,923	4,585,100
Plan assets	(6,889,361)	(6,300,000)	(5,657,000)	(5,297,923)	(4,585,100)
	-	-	-	-	-

Defined contribution plan

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

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

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

- National Fund for Municipal Workers

- Municipal Gratuity Fund

- Municipal Employees Pension Fund

An increase in actuarial losses is attributable to an increase in the number of employee in the current year.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

7. Inventories

Land Held for sale	1,259,000	1,259,000
Consumable stores	8,207,917	9,193,612
	9,466,917	**10,452,612**

Inventory pledged as security

No carrying value of inventory were pledged as security.

Land appointed in terms of legislation which entity controls without legal ownership or custodianship

The total of consumable store's is represented by items held for use in operations.

For Inventory amounts relating to stock losses due to theft and shortages, please refer to Note 45 - Fruitless and Wasteful expenditure.

8. Receivables from exchange transactions - General

Deposits	8,953,156	8,228,837
Sundry debtors	5,291,262	5,208,435
Impairment: Sundry Debtors	(5,184,435)	(5,208,435)
Mopani District Municipality	189,285,825	181,029,940
Impairment: Mopani District Municipality	(183,209,401)	(176,839,924)
VAT Receivable Accrual	14,623,931	12,053,911
	29,760,338	**24,472,764**

9. Receivables from non-exchange transactions

Fines	10,513,328	9,930,531
Consumer Debtors - Rates	99,322,220	85,539,121
Impairment of Consumer debtors - Rates	(98,091,197)	(82,686,195)
Impairment debtors - Traffic fines	(10,480,081)	(9,922,981)
	1,264,270	**2,860,476**

Ageing for consumer debtors: Rates		
Current (0 - 30 days)	2,532,640	1,993,862
31 - 60 days	1,496,036	1,376,993
61 - 90 days	3,667,534	1,369,216
91 - 120 days	1,415,309	1,280,531
121 - 365 days	4,988,110	10,273,481
> 365 days	85,255,838	69,252,588
Less: Impairment	(98,091,197)	(82,686,195)
	1,264,270	**2,860,476**

Figures in Rand	2025	2024

9. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Property rates are charged based on the Municipal Properties Rates Act, 2004 (Act No.6 of 2004) on all applicable properties under the dermacations of the Municipality)

Traffic fines are charged based on the offences as precribed by laws of the country.

Determination of transaction amount

The amount for property rates billing is determined through the impletemetation of the valuation roll that contains a list of propertieas and their market values for the determinatiion of the rates payablet

Traffic finea are charged in line with the type of offces and its charge as per the rates of determined in the by-laws and the Traffic Act

Statutory receivables past due but not impaired

As of 30 June 2025, the gross amount for statutory receivables relating to property rates were R99 322 220 (2024: R85 686 195).

As of 30 June 2025, the gross amount for statutory receivables relating to traffic fines were R10 513 328 (2024: R9 930 531)

Statutory receivables impaired

As of June 30, 2025, Statutory receivables relating to property rates amounting to R(98,091,197) (2024: R(82,686,195)) were impaired and provided for.

As of 30 June 2025, statutory receivables relating to traffic fines amounting to R(10,513,328) (2024: R(92,609,176)) were impaired and provided for.

Factors the entity considered in assessing statutory receivables impaired

A payment rate was determined and used to calculate the amount of debt impairment at year end

Receivables from non-exchange transactions pledged as security

No other receivables from non-exchange transactions were pledged as security.

10. VAT receivable Statutory

VAT receivable statutory	8,159,273	1,334,558

Figures in Rand	2025	2024

10. VAT receivable Statutory (continued)

VAT Receivable statutory general information

Transaction(s) arising from statute

VAT receivables arise from transactions governed by the Value-Added Tax Act, 1991 (Act No. 89 of 1991), whereby the Municipality is entitled to recover input VAT paid on qualifying goods and services acquired in the course of its operations.

Determination of transaction amount

In accordance with the Value-Added Tax Act, 1991 (Act No. 89 of 1991), and the Municipality's registration on a payment basis for VAT purposes, the amount of VAT receivable is determined as the net of VAT inputs and VAT outputs based on actual cash transactions.

Statutory receivables gross amount

As of 30 June 2025, the statutory receivables relating to VAT receivable were R8 159 273 (2024: R1 334 558).

Statutory receivables impaired

As of 30 June 2025, statutory receivables relating to VAT receivables amounting to R0 (2024: R0) were impaired and provided for.

VAT receivable pledged as security

No VAT receivable was pledged as security.

11. Receivable from exchange Transactions - Consumer debtors

	2025	2024
Gross balances		
Electricity	38,054,037	37,238,273
Refuse	103,660,961	100,128,423
Other	28,824,696	29,867,161
	170,539,694	**167,233,857**
Less: Allowance for impairment		
Electricity	(30,214,656)	(32,981,546)
Refuse	(103,214,166)	(99,702,553)
Other	(28,762,599)	(28,348,419)
	(162,191,421)	**(161,032,518)**
Net balance		
Electricity	7,839,381	4,256,727
Refuse	446,795	425,870
Other	62,097	1,518,742
	8,348,273	**6,201,339**
Electricity		
Current (0 -30 days)	1,280,749	202,317
31 - 60 days	225,057	317,183
61 - 90 days	185,932	67,277
91 - 120 days	221,636	108,962
121 - 365 days	1,296,270	401,761
> 365 days	474,167	3,159,227
	3,683,811	**4,256,727**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

11. Receivable from exchange Transactions - Consumer debtors (continued)

Refuse		
Current (0 -30 days)	139,842	2,871
31 - 60 days	31,579	2,621
61 - 90 days	18,986	2,653
91 - 120 days	28,431	2,450
121 - 365 days	103,021	19,795
> 365 days	124,935	395,480
	446,794	**425,870**

Other service levies		
Current (0 -30 days)	5,429	305
31 - 60 days	2,202	162
61 - 90 days	1,755	167
91 - 120 days	1,691	162
121 - 365 days	13,013	1,704
> 365 days	38,635	28,332
	62,725	**30,832**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

11. Receivable from exchange Transactions - Consumer debtors (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	2,041,633	2,083,406
31 - 60 days	966,158	316,072
61 - 90 days	802,399	703,975
91 - 120 days	807,430	984,129
121 - 365 days	7,275,733	7,361,693
> 365 days	142,324,164	140,180,402
	154,217,517	**151,629,677**
Industrial/ commercial		
Current (0 -30 days)	1,390,213	393,273
31 - 60 days	469,421	920,562
61 - 90 days	437,390	817,971
91 - 120 days	539,153	593,370
121 - 365 days	3,043,130	3,555,499
> 365 days	5,872,691	4,963,003
	11,751,998	**11,243,678**
National and provincial government		
Current (0 -30 days)	446,266	238,713
31 - 60 days	45,334	188,719
61 - 90 days	43,953	194,323
91 - 120 days	52,779	129,252
121 - 365 days	411,290	586,610
> 365 days	3,570,557	3,022,885
	4,570,179	**4,360,502**
Total		
Current (0 -30 days)	3,878,112	2,715,392
31 - 60 days	1,480,913	1,425,353
61 - 90 days	1,283,742	1,716,269
91 - 120 days	1,399,362	1,706,751
121 - 365 days	10,730,153	11,503,802
> 365 days	151,767,412	148,166,290
	170,539,694	167,233,857
Less: Allowance for impairment	(162,191,421)	(161,032,518)
	8,348,273	**6,201,339**

Reconciliation of allowance for impairment

Balance at beginning of the year	(433,364,760)	(391,486,037)
Contributions to allowance	(25,259,774)	(41,778,723)
	(458,624,534)	**(433,264,760)**

Narration of Classification by CustomerNarration of Classification by Customer

Consumer debtors pledged as security

No consumer debtors were pledged as security for any liabilities.

Assumptions used during the calculation of the Impairment of Debtors.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

11. Receivable from exchange Transactions - Consumer debtors (continued)

The debtors age analysis with the outstanding balance of each debtor as at year end 30 June 2025 was drawn from the system.

Each debtor was assessed individually based on the debtors payment history.

A twelve months payments report covering the period from 01 July 2024 to 30 June 2025 was used to evaluate all other debtors. Based on this data, a recoverability rate was determined for each debtor.

The recoverability rate of each debtor's outstanding debt was calculated by diviing the total payment received during the period by the debtors outstanding balance at year-end. Debtors with recoverabilty rate exceeding 100% are considered fully recoverable and threfore not impaired.

Debtors with a recoverability rate of less than 100% are considred partially recoverable. Therefore, their outstanding balances at period-end are impaired by the unrecoverable portion-that is, the difference 100% and their individual recoverability rate.

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	12,552,113	12,486,446

The closing balance of cash book book varies with the closing balance of bank statements due to outstanding deposits and oustanding payments relating to revenue and expenditure at year end.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2025	June 30, 2024	June 30, 2023
First National Bank - 52100005761 - Cheque Account	690,945	181,281	826,124	1,139,904	612,801	1,253,493
First National Bank - 62051705534 - Call Account	308,559	87,566	578,635	1,601,524	1,394,312	1,981,953
ABSA Bank - Fixed Deposit - 2052023167	162,825	150,340	134,918	162,825	150,340	139,417
Standard Bank - 258694688- Money Market Call account	9,413,616	10,108,541	-	9,413,617	10,108,541	-
First National Bank- 62855503811 - Solidarity Fund	234,244	220,453	209,032	234,244	220,453	207,922
Total	**10,810,189**	**10,748,181**	**1,748,709**	**12,552,114**	**12,486,447**	**3,582,785**

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Disaster Management Grant	-	5,084,978

Movement during the year

Balance at the beginning of the year	5,084,978	3,900,000
Additions during the year	7,997,000	7,990,000
Income recognition during the year	(13,081,978)	(6,805,022)
	-	**5,084,978**

13. Unspent conditional grants and receipts (continued)

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; an unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

14. VAT Payable Accrual

Reconciliation of vat payable accrual - 2025

	Opening Balance	Additions	Total
VAT Payable Accrual	27,146,072	6,425,912	33,571,984

Provisions for VAT represent accrual VAT payable not yet due to SARS as the municipality is on Cash Basis and the AFS are prepared on an Accrual Basis.

There is an increase of R6 425 912 in the current year due to an increase in accrued VAT payables.

15. Payables from exchange transactions

	2025	2024
Trade payables	15,184,464	23,671,221
Payments received in advanced	1,854,412	3,205,048
Retentions	20,509,423	25,619,804
Accrued leave pay	13,846,102	12,932,431
Accrued annual bonus	2,915,606	2,572,085
Unallocated deposits	789,629	5,900,168
Deffered Revenue	8,688,785	-
Other Creditors	6,198,137	5,890,563
	69,986,558	**79,791,320**

Trade payables age analysis

	2025	2024
	15,184,464	25,476,336

16. VAT payable

17. Consumer deposits

	2025	2024
Electricity	426,399	409,368

Consumer deposits are raised when a services account is opened and is refunded to the consumer after the account is closed.

No interest is paid on consumer deposits.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

18. Revenue

Service charges	31,629,028	32,143,338
Construction contracts	16,940,187	9,561,739
Rental of facilities and equipment	49,886	196,610
Interest received - outstanding receivables	2,240,913	3,475,275
Agency services	3,253,672	3,127,597
Licences and permits	2,908,133	2,258,063
Other income	1,295,320	1,665,683
Interest received - investment	5,431,756	4,692,787
Property rates	21,898,244	20,495,447
Interest - Property Rates	730,049	236,499
Government grants & subsidies	495,036,980	448,377,024
Fines, Penalties and Forfeits	15,325,442	352,150
	596,739,610	**526,582,212**

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

Service charges	31,629,028	32,143,338
Construction contracts	16,940,187	9,561,739
Rental of facilities and equipment	49,886	196,610
Interest received (trading)	2,240,913	3,475,275
Agency services	3,253,672	3,127,597
Licences and permits	2,908,133	2,258,063
Other income	1,295,320	1,665,683
Interest received - investment	5,431,756	4,692,787
	63,748,895	**57,121,092**

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

Taxation revenue		
Property rates	21,898,244	20,495,447
Interest - Property Rates	730,049	236,499
Transfer revenue		
Government grants & subsidies	495,036,980	448,377,024
Fines, Penalties and Forfeits	15,325,442	352,150
	532,990,715	**469,461,120**

19. Service charges

Sale of electricity	24,985,062	26,434,584
Solid waste	6,643,966	5,708,754
	31,629,028	**32,143,338**

20. Construction Contracts

Construction contracts	16,940,187	9,561,739

National Treasury Issued Municipal SCOA Circular No. 16 which. The Department of Mineral Resources and Energy (DMRE) later decided to allocate 5B direct grants to municipalities that demonstrated sufficient capacity to implement the projects themselves, regardless of their licensing status. This therefore resulted in INEP being classified under Revenue from Exchange Transactions from Revenue from Non-Exchange Transactions-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

21. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	49,886	196,610

22. Fines, Penalties and Forfeits

Illegal Connections Fines	31,500	22,698
Municipal Traffic Fines	629,300	329,452
Deposits Forfeits	5,007,130	-
Retentions Forfeits	9,657,512	-
	15,325,442	**352,150**

The municipal council approved writte-off of historical retention liability, and unclaimed deposit.

23. Agency services

Management fees	3,253,672	3,127,597

24. Licences and permits

Road and Transport	2,908,133	2,258,063

25. Other income

Other income	1,295,320	1,665,683

26. Investment received - Investment

Interest revenue		
Bank	5,431,756	4,692,787

27. Property rates

Rates earned

Residential	12,344,515	11,618,287
Commercial	337,675	1,087,614
State and Government	9,216,054	7,789,546
	21,898,244	**20,495,447**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

28. Government grants and subsidies

Operating grants		
Equitable share	385,877,000	365,992,000
Finance Management Grant	2,000,000	2,000,002
Extended Public Works Programme	1,874,000	1,564,000
Energy Efficiency Management Grant	5,000,000	8,000,000
Municipal Disaster Management Grant	13,081,980	6,805,022
	407,832,980	**384,361,024**
Capital grants		
Municipal Infrastructure Grant	87,204,000	64,016,000
	495,036,980	**448,377,024**

Equitable Share

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

Finance Management Grant (FMG)

Conditions met - transferred to revenue	(2,000,000)	(2,000,000)
Current-year receipts	2,000,000	2,000,000
	-	-

Conditions met - (see note 13).

Extended Public Works Programme Grant (EPWP)

Current-year receipts	1,874,000	1,564,000
Conditions met - transferred to revenue	(1,874,000)	(1,564,000)
	-	-

Conditions met - (see note 13).

Energy Efficiency Management Grant

Current-year receipts	5,000,000	8,000,000
Conditions met - transferred to revenue	(5,000,000)	(8,000,000)
	-	-

Conditions met - (see note 13).

Municipal Infrastructure Grant

Current-year receipts	87,204,200	64,016,000
Conditions met - transferred to revenue	(87,204,200)	(64,016,000)
	-	-

Conditions met - (see note 13).

Municipal Disaster Management Grant

Balance unspent at beginning of year	5,084,978	3,900,000
Current-year receipts	7,997,000	7,990,000
Conditions met - transferred to revenue	(13,081,978)	(6,805,022)

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

28. Government grants and subsidies (continued)

	-	**5,084,978**

Conditions met - (see note 13).

29. Contracted services

	2025	2024
Presented previously		
Other Contractors	86,250	69,800
Outsourced Services		
Catering Services	3,678,400	3,381,605
Meter Management	933,532	707,358
Mini Dumping Sites	4,278,664	4,369,191
Security Services	151,036	170,592
Consultants and Professional Services		
Business and Advisory	4,769,283	13,267,048
Infrastructure and Planning	1,579,750	718,941
Legal Cost	10,903,160	15,895,014
Contractors		
Bore Waterhole Drilling	24,824	12,450
Electrical	17,362,991	12,338,188
Event Promoters	209,625	164,240
Fire Services	406,145	379,836
Maintenance of Buildings and Facilities	7,432,017	10,255,080
Maintenance of Equipment	8,171,822	8,712,396
Maintenance of Unspecified Assets	8,196,970	12,555,653
Transportation	153,045	140,475
Safeguard and Security	55,072,354	45,375,791
Sports and Recreation	2,138,314	1,386,389
Removal of Hazardous Waste	53,350	75,650
	125,601,532	**129,975,697**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

30. General expenses

Advertising	1,707,276	1,618,689
Auditors remuneration	6,040,134	5,323,740
Bank charges	592,434	311,542
Vehicle tracking	1,054,505	978,812
Commission paid	360,547	201,440
Stores and material	13,159,354	12,648,059
Hire	886,000	923,003
Insurance	6,426,244	5,522,451
IT expenses	8,729,875	6,624,832
Seminars Conferences Workshops and Events	456,910	303,300
Protective clothing	5,129,709	5,819,465
Subscriptions and membership fees	1,828,055	1,464,814
Communication	4,226,875	3,515,832
Travel - local	10,129,467	10,904,387
Rentals for printers	2,685,862	3,401,358
Assets expensed	62,042	24,000
Electricity	7,648,646	5,530,106
Bursary scheme	2,598,753	216,186
Training	2,393,767	2,976,782
Free basic services and rebates	230,755	915,022
Remuneration of ward committees	9,795,439	7,436,626
Other expenses	432,177	711,510
	86,574,826	**77,371,956**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

31. Employee related costs

Basic	92,619,185	84,080,748
Bonus-13th Cheque	7,023,293	6,564,796
Medical aid - company contributions	7,505,933	6,922,817
UIF	591,232	579,300
WCA	722,941	615,653
SDL	1,468,077	1,434,341
Leave pay provision charge	5,083,784	3,554,499
Pension fund and other fund contributions	16,520,470	15,620,997
Travel, motor car, accommodation, subsistence and other allowances	2,897,535	1,996,468
Overtime payments	5,855,631	5,467,318
Long-service awards and Post Employment Medical Aid	2,190,816	2,347,770
Acting allowances	852,411	1,639,163
Car allowance	8,807,712	9,689,563
Housing,rental,standby benefits and uniform allowances	1,822,979	548,489
Cellular and telephone allowance	1,695,943	1,460,555
	155,657,942	**142,522,477**

Remuneration of Municipal Manager

Annual Remuneration	1,241,220	1,192,657
Car Allowance	84,000	84,000
KM Claims	53,042	52,332
Cellphone Allowance	36,000	36,000
Computer Allowance	12,000	12,000
Back Pay	42,335	47,427
Non Pensionable	43,632	-
CC - SDL	14,424	13,553
CC - UIF	2,125	2,125
	1,528,778	**1,440,094**

Mr Sewape M.O is the Municipal Manager for the year under review.

Remuneration of Chief Finance Officer

Annual Remuneration	899,953	58,080
Car Allowance	192,000	16,000
Acting Allowance	-	238,196
Back Pay	46,399	-
KM Claims	31,407	2,265
Cell Phone Allowance	36,000	19,500
Non Pensionable	40,680	-
Housing allowance	12,000	1,000
Computer Allowance	12,000	-
CC - SDL	12,006	729
CC - UIF	2,125	177
	1,284,570	**335,947**

Ms Sesene AN is the Chief Financial Officer for the year under review.

Remuneration of Senior Manager Corporate services

Annual Remuneration	923,953	883,498
Car Allowance	180,000	180,000
Back Pay	35,267	54,061
KM Claims	53,075	37,629
Computer Allowancer	12,000	12,000

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

31. Employee related costs (continued)

Cellphone Allowance	36,000	36,000
Non Pensionable	40,680	-
CC - SDL	11,919	11,296
CC - UIF	2,125	2,125
	1,295,019	**1,216,609**

Mr Lekhota P.L is the Senior Manager for Corporate Services for the year under review.

Remuneration of Senior Manager Community Services

Annual Remuneration	923,953	428,780
Car Allowance	180,000	90,000
KM Claims	41,556	17,622
Back Pay	17,634	-
Non Pensionable	30,510	-
Computer Allowance	12,000	5,000
Cellphone Allowane	36,000	18,000
CC - SDL	11,641	5,238
CC - UIF	2,125	1,063
	1,255,419	**565,703**

Mr Mamatlepa M.L is the Senior Manager for Community Services for the year under review.

Remuneration of Senior Manager Technical Services

Annual Remuneration	1,019,953	979,498
Car Allowance	84,000	84,000
Back Pay	35,267	30,059
Non Pensionable	40,680	-
Computer Allowance	12,000	12,000
Cellphone Allowance	36,000	36,000
KM Claims	42,568	53,775
CC-SDL	12,111	11,248
CC - UIF	2,125	2,125
	1,284,704	**1,208,705**

Ms Nhlane G is the Senior Manager for Technical Services for the year under review.

Remuneration of Senior Manager Development and Town Planning

Annual Remuneration	1,027,611	-
Car Allowance	60,000	-
KM Claims	74,633	-
Non Pensionable	20,340	-
Cellphone Allowance	36,000	9,000
Computer Allowance	12,000	-
Acting Allowance	-	79,250
Back Pay	16,341	53,603
CC - UIF	2,125	-
CC - SDL	11,603	-
	1,260,653	**141,853**

.Mr Phosa ML was appointed as Senior Manager for Development and Town Planning from July 2024.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

32. Remuneration of councillors

Mayor	1,078,415	996,500
Executive Committee	11,704,851	10,701,087
Speaker	871,997	806,420
Councillors	20,051,105	19,699,223
	33,706,368	**32,203,230**

In-kind benefits

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

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.

33. Depreciation and amortisation

Property, plant and equipment	49,695,525	47,303,008
Investment property	8,993	9,016
Intangible assets	62,356	33,150
	49,766,874	**47,345,174**

34. Impairment and Gain/(Loss) on assets

Impairments		
Property, plant and equipment	6,075,924	1,011,667
Gain/(Loss) on assets	(691,479)	3,361,751
	5,384,445	**4,373,418**

The significant decrease in impairment loss is mainly attributable to impairment of infrastracture assets amounting to R10 113 209 which was recognised in the current year.

35. Debt impairment

Debt impairment	25,259,774	42,697,046

36. Bad Debts

Bad Debts Written Off	1,091,271	-

37. Bulk purchases

Electricity - Eskom	20,719,875	19,859,883

38. Auditors' remuneration

Fees	6,040,134	5,323,740

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

39. Cash generated from operations

Surplus	92,503,668	28,676,971
Adjustments for:		
Depreciation and amortisation	49,766,874	47,345,174
Gain/ loss on assets	(691,479)	3,361,751
Finance costs	2,847,602	2,363,368
Interest income	-	-
Impairment deficit	6,075,924	1,011,667
Debt impairment	25,259,774	42,697,046
Bad debts written off	1,091,271	-
Movements in retirement benefit assets and liabilities	(1,605,212)	5,013,796
Movements in provisions	9,782,923	5,039,313
Unallocated deposit write off, retention forfeit and fines	(15,293,942)	-
Actuarial gains/ losses	(2,585,851)	(962,676)
Movement in adjustment	-	-
Changes in working capital:		
Inventories	985,695	(633,813)
Receivables from exchange transactions - General	(9,063,031)	(13,958,960)
Consumer debtors	(3,305,836)	(7,908,864)
VAT Receivable Acrual	(2,570,020)	(8,152,693)
Statutory receivables from non exchange transaction	(14,365,898)	(12,098,783)
Finance lease obligations	211,099	-
VAT payable accrual	6,425,912	8,656,099
Payables from exchange transactions	(9,804,763)	(1,360,993)
VAT Receivable Statutory	(6,824,715)	1,558,219
Unspent conditional grants and receipts	(5,084,978)	(1,184,978)
Consumer deposits	17,031	(1,697)
	123,772,048	**99,459,947**

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	243,000,793	178,593,163
• Prior year error	14,221,121	-
• Other financial assets	16,364,188	6,712,550
	273,586,102	**185,305,713**

Total commitment	273,586,102	185,305,713
Not yet contracted for and authorised by accounting officer	-	-
	273,586,102	**185,305,713**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

41. Contingent Liabilities

Description		
1. Hennox 60 CC - The Municipality is sued R3 635 396.33 for damages caused to the Plaintiff's house due to non maintenance of the storm water pipes crossing the Plaintiff's yard. The matter is being defended and still pending.	21,069,172	18,134,526
2. Star Mirl - The Municipaty is sued R7 069 436.52 by the Plaintiff. The Plaintiff allages that while appointed as a service provider for the Municipality, the latter paid a person not so authorised by the Plaintiff. The matter is being defended and still pending.	7,069,437	7,069,437
3. Terror Trading Enterprise - The Municipality is sued R4 374 783.30 by the Plaintiff. The Plaintiff alleges that the contract awarded to him was terminated unlawfully so by the Municipality. The matter is being defended and still pending.	15,532,802	13,381,642
4. JM Rakomane O.B.O MT Rakomane - The Municipality is sued R915 000.00 by the Plaintiff. The Plaintiff is acting on behalf of his child and issuing the Municipality for alleged injuries sustained by the child on Municipal property (Stadium). The matter is on a pleading stage.	1,274,381	1,185,517
5. Voltex (Pty) Ltd - The Municipality is sued for R147 517.36 by the Plaintiff. The Plaintiff was the service provider of the Municipality and is suing the latter for the work allegedly done. The matter is being defended and still pending.	243,265	226,865
6. Hlamalani Ben Maselesele - The Municipality is sued R40 951.36 by the Plaintiff. The Plaintiff alleges that the municipality had failed to mantain internal street at Ga-Kgapane suffered damages after falling into a huge pothole. The matter is being defended and still pending.	40,951	40,951
7. Lesly Cecelia Ndleve - The Municipality is sued R23 915.03 by the Plaintiff. The Plaintiff is seeking a mandatory order demanding that the property sold to him be transaferred. The case is closed	-	23,915
	-	-
8. Maile Rufus - The Municipality is sued R30 000.00 by the Plaintiff. The Plaintiff is suing the Municipality for damages caused by uncontrolled storm channel. The case is closed	-	30,000
9. Vincent Marelele - The Municipality is sued R20 000.00 by the Plaintiff. The plaintiff is suing the municipality for damages caused by unmaintained road. The matter is being defended and still pending. The case is closed.	-	26,153
10. Burica (Pty) Ltd - The Municipality is sued R238 977.24 by the Plaintiff. The Plaintiff is suing the municipality for alleged outstanding contractual money for service rendered. The matter is being defended and still pending.	296,799	271,345
11. SABI Daviel Malubeke - The Municipality is sued R52 000.00 by the. SABI Daviel Malubeke - The Municipality is sued R52 000.00 by the Plaintiff. The Plaintiff is suing the municipality for alleged damages suffered because of the accident that occurred between the Plaintiff's vehicle and that of the municipality.	52,000	52,000
12. Emmanuel Ramothibedi Sebasa - The Municipality is sued R100 000.00 by the Plaintiff. The municipality is sued by one of the residents who alleged that he suffered personal injuries after falling in unguarded low level bridge in Ga-Kgapane township.	100,000	100,000
	45,678,807	**40,542,351**

Contingent liabilities whose financial effect cannot be estimated reliably

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

41. Contingent Liabilities (continued)

13. Maite Hellen Ramalepe - There is ongoing legal action initiated by the Plaintiff to prevent the municipality from withdrawing the trading license issued to one of the respondents. The financial effect of this contingent liability cannot be estimated reliably at this stage.

14. Fanni Venter and Seuns Boedery (Pty) Ltd and Bertie Van Zyl (Pty) Ltd - There is an ongoing application for rescission and a defense against the subsequent application made by the applicants. This legal action relates to the Unlawful township establishment on portions 11-14 of the farm Paard-Edood 186-LT. The financial effect of this contingent liability cannot be estimated reliably at this stage.

42. Related parties

Relationships	
Members of key management	MO Sewape (Municipal Manager), AN Sesene (Chief Financial Officer),G Nhlane (Senior Manager: Technical Services), MP Lekhota (Senior Manager: Corporate Services),L Mamatlepa (Senior Manager: CommunityServices), Phosa L (Senior Manager: Development and Planning) Councillors - Refer to note below.

All Councillors have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over the Council in making financial or operational decision. For a detaited list of councillors refer to page 1 and 2 of the AFS.

During the financial year no Councillor or Official had any interest in related parties and no one could control or influence Council in making financial or operational decision.

For detailed amounts with respect to Members of key management kindly refer to Note 30.

The municipality had no other related party transactions or balances during the financial year outside of the contractual remuneration of senior management

43. Risk management

Financial risk management

The municipality’s activities expose it to a variety of financial risks: market risk (fair value interest rate risk, cash flow interest rate risk), credit risk and liquidity risk.

The municipality’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality’s financial performance.

Default and breaches

There was no default and breaches for the applicable liabilities of the municipality

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

43. Risk management (continued)

Liquidity risk

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.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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. No changes were made to the funding method and method used to assess the risk.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Credit risk

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.

Credit risk is managed on through implementation of the municipality credit risk policy.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments 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. No changes were made on the method of assessment.

Market risk

Interest rate risk

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.

The interest risk is managed through the implementation of the credit control policy by the revenue unit and applying a fixed interest rate. There was no changes on the policy and the method use

44. Unauthorised expenditure

Opening balance as previously reported	176,128,232	505,083,463
Opening balance as restated	**176,128,232**	**505,083,463**
Add: Expenditure identified - current	51,763,950	83,326,794
Less: Approved/condoned/authorised by council	(80,925,421)	(412,282,025)
Closing balance	**146,966,761**	**176,128,232**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

45. Fruitless and wasteful expenditure

Opening balance as previously reported	749,452	660,513
Opening balance as restated	**749,452**	**660,513**
Add: Expenditure identified - current	-	14,465
Add: Expenditure identified in the current - prior period	3,705,496	-
Add: Stock loss due theft and shortages	43,583	96,864
Less: Amount written off - current	(111,329)	-
Less: Recovery	-	(8,391)
Less: Writte off	-	(13,999)
Closing balance	**4,387,202**	**749,452**

The prior period expenditure for fruitless identified in the current year relate to roads belonging RAL (Malematja and Senwamokgope Roads)

46. Irregular expenditure

Opening balance as previously reported	23,980,291	20,058,994
Opening balance as restated	**23,980,291**	**20,058,994**
Add: Irregular Expenditure - current	-	3,921,297
Less: Amount written off - current	(21,038,640)	-
Closing balance	**2,941,651**	**23,980,291**

Analysis of expenditure awaiting condonation per age classification

Current year	-	122,076

Amounts written-off

47. Additional disclosure in terms of Municipal Finance Management Act

SALGA

Current year subscription / fee	1,836,305	1,473,064
Amount paid - current year	(1,836,305)	(1,473,064)
	-	**-**

Electricity distribution savings/l(osses)		
wh units purchased from Eskom	(9,133,279)	(9,790,708)
Kwh units sold per billing system statistics	8,763,588	9,766,745
Distribution savings / (losses)	**(369,691)**	**(23,963)**

Audit fees

Current year subscription / fee	6,040,134	5,323,740
Amount paid - current year	(6,040,134)	(5,323,740)
	-	**-**

Figures in Rand	2025	2024

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

PAYE, UIF and SDL

	2025	2024
Current year subscription / fee	30,896,628	27,914,205
Amount paid - current year	(28,186,659)	(25,581,558)
	2,709,969	**2,332,647**

Pension and Medical Aid Deductions

	2025	2024
Current year subscription / fee	14,810,138	23,383,937
Amount paid - current year	(13,594,424)	(21,430,394)
	1,215,714	**1,953,543**

Councillors' arrear consumer accounts

MFMA section 124(1)(b) also requires disclosure of any arrears owed by individual councillors to the municipality for rates or services and which at any time during the relevant financial year were outstanding. The following councillors had outstanding balances as at June 30, 2025:

June 30, 2025	Current (0-30 days) R	Outstanding more than 90 days R	Total R
Cllr Mosila MR	1,845	-	1,845
Cllr Matlou MP	1,931	-	1,931
	3,776	**-**	**3,776**

48. Deviation from supply chain management regulations

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

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements. The total deviations for the year under review amounted to R1 674 783.42 (2024: R3 884 036.33)

49. Entities that are part of a Principle vs Agent arrangement

The Municipality is part of a principle vs agent arrangement with Mopani District Municipality and Department of Transport. In this arrangement, the Municipality is the agent and is acting on behalf of Mopani District Municipality and Department of Transport by providing Water and sewerage services for Mopani District Municipality and licences and permit services for Department of Transport.

Municpality acting as an agent	2025	2024
Revenue recognised as compensation for the transactions carried out on behalf of the principal - MDM and Department of Transport	3,253,672	3,127,597
Revenue received or to be received on behalf of the principal Department of Transport	18,161,509	17,718,613
Expenditure incurred on behalf of the principal Department of Transport	15,253,376	15,488,294
	36,668,557	**36,334,504**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

49. Entities that are part of a Principle vs Agent arrangement (continued)

Receivables held on behalf of the principal		
Opening balance - Mopani District Municipality	99,481,578	91,170,368
Revenue receivable - MDM	13,985,046	12,668,118
Amount received	(6,277,958)	(4,356,908)
Revenue collected on behalf and paid to Mopani	3,744,065	3,875,230
	110,932,731	**103,356,808**

Payables held on behalf of the principal		
Expenses incurred - MDM	11,148,494	13,705,882
Cash paid	(11,148,494)	(13,705,882)
	-	-

If any party commits a breach of the contract, it shall deliver a written notice to the defaulting party notifying it of the breach giving rise to such right and requesting the defaulting party to remedy the breach in question within a period of 20 days.

The Municipality is responsible for ensuring that consumers have access to water services in accordance with the constitution of The Republic of South Africa, 1996, the Municipal Structures Act (Act 33 of 1998) and the Act.

The District Municipality has subsequent to assessments in terms of section 78 of the Municipal Systems Act (No 32 of 2000), selected a service delievery agreement with the local Municipality as the preffered service delievery within the water services area.

Greater Letaba is providing water services to the consumers within the water service area on the effective date, in accordance with the Coorperative Governance Agreement entered into between Mopani and Greater Letaba upon authorization issued by the Minister of Provincial and Local Government Affairs in terms of the Municipal Structures Act (Act 33 of 1998) as repealed.

There were no changes that occured in the current year.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

50. Finance lease obligation

Minimum lease payments due		
- within one year	2,771,383	2,560,284
- in second to fifth year inclusive	1,036,667	3,692,741
Present value of minimum lease payments	**3,808,050**	**6,253,025**

Non-current liabilities	1,036,667	3,692,741
Current liabilities	2,771,383	2,560,284
	3,808,050	**6,253,025**

The finance lease relates to the lease of 75 rental network printing and photocopying machine as well as 90 laptops for a period of 3 years.

The average lease term was 3 years and the average effective borrowing rate was 11.75%
Anaka Contract = 11.75

Munisoft Laptop contract= 11.75%

Munisoft Additional 10 Laptops= 11.50%

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

51. Interest received

Interest - Property rates	730,049	236,499
Interest received - Outstanding receivables	2,240,913	3,475,275
	2,970,962	**3,711,774**

52. Finance costs

Finance leases	211,284	155,668
Employee benefit obligation	2,847,602	2,363,368
	3,058,886	**2,519,036**

53. Prior period errors

Nature of the error

53. Prior period errors (continued)

1.) Inventory was understated in the prior year by a value of R190 850. The error was corrected in the current year by restating opening balance.

2.) The Property, Plant and Equipment was understated in the prior year by a value of R3 295 532.54.The error was corrected in the current year by restating opening balance.

3.)Payables from exchange transactions were overstated in the prior year by a value of R15 149 074. The error was corrected in the current year by restating opening balance.

4.) VAT payable Accrual was understated in the prior year by a value of R14 796 527. The error was corrected in the current year by restating opening balance.

5.) Employee related costs was overstated in the prior year by a value of R5 912 037. The error was corrected in the current year by restating opening balance.

6.) Remuneration of councillors was understated in the prior year by a value of R89 520. The error was corrected in the current year by restating opening balance.

7.) Contracted services was overstated in the prior year by a value of R239 443. The error was corrected in the current year by restating opening balance.

8.)General Expenses was overstated in the prior year by a value of R562 341. The error was corrected in the current year by restating opening balance.

9.) loss on assets was understated in the prior year by a value of R3 050 59.The error was corrected in the current year by restating opening balance.

10.) National Treasury Issued Municipal SCOA Circular No. 16 which. The Department of Mineral Resources and Energy (DMRE) later decided to allocate 5B direct grants to municipalities that demonstrated sufficient capacity to implement the projects themselves, regardless of their licensing status. This therefore resulted in INEP being classified under Revenue from Exchange Transactions from Revenue from Non-Exchange Transactions. Therefore INEP grant of 10 996 000 previously under Government Grants has been reclassified to Construction Contracts

11.)National Treasury Issued Municipal SCOA Circular No. 16 which. The Department of Mineral Resources and Energy (DMRE) later decided to allocate 5B direct grants to municipalities that demonstrated sufficient capacity to implement the projects themselves, regardless of their licensing status. This therefore resulted in VAT Output being recognised from the reclassified Revenue as per item 13 above. VAT output of 1 434 260.87 has been recognised relating to the reclasified INEP Grant.

12.) Depreciation was understated in the prior year by a value of R12 409.00.The error was corrected in the current year by restating opening balance.
13.) Acturial gains was understated in the prior year by a value of R654 536.75. The error was corrected in the current year by restating opening balance.

14.) Employee benefit obligations was overstated in the prior year by a value of R140 535.04. The error was corrected in the current year by restating opening balance.

15.) Statutory VAT was overstated in the prior year by a value of R3 301. The error was corrected in the current year by restating opening balance

16.) Property rates was understated in the prior year by a value of R458 835.78. The error was corrected in the current year by restating opening balance.

17) Receivable from exchange transactions General was understated by R12 201 940. The error was corrected in the current year by restating opening balance.

18) Cash and cash equivalent was understaded in the prior year by a value of R32 225 . The reclassication was corrected by restating opening balance.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

53. Prior period errors (continued)
19) Service Charges was understated in the prior year by a value of R126 940. The error was corrected in the current year by restating opening balance

20) Licence and permit was understated in the prior year by a value of R25 744.28. The error was corrected in the current year by restating opening balance.

21) Debt Impairement was overstated in the prior year by a value of R148 028 . The error was corrected by restating opening balance..

22) Prior year Accumulated surplurs was understated by R6 820 011. The error was correct in the current.

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position	Note	As previously reported	Correction of errors	Reclassification	Change in accounting policy	Total
Current Assets		-	-	-	-	-
Inventories	'7	10,261,762	190,850	-	-	10,452,612
Receivables from exchange transactions - General	'8	12,270,824	148,029	12,053,911	-	24,472,764
VAT receivable	'10	1,337,859	(3,301)	-	-	1,334,558
Cash and cash equivalents	'12	12,454,221	32,225	-	-	12,486,446
Non-Current Assets				-	-	-
Property, plant and equipment	'3	1,213,182,873	(3,295,533)	-	-	1,209,887,340
Current Liabilities		-	-	-	-	-
Payables from exchange transactions	'15	(94,940,394)	15,149,074	-	-	(79,791,320)
VAT Payable Acrual	'14	(12,347,101)	(1,353,599)	(13,445,372)	-	(27,146,072)
Non-Current Liabilities		-	-	-	-	-
Employee benefit obligation	'6	(23,510,283)	140,535	-	-	(23,369,748)
Accumulated surplus		-	(6,820,011)	-	-	(6,820,011)
		1,118,709,761	**4,188,269**	**(1,391,461)**	**-**	**1,121,506,569**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

53. Prior period errors (continued)

Statement of Financial Performance	Note	As previously reported	Correction of errors	Reclassification	Total
Revenue		-	-	-	-
Service charges	'19	(32,016,397)	(126,940)	-	(32,143,337)
Construction Contracts	'20	-	-	(9,561,739)	(9,561,739)
Licences and permits	'24	(2,232,319)	(25,744)	-	(2,258,063)
Property rates	'27	(20,036,611)	(458,836)	-	(20,495,447)
Government grants & subsidies	'28	(459,373,024)	-	10,996,000	(448,377,024)
Expenditure		-	-	-	-
Employee related costs	'31	148,434,515	(5,912,037)	-	142,522,478
Remuneration of councillors	'32	32,113,710	89,520	-	32,203,230
Depreciation and amortisation	'33	47,332,575	12,409	-	47,344,984
Debt Impairment	35	42,845,074	(148,029)	-	42,697,080
Contracted services	'29	130,215,140	(239,443)	-	129,975,697
General Expenses	'30	77,934,297	(562,341)	-	77,371,956
Gain/ Loss on assets	'34	(423,744)	3,785,496	-	3,361,752
Actuarial gains/(lossess)	'6	(308,139)	(654,537)	-	(962,676)
		(35,514,923)	**(4,240,482)**	**1,434,261**	**(38,321,109)**

Irregular expenditure

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54. Going concern

We draw attention to the fact that at June 30, 2025, the municipality had a surplus of R 92,503,669 and that the municipality's total assets exceed its total liabilities by R 1,218,439,652.
The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Despite the positive net asset position, the municipality had R12.5 million in cash and cash equivalents, which may not be sufficient to meet the short-term obligations, The municipality budget for the financial year 2025/26 was assessed as unfunded due to low collection of revenue for consumer services. The municipality have developed the Cost containment measures and budget implementation plan in order to achieve cost savings and ensure that the budget is funded

The following mitigating factors support the going concern assumption:

Financial Considerations in Line with GRAP Requirements:

Management has no intention to liquidate or cease operations.

The municipality is not reliant on external loans or credit facilities.

Revenue-generating assets remain operational and have not significantly deteriorated.

The municipality is funded through own funding and grant allocation, which include Equitable Share Allocation, and grant funded projects which include Municipal Infrastructure Grant (MIG), INEP, EPWP, FMS of which together contributed over R495 million in revenue during the year.

Revenue Enhancement and Receivables:

A Revenue Enhancement Strategy is scheduled for implementation in the 2025/2026 financial year.

Figures in Rand	2025	2024

54. Going concern (continued)

The municipality expects payment of R8.1 million from the South African Revenue Service (SARS) for VAT receivable, which will further support operations. SARS has committed to processing VAT refunds within 21 business days of receiving a valid claim.

Operational and Budgetary Controls:

The municipality has committed to cost containment measures, resulting in reduced contracted services.

Budget variances are actively monitored, and explanations for material differences are disclosed in Note 56.

Internal controls and risk management systems are in place to monitor financial performance and mitigate operational risks.

External Oversight and Support:

The municipality continues to receive oversight and support from the National Treasury, including compliance with MFMA and GRAP standards.

The ability of the municipality to continue as a going concern will be supported by the successful implementation of its revenue enhancement strategy, recovery of receivables, and continued support from government grants. Management remains confident that these factors will enable the municipality to meet its obligations and sustain operations in the foreseeable future.

55. Segment information

General information

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

55. Segment information (continued)

Identification of segments

dentification of segments

The report is organized based on municipality departments which are reportable segments and where performance is measurable. Management uses these same segments for compilation of the IDP, SDBIP, budget and monthly and quarterly reporting. The segments were organized around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

The following are the reportable segments if the municipality.

Executive and Council

Provides political leadership to the municipality for the generation of economic benefits and service potential

Through the office of the Municipal Manager it also provides for the administration, leadership, performance monitoring, integrated development plan, risk management and internal audit functions to the municipality for the generation of economic benefits and service potential.

Budget and Reporting

Provides financial administration to the municipality for the generation of economic benefits and service potential

Community Services and Public Safety

Provides social services, public safety, public spaces, libraries and indigents administration to the municipality for the generation of economic benefits and service potential

Planning and Development

Provides for waste management, town planning, local economic development and environment sustainability for the generation of economic benefits and service potential

Technical Services

Road transport, electricity, housing and building inspection, project management unit, wastewater management and all infrastructure services to the municipality for the generation of economic benefits and service potential

Notes to the Annual Financial Statements

55. Segment information (continued)

Corporate Services and Administration

Provides legal and administration management services including HR and IT to the municipality for the generation of service potential

Geographical considerations:

Greater Letaba Municipality (GLM) is in the north-eastern part of the Limpopo Province in the jurisdiction area of Mopani District Municipality. Greater Letaba Municipality shares borders with Greater Tzaneen Municipality in the south, Greater Giyani Municipality in the east, Molemole Municipality in the west and Collins Chabane Municipality in the north.

Greater Letaba Municipal area is one of the smaller municipal areas in terms of land area, and characterized by contrasts such as varied topography, population densities (low in the south, relatively dense in the north-east), prolific vegetates in the south (timber) and sparse in the north (bushveld).

The “gates” to the municipal area are considered to be Sekgopo in the west and Modjadjiskloof in the south. The land area of Greater Letaba Municipality extends over approximately 1891km². Greater Letaba Municipality incorporates the proclaimed towns of Modjadjiskloof, and Ga-Kgapane, situated in the extreme south of the municipal area, and Senwamokgope towards the north-west of the area of jurisdiction

Management has as per the GRAP standards decided to report on Greater Letaba Municipality as a single geographical area.

Management is of the opinion that as per paragraph 32, the cost of developing geographical information would be excessive, secondly that due to the nature of the municipality, it would therefore not be in the interest of the users of the financial statements to develop geographical information for reporting.

Figures in Rand	2025	2024

55. Segment information (continued)

Aggregated segments

The report is organised based on the municipality departments which are reportable segments and where performance is measurable. Management uses these same segments for compilation of the IDP, SDBIP, Budget, monthly and quartely reporting. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

The following are the reportable segments of the municipality:

Executive Council
Provides political leadership to the municipality for the generation of economic benefits and service potential
throught the office of the Municipal Manager it also provides for then administration, leadership, performance monitoring, integrated development plan, risk management and internal audit functions to the municipality for the generation of economic benefits and service potential.

Budget and Reporting
Provides financial administration to the municipality for the generation of economic benefits and service potential

Community Services and Public Safety
Provides social services, public safety, public spaces, libraries and indigents administration to the municipality for the generation of economic benefits and service potential

Planning and Development
Provides waste management, town planning, local economic development and environment sustainability for the generation of economic benefits and service potential.

Technical Services
Road transport, electricity, housing and building inspection, project management unit solid waste management and all infrastructure services to the municipality for the generation of economic benefits and service potential

Corporate Services and Administration
Provide legal and administration management services including HR and IT to the municipality to the municipality for the generation of service potential

Geographical consideration:
Greater Letaba Municipality (GLM) is in the north-eastern part of the Limpopo Province in the jurisdiction area of Mopani District Municipality. GLM shares borders with Greater Tzaneen Municipality in the south, Greater Giyani Municipality in the in the east, Molemole Municipality in the west and Makhado Local Municipality in the north.
GLM area is one of the smaller municipal areas in terms of land area, and characterized by contrast such as varied topography, population densities (low in the south, relatively dense in ther north-east), prolific vegetates in the south (timber) and sparse in the north (bushveld)

The "gates" to the municipal area are considered to be Sekgopo in the west and Modjadjiskloof in the south. The land area of GLM extends over approximately 1891km
GLM incorporates the proclaimed towns of Modjadjiskloof, and Ga-Kgapane, situated in the extreme south of then municipal area, and Senwamokgope towards the north-west of the area of jurisdiction

Management has as per the GRAP standards decided to report on GLM as a single Geographical area.

Management is of the opinion that as per paragraph 32, the cost of developing geographical information would be excessive, secondly that due to the nature of the municipality, it would be therefore not be in the best interest of the users of the financial statements to develop geographical area information for reporting.

Segment surplus or deficit, assets and liabilities

55. Segment information (continued)

Segment surplus or deficit

Notes to the Annual Financial Statements

Figures in Rand

55. Segment information (continued)

2025

	Revenue from non-exchange transactions	Revenue from exchange transactions	Total Segment revenue	Salaries and wages	Depreciation and amortisation	Other expenses	Total Segment expenditure	Total segment (deficit) surplus
Revenue								
Budget and Reporting	425,201,434	9,416,465	434,617,899	21,875,429	3,733,476	42,941,347	68,550,252	366,067,647
Community and Public Safety	10,080,087	27,847,935	37,928,022	52,677,844	336,663	34,656,417	87,670,924	(49,742,902)
Corporate and Administration	-	-	-	30,019,726	19,864,365	88,119,203	138,003,294	(138,003,294)
Executive and Council	-	-	-	51,726,689	(1,146,361)	38,288,491	88,868,819	(88,868,819)
Planning and Development	-	-	-	10,813,410	-	4,738,451	15,551,861	(15,551,861)
Technical Services	97,709,193	42,874,909	140,584,102	22,251,213	26,978,727	68,815,531	118,045,471	22,538,631
Reconcilling Items	-	-	-	-	-	-	-	-
Total	**532,990,714**	**80,139,309**	**613,130,023**	**189,364,311**	**49,766,870**	**277,559,440**	**516,690,621**	**96,439,402**
Revenue and Expenditure reconciling items								
Licence and permits Revenue			(15,253,377)				(15,253,377)	-
Proceeds from sale of assets			(1,137,035)					(1,137,035)
Entity's revenue			**596,739,611**				**501,437,244**	
Other reconciling items								
Impairment loss								(6,075,924)
Actuarial Gains/losses								2,585,851
Gains/ losses on assets								691,479
Entity's Surplus (deficit) for the period								**92,503,773**

2024

Notes to the Annual Financial Statements

Figures in Rand

55. Segment information (continued)

	Revenue from non-exchange transactions	Revenue from exchange transactions	Total Segment revenue	Salaries and wages	Depreciation and amortisation	Other expenses	Total Segment expenditure	Total segment (deficit) surplus
Revenue								
Budget and Reporting	388,746,646	11,032,128	399,778,774	21,252,503	508,611	61,883,349	83,644,463	316,134,311
Community and Public Safety	764,235	26,581,861	27,346,096	52,816,807	237,149	38,486,952	91,540,908	(64,194,812)
Corporate and Administration	-	-	-	11,886,065	15,645,660	71,340,651	98,872,376	(98,872,376)
Executive and Council	-	-	-	47,707,639	1,288,721	41,543,143	90,539,503	(90,539,503)
Planning and Development	-	-	-	10,573,622	-	2,363,032	12,936,654	(12,936,654)
Technical Services	79,950,239	36,150,333	116,100,572	30,189,071	29,665,035	72,592,785	132,446,891	(16,346,319)
Total	**469,461,120**	**73,764,322**	**543,225,442**	**174,425,707**	**47,345,176**	**288,209,912**	**509,980,795**	**33,244,647**
Revenue related reconciling items								
License and Permits			(15,486,294)				(15,486,294)	-
Proceeds from sale of assets			(1,156,935)					(1,156,935)
Entity's revenue			**526,582,213**				494,494,501	
Other reconciling items								
Impairment loss								(1,011,667)
Acturial Gain/losses								962,676
Gain/ losses on assets								(3,361,751)
Entity's Surplus (deficit) for the period								**28,676,970**

Segment assets and liabilities

2025

	Non-current assets	Current assets	Total segment assets	Total segment liabilities

Notes to the Annual Financial Statements

Figures in Rand

55. Segment information (continued)

Budget and Reporting	786,217,936	1,125,122,817	1,911,340,753	(308,401,437)
Community and Public Safety	64,830,658	(111,373,829)	(46,543,171)	20,439,689
Corporate and Administration	6,668,611	(306,437,432)	(299,768,821)	(2,730,540)
Executive and Council	1,335,358	(176,432,882)	(175,097,524)	(352,281)
Planning and Development	-	(24,194,227)	(24,194,227)	(857,910)
Technical Services	422,375,149	(396,951,385)	25,423,764	159,386,978
Total segment assets	**1,281,427,712**	**109,733,062**	**1,391,160,774**	**(132,515,501)**
Reconciling items				
Mopani			(32,022,604)	-
STATUTORY VAT			(8,159,273)	-
Total as per Statement of financial Position			**1,350,978,897**	**(132,515,501)**

2024

	Non-current assets	Current assets	Total segment assets	Total segment liabilities
Budget and Reporting	834,868,952	935,142,603	1,770,011,555	(279,627,214)
Community and Public Safety	61,367,517	(97,699,438)	(36,331,921)	8,319,712
Corporate and Administration	436,834	(202,553,628)	(198,187,793)	(5,222,414)
Executive and Council	1,335,358	(135,479,689)	(134,144,331)	(2,125,647)
Planning and Development	-	(20,330,243)	(20,330,243)	(48,861)
Technical Services	309,072,372	(387,972,578)	(78,900,207)	129,025,902
Total segment assets	**1,207,081,033**	**91,107,027**	**1,302,117,060**	**(149,678,522)**
Reconciling items				
Mopani			(33,298,823)	-
Total as per Statement of financial Position			**1,268,818,237**	**(149,678,522)**

56. Budget differences

Material differences between budget and actual amounts

56. Budget differences (continued)

The average South African CPI for 2024/25 was 4.4%, the municipality considers a fluctuation of 5% or more as a significant fluctuation. Only fluctuations of 5% or more of the budgeted amount will be explained

1. Service Charges

During the 2024/25 financial year the municipality disconnected non paying businesses and not all came for reconnection.

2. Construction contracts

The variance is due to MSCOA circular No. 16 released on 16 October 2024 which requires the classification of INEP grant as the sale of goods and services construction

3. Rental of facilities and equipment

The municipality no longer rents out plants for private use as the plants are used only for service delivery

4.Interest received - outstanding receivables

When the budget was prepared the interest rate used was 18% and the municipality reviewed the interest charge to 12.75% in the current financial year

5. Agency services

The municipality did not collect as expected on behalf Mopani district municipality for water services.

6. Licences and permits

The municipality budgeted 100% collection on licenses and permits however the municipality's portion is 20% agency fee

7. Other income

The municipality anticipated to receive more on income from other sources of revenue during the year under review.

8. Interest received - investments

Interest received on investment was more than budgeted as a result of the municipality managing to maintain a positive balance throughout the year.

9.Interest - Property Rates

When the budget was prepared the interest rate used was 18% and the municipality reviewed the interest charge to 12.75% in the current financial year

10. Government grants & subsidies

The municipality received additional funding for MIG and INEP and included in the actual amount is the capital transfers and subsides. .

11. Fines, Penalties and Forfeits

The variance is due to unallocated deposit and retention amount recognised are revenue in the current year through council resolution.

12.Depreciation and amortisation

The municipality under budgeted depreciation as it is a non cash item.

13. Finance costs

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

56. Budget differences (continued)
The Municipality under budgeted for finance costs.

14. Debt impairment

The municipality under budgeted debt impairment as it is a non cash item.

15. Bulk Purchases

There was a reduction in demand for electricity due to customers using solar and gas.

16. Contracted services

There was a reduction due to some operational projects not implemented..

17. General Expenses

There was a reduction in general expenses due to some operational projects not being implemented due to cost containment.

18. Irrecoverable debts written off

The write-off for indigent debtors was less than the expected budget..

19. Gain on disposal of assets and liabilities

The variance in gain on disposal of assets is mainly due to anticipated actual disposal of assets that was lower than expected

20 Employee benefit obligation

The variance is due to over budgeting of long service awards and post employment medical aid..

21. Inventories

The was a reduction in the procurement of stores material

22.Receivable from exchange transactions

The budget was on gross amount and the actual amounts are on net amounts

23. Receivables from non-exchange transactions

The budget was on gross and the amounts are on net amounts

24. VAT Receivable

The variance in VAT receivable is due to refund for three period not received by municipality by the end of financial

25. Consumer debtors

The budget for consumer debtors is in receivables from exchange transactions.

26. Cash and cash equivalents

The municipality expected to end the year with a higher amount of cash and cash equivalents
.
I27. Investment property

The varience is due to the investment property depreciating in the current year

28. Intangible assets

56. Budget differences (continued)

The varience is due to the amortisation of intangible assets in the current year.

29. Finance lease obligations

.

The variance is due to non-budgeting of finance lease obligation

30. Payables from exchange transactionss

The municipality has written-off unallocated deposits and retentions in the current year.

During the 2024/25 financial year the municipality disconnected non paying businesses and not all came for reco

The average South African CPI for 2024/25 was 4.4%, the municipality considers a fluctuation of 5% or 1

57. Contingent Asset – Land Sales in Kgapane Extension 5

Certain receivables relating to land sold in Kgapane Extension 5 have remained unpaid for a period exceeding three years, contrary to the provisions of the Prescription Act of 1969. These receivables, totaling R2,007,458.38, have been handed over to legal practitioners for recovery. As the municipality is actively pursuing legal action and negotiations with the respective debtors to enter into payment agreements, these amounts are no longer recognized as consumer debtors but are instead disclosed as contingent assets. The realization of these assets is dependent on the successful outcome of the debt collection process.

58. Financial instruments disclosure

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

Financial Instruments	**2025**	**2024**
Receivables from exchange transactions - General	29,760,338	24,472,764
Receivable from non-exchange transactions	1,264,270	2,860,476
Receivables from exchange transactions - Consumer Debtors	8,348,273	6,201,339
Payables from exchange transactions	(69,986,558)	(79,791,320)
Consumer deposits	(426,399)	(409,368)
	(31,040,076)	**(46,666,109)**

For financial assets which are past due and impaired refer to note 8, 9 and 13. None of the financial assets terms have been renegotiated. None of the financial assets were used as security or collateral. Consumer deposits are disclosed on note 16.