Lephalale Local Municipality
Annual Financial Statements
for the year ended June 30, 2025

General Information and Abbrevations

Legal form of entity	Municipality (MSA)
Nature of business and principal activities	Local Municipality
The following is included in the scope of operation	The provision of electricity, water, sanitation and refuse (waste removal services) to communities in a sustainable manner to promote social economic development, safe and healthy environment, encourage the involvement of communities and community organizations in matters of local government.
Legislation governing the municipality's operations	Constitution of the Republic of South Africa (Act 108 of 1996) Municipal Finance Management Act (Act 56 of 2003) Municipal Structures Act (Act 117 of 1998) Municipal Systems Act (Act 32 of 2000) Municipal Property Rates Act (Act 6 of 2004) Division of Revenue Act (Act 1 of 2007) Inter governmental Relations Framework Act

General Information and Abbrevations

Executive mayor and chairperson of mayoral committees

Portfolio	**Councilors**
Mayor	Clr RA Mokgetle
Speaker	Clr GG Marakalala
Chief Whip	Clr SJ Machaba
Chairperson of Governance and BTO	Clr SM Nieuwoudt
Chairperson of Developmental Planning	Clr MM Semenya
Chairperson of Infrastructure	Clr MR Modiba
Chairperson of Social Services	Clr ML Shongwe

Council Members	Clr M Mjakula(Effective 10/09/2024)
	Clr E Setho
	Clr RT Modise
	Clr SJ Moselane
	Clr KC Bopape
	Clr HW Venter
	Clr A Thulare
	Clr DA Mongalo
	Clr MJ Sebetha
	Clr I Magoai
	Clr DA Mothoni
	Clr L Monare
	Clr MW Langa
	Clr MJ Madibana
	Clr E Seepe
	Clr JD Nel(Effective 10/09/2024)
	Clr KL Mosupye

Section 79 Committee

Chairperson of MPAC	Clr MM Makgae
Chairperson of Radical Economic Transformation	Clr WM Motlokwa
Chairperson of Geographic Name Change	Clr S Mpedi
Chairperson of Ethics Committee	Clr PKJ Selolo
Chairperson of Women in Caucus	Clr B Kgageng-Moloantoa

Executive Management

Position	**Name**
Acting Municipal Manager	PF Nogilana-Raphela (Effective 01/03/2025)
Acting Chief Financial Officer	AE Marope
Director Infrastructure Services	MA Shiko
Acting Director Corporate Services	TA Seboya
Acting Director Social Services	BJ Ndoweni
Director Strategic Service	MM Kgwantha
Acting Director Planning and Development	TBO Mabale

Members of the Audit Committee

Chairperson	T Mtshweni
Members	D Bosch
	M Sebeelo

Traditional Councils	Kgosi Langa
	Kgosi Seleka
	Kgosi Shongoane
Grading of local authority	Grade 4 Local Municipality

General Information and Abbrevations

Registered office	Corner Joe Slovo and Dou Water Avenue Onverwacht Lephalale 0557
Business address	Corner Joe Slovo and Dou Water Avenue Onverwacht Lephalale 0557
Postal address	Private Bag X136 Onverwacht Lephalale 0557
Bankers	ABSA Bank Limited Standard Bank Limited
Auditors	Auditor General of South Africa
Demarcation Code	Lim362
Preparer	BTO Management (internally)
Email	munic@lephalale.gov.za www.lephalale.gov.za

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

Abbreviations used:

GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
SARS	South African Revenue Services
CPI	Consumer Price Index
WSIG	Water Services Infrastructure Grants
MIG	Municipal Infrastructure Grant (Previously CMIP)
ABSA	Amalgamated Bank of Southern Africa
VAT	Value Added Tax
NGO	Non-Governmental Organisation
SETA	Sector Education and Training Authority

BBBE	Broad - Based Black Empowerment
UIF	Unemployment Insurance Fund
SCM	Supply Chain Management
FMG	Financial Management Grant
DoRA	Division of Revenue Act
FY	Financial Year
MSA	Municipal System Act
MSA	Municipal Structure Act
DWS	Department of Water and Sanitation
CPA	Cost Price Adjustment
MISA	Municipal Infrastructure Support Agency
SDL	Skills Development Levy
PAYE	Pay As You Earn
SALGA	South African Local Government Association
AFS	Annual Financial Statement
ASB	Accounting Standards Board

Accounting Officer's Responsibilities and Approval

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

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

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

The accounting officer acknowledges that she 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 endeavors to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

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

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

I would like to bring the following material matters to your attention:

I certify that the salaries, allowances and benefits of councilors as disclosed in Note 55 to these annual financial statements are within the upper limits of framework envisaged in section 219 of the Constitution of the republic of South Africa, read with the remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The municipality is not wholly dependent on the municipality for continued funding of operations, the municipality also depend on grants from National government. 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

The annual financial statements set out on page 8 to 1059 795, which have been prepared on the going concern basis, were approved by the accounting officer on August 31, 2025 .

PF Nogilana-Raphela
Accounting Officer

Accounting Officer's Report

1. Review of activities

Proportion of income and loss attributable to various classes of business:

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

Net surplus of the municipality was (2025: R96 233 076) (2024: R58 340 531)

2. Going concern

Net surplus of the Municipality was (2025: R96 233 076) (2024: R58 340 531)

We draw attention to the fact that at June 30, 2025, the municipality had an accumulated surplus of R 1,499,197,115 and that the municipality's total assets exceed its liabilities by R 1,499,197,115.

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 realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The municipality is a going concern because of the following :
It is an organ of state which is governed by the Constitution of Republic of South Africa to provide basic services to the community and is also funded by the State for that purpose. Failure to provide services will prompt national government intervention to ensure it stays functional and able to deliver basic services and consequently comply with the constitution.

There is no indication of a possibility of default by the government in paying grants under the act. This is also corroborated by experience where National Treasury has met its obligation every year and has therefore a constructive obligation. The council has also adopted integrated development plan which is a five - year plan. Municipality has tabled a funded budget for the financial year 2025/26. This is an indication for the Municipality's intention to operate beyond the next 12 months period. The gearing ratios are above the norm as per National Treasury MFMA Circular 71.

The municipality has approved credit control and debt collection policy, the purpose of the policy is to ensure timely collection of outstanding debts, improve on organisational cash flow, and maitain the financial sustainabilty of basic service provision to community. Municipality also has an indigent policy to subsidies those who cannot afford to pay for basic services.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the Accounting Officer continues to source funding for the ongoing operations for the municipality.

3. Subsequent events

The Accounting Officer is not aware of any matter or circumstance arising since the end of financial year that may need to be adjusted for or disclosed in the financial statement.

4. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognized Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Bankers

Municipality has its primary bank account with ABSA Bank Limited

6. Auditors

Auditor General of South Africa

PF Nogilana-Raphela
Accounting Officer

Statement of Financial Position as at June 30, 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Cash and cash equivalents	16	66,287,418	60,652,863
Receivables from non-exchange transactions	15	96,502,541	105,693,090
Trade and other receivables from exchange transactions	14	169,250,054	187,821,450
Other receivables from non-exchange transactions	12	19,988,045	8,356,057
Sundry receivables	7	922,901	2,034,626
Inventories	11	7,793,125	5,482,420
		360,744,084	**370,040,506**
Non-Current Assets			
Investment property	3	23,499,537	17,870,867
Property, Plant and Equipment	4	1,512,296,864	1,434,144,913
Heritage asset	6	77,000	77,000
Intangible Assets	5	155,489	423,082
		1,536,028,890	**1,452,515,862**
Total Assets		**1,896,772,974**	**1,822,556,368**
Liabilities			
Current Liabilities			
Long term trade payables from exchange transactions	19	20,524,373	20,524,373
Finance lease obligations	17	12,523,371	10,862,792
Payables from exchange transactions	8	144,207,971	152,455,037
Consumer deposits	9	13,243,578	12,011,891
Defined benefits Obligations	10	5,828,000	4,497,000
Trade and other payables from non-exchange transaction	18	18,838,575	12,907,488
		215,165,868	**213,258,581**
Non-Current Liabilities			
Long term trade payables from exchange transactions	19	41,038,448	61,562,821
Finance lease obligations	17	13,154,674	25,678,042
Defined benefits Obligation	10	89,944,000	82,552,000
Provisions for landfill	20	38,272,889	31,266,168
		182,410,011	**201,059,031**
Total Liabilities		**397,575,879**	**414,317,612**
Net Assets		**1,499,197,095**	**1,408,238,756**
Accumulated surplus		1,499,197,115	1,408,238,756
Total Net Assets		**1,499,197,115**	**1,408,238,756**

* See Note

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Exchange Revenue			
Service Charges- Electricity	23	222,191,326	184,679,515
Service charges- Water	23	63,168,314	63,931,347
Service Charges- Waste Water Management	23	29,897,100	24,165,901
Service Charges-Waste Management	23	25,071,520	20,740,701
Rental of facilities and equipment	24	311,519	233,380
Interest earned from receivables	60	57,945,400	51,341,751
Agency fees	26	6,930,334	9,054,387
Operational revenue	27	5,919,548	2,582,423
Interest earned on current and non current assets	28	7,605,244	8,679,930
Total revenue from exchange transactions		**419,040,305**	**365,409,335**
Non-Exchange Revenue			
Taxation revenue			
Property rates- by usage	29	119,797,311	114,403,879
Interest earned from receivables	29	25,890,975	22,219,493
Transfer revenue			
Transfers and subsidies	31	400,754,916	349,602,225
Public contributions and donations	32	16,744,000	4,750,809
Fines, Penalties and Forfeits	25	4,017,954	643,675
Total revenue from non-exchange transactions		**567,205,156**	**491,620,081**
Total revenue	21	**986,245,461**	**857,029,416**
Expenditure			
Employee related costs	33	(253,784,546)	(233,561,216)
Remuneration of councillors	34	(14,368,915)	(14,066,021)
Depreciation, impairment and amortisation	35	(97,518,467)	(94,678,401)
Interest	36	(18,580,442)	(19,716,635)
Irrecoverable debts written off	38	(17,118,080)	(6,870,117)
Debt impairment	38	(96,616,439)	(93,401,794)
Bulk purchases	40	(183,444,942)	(161,357,687)
Contracted services	41	(71,458,876)	(54,777,856)
Transfers and Subsidies	30	(558,009)	(608,172)
Inventory Consumed	22	(56,087,899)	(50,478,964)
Operational costs	39	(81,727,063)	(72,642,167)
Total expenditure		**(891,263,678)**	**(802,159,030)**
Operating surplus	44	**94,981,783**	**54,870,386**
Loss on disposal of assets and liabilities	4	(18,374)	-
Fair value adjustments	45	612,133	1,203,000
Actuarial gains/(losses)	10	657,534	2,267,145
		1,251,293	**3,470,145**
Surplus for the year		**96,233,076**	**58,340,531**

* See Note

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	1,354,277,011	1,354,277,011
Adjustments		
Correction of errors	(4,378,786)	(4,378,786)
Balance at July 1, 2023 as restated*	**1,349,898,225**	**1,349,898,225**
Changes in net assets		
Surplus for the year	58,340,531	58,340,531
Total changes	58,340,531	58,340,531
Restated* Balance at July 1, 2024	**1,406,824,736**	**1,406,824,736**
Changes in net assets		
Surplus for the year	92,372,379	92,372,379
Total changes	92,372,379	92,372,379
Balance at June 30, 2025	**1,499,197,115**	**1,499,197,115**

Note(s)

* See Note

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Property rates- by usage		91,346,424	109,243,543
Service charges		232,428,896	310,820,220
Transfers and Subsidies – Capital		395,138,995	343,623,667
Interest		7,605,244	8,679,930
Other receipts		93,458,560	12,513,883
		819,978,119	784,881,243
Payments			
Employee costs		(258,355,717)	(247,627,237)
Suppliers		(371,635,640)	(393,064,453)
Interest		(4,535,205)	(6,525,813)
Other payments		(558,009)	(666,777)
		(635,084,571)	(647,884,280)
Net cash flows from operating activities	42	**184,893,548**	**136,996,963**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(145,590,076)	(137,637,502)
Proceeds from sale of property,plant and equipment	4	1,526,423	-
Purchase of investment property	3	(4,576,128)	-
Net cash flows from investing activities		**(148,639,781)**	**(137,637,502)**
Cash flows from financing activities			
Repayment of DWS liability		(19,756,423)	(20,524,373)
Repayment of finance lease		(10,862,789)	(9,442,397)
Net cash flows from financing activities		**(30,619,212)**	**(29,966,770)**
Net increase/(decrease) in cash and cash equivalents		**5,634,555**	**(30,607,309)**
Cash and cash equivalents at the beginning of the year		60,652,863	91,260,172
Cash and cash equivalents at the end of the year	16	**66,287,418**	**60,652,863**

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-Electricity	265,322,000	(30,000,000)	**235,322,000**	222,191,326	**(13,130,674)**	A1
Service charges- Water	71,770,000	(2,000,000)	**69,770,000**	63,168,314	**(6,601,686)**	A2
Service charges- Waste water management	29,031,000	1,133,000	**30,164,000**	29,897,100	**(266,900)**	A3
Service charges- Waste management	23,256,000	1,744,000	**25,000,000**	25,071,520	**71,520**	A4
Rental of facilities and equipment	791,056	-	**791,056**	311,519	**(479,537)**	A5
Interest earned from receivables -Service charges	37,192,812	13,964,797	**51,157,609**	57,945,400	**6,787,791**	A6
Agency fees	9,622,787	2,537,255	**12,160,042**	6,930,334	**(5,229,708)**	A7
Operational Revenue	4,425,236	-	**4,425,236**	5,919,548	**1,494,312**	A8
Interest earned on current and non-current assets	7,162,122	-	**7,162,122**	7,605,244	**443,122**	A9
Total revenue from exchange transactions	**448,573,013**	**(12,620,948)**	**435,952,065**	**419,040,305**	**(16,911,760)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates-by usage	126,113,000	-	**126,113,000**	119,797,311	**(6,315,689)**	A10
Interest earned from receivables - Property rates	15,461,521	4,230,547	**19,692,068**	25,890,975	**6,198,907**	A11
Transfer revenue						
Transfers and subsidies	441,291,000	12,597,000	**453,888,000**	400,754,916	**(53,133,084)**	A12
Public contributions and donations	-	-	**-**	16,744,000	**16,744,000**	
Fines, Penalties and Forfeits	1,013,035	4,796,149	**5,809,184**	4,017,954	**(1,791,230)**	A13
Total revenue from non-exchange transactions	**583,878,556**	**21,623,696**	**605,502,252**	**567,205,156**	**(38,297,096)**	
Total revenue	**1,032,451,569**	**9,002,748**	**1,041,454,317**	**986,245,461**	**(55,208,856)**	
Expenditure						
Employee related cost	(265,298,000)	10,255,000	**(255,043,000)**	(253,784,546)	**1,258,454**	A14
Remuneration of councillors	(15,400,984)	-	**(15,400,984)**	(14,368,915)	**1,032,069**	A15
Depreciation, impairment and amortisation	(94,726,000)	3,000,000	**(91,726,000)**	(97,518,467)	**(5,792,467)**	A16
Finance costs	(19,601,000)	(1,003,325)	**(20,604,325)**	(18,580,442)	**2,023,883**	A17
Irrecoverable debts written off	(6,000,000)	(10,584,482)	**(16,584,482)**	(17,118,080)	**(533,598)**	A18
Debt impairment	(33,725,773)	(5,000,000)	**(38,725,773)**	(96,616,439)	**(57,890,666)**	A19
Bulk purchases	(193,204,000)	9,037,000	**(184,167,000)**	(183,444,942)	**722,058**	A20
Contracted Services	(76,353,000)	(1,729,000)	**(78,082,000)**	(71,458,876)	**6,623,124**	A21
Transfers and Subsidies	(1,351,261)	(702,876)	**(2,054,137)**	(558,009)	**1,496,128**	A22
Inventory Consumed	(53,431,000)	(2,035,000)	**(55,466,000)**	(56,087,899)	**(621,899)**	A23
Operational costs	(77,092,000)	2,878,188	**(74,213,812)**	(81,727,063)	**(7,513,251)**	A24

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
Total expenditure	**(836,183,018)**	**4,115,505**	**(832,067,513)**	**(891,263,678)**	**(59,196,165)**	
Operating surplus	**196,268,551**	**13,118,253**	**209,386,804**	**94,981,783**	**(114,405,021)**	
Loss on disposal of assets and liabilities	-	-	-	(18,374)	**(18,374)**	
Fair value adjustments	-	-	-	612,133	**612,133**	
Actuarial gains/losses	-	-	-	657,534	**657,534**	
	-	**-**	**-**	**1,251,293**	**1,251,293**	
Surplus	**196,268,551**	**13,118,253**	**209,386,804**	**96,233,076**	**(113,153,728)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**196,268,551**	**13,118,253**	**209,386,804**	**96,233,076**	**(113,153,728)**	

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	15,004,000	(7,758,000)	**7,246,000**	7,793,125	**547,125**	
Sundry Receivables	-	-	-	922,901	**922,901**	
Accrual Input VAT	30,940,470	-	**30,940,470**	-	**(30,940,470)**	
Receivables from non-exchange transactions	22,099,000	75,758,000	**97,857,000**	96,502,541	**(1,354,459)**	
Other receivables from non exchange transactions	1,476,000	(1,472,786)	**3,214**	19,988,045	**19,984,831**	
Statutory VAT Receivable	3,880,054	-	**3,880,054**	-	**(3,880,054)**	
Receivable from exchange transactions	518,518,000	(379,264,000)	**139,254,000**	169,250,054	**29,996,054**	
Cash and cash equivalents	57,830,000	33,437,000	**91,267,000**	66,287,418	**(24,979,582)**	
	649,747,524	**(279,299,786)**	**370,447,738**	**360,744,084**	**(9,703,654)**	
Non-Current Assets						
Investment property	17,631,000	-	**17,631,000**	23,499,537	**5,868,537**	
Property, Plant and Equipment	1,674,052,000	105,871,000	**1,779,923,000**	1,512,296,864	**(267,626,136)**	
Intangible Assets	2,000,000	1,844,336	**3,844,336**	155,489	**(3,688,847)**	
Heritage asset	77,000	-	**77,000**	77,000	-	
	1,693,760,000	**107,715,336**	**1,801,475,336**	**1,536,028,890**	**(265,446,446)**	
Total Assets	**2,343,507,524**	**(171,584,450)**	**2,171,923,074**	**1,896,772,974**	**(275,150,100)**	
Liabilities						
Current Liabilities						
Long term trade payables from exchange transactions	20,524,373	-	**20,524,373**	20,524,373	-	
Finance lease obligations	9,442,398	-	**9,442,398**	12,523,371	**3,080,973**	
Payables from exchange transactions	198,735,000	(78,629,000)	**120,106,000**	144,207,971	**24,101,971**	
Accrued Output VAT	4,533,179	-	**4,533,179**	-	**(4,533,179)**	
Consumer deposits	10,949,000	-	**10,949,000**	13,243,578	**2,294,578**	
Provision Employee benefit obligation	4,249,000	-	**4,249,000**	5,828,000	**1,579,000**	
Trade and other payables from non-exchange transaction	11,770,000	9,481,000	**21,251,000**	18,838,575	**(2,412,425)**	
	260,202,950	**(69,148,000)**	**191,054,950**	**215,165,868**	**24,110,918**	
Non-Current Liabilities						
Long term trade payables from exchange transactions	82,097,494	-	**82,097,494**	41,038,448	**(41,059,046)**	
Finance lease obligations	36,520,834	-	**36,520,834**	13,154,674	**(23,366,160)**	
Defined benefits Obligation	76,713,000	(1,020,000)	**75,693,000**	89,944,000	**14,251,000**	
Provisions for landfill	28,183,000	1,020,000	**29,203,000**	38,272,889	**9,069,889**	
	223,514,328	-	**223,514,328**	**182,410,011**	**(41,104,317)**	
Total Liabilities	**483,717,278**	**(69,148,000)**	**414,569,278**	**397,575,879**	**(16,993,399)**	

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
Net Assets	**1,859,790,246**	**(102,436,450)**	**1,757,353,796**	**1,499,197,095**	**(258,156,701)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1,818,659,000	(497,704,000)	**1,320,955,000**	1,499,197,115	**178,242,115**	

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
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	101,129,000	(14,394,000)	**86,735,000**	91,346,424	**4,611,424**	
Sale of goods and services	353,601,000	9,486,000	**363,087,000**	232,428,896	**(130,658,104)**	
Grants	437,291,000	(7,600,000)	**429,691,000**	395,138,995	**(34,552,005)**	
Interest income	45,462,000	(26,793,000)	**18,669,000**	7,605,244	**(11,063,756)**	
Other receipts	78,449,000	42,491,000	**120,940,000**	93,458,560	**(27,481,440)**	
	1,015,932,000	**3,190,000**	**1,019,122,000**	**819,978,119**	**(199,143,881)**	
Payments						
Employee costs	(265,298,000)	(13,480,000)	**(278,778,000)**	(258,355,717)	**20,422,283**	
Suppliers	(402,282,000)	(78,102,000)	**(480,384,000)**	(371,635,640)	**108,748,360**	
Interest	(18,685,000)	(1,919,000)	**(20,604,000)**	(4,535,205)	**16,068,795**	
Other payments	-	953,000	**953,000**	(558,009)	**(1,511,009)**	
	(686,265,000)	**(92,548,000)**	**(778,813,000)**	**(635,084,571)**	**143,728,429**	
Net cash flows from operating activities	**329,667,000**	**(89,358,000)**	**240,309,000**	**184,893,548**	**(55,415,452)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(224,094,000)	(81,394,000)	**(305,488,000)**	(145,590,076)	**159,897,924**	
Proceeds from sale of property, plant and equipment	-	-	-	1,526,423	**1,526,423**	
Purchase of investment property	-	-	-	(4,576,128)	**(4,576,128)**	
Net cash flows from investing activities	**(224,094,000)**	**(81,394,000)**	**(305,488,000)**	**(148,639,781)**	**156,848,219**	
Cash flows from financing activities						
Movement in other liability 1	(20,524,373)	20,524,373	-	(19,756,423)	**(19,756,423)**	
Finance lease payments	9,422,000	(9,422,000)	-	(10,862,789)	**(10,862,789)**	
Net cash flows from financing activities	**(11,102,373)**	**11,102,373**	-	**(30,619,212)**	**(30,619,212)**	
Net increase/(decrease) in cash and cash equivalents	94,470,627	(159,649,627)	**(65,179,000)**	5,634,555	**70,813,555**	
Cash and cash equivalents at the beginning of the year	91,267,000	-	**91,267,000**	60,652,863	**(30,614,137)**	
Cash and cash equivalents at the end of the year	**185,737,627**	**(159,649,627)**	**26,088,000**	**66,287,418**	**40,199,418**	

Reconciliation

Refer to note 64 for Budget comparison narrations.

Significant Accounting Policies

Figures in Rand	Note(s)	2025	2024

1. Significant accounting polices

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

1.1 Basis of preparation

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.

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

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

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

1.5 Significant judgements and estimates

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:

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

Significant Accounting Policies

1.5 Significant judgements and estimates (continued)

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 municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The calculation of impairment of receivables is based on debtors over 90 days. If individual debtors have a debt outstanding for over 90 days, the debtor is considered to be impaired and the impairment is determined according to Credit Control and Debt Collection Policy of the council.

Fair value estimation

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

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flow. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

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 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 on our estimations and may then require a material adjustment to the carrying value of assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of assets are inherently uncertain and could materially change over time. They are significantly affected by economic factors such as exchange rates and inflation interest together with entity specific factors such as production and the demand for certain services.
The recoverable amounts of individual assets have been determined on the higher of value in use calculation and fair values less cost to sell

Provisions

Provisions were raised and management determined an estimate based on the information available.

Useful lives of infrastructure assets and other assets

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

Significant Accounting Policies

1.5 Significant judgements and estimates (continued)

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 10.

Effective interest rate

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

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Recognition and Derecognition of Land

In some instances, the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land are included in the note to the financial statement

In some instances, the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land. Key judgements made and assumptions applied to conclude that it does not control such land are included in the note to financial statement

Additional information is disclosed in Note 4.

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied are disclosed in the note to the financial statement

Additional information is disclosed in Note 59.

Impairment of statutory receivables

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

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

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

Significant Accounting Policies

1.5 Significant judgements and estimates (continued)

Accounting for adjustments to revenue

Determining whether an adjustment to revenue charged in terms of legislation or similar means is a correction of an error or a change in an accounting estimate requires the application of judgement by management. When adjustments to revenue already recognized arise from new information that becomes known to the municipality, the following considerations are applied to determine whether the adjustment to revenue already recognised is a correction of an error or a change in an accounting estimate:

(a) If information becomes known to the municipality, and the municipality could reasonably have been expected to know of the information and/or the information used was incorrect, the adjustment to revenue is likely to be a correction of an error.

(b) If information becomes known to the municipality, but the municipality could not reasonably have been expected to know of this information when the revenue was charged, the adjustment to revenue is likely to be a change in an accounting estimate.

Materiality

Applying materiality is pervasive to the preparation of financial statements. Materiality is a key consideration in deciding how to apply the Standards of GRAP when preparing financial statements. Information is material if its omission or misstatement has the potential to influence the decisions of users or affect the discharge of accountability by the entity.

Applying materiality in the preparation of annual financial statements requires the entity to make key assessments and decisions. Key assessments and decisions made in considering materiality, are as follows:

- Identification of users and their information needs
- Assessing information based on nature and size, by developing qualitative considerations and quantitative thresholds
- Application of materiality in preparing the financial statements:
  - Developing accounting policies
  - Deciding what information to disclose
  - Deciding how to present information
  - Assessing omissions, misstatements and errors

The assessments and decisions are considered throughout the financial reporting cycle, and not only when annual financial statements are prepared.

Change in accounting estimates

Changes in estimates are prospectively accounted for, and disclosure note is made in the annual financial statement.

Offsetting

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

Trade payables from exchange transactions

Significant Accounting Policies

1.5 Significant judgements and estimates (continued)

Trade and other payables
Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost.

Payments received in advance
Payments received in advance are recorded as a current liability in the Statement of Financial Position until the revenue recognition criteria are met. The liability is initially measured at the fair value of the consideration received.

Retention
When the employer withholds retention money from a payment to the contractor, they recognize this amount as a Retainage Payable (a liability) on their statement of financial position. This represents the obligation to pay the contractor at a later date, once the contract terms (like rectifying defects) are met.

Accrued leave Pay
The leave pay provision is based on actual days accrued at the rate of remuneration at the reporting date. Changes in the rate of remuneration are determined annually and are effective from the first day of the financial year.

Uknown Deposits
The amount is initially treated as a liability because the entity has a present obligation to either return the money or apply it against a future obligation of the depositor. Only when it becomes highly probable that the money will not be claimed can it be recognized as revenue.

VAT Payable
Accrual basis: VAT is recognized as a liability on the transaction date, regardless of payment status.
Payments basis: VAT is recognized as a liability when payment is made or received

1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

Significant Accounting Policies

1.6 Investment property (continued)

Subsequent measurement -fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determined but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable, or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Derecognition of investment property

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.

1.7 Property, Plant and Equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Initial Measurement

Property, Plant and Equipment is initially measured at cost.

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

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

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

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

Significant Accounting Policies

1.7 Property, Plant and Equipment (continued)

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

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

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

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

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

Subsequent Measurement

Property, Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses except for Land which is carried at cost and is not depreciated as it is deemed to have indefinite useful life.

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	25-30
Mobile Home	Straight-line	5-10
Caravans	Straight-line	5-10
Residence	Straight-line	25-30
Smart Meter	Straight-line	20-25
Specialised Plant and Equipment	Straight-line	10-15
Furniture and Fixtures	Straight-line	5-10
Motor Vehicles	Straight-line	5-8
Office Equipments	Straight-line	3-5
Other Property Plant and Equipment	Straight-line	10-15
Park facilities	Straight-line	25-30
Specialised Vehicles	Straight-line	10-15
Kerb and Channel	Straight-line	40-50
Municipal roads and Asphalt	Straight-line	10-20
Gravel Surface	Straight-line	3-10
Library Books	Straight-line	5-15
Bins and containers	Straight-line	5-8
Landfill site Building	Straight-line	30-50
Weighbridge	Straight-line	15-40
Site -Landfill site	Straight-line	10-25
Waste Water Pump Station	Straight-line	30-55
Water Pump Station	Straight-line	30-50
Water Reservoirs	Straight-line	30-50
Water Supply/Reticulation	Straight-line	20-50
Electricity Lines-Underground	Straight-line	25-45
Electricity Lines-Overheads	Straight-line	20-30

Significant Accounting Policies

1.7 Property, Plant and Equipment (continued)

Electrical Substation-Switchgear	Straight-line	20-30
Footpaths	Straight-line	15-30
Street-light	Straight-line	25-30
Traffic-light	Straight-line	14-20
Work in Progress	N/A	N/A

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.

Derecognition

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

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

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

Work in Progress

Work in progress refers to all property plant and equipment that are still under construction and are not in a position to be used by management in the process of rendering services.

Subsequent measurement

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use. Work in progress that are taking significant period to be completed and halted projects are assessed for impairment annually and carried at cost less impairment losses.

Transfer out of work in progress and derecognition

Completed projects are transferred from work in progress into property plant and equipment. Projects that are constructed on behalf of third parties are expensed in the statement of financial performance as transfer of infrastructure assets.

Significant Accounting Policies

1.8 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:
- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured using the revaluation model:
- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.9 Intangible Assets

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

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

Initial recognition and Measurement

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.

1.9 Intangible Assets (continued)

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

Subsequent Measurement

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer Software and Other	Straight-line	5-8

The municipality discloses relevant information relating to computer software, in the notes to the financial statements (see note 5).

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

1.10 Heritage assets

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

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

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

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

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

Significant Accounting Policies

1.10 Heritage assets (continued)

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

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

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

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

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

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

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

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

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

The municipality discloses relevant information relating to heritage assets, in the notes to the financial statements (see note 6).

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

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

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

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.

Significant Accounting Policies

1.10 Heritage assets (continued)

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.

1.11 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 uncollectability.

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

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

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

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;
- a residual interest of another entity; or

Significant Accounting Policies

1.11 Financial instruments (continued)

- 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 favorable to the entity.

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

A 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 unfavorable to the entity.

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

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- combined instruments that are designated at fair value;

Significant Accounting Policies

1.11 Financial instruments (continued)

- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Significant Accounting Policies

1.11 Financial instruments (continued)

Classification

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

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

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

Class	Category
Finance lease obligation	Financial liability measured at amortised cost
Long term trade and other payables fromexchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Trade payables	Financial liability measured at amortised cost
Retention	Financial liability measured at amortised cost
Accrual Output VAT	Financial liability measured at amortised cost

1.11 Financial instruments (continued)

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities.

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

The entity measures a financial asset and financial liability initially at its fair value (If subsequently measured at fair value).

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Fair value measurement considerations

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

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

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 uncollectible of financial assets

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

Financial assets measured at amortised cost:

Significant Accounting Policies

1.11 Financial instruments (continued)

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

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 the 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 entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
the contractual rights to the cash flows from the financial asset expires, are settled or waived
the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
the entity, 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 entity:

-derecognise the asset; and
-recognise separately any rights and obligations created or retained in the transfer

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

If the entity 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 entity 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 entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity 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 entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any

Significant Accounting Policies

1.11 Financial instruments (continued)
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 entity 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.

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

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

Presentation

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

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

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.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.12 Statutory receivables

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Derecognition

Significant Accounting Policies

1.12 Statutory receivables (continued)

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

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

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

1.13 Indirect taxes

Accrual input VAT

Accrual input VAT for current and prior periods is, to the extent not claimed from SARS, recognised as an assets .Once the payment is made the amount will be transferred to statutory VAT receivable and claim input VAT from SARS.

Accrual output VAT
Accrual output VAT for current and prior periods is, to the extent payment was not received from clients, recognised as a liability .Once the payment is received the amount will be transferred to statutory VAT payables and declared to SARS.

Statutory VAT receivables

- The Municipality is registered under category C of VAT and therefore processes VAT returns on Monthly basis. The returns are processed on cash basis in terms of section 15 of the VAT act (Act 89 of 1991).The amount due from SARS on cash basis is accounted as statutory receivables and it is not offset against accrual input VAT or accrual output VAT.

1.14 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.

Significant Accounting Policies

1.14 Leases (continued)

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.15 Inventories

Inventory consist of raw materials, work in progress, consumables and finished goods, which are valued at the lower of cost, determined on the first in first out basis, and net realisable value, except for items which are valued at the tariffs charged. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value.

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

Redundant and slow-moving inventory are identified and written down to their estimated net realisable values estimated by management. Inventories are written down according to their age, condition and utility. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventory arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventory recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventory is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

Water Inventory

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

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

Estimates of system input were considered and implemented in accounting for water inventory from boreholes as it was impractical in the year under review because water meters were installed late inot the financial year.

Initial Measurement
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.

Significant Accounting Policies

1.15 Inventories (continued)

Subsequent Measurement

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

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

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

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

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

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

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

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

1.16 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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

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

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

Subsequent Measurement

Cash and cash equivalent are carried at amortised cost.

1.17 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).

1.17 Accrual Input VAT (continued)

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

A cash-generating unit is the smallest identifiable group of assets 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.

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

Designation

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

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

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

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

Identification

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

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

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

Significant Accounting Policies

1.17 Accrual Input VAT (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:

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

1.18 Employee benefits

Short- term employee benefits

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

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

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

1.18 Employee benefits (continued)

Other post-retirement obligations

The entity 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 entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.19 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.

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

Significant Accounting Policies

1.19 Provisions and contingencies (continued)

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 as it is not probable that there will be an outflow of future economic benefits. Contingencies are disclosed in note 48.

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.

Significant Accounting Policies

1.19 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity will consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy and 1.17.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.20 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

Significant Accounting Policies

1.21 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.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read.

These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariffs to occupied properties. The tariffs are determined per category of property and levied on fixed basis per month.

The service charges for sewerage are billed monthly based on the type of property category and the number of sewer connections on the developed properties using the approved tariffs.

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

Pre-paid Electricity – exchange revenue

Revenue from the sale of prepaid electricity is recognised at the point of sale. The revenue from the sale of prepaid electricity is recognised on the prepaid electricity consumed as at the reporting date.

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.

Interest

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.

Significant Accounting Policies

1.21 Revenue from exchange transactions (continued)

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 Fee

When the outcome of a transaction involving the rendering of services on behalf of the principal can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Only consideration due to the agent is recognised and revenue from agency fee and the amount collected on behalf of the principal is recognised as a liability

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

Significant Accounting Policies

1.22 Revenue from Non-Exchange Transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

Significant Accounting Policies

1.22 Revenue from Non-Exchange Transactions (continued)

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.

Rates and taxes

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

Transfers - Conditional and Unconditional Grants

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.

Conditional grants

Conditional grants are recognised as revenue to the extent that the Municipality has complied with any of the criteria or obligations embodied and agreement.

Unconditional grants

Unconditional grant are recognised in revenue on quarterly basis.

Debt forgiveness and assumption of liabilities

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

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

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.

Significant Accounting Policies

1.22 Revenue from Non-Exchange Transactions (continued)

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

Subsequent Measurement

The municipality assess the collectability of revenue and recognize separate impairment loss when appropriate.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guaranteed contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.23 Investment income

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

1.24 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.

1.25 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Significant Accounting Policies

1.25 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

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

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:
- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

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

Recognition

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

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

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

1.26 Comparative Figures

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

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

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

Significant Accounting Policies

1.27 Expenditure

1.27.1 Expenditure- Interest cost

Interest costs are recognized as an expense in the period in which they are incurred.

1.27.2 Expenditure – Operation Cost

An operating expense is a day-to-day expense such as sales and administration, or research & development, accounting expenses, license fees, advertising, office expenses, utilities, such as telephone, insurance, property management, travel and vehicle expenses.

1.27.3 Expenditure – Contracted Services

This expenditure type distinguishes between Outsourced services, Contractors and Professional and Special Services.

1.27.4 Expenditure – Inventory Consumed

The amount of inventories recognized as an expense during the period. GRAP 12.45(d). The amount of inventories recognized as an expense during the period, which is often referred to as cost of sales, consists of those costs previously included in the measurement of inventory that has now been sold, exchanged or distributed, and unallocated production overheads and abnormal amounts of production cost of inventories. (Grap 12.47).

1.28 Unauthorised Expenditure

Unauthorised expenditure means:

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

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

All expenditure relating to unauthorised expenditure is recognised as an expenditure in the statement of financial performance in the year that the expenditure is incurred, and when it is recovered it is accounted for as revenue in the statement of financial performance.

1.29 Fruitless and wasteful expenditure

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

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expenditure in the statement of financial performance in the year that the expenditure is incurred, and when it is recovered it is accounted for as revenue in the statement of financial performance.

1.30 Irregular expenditure

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

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

All expenditure relating to irregular expenditure is recognised as an expenditure in the statement of financial performance in the year that the expenditure is incurred, and when it is recovered it is accounted for as revenue in the statement of financial performance.

Significant Accounting Policies

1.31 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

1.32 Research and development expenditure

Expenditure on research is recognised as an expense when it is incurred.

An asset arising from development is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

1.33 Budget information

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

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

The approved budget is prepared on an accrual basis and presented by functional 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. All Variances of above 10% between the budged and the actual figures are explained in the financial statement as they are considered to be significant

Significant Accounting Policies

1.34 Related parties and related parties transactions

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises of Councillors, Mayor, Mayoral Executive Committee members, Municipal Manager, Directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

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.
Only transactions that are not at arm's length or in the ordinary course of business of the municipality are disclosed.

1.35 Events after reporting date

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

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

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

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

1.36 Collateral held

Collateral held includes financial assets, non-financial assets and other forms of collateral such as guarantees or encumbrances over assets.

The entity recognises assets relating to collateral held if it meets the recognition criteria in other accounting policies.

The entity discloses the nature and amounts of collateral recognised or held, in the notes of the financial statements.

1.37 Non-living resources

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

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

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

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.

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

Significant Accounting Policies

1.37 Non-living resources (continued)

The residual value of an asset is the estimated amount that the municipality would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

Useful life is the period over which an asset is expected to be available for use by the municipality, or the number of production or similar units expected to be obtained from the asset by the municipality.

Recognition

Non-living resources, other than land, are not recognised as assets. Required information are disclosed in the notes to the annual financial statements.

Derecognition

The carrying amount of a living resource is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a living resource is included in surplus or deficit when the item is derecognised.

1.38 Consumer deposits

Initial Measurement and Recognition

The deposit is recognised when the consumer account is opened and payment is made to the Municipality as a deposit in terms of the approved tariffs of the council. Builders deposit is recognised on receipt of money from owners of the properties (ERFs) for construction or development .Deposits are recognised as liability in the financial statements

Subsequent Measurement

The deposits can be increased on the account when the consumer applies for an additional service, and the amount will be recognised as liability. The deposit received is recorded in the account for consumer deposits and it is kept at the original amount received

Derecognition Criteria

The deposits get appropriated to the consumer account when the service account is finally terminated. The builders deposit is refundable when the construction is completed without contravention of any relevant legislation.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

2.2 Standards and Interpretations early adopted

The municipality did not choose to early adopt any standards and interpretations.

2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2025 or later periods:

Standards adopted :	Effective date:	Expected impact
1.Amendment to GRAP 01	to be determined by minister of finance	The impact not material
2 Amendment to GRAP 103	to be determined by minister of finance	The impact not material
3. Amendment to GRAP 104	1 April 2025	The impact not material
4.Amendment to IGRAP 22	to be determined by minister of finance	The impact not material
5.Guideline-Materiality	Not authoritative	The impact not material

2.4 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2025, or later periods but are not relevant to its operations:

Standards adopted :	Effective date:	Expected impact
1. Amendment to GRAP 105	to be determined by minister of finance	No impact
2. Amendment to GRAP 106	to be determined by minister of finance	No impact
3. Amendment to GRAP 107	to be determined by minister of finance	No impact

Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Fair value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Fair value
Investment property	23,499,537	-	23,499,537	17,870,867	-	17,870,867

Reconciliation of investment property - 2025

	Opening balance	Additions	Transfers received	Fair value adjustments	Total
Investment property	17,870,867	4,566,537	450,000	612,133	23,499,537

Reconciliation of investment property - 2024

	Opening balance	Fair value adjustments	Total
Investment property	16,720,000	1,150,867	17,870,867

Pledged as security

Assets under investment property were not pledged as security:

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.

3. Investment property (continued)

Manna Holdings (PTY) Ltd conducted the valuation of the land as at 30 june 2025. They were appointed as independent egistered professional valuers. The work was performed by Mr. C. Rangata, who is registered with the South African Council Valuers Profession: registration number : 8318

The Municipality does not incur any operating expenditure (including repairs and maintenance) on investment property.

There are no contractual commitments to purchase, construct or develop investment property.

Notes to the Annual Financial Statements

Figures in Rand

4. 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	59,777,751	-	59,777,751	60,227,751	-	60,227,751
Buildings	27,479,043	(18,910,345)	8,568,698	27,479,042	(17,982,121)	9,496,921
Infrastructure	2,141,553,486	(1,123,699,104)	1,017,854,382	2,009,574,473	(1,048,033,851)	961,540,622
Community	109,238,401	(45,796,534)	63,441,867	105,583,755	(41,935,363)	63,648,392
Other property, plant and equipment	149,824,386	(83,670,795)	66,153,591	150,063,455	(78,236,131)	71,827,324
Work in progress	264,817,585	-	264,817,585	233,652,010	-	233,652,010
Smart meters	55,154,625	(23,471,635)	31,682,990	51,928,118	(18,176,225)	33,751,893
Total	**2,807,845,277**	**(1,295,548,413)**	**1,512,296,864**	**2,638,508,604**	**(1,204,363,691)**	**1,434,144,913**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, Plant and Equipment (continued)

Reconciliation of Property, Plant and Equipment - 2025

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	60,227,751	-	-	-	(450,000)	-	-	-	59,777,751
Buildings	9,496,921	-	-	-	-	-	(928,223)	-	8,568,698
Infrastructure	961,540,622	17,503,775	-	114,417,992	-	-	(70,020,398)	(5,587,609)	1,017,854,382
Community	63,648,392	-	-	-	-	3,647,484	(3,759,034)	(94,975)	63,441,867
Other property, plant and equipment	71,827,324	7,667,864	(1,526,427)	-	-	-	(11,574,480)	(240,690)	66,153,591
Work in Progress	233,652,010	146,655,423	-	-	(114,417,993)	-	-	(1,071,855)	264,817,585
Smart Meters	33,751,893	582,784	-	-	-	-	(2,452,809)	(198,878)	31,682,990
	1,434,144,913	**172,409,846**	**(1,526,427)**	**114,417,992**	**(114,867,993)**	**3,647,484**	**(88,734,944)**	**(7,194,007)**	**1,512,296,864**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, Plant and Equipment (continued)

Reconciliation of Property, Plant and Equipment - 2024

	Opening balance	Additions	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	60,227,751	-	-	-	-	-	-	60,227,751
Buildings	9,438,864	962,300	-	-	-	(904,243)	-	9,496,921
Infrastructure	1,020,026,009	2,229,034	11,112,375	-	-	(68,065,523)	(3,761,273)	961,540,622
Community	67,561,777	-	1,690,824	-	(1,294,385)	(3,902,661)	(407,163)	63,648,392
Other property, plant and equipment	40,009,622	39,564,316	-	-	-	(7,192,482)	(554,132)	71,827,324
Work In Progress	170,321,574	79,231,275	-	(14,180,865)	-	-	(1,719,974)	233,652,010
Smart Meters	29,994,529	10,866,530	-	-	-	(2,406,876)	(4,702,290)	33,751,893
	1,397,580,126	**132,853,455**	**12,803,199**	**(14,180,865)**	**(1,294,385)**	**(82,471,785)**	**(11,144,832)**	**1,434,144,913**

Other Property Plant and Equipment -2024	Opening	Additions	Depreciation	Impairment	Disposal	Closing
Furniture and fittings	829,214	1,137,691	(241,327)	(145)	-	1,725,433
Office equipment	3,329,315	362,244	(1,046,828)	(5,354)	-	2,639,522
Computer equipment	3,692,833	555,231	(554,663)	(29,328)	-	3,664,072
Plant and equipment	2,537,096	600,767	(486,703)	(257)	-	2,650,903
Motor Vehicles	27,288,017	36,731,510	(4,585,099)	(430,192)	-	59,004,236
Library books	82,458	-	(15,764)	-	-	66,694
Bins and Containers	2,292,258	176,873	(383,547)	(37,516)	-	2,048,068
	40,051,191	**39,564,316**	**(7,313,931)**	**(502,792)**	**-**	**71,798,928**

Other Property Plant and Equipment-2025	Opening balance	Additions	Depreciation	Impairment	Disposal	Closing balance
Furniture and Fittings	1,788,836	-	(291,838)	(4,572)	-	1,492,427
Office Equipment	2,638,356	229,153	(1,030,941)	(3,944)	-	1,832,623
Computer Equipment	3,694,560	1,287,888	(646,558)	(14,300)	-	4,321,590
Plant and Equipment	2,666,560	940,218	(576,384)	(99,080)	-	2,931,313
Motor Vehicles	59,004,236	3,710,607	(8,559,883)	(118,794)	(1,526,423)	52,509,892
Library Books	66,694	-	(14,745)	-	-	51,949
Bins and Containers	2,048,068	1,500,000	(454,131)	-	-	3,093,938

Notes to the Annual Financial Statements

Figures in Rand

4. Property, Plant and Equipment (continued)

	71,907,310	7,667,866	(11,574,480)	(240,690)	(1,526,423)	66,233,732

Notes to the Annual Financial Statements

Figures in Rand

4. Property, Plant and Equipment (continued)

Assets Not Verified or Accessible

During the asset verification process, certain items of property, plant and equipment with a carrying amount of R2 395 766 (2024: R3 017 326) could not be physically verified. These assets remain recorded in the municipality's asset register and financial records, as management believes the municipality continues to hold rights to these assets.

Management has instituted processes to confirm the existence and location of these assets, including physical follow-ups and reconciliation with departmental usage records.

No impairment has been recognised at year-end, as management is of the view that the municipality will ultimately recover the service potential of these assets. The matter will continue to be monitored and reassessed at subsequent reporting dates in line
with GRAP 21 (Impairment of Non-cash-generating Assets) and GRAP 26 (Impairment of Cash-generating Assets).

Assets Previously Not Verified and Remedial Action

In the prior financial year, certain items of property, plant and equipment with a carrying amount of R3 017 326 were not physically verified during the asset verification process. These assets remained recognised in the asset register and financial statements, as the municipality held evidence of ownership and service potential.

During the current financial year, management undertook remedial actions to address this matter. The actions included: Conducting targeted physical verifications across all departments;

Reconciling departmental usage records and historical registers with the asset register;

Implementing improved asset tracking and tagging procedures; and

As a result of these remedial actions:

Assets with a carrying amount of R2 176 176,17 were successfully located and physically verified during the year;

Assets with a carrying amount of R841 149,80 remain unverified at year-end, and further investigations are ongoing.

The municipality continues to monitor and assess these assets for possible impairment in terms of GRAP 21 and GRAP 26. Management is of the view that adequate measures have been implemented to ensure continuous improvement of asset management controls going forward.

Depreciation on some of these assets was not calculated for the current financial year, due to the timing of their re-identification. The omission will be corrected prospectively in the subsequent financial year, with depreciation calculated from the beginning of the next reporting period in accordance with GRAP 3 (Accounting Policies, Changes in Accounting Estimates and Errors). Estimated omission is R385 458.

4. Property, Plant and Equipment (continued)

Pledged as security

No property plant and equipment was pledged as a security for loan, and all assets are not restricted for used in the process of rendering services

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Total
Opening balance	233,840,019	-	233,840,019
Additions/capital expenditure	137,956,712	8,298,644	146,255,356
Impairment	(1,071,855)	-	(1,071,855)
Transferred to completed items	(114,417,994)	-	(114,417,994)
	256,306,882	**8,298,644**	**264,605,526**

4. Property, Plant and Equipment (continued)

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	177,652,835	1,395,930	179,048,765
Additions/capital expenditure	78,936,381	294,894	79,231,275
Impairment	(1,778,579)	-	(1,778,579)
Transferred to completed items	(9,408,630)	(1,690,824)	(11,099,454)
	245,402,007	**-**	**245,402,007**

The following is a list, reasons and carrying values of Projects that took significantly longer than expected. The amount shown below are cost less accumulated impairment.

Construction of strong room	5,916,424	5,537,192
Construction of Thabo Mbeki Sewer Phase 1	37,021,216	37,456,435
Construction of Thabo Mbeki Sewer Phase 2	26,950,228	26,586,160
Construction of 2 Transfer Stations	8,171,137	8,171,137
Mmaletswai Water System Network Refurbishment	4,256,010	10,819,088
Marapong Bulk Water Supply	34,825,617	34,940,617
Mokuruanyane-Shongoane RWS Phase 5	21,043,852	13,181,717
Seleka-Witport RWS Phase 5	8,744,910	8,874,910
16 High mast in various villages	7,326,527	-
Augmentation of water supply phase 6	31,126,256	-
2x3ML Steel Reservoirs in Marapong	9,323,192	3,578,491
27 High mast in various villages	14,606,764	-
Refurbishment of sewer pumps and replacement of sewer pipes	17,415,630	-
	226,727,763	**149,145,747**

Construction of Strongroom
The Project entails the building works for the strongroom. The consulting firm did not have capacity to proceed with the project after the passing of the director. The project has now been resuscitated and construction is on progress. The deposit amount has been paid. The lift has been delivered and waiting to be installed once the electrical cable is installed. The project is expected to be completed by end of September 2025.

Construction of Thabo Mbeki Sewer
The project entails the construction of the main sewer pumpstation , maturation ponds and installation of sewer pipeline .The contractor encountered delays in completing the project due to delay in electrification by Eskom. Contractor (Mabule Rail JV Amawakawaka Project) terminated and a new contractor (Rapidus/ MJ Mthombeni JV) was appointed to complete the outstanding works.

Figures in Rand	2025	2024

4. Property, Plant and Equipment (continued)

Construction of 2 X Transfer Stations
The project has stalled to allow the litigation process between the municipality and the consultant who was supervising the project. The Municipality has since won the case and MISA is currently conducting technical assessment before the Municipality can commence with the project. The Municipality is having regular meetings with the new MISA project manager for updates.

Mmaletswai Water system Network Refurbishment
The water pump station at Seleka 4 has been vandalized and therefore has delayed the completion of the project.

Marapong Bulk Water Supply
The project has stalled due to the termination of a contract between Municipality and the contractor. The project is included in the implementation plan for 2024/25 FY. The new contractor has been appointed in January 2025 but not yet on site due to awaiting of CPA approval by DWS.

Mokuruanyane Shongoane RWS Phase 5
The project has stalled due to the shortfall of funding. The costing was revised from the remaining budget of R 2.3 million to R10.2 million in line with MISA report. The budget of R8 million is allocated in 2024/25 financial year.

Seleka Witpoort RWS Phase 5
MIG funder has requested an updated technical report as the previous one is outdated. The Municipality is currently in the process of terminating the contractor as they requested to be recused from the project. The Municipality will continue with the process of procurement after approval of the technical report.

16 Highmast in various villages
16 High mast lights were installed. Awaiting ESKOM to energize. The Municipality is having regular meetings with ESKOM to fasttrack the process.

Augmentation of water supply phase 6
Awaiting ESKOM to energize the outstanding 4 boreholes and the package plant. The Municipality is having regular meetings with ESKOM to fasttrack the process.

2x3ML Steel Reservoirs in Marapong
The contractor is on site. Material for 1x3ML steel reservoir has been procured and is onsite. The contractor is currently installing the ring beam.

27 High mast in various villages
27 High mast lights were installed, Awaiting ESKOM to energize. The Municipality is having regular meetings with ESKOM to fasttrack the process.

Refurbishment of sewer pumps and replacement of sewer pipes
The contractor is on site. Pipe cracking works are expected to be completed by end of November 2025.

Details of accumulated impairment loss on per stalled projects

	2025	2024
Construction of Thabo Mbeki Sewer Phase 1	435,219	757,900
Construction of 2 Transfer Station	-	106,884
Seleka 4 Water System Network Refurbishment	92,135	633,763
Mokuruanyane-Shongoane RWS Phase 5	-	2,553,948
Seleka Witpoort-RWS Phase 5	130,000	465,692
Construction of Strong Room	299,500	-
Construction of Marapong Bulk Water	115,000	-
	1,071,854	**4,518,187**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

4. Property, Plant and Equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Infrastructure	12,873,385	16,129,715
Vehicles	2,285,820	2,573,042
Buildings	585,320	207,368
	15,744,525	**18,910,125**

Land Recognition and derecognition

In the year under review Municipality did not lose control of land.

The Municipality holds legal title to a parcel of land, registered under title deed number Onverwacht 503 LQ GED7, with a carrying amount of R 1 000 000.00 as at 30 June 2025.

The Municipality does not currently have physical access to the land, as it is occupied by third parties without authorisation. Legal proceedings are ongoing to regain possession of the property. Until the matter is resolved, the Municipality is unable to utilise the land for its intended service delivery purposes.

The land remains recognised in the Statement of Financial Position, in line with the requirements of iGRAP 18 Recognition and Derecognition of Land, as the Municipality retains legal ownership.

Notes to the Annual Financial Statements

Figures in Rand

5. Intangible Assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	5,659,488	(5,503,999)	155,489	5,659,488	(5,236,406)	423,082

Reconciliation of intangible assets - 2025

	Opening balance	Amortisation	Total
Computer software, other	423,082	(267,593)	155,489

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software, other	1,816,053	(1,392,971)	423,082

Notes to the Annual Financial Statements

Figures in Rand

6. Heritage asset

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral Chain	77,000	-	77,000	77,000	-	77,000

Reconciliation of heritage asset 2025

	Opening balance	Total
Mayoral Chain	77,000	77,000

Reconciliation of heritage asset 2024

	Opening balance	Total
Mayoral Chain	77,000	77,000

Age and/or condition of heritage asset

No contractual commitments for acquisition, maintenance and restoration of heritage asset. The heritage asset is still in good condition.

Heritage asset borrowed from other entities

No heritage assets borrowed from other entities.

Restrictions on heritage asset

The are no restrictions on heritage asset owned by Municipality

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Heritage asset (continued)

Pledged as security

No Heritage asset were pledged as security for debt

7. Sundry Receivables

Designated at fair value		
Eskom Deposits	59,740	59,740
Accrued income receivables -Prepaid electricity	431,398	1,296,154
Medical aid Overpayment	431,493	-
Terms and conditions		
Deposit paid to suppliers	-	678,732
	922,631	**2,034,626**

The Municipality made over payment on medical aid contributions for employees by R117 960.

Current assets		
Carrying Value	922,901	2,034,626

8. Payables from exchange transactions

Trade payables	40,938,724	58,045,625
Payments received in advance	28,756,973	29,441,982
Retention	38,252,930	32,297,678
Accrued leave pay	19,033,229	18,209,914
Unknown Deposits	6,575,136	4,460,656
Accrued Bonus	5,232,932	5,030,640
VAT Payable	5,418,047	4,968,542
	144,207,971	**152,455,037**

VAT Payable

	(5,418,047)	**(4,968,542)**
Output VAT Accrual	(45,067,699)	(34,994,023)
Provision for doubtful debts impairment	39,649,652	30,025,481

9. Consumer deposits

Water and Electricity	10,196,763	10,196,763
Other Deposits	3,046,815	1,815,128
	13,243,578	**12,011,891**

Consumer deposit balance at year end was cash backed

Figures in Rand	2025	2024

10. Defined benefit obligations

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

Carrying value		
Long Service Awards	(17,606,000)	(14,726,000)
Ex-gratia and Post-employment medical aid benefit liability	(78,166,000)	(72,323,000)
	(95,772,000)	**(87,049,000)**

Non-current liabilities	(89,944,000)	(82,552,000)
Current liabilities	(5,828,000)	(4,497,000)
	(95,772,000)	**(87,049,000)**

Changes in the present value of the defined benefit obligation: Long service Award

Opening balance	14,652,736	13,727,000
Current Service cost	(1,191,000)	(1,105,000)
Interest cost	(1,776,000)	(1,781,000)
Benefits paid	3,087,391	2,849,368
Actuarial gain/ (losses)	3,000,391	962,368
	17,773,518	**14,652,736**

Changes in the present value of the defined benefit obligation: Ex-gratia and Post medical aid

Opening balance	72,323,000	66,251,000
Current service cost	3,099,000	3,033,000
interest	8,910,000	8,588,000
Benefits paid	(2,508,075)	(2,319,487)
Actuarial gain/ (losses)	(3,657,925)	(3,229,513)
	78,166,000	**72,323,000**

Calculation of actuarial gains and losses

Actuarial gains /(losses)– Obligation	(2,033,534)	(2,268,145)

Post-employment Medical Aid and Ex-gratia Liabilities
The expected value of each employee and their spouse's future medical aid subsidies and ex-gratia benefits is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the present date of valuation (calculation). We also allowed for mortality, retirements and withdrawals from service as set out below. The accrued liability is determined on the basis that each employee's medical aid or ex-gratia benefit accrues uniformly over the working life of an employee up until retirement. Further it is assumed that the current policy for awarding medical aid subsidies and ex-gratia benefits remains unchanged in the future. We assumed that 100% of all active members on medical aid will remain on medical aid once they retire. We also assumed that all active members will remain on the same medical aid option at retirement.

Long service awards
Under the plan, a long service award is payable to employees at 5 years of continuous service, thereafter for every 5 year of continuous service from 5 years up to 45 years of service. The calculation is an estimate based on actuarial assumptions and on historical staff turnover. The actuarial valuation was carried out by ZAQ Consultants and Actuaries as at 30 June 2025. The actuary responsible was Julian Werner Van Der Spuy, a fellow of the Actuarial Society of South Africa. The projected unit credit funding method was used to determine the past-service liabilities at valuation date and the projected annual expense in the year following the valuation date. Long service benefits are awarded in the form of a number of leave days, once an employee has completed a certain number of years in service. The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable.

10. Defined benefit obligations (continued)

Key Assumptions

Assumptions used at the reporting date

Assumptions used at the reporting date: Discount rate used - Yield curve

Net effective discount rate - Yield curve based

CPI - Difference between the nominal and real yield curve

Normal salary increase rate - CPI +1%

Average retirement age - 65

The employees have the option to belong to a Medical Aid. The Municipality has taken a decision to contribute to medical aid of employees after retirement until their death.

Principal actuarial assumptions of valuation model used	2025	2024
Yield Curve Health Care cost inflation rate	CPI + 1	CPI + 1
Discount rate	Yield Curve	Yield Curve

Discount Rate
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

In addition to the normal salary inflation rate, the following promotional salary increases were assumed:

Age Band Promotional	Increase
20 - 24	5%
25 - 29	4%
30 - 34	3%
35 - 39	2%
40 - 44	1%
45 and over	0%

Normal Retirement
The normal retirement age (NRA) for all active employees assumed to be 65

Mortality Rates
Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

Valuation of Assets
As at the valuation date, the long service leave award liability of the Municipality was unfunded, i.e., no dedicated assets have been set aside to meet this liability. We therefore did not value any assets as part of our valuation.

Figures in Rand	2025	2024

10. Defined benefit obligations (continued)

Sensitivity Analysis

Long Service Awards
The valuation is only an estimate of the cost of providing Long service leave award benefits. The actual cost to the Municipality will be dependent on actual future levels of assumed variables and the demographic profile of the membership.
In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

-
20% increase/decrease in the assumed level of withdrawal rates;
-
1% increase/decrease in the Normal Salary cost inflation
-
1% increase/decrease in the discount rate
-
1 year decrease in the average retirement age

Withdrawal rate
Deviations from the assumed level of withdrawal experience of the eligible employees will have a large impact on the actual cost to the Municipality. If the actual rate of withdrawal turns out to be higher than the rates assumed in the valuation basis, then the cost to the Municipality in the form of benefits will reduce and vice versa.

Permal and Excratia
The valuation is only an estimate of the cost of providing post-employment medical aid and ex-gratia benefits. The actual cost to the Municipality will be dependent on actual future levels of assumed variables.
In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

-
20% increase/decrease in the assumed level of mortality;
-
1% increase/decrease in the Medical Aid inflation.
-
1% increase/decrease in the discount rate.

Mortality rate
Deviations from the assumed level of mortality experience of the current employees and the continuation members (pensioners) will have a large impact on the actual cost to the Municipality. If the actual rates of mortality turn out higher than the rates assumed in the valuation basis, the cost to the Municipality in the form of subsidies will reduce and vice versa.

11. Inventories

Consumable stores	846,242	713,146
Maintenance materials	6,572,803	4,675,462
Water for distribution	374,080	93,812
	7,793,125	**5,482,420**

Inventory with the cost of R 2.8 million was written down to zero as obsolete due to change in technology. The stock items were acquired in 2021 when the Municipality was still using the old service provider for running of smart metering. The contract with the old service provider ended and the new one was appointed. The new service provider was appointed and has come with the new system.

An assessment of net realisable value was made in the current financial period. Circumstances leading to net realisable value still exist at year end, no reversal is neccesary.

Inventory pledged as security

No Inventory was pledged as security for overdraft facilities or any other loan

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
12. Other receivables from non-exchange transactions		
Other Receivables from non-exchange transactions		
DWS receivable	17,788,320	6,241,312
Traffic fines- gross	6,447,221	6,536,604
Debt impairment	(4,402,332)	(4,421,858)
	19,833,209	**8,356,058**
Total Other receivables from Non-exchange transactions	19,988,045	8,356,057

- Municipality was funded under schedule 6B of the DoRA. Under this section funds are transfered to Municipality after the conditions of the grant were met. The receivable represent the funds that were not yet received at year end and for which conditions were met. The receivables amount was reclassified into other receivables from non-exchange transactions to avoid offsetting against other unspent conditional grants.

  Included in the gross balance of other receivables from non-exchange transactions is an amount of R17 788 320 (2024: R6 241 312) relating to schedule 6B of the DoRA.

  The gross amount of traffic fines receivables included in the Other receivables from non-exchange transactions is R6 447 221 (2024: R6 536 604)

13. Statutory receivables

In accordance with the principles of GRAP 108, statutory receivables of the Municipality are classified as follows

Property Rates

Property rates arise from the application of Municipal Property Rates act 6 of 2004 .The transaction amount is based on the market value of the property using approved tariff of the council and any impairment are based on the individual collection ratio. Municipality levies interest on Rates outstanding after the due date for payment at 18% pa

Traffic Fines

Traffic fines arise from the application of administrative adjudication of Road Traffic Offenses Act of 1998.The transaction amount is based on the traffic offence committed and any impairment are based on the collection ratio. No interest is levied on Traffic fines outstanding . Interest is not charged on traffic fines even if the debts are long overdue

VAT Receivable

VAT Receivables represent the refunds claimable from SARS by the Municipality for value added taxes paid or claimed on the services or goods acquired by the municipality. VAT receivable is claimed when input VAT for the period exceed output VAT declared. Impairment is not applicable.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

13. Statutory receivables (continued)

Statutory receivables-Traffic fines

	6,447,221	**6,536,604**
Current (0-30 days)	197,350	230,550
31- 60 days	16,900	39,950
61-90 days	43,025	61,900
91- 120 days	70,025	42,875
121-365 days	106,025	96,375
>365 days	6,013,896	6,064,954

Statutory receivables-Traffic fines		
Gross balance	6,447,221	6,536,604
Provision for impairment	(4,402,332)	(4,421,858)
	2,044,889	**2,114,746**

Statutory receivables -Property rates		
Statutory receivables -Property rates	258,058,629	230,453,650
Provision for impairment	(159,790,995)	(126,147,737)
	98,267,634	**104,305,913**

14. Trade and other receivables from exchange transactions

Gross balances		
Electricity	145,235,817	141,299,922
Water	205,444,983	185,469,809
Waste-water	105,505,890	91,564,772
Refuse	123,959,286	109,882,144
Accrual Input VAT	21,048,282	26,663,588
	601,194,258	**554,880,235**

Less: Allowance for impairment		
Electricity	(80,743,278)	(82,949,649)
Water	(164,688,012)	(126,763,607)
Waste water	(75,627,378)	(63,132,441)
Refuse	(110,885,536)	(94,213,088)
	(431,944,204)	**(367,058,785)**

Net balance		
Electricity	64,492,539	58,350,273
Water	40,756,971	58,706,202
Waste water	29,878,512	28,432,331
Refuse	13,073,750	15,669,056
Accrual Input VAT	21,048,282	26,663,588
	169,250,054	**187,821,450**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

14. Trade and other receivables from exchange transactions (continued)

Electricity		
Current (0 -30 days)	5,838,013	20,265,447
31 - 60 days	9,021,973	5,927,419
61 - 90 days	3,279,125	4,882,042
91 - 120 days	3,024,756	5,663,702
121 - 150 days	2,803,753	5,780,850
> 150 days	121,268,197	108,908,968
Impairment	(80,743,278)	(82,778,099)
	64,492,539	**68,650,329**

Water		
Current (0 -30 days)	5,245,897	14,811,031
31 - 60 days	1,054,948	6,929,722
61 - 90 days	4,239,544	4,990,375
91 - 120 days	3,915,479	4,127,396
121 - 150 days	4,663,222	4,388,169
> 150 days	186,325,893	150,237,959
Impairment	(164,688,012)	(126,778,450)
	40,756,971	**58,706,202**

Waste-water		
Current (0 -30 days)	3,691,795	8,102,278
31 - 60 days	4,876,413	2,351,172
61 - 90 days	2,175,743	2,243,548
91 - 120 days	2,126,209	2,106,357
121 - 150 days	2,599,819	2,022,425
> 150 days	90,035,911	74,738,992
Impairment	(75,627,378)	(63,132,441)
	29,878,512	**28,432,331**

Refuse		
Current (0 -30 days)	3,015,261	6,355,386
31 - 60 days	4,650,302	2,270,607
61 - 90 days	2,080,077	2,103,784
91 - 120 days	2,040,375	2,029,142
121 - 150 days	2,030,992	1,972,605
> 150 days	110,142,279	95,150,619
Impairment	(110,885,536)	(94,094,176)
	13,073,750	**15,787,967**

Accrual Input VAT		
Current (0 -30 days)	21,048,282	26,663,588

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

14. Trade and other receivables from exchange transactions (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	11,262,581	20,793,017
31 - 60 days	17,379,469	12,951,756
61 - 90 days	7,877,563	12,663,860
91 - 120 days	7,844,663	10,798,457
121 - 150 days	7,905,389	10,884,181
> 150 days	383,628,157	426,536,792
	435,897,822	**494,628,063**

Industrial/ commercial		
Current (0 -30 days)	12,712,389	10,569,506
31 - 60 days	9,624,919	5,676,262
61 - 90 days	3,150,657	3,893,183
91 - 120 days	2,662,703	2,595,491
121 - 150 days	3,595,482	2,720,682
> 150 days	117,646,206	13,277,074
	149,392,356	**38,732,198**

National and provincial government		
Current (0 -30 days)	2,026,986	1,349,967
31 - 60 days	1,799,248	790,885
61 - 90 days	746,270	921,877
91 - 120 days	599,452	825,800
121 - 150 days	596,915	321,733
> 150 days	6,199,623	3,374,814
	11,968,494	**7,585,076**

Total		
Current (0 -30 days)	35,786,765	64,671,906
31 - 60 days	28,803,636	17,478,920
61 - 90 days	11,774,489	14,219,749
91 - 120 days	11,106,819	13,926,596
121 - 150 days	12,097,786	14,164,049
> 150 days	501,624,764	430,419,015
	601,194,259	554,880,235
Less: Allowance for impairment	(431,944,205)	(367,058,785)
	169,250,054	**187,821,450**

Less: Allowance for impairment		
Impairment	(431,944,204)	(367,058,785)

Reconciliation of allowance for impairment		
Balance at beginning of the year	(366,360,006)	(289,910,006)
Contributions to allowance	(65,584,198)	(77,148,779)
	(431,944,204)	**(367,058,785)**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

15. Receivables from non-exchange transactions

	2025	2024
Gross balances		
Property Rates	258,058,629	230,371,073
Statutory VAT receivable	1,937,030	2,815,423
	259,995,659	**233,186,496**
Less: Allowance for impairment		
Property Rates	(163,289,342)	(127,576,214)
Net balance		
Property Rates	96,706,317	105,610,282
Rates		
Current (0 -30 days)	10,536,548	30,360,465
31 - 60 days	13,269,929	7,511,767
61 - 90 days	6,064,904	6,983,212
91 - 120 days	5,748,319	6,759,483
121 - 150 days	5,570,198	6,086,413
> 150 days	216,958,731	172,907,292
Impairment	(163,379,342)	(127,813,773)
	94,769,287	**102,794,859**
Statutory VAT receivable		
Current (0 -30 days)	1,937,030	2,815,423

Summary of debtors by customer classification

	2025	2024
Consumers		
Current (0 -30 days)	4,296,481	5,203,516
31 - 60 days	6,134,662	3,956,002
61 - 90 days	2,864,108	3,486,709
91 - 120 days	2,734,790	3,193,669
121 - 150 days	2,617,253	3,122,933
> 150 days	93,905,717	103,562,179
	112,553,011	**122,525,008**
Industrial/ commercial		
Current (0 -30 days)	5,697,775	5,969,152
31 - 60 days	5,730,272	4,909,667
61 - 90 days	2,585,113	3,735,692
91 - 120 days	2,540,910	3,502,066
121 - 150 days	2,495,154	3,351,117
> 150 days	111,329,607	68,327,868
	130,378,831	**89,795,562**
National and provincial government		
Current (0 -30 days)	542,291	449,466
31 - 60 days	1,404,995	338,785
61 - 90 days	615,682	289,366
91 - 120 days	472,619	287,477
121 - 150 days	457,791	285,433
> 150 days	12,346,512	7,186,466
	15,839,890	**8,836,993**

Figures in Rand	2025	2024

15. Receivables from non-exchange transactions (continued)

Reconciliation of allowance for impairment	2025	2024
Balance at beginning of the year	(126,147,737)	(105,321,254)
Contributions to allowance	(33,643,258)	(20,826,483)
	(159,790,995)	**(126,147,737)**

16. Cash and cash equivalents

Cash and cash equivalents consist of:

	2025	2024
Cash on hand	15,445	15,545
Bank balances	8,748,535	46,514,851
Short-term deposits	57,523,438	14,122,467
	66,287,418	**60,652,863**

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
ABSA BANK - Current account - 1470 000 038	17,253,486	33,320,648	60,099,123	8,763,980	33,546,421	59,413,256
ABSA BANK - Call account - 407 289 4439	36,520	20,510,466	25,139,217	36,520	20,690,606	25,546,516
ABSA BANK - Fixed account - 206 915 8294	6,300,400	6,300,400	6,300,400	6,300,400	6,300,400	6,300,400
ABSA BANK - Call account - 4097 484 845	45,206	51,378	123,211	45,206	51,378	-
ABSA BANK - Investment tracker - 9380 435 067	92,165	63,579	-	92,165	63,579	-
STANDARD BANK - Call account - 3600 390 003	25,540,822	-	-	25,540,822	-	-
STANDARD BANK - Fixed deposit - 3600 390 002	25,508,324	-	-	25,508,324	-	-
Total	**74,776,923**	**60,246,471**	**91,661,951**	**66,287,417**	**60,652,384**	**91,260,172**

- Cash and cash equivalents above were not pledged as collateral

Restricted cash balances

There are no restrictions on cash balances.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

17. Finance lease obligations

Minimum lease payments due		
- within one year	15,397,612	15,397,612
- in second to fifth year inclusive	14,114,478	29,512,090
	29,512,090	44,909,702
less: future finance charges	(3,834,045)	(8,368,871)
Present value of minimum lease payments	**25,678,045**	**36,540,831**

Present value of minimum lease payments due		
- within one year	12,523,371	10,862,709
- in second to fifth year inclusive	13,154,674	25,678,042
	25,678,045	**36,540,751**

Non-current liabilities	13,154,674	25,678,042
Current liabilities	12,523,371	10,862,792
	25,678,045	**36,540,834**

Finance lease payments represent capital redemption payable by the municipality for the Zeeland Water treatment works. Municipality entered into a contract with Exxarro for the purchase of the water treatment plant on a finance lease basis over 15 years . Interest rate charged is based on the lessor's weighted average cost of capital calculated using the audited annual financial statements. In the year under review interest rate remained unchanged at 14.3% . The ownership of the asset will be transferred to the lessee at the end of the lease period.

18. Trade and other payables from non-exchange transaction

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	528,621	5,307,488
Municipal Disaster relief grant	18,264,354	7,600,000
Water Service Infrastructure Grant	-	-
Energy Efficiency	45,600	-
	18,838,575	**12,907,488**

Figures in Rand	2025	2024

18. Trade and other payables from non-exchange transaction (continued)

Movement during the year

	2025	2024
Balance at the beginning of the year	12,907,488	21,245,590
Additions during the year	394,984,492	343,623,667
Income recognition during the year	(383,746,405)	(346,561,769)
Paid back to National Treasury	(5,307,000)	(5,400,000)
	18,838,575	**12,907,488**

Municipal infrastructure grant is meant for construction and refurbishment of infrastructure. The grant also covers cost for project management, limited to 5% of the total annual allocation.

Municipal Disaster Relief grant is intended to fund repairs to essential basic services infrastructure, provision of temporary infrastructure, humanitarian relief and other immediate essential services following a declared state of disaster.

The Municipality has been allocated an amount of R19 475 000 for the implementation of approved projects funded through the disaster recovery grant during 2024/25 financial year.

Municipality applied for rollover on the unspent amount as the funds were already committed.

The unspent conditional grant for disaster grant are cash backed.

19. Long term trade payables from exchange transactions

	2025	2024
At amortised cost		
DWS liability	42,169,148	61,562,821
Non-current liabilities		
DWS liability	41,038,448	61,562,821

Other non-current financial liabilities relate to debt owed to the Department of Water and sanitation for extraction of raw water from Mogol dam. Long term settlement agreement was signed between two parties. The last instalment on this liability will be paid in April 2028, the month after the last trench of the equitable share grant is received in line with the agreement. The interest is frozen on this liability as long as the municipality keeps up with the terms of the signed agreement.

	2025	2024
Current liabilities		
DWS Liability	21,655,073	20,524,373

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

20. Provisions for landfill

Reconciliation of provisions for landfill - 2025

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	31,266,168	3,647,484	3,359,237	38,272,889

Reconciliation of provisions for landfill - 2024

	Opening Balance	Reduction due to re-measurement or settlement without cost to entity	Change in interest	Total
Environmental rehabilitation	29,203,162	(1,272,462)	3,335,468	31,266,168

Environmental rehabilitation provision

Liabilities are present obligations of an entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits6. The operation of a landfill results in an obligation to rehabilitate the landfill and prevent any further pollution after closure thereof in terms of the National Environmental Management Act, Act 107 of 19987, Government Notice 718 of 3 July 2009, and the landfill permits issued under section 20 of the Environment Conservation Act, Act 73 of 1989, or the waste management licenses issued under section 50 of the National Environmental Management: Waste Act, Act 59 of 2008.

The technical requirements for final decommissioning and rehabilitation of landfills are embodied in the Minimum Requirements for Waste Disposal by Landfill, as amended by more recent regulations.The final decommissioning and rehabilitation of landfills clearly represents a present legal obligation as a result of past events (opening and operation of the landfill) and will certainly result in an outflow of economic resources

The valuation of the provision for landfill site was determined by an independent expert. The valuation was determined as at 30 June 2025.

21. Revenue

	2025	2024
Service charges- Electricity	222,191,326	184,679,515
Service charges- Water	63,168,314	63,931,347
Service charges- Waste water management	29,897,100	24,165,901
Service Charges- Waste management	25,071,520	20,740,701
Rental of facilities and equipment	311,519	233,380
Interest earned on outstanding receivables -service charges	57,945,400	51,341,751
Agency fees	6,930,334	9,054,387
Other revenue	5,919,548	2,582,423
Interest received - investment	7,605,244	8,679,930
Property rates	119,797,311	114,403,879
Interest earned - on outstanding receivables-Property rates	25,890,975	22,219,493
Government grants & subsidies	400,754,916	349,602,225
Public contributions and donations	16,744,000	4,750,809
Fines, Penalties and Forfeits	4,017,954	643,675
	986,245,461	**857,029,416**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

21. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges- Electricity	222,191,326	184,679,515
Service charges- Water	63,168,314	63,931,347
Service charges- Waste water management	29,897,100	24,165,901
Service Charges- Waste management	25,071,520	20,740,701
Rental of facilities and equipment	311,519	233,380
Interest earned on outstanding receivables - service charges	57,945,400	51,341,751
Agency fees	6,930,334	9,054,387
Other revenue	5,919,548	2,582,423
Interest received - investment	7,605,244	8,679,930
	419,040,305	**365,409,335**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	119,797,311	114,403,879
Interest earned - on outstanding receivables - Property rates	25,890,975	22,219,493
Transfer revenue		
Government grants & subsidies	400,754,916	349,602,225
Public contributions and donations	16,744,000	4,750,809
Fines, Penalties and Forfeits	4,017,954	643,675
	567,205,156	**491,620,081**

22. Inventory Consumed

Materials and Consumables	17,955,377	14,072,171
Water purchases	38,132,522	36,406,793
	56,087,899	**50,478,964**

23. Service charges

Service charges- Electricity	222,191,326	184,679,515
Service charges- Water	63,168,314	63,931,347
Service charges- Waste water management	29,897,100	24,165,901
Service charges- Waste management	25,071,520	20,740,701
	340,328,260	**293,517,464**

24. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	311,519	233,380

Included in the above rentals are operating lease rentals at straight-lined amounts. There are no as contingent rentals included in the above rental amounts. Municipality has five residential properties that are exclusively rented out to directors

25. Fines, Penalties and Forfeits

Law Enforcement Fines	3,103,347	-
Municipal Traffic Fines	914,607	643,675
	4,017,954	**643,675**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

26. Agency fees

Road and Transport	6,930,334	9,054,387

27. Operational revenue

Other revenue	5,919,548	2,582,423

28. Interest earned on current and non - current assets

Interest revenue		
Interest on short term investments	7,103,832	8,174,562
Interest on primary bank	501,412	505,368
	7,605,244	**8,679,930**

29. Property rates

Rates received

Property rates - usage	119,797,311	114,403,879
	119,797,311	114,403,879
Interest earned from receivables	25,890,975	22,219,493
	145,688,286	**136,623,372**

Valuations

Residential	6,532,636,000	6,246,008,000
Commercial	9,804,981,100	3,434,281,100
State	253,501,600	253,149,600
Municipal	409,210,700	730,103,700
Agricultural	4,356,976,500	10,690,086,500
Sectional Title	1,029,413,000	1,023,778,000
Exempted	467,391,000	502,400,000
	22,854,109,900	**22,879,806,900**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2020. Supplementary valuations are processed on an annual basis to take into account changes in properties.
The different rates are applied on property rate valuations to determine assessment rates. Rebate of R30 000 is granted to each residential property owners. Rates are levied on an annual basis with the final date of payment being 30 June each financial year. Interest is levied at 18% per annum on overdue account. Property Categories and Valuations for 2023/2024 have been revised after realising that the categories were incorrectly stated.

30. Transfers and subsidies

Other subsidies		
Transfers paid	558,009	608,172
Beneficiaries paid		
Mogol Club	251,629	239,636
SPCA Lephalale DBV	125,692	119,817
Agri Lephalale	125,688	119,818
Donations to traditional council	55,000	128,900
	558,009	**608,171**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

31. Transfers and subsidies

Operating grants		
Equitable share	241,808,992	226,374,000
Financial Management Grant	1,800,000	1,700,000
Local Government SETA	420,641	348,628
EPWP	1,311,000	982,867
	245,340,633	**229,405,495**
Capital grants		
Municipal Infrastructure Grant	35,418,379	66,799,102
Water Service Infrastructure Grant	107,230,858	53,397,628
Municipal Disaster Relief Grant	8,810,646	-
Energy Efficiency Grant	3,954,400	-
	155,414,283	**120,196,730**
	400,754,916	**349,602,225**

Equitable Share

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

Municipal Infrastructure Grant

Balance unspent at beginning of year	5,307,488	21,245,590
Current-year receipts	35,947,000	56,261,000
Conditions met - transferred to revenue	(35,418,379)	(66,799,102)
Paid back to National Treasury	(5,307,488)	(5,400,000)
	528,621	**5,307,488**

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

Municipal infrastructure grant is meant for construction and refurbishment of infrastructure. The grant also covers cost for the project management limited to 5% of the total annual allocation

Water Service Infrastructure Grant

Balance unspent at beginning of year	(6,241,314)	(3,111,382)
Current-year receipts	95,683,850	50,267,695
Conditions met - transferred to revenue	(107,230,856)	(53,397,627)
	(17,788,320)	**(6,241,314)**

Municipality was funded under schedule 6B of the DoRA. Under this section funds are only transfered to municipality after the conditions of the grants were met. The receivable represent the funds that were not yet received at year end and for which conditions were met. The receivables amount was reclassified into other receivables from non-exchange transaction to avoid offsetting against other unspent conditional grants receipts.

Financial Management Grant

Current-year receipts	1,800,000	1,700,000
Conditions met - transferred to revenue	(1,800,000)	(1,700,000)
	-	-

Financial management grant is meant for the support of the financial administration of the municipality such as mSCOA and financial management interns.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

31. Transfers and subsidies (continued)

EPWP Grant

Current-year receipts	1,311,000	1,035,000
Conditions met - transferred to revenue	(1,311,000)	(1,035,000)
	-	-

Municipal Disaster Relief Grant

Balance unspent at beginning of year	7,600,000	-
Current-year receipts	19,475,000	7,600,000
Conditions met - transferred to revenue	(8,810,646)	-
	18,264,354	**7,600,000**

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

This grant is intended to fund repairs to essential basic services infrastructure, provision of temporary infrastructure, humanitarian relief and other immediate essential services following a declared state of disaster.

Marapong township and some villages were declared disaster after they were affected by the hailstorm around February 2024 which damaged the roads infrastructure. The scope of work relate to surfacing (paving) of five internal street and installation of concrete channel (line v-drain).

Energy Efficient Grant

Current-year receipts	4,000,000	-
Conditions met - transferred to revenue	(3,954,000)	-
Unspent amount	(46,000)	-
	-	-

Local Government SETA

Current-year receipts	420,641	385,972
Conditions met - transferred to revenue	(420,641)	(385,972)
	-	-

32. Public contributions and donations

Donation Received from EXXARRO Mine	-	4,750,809
Donations received from RAL	16,744,000	-
	16,744,000	**4,750,809**

The donation received from Raod Agency Limpopo (RAL) was for the refurbishment of OR Tambo road.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

33. Employee related costs

Basic	139,854,133	133,387,647
Bonus	11,352,893	10,267,592
Medical aid - company contributions	12,955,029	12,437,935
UIF	944,903	942,480
Leave pay provision charge	11,244,597	11,339,692
Overtime payments	18,377,828	15,890,606
Travel, motor car allowance and other allowances	10,806,982	9,740,814
Housing benefits and allowances	594,505	534,288
Stand by allowances	2,665,933	2,621,683
Phones allowances	1,200,336	1,137,219
Defines contributions plan	29,129,994	27,642,127
	239,127,133	**225,942,083**

Remuneration of Municipal Manager

Annual Remuneration	359,620	816,390
Car Allowance	57,299	113,198
Bonuses	26,758	60,519
Contributions to UIF, Medical and Pension Funds	80,418	144,403
Other	40,765	114,256
Termination Benefits	-	525,307
	564,860	**1,774,073**

Ms. MM Cocquyt was reappointed on a fixed term contract for 5 years starting from January 2023. However, she was placed on a special leave from September 2023 and she resigned on 30 April 2024. Ms MM Cocquyt (former Municipal Manager) backpay of R54 206 was paid. Ms M Mmope was since appointed as Acting Municipal Manager from September 2023, and was later appointed as a Municipal Manager on 1 November 2024. She resigned on 28 February 2025. Ms PF Nogilana-Raphela was appointed Acting Municipal Manager from 1 March 2025 to 31 July 2025.

Remuneration of Chief Finance Officer

Annual Remuneration	833,023	876,699
Car Allowance	134,597	135,179
Bonuses	(8,252)	64,400
Contributions to UIF, Medical and Pension Funds	193,853	220,014
Other	81,783	44,462
	1,235,004	**1,340,754**

Ms. LM Matlwa was appointed as Chief Financial Officer from 1 June 2020 and contract expired 31 May.2025. Mr AE Marope was appointed as Acting Chief Financial Officer from 1 June 2025 to 31 July 2025.

Remuneration of Director Infrastructure Services

Annual Remuneration	500,549	508,824
Car Allowance	96,341	67,315
Bonuses	84,176	(49,054)
Contributions to UIF, Medical and Pension Funds	144,302	86,057
Other	263,064	(86,375)
	1,088,432	**526,767**

Mr MA Shiko was appointed as Director Infrastructure Services from 01 November 2024.

Remuneration of Director Strategic Support Services

Figures in Rand	2025	2024

33. Employee related costs (continued)

Annual Remuneration	842,482	782,539
Car Allowance	121,684	98,250
Bonuses	66,300	56,850
Contributions to UIF, Medical and Pension Funds	136,427	141,755
Other	117,045	34,072
	1,283,938	**1,113,466**

Ms. MM Kgwantha was appointed as the Director Strategic Support Services from 01 December 2022.

Remuneration of Director Social Services

Annual Remuneration	473,414	823,724
Car Allowance	56,953	153,174
Bonuses	(45,298)	132,047
Contributions to UIF, Medical and Pension Funds	72,585	215,523
Other	59,834	67,225
	617,488	**1,391,693**

Ms. M Mmope was appointed as Director Social Services on 01 December 2022 for a fixed term period of 5 years. The position is currently vacant. Ms. BJ Ndoweni was appointed as Acting Director Social Services.

Remuneration of Director Corporate Support Services

Annual Remuneration	840,474	738,557
Car Allowance	132,252	128,648
Bonuses	60,166	53,723
Contributions to UIF, Medical and Pension Funds	192,000	196,666
Other	89,877	76,627
	1,314,769	**1,194,221**

Ms. PF Nogilana-Raphela was appointed as Director Corporate Support Services on 01 January 2023, for a fixed term period of 5 years.

Reconciliation of employee related cost		
Staff	239,127,133	225,933,633
Section 54A and Section 56	6,104,519	7,627,583
	245,231,652	**233,561,216**

Remuneration of Director Development Planning

The position of Director Planning and Development has been vacant during the financial year under review.
Ms. OF Radipabe was appointed to act as Director from February 2024 until December 2024. Mr TBO Mabale was appointed to act from January 2025 until February 2025 .

Acting Allowances

	522,314	**576,625**
Ngobeli RJ	8,507	119,833
Mabale TBO	22,275	75,822
Ndoweni BJ	133,218	102,618
Radipabe OF	68,217	48,653
Shiko MA	53,533	24,354
Mmope MM	138,622	205,345
Seboya TA	35,171	-
Nogilana-Raphela PF	56,909	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
33. Employee related costs (continued)		
Marope AE	5,862	-

34. Remuneration of Councillors

Councillors	14,368,915	14,066,021

35. Depreciation, Impairment and Amortisation

Property, Plant and Equipment	97,518,467	94,678,401

36. Interest

Interest on land fill site provision	3,359,237	3,335,468
Finance leases	4,535,205	6,515,513
Interest on Employee benefits provisions	10,686,000	9,865,654
	18,580,442	**19,716,635**

37. Additional disclosure in terms of Municipal Finance Management Act

Audit Fee charged	6,266,047	6,298,381
Amount paid	(6,266,047)	(6,298,381)
	-	-

Pension and medical aid		
Current year subscription fees	64,554,492	58,132,372
Amount paid- Current year	(64,554,492)	(58,132,372)
	-	-

PAYE,UIF and SDL		
Current year subscription fees PAYE	41,187,189	37,285,777
Current year subscription fee UIF	1,907,871	1,867,637
Current year subscription fees SDL	2,165,660	2,010,696
Amount paid- current year	(45,260,720)	(41,164,110)
	-	-

Contribution to organised local government (SALGA)		
Current year subscription fees	2,843,624	2,652,873
Amount paid-current year	(2,843,624)	(2,652,873)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

38. Irrecoverable debts written off and debt impairment

Bad debts written off	17,118,080	6,870,117
Debt impairment		
Water	35,284,025	8,462,324
Electricity	(1,444,581)	30,646,009
Property rates	35,803,128	22,254,960
Refuse removal	15,583,807	19,183,245
Waste Water	11,409,588	12,616,444
Traffic fine	(19,528)	238,811
	96,616,439	**93,401,793**

39. Operational costs

Advertising	1,032,819	740,806
Auditors' remuneration	6,266,047	6,298,381
Bank charges	1,691,629	1,587,111
Insurance	1,819,794	3,349,235
Conferences and seminars	1,654,002	1,798,940
Licenses and Software	9,225,552	15,461,437
Skills development Levies	2,216,013	2,161,290
Fuel and oil	8,847,526	9,120,057
Printing and stationery	1,512,544	2,078,898
Protective clothing	3,669,882	2,552,312
Subscriptions and membership fees	3,259,165	2,869,727
Travel - local	3,546,874	2,436,569
Municipal consumption	21,784,430	8,681,270
Remuneration of ward committee members	1,750,990	1,521,040
Other operating expenditure	12,346,746	11,033,351
EPWP programme	1,103,050	951,743
	81,727,063	**72,642,167**

40. Bulk purchases

Electricity - Eskom	183,444,942	161,357,687

41. Contracted services

Outsourced Services		
Debt collection	2,715,774	3,331,484
Security Services	17,061,601	16,338,330
Other contracted services	15,001,337	6,496,953
Consultants and Professional Services		
Business and Advisory	4,746,392	4,073,302
Valuation services	1,259,100	1,275,450
Legal Cost	8,331,509	4,624,790
Contractors		
Maintenance of Assets	6,677,351	7,785,497
Prepaid Electricity and Meter reading	15,665,812	10,852,050
	71,458,876	**54,777,856**

Figures in Rand	2025	2024

42. Cash generated from operations

Surplus	92,372,379	58,340,531
Adjustments for:		
Depreciation and amortisation	97,518,467	94,678,401
Gain on sale of assets and liabilities	18,374	-
Fair value adjustments	(612,133)	(1,203,000)
Public contributions and Donation	(16,744,000)	(4,750,809)
Bad debts written off	17,118,080	6,870,117
Debt impairment	96,616,439	93,401,794
Actuarial gain	(657,534)	(2,267,145)
Changes in working capital:		
Inventories	(2,310,705)	3,667,500
Consumer debtors	(59,520,561)	(74,095,761)
Receivables from non-exchange transactions	(27,604,979)	(46,336,711)
Other receivables from non-exchange transactions receivables	(11,631,988)	(3,501,296)
Prepayments	-	(647,947)
Sundry receivable	1,416,001	-
Payables from exchange transactions	(8,247,066)	21,362,144
Trade and other payables from non-exchange transaction	5,931,087	(8,338,102)
Consumer deposits	1,231,687	(182,753)
	184,893,548	**136,996,963**

43. Public Private Partnership

The Lephalale Local Municipality entered into agreement with EXXARO mine whereby EXXARO Upgraded its water purification plant Zeeland, and sells it to the Municipality through a finance lease payable over a period of 15 years. EXXARRO will also operate and maintain the Zeeland Water Treatment Plant over the lease term of 15 years. Municipality is paying monthly fee of R1.2 million for operation and maintenance. These costs are included in the cost of inventory consumed in the statement of financial performance.

The finance lease payments amount to R1.4 million per month.
The finance cost includes the amount of R5.9 million relating to Zeeland -finance lease
The finance lease liability disclosed in the statement of financial position relates to Zeeland.
The finance lease asset was included in Property plant and equipment

Finance lease: Current Portion:	R12 523 371 (2024:R10 862 792)
Finance Lease Non -Current Portion:	R13 154 670 (2024:25 678 042)

44. Operating surplus

Operating surplus for the year is stated after accounting for the following:

Loss on sale of property, plant and equipment	(18,374)	-
Impairment on trade and other receivables	89,747,357	91,348,679
Depreciation on property, plant and equipment	95,031,797	94,678,401

45. Fair value adjustments

Investment property (Fair value model)	612,133	1,203,000

46. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

46. Financial instruments disclosure (continued)

	At amortised cost	Total
Cash and Cash Equivelents	66,287,418	66,287,418
Trade and other receivables from exchange transactions	169,250,054	169,250,054
Sundry receivables	922,901	922,901
	236,460,373	**236,460,373**

Financial liabilities

	At amortised cost	Total
Finance lease obligation	25,678,045	25,678,045
Long term trade and other payables	61,562,821	61,562,821
Payables from exchange transactions	84,609,701	84,609,701
Consumer deposits	13,243,578	13,243,578
	185,094,145	**185,094,145**

2024

Financial assets

	At amortised cost	Total
Cash and Cash equivelents	60,652,863	60,652,863
Trade and other receivables from exchange transactions	187,821,450	187,821,450
Sundry receivables	2,034,626	2,034,626
	250,508,939	**250,508,939**

Financial liabilities

	At amortised cost	Total
Finance lease obligation	36,540,834	36,540,834
Long term trade and other payables from exchange transactions	82,087,194	82,087,194
Payables from exchange transactions	95,311,845	95,311,845
consumer deposits	12,011,891	12,011,891
	225,951,764	**225,951,764**

Liquidity risk

2025

	Within 1 Year	2 to 5 years	Total
Finance lease obligation	12,523,371	13,154,674	25,678,045
Long term trade and othe payables	20,524,373	41,038,448	61,562,821
Consumer deposits	13,243,578	-	13,243,578
Payables from exchange transactions	84,609,701	-	84,609,701
	130,901,023	**54,193,122**	**185,094,145**

2024

	Within 1 year	2 to 5 years	Total
Finance lease obligation	10,862,792	25,678,042	36,540,834

Notes to the Annual Financial Statements

Figures in Rand		2025	2024

46. Financial instruments disclosure (continued)

Long term trade and othe payables	20,524,373	61,562,821	82,087,194
Consumer deposits	12,011,891	-	12,011,891
Payables from exchange transactions	95,311,845	-	95,311,845
	138,710,901	**87,240,863**	**225,951,764**

Financial instruments

The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain its current debt to equity ratio. This will be achieved through the annual increase in tariffs to maintain the accumulated surplus, as well as the increased use of unsecured bank loan facilities.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances. The municipality manages credit risk in its borrowing and investing activities by only dealing with well established financial institutions of high credit standing, and by spreading its exposure over a range of such institutions in accordance with its approved investment policies. Credit risk relating to consumer debtors is managed in accordance with the municipality's credit control and debt collection policy.

The municipality's credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in the accounting policies

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities.. The carrying amount of financial assets recorded in the annual financial statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained.

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

	236,460,373	**250,508,939**
Trade and other receivables from exchange transactions	169,250,054	187,821,450
Sundry receivables	922,901	2,034,626
Cash and cash equivalents	66,287,418	60,652,863

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

47. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Infrastructure assets	76,084,574	162,106,605
• Community assets	27,468,872	26,599,307
• Other	-	211,412
	103,553,446	**188,917,324**

Total capital commitments		
Already contracted for but not provided for	103,553,446	188,917,324

Authorised operational expenditure

Total commitments

Total commitments		
Authorised capital expenditure	103,553,446	188,917,324

This committed expenditure relates to capital expenditure and will be financed by existing cash resources, funds internally generated and grants.

Commitments amount above are VAT exclusive. There were no material contracts that were entered into after year end but before approval of the AFS.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	1,452,027	1,450,207
- in second to fifth year inclusive	726,013	2,175,311
	2,178,040	**3,625,518**

Operating lease payments represent rentals payable by the municipality for photocopy machines from Edu books shop solution cc. The lease period is for a period of three year ending in December 2026. No contingent rental is payable. There are no escalation clauses relating to rental agreement and there is no renewal option. The lease items may not be sub leased.

Figures in Rand	2025	2024

48. Contingencies

The principal amounts of contingent liabilities are shown in the table below. The estimates of outcome and financial effect are determined by the judgement of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date.

	2025	2024
Contingent liabilities		
Rhine Vhane Construction CC & Johan Ferdinard // Lephalale Local Municipality	3,062,106	2,712,409
Johan Ferdinard // Lephalale Local Municipality	3,885,252	3,441,551
Edward James Daniel De Villers // Lephalale Local Municipality	1,517,251	1,398,200
Edward James Daniel De Villers // Lephalale Local Municipality	3,654,771	3,237,391
Christiaan Louren Erasmus // Lephalale Local Municipality	11,062,734	9,916,333
French Rural Development // Lephalale Local Municipality	7,506,432	6,615,904
Mmalerepo Investment // Lephalale Local Municipality	16,095,542	14,484,432
Ms NM Pudikabekwa //Lephalale Local Municipality	-	361,195
Leopiet Otwekkeling // Lephalale Local Municipality	57,885,496	52,158,408
Global Strake // Lephalale Local Municipality	2,113,785	1,907,428
Mokgotho Building Construction // Lephalale Local Municipality	1,435,032	1,289,447
Bhelela Technology // Lephalale Local Municipality	12,080,538	10,865,684
Sealab // Lephalale Local Municipality	417,029	374,855
	120,715,968	**108,763,237**

1.Rhine Vhane Civil Construction CC and Johan Ferdinard Bernard

The Municipality sold stands in extension 50 for R1.00 per square meter around the year 2005, then council realised that there were some procedural flaws when the stands were sold and decided not to proceed with the sale. One of the purchasers Nightfire Investments challenged the council decision and took council to court. The court declared the agreement null and void, and the land reverted back to council. Rhine Vhane Civil Construction as one of the purchasers which developed in the area are claiming R6 127 518 plus interest as unjust enrichment. The matter is still ongoing. Exchange of pleadings is still underway. The value of improvements effected that the Municipality will benefit from repossessing the land Where there are no improvements on the land and the value of the contingent liability will be estimated at the lower of the value of the land determined within 5 years and summon amount.

The total financial exposure taking time value of money into account is estimated to be R 3 062 106.

Parties have held a pre-trial conference and are awaiting judicial pre-trial date for the matter to be certified trial ready.

2. Johan Ferdinard Barnard

The Municipality sold stands in extention 50 for R1.00 per square meter around the year 2005, then council realised that there were some procedural flaws when the stands were sold and decided not to proceed with the sale. One of the purchasers Nightfire Investments challenged the council decision and took council to court. The court declared the agreement null and void, and the land reverted back to council. Johan Ferdinard Barnard as one of the purchasers which developed in the area are claiming R2 600 000 plus interest as unjust enrichment. The matter is at pleading stage and parties are exchanging pleadings. The value of improvements effected that the Municipality will benefit from repossessing the land Where there are no improvements on the land and the value of the contingent liability will be estimated at the lower of the value of the land determined within 5 years and summon amount.

The total financial exposure taking time value of money into account is estimated to be R 3 885 252.

Parties have held a pre-trial conference and are awaiting judicial pre-trial date for the matter to be certified trial ready.

48. Contingencies (continued)

3. Edward James Daniel De Villiers
The Municipality sold stands in extension 50 for R1.00 per square meter around the year 2005, then council realised that there were some procedural flaws when the stands were sold and decided not to proceed with the sale. One of the purchasers Nightfire Investments challenged the council decision and took council to court. The court declared the agreement null and void, and the land reverted back to council. Edward James Daniel De Villier as one of the purchasers which developed in the area are claiming R2 774 200 as unjust enrichment. The matter is at pleading stage. The value of improvements effected that the Municipality will benefit from repossessing the land Where there are no improvements on the land and the value of the contingent liability will be estimated at the lower of the value of the land determined within 5 years and summon amount.

The total financial exposure taking time value of money into account is estimated to be R 1 517 251.

Parties have held a pre-trial conference and are awaiting judicial pre-trial date for the matter to be certified trial ready.

4. Edward James Daniel De Villiers
The Municipality sold stands in extension 50 for R1.00 per square meter around the year 2005, then council realised that there were some procedural flaws when the stands were sold and decided not to proceed with the sale. One of the purchasers Nightfire Investments challenged the council decision and took council to court. The court declared the agreement null and void, and the land reverted back to council. Edward James Daniel De Villier as one of the purchasers which developed in the area are claiming R19 808 774 as unjust enrichment. The value of improvements effected that the Municipality will benefit from repossessing the land Where there are no improvements on the land and the value of the contingent liability will be estimated at the lower of the value of the land determined within 5 years and summon amount.

The total financial exposure taking time value of money into account is estimated to be R 3 654 771.

Parties have held a pre-trial conference and are awaiting judicial pre-trial date for the matter to be certified trial ready

5. Christian Lourens Erasmus
The Municipality sold stands in extension 50 for R1.00 per square meter around the year 2005, then council realised that there were some procedural flaws when the stands were sold and decided not to proceed with the sale. One of the purchasers Nightfire Investments challenged the council decision and took council to court. The court declared the agreement null and void, and the land reverted back to council. Edward James Daniel De Villier as one of the purchasers which developed in the area are claiming R8 899 716 as unjust enrichment. The matter is at pleading stage. The value of improvements effected that the Municipality will benefit from repossessing the land Where there are no improvements on the land and the value of the contingent liability will be estimated at the lower of the value of the land determined within 5 years and summon amount.

The total financial exposure taking time value of money into account is estimated to be R 11 062 734.

Parties have held a pre-trial conference and are awaiting judicial pre-trial date for the matter to be certified trial ready.

48. Contingencies (continued)

6. Mmalerepo Investment

Mmalerepo Investment was one of the service providers that were appointed by the Municipality on an as and when required basis for the repairs and maintenance of municipal sewer pumps. They were then never given any order with regard to the appointment. As a result of that they issued summons against the Municipality in the Polokwane High Court for the amount of R8 500 000. The total financial exposure taking time value of money into account is estimated to be R 16 095 542.

The matter is stagnant and awaiting taxation costs in November 2025.

7. Ms NM Pudikabekwa

The Municipality disciplined Ms. NM Pudikabekwa (Former Manager HR) for allegations of misconduct. Ms. Pudikabekwa was then found guilty on all of the charges levelled against her and she was ultimately dismissed on 13th September 2019 as a municipal employee. Ms. Pudikabekwa then appealed the decision of the disciplinary committee on the 25th September 2019.Should Ms. Pudikabekwa win the appeal, the municipality may be ordered to either reinstate her to her position or alternatively reimburse her. Compensations never exceed six months salary, so in this instance the possible financial liability at maximum will be half of employee's annual total cost to the Municipality which is R361 195.

Ms. Pudikabekwa referred the matter for review at the Labour court and the matter was referred back to the Bargaining Council. Bargaining Council confirmed her dismissal as an appropriate Sanction. She has not referred the matter to Labour court again. The matter remains finalised, until such time that the Municipality receives a dispute from her.

8. Leopiet Ontwekkeling

The Municipality received combined summons on 24 November 2020 from Thomas and Swanepoel Incorporated requesting the court for an order of damages in the amount of R174 650 031,00 plus 8.75% interest p.a. According to the particulars of claim, the plaintiff alleges that the Municipality has failed in its legal duty to maintain or upgrade the Paal sewer treatment works and its subject to sewerage disposal network leading to the consequential overflow from the sewerage system of contaminated water, wastage, and affluent material onto the plaintiff's immovable property. Further more, the plaintiff alleges that he has had no option but to sustain, maintain the spillage at his owncosts including mitigating retention dam and all cost associated with the spillage. The Municipality has appointedMmakola Matsimela Attorneys to defend the matter and for such legal process have ensued. The notice of intention to defend has been served and we are now awaiting the response from opposing Attorneys. The most likely amount that may be paid based on the expert assessment is R40 000 000.

The total financial exposure taking time value of money into account is estimated to be R 57 885 496.

The matter is ongoing. The municipality's exception upheld in January 2023 and plaintiff amended claim. Parties exchanging pleadings, matter not yet trial ready.

9. Global Strake Security

Lephalale Municipality appointed Global Strake Security in 2018 for provision of physical security at selected municipal sites. Global Strake Security issued summons for the amount of R1 222 218 against the municipality for damages allegedly suffered through provision of additional security services which the company offered at the mayor's residence. The Municipality did not authorize the services in question to be offered in terms of the contract and therefore appointed attorneys to defend the action. Mmakola Matsimela attorneys were appointed to defend the case.The matter is currently on pleadings stage.The total financial exposure that include both principal amount and interest is estimated at R2 113 785.

10. Mokgotho Building Construction

48. Contingencies (continued)

Mokgotho Building Construction was appointed by the Municipality in 2016 for construction of a strongroom. They allege that during the construction of the project there was additional work that was done which the Municipality declined to pay despite various demands. They are claiming payment of R 1 153 868 for work done. They issued summons against the Municipality in the Polokwane High Court in June 2023 for payment of the amount.The total financial exposure that include both principal amount and interest is estimated at R1 435 032.

The matter is on-going, pleadings are being exchanged and claims under assessment. Hearing set for 22 March 2027.

11. Bhelela Technology

The Municipality advertised a tender for the appointment of a suitable service provider for the installation of prepaid electricity smart meters and appointed Bhelela Technologies in 2021. Due to poor performance the Municipality terminated the contract of Bhelela and readvertised the tender and appointed another service provider. Bhelela issued summons in Polokwane High Court claiming damages from the Municipality in the amount of R8 296 330.The total financial exposure that include both principal amount and interest is estimated at R12 080 538.

The matters are currently on discovery stages.

12. Sealab

Saeleb Trading (Pty) Ltd was appointed to render urgent service by fixing a sewage. Their work was not compensated as the appointment process and the verification of the work done was not done according to the approved processes of the municipality. They have issued summons which remained undefended until they made an application for default judgment. The total financial exposure that include both principal amount and interest is estimated at R417 029.

13. French Rural Development

In 2016 French Rural development issued summons in high to compel the Municipality to transfer the stand it is occupying or alternatively pay the damages amounting to R34 729 050.00 The matter is still ongoing and the parties are exchanging pleadings . Management estimated the possible payable amount to be R3 260 000 based on the expert valuation of the improvement and land .The total financial exposure taking into account interest charged is estimated at R7 506 432.

Matter is ongoing, parties are exchanging pleadings.

Contingent Assets		
Lephalale Local Municipality // Blue Horizon	35,405,502	31,757,368
Lephalale Local Municipality // Big Time Strategic Consultants	6,562,371	5,916,448
Insurance claim on vehicle (FKK 385 L)	99,000	-
Insurance claim on Shongoane Stadium & Witpoort Satallite	1,142,187	-
	43,209,060	**37,673,816**

1. Lephalale Municipality // Blue Horizon

Around 2008 the Municipality entered into service agreement with Blue Horizon Investments whereby the Municipality undertook to provide bulk services to extension 97 whereby Blue Horizon was the owner/developer of the said extention. In exchange for the service ,Blue Horizon was to contribute about R9 800 000 towards bulk services , which to date they have failed to pay. Despite demand by the Municipality ,Blue Horizon Investment has failed/refused to pay .The council has appointed an attorney to claim the money on its behalf. Blue horizon is currently undergoing insolvency process. The Municipality has lodged claim of R11 307 114.31. The total claim taking into account the interest is estimated at R 35 405 502. The matter is currently on discovery stage.

2. Big Time Strategic Consultants// Lephalale Municipality

48. Contingencies (continued)

Lephalale Local Municipality conducted a forensic investigation through PWC, and such forensic report was submitted to the Municipality around March 2016. The report revealed that the Big Time , the Company that was appointed to do IT infrastructure review and readiness for the implementation of mSCOA , was not appointed according to the prescribed method of appointing service providers and further they did not even finish their scope of work accordingly .

The report recommended that legal actions be taken to recover the amount spend on the project as the payments were irregular. Mohale attorneys were then appointed to institute a legal action against the parties responsible for irregular expenditure. Summons were issued in the High Court for the amount owed in terms of the contract and the default judgement in the amount of R2 850 000 was obtained.. Big Time Strategic Consultant then filed an appeal. The estimated financial exposure should be R6 562 371 being the estimated legal cost plus the amount claimed in the notice of motion by the applicant.

3. Museneke / Lephalale Local Municipality

The Plaintiff, while driving on road R33, encountered a pothole, lost control of the vehicle and collided with a tree. As a result, the plaintiff sustained serious injuries. He alleges that the Municipality responsible for road maintenance was negligent in failing to repair the potholes, provide a safe road surface, and warn road users of hazardous conditions. The Plaintiff argues that the Municipality's negligence directly led to the accident and resulting damages. The Plaintiff has instituted legal proceedings against the Municipality. The Municipality defended the action asserting that it does not have jurisdiction over the R33 road, as the road falls under the authority of the Roads Agency Limpopo.

The plaintiff withdrew the action that was filed. Instructions were given to the attorneys to tender costs against the plaintiff, and the attorneys are in the process of doing that.

4. Insurance claim on vehicle (FKK 385 L)

Municipal official lost control of vehicle (FKK 385 L) when trying to avoid an accident. The vehicle was assesed and subsequently confirmed as a written off. The insurer requested information to process the claim, which was duely submitted by the municipality.Insurance Broker has submitted to the insurer for the review and further advises.The total financial exposure is R99 000.

5. Insurance claim on Shongoane Stadium & Witpoort Satallite

The municipality suffered damages to the roof entrance of Shongoane stadium as well as Witpoort satellite pump station and Standby guard house during storms on 06 December 2024. A discussion with the Loss Adjuster was held and they requested information (Building plans, Quotations, Highlighted asset register) in order to proceed with the matter. The Municipality submitted outstanding information and awaits the Loss Adjuster's report. The total financial exposure is R1 142 187.

49. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' report note
Accounting Officer	Vacant
Chief Financial Officer	Vacant
Director Infrasturcture Services	A Shiko
Director Corporate Services	PF Nogilana-Raphela
Director Strategic Support Services	MM Kgwantha
Director Development Planning	Vacant
Director Social Services	Vacant

The naming of the positions of managers directly accountable to the accounting officer were changed from executive managers to directors.
For the remuneration of the above key management personnel refer to employee related cost note.

Related party transactions

Rentals included in the rental of equipments and facilities	2025	2024
MM Cocquyt	1,284	43,842
M Masoga	-	29,519
MM Kgwantha	44,883	44,303
MM Mmope	29,566	41,274
PF Nogilana-Raphela	41,232	58,021
MA Shiko	23,569	-

Councillors Remunerations

2023/24	Salary	Cellphone	Travelling	Travelling and subsistance	Total
Clr RA Mokgetle -Mayor	733,902	49,608	244,633	-	1,028,143
Clr GG Marakalala-Speaker	594,379	49,608	198,126	31,339	873,452
Clr SJ Machaba-Chief Whip	310,863	49,608	103,621	10,597	474,689
Clr A Thulare	249,000	49,608	82,999	-	381,607
Clr MR Modiba	557,001	49,608	185,667	37,048	829,324
Clr ML Shongwe	558,408	49,608	186,136	2,289	796,441
Clr MM Semenya	557,001	49,608	185,667	15,213	807,489
Clr L Monare	246,460	49,608	82,153	-	378,221
Clr S Mpedi	246,460	49,608	82,153	3,796	382,017
Clr B Kgageng-Moloantoa	246,460	49,608	82,153	5,911	384,132
Clr WM Motlokwa	246,460	49,608	82,153	7,671	385,892
Clr PKJ Selolo	281,862	49,608	93,954	4,069	429,493
Clr MM Makgae	246,460	49,608	82,153	-	378,221
Clr RM Magoai	281,597	49,608	93,866	14,014	439,085
Clr E Seepe	243,935	49,608	81,312	20,529	395,384
Clr SJ Moselane	235,125	49,608	78,374	15,616	378,723
Clr DA Mothoni	235,125	49,608	78,375	4,789	367,897
Clr SM Nieuwoudt	235,125	49,608	78,375	-	363,108
Clr MW Langa	235,125	49,608	78,375	26,272	389,380
Clr EL Setho	235,125	49,608	78,375	38,041	401,149
Clr KC Bopape	246,195	49,608	82,065	5,800	383,668
Clr MJ Sebetha	235,125	49,608	78,375	2,577	365,685
Clr DA Mongalo	235,125	49,608	78,375	4,503	367,611
Clr TR Modise	392,733	49,608	131,916	37,121	611,378
Clr MJ Madibana	290,408	49,608	96,802	39,198	476,016
Clr KL Mosupye	290,408	49,608	96,802	19,867	456,685
Clr HW Venter	235,125	49,608	78,375	1,726	364,834

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

49. Related parties (continued)

Clr MS Moloantoa	235,125	49,608	78,375	43,813	406,921
Clr N Pienaar	536,433	47,258	177,478	10,544	771,713
	9,472,550	**1,436,282**	**3,157,183**	**402,343**	**14,468,358**

2024/25	Salary	Cellphone	Travelling	Travelling and subsistance	Total
Clr RA Mokgetle -Mayor	759,742	47,004	253,247	-	1,059,993
Clr GG Marakalala-Speaker	607,792	47,004	202,597	32,340	889,733
Clr SJ Machaba-Chief Whip	317,877	47,004	105,959	37,984	508,824
Clr A Thulare	241,262	47,004	80,421	-	368,687
Clr S Mpedi	300,133	47,004	100,044	9,854	457,035
Clr ML Shongwe	570,303	47,004	190,101	-	807,408
Clr MM Semenya	570,303	47,004	190,101	26,509	833,917
Clr L Monare	300,133	47,004	100,044	-	447,181
Clr N Pienaar	17,095	-	5,698	-	22,793
Clr WM Motlokwa	300,133	47,004	100,044	1,646	448,827
Clr MM Makgae	513,477	47,004	171,159	42,448	774,088
Clr MR Modiba	570,303	47,004	190,101	22,899	830,307
Clr CK Bopape	240,700	47,004	80,233	-	367,937
Clr B Kgageng-Moloantoa	300,133	47,004	100,044	1,646	448,827
Clr PKJ Selolo	308,014	47,004	102,673	-	457,691
Clr EL Setho	240,430	47,004	80,144	8,789	376,367
Clr SM Nieuwoudt	467,742	47,004	155,914	-	670,660
Clr DA Mothoni	240,430	47,004	80,144	4,855	372,433
Clr SJ Moselane	240,430	47,004	80,144	-	367,578
Clr MJ Madibana	248,852	47,004	82,950	19,112	397,918
Clr RT Modise	276,865	47,004	92,288	-	416,157
Clr HW Venter	240,430	47,004	80,143	-	367,577
Clr E Seepe	241,262	47,004	80,421	11,369	380,056
Clr RM Magoai	248,587	47,004	82,862	2,570	381,023
Clr MW Langa	240,430	47,004	80,144	2,570	370,148
Clr DA Mongalo	240,430	47,004	80,144	6,244	373,822
Clr MJ Sebetha	240,430	47,004	80,144	7,608	375,186
Clr KL Mosupye	248,852	47,004	82,950	20,562	399,368
Clr LG Moloantoa	51,583	9,009	17,194	6,102	83,888
Clr JD Nel	188,199	37,864	62,733	4,801	293,597
Clr MR Mjakula	188,847	37,995	62,949	4,216	294,007
	9,761,199	**1,353,976**	**3,253,734**	**274,124**	**14,643,033**

50. Change in estimate

Property, Plant and Equipment

The useful life of certain plant items of property plant and equipment were reassessed at the end of 2024/25 financial year.The effect of these changes in estimate resulted in decrease in depreciation in the current year by R R397 238 and increase in the future depreciation by the same amount.This change in estimate was prospectively accounted for.

Details of assessment	Before change in estimate	Effect of change in estimate			After change in estimate
Community assets	2,154	(1,799)	-	-	355
Computer equipments	67	(50)	-	-	17
Furniture and fittings	301	214	-	-	515
Infrastructure	9,645	(7,107)	-	-	2,538
Buildings	28,528	(23,762)	-	-	4,766
	40,695	**(32,504)**	**-**	**-**	**8,191**

Figures in Rand	2025	2024

50. Change in estimate (continued)

Non-adjusting events after the reporting date

Nature of event

The Municipality entered into SLA with Zerbacraft for the procurement of Office Furniture & Equipment, the supplier with Order no. ZERB-LEPH01 delivered on 10 June 2025. However, most of the delivered office furniture was not according to specification and as such was returned. Numerous attempts by the municipality were made to ensure goods were delivered but to no avail. .The supplier responded to an e-mail on 29 August 2025 and committed to deliver in two weeks (13 September 2025). LLM Legal department issued an intention to terminate to the supplier; failure to deliver will render the contract terminated and all costs borne by the supplier. The portion of assets delivered have not been brought into use.The risk and rewards have not been transferred to the Municipality at reporting date as per the signed Service Level Agreement.

The financial effect of the subsequent non-adjusting events	472,737	-

Notes to the Annual Financial Statements

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51. Prior Period Error

1. Technical report incorrectly capitalized to WIP
Technical report for construction of Onverwacht road in Lephalale was erronously capitalized in work in Progress in the previous financial period.

2. Principals and agents arrangements
The municipality omitted to disclose in the current year and prior years, arrangement wherein the Municipality acts as a Principal.

3. Completed Project recognized as WIP
The municipality had a project that was certified complete on 07 December 2017 and had it incorrectly recognised in WIP in subsequent financial periods.

4. Revenue from exchange transactions not disclosed in line with the AFS Specimen
The municipality made adjustment on the face of the Statement of Financial Performance in order to comply with National Treasury Specimen AFS in order to ensure consistency and accuracy in financial reporting, and align with GRAP and MSCOA frameworks.

5.Defined Benefit Obligation iincorrectly disclosed as provision- Employee benefit
The municipality made adjustment on the face of the Statement of Financial Position by renaming Provision-Employee Benefits to Defined Benefit Obligation in order to comply with National Treasury Specimen AFS, to ensure consistency and accuracy in financial reporting, and align with GRAP and MSCOA frameworks.

6. **PAYE,UIF and SDL errornously understated in disclosure notes- additional disclosures**
The Municipality errornously did not disclose the amount for UIF and SDL, and also understated in the previous financial period.

7. **Accounting for prior smart meters**
Livewire installed modems and meters in the prior years, however they were not invoiced. The meters were available for use in the prior years and generated revenue. The municipality is accounting for completeness.

Notes to the Annual Financial Statements

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8.Accounting for VAT
Acrrual output, input and statutory VAT receivebles was errorneuosly separately disclosed on the face of the statement of financial position instead of following the specimen and SALGA recommendations.

9. Accounting for VAT on retention
Municipality errouneuosly accounted for retention exclusive of VAT in the previous financial periods.

10. Accounting for Intangible assets
Municipality errouneously recognized and amortized the microsoft license as an intangible asset in the previous financial periods.

11. Accounting for June consumption of metered Water and Electricity services
During the audit of 2024/2025, it was discovered that the water and electricity consumption billed in June is actually for the preceding month (May), and as a result the revenue on metered services for the year under review was not correctly accounted for as it includes July billing (M1) which is for the prior year. The revenue for Month1 of the year is reversed and replaced by revenue of the following year to ensure that the revenue is recognised in the correct financial year.

12. Capitalization of commisioned pump stations
Municipality errouneosly did not capitalize pump stations that were refurbished and completed to infrastructure assets.

Change In Accounting Policy
13.Government debts not impaired:
The debts/accounts belonging to government were not impaired resulting in understatement of debt impairment. The Debt Impairment Methodology had initially excluded government debt from impairment, however Management has subsequently decided to adjust the methodology to start assessing government accounts for impairment at the rate that is uncollected during the year under review.

14.Contingent Assets & Liabilities
Amendments were made to the methodology of accounting for Contingent assets & liabilities. This was necitated by factoring the effect of time value of money as per GRAP 19 standards. We have adopted these standards as allowed in terms of the modified retrospective approach, and therefore have restated the comparatives.

15.Cashflow from financing activities overstated
Management identified in the current year that the prior year payments for finance were overstated.

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

1. Technical report incorrectly capitalized to WIP

Increase in Contracted Services	-	987,588
Decrease in WIP	-	(987,588)
	-	-

2. Principals and agents arrangement

LiveWire Engineering & Consulting	-	17,105,475
New Intergrated Credit Solutions	-	2,793,481
	-	**19,898,956**

3.Completed Project recognized as WIP

Transfer in Infrastructure: Water	-	6,209,550
Transfer out Work in Progress	-	(6,209,550)
Increase in Depreciation	-	191,148
Decrease in Accumulated Surplus	-	3,004,019
Increase in Accumulated Depreciation: Infrastructure Water	-	(3,195,167)
	-	-

Notes to the Annual Financial Statements

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4. Revenue from exchange transactions not disclosed in line with the AFS Specimen

	-	**2,024**
Decrease in Service Charges	-	303,276,529
Increase in Service charges- Electricity	-	(193,486,912)
Increase in Service charges- Water	-	(64,880,991)
Increase in Service charges- Waste water management	-	(24,165,901)
Increase in Service charges- Waste management	-	(20,740,701)

5.Defined Benefit Obligation incorrectly disclosed as provision- Employee benefit

	-	-
Decrease in Provision-Employee benefits- Currrent portion	-	4,497,000
Increase in defined benefits obligations- Current portion	-	(4,497,000)

Defined Benefit Obligation incorrectly disclosed as provision- Employee benefit

	-	-
Decrease in Provision-Employee benefits- Non Currrent portion	-	75,693,000
Increase in defined benefits obligations- Non Current portion	-	(75,693,000)

6. PAYE,UIF and SDL errornously understated in disclosure notes- additional disclosures

	-	-
Current year subscription fees PAYE	-	37,285,777
Current year subscription fee UIF	-	1,867,637
Current year subscription fee SDL	-	2,010,696
Amount paid-current year	-	(41,164,110)

7. Accounting for prior smart meters

Increase in depreciation, impairment and amortization	-	10,285
Increase in Accumulated depreciation, impairment and amortization	-	(1,467,860)
Increase in property plant and eqquipment-Smart meters	-	1,913,877
Increase in trade payables	-	(2,756,788)
Increase in contracted services	-	925,719
Decrease in accumulated surplus	-	1,374,767
	-	-

8.Accounting for VAT

	-	-
Increase in receivables from non-exchange transactions	-	2,815,423
Increase in trade and other payables from exchange transactions	-	(6,652,205)
Increase in trade and other receivables from exchange transactions	-	26,663,588
Decrease in accrual Input VAT	-	(26,663,588)
Decrease in accrual output VAT	-	6,652,205
Decrease in statutory VAT receivable	-	(2,815,423)

9. Accounting for VAT on retention

	-	-
Increase in Accrual Input VAT	-	4,212,741
Increase In Retention	-	(4,212,741)

10.Accounting for intangible assets

	-	-
Decrease in intangible assets- Cost	-	(1,624,064)

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
Decrease in accumulated armotization	-	266,969
Decrease in amortization	-	(266,969)
Increase in operational costs-software and licenses	-	1,624,064

11. Accounting for June consumption of metered Water and Electricity services

	-	-
Decrease in receivables from exchange transactions-Water	-	(1,092,091)
Decrease in receivables from exchange transactions- Electricity	-	(10,128,506)
Decrease in Service charges- Water	-	949,644
Decrease in Service Charges-Electricity	-	8,807,397
Decrease in Accrual Output VAT	-	1,463,556

12. Government debts not impaired

	-	-
Increase in Provision for doubtful debts-Water	-	(303,907)
Increase in Provision for doubtful debts-Electricity	-	(171,549)
Increase in Provision for doubtful debts-Waste Water Management	-	(104,411)
Increase in Provision for doubtful debts-Water Management	-	(118,911)
Increase in Provision for doubtful debts-Property Rates	-	(1,428,477)
Increase Debt impairment-Water	-	271,256
Increase Debt impairment-Electricity	-	154,655
Increase Debt impairment-Waste Water Management	-	93,331
Increase Debt impairment- Waste Management	-	105,394
Increase Debt impairment- Property rates	-	1,428,477
Decrease in Accrual output vat	-	74,142

13.Contingent Assets & Liabilities

	-	**(60,668,877)**
(Increase)/Decrease in Contingent Liabilities	-	(37,630,455)
(Increase)/Decrease in Contingent Assets	-	(23,038,422)

14.Capitalization of commisioned pump stations

	-	-
Increase in infrastructure	-	3,081,411
Decrease in WIP	-	(3,081,411)
Increase in depreciation	-	32,130
Increase in accumulated depreciation	-	(32,130)

15. Cashflow from financing activities overstated

	-	-
Decrease in Finance lease payments	-	(7,211,035)
Increase in net changes in Cash	-	7,211,035

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

Summary	2024 Audited amount	Correction of error	Change in accounting policy	Reclassification	Restated amount
	-	-	-	-	-
Contracted services	52,864,549	1,913,307	-	-	54,777,856
Property Plant and Equipment	1,437,913,780	(3,768,868)	-	-	1,434,144,913
Service charges	(303,274,505)	-	-	303,274,505	-
Service charges- Electricity	-	8,807,397	-	(193,486,912)	(184,679,515)

Notes to the Annual Financial Statements

Figures in Rand				2025	2024
Service charges- Water	-	949,644	-	(64,880,991)	(63,931,347)
Service charges- Waste water management	-	-	-	(24,165,901)	(24,165,901)
Service charges-Waste management	-	-	-	(20,740,701)	(20,740,701)
Depreciation, impairment and amortization	94,711,818	(33,406)	-	-	94,678,412
payables from exchange transactions	(140,516,976)	(6,969,529)	-	(4,968,542)	(152,455,047)
Provision- Employee benefits	(80,190,000)	-	-	80,190,000	-
Defined benefit obligation	-	-	-	(80,190,000)	(80,190,000)
Decrease in accumulated surplus	(1,427,931,651)	4,378,786	-	-	(1,423,552,865)
Trade and other receivables from exchange transactions	173,077,238	(11,919,375)	-	26,663,588	187,821,450
Receivables from non- exchange transactions	104,306,144	(1,428,477)	-	2,815,423	105,693,090
Accrual Input VAT	22,450,847	4,212,741	-	(26,663,588)	-
Accrual Output VAT	(6,506,240)	1,537,698	-	4,968,542	-
Intangible Assets	1,780,177	(1,357,095)	-	-	423,083
Operational Cost	71,018,103	1,624,064	-	-	72,642,167
Debt impairment	91,348,679	2,053,113	-	-	93,401,794
Statutoty VAT receivable	2,815,423	-	-	(2,815,423)	-

52. Going concern

We draw attention to the fact that at June 30, 2025, the municipality had an accumulated surplus of R 1,499,197,115 and that the municipality's total assets exceed its liabilities by R 1,499,197,115.

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

The municipality is a going concern because of the following :
It is a state entity set up by the constitution of South Africa to provide basic services to the community and is also funded by the state for that purpose. Failure to provide services will prompt national government intervention to ensure it stays functional and able to deliver basic services and consequently comply with the constitution.

There is no indication of a possibility of default by the government in paying grants under the act. This is also corruborated by experiece where national treasury has met its obligation every year and has therefore a constructive obligation. The council has also adopted integrated development plan which is a five-year plan. Municipality has tabled a funded budget for the financial year 2025/26. This is an indication for the Municipalitys' intention to operate beyond the next 12 months period. The gearing ratios are above the norms as per national treasury MFMA circular 71.
The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The Municipality has debt book of R 762 140 922.00 which includes property rate, electricity, water, sanitation, and refuse removal debtors and has already commenced with the implementation on the revenue enhancement strategies to recover these outstanding debts. Management has also procured an indigent Management system to assist in identifying those debts that are not recoverable and thus qualify for write-off.

The Municipality intents to improve the spending of conditional grants through forward planning and development of realistic procurement plan to ensure that procurement processes are concluded within a reasonable time. Municipality has applied for rollover of fund to continue with the project as planned. There is an unspent conditional grant of R13 200 000 in the financial year 2023/24. Management has applied for roll over and confidently believe that the rollover will be approved.

There are no substantial operating risks or operating factors that are significantly causing serious deterioration of value of assets that generate cash inflows.

Only 2 out of seven positions of Executive Management is currently vacant and Municipality has shown the intention to fill this Position. The Positions were advertised.

The council has annually reviewed and approved its IDP which indicates that the Municipality plans to continue Its operations.There are no Labour difficulties, nor threats of any labour protest

53. Segment reporting

Lephalale Local Municipality is located in waterberg district in Lephalale town.

Lephalale Local Municipality is organised and reports to management on the basis of three major functional areas: Infrastructure services, community and public safety, Governance and administration.The segments were organised around the type of service delivered and the target market

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

This is considered appropriate for external reporting purposes to achieve the objective of GRAP 18.

Aggregated segment
The segment were agregated on the basis of services delivered as management considered that the economic characteristics of a segments were sufficient to warrant aggregation.

Types of goods and services by segment reporting

Community and public services: Primary services of providing community safety crime prevention ,law enforcement ,refuse removal and registry services
Infrastructure developments and basic services: basis service delivery services such as water, electricity, infrastructure developments and sanitation services
Governance and administration: Services in relation to financial management,human resource, information technology, legal financial governance and strategic planning

2025 Segment revenue	**Governance and administration**	**Infrastructure developments and basic services**	**Community and public safety**		**Total**
Service charges- Electricty	-	222,191,326	-	-	222,191,326
Service charges- Water	-	63,168,314	-	-	63,168,314
Service charges- Waste Water Management	-	29,897,100	-	-	29,897,100
Service charges- Waste Management	-	-	25,071,520	-	25,071,520
Rental of equipment and Facilities	-	-	311,519	-	311,519
Interest earned from receivables	-	45,703,269	12,242,131	-	57,945,400
Agency fees	-	-	6,930,334	-	6,930,334
Operational revenue	5,919,548	-	-	-	5,919,548
Interest earned on current and non-current assets.	7,605,244	-	-	-	7,605,244
Property rates	119,797,311	-	-	-	119,797,311
Interest earned from receivables- property rates	25,890,975	-	-	-	25,890,975
Transfers and subsidies	244,019,632	155,424,284	1,311,000	-	400,754,916
Public contributions and donations	-	16,744,000	-	-	16,744,000
Fines, penalties and forfeits	-	-	4,017,954	-	4,017,954
	403,232,710	**533,128,293**	**49,884,458**	-	**986,245,461**

2025 Segment expenditures	**Governance and administration**	**Infrastructure developments and basic services**	**Community and public safety**		**Total**
Employee costs	(103,548,350)	(83,490,687)	(66,745,509)	-	(253,784,546)
Remuneration of councillors	(14,368,915)	-	-	-	(14,368,915)
Depreciation, impairment and amortisation	(3,589,594)	(90,074,864)	(3,854,009)	-	(97,518,467)
Irrecoverable debts written off	(17,118,081)	-	-	-	(17,118,081)

Notes to the Annual Financial Statements

Figures in Rand				2025	2024

53. Segment reporting (continued)

Debt impairment	(35,803,128)	(43,041,189)	(17,772,122)	-	(96,616,439)
Bulk Purchases	-	(183,444,942)	-	-	(183,444,942)
Contracted Services	(40,215,492)	(12,891,979)	(18,351,405)	-	(71,458,876)
Transfers and subsidies paid	(558,009)	-	-	-	(558,009)
Inventory consumed	(758,904)	(53,875,198)	(1,453,797)	-	(56,087,899)
Operating costs	(59,006,134)	(11,758,126)	(10,962,803)	-	(81,727,063)
Loss on sale of Assets	-	(18,374)	-	-	(18,374)
Acturial gains	657,534	-	-	-	657,534
Fair value adjustment	612,133	-	-	-	612,133
Interest costs	(382)	(18,580,060)	-	-	(18,580,442)
	(273,697,322)	**(497,175,419)**	**(119,139,645)**	**-**	**(890,012,386)**
Surplus/(Deficit) For the year	138,299,993	23,539,286	(69,255,187)	-	92,584,092

Current Assets	Governance and administration	Infrastructure developments and basic services	Community and public safety		Total
Cash and Cash Equivalents	66,287,418	-	-	-	66,287,418
Receivable from non-exchange transactions	96,502,541	-	-	-	96,502,541
Trade and other receivables from exchange transactions	-	156,176,304	13,073,750	-	169,250,054
Other receivables from non exchange transactions	-	17,788,320	2,199,725	-	19,988,045
Sundry receivables	922,901	-	-	-	922,901
Inventories	-	7,793,125	-	-	7,793,125
	163,712,860	**181,757,749**	**15,273,475**	**-**	**360,744,084**

Non Current Assets	Governance and administration	Infrastructure developments and basic services	Community and public safety		Total
Investment property	23,499,537	-	-	-	23,499,537
Property plant and eqquipment	68,346,449	1,380,508,548	63,441,867	-	1,512,296,864
Heritage asset	77,000	-	-	-	77,000
Intangible assets	155,489	-	-	-	155,489
	92,078,475	**1,380,508,548**	**63,441,867**	**-**	**1,536,028,890**

Current Liabilities	Governance and administration	Infrastructure developments and basic services	Community and public safety		Total
Long term trade and other payables	-	(20,524,373)	-	-	(20,524,373)
Finance lease obligation	-	(12,523,371)	-	-	(12,523,371)
Payables from exchange transactions	-	(144,207,971)	-	-	(144,207,971)
Consumer deposits	-	(13,243,578)	-	-	(13,243,578)
Defined benefit Obligations	(5,828,000)	-	-	-	(5,828,000)
Trade and other payables from non-exchange transactions	-	(18,838,575)	-	-	(18,838,575)
	(5,828,000)	**(209,337,868)**	**-**	**-**	**(215,165,868)**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

53. Segment reporting (continued)

Non-Current Liabilities	Governance and administration	Infrastructure developments and basic services	Community and public safety		Total
Long term trade and other payables	-	(41,038,448)	-	-	(41,038,448)
Finance lease obligations	-	(13,154,674)	-	-	(13,154,674)
Defined benefits Obligation	(89,944,000)	-	-	-	(89,944,000)
Provisions for landfill	-	-	(38,272,889)	-	(38,272,889)
	-	-	-	-	-
Net Assets	160,019,335	1,298,735,307	40,442,453	-	1,499,197,095

2024 Segment Revenue	Governance and administration	Infrastructure developments and basic services	Community and public safety		Total
Service charges-Electricity	-	184,679,515	-	-	184,679,515
Service charges-Water	-	63,931,347	-	-	63,931,347
Service charges-Waste Water Management	-	24,165,901	-	-	24,165,901
Service charges-Waste Management	-	-	20,740,701	-	20,740,701
Rental of equipment and facilities	233,380	-	-	-	233,380
Interest earned from receivables	-	40,379,225	10,962,555	-	51,341,780
Property rates	114,403,879	-	-	-	114,403,879
Interest earned from receivables-Property rates	22,219,493	-	-	-	22,219,493
Transfers and subsidies	228,407,839	120,159,386	1,035,000	-	349,602,225
Public contributions and donations	4,750,809	-	-	-	4,750,809
Fines, penalties and forfeits	-	-	643,675	-	643,675
Interest earned on current and non-current assets	8,679,930	-	-	-	8,679,930
Agency fees	-	-	9,054,387	-	9,054,387
Operational revenue	2,582,423	-	-	-	2,582,423
Acturial gain	2,267,145	-	-	-	2,267,145
Fair value adjustment	1,203,000	-	-	-	1,203,000
	384,747,898	**433,315,374**	**42,436,318**	-	**860,499,590**

2024 Segment Expenditure	Governance and administration	Infrastructure developments and basic services	Community and public safety		Total
Employee costs	(92,898,252)	(77,160,552)	(63,502,408)	-	(233,561,212)
Remmuneration of councillors	(14,066,021)	-	-	-	(14,066,021)
Depreciation, impairment and amortisation	(45,556,543)	(40,514,966)	(8,606,892)	-	(94,678,401)
Bad debts written off	-	(6,870,117)	-	-	(6,870,117)
Debt impairment	(20,826,483)	(54,346,917)	(18,228,394)	-	(93,401,794)
Bulk purchases	-	(161,357,687)	-	-	(161,357,687)
Contracted Services	(44,996,634)	(8,951,810)	(829,412)	-	(54,777,856)
Transferes and subsidies paid	(608,172)	-	-	-	(608,172)
Inventory consumed	(712,675)	(47,618,658)	(2,147,632)	-	(50,478,965)
Operating expenditure	(42,341,651)	(28,849,890)	(1,450,626)	-	(72,642,167)
Interest costs	(3,924,980)	(9,774,779)	(6,017,813)	-	(19,717,572)
	-	-	-	-	-
Surplus/(Deficit) for the year	119,356,487	(2,130,002)	(58,346,859)	-	58,879,626

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

53. Segment reporting (continued)

Current Assets	Governance and administration	Infrastructure developments and basic services	Community and public safety		Total
Cash and cash equivalents	60,652,863	-	-	-	60,652,863
Receivables from non-exchange transactions	105,693,090	-	-	-	105,693,090
Trade and other receivables from exchange transaction	-	172,152,394	15,669,056	-	187,821,450
Other receivables from non-exchange transactions	-	6,241,312	2,114,746	-	8,356,058
Sundry receivables	2,034,626	-	-	-	2,034,626
Inventories	-	5,482,420	-	-	5,482,420
	168,380,579	**183,876,126**	**17,783,802**	**-**	**370,040,507**

Non-Current Assets	Governance and administration	Infrastructure developments and basic services	Community and public safety		Total
Investment property	17,870,867	-	-	-	17,870,867
Property, plant and equipment	69,724,672	1,300,771,849	63,648,392	-	1,434,144,913
Heritage asset	77,000	-	-	-	77,000
Intangible Assets	423,082	-	-	-	423,082
	88,095,621	**1,300,771,849**	**63,648,392**	**-**	**1,452,515,862**

Current Liabilities	Governance and administration	Infrastructure developments and basic services	Community and public safety		Total
Long term trade and other payables	-	(20,524,373)	-	-	(20,524,373)
Finance lease obligation	-	(10,862,792)	-	-	(10,862,792)
Payables from exchange transactions	-	(152,455,037)	-	-	(152,455,037)
consumer deposits	-	(12,011,891)	-	-	(12,011,891)
Defined benefits obligation	(4,497,000)	-	-	-	(4,497,000)
Trade and other payables from non-exchange transaction	-	(12,907,488)	-	-	(12,907,488)
	(4,497,000)	**(208,761,581)**	**-**	**-**	**(213,258,581)**

Non-Current Liabilities	Governance and administration	Infrastructure developments and basic services	Community and public safety		Total
Long term trade and other payables	-	(61,562,821)	-	-	(61,562,821)
Finance lease obligation	-	(25,678,042)	-	-	(25,678,042)
Defined benefit obligation	(82,552,000)	-	-	-	(82,552,000)
Provision for landfill site	-	-	(31,266,168)	-	(31,266,168)
	-	-	-	-	-
Net Assets	169,427,200	1,188,645,530	50,166,026	-	1,408,238,756

54. Unauthorised expenditure

	2025	2024
Opening balance as previously reported	42,711,226	5,889,901
Add: Unauthorised expenditure - current	49,398,000	42,711,226
Less: Amount authorised - current	(42,711,226)	(5,889,901)
Closing balance	**49,398,000**	**42,711,226**

Figures in Rand	2025	2024

54. Unauthorised expenditure (continued)

The amount of R 42 711 226 was approved by council in February 2025.

Additional unauthorised expenditure incurred in the current year was as a result of exceeding the approved budget for total expenditure by R63 360 148 as per budget comparison statement and 49 398 000 as per vote .The biggest contributing factors was debt impairment, bad debts, depreciation, impairment and amortisation which are non-cash items.

55. Fruitless and wasteful expenditure

	2025	2024
Opening balance as previously reported	1,492,226	1,462,487
Add: Fruitless and wasteful expenditure identified - current	2,376,727	29,739
Less: Amount recovered - current	(4,117)	-
Closing balance	**3,864,836**	**1,492,226**

Fruitless and wasteful expenditure is presented inclusive of VAT

The additional fruitless and wasteful expenditure was as a result of :

1. Interest incurred on Eskom account. The amount of R 4 117.00 was recovered from responsible officials and the remaining balance wil be recovered in 2025/2026 financial year.

2. Indigent beneficiaries that were ineligible to receive benefits due to them being deceased, having directorship to companies and spouses being employed in the state.The amount is R18 332.

3. Unknown payments of R2 353 895 not reconciled to the cashbook.

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56. Irregular expenditure

	2025	2024
Opening balance as previously reported	2,468,138	59,215,957
Add: Irregular expenditure - current	272,000	292,523
Less: Amount written off - prior period	-	(57,040,342)
Closing balance	**2,740,138**	**2,468,138**

Amount written off

In 2023/24 financial year,the MPAC through the use of service provider conducted investigations of irregular expenditure and made recommendations to council. The recomendations of MPAC were adopted by the council and irregular expenditure were written off as per the amount shown in the table above.

The investigations revealed that the council did not suffer any losses from the acts of non-compliance that resulted in irregular expenditures written off. Although the council did not suffer material losses the report recommends that actions should be taken against the officials responsible for the breach of MFMA and its related SCM legislations and prescripts.The council has adopted the recommendations of the investigation report and resolve accordingly.

No additional irregular expenditure was incurred in the current year.

Figures in Rand	2025	2024

56. Irregular expenditure (continued)

The MPAC through the use of a service provider conducted investigations of irregular expenditure and made recommendations to council. The recomendations of MPAC were adopted by the council.

The investigations revealed that the council did not suffer any losses from the acts of non-compliance that resulted in irregular expenditures written off. Although the council did not suffer material losses, the report recommends that actions should be taken against the officials responsible for the breach of MFMA and its related SCM legislations and prescripts. The council has adopted the recommendations of the investigation report and resolve accordingly

The investigation report was send to financial misconduct board for further processing. The amount of R 2 468 138 is under investigation.

57. 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.

During the financial year 2024/25, accounting officer has approved the deviations amounting to R5 147 527 (2023/24: R7 910 618) VAT inclusive. The deviations approved were detailed below

Emergency Section 36(1)(a)(i)	83,264	3,521,271
Sole Supplier Section 36(1)(a)(ii)	1,420,424	752,018
Impractical to follow official procurement process Section 36(1)(a)(iii)	3,643,839	3,637,329
	5,147,527	**7,910,618**

58. Awards made to close family members who are in the service of the state

The following awards were made to close family members whose relatives are in the service of the state .

L L R PROJECTS AND TRADING ENTERPRISE	-	29,000
The director of the company is spouse of Accountant asset management		
EMJ ENGINEERING AND PROJECTS	513,118	398,839
The director of the company is the spouse of Fitter and turner		
FUTURISTIC 1	295,734	-
The director of the company is daughter of horticulturist		

59. Accounting by principals and agents

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

Details of the arrangement (s) are as follows:

Lephalale Local Municipality renders registry and license services on behalf of the Limpopo Department of Road and Transport. In terms of the agreement, Municipality is entitled to agency fees from the collected funds. Therefore Lephalale Local Municipality is an agent to the Limpopo Department of Road and Transport (Principal)

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

59. Accounting by principals and agents (continued)

Entity as agent

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R6,930,289 (2024: R9,054,386).

Additional information

Revenue and expenses that relate to transactions with third parties undertaken in terms of the principal-agent arrangement

Amount of revenue received on behalf of the principal during the reporting period

	2025	2024
Total Collections	32,255,102	33,174,267
Amount Due to Municipality	(6,930,289)	(9,054,386)
Amount due to Principal - Limpopo department of transport	(25,324,813)	(24,119,881)
	-	-
Amount payable to principal at year end	2,854,960	1,649,991

The amounts payable above are included in payables from exchange transactions.

Entity as principal

Resources (including assets and liabilities) of the entity under the custodianship of the agent

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

59. Accounting by principals and agents (continued)

The municipality is a party to a principal-agent arrangement with the following organisations, wherein the municipality acts as the principal:

1.Livewire Engineering & Consulting

The arrangement is for the supply, delivery, installation and commissioning maintenance of electricity smart meters and vending of prepaid electricity meters.

Livewire is entitled to rates based% of the service fee.

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

2.Root X Auctioneers

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

Root X is entitled to 10% of the service fee.

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

The are no significant risks associated with the arrangement, and the benefits are increase in revenue due to competitive pricing, transparency and access to a broader market.

Fee paid as commission to the agent
There were no auctions held in the prior year, consequently no commission paid.

3.Double M MEDPRAC Solutions

The municipality is a party to a principal-agent arrangement with Double M Medprac Solutions, wherein the municipality acts as the principal.

The arrangement is of provisioning of debt collection services.

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

The are no significant risks associated with the arrangement, and the benefits are an increase in revenue due to effective pursuance of debtors.

Double M is entitled to rates based% of the service fee.

Fee paid as commission to the agent

4.New Integrated Credit Solutions

The municipality is a party to a principal-agent arrangement with New Integrated Credit Solutions, wherein the municipality acts as the principal.

The arrangement is of provisioning of debt collection services.

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

The are no significant risks associated with the arrangement, and the benefits are an increase in revenue due to effective pursuance of debtors.

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Figures in Rand	2025	2024

59. Accounting by principals and agents (continued)

New Integrated Credit Solutions is entitled to rates based% of the service fee.

Fee paid as commission to the agent.

Fee paid

Fee paid as compensation to the agent

Livewire Engineering & Consulting	18,030,864	5,438,800
Root X Auctioneers	150,800	-
Double M MEDPRAC Solutions	1,146,059	-
New Integrated Credit Solutions	-	2,793,481
	19,327,723	**8,232,281**

The resource and/or cost implications for the entity if the principal-agent arrangement is terminated, are [State information/discussion].

[Provide additional info as appropriate]

60. Interest earned from receivables

Water	20,070,073	16,872,175
Electricity	15,354,294	15,136,369
Waste water	10,207,525	8,375,995
Refuse	12,313,508	10,962,555
	57,945,400	**51,347,094**

61. Distribution losses

Water Losses-The Municipality's water losses are as follows		
Units Purchased (kl)	7 649 419	7 782 321
Units Sold (kl)	4 334 021	4 855 969
Average cost per Unit (Rands)	4.9	4.4
Losses (kl)	3 233 784	2 843 477
Water losses (%)	42.3%	36.5%

Water losses are due to illegal connections and the ageing infrastructure. Municipality is in the process of replacing asbestos pipes and addressing illegal connections.

Electrical losses are as follows		
Units Purchased (kwh)	86 002 054	84 237 411
Units Sold (kwh)	76 629 425	76 889 503
Average cost per Unit (Rands)	R2.13	R1.92
Losses (kwh)	9 372 629	7 383 908
Electrical losses (%)	10.9%	9%

Electricity losses are within the norm

62. Non-living resources

Management only identified water resources as non-living resources, and no other natural resources are prevalent within the municipality's jurisdiction. Municipality extracts water from Mogol Dam and boreholes which belongs to the Department of Water and Sanitation. There are no liabilities and or contingent liabilities that arise from non-living resources.

63. Budget Narrations

Budget differences- only variances above 10% will be explained

A1 Service Charges- Electricity- Decrease due to low consumption as result of consumers switching ot other sources of energy

A5 Rental of facilities and equipments- Decrease due to refurbishment of Witpoort stadium leading to less rental

A6 Interest earned from receivables-Service charges- Increasedue to high debtors book as a result of adverse economic conditions and high rate of unemployment

A7 Agency fees- Decrease due to temporary closure of licensing office

A8 Operating revenue- Due to increase in connection fees.

A11 Interest earned from receivables-Property rates- Increase due to low collection on empty stands

A12 Transfers and subsidies- Increase due to additional funding of disaster grant received

A13 Fines, Penalties and forfeits- Decrease due to enforcement of by-laws

A14 Employee related cost- Decrease due to vacant positions

A16 Depreciation, impairment and amortisan- Increase due to ageing infrastructure

A19 Debt impairment-Increase due to high debtors book

A22 Transfers and subsidies- Decrease due to unclaimed funds from NGOs

Explanations of variances between the original budget and the final budget.

The operating Revenue reduced by R3,5 Million from R838 Million to R834 Million because of the key drivers of adjustment budget are reduction on Electricity Billing ,low collection of Revenue and prioritisation of Service delivery i.e. maintenance of networks and refurbishment of ageing infrastructure and improve the alignment of non-cash items.

The operating expenditure has reduced by R3.5 Million from R835 Million to R832,5Million, due to implementation of Cost containment strategies.

The movement between Operating Revenue and the Operating Expenditure has the same net operating surplus of R2,8 Million.

The capital expenditure has been revised from R247 Million to 246 Million. The movement include the grant approved roll over of R7,6 million and decrease in own funding projects due to delays on the implementation.