

**Mogalakwena Local Municipality
Annual Financial Statements
for the year ended 30 June 2025**

Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2025

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The main business operations of the municipality is to engage in local government activities, which includes planning and promotion of integrated development planning, land use management, economic and environmental development and supplying of the following services to the community.
The following is included in the scope of operation	General Services - All types of services rendered by the municipality, excluding the supply of housing to the community. Waste Management Services - the collection and disposal of waste. Electricity Services - Electricity is bought in bulk from Eskom and distributed to the consumers of the municipality in licensed areas. Wastewater Management - Collection and purification of waste water. Water services - provision of water to communities in both urban and rural areas within the municipal jurisdiction.
Legislation governing the municipality's operations	Constitution of the Republic of South Africa (Act 108 of 1998) Local Government: Municipal Finance Management Act (act no.56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2003) Local Government: Municipal Structures Act (Act 3 of 2021) Municipal Property Rates Act (Act 6 of 2004) Division of Revenue Act (Act 1 of 2007)
Mayoral committee	
Executive Mayor	Hon. Taueatsoala N.S
Speaker	Cllr. Olifant P.L
Chief Whip	Cllr. Tsebe M.A
MMC - Municipal Public Accounts Committee	Cllr. Satege L.K
MMC - Community Services	Cllr. Maepa M.R
MMC - Corporate Support Services	Cllr. Tefu M.S
MMC - Finance	Cllr. Selemela R.G
MMC - Planning and Development Services	Cllr. Lebeso M.T
MMC - Technical Services	Cllr. Senoamadi M.M
MMC - Traffic and Emergency	Cllr. Hlonyana M.D
MMC - Electrical Services	Cllr. Mashabane T.E
Councillors	
	Cllr. Alberts S
	Cllr. Boya R.M
	Cllr. Baloyi M.B
	Cllr. Coetzee Y
	Cllr. Dolo M.E
	Cllr. Gumede M.J
	Cllr. Hlako C.W
	Cllr. Hlonyana M.D
	Cllr. Kekana M.R
	Cllr. Kgole G.P
	Cllr. Laka L.E

Mogalakwena Local Municipality

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General Information

Cllr. Langa D.P
Cllr. Ledwaba R.S
Cllr. Maartens M
Cllr. Mabe P.S
Cllr. Madiba M.J
Cllr. Majabodu K.S
Cllr. Majoko S.C
Cllr. Malebana T.N
Cllr. Maluleke K.J
Cllr. Makhubele H.P
Cllr. Manganyi R.V
Cllr. Maponya T.H
Cllr. Marakalala C.N
Cllr. Marakalala L.S
Cllr. Marakalala M.P
Cllr. Matlou L.E
Cllr. Matlou M.C
Cllr. Meteleni M.S
Cllr. Mogotle P.J
Cllr. Molebale M.J
Cllr. Molefe L.J
Cllr. Molekoa L.P
Cllr. Monama M.G
Cllr. Mphaho D.M
Cllr. Ncube M.J
Cllr. Ngoepe D.J
Cllr. Ngwenya M.B.M
Cllr. Nkgapele T.M
Cllr. Nkhona H.J
Cllr. Nxube T.G
Cllr. Patleswane D
Cllr. Ramela K.S
Cllr. Rapatsa M.M
Cllr. Sebjane R.P
Cllr. Sebele K.A
Cllr. Setsiba E.T
Cllr. Shadung F.J
Cllr. Thobane M.S
Cllr. Wiid E
Cllr. Masehela M.E
Cllr. Lelaka M.S
Cllr. Mashishi M.V

Members of Audit Committee

Ngobeni S.A.B (Chairperson)
Mnisi P.R
Nevhutalu T.G

Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2025

General Information

Grading of local authority	Grade 4 Local Municipality
Accounting Officer	Mr MM Maluleka
Chief Finance Officer (CFO)	Mr K.A Ngomana
Registered office	54 Retief Street Mokopane 0600
Attorneys	Malumbete and Makhubele Popela Maaake Attorneys Manyama Ramalepe Punch Attorneys MT Ramabala Attorneys Negota K Attorneys Moloko Phooko Attorneys NJ Morero Inc Tshikovhi Attorneys
Bankers	Standard Bank
Auditors	AGSA (Limpopo Region) Registered Auditors

Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2025

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Abbreviations used:

COIDA	Compensation for Occupational Injuries and Diseases
CPI	Consumer Price Index
DBSA	Development Bank of Southern Africa
DORA	Division of Revenue Act
DWS	Department of Water and Sanitation
FMG	Finance Management Grant
EPWP	Expanded Public Works Programme
INEP	Intergrated National Electrification Programme
LG-SETA	Local Government Sector Education and Training Authority
GRAP	Generally Recognised Accounting Practice
MIG	Municipal Infrastructure Grant (Previously CMIP)
MFMA	Municipal Finance Management Act
SALGA	South African Local Government Association
WSIG	Water Services Infrastructure Grant
mSCOA	Municipal Standard Chart of Accounts
RBIG	Regional Bulk Infrastructure Grant
VAT	Value Added Tax

Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

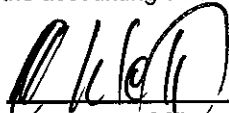
The municipality is wholly dependent on the municipality for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale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

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

The accounting officer would like to bring to your attention the following material matters to your attention:

I certify that the salaries, allowance and benefits of councillors as disclosed in the annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read together with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and Minister of Provincial and Local Government determination in accordance with the Act.

The annual financial statements set out from page 8, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2025 and were signed on its behalf by:



Accounting Officer
Mr MM Maluleka

Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in local government activities, which include planning and promotion of integrated development plan and supplying of the services to the community which are water, sanitation, fire, and environmental health services and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Going concern

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

The ability of the municipality to continue as a going concern is dependent on continued grant funding from the national government.

Key financial ratios are adverse (Debtors impairment as a percentage of accounts receivables, creditors payment period, debtors' collection period) due to the decrease in the collection rate as the economy faces a lot of pressure within the jurisdiction of Mogalakwena Local Municipality

The poor collection rate has put pressure on the liquidity in the municipality which in turn affects the payment of creditors as they fall due. Despite the pressures, the municipality continues to honour its debt with delay here and there.

Pending legal or regulatory proceedings against the municipality may, if successful, result in claims against the municipality. In such cases, the municipality like in the past enters arrangements to honour the obligations.

3. Subsequent events

The municipality, after assessments, has concluded that a non-adjusting event exists which relate to an investigation conducted by the Special Investigating Unit against a former service provider who was fraudulently awarded a tender by the municipality in the 2017-18 financial year. The tender was for a total value of R167,919,973 VAT inclusive for a period of 18 months. Following the investigation the SIU found that the awarding of the tender to service provider by municipality was characterised by irregularities. The tender was declared unlawful and invalid and therefore set aside and service provider was directed to pay an amount of R68,866,909 with interest at a prescribed legal rate to the date of payment.

4. Accounting Officers' interest in contracts

The accounting officer has no interest in contracts awarded, either direct or indirect.

5. Accounting policies

As included in Note 1 of the annual financial statements, the municipality has consistently applied the accounting policies that are compliant to GRAP standards.

The annual financial statements are prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practice (GRAP), including interpretations of such Statements issued by the Accounting Standards Board (ASB) in accordance with section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

6. Accounting Officer

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

Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Officer's Report

6. Accounting Officer (continued)

Name	Nationality
Mr MM Maluleka (Municipal Manager)	RSA

7. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report IV on Corporate Governance for South Africa of 2016. The accounting officer discuss the responsibilities of management in this respect, at Council meetings and monitor the municipality's compliance with the code on a quarterly basis.

Council has a very strict attitude towards legislative compliance, specifically the supply chain management principles, and also the proper functioning of Performance and Audit Committee and Municipal Public Accounts Committee (MPAC).

Internal audit

The municipality has an in-house internal audit function. This is in compliance with the Municipal Finance Management Act.

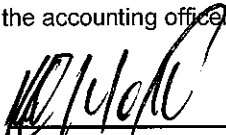
8. Primary Bankers

The primary bank account of the municipality as required by section 8 of the MFMA is held with Standard Bank.

9. Auditors

Auditor General South Africa (Limpopo Region) will continue in office for the next financial period.

The annual financial statements set out from page 8, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2025 and were signed on its behalf by:



Accounting Officer
Mr MM Maluleka

Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	3	192,858,034	191,616,518
Operating lease asset	4	12,687,557	10,913,165
Receivables from exchange transactions	5&7	217,194,185	131,065,767
Receivables from non-exchange transactions	6&7	36,408,992	48,441,661
Cash and cash equivalents	9	2,947,653	12,343,115
		462,096,421	394,380,226
Non-Current Assets			
Receivables from exchange transactions	5	2,044,772	5,516,615
Receivables from non-exchange transactions	6	542,096	984,560
Investment property	10	121,602,793	119,136,787
Property, Plant and Equipment	11	4,812,952,080	4,612,987,003
Intangible assets	12	2,473,230	901,063
Heritage assets	13	5,867,835	5,867,835
		4,945,482,806	4,745,393,863
Total Assets		5,407,579,227	5,139,774,089
Liabilities			
Current Liabilities			
Operating lease liability	14	941,590	3,533,901
Payables from exchange transactions	15	706,010,204	486,876,344
Consumer deposits	17	25,268,949	24,491,407
Unspent conditional grants and receipts	18	-	6,854,211
Employee benefit obligation	19	3,547,431	4,651,964
Provisions	20	5,658,055	9,052,358
		741,426,229	535,460,185
Non-Current Liabilities			
Employee benefit obligation	19	91,487,245	82,791,847
Provisions	20	33,256,402	56,197,791
		124,743,647	138,989,638
Total Liabilities		866,169,876	674,449,823
Net Assets		4,541,409,351	4,465,324,266
Accumulated surplus		4,541,409,351	4,465,324,266
Total Net Assets		4,541,409,351	4,465,324,266

* See Note 61

Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	637,202,865	388,272,233
Rendering of services		73,205	69,326
Sale of goods		1,214,818	3,507
Impairment loss reversal	11	-	22,964,866
Rental of facilities and equipment	22	3,232,934	4,167,554
Fair value adjustments	23	2,466,007	3,106,173
Licences and permits	24	11,310,988	9,794,118
Gains on sale of assets		-	81,174
Other income	25	3,411,430	5,243,887
Gain on provision for landfill site		6,174,000	-
Actuarial gains		3,724,691	-
Interest received	26	69,336,867	63,634,541
Total revenue from exchange transactions		738,147,805	497,337,379
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	113,524,356	96,833,172
Property rates - penalties imposed	27	17,508,566	15,683,058
Transfer revenue			
Government grants & subsidies	28	1,016,112,773	1,043,679,538
Public contributions and donations	29	24,440,499	31,347,845
Fines, Penalties and Forfeits	30	13,576,354	3,400,445
Total revenue from non-exchange transactions		1,185,162,548	1,190,944,058
Total revenue	31	1,923,310,353	1,688,281,437
Expenditure			
Employee related costs	32	(382,114,181)	(373,213,521)
Remuneration of councillors	33	(27,159,350)	(24,808,192)
Depreciation and amortisation	34	(123,917,958)	(115,557,039)
Impairment loss	35	(50,201,600)	(14,203,553)
Repairs and maintenance	36	(87,023,975)	(42,835,257)
Finance costs	37	(26,673,978)	(18,659,465)
Lease rentals on operating lease	38	(44,738,017)	(43,628,056)
Debt write-off	39	(93,944,726)	(131,040,782)
Bulk purchases	40	(347,405,768)	(298,977,718)
Inventory consumed	41	(36,508,940)	(41,136,139)
Contracted Services	42	(216,096,764)	(206,943,453)
Debt impairment	43	(217,717,306)	(175,011,613)
Loss on disposal of assets		(14,501,728)	(4,544,271)
Actuarial loss		-	(6,639,716)
Land inventory write-offs		-	(164,955,904)
Fair value adjustment - Water		(6,686,079)	-
Inventories losses/write-downs		(1,046,257)	-
General expenses	44	(166,088,816)	(146,947,880)
Total expenditure		(1,841,825,443)	(1,809,102,559)
Surplus (deficit) for the year		81,484,910	(120,821,122)

* See Note 61

Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2023	4,599,689,410	4,599,689,410
Changes in net assets		
Surplus / (Deficit) for the year	(120,821,122)	(120,821,122)
Prior period adjustments	(13,544,022)	(13,544,022)
Total changes	(134,365,144)	(134,365,144)
Restated* Balance at 01 July 2024	4,459,924,441	4,459,924,441
Changes in net assets		
Surplus / (deficit) for the year	81,484,910	81,484,910
Total changes	81,484,910	81,484,910
Balance at 30 June 2025	4,541,409,351	4,541,409,351

Note(s)

* See Note 61

Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		350,627,028	426,268,115
Grants		1,009,258,562	1,045,039,173
Interest income		47,585,666	71,799,872
Other receipts		88,248,103	114,943,030
		1,495,719,359	1,658,050,190
Payments			
Employee costs		(406,308,657)	(393,124,936)
Suppliers		(710,734,178)	(853,637,047)
Finance costs		(8,348,473)	(3,096,734)
		(1,125,391,308)	(1,249,858,717)
Net cash flows from operating activities	46	370,328,051	408,191,473
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(377,495,827)	(436,171,901)
Acquisition of intangible assets	11	(2,227,686)	-
Net cash flows from investing activities		(379,723,513)	(436,171,901)
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		(9,395,462)	(27,980,428)
Cash and cash equivalents at the beginning of the year		12,343,115	40,323,543
Cash and cash equivalents at the end of the year	9	2,947,653	12,343,115

* See Note 61

Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Sale of goods	2,319,668	2,198,604	4,518,272	1,214,818	(3,303,454)	N1
Service charges	741,673,299	9,207,319	750,880,618	637,202,865	(113,677,753)	N2
Rendering of services	-	93,376	93,376	73,205	(20,171)	N3
Rental of facilities and equipment	2,126,600	282,116	2,408,716	3,232,934	824,218	N4
Fair value adjustments	-	-	-	2,466,007	2,466,007	N14
Licences and permits	11,046	2,729,300	2,740,346	11,310,988	8,570,642	N5
Other income	2,074,304	367,758	2,442,062	3,411,430	969,368	N6
Interest received	58,229,571	16,928,532	75,158,103	69,336,867	(5,821,236)	
Total revenue from exchange transactions	806,434,488	31,807,005	838,241,493	728,249,114	(109,992,379)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	101,070,194	19,919,442	120,989,636	113,524,356	(7,465,280)	
Interest received - property rates	14,215,518	4,485,602	18,701,120	17,508,566	(1,192,554)	

Transfer revenue

Government grants & subsidies	971,181,000	51,552,537	1,022,733,537	1,016,112,773	(6,620,764)	
Public contributions and donations	-	-	-	24,440,499	24,440,499	N7
Fines, Penalties and Forfeits	17,179,479	(2,250,000)	14,929,479	13,576,354	(1,353,125)	
Total revenue from non-exchange transactions	1,103,646,191	73,707,581	1,177,353,772	1,185,162,548	7,808,776	

Total revenue	1,910,080,679	105,514,586	2,015,595,265	1,913,411,662	(102,183,603)	
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Expenditure

Employee related costs	(415,283,998)	8,974,809	(406,309,189)	(382,114,181)	24,195,008	
Remuneration of councillors	(27,083,797)	(75,567)	(27,159,364)	(27,159,350)	14	
Inventory consumed	(77,780,121)	29,517,765	(48,262,356)	(36,508,940)	11,753,416	N8
Depreciation and amortisation	(93,594,162)	(30,635,022)	(124,229,184)	(123,917,958)	311,226	
Impairment loss	-	(47,281,551)	(47,281,551)	(50,201,600)	(2,920,049)	
Repairs and maintenance	-	(186,432,416)	(186,432,416)	(87,023,975)	99,408,441	N9
Finance costs	(2,686,106)	(22,391,454)	(25,077,560)	(26,673,978)	(1,596,418)	
Lease rentals on operating lease	-	(53,391,776)	(53,391,776)	(44,738,017)	8,653,759	N16
Debt write-off	(11,762,000)	(87,179,093)	(98,941,093)	(93,944,726)	4,996,367	
Bulk purchases	(334,570,598)	(82,768,028)	(417,338,626)	(347,405,768)	69,932,858	N10
Contracted Services	(297,328,362)	77,084,463	(220,243,899)	(216,096,764)	4,147,135	
Debt impairment	(83,002,714)	(167,089,398)	(250,092,112)	(217,717,306)	32,374,806	N17
General expenses	(179,583,439)	(39,557,221)	(219,140,660)	(166,088,816)	53,051,844	N11
Total expenditure	(1,522,675,297)	(601,224,489)	(2,123,899,786)	(1,819,591,379)	304,308,407	

Operating surplus/ (deficit)	387,405,382	(495,709,903)	(108,304,521)	93,820,283	202,124,804	
Loss on disposal of assets	-	(11,822,291)	(11,822,291)	(14,501,728)	(2,679,437)	N16
Gain on provision for landfill site	4,036,811	(4,715,304)	(678,493)	6,174,000	6,852,493	N12
Actuarial gains/losses	-	-	-	3,724,691	3,724,691	N13

Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Fair value adjustment - water	-	(10,670,407)	(10,670,407)	(6,686,079)	3,984,328	N18
Inventories losses/write-downs	-	-	-	(1,046,257)	(1,046,257)	N15
	4,036,811	(27,208,002)	(23,171,191)	(12,335,373)	10,835,818	
Deficit(Surplus) before taxation	391,442,193	(522,917,905)	(131,475,712)	81,484,910	212,960,622	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	391,442,193	(522,917,905)	(131,475,712)	81,484,910	212,960,622	

Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

Figures in Rand	Note(s)	2025	2024
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1. Significant account policies

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.

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

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

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

1.5 Significant judgements and sources of estimation uncertainty

In the process of applying its accounting policies, and in preparing the annual financial statements, management is required to make various judgements, including estimates and assumptions, that may affect the determination of the reporting framework, affect amounts represented in the annual financial statements and as well as 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.

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

Receivable from exchange transactions / non exchange transactions

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

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Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Allowance for slow moving, damaged and obsolete stock

An assessment is made of net realisable value or current replacement cost, where applicable, of inventory at the end of each reporting period. A write down of inventory to the lower of cost or current replacement cost, where applicable, is subsequently provided. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in surplus or deficit.

Fair value estimation

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

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the best estimate or net present value of the future expected cash flows to rehabilitate the landfill site at year-end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance. Management referred to the following when making assumptions regarding provisions:

Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.

Interest rates (investment rate) linked to prime was used to calculate the effect of the time value of money.

The provision for staff leave is based on accrued leave at year-end. The uncertainty is when the leave will be taken or if employment will be terminated.

Prepaid Electricity

Pre-paid electricity is only recognised as income as electricity is consumed. The estimate is based on pre-paid electricity sold at year-end, but still unused

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate involves a matter of judgement based on the experience of the municipality with similar assets, and whether the assets will be sold or used to the end of their economic lives and the condition at the time. The municipality considers all the facts and circumstances estimating the useful lives of assets, which included the consideration of financial, technical and other facts. This estimate is based on industry norms. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease the depreciation charge where useful lives are more than the previously estimated useful lives.

The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

The policy is also applicable to certain intangible assets.

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 19.

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 in line with the principle of MFMA circular 71 for determination of the collection rate thereafter the municipality impairs debt 30 days and above.

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.

Mogalakwena Local Municipality

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Significant Accounting Policies

1.6 Investment property (continued)

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

Management applies the category below to distinguish Investment Property from Property Plant and Equipment.

- Land held for a currently undetermined future use and held for capital appreciation is regarded as Investment Property.

Subsequent measurement - Fair value model

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

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

Derecognition/Disposal

Investment properties are derecognised (eliminated from the Statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of financial performance.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value [or carrying amount if cost model is used] at the date of change in use. If owner-occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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

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

Mogalakwena Local Municipality

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Significant Accounting Policies

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 on the acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

Subsequent measurement - Cost model

Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property, plant and equipment, are measured at cost, less accumulated depreciation and accumulated impairment losses.

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	2 - 60 years
Plant and machinery	Straight-line	2 - 15 years
Motor vehicles	Straight-line	7 - 15 years
Furniture and Office equipment	Straight-line	5 - 10 years
IT equipment	Straight-line	5 - 10 years
Water network	Straight-line	5 - 100 years
Community Infrastructure	Straight-line	5 - 60 years
Electricity Infrastructure	Straight-line	10 - 60 years
Sanitation and solid waste Infrastructure	Straight-line	10 - 60 years
Roads Infrastructure	Straight-line	5 - 80 years

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

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

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

Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.7 Mergers (continued)

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 remaining expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

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

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

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

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

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

1.8 Intangible assets

An asset is identifiable if it either:

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

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

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.

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.

Mogalakwena Local Municipality

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Significant Accounting Policies

1.8 Intangible assets (continued)

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

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

1.9 Heritage assets

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

Recognition

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

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 a cost less accumulated impairment.

Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.9 Heritage assets (continued)

Impairment

Heritage asset shall not be depreciated but the municipality shall 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.

In assessing whether there is an indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

External sources of information

- During the period, a heritage asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use
- The absence of an active market for a revalued heritage asset

Internal sources of information

- Evidence is available of physical damage or deterioration of a heritage asset
- A decision to halt the construction of the heritage asset before it is complete or in a usable format.

Transfers

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

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

Derecognition

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

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

1.10 Financial instruments

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

A financial instrument is recognised when the municipality becomes a party to the contractual provisions of the instrument and are initially measured at fair value. The initial measurement includes transaction cost directly attributable to the acquisition or issue of the financial asset or financial liability, as per GRAP 104.36.

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

A financial asset is:

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

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

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

Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.10 Financial instruments (continued)

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at fair value
Receivables from exchange transactions	Financial asset measured at fair value
Receivables from non-exchange transactions	Financial asset measured at fair value

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks. The municipality categorises cash and cash equivalents as financial assets at amortised cost.

Receivables from non-exchange transactions exclude Fines, Property rates, and VAT as these form part of statutory receivables (1.10)

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
Consumer deposits	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost

Initial measurement of financial assets and liabilities

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

The municipality measures a financial asset and financial liability initially at its fair value, plus in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and liabilities

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

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

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

Reclassification

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

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the municipality reclassifies the instrument from cost to fair value.

Gains and losses

Mogalakwena Local Municipality

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Significant Accounting Policies

1.10 Financial instruments (continued)

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 uncollectability of financial assets

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

Financial assets measured at amortised cost:

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

The municipality assesses the financial assets for impairment individually, when assets are individually significant, or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset (whether individually significant or not), the municipality includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment for impairment.

For collective assessments of impairment, assets with similar characteristics are grouped together. The credit risk characteristics are indicative of the debtors' ability to pay all amounts due according to contractual terms.

In making this assessment, management may consider the following indicators as guidance for possible impairment:

- Significant financial difficulty experienced by the debtor;
- Delays in payments (including interest payments) or failure to pay / defaults;
- The probability that the borrower / debtor will enter sequestration (bankruptcy);
- Observable historical data indicating that there is a decrease in the estimated future cash flows that will be received by the municipality from a group of financial assets since the initial recognition of those assets;
- The disappearance of an active market for that financial asset because of financial difficulties;
- Accounts in arrears for a period longer than the initial estimated repayment period;
- Accounts with a provision factor of more than 10; and
- Accounts handed over for collection.

Management considers all the indicators above as guidance but only uses the indicators for which there is sufficient information to make the assessment for possible or actual impairment.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.10 Financial instruments (continued)

The municipality derecognises a financial asset only when:

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

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

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the 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 municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

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

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

Mogalakwena Local Municipality

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Significant Accounting Policies

1.10 Financial instruments (continued)

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 municipality 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 municipality does not offset the transferred asset and the associated liability.

1.11 Statutory receivables

Identification

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

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

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

The municipality has the following major categories under the ambit of statutory receivables:

- VAT receivables
- Property rates debtors
- Traffic fine debtors

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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Significant Accounting Policies

1.11 Statutory receivables (continued)

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

Other charges

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

Impairment losses

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

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

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

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

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

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

Rates debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.

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 through the Statement of financial performance to the extent that the carrying amount of the statutory receivables at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition

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

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

Mogalakwena Local Municipality

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Significant Accounting Policies

1.11 Statutory receivables (continued)

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.

1.12 Leases

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

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

The leased assets are subsequently measured at cost less accumulated depreciation and accumulated impairment cost.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

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 commercial interest rate implicit in the lease agreement.

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

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

Operating leases - lessee

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

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

1.13 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

Significant Accounting Policies

1.13 Inventories (continued)

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 except for water which is determined at the reporting date due to it being measured at the lower of cost and current replacement cost.

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

Redundant and slow-moving inventories are identified and written down/written off. Inventories identified for write down/write off, but for which a council resolution to authorise the write down/write off, has not yet been obtained, are provided for as a provision for obsolete stock. Differences arising on the valuation of inventory are recognised in the statement of financial performance in the year in which they arise

1.14 Cash and cash equivalents

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 comprises cash on hand and demand deposits.

1.15 Impairment of cash-generating assets

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

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

Designation

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

The municipality designates an asset or a cash-generating unit as cash-generating when:

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

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

Significant Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Identification

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

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

In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

External sources of information

During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.

Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated

Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

Internal sources of information

Evidence is available of obsolescence or physical damage of an asset.

Significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite

A decision to halt the construction of the asset before it is complete or in a useable condition.

Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Significant Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Significant Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Significant Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.16 Impairment of non-cash-generating assets

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:

Assets acquired by the municipality are mainly used as per the municipality's mandate for service delivery purposes to customers that pay for the services but also to indigents. As the assets that are used for service delivery are similar, assets that generate cash flows cannot be distinguished from the non-cash generating assets and therefore are distinguished as non-cash generating.

In the event that the assets that generate cash flows can be clearly identified the assets will be designated as cash-generating.

Significant Accounting Policies

1.16 (continued)

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.

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

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Significant Accounting Policies

1.16 (continued)

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

Significant Accounting Policies

1.17 Employee benefits

Identification

Employee benefits

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

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

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.

Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either: (a) an entity's decision to terminate an employee's employment before the normal retirement date; or (b) an employee's decision to accept an offer of benefits in exchange for the termination of employment.

Classification of plans

A binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to the arrangement as if it were in the form of a contract. It includes rights from contracts or other legal rights.

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

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

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

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

State plans are plans established by legislation that operate as if they are multiemployer plans for all entities in economic categories laid down in legislation.

Net defined benefit liability (asset)

The net defined benefit liability (asset) is the deficit or surplus, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling.

The deficit or surplus is: (a) the present value of the defined benefit obligation; less (b) the fair value of plan assets (if any); plus (c) any liability that may arise as a result of a minimum funding requirement.

The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Plan assets comprise: (a) assets held by a long-term employee benefit fund; and (b) qualifying insurance policies.

Significant Accounting Policies

1.17 Employee benefits (continued)

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in GRAP 20) of the reporting entity, if the proceeds of the policy: (a) can be used only to pay or fund employee benefits under a defined benefit plan; and (b) are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either: (i) the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or (ii) the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Defined benefit cost

Service cost comprises: (a) current service cost, which is the increase in the present value of the defined benefit obligation resulting from employee service in the current period; (b) past service cost, which is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by a plan); and (c) any gain or loss on settlement.

Net interest on the net defined benefit liability (asset) is the change during the period in the net defined benefit liability (asset) that arises from the passage of time.

Remeasurements of the net defined benefit liability (asset) comprise: (a) actuarial gains and losses; (b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and (c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Actuarial gains and losses are changes in the present value of the defined benefit obligation resulting from: (a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and (b) the effects of changes in actuarial assumptions.

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

A settlement is a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions.

Significant Accounting Policies

1.17 Employee benefits (continued)

Short-term employee benefits

Recognition and measurement

All short-term employee benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- (a) As a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.
- (b) As an expense, unless another Standard of GRAP requires or permits the inclusion of the benefits in the cost of an asset.

Short-term paid absences

The entity recognises the expected cost of short-term employee benefits in the form of paid absences as follows:

- (a) in the case of accumulating paid absences, when the employees render service that increases their entitlement to future paid absences; and
- (b) in the case of non-accumulating paid absences, when the absences occur.

The entity measures the expected cost of accumulating paid absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

Bonus, incentive and performance related payments

The entity recognises the expected cost of bonus, incentive and performance related payments when, and only when:

- (a) the entity has a present legal or constructive obligation to make such payments as a result of past events; and
- (b) a reliable estimate of the obligation can be made. A present obligation exists when, and only when, the entity has no realistic alternative but to make the payments.

Post-employment benefits: Defined contribution plans

Recognition and measurement

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

- (a) as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- (b) as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset. When contributions to a defined contribution plan are not expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service, they are discounted using the discount rate as specified.

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Significant Accounting Policies

1.17 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Recognition and measurement

The entity determines the net defined benefit liability (asset) with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

Statement of financial position

The entity recognises the net defined benefit liability (asset) in the statement of financial position. When the entity has a surplus in a defined benefit plan, it measures the net defined benefit asset at the lower of:

- (a) the surplus in the defined benefit plan; and
- (b) the asset ceiling, determined using the discount rate specified. Any adjustments arising from the limit is recognised in surplus or deficit.

Other long-term employee benefits

Recognition and measurement

For other long-term employee benefits, the entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- (a) service cost;
- (b) net interest on the net defined benefit liability (asset); and
- (c) remeasurements of the net defined benefit liability (asset).

Termination benefits

Recognition

The entity recognises a liability and expense for termination benefits at the earlier of the following dates: (a) when the entity can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of GRAP 19 and involves the payment of termination benefits.

Measurement

The entity measures termination benefits on initial recognition, and measures and recognise subsequent changes, in accordance with the nature of the employee benefit, provided that if the termination benefits are an enhancement to post-employment benefits, the entity applies the requirements for post-employment benefits. Otherwise:

- (a) If the termination benefits are expected to be settled wholly before twelve months after the end of the reporting period in which the termination benefit is recognised, the entity applies the requirements for short-term employee benefits.
- (b) If the termination benefits are not expected to be settled wholly before twelve months after the end of the reporting period, the entity applies the requirements for other long-term employee benefits.

1.18 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.

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Significant Accounting Policies

1.18 Provisions and contingencies (continued)

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

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

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

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

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

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

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

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

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.

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 49.

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.

Significant Accounting Policies

1.18 Provisions and contingencies (continued)

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of financial performance.

At year end a provision is raised for the rehabilitation of landfill sites. The provision is the net present value of the future cash flows to rehabilitate damaged land at year end.

As the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;;
- if the adjustments 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 be fully recoverable. If there is such an indication, the municipality tests the asset for the impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in the accounting policy on impairment of cash-generating assets and/ or impairment of non-cash generating assets

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

Significant Accounting Policies

1.18 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 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 1.15 and 1.16.

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.

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Significant Accounting Policies

1.19 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.20 Revenue from exchange transactions

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from service charges and other operational activities.

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

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

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

Measurement

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

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

Sale of goods

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

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

Significant Accounting Policies

1.20 Revenue from exchange transactions (continued)

Rendering of services

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

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

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. Services rendered are recognised by reference to the stage of completion of the transaction at the reporting date. Services rendered are recognised also when transaction costs and cost to complete can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Service charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month. Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

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

Pre-paid electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

Mogalakwena Local Municipality

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Significant Accounting Policies

1.20 Revenue from exchange transactions (continued)

Interest earned and rental received

Interest and rentals are recognised on a time proportion basis that takes into account the effective yield on the investment.

Interest is recognised in surplus or deficit, using the effective interest rate method.

Tariff charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff.

Revenue recognition of unclaimed deposits

Unclaimed deposits older than three (3) years are recognised as revenue.

1.21 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.

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.

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.

Mogalakwena Local Municipality

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Significant Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

Measurement

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

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

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

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

Transfers

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

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

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

Property rates

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

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 constitute both spot fines and camera fines.

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

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

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

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.

Mogalakwena Local Municipality

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Significant Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

Services in-kind

Except for financial guarantee 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.

Government grants and subsidies

Unconditional grants

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

Conditional grants

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

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

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

1.22 Investment income

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

1.23 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.

1.24 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).

Significant Accounting Policies

1.24 Accounting by principals and agents (continued)

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it 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.

1.25 Comparative figures

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

1.26 Unauthorised expenditure

Section 1 of the Local Government: Municipal Finance Management Act (Act no.56 of 2003) (MFMA), defines Unauthorised expenditure as follows:

- Overspending of the total amount appropriated in the municipality's approved budget
- Overspending of the total amount appropriated for a vote in the approved budget;
- Expenditure from a vote unrelated to the department or functional area covered by the vote
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose
- Spending of an allocation referred to in the above paragraphs of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- A grant by the municipality otherwise than in accordance with this Act.

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Significant Accounting Policies

1.26 Unauthorised expenditure (continued)

Section 1 of the Local Government: Municipal Finance Management Act (Act no.56 of 2003) (MFMA) also define a vote as:

- One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

The municipality uses the Municipal Standard Chart of Accounts (mSCOA) Functions and Sub-functions, previously the Government Finance Statistics (GFS) functions, as well as departments as the main groupings of segments of the municipality's budget segments within the municipality are grouped per department to facilitate greater accountability and budget implementation by the respective Executive Directors as well as per mSCOA classification to facilitate comparisons on a higher level.

1.27 Fruitless and wasteful expenditure

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

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

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

Additional disclosure for fruitless and wasteful expenditure is disclosed in note 49.

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

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

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

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Additional disclosure for irregular expenditure is disclosed in note for irregular expenditure.

Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.29 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.

1.30 Related parties

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 the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Close members of the family of a individual are those family members who may be expected to influence or be influenced by that individual in their dealings with the municipality. An individual is considered to be a close member of the family of another individual if they are married or live together in a relationship similar to a marriage; or if they are separated by no more than two degrees of natural or legal consanguinity or affinity.

Remuneration of management includes remuneration derived for services provided to the municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration.

In the case of permanent employees acting in management positions, only the remuneration received additionally for acting in that position is disclosed.

Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the municipality.

The municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

Related parties include key management personnel, close members of family of key management and councillors.

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

Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.30 Related parties (continued)

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

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

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

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

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

1.31 Events after reporting date

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

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

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.

1.32 Budget information

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

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

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

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

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

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

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.32 Budget information (continued)

Comparative information is not required.

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the annual financial statements in determining whether a difference between the budgeted and actual amount is material.

All comparisons of the budget and actual amounts shall be presented on a comparative basis to the budget. Comparative information includes the following:

- the approved and final amounts
- actual amounts and final budget amounts

1.33 Consumer deposits

The municipality recognises consumer deposits as a current liability when the municipality becomes a party to the contract i.e. when the deposit is made. The consumer deposit is recognised as a liability as the municipality has an obligation to pay the money back to the consumer once the consumer account is closed. As the timing of when a consumer will close their account is unknown, the consumer deposits are classified as a current liability.

Consumer deposits are levied in line with council's policy to consumers when services are initially connected.

When services are terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

1.34 Value Added Tax

The municipality is registered with the South African Revenue Service (SARS) for Value Added Tax on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

1.35 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surplus realised during a specific financial year is credited against the accumulated surplus.

Prior year adjustments, relating to income and expenditure are credited/debited against accumulated surplus/(deficit) when retrospective adjustments are made.

1.36 Repairs and maintenance

Repairs and maintenance are costs incurred for maintaining infrastructure and various assets at the municipality. Cost incurred are for material, labour costs and any direct overheads. Cost are incurred on an accrual basis and are disclosed in the surplus or deficit in the Statement of Financial Performance.

1.37 Bulk purchases

Bulk purchases are costs incurred for the purchase of bulk electricity to be sold to customers. The costs incurred are accounted for on the accrual basis and disclosed in the surplus or deficit in the Statement of Financial Performance.

1.38 Debt write-off

Debt write-offs are for indigent and inactive accounts. Debt write-offs are disclosed in the surplus or deficit in the Statement of Financial Performance.

Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

2025

2024

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 107 (as revised) Mergers	Not yet determined	No material impact
• GRAP 105 Transfer of Functions Between Entities Under Common Control	Not yet determined	No material impact
• GRAP 2023 Improvements to the Standards of GRAP 2023	Not yet determined	No material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	Not yet determined	No material impact
• GRAP 103 (amended): Heritage Assets	Not yet determined	No material impact
• iGRAP 22 Foreign Currency Transactions and Advance Consideration	01 April 2025	No material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	No material impact

Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
3. Inventories		
Consumable stores	68,882,873	67,784,418
Water for distribution	395,828	252,767
Land inventory	123,579,333	123,579,333
	192,858,034	191,616,518

Carrying value of inventories carried at fair value less costs to sell	123,579,333	123,579,333
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Land inventory

The land inventory was recognised at fair value less cost to sell due to the fact that the municipality could not determine the acquisition date and amounts as the land was registered in the name of the municipality before the year 2000. Inventories are held for own use and measured at the lower of cost and current replacement cost.

489 land parcels developed under the RDP housing programme, with a fair value of R28 927 957 as at 30 June 2023, of which the title deeds have not yet been transferred to the beneficiaries by CoGHSTA, is included under Land Inventory. These land parcels will be transferred to their beneficiaries, but the timing of this transfer is uncertain. During the 2025 financial year, 54 of these land parcels have been transferred to beneficiaries.

Due to the inevitability of these transfers, without any economic benefit in the hands of the municipality, these land parcels do not carry any net realisable value in the hands of the municipality, and as such is subject to a full inventory write-down to R Nul.

Inventory pledged as security

No inventory was pledged as security at the end of the financial year and in the previous financial year.

Water for distribution

Opening balance	252,767	259,600
Purchases	43,338,080	41,083,026
Sales/consumed	(36,508,940)	(41,136,139)
Water adjustments	(6,686,079)	46,280
Closing balance	395,828	252,767

Other water consumption

Total units billed are used to determine the expenditure for water sold/distributed, which is in line with what customers are billed during the year.

The inventory consumed is limited to the value of water that was available during the year, after adjusting for the water losses percentage disclosed in note 41.

Rural water consumption

Rural water is pumped into reservoirs daily to enable the pump operators to distribute water to the communities. No water is stored in the reservoirs at the end of each day.

The water readings for the boreholes at the villages were taken by comparing the opening reading at the beginning of the year and the closing reading at the end of the year. This was used to estimate the monthly consumption. The total annual consumption for the financial year ended 30 June 2024 was estimated at 8,008 kilolitres.

Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
4. Operating lease asset		
4.1 Leasing Arrangements.		
The municipality has entered into leasing arrangements including, but not limited to, the following:		
· Airplane Hangers		
· Properties		
The Municipality as Lessor, has operating leases that relate to property owned by the municipality with lease terms of between 1 to 25 years, with an option to extend.		
Operating lease assets		
Airplane Hangers	14,061	30,963
Properties	12,673,496	10,882,202
	12,687,557	10,913,165
Operating lease asset		
The future minimum lease payments under non-cancellable operating leases in the aggregate and for each of the following periods		
No later than one year	1,442,610	1,337,958
Later than one year and not later than five years	9,441,198	8,621,525
Later than five years	59,622,969	61,888,515
	70,506,777	71,847,998
5. Receivables from exchange transactions		
Housing debtors	749,731	707,363
Non current portion - Service charges	2,044,772	5,516,615
Sundry debtors	13,446,624	5,736,590
VAT receivable	76,902,008	50,060,824
Consumer debtors - Electricity	20,887,030	14,291,686
Consumer debtors - Water	76,180,006	12,887,166
Consumer debtors - Waste water	12,143,301	19,893,805
Consumer debtors - Refuse	14,098,119	18,606,161
Consumer debtors - Sundries	2,787,366	8,882,172
	219,238,957	136,582,382
Non-current assets	2,044,772	5,516,615
Current assets	217,194,185	131,065,767
	219,238,957	136,582,382
Housing debtors		
Housing Debtors aging are as follows:		
Current (0 - 30 days)	2,905	8,770
31 - 60 days	1,681	8,543
61 - 90 days	6,464	8,655
> 90 days	738,681	681,395
	749,731	707,363
Non-Current portion - Service charges and sundries		
Non-current assets - Service charges and sundries aging are as follows:		
> 90 days	2,044,772	5,516,615

Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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5. Receivables from exchange transactions (continued)

Sundry debtors

Sundry debtors consist of amounts due for other ad hoc transactions. The amount disclosed is not past due.

Statutory receivables general information

The reassessment based on the payment rate has shown conditions that did not exist in the prior year. Based on the current assessment the movement in the prior year has been transferred to the debt impairment in the current financial year.

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

In determining the recoverability of receivables, the municipality has placed strong emphasis on verifying the indigent status off consumers. Provision for impairment of receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the provision for impairment.

The municipality holds collateral over these balances in the form of consumer deposits and quarantees, which are not covering the total outstanding debt and vacant properties respectively.

6. Receivables from non-exchange transactions

Property rates	30,918,504	45,126,114
Fines	2,955,247	1,239,366
VAT receivable - SARS	2,535,241	2,076,181
Property rates - non current portion	542,096	984,560
	36,951,088	49,426,221

Non-current assets	542,096	984,560
Current assets	36,408,992	48,441,661
	36,951,088	49,426,221

Property rates - Non-current portion

Property rates - Non-current portion customer aging is are as follows:

> 90 days	542,096	984,560
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Other non-financial asset receivables included in receivables from non-exchange transactions above are as follows:

Property rates	542,096	984,560
	36,951,088	47,350,040

Reconciliations of traffic fines

Gross receivables traffic fines	21,254,206	11,891,107
Accumulated impairment	(18,298,959)	(10,651,741)
	2,955,247	1,239,366

Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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6. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Property rates - Municipal Property Rates Act (MPRA) Section 2 states that a local municipality may levy a rate on property in its area.

Traffic fines - Fines are issued in terms of the National Road Traffic Regulations of 2000 and the National Road Traffic Act (Act No. 93 of 1996)

VAT receivables - VAT receivable is an amount due to Municipality from South African Revenue Services for the VAT refund as at 30 June 2025 of R2 535 241 (30 June 2024 – R2 076 181).

Determination of transaction amount

Rates - Rates amount are determined in terms of Section 11 of the MPRA and the approved policy of the municipality.

Fines - All fines are governed by the specific regulation which is applicable to the offense.

Interest or other charges levied/charged

Rates - Interest raised on past due balances at the prime interest rate.

Fines - No interest or other charges are raised on outstanding fines.

Receivables from non-exchange transactions pledged as security

None of the receivables from non-exchange transactions were pledged as security.

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation.

7. Consumer debtors disclosure

Gross balances

Consumer debtors - Rates	319,080,847	286,426,947
Consumer debtors - Electricity	230,857,342	195,634,340
Consumer debtors - Water	821,494,337	664,640,578
Consumer debtors - Waste water	128,823,665	114,981,240
Consumer debtors - Refuse	149,305,253	140,834,271
Consumer debtors - Service charges	29,500,303	29,147,061
	1,679,061,747	1,431,664,437

Less: Allowance for impairment

Consumer debtors - Rates	(288,162,343)	(241,300,833)
Consumer debtors - Electricity	(209,970,312)	(181,342,654)
Consumer debtors - Water	(745,314,331)	(651,753,412)
Consumer debtors - Waste water	(116,680,364)	(95,087,435)
Consumer debtors - Refuse	(135,207,134)	(122,228,110)
Consumer debtors - Sundries	(26,712,937)	(20,264,889)
	(1,522,047,421)	(1,311,977,333)

Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
7. Consumer debtors disclosure (continued)		
Net balance		
Consumer debtors - Rates	30,918,504	45,126,114
Consumer debtors - Electricity	20,887,030	14,291,686
Consumer debtors - Water	76,180,006	12,887,166
Consumer debtors - Waste water	12,143,301	19,893,805
Consumer debtors - Refuse	14,098,119	18,606,161
Consumer debtors - Sundries	2,787,366	8,882,172
	157,014,326	119,687,104
Rates		
Current (0 -30 days)	2,089,147	3,940,630
31 - 60 days	607,854	1,187,825
61 - 90 days	531,318	1,118,351
> 90 days	27,690,185	38,879,308
	30,918,504	45,126,114
Electricity		
Current (0 -30 days)	4,565,284	7,574,471
31 - 60 days	770,380	1,382,902
61 - 90 days	774,013	740,763
> 90 days	14,777,353	4,593,550
	20,887,030	14,291,686
Water		
Current (0 -30 days)	6,232,040	5,781,382
31 - 60 days	1,534,824	3,115,678
61 - 90 days	1,889,917	2,497,790
> 90 days	66,523,225	1,492,316
	76,180,006	12,887,166
Waste water		
Current (0 -30 days)	316,621	1,053,966
31 - 60 days	111,370	379,668
61 - 90 days	122,297	364,867
> 90 days	11,593,013	18,095,304
	12,143,301	19,893,805
Refuse		
Current (0 -30 days)	427,951	1,376,165
31 - 60 days	159,822	555,996
61 - 90 days	157,972	544,049
> 90 days	13,352,374	16,129,951
	14,098,119	18,606,161
Sundries		
Current (0 -30 days)	29,990	554,883
31 - 60 days	12,683	261,300
61 - 90 days	14,623	278,362
> 90 days	2,730,070	7,787,627
	2,787,366	8,882,172

Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
7. Consumer debtors disclosure (continued)		
Summary of debtors by customer classification		
Residential		
Current (0 -30 days)	69,884,900	186,486,688
31 - 60 days	37,716,392	20,890,072
61 - 90 days	29,690,530	16,229,323
91 and over	1,263,274,343	1,002,974,680
	1,400,566,165	1,226,580,763
Less: Allowance for impairment	(1,236,549,321)	(913,490,415)
	164,016,844	313,090,348
Business/Commercial		
Current (0 -30 days)	21,455,051	32,091,264
31 - 60 days	7,235,764	2,510,626
61 - 90 days	2,448,006	2,285,048
91 - 120 days	82,766,476	68,270,630
	113,905,297	105,157,568
Less: Allowance for impairment	(69,766,636)	(65,697,640)
	44,138,661	39,459,928
National and provincial government		
Current (0 -30 days)	6,324,812	12,850,262
31 - 60 days	3,524,704	1,565,365
61 - 90 days	1,553,195	1,594,445
91 - 120 days	145,985,745	116,188,283
	157,388,456	132,198,355
Less: Allowance for impairment	-	(81,128,072)
	157,388,456	51,070,283
Non current portion - Consumer debtors		
Customer debtors - Rates	2,251,341	3,571,011
Customer debtors - Electricity	1,664,859	9,616,532
Customer debtors - Water	6,289,667	1,299,620
Customer debtors - Waste water	961,888	1,070,092
Customer debtors - Refuse	1,136,691	6,824,453
Customer debtors - Sundries	274,187	1,198,133
	12,578,633	23,579,841
Less: Allowance for impairment		
Customer debtors - Rates	(1,709,245)	(2,586,451)
Customer debtors - Electricity	(1,306,662)	(6,965,169)
Customer debtors - Water	(5,099,867)	(941,303)
Customer debtors - Waste water	(722,572)	(775,058)
Customer debtors - Refuse	(944,678)	(4,942,890)
Customer debtors - Sundries	(208,741)	(867,797)
	(9,991,765)	(17,078,668)
Total debtor past due but not impaired		
Customer debtors - Rates	542,096	984,560
Customer debtors - Electricity	358,196	2,651,365
Customer debtors - Water	1,189,801	358,317
Customer debtors - Waste water	239,316	295,034
Customer debtors - Refuse	192,012	1,881,563

Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
7. Consumer debtors disclosure (continued)		
Customer debtors - Sundries	65,447	330,336
	2,586,868	6,501,175

8. VAT receivable

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	2,796,357	11,538,681
Short-term deposits	151,296	804,434
	2,947,653	12,343,115

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
Standard bank primary	2,096,542	11,186,395	14,927,070	2,796,357	11,538,681	15,398,054
Standard bank Call account-002	48,436	327,109	242,015	48,436	327,109	242,015
Standard bank Call account - 052	102,860	477,325	24,683,473	102,860	477,325	24,683,474
Total	2,247,838	11,990,829	39,852,558	2,947,653	12,343,115	40,323,543

10. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	121,602,793	-	121,602,793	119,136,787	-	119,136,787

Reconciliation of investment property - 2025

	Opening balance	Fair value adjustments	Total
Land and buildings	119,136,787	2,466,006	121,602,793

Reconciliation of investment property - 2024

	Opening balance	Fair value adjustments	Total
Land and buildings	116,030,614	3,106,173	119,136,787

Fair value of investment properties 2,466,006 3,106,173

Criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business is set out in the accounting policy note of investment property.

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

Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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10. Investment property (continued)

Pledged as security

All of the municipality's investment property is held under freehold interests and no investment property had been pledged as security for any liabilities of the municipality.

Investment property in the process of being constructed or developed

No investment property is in the process of being constructed or developed.

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.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	3,232,934	4,167,554
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Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

11. Property, Pland and Equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	280,681,552	(131,644,626)	149,036,926	283,271,853	(125,717,826)	157,554,027
Plant and machinery	72,450,616	(15,867,836)	56,582,780	63,769,515	(16,324,943)	47,444,572
Motor vehicles	53,963,628	(27,355,918)	26,607,710	54,369,870	(29,878,268)	24,491,602
Furniture and Office equipment	10,483,602	(6,451,326)	4,032,276	8,315,477	(6,316,341)	1,999,136
IT equipment	15,985,628	(9,804,373)	6,181,255	15,687,087	(7,881,639)	7,805,448
Electrical Infrastructure	481,747,146	(302,295,724)	179,451,422	463,439,862	(295,577,209)	167,862,653
Community Infrastructure	248,143,619	(146,362,851)	101,780,768	251,194,661	(132,328,878)	118,865,783
Roads Infrastructure	1,553,919,248	(740,795,431)	813,123,817	1,444,640,760	(717,669,624)	726,971,136
Sanitation and solid waste Infrastructure	321,288,692	(165,701,198)	155,587,494	323,786,302	(166,366,045)	157,420,257
Water network	3,618,815,532	(1,053,550,317)	2,565,265,215	3,279,546,611	(973,035,003)	2,306,511,608
Work in progress (WIP)	801,399,222	(46,096,806)	755,302,417	941,947,186	(45,886,406)	896,060,781
Total	7,458,878,485	(2,645,926,405)	4,812,952,080	7,129,969,184	(2,516,982,181)	4,612,987,003

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11. Property, Plant and Equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land and Buildings	157,554,027	-	(678,452)	-	-	(4,918,596)	(2,920,053)	149,036,926
Plant and machinery	47,444,572	18,062,097	(2,270,907)	-	-	(6,552,982)	-	56,582,780
Motor vehicles	24,491,602	7,560,500	(255,239)	-	-	(5,189,153)	-	26,607,710
Furniture and Office equipment	1,999,136	2,754,940	(27,245)	-	-	(694,555)	-	4,032,276
IT equipment	7,805,448	772,320	(27,210)	-	-	(2,324,887)	(44,416)	6,181,255
Electrical Infrastructure	167,862,653	10,580,516	(4,664,566)	18,831,193	-	(9,582,030)	(3,576,344)	179,451,422
Community Infrastructure	118,865,783	-	(1,031,909)	-	-	(7,391,192)	(8,661,914)	101,780,768
Roads Infrastructure	726,971,136	19,999,999	(121,851)	89,875,760	-	(23,601,227)	-	813,123,817
Sanitation and solid waste Infrastructure	157,420,257	1,192,542	(436,999)	32,076,847	(27,836,417)	(5,730,443)	(1,098,293)	155,587,494
Water network	2,306,511,608	5,579,002	(5,164,163)	349,223,118	-	(57,194,170)	(33,690,180)	2,565,265,215
Work in progress (WIP)	896,060,781	360,742,426	-	(501,290,390)	-	-	(210,400)	755,302,417
	4,612,987,003	427,244,342	(14,678,541)	(11,283,472)	(27,836,417)	(123,279,235)	(50,201,600)	4,812,952,080

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11. Property, Plant and Equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers	Transfers	Provision adjustment	Depreciation	Impairment loss	Impairment reversal	Total
Land and Buildings	159,352,599	-	(340)	3,286,754	-	-	(5,002,636)	(82,350)	-	157,554,027
Plant and machinery	25,409,755	25,749,324	(88,008)	-	-	-	(3,626,499)	-	-	47,444,572
Motor vehicles	20,351,656	9,683,274	(359,295)	-	-	-	(5,184,033)	-	-	24,491,602
Furniture and Office equipment	1,391,387	1,258,605	(68,902)	-	-	-	(581,954)	-	-	1,999,136
IT equipment	10,681,770	-	(215,795)	-	-	-	(2,660,527)	-	-	7,805,448
Electrical Infrastructure	162,795,172	-	(1,808,989)	15,816,742	-	-	(8,940,272)	-	-	167,862,653
Community Infrastructure	126,888,554	-	(56,274)	-	-	-	(7,958,004)	(8,493)	-	118,865,783
Roads Infrastructure	735,188,596	-	-	16,663,607	-	-	(24,881,067)	-	-	726,971,136
Sanitation and solid waste infrastructure	132,231,351	-	-	18,567,654	-	(425,324)	(4,857,476)	(11,060,814)	22,964,866	157,420,257
Water network	2,243,842,198	-	(1,884,765)	117,126,216	-	-	(51,328,876)	(1,243,165)	-	2,306,511,608
Work in progress (WIP)	618,694,979	443,182,353	-	-	(164,007,819)	-	-	(1,808,732)	-	896,060,781
	4,236,828,017	479,873,556	(4,482,368)	171,460,973	(164,007,819)	(425,324)	(115,021,344)	(14,203,554)	22,964,866	4,612,987,003

Pledged as security

None of the property, plant and equipment have been pledged as security.

Land and buildings

Land and buildings further include 72 land parcels, with a fair value of R29 050 272 as at 30 June 2023, which have been developed and occupied by third parties without any formal agreement in place. The municipality envisage a process to investigate the circumstances surrounding these properties in order to ensure occupation and registration by its rightful owner. The outcome of this process is however unknown, and as such these properties are fully impaired to reflect the expected recoverable service amount in the hands of the municipality.

Mogalakwena Local Municipality

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Figures in Rand	2025	2024
11. Property, Plant and Equipment (continued)		
Projects taking long to complete		
	Carrying Value	Total
1. Uitzicht taxi routes	103,964	103,964
2. Lyden Roads & stormwater	202,328	202,328
3. Mokopane Sewer plant	256,945,708	256,945,708
4. Motse Pebbles Small Mining	414,153	414,153
5. Mabusela-Masoge Rds And S/Water Rd Struct	1,197,552	1,197,552
6. Duren/Monte Christo Mini Scheme	178,800	178,800
7. Water abstraction Pruzen farm	18,680,853	1,050,465
8. Source development Kgotsoro Millenium Park	622,936	662,936
9. Construction of water treatment works- package plant at Bakenberg	209,633	209,633
10. Jakkalskuil contract 06	223,178,652	133,561,119
11. Ramorulane Roads & stormwater	288,715	288,715
12. Industrial Well field development	56,536,434	54,641,140
	558,559,728	449,456,513

1. Uitzicht taxi routes - Costs represents design fees of the project. However, Road Agency Limpopo completed the intersection as part of the N11 road asset. The connection to RAL road is not yet secured.

2. Lyden Roads & stormwater - Costs represents design fees of the project, but implementation has not yet commenced. The municipality could not yet secure funding from MIG and the connection to RAL road is not yet secured.

3. Mokopane Sewer plant - This project is taking a significant time to complete, but has been taken over by IvanPlats and is in the process of being completed. The project was delayed due to community unrest and contract disputes. This was resolved and Ivan Plats have completed the project. Since Ivan Plats are currently in full control of the plant and hand-over has not yet been effected, the cost incurred by the municipality will be capitalised upon hand-over by Ivan Plats.

4. Motse Pebbles Small Mining - The project design has been completed, and the project is being implemented by Anglo American Platinum as part of Social and Labour Plan Projects (SLP). The project could originally not be implemented due to the high cost of the market received during tender. Hence Anglo American platinum committed to support the municipality with co-funding. The mine is currently reviewing the economic and feasibility study to present for approval by the board.

5. Mabusela-Masoge Rds And S/Water Rd Struct - The project design has been completed, but no construction has taken place – Tender has been awarded, but due to project cost, certain elements in the design are being revisited. A new tender process has commenced. The project tender evaluation has been interdicted by the High court due to a contractor who lodged a court case against the municipality on this project. The project tender processes will resume once the court process is completed.

6. Duren/Monte Christo Mini Scheme - The project design has been completed, but no construction has taken place – The technical reports have been submitted to DWS. The project is delayed due to a delay in the approval of the technical report by DWS.

7. Water abstraction Pruzen farm - The project design has been completed, but no construction has taken place. A contractor has since been appointed and construction is in progress.

8. Source Development Kgotsoro Millenium Park - The project design has been completed, but construction has not taken place. The project could originally not be implemented due to the high cost of the market received during tender. The revised technical report has been submitted to the funder (DWS) in October 2023 for revised budget, the municipality is awaiting response on the submitted revised technical report.

9. Construction of water treatment works- package plant at Bakenberg - The project design has been completed, but no construction has taken place. Phase one of the project was completed (bulk lines, 1 ML reservoir, ground water development), phase 2 is the package plant but the water source is no longer sufficient due to dry aquifer.

10. Jakkalskuil contract 06 - This project was previously halted, but construction has recommenced. The project has been delayed due to contract disputes and the contractor terminated himself. New contractors have been appointed and works are in progress scheduled for completion in September 2025.

Mogalakwena Local Municipality

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11. Property, Plant and Equipment (continued)

11. Ramorulane Roads & stormwater - The phase one of the scoping report is complete, but the project is yet to be implemented. The municipality could not yet secure funding from MIG and the connection to RAL road is not yet secured.

12. Industrial Wellfield - This project was previously halted, but is in construction again. There has been an original delay on this project due to a dispute with a contractor. A new appointment was made and the project has been completed to the end that only energising from Eskom remained. However, whilst waiting for the boreholes to be energised, the number of reached. However, during this period, some of the assets were vandalised. To this end, components to the value of R210,400.00 have been impaired and an impairment to the value of R210 400 has been recognised.

Halted projects

	Cost	Impairment	Carrying value
1. Moshate stadium	44,077,673	(44,077,673)	-
2. Mini Scheme 9: Mathekga, Moshuka & Segole	1,808,732	(1,808,732)	-

1. Moshate stadium - The contractor absconded and the project is halted. The municipality actioned legal proceedings.

2. Mini Scheme 9: Mathekga, Moshuka & Segole - The project has been completed, but included in the project cost is a an amount of R1 808 731,5 relating to the implementation of two package plants, which have not been delivered. The municipality is in the process of instituting legal action in this regard.

Expenditure incurred to repair and maintain property, plant and equipment

Property, plant and equipment that was not used for any period of time during the reporting period that significantly impacted the delivery of goods and services of the entity (Carrying amount)

Maintenance of buildings, fleet and equipment	1,891,259	361,355
Maintenance of Buildings and facilities	48,842,315	14,939,365
Engineering Civil and electrical infrastructure	36,290,401	27,534,537
	87,023,975	42,835,257

Mogalakwena Local Municipality

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11. Property, Plant and Equipment (continued)

Reconciliation of Work-in-Progress 2025

	Included within Roads Infrastructure	Included within Sanitation and solid waste Infrastructure	Included within Water network Infrastructure	Included within Electrical Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	69,130,086	292,054,272	534,462,272	-	414,153	-	896,060,783
Additions/capital expenditure	54,015,789	16,650,766	238,166,492	33,646,526	9,687,901	8,574,951	360,742,425
Other movements - Impairment	-	-	(210,400)	-	-	-	(210,400)
Transferred to completed items	(98,292,556)	(23,660,050)	(368,054,312)	(11,283,473)	-	-	(501,290,391)
	24,853,319	285,044,988	404,364,052	22,363,053	10,102,054	8,574,951	755,302,417

Reconciliation of Work-in-Progress 2024

	Included within Roads Infrastructure	Included within Sanitation and solid waste Infrastructure	Included within Water network Infrastructure	Included within Electrical Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	35,630,237	283,648,575	297,943,910	1,058,105	414,153	-	618,694,980
Additions/capital expenditure	58,362,621	29,264,803	350,347,964	5,027,980	-	178,985	443,182,353
Other movements - Impairment	-	-	(1,808,732)	-	-	-	(1,808,732)
Transferred to completed items	(24,862,772)	(20,859,106)	(122,020,871)	(6,086,085)	-	(178,985)	(164,007,819)
	69,130,086	292,054,272	534,557,866	-	414,153	-	896,060,782

Reversal of impairment

During the year, the functionality of a previously impaired Drying Beds and Bioreactors at the Mokopane Waste Water Treatment Works were restored, resulting in the reversal of the previously recorded impairment.

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.

Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

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12. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	5,140,514	(2,667,284)	2,473,230	3,937,696	(3,036,633)	901,063

Reconciliation of intangible assets - 2025

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	901,063	2,227,687	(16,797)	(638,723)	2,473,230

Reconciliation of intangible assets - 2024

	Opening balance	Disposals	Amortisation	Total
Computer software	1,554,933	(118,179)	(535,691)	901,063

Pledged as security

None of the intangible assets were pledged as security.

13. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
National parks and structures	5,867,835	-	5,867,835	5,867,835	-	5,867,835

Reconciliation of heritage assets 2025

	Opening balance	Total
National parks and structures	5,867,835	5,867,835

Reconciliation of heritage assets 2024

	Opening balance	Total
National parks and structures	5,867,835	5,867,835

Heritage assets which fair values cannot be reliably measured

The market related price of the heritage assets cannot be determined reliably, and as such, no revaluation can be performed.

Heritage assets consists of monuments and statues which are mostly guarded at a heritage site.

Mogalakwena Local Municipality

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13. Heritage assets (continued)

Pledged as security

None of the heritage assets were pledged as security.

14. Operating lease liability

14.1 Leasing Arrangements.

The Municipality as Lessee, has operating leases that relate to Fleet, IT equipments and WIFI with lease terms of between up to 3 years.

The municipality has entered as Lessee into leasing arrangements including, but not limited to, the following:

- Motor vehicles fleet.
- IT equipment.

The above leases are for a maximum of 3 years. There is no contingent rent payable. There are no terms of renewal or purchase options. Each lease bears standard escalation clauses at an annual rate. No restrictions are imposed by lease arrangements, such as those concerning return of surplus, return of capital contributions, dividends or similar distributions, additional debt, and further leasing

Operating lease liability

Operating lease accrual - Fleet	866,885	3,342,273
Operating lease accrual - IT Equipment	74,705	135,200
Operating lease liability - WIFI	-	56,428
	941,590	3,533,901

Future lease payments under operating lease

Payable within one year	70,632,805	50,429,474
Payable within two to five years	32,629,319	54,665,009
	103,262,124	105,094,483

Minimum lease payments recognised in statement of financial performance.

Lease rentals on operating lease	44,642,193	43,628,056
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Operating lease asset

The future minimum lease payments under non-cancellable operating leases in the aggregate and for each of the following periods

No later than one year	1,442,610	215,542
Later than one year and not later than five years; and	9,441,198	1,038,231
Later than five years	59,622,969	10,869,738
	70,506,777	12,123,511

Mogalakwena Local Municipality

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15. Payables from exchange transactions		
Trade payables	328,881,461	143,153,525
Payments received in advanced	25,037,583	25,779,579
Deposits received	1,153,080	1,278,897
Retention creditors	95,628,874	81,797,940
Leave accrual	49,425,680	47,326,299
Bonus accrual	8,965,323	8,764,607
Licenses and permits	18,919,627	28,514,641
Other creditors	6,331,150	3,410,999
VAT payable	171,667,426	146,849,857
	706,010,204	486,876,344
16. VAT payable		
17. Consumer deposits		
Deposits - Services	25,136,268	24,367,188
Housing rental	132,681	124,219
	25,268,949	24,491,407
18. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Disaster Relief Grant	-	6,854,211
Movement during the year		
Balance at the beginning of the year	6,854,390	5,494,576
Additions during the year	403,884,349	471,061,173
Income recognition during the year	(410,723,739)	(469,701,359)
Funds returned to treasury	(15,000)	-
	-	6,854,390

For the nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; see note for reconciliation of grants.

Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2025

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19. Employee benefit obligations

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

Carrying value

Post retirement medical aid plan	(77,278,328)	(70,143,841)
Long service award	(17,756,348)	(17,299,970)
	(95,034,676)	(87,443,811)
Non-current liabilities	(91,487,245)	(82,791,847)
Current liabilities	(3,547,431)	(4,651,964)
	(95,034,676)	(87,443,811)

The municipality offers employees and continuation members an opportunity of belonging to any of the several medical aid schemes, most of which offer a range of options pertaining to cover.

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

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

Opening balance	70,143,841	54,933,106
Current service cost	3,746,561	3,045,368
Interest cost	9,045,515	7,160,628
Actuarial (gain)/loss	(3,335,204)	6,786,007
Contributions subsidies	(2,322,385)	(1,781,268)
	77,278,328	70,143,841

Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2025

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19. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance are as follows: Medical aid

Current service cost	3,746,561	3,045,368
Interest cost	9,045,515	7,160,628
Actuarial (gain)/loss	(3,335,204)	(6,786,007)
	9,456,872	3,419,989

The key drivers behind the decrease in the actuarial gain, and consequently, the remeasurement figures:

Discount rate changes: The net discount rate increased from 4.20% to 4.26%, resulting in a corresponding decrease in the accrued liability.

Staff movements: The impact of the staff movements noted above is also significant in this valuation. Exiting employees left with substantial accrued liabilities, while their replacement, new joiners, with limited past service and lower salaries, contributed minimal accrued liabilities. The net effect is a reduction in the total accrued liability.

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

Opening balance	17,299,970	16,020,467
Service cost	1,486,699	1,390,519
Interest cost	1,660,166	1,628,476
Remeasurements	(389,487)	(52,258)
Benefit payments	(2,301,000)	(1,687,234)
	17,756,348	17,299,970

Net expense recognised in the statement of financial performance are as follows: Long Service Award

Current service cost	1,486,699	1,390,519
Interest cost	1,660,166	1,628,476
Actuarial (gain)/loss	(389,487)	(52,258)
	2,757,378	2,966,737

Mogalakwena Local Municipality

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19. Employee benefit obligations (continued)

The key drivers behind the decrease in the actuarial gain, and consequently, the remeasurement figures:

Discount rate changes: A decrease of R118,382, resulting from an increase in the net discount rate from 4.26% to 4.39%.

Staff movements: A decrease of R959,415. During the reporting period, 48 active employees exited and 78 joined. The employees who exited had a substantial accrued liability (R1.26 million) due to their significant past service (average of 15.03 years). In contrast, the new joiners had a minimal accrued liability (R0.3 million), attributable to their limited past service (less than 12 months) and lower salaries.

Post Employment Medical Aid Provision

The employer's post employment health care liability consists of a commitment to pay a portion of the pensioner's post employment medical scheme contributions. The liability is also generated in respect of dependents who are offered continued membership of the medical scheme on the death of the primary member.

Eligible employees will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement.

All continuation members and their eligible dependents receive a 60% subsidy.

Upon a member's death in retirement, the surviving dependents will continue to receive the same subsidy, however, upon a member's death in service the surviving dependents will not continue to receive the subsidy.

All subsidies are subject to a maximum cap of R5 791.15. for the year ending 30 June 2025. The maximum cap subsidy amount has been assumed to increase in the future at 75% of the salary inflation.

Active employees on medical aid			Active employees not on medical aid	
Age Band	Number	Average past service (years)	Age band	Number
<25	3	0.44	<45	-
25 - 30	17	2.66	45-49	-
30 - 35	74	4.63	50-54	2
35 - 40	142	7.08	55-59	1
40 - 45	183	8.86	60-64	8
45 - 50	172	13.15	65-69	9
50 - 55	166	17.11	70-74	7
55 - 60	121	16.14	75-79	8
60 - 65	74	20.62	80-84	5
>=65	4	22.17	85-89	4
			>90	1
Total	956	11.31	593	593

The total number of members on continuation is 41 pensioners.

Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2025

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Figures in Rand	2025	2024
19. Employee benefit obligations (continued)		
Key Financial Assumptions		Value p.a (%)
Discount rate (D)		11,96
Consumer price inflation (C)		5,89
Health care cost inflation (H)		7,39
Maximum subsidy inflation rate		6,05
Net discount rate $((1+D)/(1+H)-1)$		4,26
Carrying amount		
Present value of the defined obligation Wholly unfunded	77,278,328	70,143,841
Non-current liabilities	75,745,152	67,792,877
Current liabilities	1,533,175	2,350,964
	77,278,327	70,143,841
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	70,143,841	54,933,106
Net expenses recognised in the statement of financial performance	7,134,487	15,210,735
	77,278,328	70,143,841
Net expense recognised in the statement of financial performance		
Heading		
Current services costs	3,746,561	3,045,368
Interest cost	9,045,515	7,160,628
Actuarial (gains)/losses	(3,335,204)	6,786,007
Expected subsidy (Benefits) payments	(2,322,385)	(1,781,268)
	7,134,487	15,210,735
Sensitivity analysis		
The valuation is only an estimate of the cost of providing post-employment medical aid benefits. The actual cost to the Municipality will be dependent on actual future levels of assumed variables.		
key variables, to recalculate the liabilities use the following assumptions:		
- 1;% increase in medical inflation rate results in a 14.50% increase in the accrued liability whilst 1% decrease in the medical inflation rate will result in a 12.02% decrease in the accrued liability.		
Post retirement mortality		
PA(90)-2 (PA(90) with a two-year age adjustment) means that each beneficiary was assigned a mortality rate of an individual two years younger than that beneficiary, i.e. lighter mortality implying that the individual lives longer than expected in the valuation basis.		
Therefore, the below change in the mortality assumption would result in a 2.76% increase in the accrued liability.		
Post retirement mortality	30 June 2025	PA(90) -2
	Valuation basis	
Employer's Accrued liability	70,143,841	72,079,227
Employer's current service cost	3,746,561	3,837,665
Employer's interest cost	9,045,515	47,831,380
	-	-

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19. Employee benefit obligations (continued)

Medical Inflation

The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees.

The effect of at 1% p.a. change in the medical aid inflation assumption was tested. The effect is as follows:

Health cost inflation rate	-1 Medical Aid Inflation	Valuation Assumption	+1 Medical Aid Inflation
Employer's Accrued Liability	61,710,952	70,143,841	80,314,734
Service cost	3,154,242	3,746,561	4,484,764
Interest cost	7,940,215	9,045,515	10,378,766
	-	-	-

Discount rate	-1 Medical Aid Inflation	Valuation Assumption	+1 Medical Aid Inflation
Employer's Accrued Liability	79,817,991	70,143,841	62,204,508
Service cost	4,417,572	3,746,561	3,209,452
Interest cost	9,527,899	9,045,515	8,614,526
	-	-	-

Valuation method

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date

Post employment medical aid liabilities

The expected value of each employee and their spouse's future medical aid subsidies 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). The mortality, retirements and withdrawals from service as set out below were factored. The accrued liability is determined on the basis that each employee's medical aid 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 remains unchanged in the future. It was assumed that 75% of all active members on medical aid will remain on medical aid once they retire. It was assumed that all active members will remain on the same medical aid option at retirement

Valuation of Assets

As at the valuation date, the medical aid liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. Therefore assets were considered as part of our valuation.

Valuation of assumptions

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

Discount rate

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation

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19. Employee benefit obligations (continued)

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2024 the duration of liabilities was 12.56 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2024 is 11.96% per annum, and the yield on the inflation linked bonds of a similar term was about 5.26% per annum. This implies an underlying expectation of inflation of 5.89% per annum ($[1 + 11.96\% - 0.5\%] / [1 + 5.26\%] - 1$).

We have assumed that healthcare cost inflation would exceed general inflation by 1.50% per annum. i.e 7.39% per annum.

However, it is the relative levels of the discount rate and healthcare inflation to one another that is important, rather than the nominal values. We have thus assumed a net discount factor of 4.26% per annum ($[1 + 11.96\%] / [1 + 7.39\%] - 1$).

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19. Employee benefit obligations (continued)

Demographic and decrement assumptions

The demographic and decrement assumptions were consistent in the previous and current valuation period, and are as follows:

Assumption	Active employees	Pensioners
Normal retirement age	65	-
Fully accrued age	62	-
Employment age used for past service period	Actual service entry age	Actual service entry age
Age difference between spouses	4 years	4 years
Proportion married	60% assumed married at retirement	Actual marital status
Continuation percentage for active members	75%	N/A
Medical aid plan by non members at retirement	SAMWUMED B	N/A
Continuation percentage for non active members	15%	N/A
Mortality	SA85 - 90 (Normal)	PA (90) -1 with a 1% mortality improvement p.a from 2010

Withdrawals Rates

We used the same withdrawal rates assumption used by the previous actuary to be consistent between valuations.

Age	Withdrawal rates (Female)	Withdrawal rates (Male)
20	9.0%	9.0%
25	8.0%	8.0%
30	6.0%	6.0%
35	5.0%	5.0%
40	5.0%	5.0%
45	4.0%	4.0%
50	3.0%	3.0%
55+	-	-

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19. Employee benefit obligations (continued)

Long service award

Actuarial Method and assumptions

The valuation of the defined benefit obligation is performed at year end by an independent expert.

Objective

Funding is the making of advance provision to meet the cost of accruing benefit promises. The funding objectives implicit in GRAP25 are to maintain a provision 75% of the accrued service liability. The maintenance of such a provision gives employees a measure of security in respect of accrued benefit rights and also helps ensure that the employer does not maintain excessive resources within the provision made.

Method

The method of funding prescribed by GRAP25 is called the "Project Unit Method". Under this method the accrued service liabilities are determined by projecting all future payments which will be made by the employer in respect of benefits accrued up to valuation date. Assumptions are made in respect of, inter-alia, medical scheme contribution increases, withdrawals, deaths and ill health, early and normal retirements. These payments are discounted at the valuation rate of discount to determine the present value of the liabilities at the valuation date.

The assumptions used in the calculation as discussed above are set out below:

Pace of Funding

It is important to note that the assumptions do not affect the actual cost of the benefit paid, only the pace at which those costs are provided for in the accounts of the Mogalakwena Municipality.

An exercise of this nature should be completed every 2 to 3 years in order to monitor progress and ensure that the strategy adopted is still appropriate.

ANALYSIS OF THE ACTUARIAL (GAIN)/LOSS

The actuarial ((gain)/loss summarises the effects of the valuation assumptions compared to the actual experience of the participants.

Key financial Assumptions	Value p.a (%)
Discount rate	9.07
Future Price inflation expectation	3.49
Salary increase rate	4.49
Net Discount rate	4.39

Key Demographic Assumptions	Female (%)	Male (%)
Normal retirement age (Years) - 65		
Mortality during employment - SA 85- 90		
Average retirement age - 62		
Age 20	9	9
Age 25	8	8
Age 30	6	6
Age 35	5	5
Age 40	5	5
Age 45	4	4
Age 50	3	3
	-	-

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20. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	Reversed during the year	Total
Landfill site rehabilitation	63,817,614	(26,390,594)	-	37,427,020
Performance bonus	1,432,535	1,487,437	(1,432,535)	1,487,437
	65,250,149	(24,903,157)	(1,432,535)	38,914,457

Reconciliation of provisions - 2024

	Opening Balance	Additions	Reversed during the year	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Landfill site rehabilitation	57,043,987	-	-	7,198,951	(425,324)	63,817,614
Performance bonus	677,965	1,432,535	(677,965)	-	-	1,432,535
	57,721,952	1,432,535	(677,965)	7,198,951	(425,324)	65,250,149
Non-current liabilities					33,256,402	56,197,791
Current liabilities					5,658,055	9,052,358
					38,914,457	65,250,149

Landfill site rehabilitation provision

Provision for rehabilitation of landfill sites relates to the legal obligation to restore and rehabilitate the Mokopane and Rebone landfill sites used for waste disposal.

The risks and uncertainties that inevitably surround many events and circumstances shall be taken into account in reaching the best estimate of a provision.

Risk describes variability of outcome. A risk adjustment may increase the amount at which a liability is measured. Caution is needed in making judgements under conditions of uncertainty, so that revenue or assets are not overstated and expenses or liabilities are not understated.

However uncertainty does not justify the creation of excessive provisions or deliberate overstatement of liabilities. For example if the projected costs of a particularly adverse outcome are estimated on a prudent basis, that outcome is not then deliberately treated as more probable than is realistically the case.

Care is needed to avoid duplicating adjustments for risk and uncertainty with consequent overstatement of provision.

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20. Provisions (continued)

Assumptions

The landfill Closure and Rehabilitation Costing Methodology (LCRCM) consists of five (5) components namely:

- The element that make up the final rehabilitation and closure.
- Basic unit costs for each element.
- Variables that have an impact on one or more cost elements and result in a loading (positive or negative) on the basic unit cost.
- A set of algorithms that define the calculation of the amount of the various cost elements by describing the relationship between basic unit costs and the impact of the variables thereon.
- Discounting of the rehabilitation and closure costs.

GRAP 19 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term/life of the landfill site.

Key Financial Assumptions used

	For Rebone and Mokopane Landfills (%)
Discount rate	11.94
CPI	6.51
Net effective discount rate	5.10

The amounts recognised in the Statement of Financial Position are as follows:

Carrying Value	2025	2024
Present value of the defined benefit obligation-wholly unfunded	72,027,966	63,817,614

	2025	2024
Non - Current liabilities	33,256,402	56,197,791
Current liabilities	4,170,618	7,619,823
	37,427,020	63,817,614

Change in the present value of the defined benefit obligation are as follows:	2025	2024
Opening balance	63,817,614	57,043,987
Net expense recognised in the statement of financial performance	(26,390,594)	6,773,627
	37,427,020	63,817,614

Net Expense recognised in the statement of financial performance	2025	2024
Change in the landfill closure provision	(34,010,417)	(425,324)
Interest cost	7,619,823	7,198,951
	(26,390,594)	6,773,627

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Figures in Rand	2025	2024
21. Service charges		
Sale of electricity	392,399,811	320,820,795
Sale of water	196,355,913	13,531,927
Sewerage and sanitation	18,783,916	21,620,488
Refuse removal	28,881,680	31,563,806
Other service charges	781,545	735,217
	637,202,865	388,272,233
Revenue foregone – Metered services		
In The previous financial year the municipality had properties where it could not demonstrate that was proper infrastructure for metered services. The municipality cannot quantify the extent of the revenue forgone for that period as it is impractical to do so. In 2023-2024 Financial year meters were read through an extensive meter audit process which led to estimate reversals that were proportioned across 3 years as that was best available information. The reversals impact on 2023–2024-year lead to a decline in revenue In 2024-2025 all meters were read as such there was minimal use of estimates hence the revenue has now since stabilised		
22. Rental of facilities and equipment		
Premises		
Premises	3,232,934	4,167,554
23. Fair value adjustments		
Investment property (Fair value model)	2,466,007	3,106,173
24. Licences and permits		
Road and Transport	11,310,988	9,794,118
25. Other income		
Miscellaneous receipts	3,411,430	5,243,887
26. Investment revenue		
Interest revenue		
Bank	4,174,058	7,796,112
Interest charged on trade and other receivables	65,162,809	55,838,429
	69,336,867	63,634,541

Mogalakwena Local Municipality

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Figures in Rand	2025	2024
27. Property rates		
Rates received		
Residential	42,294,779	40,095,301
Commercial	57,279,695	44,820,853
State	13,628,383	11,538,793
Public Service Organisations	321,499	378,225
	113,524,356	96,833,172
Property rates - penalties imposed	17,508,566	15,683,058
	131,032,922	112,516,230

MPRA 2004 as revised in 2014 is fully applied in effecting Property Rates Revenue. Supplementary Valuation rolls are at minimum performed annually to support the 5-year validity period of the Valuation Rolls. All revised property categories as per section 8 of the MPRA are applied and billed accordingly to the differential Tariffs applicable.

The Municipality is implementing a new Valuation roll effective from 01 July 2024 and will remain valid as per the legislated period on as legislatively prescribed in the act. All consultation processes were adhered to in the preparation of the GV as prescribed up until objections and closure of objections thereof.

The New Valuation Roll is in all aspects compliant with the revised 2014 MPRA.

28. Government grants & subsidies

Operating grants

Equitable share	609,555,000	573,978,000
Expanded Public Works Programme (EPWP)	1,610,000	1,151,000
Financial Management Grant (FMG)	3,500,000	2,100,000
	614,665,000	577,229,000

Capital grants

Municipal Infrastructure Grant (MIG)	181,448,000	183,086,694
Integrated National Electrification Programme (INEP)	12,976,000	-
Regional Bulk Infrastructure Grant (RBIG)	120,221,562	198,346,148
Water Services Infrastructure Grant (WSIG)	79,963,000	80,671,907
Municipal Disaster Relief Grant	6,839,211	4,345,789
	401,447,773	466,450,538
	1,016,112,773	1,043,679,538

Conditional and Unconditional

Included in above are the following grants and subsidies recognized as revenue:

Conditional grants received	406,557,773	469,701,358
Unconditional grants received	609,555,000	573,978,000
	1,016,112,773	1,043,679,358

Equitable Share

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

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Figures in Rand	2025	2024
28. Government grants & subsidies (continued)		
Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	-	131,694
Current-year receipts	181,448,000	182,955,000
Conditions met - transferred to revenue	(181,448,000)	(183,086,694)
	-	-

Conditions met and transferred to revenue.

This grant is intended to assist the municipality with infrastructure spend in order to promote service delivery.

Financial Management Grant (FMG)

Current-year receipts	3,500,000	2,100,000
Conditions met - transferred to revenue	(3,500,000)	(2,100,000)
	-	-

Conditions met and transferred to revenue.

This grant is intended to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act, The conditions of the grant were met. No refunds have been withheld.

Expanded Public Works Programme (EPWP)

Current-year receipts	1,610,000	1,151,000
Conditions met - transferred to revenue	(1,610,000)	(1,151,000)
	-	-

Conditions met and transferred to revenue.

This grant is intended for incentives to municipalities to expand efforts for work creation.

Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	-	5,338,907
Current-year receipts	79,963,000	75,333,000
Conditions met - transferred to revenue	(79,963,000)	(80,671,907)
	-	-

Conditions met and transferred to revenue.

This grant is intended to assist the municipality with water infrastructure spend in order to promote service delivery

Regional Bulk Infrastructure Grant (RBIG)

Balance unspent at beginning of year	-	23,975
Current-year receipts	120,221,562	198,322,173
Conditions met - transferred to revenue	(120,221,562)	(198,346,148)
	-	-

Conditions met and transferred to revenue.

This grant is intended to assist the municipality with infrastructure spend in order to promote service delivery

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28. Government grants & subsidies (continued)		
Municipal Disaster Relief Fund		
Balance unspent at beginning of year	6,854,211	-
Current-year receipts	-	11,200,000
Conditions met - transferred to revenue	(6,839,211)	(4,345,789)
Repayment to treasury	(15,000)	-
	-	6,854,211

Conditions met and transferred to revenue.

This grant is intended to assist the municipality with disaster relief and reconstruction of damaged infrastructure.

29. Public contributions and donations

Public contributions and donations	24,440,499	31,347,845
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30. Fines, Penalties and Forfeits

Law Enforcement Fines	13,576,354	3,400,445
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31. Revenue

Service charges	637,202,865	388,272,233
Rendering of services	73,205	69,326
Sale of goods	1,214,818	3,507
Impairment loss reversal	-	22,964,866
Rental of facilities and equipment	3,232,934	4,167,554
Fair value adjustments	2,466,007	3,106,173
Licences and permits	11,310,988	9,794,118
Gains on sale of assets	-	81,174
Other income	3,411,430	5,243,887
Interest received	69,336,867	63,634,541
Property rates	113,524,356	96,833,172
Property rates - penalties imposed	17,508,566	15,683,058
Government grants & subsidies	1,016,112,773	1,043,679,538
Public contributions and donations	24,440,499	31,347,845
Fines, Penalties and Forfeits	13,576,354	3,400,445
	1,913,411,662	1,688,281,437

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

Sale of goods	1,214,818	3,507
Service charges	637,202,865	388,272,233
Rendering of services	73,205	69,326
Impairment loss reversal	-	22,964,866
Rental of facilities and equipment	3,232,934	4,167,554
Debt impairment reversals	2,466,007	3,106,173
Licences and permits	11,310,988	9,794,118
Gains on sale of assets	-	81,174
Other income - (rollup)	3,411,430	5,243,887
Interest received	69,336,867	63,634,541
	728,249,114	497,337,379

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31. Revenue (continued)		
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	113,524,356	96,833,172
Property rates - penalties imposed	17,508,566	15,683,058
Transfer revenue		
Government grants & subsidies	1,016,112,773	1,043,679,538
Public contributions and donations	24,440,499	31,347,845
Fines, Penalties and Forfeits	13,576,354	3,400,445
	1,185,162,548	1,190,944,058

32. Employee related costs

Basic	220,434,283	208,392,394
Medical aid - company contributions	19,365,516	22,637,878
UIF	1,810,841	1,792,617
SDL	3,002,295	2,885,490
Leave pay provision charge	12,620,982	10,641,182
Defined contribution plans	46,490,220	43,730,446
Travel, motor car, accommodation, subsistence and other allowances	27,904,242	29,894,441
Overtime payments	19,326,998	25,354,995
Long-service awards	(3,136,686)	(348,973)
13th Cheques	18,517,900	18,679,036
Acting allowances	10,876,428	2,434,152
Housing benefits and allowances	1,497,985	376,412
Cellphone allowance	3,268,279	6,679,012
Bargaining council	134,898	64,439
	382,114,181	373,213,521

Remuneration of municipal manager

Annual Remuneration	1,518,064	1,723,441
Contributions to UIF, Medical and Pension Funds	650,798	428,350
Other	121,460	117,202
	2,290,322	2,268,993

Remuneration of chief finance officer

Annual Remuneration	842,003	787,119
Contributions to UIF, Medical and Pension Funds	284,890	153,651
Other	278,184	278,574
	1,405,077	1,219,344

Remuneration of manager - Corporate Support Services

Annual Remuneration	1,142,851	1,327,240
Contributions to UIF, Medical and Pension Funds	349,591	256,451
Other	340,649	355,585
	1,833,091	1,939,276

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32. Employee related costs (continued)

Remuneration of manager - Traffic and Emergency Services

Annual Remuneration	726,062	508,178
Contributions to UIF, Medical and Pension Funds	210,713	147,930
Other	342,063	257,734
	1,278,838	913,842

Remuneration of manager - Technical Services

Annual Remuneration	820,447	641,511
Contributions to UIF, Medical and Pension Funds	241,648	185,532
Other	230,298	177,907
Other	-	60,939
	1,292,393	1,065,889

Remuneration of manager - Planning and Economic Development

Annual Remuneration	1,155,056	1,334,183
Contributions to UIF, Medical and Pension Funds	439,744	338,437
Other	252,994	271,129
	1,847,794	1,943,749

Remuneration of manager - Community services

Annual Remuneration	901,835	820,152
Car Allowance	507,920	226,154
Performance Bonuses	518,139	567,530
	1,927,894	1,613,836

33. Remuneration of councillors

Executive Mayor	1,047,089	1,056,432
Mayoral Committee Members	5,440,993	5,781,998
Speaker	853,590	812,105
Councillors	18,233,410	15,638,008
Chief whip	803,614	752,868
Section 79 Chairperson	780,654	766,781
	27,159,350	24,808,192

In-kind benefits

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

The Executive Mayor has two full-time bodyguards and a vehicle.

Additional information

The salaries, allowances and benefits of political office-bearers and councillors of the municipality are within the upper limits of the framework envisaged in section 219 of the Constitution 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 this Act.

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34. Depreciation and amortisation		
Property, Plant and Equipment	123,279,235	115,021,348
Intangible assets	638,723	535,691
	123,917,958	115,557,039
35. Impairment loss		
Impairments		
Property, Plant and Equipment	50,201,600	14,203,553
36. Repairs and maintenance		
Maintenance of buildings, fleet and facilities	1,891,259	361,355
Maintenance of equipment	48,842,315	14,939,365
Engineering civil and electrical infrastructure	36,290,401	27,534,537
	87,023,975	42,835,257
37. Finance costs		
Late payment charges	8,348,474	3,096,734
Defined benefit obligation	18,325,504	15,562,731
	26,673,978	18,659,465
38. Lease rentals on operating lease		
Motor vehicles		
Contractual amounts	43,225,428	41,819,472
Equipment		
Contractual amounts	1,512,589	1,808,584
	44,738,017	43,628,056

The municipality has entered as Leasing arrangements including, but not limited to, the following:

- Motor vehicles fleet.
- IT equipments

The above leases are for a maximum of 3 years. There is no contingent rent payable. There are no terms of renewal or purchase options. Each lease bears standard escalation clauses at an annual rate. No restrictions are imposed by lease arrangements, such as those concerning return of surplus, return of capital contributions, dividends or similar distributions, additional debt, and further leasing

39. Debt write-off

Contributions to debt impairment provision	93,944,726	131,040,782
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Mogalakwena Local Municipality

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40. Bulk purchases

Electricity - Eskom	347,405,768	298,977,718
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Electricity losses

	Units 2025	Units 2024		
Units purchased	175,520,625	169,928,324	347,405,769	299,044,713
Units sold	(148,166,507)	(132,070,504)	(293,264,107)	(232,421,441)
Total loss	27,354,118	37,857,820	54,141,662	66,623,272

Comprising of:

Non-technical losses	27,354,118	37,857,820	54,141,662	66,623,272
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Percentage Loss:

Non-technical losses	16 %	22 %	16 %	22 %
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Distribution losses relating to electricity is due to illegal connection and faulty meters.

41. Inventory consumed

Water	36,508,940	41,136,139
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Water losses

	Units 2025	Units 2024		
Units purchased	6,680,468	3,455,904	71,660,724	40,053,927
Units sold	(5,524,151)	(2,677,239)	(50,203,590)	(31,029,203)
Total	1,156,318	1,557,330	21,457,134	9,024,724

Comprising of:

Non-technical losses	1,156,318	1,557,330	21,457,134	9,024,724
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Percentage Loss:

Non-technical losses	17 %	23 %	17 %	23 %
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Distribution losses relating to water is due to damage on water infrastructure network resulting in leakages and illegal connection.

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42. Contracted services		
Outsourced Services		
Information Technology services	22,394,922	15,835,798
Security Services	82,983,662	66,258,508
Consultants and Professional Services		
Business and Advisory	27,960,852	55,913,938
Revenue consultants	32,099,611	19,416,186
Legal Services	50,530,462	49,386,690
Contractors		
Bore Waterhole Drilling	127,255	132,333
	216,096,764	206,943,453
43. Debt Impairment		
Property rates	46,861,510	32,176,352
Electricity	28,627,658	19,817,312
Water	93,560,919	87,778,959
Waste water	21,592,929	12,938,873
Refuse	12,979,024	17,043,147
Sundries	6,448,048	2,864,612
Traffic fines	7,647,218	2,392,358
	217,717,306	175,011,613

Mogalakwena Local Municipality

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Figures in Rand	2025	2024
44. General expenses		
Advertising	6,572,119	6,509,359
Auditors remuneration	9,241,937	9,284,111
Bank charges	1,843,245	1,733,661
Cleaning	1,092,912	1,210,948
Commission paid	2,975,081	147
Computer expenses	1,240,179	3,293,865
Consumables	26,819,425	67,089,303
Audit committee costs	603,397	592,411
Delivery expenses	4,656	477,395
Auctioneers fees	-	456,630
Grass cutting and bush clearing	268,070	530,378
Insurance	6,702,294	9,793,166
Actuaries fees	-	25,000
Fleet	353,961	335,983
Medical examinations	317,756	130,932
Printing and stationery	7,152,489	3,715,865
Staff welfare	204,697	244,014
Membership fees	1,824,312	217,543
Subscriptions	4,550,877	4,534,143
Telephone and fax	1,375,454	1,045,849
Subsistence and travelling costs	1,599,136	1,506,804
Training	836,962	484,305
Accommodation	1,714,146	1,579,415
Pump operators	3,906,000	-
Uniforms	9,513,051	8,414,671
Other expenses	16,570,506	3,134,626
Landfill site maintenance and provision	37,993,490	2,928,748
Indigent relief	4,297,946	6,037,651
SDL and Ward committees	6,149,470	5,919,542
Electricity consumption (Boreholes, Pump house & Streetlights)	9,773,217	5,476,115
Construction costs - INEP	592,031	245,300
	166,088,816	146,947,880

45. Auditors' remuneration

Included in general expenditure note 44 is:

Auditors fees	9,241,937	9,284,111
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Mogalakwena Local Municipality

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Figures in Rand	2025	2024
46. Cash generated from operations		
Surplus (deficit)	81,484,910	(120,821,122)
Adjustments for:		
Depreciation and amortisation	123,917,958	115,557,039
Non-exchange assets received	(24,440,499)	(31,347,845)
Movements in leave and bonus accrual	2,300,097	3,080,789
Gain on sale of assets and liabilities	-	(81,174)
Fair value adjustments	(2,466,007)	(3,106,173)
Impairment loss	50,201,600	14,203,553
Debt write-off	93,944,726	131,040,782
Movements in operating lease asset	(1,774,392)	(1,883,200)
Movements in retirement benefit assets and liabilities	7,590,865	16,490,238
Movements in provisions	1,500,725	7,953,521
Debt impairment	217,717,306	175,011,613
Fair value adjustments - Water	6,686,079	-
Loss on disposal of assets	14,501,728	4,544,271
Land inventories write-offs	1,046,257	164,955,904
Impairment loss reversal	-	(22,964,866)
Other movement in net assets	(5,399,825)	-
Changes in working capital:		
Inventories	(8,973,852)	(9,702,633)
Receivables from exchange transactions	(340,677,692)	20,797,440
Other receivables from non-exchange transactions	(42,033,595)	5,832,659
Operating lease liability	(2,592,311)	3,113,985
Payables from exchange transactions	203,870,642	(67,005,220)
Unspent conditional grants and receipts	(6,854,211)	1,359,635
Consumer deposits	777,542	1,162,277
	370,328,051	408,191,473

47. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	219,238,957	219,238,957
Cash and cash equivalents	2,947,653	-	2,947,653
Operating lease assets	-	12,687,557	12,687,557
	2,947,653	231,926,514	234,874,167

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	706,010,204	706,010,204
Consumer deposits	25,268,950	25,268,950
Operating lease liability	941,590	941,590
	732,220,744	732,220,744

Mogalakwena Local Municipality

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47. Financial instruments disclosure (continued)

2024

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	136,582,382	136,582,382
Cash and cash equivalents	12,343,115	-	12,343,115
Operating lease asset	-	10,913,165	10,913,165
	12,343,115	147,495,547	159,838,662

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	486,876,344	486,876,344
Consumer deposits	24,491,407	24,491,407
Operating lease liability	3,533,901	3,533,901
	514,901,652	514,901,652

48. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	211,982,117	316,057,586
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Total capital commitments

Already contracted for but not provided for	211,982,117	316,057,586
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Authorised operational expenditure

Total commitments

Total commitments

Authorised capital expenditure	211,982,117	316,057,586
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This committed expenditure relates to Property, Plant and equipment and services rendered and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated and conditional grants.

The municipality also has numerous contracts based on rates and commitment value cannot be reliably determined.

For non-VAT vendors: Commitments include VAT, as it forms part of the total cost of the goods.

For VAT vendors: The municipality excludes VAT in determining the capital commitment.

Mogalakwena Local Municipality

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Figures in Rand	2025	2024
49. Contingencies		
Active Litigation Cases		
Name of Plaintiff / Defendant and nature of claim	2025	2024
1. Matter between Mmusho Security & Projects and MLM. Breach of contract. The matter is being defended and still pending.	6,451,650	6,451,650
2. Matter between CSI Africa and MLM. Claim for services rendered. The matter is being defended and still pending.	376,256	376,256
3. Matter between High Risk Reaction Unit and MLM. Claim for security services rendered. Matter is being defended and still pending.	14,056,040	13,390,228
4. Matter between Voice Press and MLM. Claim for services rendered. The matter is being defended and still pending.	633,000	633,000
5. Matter between S&M Montani and MLM. Claim for damages due to strike action. The matter is being defended and still pending.	9,150,000	9,150,000
6. Matter between Mokgwathi Masilo Bethuel and MLM. Damages due to negligence. The matter is being defended and still pending.	-	2,824,210
7. Matter between KTS General and Mahlatsi Security Services and MLM. Claim for breach of contract. The matter is being defended and pending.	6,949,045	6,949,045
8. Matter between Tsentsa Manufacturing and MLM. Claim for services rendered. Matter is being defended and still pending.	4,014,418	4,014,418
9. Matter between Pheehane and MLM. Claim for services rendered. The matter is being defended and still pending.	800,000	800,000
10. Matter between Bettie Mahlangu and one other and MLM. Claim for services rendered. The matter is being defended and still pending.	974,950	974,950
11. Matter between Tainama Civils Matter and MLM. Claim for services rendered. The matter is being defended and still pending.	4,900,000	4,900,000
12. Matter between Nemorango Consulting Engineering and MLM. Claim for services rendered. The matter is being defended and still pending.	2,395,332	2,395,332
13. Matter between Kalekale Investments (Pty) Ltd and MLM. Claim for services rendered. The matter is being defended and still pending.	1,213,465	1,213,465
14. Matter between Agisanang Business Solutions and MLM. Claim for non - payment dispute. The matter is being defended and still pending.	-	3,830,239
15. Matter between Malose Andries Makhafola and MLM. Claim for services rendered. The matter is being defended and still pending.	2,900,000	2,900,000
16. Matter between Cum Laude Projects and MLM. Claim for services rendered. The matter is being defended and still pending.	150,000	150,000
17. Matter between Mamoloko Contractors and MLM. Claim for services rendered. The matter is defended and still pending.	12,000,000	12,000,000
18. Matter between Sebuja Inc and MLM. Claim for services rendered. The matter is being defended and is still pending.	254,854	254,854
19. Matter between Makgetsi Construction and MLM. Claim for services rendered. The matter is being defended and is still pending.	2,000,000	2,000,000
20. Matter between Maximum Profit Recovery and MLM. Claim for services rendered. The matter is being defended and still pending.	-	2,855,851
21. Matter between Nyoffu Attorneys and MLM. Claim for services rendered. The matter is being defended and still pending.	1,170,330	1,170,330
22. Matter between Lesibasiba Projects (12/03/24) and MLM. Claim for services rendered. The matter is being defended and still pending.	800,000	800,000
23. Matter between Hitsakela Ntiro CC (3045/25) and MLM. Claim for services rendered. The matter is being defended and still pending.	1,400,000	-
24. Matter between Nyoffu Attorneys (3025/25) and MLM. Claim for services rendered. The matter is being defended and still exchanging documents.	434,583	-
25. Matter between Markus Mthombeni (6468/21) and MLM. Claim for declaratory order. The matter is opposed.	3,692,940	-
26. Matter between Ramatlaohe (Pty) Ltd (10568/24) and MLM. Claim for services rendered. The matter is being defended and still pending.	5,900,000	-
27. Matter between Nyamezela Metering (Pty) Ltd (10008/24) and MLM. Claim for goods sold and delivered. Parties still exchanging documents.	4,100,000	-
28. Matter between Jan Hendrik Du Plessis (11556/24) and MLM. Claim for damages. The matter is defended.	2,300,000	-
	89,016,863	80,033,828

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49. Contingencies (continued)

The following are contingent liabilities whose values are not yet ascertainable.

2. Matter between Arocon Mbokodo and MLM. Claim for unlawful appointment. Matter is being defended and still pending.
3. Matter between Unlawful occupiers and MLM. Claim for illegal occupation of land. The matter is being defended and still pending.
4. Matter between VuthaMkhondo/Epholeleng Security and MLM. Interdict against MLM for termination of services. The matter is being defended and still pending.
5. Matter between L S Sekgota/MLM +8 others and MLM. Claim for unlawful appointment. Matter is being defended and still pending.
6. Matter between Maximum Profit Recovery and MLM. Claim for services terminated. The matter is being defended and still pending.
7. Matter between Makgetsi Construction and MLM. Claim for rescission application. The matter is being defended and still pending.

Third Party Claims

Name of Plaintiff / Defendant and nature of claim	Claim no.	2025
1. Third party claim lodged against the municipality for tyre and MAG damage due to pothole _ S Ngobeni	38/2023-24	5,152
2. Third party claim lodged against the municipality for pothole damage_ S.L Maphoto	50/2023-24	7,200
3. Third party claim lodged against the municipality for pothole damage_ M Maleka	18/2024-25	67,087
4. Third party claim lodged against the municipality for pothole damage_ TJ Moloto	19/2024-25	12,100
5. Third party claim lodged against the municipality for pothole damage_ VJ Matjiu.	20/2024-25	1,200
6. Third party claim lodged against the municipality windscreen damage by grass cutting machine__TP Modisha.	21/2024-25	1,350
7. Third party claim lodged against the municipality for pothole damage_ M Sekgwele	24/2024-25	445,230
8. Third party claim lodged against the municipality injury_R Thubakgale	27/2024-25	1,200,000
9. Third party claim lodged against the municipality for pothole damage_ E Lebelo	28/2024-25	6,818
10. Third party claim lodged against the municipality windscreen damage by grass cutting machine _ T Seoko	31/2024-25	1,500
11. Third party claim lodged against the municipality for accident damage to vehicle _ Kishungu Fleet Solutions	32/2024-25	35,900
		1,783,537

The following are third party claims whose values are not yet ascertainable.

1. Third party claim lodged against the municipality for accident caused by malfunction traffic lights _ T.M Mashishi (08/2024-25)

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49. Contingencies (continued)

Contingent assets

Litigations is in process and the municipality is a plaintiff in the following cases, should the judgement or ruling be in favour of the municipality, the municipality will be entitled to receive the estimated value of the damages as indicated below. The merits must still be determined and could result in a lesser or greater amount.

Name of Plaintiff / Defendant and nature of claim

1. MLM has lodged a civil claim against Tainama Civils. The matter is currently before the court.	13,000,000	13,000,000
2. MLM has lodged a civil claim against Tainama Civils relating to retention payout. The matter is currently before the court.	5,200,000	5,200,000
3. MLM has lodged a civil claim against Nyoffu Attorneys relating incorrect payment to them. The matter is currently before court.	210,724	210,724
	18,410,724	18,410,724

Third Party Claims

Name of Plaintiff / Defendant and nature of claim

	Claim no.	2025
1. MLM lodged an insurance claim for transformer blewed fuses	27/2023-24	195,500
2. MLM lodged an insurance claim for damage transformer.	28/2023-24	247,815
3. MLM lodged an insurance claim for transformer broken window	29/2023-24	180,500
4. MLM lodged an insurance claim for transformer boiling oil	31/2023-24	237,000
5. MLM lodged an insurance claim for transformer boiling oil	32/2023-24	180,500
6. MLM lodged an insurance claim for overheating transformer	33/2023-24	237,000
7. MLM lodged an insurance claim for damaged internal windows	34/2023-24	212,000
8. MLM lodged an insurance claim for internal transformer blewed fuses	35/2023-24	195,500
9. MLM lodged an insurance claim for stole transformer	36/2023-24	212,000
10. MLM lodged an insurance claim for damaged transformer	37/2023-24	50,000
11. MLM lodged an insurance claim for damaged tablet	39/2023-24	25,000
12. MLM lodged an insurance claim for damaged transformer	40/2023-24	195,500
13. MLM lodged an insurance claim for damaged transformer	42/2023-24	180,500
14. MLM lodged an insurance claim for transformer damaged by lightning	43/2023-24	195,500
15. MLM lodged an insurance claim for vandalised transformer	44/2023-24	212,000
16. MLM lodged an insurance claim for transformer fuse	45/2023-24	237,000
17. MLM lodged an insurance claim for damaged transformer	46/2023-24	212,000
18. MLM lodged an insurance claim for laptop damage	02/2024-25	2,119
19. MLM lodged an insurance claim for damaged museum fence	12/2024-25	32,157
20. MLM lodged an insurance claim for damaged tablet	25/2024-25	14,000
21. MLM lodged an insurance claim for borehole motor damage	29/2024-25	80,000
22. MLM lodged an insurance claim for stolen cable at Rebone	30/2024-25	50,000
		3,383,591

Mogalakwena Local Municipality

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49. Contingencies (continued)

The following are insurance claims whose values are not yet ascertainable

1. MLM lodged an insurance claim for transformer damaged by lightning _ (30/2023-24)
2. MLM lodged an insurance claim for collapsed boundary wall _ (41/2023-24)
3. MLM lodged an insurance claim for transformer damaged by lightning _ (47/2023-24)
4. MLM lodged an insurance claim for transformer damaged by lightning _ (48/2023-24)
5. MLM lodged an insurance claim for pump house vandalised transformer _ (53/2023-24)
6. MLM lodged an insurance claim for roof and ceiling damaged by strong wind _ (04/2024-25)
7. MLM lodged an insurance claim for compactor damaged by monkeys at landfill _ (05/2024-25)
8. MLM lodged an insurance claim for cracked tablet screen _ (06/2024-25)
9. MLM lodged an insurance claim for vandalised transformer at Belleview _ (13/2024-25)
10. MLM lodged an insurance claim for vehicle windscreen _ (22/2024-25)
11. MLM lodged an insurance claim for TP hit insured MCDST550Lt (23/2024-25)
12. MLM lodged an insurance claim for water tanker windscreen replacement _ (26/2024-25)

50. Related parties

Relationships

Accounting Officer

Councillors names

Members of key management

Councillors remuneration

Close family member of key management

Joint venture of key management

Associate of close family member of key management

Refer to accounting officers' report note 6

Refer to General Information page for councillors

Refer to note 32 for remuneration of key management

Refer to note 33 remuneration councillors

There were no transactions between close family members and key management.

None

None

51. Comparative figures

Certain comparative figures have been reclassified. The impact on the reclassifications and restatements is documented on prior period error note.

52. Risk management

Financial risk management

There have been no changes to what the Municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The Municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

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

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52. Risk management (continued)

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by effectively managing its working capital, capital expenditure and cash flows.

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

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

Cash flow forecasts for the Medium-Term Revenue and Expenditure Framework (MTREF) are prepared in terms of the Municipality Budget and Reporting Regulations (MBRR), and monthly monitoring and returns performed in terms of Section 71 of the MFMA.

Credit risk

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

Trade receivables comprise a widespread customer base. The municipality manages its credit risk through payment of deposits disconnection in case of non-payment.

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

Financial instrument	2025	2024
Cash and cash equivalent	2,947,653	12,343,115
Receivables from exchange transactions	219,238,957	136,582,382

Market risk

Interest rate risk

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

53. Unauthorised expenditure

Opening balance as previously reported	-	228,160,102
Less: Amount authorised - current	-	(228,160,102)
Closing balance	-	-

The municipality have established the misconduct board as required by National Treasury to investigate the UIF cases.

Investigations were conducted for Unauthorised expenditure, and council approved the investigation report as presented by the Municipal Public Accounts Committee (MPAC).

54. Fruitless and wasteful expenditure

Opening balance as previously reported	14,170,253	21,954,262
Add: Fruitless and wasteful expenditure identified - current	8,057,083	4,010,588
Less: Amount written off - current	(8,057,083)	(11,794,597)
Closing balance	14,170,253	14,170,253

The municipality have established the misconduct board as required by National Treasury to investigate the UIF&W cases..

Investigations were conducted for Fruitless and wasteful expenditure, and council approved the investigation report as presented by the Municipal Public Accounts Committee (MPAC).

Mogalakwena Local Municipality

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54. Fruitless and wasteful expenditure (continued)		
Details of fruitless and wasteful expenditure		
	Disciplinary steps taken/criminal proceedings	
Eskom	7,042,671	2,736,977
Telkom	80	1,498
AGSA	96,349	48,428
Lepelle Nothorn Water	917,983	178,047
Review of Financial Statements	-	645,380
Compensation Commissioner	-	400,257
	8,057,083	4,010,587

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of (R8 057 083) from the total fruitless and wasteful expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

55. Irregular expenditure

Opening balance as previously reported	207,580,406	336,374,162
Add: Irregular expenditure - current	408,657,787	707,825,336
Less: Amount written off - current	(576,611,265)	(836,619,092)
Closing balance	39,626,928	207,580,406

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of (R576 611 265.00) from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

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55. Irregular expenditure (continued)		
Cases under investigations		
The amount of R35 959 107 (Prior periods: R207 580 406) cases related to non-compliance with SCM process and regulations.		
The municipality has a pending case as a result of SIU investigation that may potentially have an impact on irregular expenditure, The matter is with regard to 261 (two hundred and sixty one) employees who were employed irregularly and the matter is still in court and the employees are still under the employ of the municipality.		
56. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government - SALGA		
Current year subscription / fee	4,550,877	4,534,131
Amount paid - current year	(4,550,877)	(4,534,131)
	-	-
Audit fees		
Current year subscription / fee	10,716,364	10,725,155
Amount paid - current year	(10,555,182)	(10,685,248)
	161,182	39,907
PAYE, SDL and UIF		
Current year subscription / fee	61,473,073	56,890,647
Amount paid - current year	(61,473,073)	(56,890,647)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	65,855,736	58,259,522
Amount paid - current year	(65,855,736)	(58,259,522)
	-	-

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

Councillors' arrear consumer accounts

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

30 June 2025	Outstanding less than 90 days	Outstanding more than 90 days	Total
Tsebe M.A	13,102	6,818	19,920
Olifant P.L	-	6,834	6,834
Manganyi R.V	1,408	-	1,408
Rapatsa M.M	3,014	-	3,014
	17,524	13,652	31,176

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Manganyi R.V	7,617	-	7,617
Olifant P.L	455	-	455
Tsebe M.A	477	-	477
	8,549	-	8,549

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

Taxes

Opening balance	(2,076,181)	(528,387)
Current year subscription/fee	(89,850,629)	(111,810,948)
Amount received - current year	89,391,569	110,263,164
	(2,535,241)	(2,076,171)

57. Deviation from supply chain management regulations

Supply Chain Management Regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by council. The expenses incurred as listed hereunder have been approved.

Deviation recon

Emergency	1,625,601	27,094,258
Impractical or impossible to follow normal process	529,831	3,068,776
	2,155,432	30,163,034

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

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

The municipality has procured goods and services to an amount of R30 163 034 (2023 _ R8 700 980) during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulation.

Mogalakwena Local Municipality

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58. Accounting by principals and agents

The municipality is a party to a principal-agent arrangement(s).

Details of the arrangement(s) is/are as follows:

The Limpopo Department of Transport and community has an agreement with the Mogalakwena Local municipality which meets the criteria of GRAP 109 for Principal agents.

The agreement is effective 01 April 2021 and ends on the 31 March 2024 where the department must provide greater access of its services to clients throughout the province, the department herein transfers specified registration, licensing, and testing functions to appropriately identified Municipality, who process these functions for and on behalf of the Department.

The Municipality shall be obligated to:

- The department must provide greater access of its services to clients throughout the province,
- The department herein transfers specified registration, licensing and testing functions to appropriately identified Municipality, who process these functions for and on behalf of the department.
- change of particulars of a motor vehicle, issue of temporary or special permit
- licensing of a vehicle in a private person's or legally

Entity as agent

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

The agency shall receive a fixed fee of 20% of all monthly revenues collected by the agency in respect of the licensing and registration of motor vehicles as per attached.

The agency shall deposit 80% of the said revenue collected by it on a monthly basis to the Department of Transport's Account on or before the 15th day of each month.

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principality is:

Commision earned on Licensing and permits	10,983,551	9,794,118
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Liabilities and corresponding rights of reimbursement recognised as assets

No outstanding amount is owed by Traffic department relating to licensing and permits..

Entity as principal

Contour Technologies	(1,635,891)	-
Icecloud	(1,339,190)	-
	(2,975,081)	-

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

Mogalakwena Local Municipality

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59. Change in estimate

Property, Plant and Equipment

The remaining useful lives of all asset classes were adjusted during 2024/2025 to reflect more accurately the period of economic benefits or service potential derived from these assets. Refer to note 11 Property plant and equipment. The effect of changing the remaining useful life of assets for the Municipality during 2024/2025 has decreased the depreciation charge for the current by R 7 536 487 and future periods. It is impracticable to estimate the effect of these changes on future periods.

Change in estimate effect	Depreciation 2025 FY (with RUL adjustments)	Depreciation 2025 (Without RUL Adjustments)	Decrease in depreciation as result of RUL - Current period
Land and buildings	4,918,596	5,029,193	(110,597)
Electrical Infrastructure	9,582,030	9,587,565	(5,535)
Community	7,391,192	7,952,642	(561,450)
Roads Infrastructure	23,601,227	28,518,867	(4,917,641)
Sanitation, Stormwater and solid waste infrastructure	5,730,443	6,000,538	(270,096)
Water network	57,194,170	57,271,466	(77,297)
IT Equipment	2,324,887	2,588,128	(263,241)
Furniture and Office equipment	694,555	938,769	(244,214)
Plant and machinery	6,652,982	6,766,051	(113,069)
Motor vehicles	5,189,153	6,605,932	(973,347)
	123,279,235	131,259,151	(7,536,487)

Intangible assets

The remaining useful lives of all asset classes were adjusted during 2024/2025 to reflect more accurately the period of economic benefits or service potential derived from these assets. Refer to note 12 Intangible assets. The effect of changing the remaining useful life of assets for the Municipality during 2024/2025 has decreased the amortisation charge for the current by R 7 592 and future periods. It is impracticable to estimate the effect of these changes on future periods.

Change in estimate effect	Amortisation 2025 (With RUL Adjustments)	Amortisation 2025 (Without RUL Adjustments)	Effect/impact of adjustments
Computer software, other	638,723	646,315	(7,592)

60. Going concern

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

The ability of the municipality to continue as a going concern is dependent on continued grant funding from national and provincial governments.

The below mentioned factors have had a negative impact on the going concern of the entity however they are not adequate to threaten the disturb the continues operations of the municipality.

Key financial ratios are adverse (Debtors impairment as a percentage of accounts receivables, creditors payment period, debtors' collection period) due to the decrease in the collection rate as the economy faces a lot of pressure within the jurisdiction of Mogalakwena Local Municipality.

The poor collection rate has put pressure on the liquidity in the municipality which in turn affects the payment of creditors as they fall due. Despite the pressures, the municipality continues to honour its debt with delay here and there.

Pending legal or regulatory proceedings against the municipality that may, if successful, result in claims against the municipality. In such cases, the municipality like in the past enters arrangements to honour the obligations.

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61. Prior-year adjustments

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

Statement of financial position

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Inventory		191,901,518	(285,000)	-	191,616,518
Receivable from exchange transactions		119,552,470	(38,547,497)	50,060,824	131,065,797
Receivables from non exchange transactions		46,365,480	-	2,076,181	48,441,661
VAT receivable		56,925,699	-	(56,925,699)	-
Investment property		178,332,705	(59,195,918)	-	119,136,787
Property Plant and Equipment		4,610,157,496	2,829,507	-	4,612,987,003
Payables from exchange transactions		(347,817,838)	7,791,351	(146,849,857)	(486,876,344)
VAT payable		(151,638,550)	-	151,638,551	-
		4,703,778,980	(87,407,557)		- 4,616,371,422

The following prior period adjustments and reclassifications occurred in the Statement of Financial Position

1. Inventory

Late registration of Deed transfer of land sale transaction in prior financial years.

The transfer of a land sale transaction, which already occurred during the 2019 financial year, was only registered at the Registrar of Deeds during February 2025. As a result, the transfer from Investment Properties to Land Inventory and subsequent recognition of the land sale transaction, was retrospectively recognised in the 2019 financial year. The corresponding entry was recognised in Accumulated surplus in the earliest balance presented on the Annual Financial Statements, 1 July 2024.

2. Receivables from exchange transactions

An amount of R8,000,000 was a net amount for services per category from the Debtors age analysis (Gross) and the accumulated impairment that were not correctly captured in the note to the annual financial statements.

An amount of R900,000 was a casting error in the note to the AFS.

This is a correction of the following:

Receipts for firefighting services that were done on behalf of the Waterberg District Municipality that were not allocated against the receivables from exchange transactions recognised for all amounts invoiced at the time. The receipts remained in unallocated receipts. The receivables from exchange transactions have been corrected and the corresponding entry processed against Accumulated surplus on 1 July 2023.

Expenses that were incurred by the municipality that were correctly recognised. A manual journal was erroneously processed where the expensed amounts were removed from expenses to debt. The receivables from exchange transactions have been corrected and the corresponding entry processed against Accumulated surplus on 1 July 2023.

3. Receivables non exchange transactions

This is due to re-classification of an amount receivable or due to the municipality as at year-end from South African Receiver of Revenue.

4. VAT receivable

The VAT receivable is re-classified and disclosed as part of Receivable from exchange transactions.

5. Investment property

Mogalakwena Local Municipality

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61. Prior-year adjustments (continued)

During the current financial year, the municipality recognised that land parcels which have been occupied by third parties, do not classify for recognition under investment properties. This resulted in the retrospective reclassification of these land parcels at fair value as at 30 June 2023, and the recognition of an inventory write-down and impairment respectively in Land Inventory and Property Plant and Equipment to reflect to absence of any prospective realisable value and recoverable service amounts in the hands of the municipality.

6. Property, Plant and Equipment

Project spending on projects capitalised in previous financial years

During the 2025 financial year, project spending was identified relating to projects which have already been considered to have provided beneficial use, and thus capitalised during the 2023 and 2024 financial year. As a result, the cost incurred in the 2025 financial year was reallocated through Accounts Payables from Exchange Transactions in the appropriate year and the total project costs were retrospectively restated and reapportioned to each projects' constituent components, resulting in the retrospective adjustment of Property, Plant and Equipment for the Cost and Accumulated Depreciation associated with the respective projects.

Retrospective reclassification

During the current financial year, the municipality reviewed the classification of components within facilities to and align all component associated with a facility to the parent facility. This resulted in the reclassification of some components between Operational Buildings, Computer equipment, Water Infrastructure and Sanitation Infrastructure and Operational Buildings. As a result, a retrospective adjustment between the asset classes in Property, Plant and Equipment was made for both the cost and accumulated depreciation associated with the reclassified components.

7. Payables from exchange transactions

The error consists of the following:

a) This is made up of payables for dormant accounts that were approved for write off in the prior year that were erroneously not written off the final annual financial statements. These have been corrected against trade payables in current liabilities and the corresponding entry in the accumulated surplus.

b) WIP Accruals

There was also WIP accruals to an amount of R2,844,514 which was previously disclosed in a wrong financial year which were corrected.

c) Repairs and maintenance

There was a cut-off on repairs and maintenance due to invoices that were incurred in the previous financial year were erroneously disclosed in the current year and the previous year expenditure was therefore rectified.

d) Other creditors

Other creditor in the prior year was also adjusted due to advance payments on consumer debtors being wrongly clasified in the wrong ffinancial period.

8. VAT payable

The VAT payable amout was re-classified to Payables from exchange transactions.

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61. Prior-year adjustments (continued)

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Fair value adjustment		4,323,863	(1,217,690)	-	3,106,173
Depreciation and amortisation		(115,542,150)	(14,889)	-	(115,557,039)
Repairs and maintenance		(42,685,309)	(149,948)	-	(42,835,257)
Actuarial loss		-	-	(6,639,716)	-
General expenses		(163,114,320)	9,526,724	6,639,716	(146,947,880)
Surplus for the year		(317,017,916)	8,144,197	-	(302,234,003)

The following prior period adjustments and reclassifications occurred in the Statement of Financial Performance

1. Fair value adjustment

During the current financial year, the municipality recognised that land parcels which have been occupied by third parties, do not classify for recognition under investment properties. This resulted in the retrospective reclassification of these land parcels at fair value as at 30 June 2023, and reversal of any fair value adjustments which have been recognised against these land parcels, resulting in the restatement of the Fair Value adjustment recorded in the 2024 Financial year.

2. Depreciation and amortisation

Retrospective reclassification

During the current financial year, the municipality reviewed the classification of components within facilities to and align all component associated with a facility to the parent facility. This resulted in the reclassification of some components between Operational Buildings, Computer equipment, Water Infrastructure and Sanitation Infrastructure and Operational Buildings. As a result, a retrospective adjustment between the asset classes in Property, Plant and Equipment was made for both the cost and accumulated depreciation and the depreciation expense associated with the reclassified components.

3. Repairs and maintenance

The error was due to cut-of of repairs and maintenance. Invoices that were incurred in the previous financial year were erroneously disclosed in the current year and the previous year expenditure was therefore rectified.

4. Actuarial loss

During the current financial year, the municipality reviewed the classification of components within facilities to and align all component associated with a facility to the parent facility. This resulted in the reclassification of some components between Operational Buildings, Computer equipment, Water Infrastructure and Sanitation Infrastructure and Operational Buildings. As a result, a retrospective adjustment between the asset classes in Property, Plant and Equipment was made for both the cost and accumulated depreciation and the depreciation expense associated with the reclassified components.

5. General expenses

This was a reclassification of the net actuarial loss for the Post employment medical aid and the long service awards from general expenses to a separate line item on the face of the annual financial statements.

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61. Prior-year adjustments (continued)				
Cash flow statement				
2024				
	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Sale of goods and services		692,988,523	(266,720,408)	426,268,115
Grants		1,042,319,903	2,719,270	1,045,039,173
Interest income		79,317,599	(7,517,727)	71,799,872
Other receipts		174,059,012	(59,115,982)	114,943,030
		1,988,685,037	(330,634,847)	1,658,050,190
Cash flow from investing activities				
Employee costs		(398,021,713)	4,896,777	(393,124,936)
Suppliers		(901,407,834)	47,345,463	(854,062,371)
Finance costs		(18,659,465)	15,988,055	(2,671,410)
		(1,318,089,012)	68,230,295	(1,249,858,717)
Cash flow from financing activities				
Purchase of property, plant and equipment		(698,576,453)	262,404,552	(436,171,901)

The following prior errors adjustments occurred in the Cash Flow Statements

1. Sale of goods and services

This was a correction of the working capital movements in receivables from exchange transactions for services, sundry debtors and housing debtors. The gross movement as opposed to the net movement has been used to determine the receipts in line with the requirements of GRAP 2 and the inclusion of payments in advance and deposits that should be included in arriving at cash receipts from the sale of goods and services.

In addition to the above, there was an omission of grossing up the movement in receivables from exchange transactions with the debt write-off of R131 million.

2 Interest income

This was due to the inclusion of the movement of interest receivable for arrear accounts that was previously included in the movement of receivables from exchange and non – exchange transactions.

3. Grants

This was due to the inclusion of a non – cash item. The non – cash item was a donation of plant and equipment to the municipality from the mine of R31 million.

4. Other receipts

This was a correction of the working capital movements in receivables from non - exchange transactions for property rates and traffic fines. The gross movement as opposed to the net movement has been used to determine the receipts in line with the requirements of GRAP 2.

5. Employee related costs

The cash outflow for employees has taken into account the non-cash impact of current service costs from the valuation of Post employment medical benefits and Long service award benefits as compared to the prior year.

6. Suppliers

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61. Prior-year adjustments (continued)

This was due to incorrectly using the net movement in inventories instead of the gross movement. The net movement was grossed up by the land inventory write – oof of R164M, and the exclusion of payments in advance and deposits from the movement of payables from exchange transactions that are included in arriving at cash receipts from the sale of goods and services.

7. Finance costs

This was due to incorrectly using the net movement in inventories instead of the gross movement. The net movement was grossed up by the land inventory write – oof of R164M, and the exclusion of payments in advance and deposits from the movement of payables from exchange transactions that are included in arriving at cash receipts from the sale of goods and services.

8. Purchase of property, plant and equipment

This was due to not factoring the movements of various non – cash items from the reconciliation of the carrying value of the Property, plant and equipment.

Contingent liabilities (Litigation cases)

Opening balance	-	92,033,828
Adjustments made	-	(12,000,000)
Restated opening balance	-	80,033,828

1. Adjustment made to opening balance of Contingent Liabilities (Litigation cases) is due to Management identifying a duplication of R12,000,000.00 on the matter between Mamoloko Contractors and Mogalakwena Local Municipality which was included in the litigation register. The error was on the 2023-2024 litigation register disclosure and management have rectified the duplication.

Contingent assets

Opening balance	-	18,200,000
Adjustments made	-	210,724
Restated opening balance	-	18,410,724

Adjustment made to opening balance of Contingent assets is due to a civil claim that the municipality lodged for incorrect payment of R210,724 to Nyoffu Attorneys.

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62. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: primary, secondary and tertiary educational services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives.

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

The Segments at Mogalakwena Local Municipality are all the divisions that are directly involved with service potential. Divisions that are not directly involved in service potential, that is, Functional or Support divisions are not identified as separate segments.

Functional or Support divisions are aggregated in the segmental reporting. These divisions include:

- Corporate services.
- Finance.
- Municipal Manager's Office.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment

Community Services
Electrical services
Planning and development
Technical services

Traffic and emergency

Goods and/or services

Management of parks and buildings
Provision and maintenance of electrical network
Provision of town planning and related services
Provision maintenance of water, waste, sanitation and refuse collection services
Community safety, and traffic services

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62. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Community services	Electrical services	Planning and development	Technical services	Traffic and emergency	Other	Total
Revenue							
Revenue from exchange transactions	29,390,968	398,557,791	1,699,844	215,176,830	11,547,059	12,438,446	668,810,938
Revenue from non-exchange transactions	12,545,313	37,158,917	9,797,529	281,735,803	97,690,096	728,726,325	1,167,653,983
Interest revenue	8,010,277	-	-	48,337,781	-	30,497,374	86,845,432
Total segment revenue	49,946,558	435,716,708	11,497,373	545,250,414	109,237,155	771,662,145	1,923,310,353
Entity's revenue							1,923,310,353
Expenditure							
Bulk purchases	-	347,405,768	-	-	-	-	347,405,768
Contracted services	-	-	-	127,255	82,983,662	132,985,847	216,096,764
Debt impairment	-	-	-	-	7,647,218	210,070,088	217,717,306
Debt write-off	10,984,334	2,027,866	-	57,341,007	-	23,591,519	93,944,726
Depreciation and amortisation	13,243,120	9,582,030	472,720	62,146,793	25,814,977	15,500,173	126,759,813
Employee related costs	87,033,395	44,683,565	34,740,463	55,582,049	61,299,699	98,775,011	382,114,182
Impairment loss	11,581,967	3,576,344	-	34,998,873	-	44,416	50,201,600
Interest expense	-	-	-	-	-	26,673,978	26,673,978
Other expenses	45,623,158	22,532,524	3,500,825	79,597,269	4,342,199	111,452,332	267,048,307
Repairs and maintenance	16,065,857	40,772,833	-	12,653,643	2,374,138	15,157,506	87,023,977
Remuneration of councillors	-	-	-	-	-	27,159,351	27,159,351
Total segment expenditure	184,531,831	470,580,930	38,714,008	302,446,889	184,461,893	661,410,221	1,842,145,772
Total segmental surplus/(deficit)	(134,585,273)	(34,864,222)	(27,216,635)	242,803,525	(75,224,738)	110,251,924	81,164,581

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62. Segment information (continued)

Assets	Community services	Electrical services	Planning and development	Technical services	Traffic and emergency	Other	Total
Segment assets	572,240,668	312,498,805	63,569,418	3,934,830,369	58,422,475	471,193,868	5,412,755,603
Segment liabilities	(1,032,673,992)	-	-	1,898,843,867	-	-	866,169,875
Total capital expenditure	255,287,416	119,305,209	55,930,794	3,844,491,394	160,826,063	121,956,224	4,557,797,100
Total segment	827,528,084	(600,869,978)	119,500,212	9,678,165,630	219,248,538	593,150,092	10,836,722,578

The segment assets for Planning and development and Traffic and emergency have been aggregated into the segment for Technical services.

The segment liabilities for Community services, Planning and development and Technical services have been aggregated to the amount for unallocated items

2024

Revenue	Community services	Electrical services	Planning and development	Technical services	Traffic and emergency	Other	Total
Revenue from exchange transactions	31,906,844	320,769,081	438,428	36,253,775	33,011,963	11,322,747	433,702,838
Revenue from non-exchange transactions	1,152,397	10,887,920	-	482,564,674	3,364,538	677,291,472	1,175,261,001
Interest revenue	7,101,954	-	-	42,254,429	-	29,961,216	79,317,599
Total segment revenue	40,161,195	331,657,001	438,428	561,072,878	36,376,501	718,575,435	1,688,281,438
Entity's revenue							1,688,281,438

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63. Budget differences

Material differences between budget and actual amounts

The budget has been prepared on the accrual basis of accounting in accordance with the prescripts of the Municipal budget regulations as well as MFMA budget circulars. In accordance with the Municipal budget regulations, the classification basis the municipality presents its budget is per economic as well as per functional classification (per Vote (Department)). It should be noted that minor budget differences between the basis the budget is prepared (accrual basis and prescripts of NT guidance) and actual financial results (accrual basis in accordance with GRAP) exists, mainly related to technical GRAP adjustments required. These differences are not material and as the basis of preparation is the same (accrual basis) no restatements have been made to the financial information compared to the budgeted amounts.

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63. Budget differences (continued)

Management considers all differences of 10% or more on budget versus actual as significant. Explanations for variances are provided below for those variances.

N1 - Sale of Goods

Negative variance of 73%. The line item includes selling of tender documents which was introduced in the 2023-24 f/y. 2024-25 f/y was the first full year of implementation. Hence the budget was above the anticipated amount.

N2 - Services Charges

There is a negative variance of 15%. Budget was prepared using historical trends and CPI as per MFMA budget circulars. Therefore, the line item was slightly over-budgeted.

N3 - Rendering of services

A negative variance of 22%. Municipality budgeted for entrance fee at the swimming pool. However, the swimming pool is still under construction. Hence under performance.

N4 - Rental of facilities and equipment

There is a positive variance of 86%. The municipality has seen an improvement in the rental of facilities. The line item performed more than it was anticipated.

N5 - Licences and permits

There is a positive variance of 313%. There is an increase in licence renewals in the municipality due to increased law enforcement implemented by Traffic and Emergency Department.

N6 - Other income

Positive variance of 40%. Other revenue refers to recoveries from internal staff. Performance for 2024-25 is more than the projected amount.

N7 - Public contributions and donations

The variance is attributable to Public contributions and donations that were received during the 2024-25 f/y which were not budgeted for.

N8 - Inventory consumed

There is a negative variance of 24%. Implementation of Lepelle Northern Water tariff based on the previous year tariff.

N9 - Repairs and maintenance

There is a negative variance of 53%. The municipality had increased Repairs and maintenance budget in order to get closer to the required acceptable norm.

N10 - Bulk purchases

There is a negative variance of 17%. The municipality implemented new NERSA tariffs for the financial year. Expenditure incurred is slightly lower than the anticipated amount.

N11 - General expenses

There is a negative variance of 24%. Less expenditure incurred by the municipality in implementation of cost cutting measures.

N12 - Gains on provision for landfill site

There is a negative variance of 1010%. This is the amount deducted from the cost of the asset and the corresponding entry in revenue. The non-cash item that was not appropriated for.

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63. Budget differences (continued)

N13 - Actuarial gains/losses

There is a negative variance of 0%. These are actuarial gains on the PEM and the LSAs. The non-cash item that was not appropriated for.

N14 - Fair value adjustments

During the current financial year, the municipality recognised that land parcels which have been occupied by third parties, do not classify for recognition under investment properties. This resulted in the retrospective reclassification of these land parcels at fair value as at 30 June 2023, and the recognition of an inventory write-down and impairment respectively in Land Inventory and Property Plant and Equipment to reflect to absence of any prospective realisable value and recoverable service amounts in the hands of the municipality.

N15 - Inventories losses/write-downs

This expenditure is as a result of differences identified during stock count, as result council wrote off the difference and approved.

N16. Loss on disposal of assets

Derecognition of assets take place based on two conditions a) When an asset is not longer in a condition or position to render any future economic benefit (e.g. demolished, stolen, unrepairable, etc.) or b) When it is renewed through the replacement of a newer asset (e.g. replacement of a broken transformer with a new transformer). Derecognitions therefore are not linear throughout a year, nor year-on-year.

N16 - Lease rentals on operating lease

There is a negative variance of 16%. The budget amount was appropriated in anticipation of an increase in yellow fleet rentals.

N17 - Debt impairment

There is a negative variance of 13%. This is due to an increase in long outstanding debt used for Circular 71 calculation.

N18 - Fair value adjustment - Water

There is a negative variance of 37%. This was due to the negative adjustment after applying the billing and the water reservoir counted at year end compared to actual purchases from Lepelle and UITLOOP compared to the prior year.