MAKHUDUTHAMAGA

LOCAL MUNICIPALITY

Annual Financial Statements
for the year ended June 30, 2025

These annual financial statements were prepared by:
Chief Financial Officer
Makhuduthamaga Local Municipality

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures 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 provision of services to communities in a sustainable manner, to promote social and economic development, and to promote a safe and healthy environment.
Executive committee	
Municipal Mayor	Cllr Mahlase M.M
Councillors	Cllr Mahlase N.E (Deputy Head of BTO Portfolio Committee)
	Cllr Mosoane E.M (Head of EDP Portfolio Committee)
	Cllr Matjomane N.M (Head of Corporate Services Portfolio Committee)
	Cllr Moretsele LP (Deputy Head of Corporate services Portfolio Committee)
	Cllr Malaka M.S (Head of Infrastructure Development Portfolio Committee)
	Cllr Machaba M.G. (Deputy Head of EDP Portfolio Committee)
	Cllr Morwamokoti M (Deputy Head of Infrastructure Development Portfolio Committee
	Cllr Phala M (Head of BTO Portfolio Committee)
	Cllr Rankoe T.P (Head of Community Services Portfolio Committee)
Council Speaker	Cllr Nkgadima M.J
Council Chief Whip	Cllr Thamaga M.M
Accounting Officer	Mr Moganedi R.M
Grading of local Authority	Grade 3
Chief Financial Officer	Mr Mothapo KT
Registered office	Makhuduthamaga Municipality LIM473 No 1 Groblersdal Road Next to Jane Furse Plaza 1085
Business address	No 1 Groblersdal Road Next to Jane Furse Plaza Jane Furse 1085 www.makhuduthamaga.gov.za
Postal address	Private Bag x 434 Jane Furse 1085 Tel:013 265 8600 Fax:013 265 1975
Bankers	ABSA Bank Limited
Auditors	Auditor General South Africa
Attorneys	Marweshe attorneys

General Information

Kwena Mahlakoana attorneys

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Abbreviations used:

ANC	African National Congress
BTO	Budget and Treasury Office
CoGHSTA	Cooperative Governance Human Settlement and Traditional Affairs
CFO	Chief Financial Officer
CIGFARO	Chartered Institute of Government Finance Audit and Risk Officers
CPI	Consumer Price Index
DLTC	Driving License and Testing Centre
EDP	Economic Development and Planning
EFF	Economic Freedom Fighters
EPWP	Expanded Public Works Programme
FMG	Financial Management Grant
GRAP	Generally Recognised Accounting Practice
INEP	Integrated National Electricity Programme
LGSETA	Local Government Sector Education and Training Authority
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MM	Municipal Manager
MOU	Memorandum of Understanding
mSCOA	Municipal Standard Chart of Accounts
MYF	Makhuduthamaga Youth Fund
NYDA	National Youth Development Agency
RAL	Roads Agency Limpopo
SDL	Skills Development Levy
SDM	Sekhukhune District Municipality
SMME	Small, Medium and Macro Enterprises
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
WIP	Work In Progress

Accounting Officer's Report

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 will be given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with 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 municipality has a Council of 62 Councillors with ANC as the majority party, EFF as the official opposition and four (4) other opposition parties. The mayor of the municipality is Cllr Mahlase MM who was appointed on the 16th of November 2023 after the resignation of the Mayor Cllr Maitula BM on the 15th of November 2023 and the Council has elected (9) executive committee members to assist the mayor in the execution of her full time responsibilities as the political head of the municipality. All departments of the municipality have portfolio committees that meet on a monthly basis to review the reports on implementation of the approved IDP, Budget and SDBIP for the year ended 30 June 2025, all portfolio committees were functional and managed to meet monthly. Council has appointed an Audit and Performance Committee and Municipal Public Accounts Committee to assist the council on effective, efficient and high level of governance in the municipality and the committees were functional during the year ended 30 June 2025.The Audit and Performance Committee and the municipal public accounts committee were functional during the year under review and managed to have meetings and to execute their responsibilities adequately.

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

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

I have reviewed the municipality’s cash flow forecast for the year to June 30, 2026 and, in the light of this review and the current financial position, I am satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The 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's operations.

I certify that the salaries, allowances and benefits of councillors disclosed in note 28 of these 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 with the Remuneration of Public Office Bearers Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

I further certify that the salaries, allowances and benefits of the Municipal Manager and manager directly accountable to the Municipal Manager as disclosed in note 27 of these annual financial statements are within the upper limits as set out in the Upper Limits of total remuneration packages payable to Municipal Manager and manager directly accountable to the Municipal Manager as issued by the Minister for Cooperative Governance and Traditional Affairs in November 2023.

The Auditor General of South Africa are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements will be examined by the municipality's external auditors and their report shall be presented to council when finalised and signed.

Accounting Officer's Report

The annual financial statements set out on page 10 to 74,which have been prepared on the going concern basis, were approved and signed by the accounting officer on 31 August 2025.

Mr Moganedi R.M
Accounting Officer

Audit and Performance Committee Report

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

Audit and Perfomance Committee members and attendance

The Audit and Performance Committee consists of the members listed hereunder and should meet four times per annum as per its approved terms of reference. During the current year eleven (11) meetings were held,of which four (4) were ordinary and seven (7) were special.

Name of member	Number of meetings attended
Chuene V.K (Chairperson)	11
Ramutsheli M.P(Member)	8
Mabula R.A(Member)	11
Majuta M.S CA (SA) (Member)	11
Komane T.R(Member)	6

Audit and performance committee responsibility

The Audit and Performance Committee report that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

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

The effectiveness of internal control

The quality of in-year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act were satisfactory. The Audit and Performance Committee took resolutions and made recommendations to management during the year under review to strengthen the internal controls of the municipality and to improve service delivery and all resolutions and recommendations were implemented by management.

Evaluation of annual financial statements, Risk Management & Performance Management

The Audit and Performance Committee had:

- reviewed and discussed the unaudited annual financial statements to be included in the annual report, with the Auditor-General for external audit and the accounting officer and senior management of the municipality;
- reviewed the Auditor-General of South Africa's management report and management’s response thereto; and discussed the progress on implementation of the management's remedial action plans on a quarterly basis for the year ended June 30, 2025
- reviewed the risk management registers and progress report for implementation of the action plans for all four quarters of the financial year ended June 30, 2025 and is satisfied with the functionality of the risk management committee and the risk management committee and the risk management unit of the municipality.;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed the quarterly performance management reports and annual performance reports for the year ended June 30, 2025 and discussed the reports with management on a quarterly basis.

The Audit and Performance Committee concur with and accept the annual financial statements of the municipality presented for external audit and are of the opinion that the unaudited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa after completion of the external audit.

Internal audit

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

Auditor-General of South Africa

The Audit and Performance Committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues and is satisfied with their work.

Chairperson of the Audit and Performance Committee

Audit and Performance Committee Report

Date: ____

Statement of Financial Position as at June 30, 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	4	186,186	627,611
Receivables from exchange transactions	6	9,262,432	3,086,464
Prepayments	52	-	1,117,253
VAT receivable	7	10,218,386	13,335,533
Receivables from non-exchange transactions	5	27,015,980	18,998,729
Cash and cash equivalents	3	4,394,220	13,919,985
		51,077,204	**51,085,575**
Non-Current Assets			
Investment property	9	461,500	539,289
Property, plant and equipment	10	503,700,405	477,340,081
Intangible assets	8	967,606	1,633,978
		505,129,511	**479,513,348**
Total Assets		**556,206,715**	**530,598,923**
Liabilities			
Current Liabilities			
Payables	11	152,783,707	142,418,669
Unspent conditional grants and receipts	13	319,513	7,157,929
Long service awards	12	903,000	531,915
		154,006,220	**150,108,513**
Non-Current Liabilities			
Post employment medical aid benefit	12	8,631,000	7,047,000
Long service awards	12	4,863,000	4,962,086
Provision - Rehabilitation of landfill site	14	9,665,321	9,717,660
		23,159,321	**21,726,746**
Total Liabilities		**177,165,541**	**171,835,259**
Accumulated surplus		379,041,17	358,763,664
Total Net Assets		**379,041,174**	**358,763,664**

* See Note 48

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Refuse removal	19	387,783	349,435
Rental of facilities and equipment	15	229,235	262,732
Licences & permits	21	6,339,848	6,261,884
Other income	16	16,853,243	12,878,417
Interest received - investment	20	2,852,208	3,784,346
Gain on disposal of assets and liabilities	24	825,423	-
Actuarial gains	23	417,909	-
Leave Gain	53	66,566	154,077
Total revenue from exchange transactions		**27,972,215**	**23,690,891**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	40,011,070	39,627,958
Interest on outstanding debtors	17	14,338,687	12,210,680
Traffic fines	18	1,931,700	667,650
Transfer revenue			
Government grants & subsidies	26	465,717,500	442,318,000
Public contributions and donations	55	-	19,595
Fair value adjustment-Investment property	54	-	25,789
Total revenue from non-exchange transactions		**521,998,957**	**494,869,672**
Total revenue	22	**549,971,172**	**518,560,563**
Expenditure			
Employee related costs	27	(131,294,065)	(116,453,931)
Remuneration of councillors	28	(28,178,721)	(28,318,097)
Administration	31	(15,001,696)	(14,983,300)
Depreciation and amortisation	29	(35,496,430)	(31,386,142)
Loss on fair value adjustment-Investment property	56	(77,789)	-
Finance costs	30	(2,680,914)	(2,232,000)
Debt Impairment	58	(19,776,670)	(20,361,730)
Contracted services	32	(76,254,278)	(79,654,111)
Transfers and Subsidies	33	(2,472,846)	(2,144,561)
Loss on disposal of assets and liabilities	24	-	(983,843)
Actuarial losses	23	-	(637,834)
General Expenses	34	(79,619,571)	(83,424,903)
Auditor's remuneration	35	(5,306,612)	(4,844,497)
Repairs and maintenance	36	(70,027,762)	(70,876,753)
Capital expenditure write-off (D-Roads)	37	(63,873,838)	(119,704,748)
Total expenditure		**(530,061,192)**	**(576,006,450)**
		-	-
Operating surplus/deficit		-	-
Surplus (deficit) before taxation		19,909,980	(57,445,887)
Taxation		-	-
Surplus (deficit) for the year		**19,909,980**	**(57,445,887)**

* See Note 48

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	419,872,784	419,872,784
Adjustments		
Prior period error: sales of goods and rendering of services	(3,391,386)	(3,391,386)
Prior period error: Depreciation	95,683	95,683
Balance at July,1 2023	**416,577,080**	**416,577,080**
Surplus/(Deficit) as previously reported	**(48,454,604)**	**(48,454,604)**
Changes in net assets		
Prior period error: sales of goods and rendering of services	(1,860,453)	(1,860,453)
Prior period error: Depreciation	3,550,499	3,550,499
Prior period error: Transfer to eskom	(10,317,393)	(10,317,393)
Prior period error: Interest on outstanding debtors	(363,936)	(363,936)
Surplus/Deficit for the yesr restated	(57,445,887)	(57,445,887)
	-	-
Restated* Balance at July 1, 2024	**359,131,194**	**359,131,194**
Changes in net assets		
Surplus (deficit) for the year	19,909,980	19,909,980
Total changes	19,909,980	19,909,980
Balance at June 30, 2025	**379,041,174**	**379,041,174**

Note(s)

* See Note 48

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Property rates and traffic fines		28,416,933	33,925,010
Cash received from consumers and other sources of revenue		860,088	4,176,887
Grants		465,965,609	442,318,000
Interest income		2,897,008	4,011,087
VAT		47,692,590	64,249,702
Other receipts		9,995,953	20,227,674
		555,828,181	568,908,360
Payments			
Employee costs		(128,730,479)	(117,331,675)
Suppliers		(282,600,940)	(211,660,351)
Assets write-off D Roads		(66,140,248)	(117,397,712)
Councillor's allowance	28	(28,178,721)	(28,318,097)
		(505,650,388)	(474,707,835)
Total receipts		555,828,181	568,908,360
Total payments		(505,650,388)	(474,707,835)
Net cash flows from operating activities	38	**50,177,793**	**94,200,525**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(61,029,580)	(85,887,586)
Proceeds from sale of property, plant and equipment	10	1,326,022	963,602
Purchase of other intangible assets	8	-	(2,000,937)
Net cash flows from investing activities		**(59,703,558)**	**(86,924,921)**
Net increase/(decrease) in cash and cash equivalents		**(9,525,765)**	**7,275,604**
Cash and cash equivalents at the beginning of the year		13,919,985	6,644,381
Cash and cash equivalents at the end of the year	3	**4,394,220**	**13,919,985**

* See Note 48

Statement of comparison of Budget and actual amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2025											
Financial Performance											
Property rates	76,000,000	(29,000,000)	47,000,000	-		47,000,000	54,349,757		7,349,757	116 %	72 %
Service charges	340,000	50,000	390,000	-		390,000	387,783		(2,217)	99 %	114 %
Investment revenue	3,500,000	-	3,500,000	-		3,500,000	2,852,208		(647,792)	81 %	81 %
Transfers recognised - operational	390,802,000	12,879,000	403,681,000	-		403,681,000	371,359,500		(32,321,500)	92 %	95 %
Other own revenue	7,330,000	11,846,000	19,176,000	-		19,176,000	26,663,924		7,487,924	139 %	364 %
Total revenue (excluding capital transfers and contributions)	**477,972,000**	**(4,225,000)**	**473,747,000**	**-**		**473,747,000**	**455,613,172**		**(18,133,828)**	**96 %**	**95 %**
Employee costs	(145,050,520)	13,541,520	(131,509,000)	-	-	(131,509,000)	(131,294,065)	-	214,935	100 %	91 %
Remuneration of councillors	(30,216,663)	1,630,000	(28,586,663)	-	-	(28,586,663)	(28,178,721)	-	407,942	99 %	93 %
Depreciation and asset impairment	(34,774,578)	(523,000)	(35,297,578)			(35,297,578)	(35,496,430)	-	(198,852)	101 %	102 %
Debt impairment	(10,000,000)	(13,242,292)	(23,242,292)	-	-	(23,242,292)	(19,776,670)	-	3,465,622	85 %	198 %
Finance costs	(3,000,000)	-	(3,000,000)	-	-	(3,000,000)	(2,680,914)	-	319,086	89 %	89 %
Transfers and grants	(3,690,000)	5,528,000	(6,217,775)	-	-	(6,217,775)	(2,472,846)	-	3,744,929	40 %	67 %
Contracted services	(121,031,323)	(23,100,000)	(144,131,323)	-	62,500,000	(81,631,323)	(76,254,278)	-	5,377,045	93 %	63 %
Other expenditure	(92,044,814)	(16,071,571)	(108,116,385)	-	(62,500,000)	(170,616,385)	(170,033,430)	-	582,955	100 %	185 %
Total expenditure	**(439,807,898)**	**(32,237,343)**	**(480,101,016)**	**-**	**-**	**(480,101,016)**	**(466,187,354)**	**-**	**13,913,662**	**97 %**	**106 %**
Total revenue (excluding capital transfers and contributions)	477,972,000	(4,225,000)	473,747,000	-	-	473,747,000	455,613,172	-	(18,133,828)	96 %	95 %
Total expenditure	(439,807,898)	(32,237,343)	(480,101,016)	-	-	(480,101,016)	(466,187,354)	-	13,913,662	97 %	106 %
Surplus/(Deficit)	**38,164,102**	**(36,462,343)**	**(6,354,016)**	**-**		**(6,354,016)**	**(10,574,182)**		**(4,220,166)**	**166 %**	**(28)%**

Statement of comparison of Budget and actual amounts

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	81,789,000	12,569,000	94,358,000	-		94,358,000	94,358,000		-	100 %	115 %
Surplus/(Deficit)	38,164,102	(36,462,343)	(6,354,016)	-	-	(6,354,016)	(10,574,182)	-	(4,220,166)	166 %	(28)%
Capital transfers and contributions	81,789,000	12,569,000	94,358,000	-	-	94,358,000	94,358,000	-	-	100 %	115 %
Surplus (Deficit) after capital transfers and contributions	**119,953,102**	**(23,893,343)**	**88,003,984**	**-**		**88,003,984**	**83,783,818**		**(4,220,166)**	**95 %**	**70 %**
Surplus (Deficit) after capital transfers and contributions	119,953,102	(23,893,343)	88,003,984	-	-	88,003,984	83,783,818	-	(4,220,166)	95 %	70 %
Surplus/(Deficit) for the year	**119,953,102**	**(23,893,343)**	**88,003,984**	**-**		**88,003,984**	**83,783,818**		**(4,220,166)**	**95 %**	**70 %**

Capital expenditure and funds sources

Total capital expenditure	(155,689,000)	(1,227,021)	(156,916,021)	-		(156,916,021)	(126,816,289)		30,099,732	81 %	81 %

Statement of comparison of Budget and actual amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	148,734,000	18,724,000	167,458,000	-		167,458,000	50,177,793		(117,280,207)	30 %	34 %
Net cash from (used) investing	(179,042,000)	(1,721,000)	(180,763,000)	-		(180,763,000)	(59,703,558)		121,059,442	33 %	33 %
Net increase/(decrease) in cash and cash equivalents	**(30,308,000)**	**17,003,000**	**(13,305,000)**	**-**		**(13,305,000)**	**(9,525,765)**		**3,779,235**	**72 %**	**31 %**
Cash and cash equivalents at the beginning of the year	60,508,000	(46,587,015)	13,920,985	-		13,920,985	13,919,985		(1,000)	100 %	23 %
Net increase / (decrease) in cash and cash equivalents	(30,308,000)	17,003,000	(13,305,000)	-	-	(13,305,000)	(9,525,765)	-	(3,779,235)	72 %	31 %
Cash and cash equivalents at the beginning of the year	60,508,000	(46,587,015)	13,920,985	-	-	13,920,985	13,919,985	-	1,000	100 %	23 %
Cash and cash equivalents at year end	**30,200,000**	**(29,584,015)**	**615,985**	**-**		**615,985**	**4,394,220**		**(3,778,235)**	**713 %**	**15 %**

Changes from the approved budget to the final budget

The changes between the approved and final budget are as the result of additional MIG funds and budget reduction on amount initially allocated to INEP grant.

Below are some explanations for material differences between budget and actual amounts.

An item is considered material if the variance is over or under the budgeted amount by 10%

Capital expenditure

The variance under capital expenditure was due to some savings realised on the implementation of road infrastructure projects

Debt impairment

The material varience was informed by the estimated provision for impairment which was more than the estimated provision recognised in the prior financial period which resulted in the realisation of impairment loss recognised.

Transfers and grants

During the budgeting process the municipality anticipated to receive more applications for free basic services, however lesser applications were received and processed as most of the applications were send back due to errors

Property rates

Included in the amount for Property rates, there is an amount for interest on oustanding debtors. At the beginning of the financial period interest was budgeted appropriately however during the adjustment budget the budgeted interest amount was reduced significantly after the engagement with the business community whereby a decision to waive the interest amount was taken, provided that the respective consumers start paying their property rates billing on monthly basis.

Investment revenue

At the beginning of the year, the municipality had high amount of commitments emanating from prior year, consequently a substantial amount of cash was required in order to fulfil the municipality's financial obligations and as result, the period at which cash was withheld at the bank was short and therefore the municipality did not earn enough interest on the bank balance.

Other own revenue

The variance on other own revenue was informed by the reclassification of INEP grant to other income of which its prior year unspent grant revenue was recognised in the current financial year after the conditions were met.

Significant Accounting Policies

Figures in Rand	Note(s)	2025	2024

1. Presentation of Annual Financial Statements

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

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurements, unless specified otherwise

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

We draw attention to the fact that as at June 30, 2025, the municipality had an accumulated surplus of R 381 444 101 and that the municipality's total assets exceed its liabilities by R 381 444 101 .

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.

Management believes that the municipality has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on the basis of going concern. Management is satisfied that the municipality is in sound financial position and as at year end, there were no any new material conditions that may impact the municipality's ability to continue as a going concern.

1.3 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.

1.4 Cash and cash equivalents

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 and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried at armortised cost. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdraft are carried at armortised cost

For the purpose of the cashflow statement, cash and cash equivalents comprise of cash on hand, deposits held on call with banks, net of bank overdrafts.

Significant Accounting Policies

1.4 Cash and cash equivalents (continued)

Accounting by principals and agent

Sekhukhune District Municipality

The municipality is party to a principal-agent arrangement for water reticulation. In terms of the arrangement the municipality is the agent and is responsible for Repairs and Maintenance of the water reticulation within Makhuduthamaga.

Department of Roads and Transport

The municipality is party to a principal-agent arrangement for Licences and permits. In terms of the arrangement the municipality is the agent and is responsible for issuing licences and permits

1.5 Offsetting

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

1.6 Investment property

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

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

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

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

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

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

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

Fair value

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

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

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

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

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.

Significant Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	25 years
Plant and machinery	Straight-line	5-10 years
Furniture and fixtures	Straight-line	5-10 years
Motor vehicles	Straight-line	12 years
Office equipment	Straight-line	8 years
IT equipment	Straight-line	5-8 years
Prime coat	Straight-line	15 years
Pavement layers	Straight-line	15 years
Double seal	Straight-line	15 years
Pitching, stonework and protection	Straight-line	15 years

Significant Accounting Policies

1.7 Property, plant and equipment (continued)

Gabions	Straight-line	25 years
Guardrails	Straight-line	25 years
Road signs	Straight-line	15 years
Road markings	Straight-line	12 months
Concrete block paving for roads	Straight-line	15 years
Concrete for structures	Straight-line	15 years
Street lighting	Straight-line	15 years
High mast lights	Straight-line	15 years
Capital work in progress	Straight-line	Not depreciated
Asphalt surface	Straight-line	15 years
Landfill Assets	Straight-line	49 years
Concrete kerbing, channeling,chutes and downpipes	Straight-line	40 years
Mass earthworks	Straight-line	80 years
Prefabricated culverts	Straight-line	15 years
Loose tools	Straight-line	5-10 years
Bridges	Straight-line	15 years

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

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

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

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

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

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

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

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 Site restoration and dismantling cost

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

1.8 Site restoration and dismantling cost (continued)

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

1.9 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality 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.

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.

Significant Accounting Policies

1.9 Intangible assets (continued)

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	3 years

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

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

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

1.10 Comparative of actual information to budgeted information

The annual budget figures have been prepared in accordance with the Municipal Budget and Reporting Regulations, 2009. A comparative of actual to budgeted amounts are reported in a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the Statement giving motivations for over- or under spending on line items where it is found to be material. The budgeted figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is prepared and approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2024 to 30 June 2025.
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 financial statements in determining whether a difference between the budgeted and actual amount is material.

1.11 Segment reporting

The municipality is organised and reports to management and council on the basis of six (06) major functional areas: Executive Support, Corporate Services, Budget and Treasury Office, Community Services, Infrastructure Development services and Economic Development and Planning.
The departments are centralised to provide service delivery function to all the geographical areas namely Ward 1 to Ward 31 on implementation of infrastructure requirements of the municipality. Based on how the budget of the municipality is determined, annually the communities from all wards are consulted on their needs through the Integrated Development Plan processes. This information is then used to allocate resources available to implement these needs. Resources are not allocated based on how the unit has performed or the activity within the unit has performed, but based on the needs priorities and the available funds at the time that the municipality holds.

Municipal revenue, expenditure and assets are not reviewed as per geographical area, these are the same services across all wards and presented as a consolidated figure. The service provided to communities are the same for all wards, therefore the level of information of each ward within the municipal jurisdiction may not be relevant for decision making purposes, as such reporting of segments is deemed not applicable.

1.12 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. Financial instruments are classified into three categories namely, financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost. The Municipality determines the classification of its financial instruments at initial recognition.

Initial recognition and measurement.

Significant Accounting Policies

1.12 Financial instruments (continued)

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. In the case of a financial instrument not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added or deducted from the fair value, as appropriate on initial recognition.

Subsequent measurement – financial assets.

Financial assets consist of cash and cash equivalents, deposits, receivables and investments.

Receivables are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

A provision for impairment of receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Changes in the carrying amount of the provision is recognised in the Statement of Financial Performance. When a receivable is considered uncollectible, it is written off against the provision. Any gains or losses arising from the change in fair value of investments measured at fair value are recognised in the Statement of Financial Performance.

Residual interests that do not have a quoted market price in an active market, and the fair value of which cannot be reliably are subsequently measured at cost less any impairment. Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Any calculated impairment is recognised in the Statement of Financial Performance. .

Subsequent measurement – financial liabilities.

Financial liabilities consist of payables, interest bearing loans and bank overdrafts. These liabilities are subsequently measured at amortised cost, using the effective interest rate method. Finance costs are expensed in the Statement of Financial Performance in the period in which they are incurred except where stated otherwise.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Municipality establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs.

1.13 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. This include VAT, Property rates and traffic fines receivables.

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

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

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

Recognition

The municipality recognises statutory receivables as follows:
- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or

Significant Accounting Policies

1.13 Statutory receivables (continued)

- 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.

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.

Derecognition

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

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

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

1.14 Current year comparatives

Current year comparatives

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

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. The presentation and classification of items in the current year is consistent with prior periods.

1.15 Leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

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

Municipality as Lessee

Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Obligations. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on the straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.16 Inventories

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

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

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

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

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

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

Significant Accounting Policies

1.16 Inventories (continued)

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.

1.17 Revenue

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 trading activities and other services provided.

Recognition and measurement

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. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

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.

1.18 Grants

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.

1.19 Related parties and related party transactions

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises 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.

Significant Accounting Policies

1.20 Events after reporting date

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

1.21 Accumulated Surplus

When the presentation or classification of items in the annual financial statements are amended, prior period comparative amounts are restated, the nature and reasons for the reclassification is disclosed, where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Where there has been a change in the accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparative are restated accordingly.

1.22 Expenditure

The municipality uses the accrual basis of accounting and recognises expediture when they occur and are recognised in the period to which they relate and not only recognised when cash is paid.
Expenditure is decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net ssets, other than those realting to distributions to owners.

1.23 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

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

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

Significant Accounting Policies

1.23 Employee benefits (continued)

Defined benefit plans

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

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

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

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

To the extend that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees.

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

Other post retirement obligations

The municipality provides post-retirement health care benefits upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the of employement. Independent qualified actuaries carry out valuations of these obligations.

1.24 Provisions and contingencies

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

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

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

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

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

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

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

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

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

1.24 Provisions and contingencies (continued)

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

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

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

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

1.25 Commitments

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

Commitments are not recognized in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

a) Approved and contracted commitments.

Significant Accounting Policies

1.25 Commitments (continued)

b) Where the expenditure has been approved and the contract has been awarded at the reporting date, and

c) Where disclosure is required by a specific standard of GRAP.

1.26 Revenue from exchange transactions

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

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

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

Measurement

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

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

Sale of goods

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

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

Rendering of services

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

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

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

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

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

1.26 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

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

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

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

1.27 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.

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

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

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

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.

A government grant is recognised only when there is reasonable assurance that the municipality will comply with any conditions if any attached to the grant and the grant will be received.

The grant is recognised as income over the period necessary to match it with related costs, for which they are intended to compensate on a systematic basis.

A grant received from conditional grant is recorded as a liability as unspent grant and grant recognised when expenditure is incurred.

Significant Accounting Policies

1.27 Revenue from non-exchange transactions (continued)

Fines

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the municipality is entitled to collect.

Subsequent to initial recognition and measurement, the municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate.

Gifts and donations, including goods in-kind

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

1.28 Value Added Tax (VAT)

Initial recognition and measurement.

Value added Tax is accounted for on an invoice basis and a liability is recognised in the statement of Financial Position when VAT output is more than the VAT input. An asset is recognised in the statement of Financial Position when VAT input exceeds the VAT output. In terms of paragraph 5 of GRAP 108 and paragraph 104 of GRAP 19. 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.

VAT subsequent measurement .

Receivables are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

1.29 Investment income

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

1.30 Borrowing costs

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

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

1.31 Comparative figures

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

1.32 Unauthorised expenditure

Unauthorised expenditure means:

- any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:
- overspending of the total amount appropriated in the municipality's approved budget.
- Expenditure from a vote unrelated to the department or functional area covered by the vote.
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose.
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of allocation otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

Significant Accounting Policies

1.32 Unauthorised expenditure (continued)

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

A note with details of the incidences that resulted in the unauthorised expenditure is disclosed in the notes to the financial statements of the municipality.

1.33 Fruitless and wasteful expenditure

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

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

1.34 Irregular expenditure

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

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

1.35 Events after reporting date

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

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

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

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

Sub-heading

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 July 1, 2025 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 2023 Improvements to the Standards of GRAP 2023	April 1, 2025	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	April 1, 2025	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	April 1, 2025	Unlikely there will be a material impact
• iGRAP 22 Foreign Currency Transactions and Advance Consideration	April 1, 2025	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	April 1, 2025	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	April 1, 2025	Unlikely there will be a material impact

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	3	3
Bank balances	4,394,217	13,919,983
	4,394,220	**13,919,986**

Balance of cash and cash equivalent did not include any amount pledged as security.

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
ABSA BANK-4050384145 (Primary Cheque Account)	3,074,076	12,693,549	3,074,076	12,693,549
ABSA BANK-4076690079 (Salaries)	500	500	500	500
ABSA BANK-2078073033 (Term Deposit Investment)	1,118,362	1,023,486	1,118,362	1,023,486
Municipal Covid 19 Solidarity fund	201,278	202,448	201,278	202,448
Total	**4,394,216**	**13,919,983**	**4,394,216**	**13,919,983**

4. Inventories

Consumable stores	186,186	627,611

4.1 Reconciliation of Inventory

Opening balance	627,611	707,345
Add: Receipts	1,954,041	2,385,675
Less: Issues	(2,395,466)	(2,465,409)
	186,186	**627,611**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Receivables from non-exchange transactions

Gross balances		
Rates	136,849,350	114,672,469
Traffic fines	3,661,237	2,286,490
	140,510,587	**116,958,959**
Less: Allowance for impairment		
Rates	(111,052,969)	(95,897,550)
Traffic fines	(2,441,638)	(2,062,680)
	(113,494,607)	**(97,960,230)**
Net balance		
Rates	25,796,381	18,774,919
Traffic fines	1,219,599	223,810
	27,015,980	**18,998,729**

Summary of debtors by customer classification

Traffic Fines		
Current (0 -30 days)	242,300	57,000
31 - 60 days	275,250	82,250
61 - 90 days	412,100	49,600
91 - 120 days	341,500	56,750
121 - 365 days	2,390,087	2,040,890
	3,661,237	2,286,490
Less: Allowance for impairment	(2,441,638)	(2,062,680)
	1,219,599	**223,810**
Property rates - commercial		
Current (0 -30 days)	1,643,490	2,602,377
31 - 60 days	1,341,047	1,241,033
61 - 90 days	1,353,922	1,272,537
91 - 120 days	1,253,676	1,163,273
> 365 days	80,770,955	68,049,233
	86,363,090	74,328,453
Less: Allowance for impairment	(85,591,566)	(58,434,047)
	771,524	**15,894,406**
National and provincial government		
Current (0 -30 days)	3,978,112	3,010,937
31 - 60 days	1,892,378	1,389,581
61 - 90 days	1,814,523	1,326,410
91 - 120 days	1,688,876	1,235,867
> 365 days	41,112,371	33,381,221
	50,486,260	40,344,016
Less: Allowance for impairment	(25,461,401)	(37,463,503)
	25,024,859	**2,880,513**

Total

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Receivables from non-exchange transactions (continued)

Current (0 -30 days)	5,863,902	5,670,314
31 - 60 days	3,508,675	2,712,864
61 - 90 days	3,580,545	2,648,547
91 - 120 days	3,279,302	2,455,890
> 365 days	124,278,163	103,471,344
	140,510,587	116,958,959
Less: Allowance for impairment	(113,494,607)	(97,960,230)
	27,015,980	**18,998,729**

Property rates

Property rates are levied in accordance with section 2 of the local Government: Municipal Property Rates, 2004 (Act No. 6 of 2004). All properties that are within the jurisdiction of the municipality are required to be charged a property rates levy. The value of all properties are recorded in the municipal valuation roll. The municipality calculates the property rates levy by using the value of the property as well as the relevant tariff obtained from the council approved property rates policy. The tariff used in the calculation is based on the nature of the property (residential, commercial, state, businesses and farms).The property rates are charged to the owner of the property on a monthly basis. At the end of the reporting period, the municipality assesses the collectability of the outstanding debts owing from customers in respect of property rates. The assessment includes a trend analysis per customer account in order to estimate the recoverability of the outstanding debt at the financial year end. The uncollectable portion is considered to be impaired and is included in an allowances for impairment account. The effects of discounting estimated future cash flows are considered immaterial as property rates are short term receivables and the initial credit period granted is consistent with the terms used in the public sector. The property rate receivable attributable to department of public works is impaired at 10% as the credit risk is low and there is no objective evidence that the municipality will not be able to collect future cashflows. The department of public works signed the Memorandum of agreement with the municipality regarding payment arrangement and so far it has consistantly honoured the repayment terms.

Traffic fines.

Traffic fines are levied in accordance with the Administrative Adjudication of Road Traffic Offences, 1998 (Act No. 46 of 1998) (AARTO). The charge per traffic fine is based on schedule 3 of the AARTO Regulations, 2008. Interest is not charged on outstanding traffic fines. In certain circumstances, traffic fines are contested in court by the offender and the court determines the final amount payable by the offender. The provision for impairment is based on the uncollectable portion of the fine as determined by the court.

6. Receivables from exchange transactions

Other debtor - Caseware	89,253	62,425
Refuse removal	266,715	210,425
SDM water reticulation	8,038,610	2,227,092
Accrued Income (Interest on investment)	37,006	81,806
Accrued Income (Primedia)	11,136	11,401
Other debtors - Employee	476,949	115,051
Other debtors - ABSA BANK	342,763	378,264
	9,262,432	**3,086,464**

Receivables from exchange transactions are not considered for impairment as the credit risk associated with them is assessed to be low. The probability of collecting future cashflows arising from this receivables is more likely than not.

7. VAT receivable

VAT	10,218,386	13,335,533

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

7. VAT receivable (continued)

Reconciliation		
Balance at the beginning of the year	13,335,533	20,643,224
Add: Net refunds as per VAT receivable	44,463,976	56,736,805
Add: current year VAT suspense - retention amount	5,790,003	5,678,536
Less: Prior year suspense- retention amount	(5,678,536)	(5,473,330)
Less: VAT Payments by SARS- Current year	(37,925,988)	(48,830,656)
Less: VAT payment by SARS - Previous year	(9,766,602)	(15,419,046)
	10,218,386	**13,335,533**

The municipality account for VAT on an invoice basis and the VAT receivable or VAT payable is accounted for on accrual basis as required by GRAP.

Statutory VAT receivable	4,428,383	7,656,997
VAT accrual receivable	5,790,003	5,678,536
	10,218,386	**13,335,533**

Statutory VAT receivable relates to receivables that arise from the legislation. i.e "VAT act" and are confirmed by SARS.

VAT accrual receivable represent the accrual VAT that is still to be collected from SARS and it is not yet confirmed.

VAT Receivable is not considered for impairment as the amount accrued as at June 2025 will be received in July 2025 and thus the credit risk is assessed to be low.

Notes to the Annual Financial Statements

Figures in Rand

8. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2,000,937	(1,033,331)	967,606	2,000,938	(366,960)	1,633,978

Reconciliation of intangible assets - 2025

	Opening balance	Amortisation	Total
Computer software, other	1,633,978	(666,372)	967,606

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software	-	2,000,937	(366,960)	1,633,978

9. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	461,500	-	461,500	539,289	-	539,289

9. Investment property (continued)

Reconciliation of investment property - 2025

	Opening balance	Fair value adjustments	Total
Investment property	539,289	(77,789)	461,500
	539,289	**(77,789)**	**461,500**

Reconciliation of investment property - 2024

	Opening balance	Fair value adjustments	Total
Investment property	513,500	25,789	539,289
	513,500	**25,789**	**539,289**

Pledged as security

No investment was pledged as a security for liabilities

Investment property was valued by Montani Property Valuers,an independent professional valuer with registration number PTY2012/199862/07. The municipal valuer has experience in property within the jurisdiction of Makhuduthamaga Local Municipality and the valuation was based on an open market for existing use.

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. No revenue was earned from the investment property as the property is vacant land held for the long term capital appreciation.

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1,265,000	-	1,265,000	1,265,000	-	1,265,000
Buildings	74,439,464	(25,719,926)	48,719,538	69,935,853	(22,436,012)	47,499,841
Land (Landfill assets)	2,379,604	(1,579,390)	800,214	3,468,857	(1,539,185)	1,929,672
Motor vehicles	58,196,468	(27,251,135)	30,945,333	47,036,627	(25,811,978)	21,224,649
Office equipment	10,546,236	(5,986,498)	4,559,738	9,148,473	(5,847,478)	3,300,995
IT equipment	30,086,997	(17,512,134)	12,574,863	30,135,030	(17,018,941)	13,116,089
Infrastructure	509,595,207	(205,476,980)	304,118,227	509,595,207	(183,504,796)	326,090,411
Loose tools	7,045,140	(3,547,582)	3,497,558	6,840,692	(3,564,174)	3,276,518
Community assets	33,894,567	(10,557,498)	23,337,069	33,894,567	(9,104,633)	24,789,934
Capital work in progress	73,882,865	-	73,882,865	34,846,972	-	34,846,972
Total	**801,331,548**	**(297,631,143)**	**503,700,405**	**746,167,278**	**(268,827,197)**	**477,340,081**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfers from WIP	Disposal accumulated depreciation	Other changes, movements	Depreciation	Expensed	Total
Land	1,265,000	-	-	-	-	-	-	-	1,265,000
Buildings	47,499,841	-	-	4,637,278	-	-	(3,283,914)	(133,667)	48,719,538
Land (Landfill Asset)	1,929,672	-	-	-	-	(1,089,253)	(40,205)	-	800,214
Motor vehicles	21,196,461	13,351,561	(2,191,720)	-	2,191,720	-	(3,602,689)	-	30,945,333
Office equipment	3,300,995	2,071,002	(673,239)	-	586,531	-	(725,551)	-	4,559,738
IT equipment	13,114,801	2,864,217	(3,091,249)	179,000	2,721,031	-	(3,212,938)	-	12,574,862
Infrastructure	326,091,339	-	-	-	-	-	(21,973,112)	-	304,118,227
Loose tools	3,276,618	803,500	(599,051)	-	555,378	-	(538,787)	-	3,497,658
Community Assets	24,789,934	-	-	-	-	-	(1,452,865)	-	23,337,069
Capital work in progress	34,846,972	43,852,171	-	(4,816,278)	-	-	-	-	73,882,865
	477,311,633	**62,942,451**	**(6,555,259)**	**-**	**6,054,660**	**(1,089,253)**	**(34,830,061)**	**(133,667)**	**503,700,504**

The amount of R133 667, represent the elements of cost that are not directly attributable to the cost of construction of the assets and therefore should not be capitalised.

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers	Disposal accumulated depreciation	Other changes, movements	Depreciation	Total
Land	1,265,000	-	-	-	-	-	-	1,265,000
Buildings	44,386,173	5,960,769	-	-	-	-	(2,847,101)	47,499,841
Land (Landfill Asset)	1,193,147	-	-	-	-	762,245	(25,720)	1,929,672
Motor vehicles	18,350,093	7,136,867	(4,221,953)	-	3,124,530	-	(3,193,076)	21,196,461
Office equipment	3,706,227	264,150	(1,625,897)	-	1,592,945	-	(636,430)	3,300,995
IT equipment	14,770,926	2,033,567	(5,334,636)	-	4,698,792	-	(3,053,847)	13,114,802
Infrastructure	241,156,005	1,006,500	(449,697)	103,611,479	255,001	-	(19,487,949)	326,091,339
Loose tools	2,481,780	777,400	(23,997)	476,279	17,408	-	(452,252)	3,276,618
Community Assets	24,884,659	-	-	1,321,440	-	-	(1,416,164)	24,789,934
Capital work in progress	75,269,612	64,986,558	-	(105,409,198)	-	-	-	34,846,972
	427,463,622	**82,165,811**	**(11,656,180)**	**-**	**9,688,676**	**762,245**	**(31,112,539)**	**477,311,634**

Other changes, movements

	2025	2024
The amount included in 'other changes movement', represent an increase/(decrease) from provision for landfill site amount	(1,089,253)	762,244

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

10. Property, plant and equipment (continued)

Property, plant and equipment under development/construction or halted(WIP)

Building Plan

Included in WIP, there is a buiding plan that has been halted for longer period due to Budget re-prioritisation: The municipality bought the land next to the main office building to continue with the project for additional space for administrative offices. The project will be allocated budget in the 2025/2026 MTREF.	1,127,383	1,127,383

Construction of Thusong centre

Included in WIP there is an expenditure amount for the design and fencing of the Thusong centre. Due to budget contraints the municipality decided to make the project a multi year project and will be allocated budget in the 2025/2026 MTREF.	2,257,493	2,257,493

Installation of High mast at various villages

The project is halted due to insufficient capacity on the existing Eskom network	3,565,320	3,565,320

Construction of Rietfontein(Ngwaritsi) Sports facility

Included in WIP, there is a buiding plan that has been halted for longer period due to Budget re-prioritisation	1,432,168	1,432,168

11. Payables

Trade payables	97,517,561	89,687,505
Income received in advance	1,122,695	1,193,299
Creditor: Ward committee	13,201	13,201
Accrued: SDL	99,512	99,287
Accrued Union	51,479	48,101
Leave provision	10,662,183	10,920,938
Accrued: PAYE	2,067,242	2,061,242
Accrued: Pension Fund	1,894,595	1,769,884
Accrued: Salary	30,009	654,154
Accrued Medical Aid	914,010	852,096
Accrued UIF	90,259	76,634
Bonus provision	2,780,116	2,579,925
Unknown Deposits	341,294	308,125
Accrued - Employee Deduction	375,572	368,231
Retentions	28,169,292	28,958,721
SDM water reticulation	6,447,153	2,619,792
Solidarity Fund	207,534	207,534
	152,783,707	**142,418,669**

12. Defined benefit obligations

Post employment medical aid benefits liability

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

12. Defined benefit obligations (continued)

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

Opening balance	7,047,000	5,387,000
Current year service cost	888,000	557,000
Interest charge	1,016,000	731,000
Acturial (Gain) Loss	(320,000)	372,000
	8,631,000	**7,047,000**

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

- Current year service cost	888,000	557,000
- Interest cost	1,016,000	731,000
- Actuarial gain(Loss)	(320,000)	372,000
	1,584,000	**1,660,000**

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

Carrying value		
Present value of the defined benefit obligation -wholly unfunded	8,631,000	7,047,000

Key assumptions used

Assumptions used at the reporting date:

	2025	2024
Expected retirement age	63	63

The nominal and real zero curves were used as at June 30, 2025 supplied by the JSE to determine the disclosed rates and CPI assumptions at each relevant prime period.

Long service awards

Long-service awards liability		
Long-services awards- current liability	903,000	531,915
Long-services awards- Non-current liability	4,863,000	4,962,085
	5,766,000	**5,494,000**

Movements in the long service awards liability		
Opening balance	5,494,000	4,573,000
Current year service cost	579,000	468,000
Interest cost	628,000	583,000
Benefits paid	(837,111)	(395,834)
Acturial (gain)/loss	(97,889)	265,834
	5,766,000	**5,494,000**

Expense and income recognition in surplus for the year		
Current year service cost	579,000	468,000
Interest cost	628,000	583,000
Acturial (gain)/loss	(97,889)	265,834
	1,109,111	**1,316,834**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

12. Defined benefit obligations (continued)

Other assumptions

A percentage point change in the normal salary inflation assumption would have the following effects:

	+1% Normal salary inflation	-1% Normal salary inflation
Effect on the current service cost	598,000	579,000
Effect on the interest cost	572,000	628,000
Effect on the defined benefit obligation	5,766,000	5,494,000

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

	2025	2024	2023	2022
Long service awards	5,766,000	5,494,000	4,573,000	4,392,000

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2025	2024
Unspent conditional grants and receipts		
LG SETA Grant	319,513	71,404
INEP grant	-	7,086,525
	319,513	**7,157,929**

Movement during the year

	2025	2024
Balance at the beginning of the year	7,157,929	71,404
Additions during the year	10,875,609	21,350,000
Income recognition during the year	(17,714,025)	(14,263,475)
	319,513	**7,157,929**

The municipality received a grant from LG SETA for their implementation of the learnership programme. Learners were deployed to the municipality under the learnership programme and the grant was utilized to pay their monthly stipend.

14. Provision - Rehabilitation of landfill site

The cost of rehabilitating the Landfill Site was determined to be R9,665,321 as at June 30, 2025 and the change in landfill closure provision was recognised as property, plant & equipment in the statement of financial position at the amount of R(1,089,252). A non-current liability of R9,665,321 was also recognised in the statement of the financial position for the year ended June 30, 2025.

	2025	2024
Reconciliation - Landfill Site Provision		
Opening balance	9,717,660	8,037,416
Interest charge	1,036,913	918,000
Change in Landfill closure provision	(1,089,252)	762,244
	9,665,321	**9,717,660**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

15. Rental of facilities and equipment

Site rental - Premises	139,126	201,905
Venue hire	90,109	60,827
	229,235	**262,732**

The amount of site rentals is for the advertising billboards from Primedia around Makhuduthamaga municipal area.

16. Other income

Tender Documents	26,296	41,879
Sale of goods	1,647,360	433,516
Rendering of services-Electrical services	15,179,587	12,403,022
	16,853,243	**12,878,417**

Included in the amount for Sales of goods and rendering of services there is an amount for approval of building plans, clearance certificates, LG SETA and approvals of Permision to occupy.

Over and above, Municipal mSCOA Circular No. 16 requires that, the recognition of INEP revenue should be reclassified to sales of goods and rendering of services for municipalities without electricity license, hence this line item has increased significantly.

The municipality recognised R 15 179 587 as INEP revenue in terms of GRAP 11: construction contracts. The revenue associated with this transaction is recognised by reference to stage of completion, which is as and when the municipality is being invoiced for workdone.

INEP grant		
Balance unspent at beginning of year	7,086,525	-
Current-year recepits	10,370,000	21,350,000
Conditions met-transferred to revenue	(17,456,525)	(14,263,475)
	-	**7,086,525**

17. Interest on outstanding debtors

Interest charged on trade and other receivables - Property rates	14,338,687	12,210,680
	14,338,687	**12,210,680**

Receivables are recorded when invoices are issued out to the customers for the services rendered or for non exchange transactions and must be settled within 60 days from the date of the invoice. Interests are charged on outstanding receivables at prime rate + 1 when they fall over due and are accounted for as revenue as required by GRAP.

18. Traffic Fines

Traffic fines	1,931,700	667,650

Traffic fines are levied in accordance with the Administrative Adjudication of Road Traffic Offences, 1998 (Act No. 46 of 1998) (AARTO). The charge per traffic fine is based on schedule 3 of the AARTO Regulations, 2008.

Interest is not charged on outstanding traffic fines.

In certain circumstances, traffic fines are contested in court by the offender and the court determines the final amount payable by the offender. The provision for impairment is based on the uncollectable portion of the fine as determined by the court.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

19. Refuse removal

Refuse removal	387,783	349,435

20. Interest received (Investment revenue)

Interest revenue		
Bank and investments	2,852,208	3,784,346
	-	-
	2,852,208	3,784,346

21. Licenses and permits

Agency fee for Sekhukhune and Nebo DLTCs	6,339,848	6,261,884

The municipality is rendering service of licenses and permits on behalf of the department of transport and commmunity safety and is retaining an agency fees in terms of the signed service level agreement with the department.

22. Revenue

Refuse removal	387,783	349,435
Rental of facilities and equipment	229,235	262,732
Licences & permits	6,339,848	6,261,884
Other income	16,853,243	12,878,417
Interest received - investment	2,852,208	3,784,346
Property rates	40,011,070	39,627,958
Interest on outstanding debtors	14,338,687	12,210,680
Traffic fines	1,931,700	667,650
Government grants & subsidies	465,717,500	442,318,000
Gain on disposal of assets	825,423	-
Leave Gain	66,566	154,077
Fair value adjustment-Investment property	-	25,789
Public contributions and donations	-	19,595
Actuarial gains/losses	417,909	-
	549,971,172	**518,560,563**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Refuse removal	387,783	349,435
Rental of facilities and equipment	229,235	262,732
Licences & permits	6,339,848	6,261,884
Gain on disposal of assets	825,423	-
Other income	16,853,243	12,878,417
Actuarial gains/losses	417,909	-
Interest received - investment	2,852,208	3,784,346
Leave Gain	66,566	154,077
	27,972,215	**23,690,891**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

22. Revenue (continued)

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

Taxation revenue		
Property rates	40,011,070	39,627,958
Property rates - Interest on outstanding debtors	14,338,687	12,210,680
Traffic fines	1,931,700	667,650
Transfer revenue		
Government grants & subsidies	465,717,500	442,318,000
Fair value adjustment-Investment property	-	25,789
Public contributions and donations	-	19,595
	521,998,957	**494,869,672**

23. Actuarial (Gain)/loss

Long service awards - Actuarial (Gain)/loss	(97,909)	265,834
Post employment medical aid - Acturial (Gain)/loss	(320,000)	372,000
	(417,909)	**637,834**

24. Gain(Loss) on disposal of assets

Gain / loss on the disposal of assets	825,423	(983,843)

Gain on the disposal of assets resulted from the municipal public auction held on the 20th of June 2025. The proceeds received were more than the carrying amount of the assets disposed.

25. Property rates

Rates received

Commercial	12,647,746	12,264,634
State	26,404,590	26,404,590
Agricultural	958,734	958,734
	40,011,070	**39,627,958**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

26. Government grants & subsidies

Operating grants

Equitable share	363,154,000	344,706,000
Municipal Infrastructure Grant (MIG)	97,858,000	94,109,000
Finance Management Grant (FMG)	1,800,000	1,720,000
EPWP Grant	2,648,000	1,783,000
LG - SETA - Discretionary Grant	257,500	-
	465,717,500	**442,318,000**

LG-SETA - Discretionary Grant

Balance unspent at beginning of year	71,404	71,404
Current-year receipts	505,609	-
Conditions met - transferred to revenue	(257,500)	-
	319,513	**71,404**

The municipality received a grant from LG SETA to be used for training of learners identified within Makhuduthamaga Local Municipality jurisdictions. As at 30 June 2025 an amount of R319 513 was not spent.

Finance Management Grant

Current-year receipts	1,800,000	1,720,000
Conditions met - transferred to revenue	(1,800,000)	(1,720,000)
	-	**-**

The Finance Management Grant was spent under Budget and Treasury vote for financial management interns programme, financial management systems maintenance and training of the Budget and Treasury officials.

Municipal Infrastructure Grant

Current-year receipts	97,858,000	94,109,000
Conditions met - transferred to revenue	(97,858,000)	(94,109,000)
	-	-

The Municipal Infrastructure Grant was used to fund the construction of access roads approved by Coghta and the municipal council under the Infrastructure Development Vote.

EPWP Grant

Current-year receipts	2,648,000	1,783,000
Conditions met - transferred to revenue	(2,648,000)	(1,783,000)
	-	-

The EPWP Grant was used for the procurement of EPWP working materials, remuneration of EPWP personnel.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

27. Employee related costs

Basic	75,808,016	66,685,623
Bonus	5,950,800	5,420,594
Medical aid - company contributions	6,593,499	6,218,338
UIF	505,603	455,617
SDL	1,075,569	956,355
Leave pay provision charge	1,096,234	327,027
Pension contributions	12,682,607	12,077,767
Overtime payments	1,629,307	2,290,219
Long-service awards - Current service cost(Post employment benefits)	1,467,000	1,025,000
Acting allowances	16,695	138,883
Car allowance	17,112,202	14,547,251
Housing benefits and allowances	4,197,618	3,501,789
Bargaining council	30,544	28,767
Clothing allowance	57,377	61,197
Cellphone allowance	3,070,994	2,719,504
	131,294,065	**116,453,931**

Acting Chief financial officer (Mr Mothapo KT)

Acting allowance	-	32,697
B/P remote allowance	-	2,180
Non Pensionable	-	10,170
	-	**45,047**

Acting Chief financial officer Mr Makgalemane T.M

B/P Acting allowance	-	16,348
Non pensionable	-	5,085
	-	**21,433**

Acting Chief financial officer (Mr Mathabathe CS)

Remote allowance	9,351	17,220
Acting Allowance	2,507	4,698
B/P remote allowance	-	363
B/P Acting allowance	-	836
	11,858	**23,117**

Senior manager: Corporate services (Ms Mahlare M.A)

B/P UIF	-	708
B/P SDL	-	1,945
Leave payout	-	20,932
B/P performance bonus	-	45,393
B/P non pension	-	20,340
B/P Basic salary	-	65,395
B/P Travel allowance	-	27,520
B/P Medical aid	-	16,076
B/P Remote	-	4,360
	-	**202,669**

Figures in Rand	2025	2024

27. Employee related costs (continued)

Acting Senior manager: Corporate services(Ms Make M.M)

B/P Acting allowance	-	32,307
B/P Remote	-	10,525
	-	**42,832**

Senior manager:Community services (Ms Marishane M.E)

B/P UIF	-	531
B/P SDL	-	1,394
B/P Leave payout	-	20,923
B/P basic salary	-	59,945
B/P travel allowance	-	20,481
B/P cellphone allowance	-	3,747
B/P housing allowance	-	7,993
Non pension fund contribution	-	18,645
B/P remote	-	3,996
B/P pension	-	7,743
	-	**145,398**

"Acting senior manager: community services (Mr Matsimela M.J)"

B/P acting allowance	-	26,962
B/P remote	-	10,169
	-	**37,131**

Senior manager: infrastructure development : Lubisi N.B

Basic salary	568,775	93,510
travel allowance	189,574	31,165
cellphone allowance	47,402	7,794
medical aid	94,804	15,587
UIF	2,125	354
SALGBC	143	23
SDL	8,283	1,320
Remote allowance	37,918	6,234
Housing allowance	47,402	7,794
travel claim	2,676	-
travel non taxable	26,003	-
B/P Remote	926	-
B/P Basic	13,886	-
B/P Travel	4,629	-
B/P Cell	1,157	-
B/P Medical	2,314	-
B/P Housing	1,157	-
B/P non pensionable	3,391	-
	1,052,565	**163,781**

Senior Manager : infrastructure Development (Mr Segale M.A)

Basic salary	-	140,265
Travel allowance	-	51,122
Performance allowance	-	45,393
Contribution to medical aid	-	35,066

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

27. Employee related costs (continued)

Contribution to UIF	-	1,240
SALGBC	-	34
SDL	-	6,589
Remote allowance	-	9,351
Cellphone allowance	-	7,522
Leave payout	-	200,665
B/P Basic salary	-	123,051
B/P Non pension fund	-	20,340
B/P travel allowance	-	26,395
B/P Cellphone allowance	-	5,963
B/P Medical	-	4,085
B/P Remote	-	5,177
	-	**682,258**

Senior manager Economic Development and planning (Mr Thabela A.P)

Annual Remuneration	-	284,618
Car Allowance	-	88,527
Performance Bonuses	-	12,352
Contributions to Pension Funds	-	77,239
Contribution to medical aid	-	57,955
SDL	-	7,513
Travel claim	-	36,620
Leave payout	-	170,805
UIF	-	1,063
SALGBC	-	68
Remote allowance	-	18,884
Non pension fund contribution	-	20,340
B/P Medical aid	-	2,649
B/P Travel allowance	-	4,085
B/P Cellphone allowance	-	583
B/P Basic salary	-	16,342
B/P Remote	-	5,813
B/P Pension	-	3,577
	-	**809,033**

Remuneration of Chief financial offficer: Mr Mothapo KT

Basic	434,681	-
Car Allowance	189,000	-
cellphone	22,500	-
medical aid	36,000	-
housing	42,287	-
UIF	1,594	-
Travel claim	13,045	-
Travel non tax	21,444	-
SALGBC	108	-
SDL	6,000	-
Remote	28,979	-
	795,638	**-**

Acting senior manager: Economic Development and planning : Ms Tong K.T

Acting allowance	9,626	26,962

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

27. Employee related costs (continued)

B/P Remote allowance	9,351	10,169
	18,977	**37,131**

Remuneration of Municipal Manager Mr Moganedi RM

Annual Remuneration	799,137	785,012
Car Allowance	399,569	391,364
Cellphone allowance	66,595	65,227
Medical aid	66,595	65,227
UIF	2,125	2,125
SDL	18,389	13,953
SALGBC	143	137
Remote allowance	53,276	52,182
Performance bonus	-	64,550
B/P Cellphone	26,189	1,516
B/P Basic	314,269	18,187
B/P Travel allowance	157,135	9,093
B/P Medical	26,189	1,516
B/P Remote	20,951	1,212
B/P Non pension	20,341	20,341
	1,970,903	**1,491,642**

Remuneration of Chief financial officer : Mr Chuene MV

Basic	-	254,214
Car Allowance	-	63,553
Cellphone	-	8,474
medical	-	42,369
housing	-	12,710
pension	-	42,369
UIF	-	886
Leave payout	-	32,534
SALGBC	-	57
SDL	-	4,605
Travel claim	-	4,449
Remote	-	16,948
	-	**483,168**

Remuneration of Senior Manager Community services: Ms Mashao AM

Basic salary	618,502	457,585
Car allowance	206,167	152,528
Pension	103,084	76,264
Medical aid	90,919	68,264
Cellphone	12,165	8,000
UIF	2,125	1,594
salgbc	143	102
SDL	10,908	7,627
travel claim	14,569	12,899
Remote	41,233	30,506
B/P Remote	1,790	-
B/P basic	26,845	-
B/P Travel	8,948	-

Figures in Rand	2025	2024

27. Employee related costs (continued)

B/P Pension	4,474	-
B/P Medical	3,947	-
B/P Cell	528	-
Non pensionable Salary	15,255	-
	1,161,602	**815,369**

Remuneration of Director corporate : Mr Matsetse P.E

Basic salary	618,502	457,585
Car Allowance	206,167	152,528
Medical aid	103,084	76,264
Pension fund	90,919	68,264
Cellphone	12,165	8,000
UIF	5,360	1,594
SALGBC	804	102
Travel claim	13,915	25,800
SDL	7,407	7,626
Toll gate	3,541	540
Remote	41,233	30,506
B/P Basic	26,845	-
B/P Travel	8,948	-
B/P medical	4,474	-
B/P pension	3,946	-
B/P cellphone	528	-
travel claim non taxable	43,110	-
Non pensionable salary	15,302	-
B/P Remote	1,790	-
	1,208,040	**828,809**

Remuneration of Senior Manager Economic Development and Planning: Ms Tong KT

Basic	338,085	-
Travel allowance	105,000	-
Pension	70,000	-
Medical	50,390	-
UIF	1,240	-
SALGBC	84	-
SDL	4,816	-
Travel claim	17,627	-
Remote	22,539	-
	609,781	**-**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

28. Remuneration of councillors

Mayor	1,073,155	1,309,161
Council speakers	871,080	887,419
Executive Committee Members	5,479,345	5,498,017
Other councillors basic salary	11,450,005	11,232,606
Councillors pension contribution	1,953,509	1,980,105
Travel allowance	4,492,062	4,403,693
Travel claims	308,358	169,559
Cellphone allowance	2,198,381	2,291,912
Skills development levy	159,246	158,970
Data cards (62 councillors)	193,580	386,656
	28,178,721	**28,318,098**

The remuneration and allowances of the political office bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the constitution.

The municipal council consists of 62 councillors and none of the councillors owe the municipality any amounts in a form of unpaid rates and taxes or any other services.

Remuneration and allowances of selected members of the council

Mayor Cllr Mahlase MM		
Basic	895,873	490,808
cellphone	47,004	48,862
Data	-	6,559
Travel claim	-	47,502
Pension	111,006	230,225
SDL	8,564	12,305
	1,062,447	**836,261**

Former Mayor - Cllr Maitula BM		
Basic salary	7,615	282,567
cellphone	-	24,764
Pension	2,986	161,790
SDL and Data card	106	3,780
	10,707	**472,901**

Council speaker - Cllr Nkgadima MJ		
Basic	728,210	530,061
cellphone	43,200	45,600
pension	88,805	297,137
SDL and Data	10,864	14,621
	871,079	**887,419**

Remuneration and allowances of members of the executive committee		
Basic salary	3,088,790	3,065,714
Travel allowance	1,209,994	1,236,808
Cellphone	388,800	417,200
Pension and SDL	566,128	601,492
Travel claim and Data	225,633	176,803
	5,479,345	**5,498,017**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

28. Remuneration of councillors (continued)

In-kind benefits

The Mayor, speaker of council, chief whip of council, Head of corporate service portfolio committee, Head of Budget and Treasury Office Portfolio, Head of Infrastructure Development Portfolio and MPAC chairperson are full-time. Each is provided with an office and secretarial support at the cost of the council.

The Mayor and the Speaker of council each has the use of separate Council owned vehicles for official duties.

The Mayor has one full-time Chauffeur. The Speaker of council has one full-time Chauffeur.

The Mayor has personal security at the cost of council.

The speaker has personal security at the cost of council.

29. Depreciation and amortisation

Property, plant and equipment	34,830,059	31,019,182
Intangible assets	666,371	366,960
	35,496,430	**31,386,142**

30. Finance costs

Interest cost: Employee benefit obligations	1,644,000	1,199,000
Interest cost: Landfill site provision	1,036,914	1,033,000
	2,680,914	**2,232,000**

31. Administrative expenditure

Ward committee incentives	6,168,257	5,580,800
Administration and management fees	8,833,439	9,402,500
	15,001,696	**14,983,300**

32. Contracted services

Cash collection services	392,346	217,137
INEP Grant - Payment to suppliers	15,179,586	12,403,022
Operating Leases	6,960,761	5,939,629
Cleaning Services	7,058,390	6,589,636
Security services	29,214,390	28,310,994
Solid waste collection	17,448,805	26,193,693
	76,254,278	**79,654,111**

The spending for INEP Grant has been reclassified from "Transfer to Eskom" to "Contracted services" as required by the Municipal mSCOA circular No. 16. The comparative figures have been restated accordingly.

	-	-
	-	-

33. Transfer and subsidies

Indigent grants (Free Basic Electricity)	2,472,846	2,144,561

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

33. Transfer and subsidies (continued)

The municipality subsidises the indigent households that are on the eskom Free basic electricity beneficiary list with the allocation of the free basic electricity at 50kwh per household on a monthly basis.

34. General expenses

Advertising	2,494,458	3,044,003
Bank charges	249,089	346,777
Consulting and professional fees	4,723,278	4,878,799
Consumables	2,453,066	2,552,809
Insurance	1,334,199	2,346,495
Marketing	3,370,374	1,661,667
Promotions and sponsorships	8,682,064	8,480,131
Fleet Management & system	225,932	196,299
Fuel and oil	4,019,405	6,244,774
Promotions	522,660	2,679,201
Protective clothing	1,844,100	148,000
Formalisation of Jane furse	350,180	-
Telephone and fax	2,028,741	1,901,636
Training	3,048,160	5,041,745
Travel and Accommodation	4,925,612	5,013,752
LED Forum	175,940	-
Water and Electricity	6,421,857	5,811,899
SMME support	180,354	148,125
Publications	1,617,313	5,142,620
Audit committee support	996,357	769,502
Bursary fund	3,971,247	4,132,693
Legal costs and Development of by-laws	6,941,113	6,378,988
Customer care	1,327,270	227,100
Financial system support (Implementation of mSCOA)	6,133,570	6,842,498
Vehicle tracking	121,613	106,807
Disaster Relief Fund	2,609,614	2,509,775
EPWP	7,852,005	5,837,583
NYDA	1,000,000	-
Spacial planning. Dermacation of sites	-	981,225
	79,619,571	**83,424,903**

35. Auditors' remuneration

Current Year Audit fees	5,306,612	4,844,497

36. Repairs and maintenance

Repairs and maintenance: Infrastructure(Roads & Bridges)	34,999,989	32,042,587
Repairs and maintenance :Electrical infrastructure	2,361,653	1,443,672
Repairs and maintenance: Municipal facilities	3,906,750	3,549,946
Repairs and maintenance: Other assets	15,045,618	19,020,817
Repairs and maintenance:ICT infrastracture	13,713,752	14,819,731
	70,027,762	**70,876,753**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

37. Capital expenditure write-off (D-Roads)

Capital expenditure write-off (D-Roads)	63,873,838	119,704,748
	63,873,838	**119,704,748**

The capital expenditure write-off (D-Roads) amount of R 63 873 838 relates to the D-roads projects which when completed are transfered to RAL (Road Agency Limpopo).

38. Cash generated from operations

Surplus (deficit)	19,909,980	(57,445,887)
Adjustments for:		
Depreciation and amortisation	35,496,430	31,386,142
(Gain)/Loss on disposal of assets	(825,423)	983,843
Fair value adjustments	-	(25,789)
Leave Gain	(66,566)	(154,077)
Impairment loss	77,789	-
Debt impairment/Reversal of debt impairment loss	19,776,670	20,361,730
Current service cost - Post employment benefits & Long service awards	1,467,000	1,025,000
Interest costs - Post employment benefits & Long service awards	1,644,000	1,314,000
Actuarial (Gain/Loss-Post employment medical aid benefits & Long service awards	(417,909)	637,834
Interest costs- Landfill site	1,036,914	918,000
Non-cash donations and other in-kind benefits	-	(19,595)
Long service awards paid	-	-
Changes in working capital:		
Inventories	441,425	79,734
Receivables from exchange transactions	(6,175,968)	(1,752,540)
Receivables from non exchange transactions	(27,793,920)	(18,783,403)
Payables	10,365,038	96,958,519
VAT receipts	47,692,590	64,249,702
VAT payments	(47,469,659)	(49,429,114)
Retention PPE	(330,184)	(4,173,727)
Unspent conditional grants and receipts	(6,838,416)	7,086,525
Increase/(decrease) in Long service awards	339,999	921,001
(Increase)/Decrease in Prepayments	1,117,253	276,681
Increase(decrease) Post employment medical aid benefit	1,584,000	1,680,244
Increase(decrese) in Capital payables	(853,250)	(1,894,298)
	50,177,793	**94,200,525**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

39. Commitments

Authorised operating and capital expenditure

Already contracted for but not provided for		
• Operational commitment	170,062,144	94,039,648
	170,062,144	**94,039,648**
Already contracted for but not provided for		
• **Capital commitment**	-	-
• Building facilities	5,682,147	4,069,867
• Electricity infrastructure	10,722,521	10,920,195
• Roads & Bridges	316,739,857	198,476,493
• Movable assets	583,175	-
• Sports facility	1,648,327	-
	335,376,027	**213,466,555**
Total Commitments		
Operational commitment	170,062,144	94,039,648
Capital Commitment	335,376,027	213,466,565
	505,438,171	**307,506,213**

Total commitments

Total commitments		
Authorised capital and operational expenditure	505,438,171	308,402,200

The municipality still has future commitments to service providers for services still to be rendered. The minimum payments still due to the service providers as at June 30, 2025 amount to R 170 062 144 for operational commitments and R 335 376 027 for capital commitments. Contracts of which the amount disclosed is for more than one financial year.

The capital commitments mainly relates to Roads and Electrical infrastruture.

As at year end the municipality had 10 long term contracts that are rates based. This contracts are used as and when required and therefore it is impracticable to realible to determine the total future commitment.

Figures in Rand	2025	2024

40. Contingent Liabilities

Masenya Construction vs Makhuduthamaga Local Municipality	175,551	175,551
Alfred Malekane vs Makhuduthamaga Local Municipality	-	5,655,584
Ratale Mashifane attorneys vs Makhuduthamaga Local Municipality	65,519	65,519
Onnica Sehlola vs Makhuduthamaga Local Municipality	81,459	81,459
City Patrick vs Makhuduthamaga Local Municipality	2,400,000	2,400,000
	2,722,529	**8,378,113**

Masenya Construction vs Makhuduthamaga Local Municipality

The municipality penalised Masenya construction for an amount of R 175 551 the reason for the penalties was that Masenya construction failed to complete its work on time as per the contract it entered into with the municipality. The company has challenged the municpality in court, the power of attorney was filed and served at Nebo Magistrate Court on the 12th of November 2019 by the Munipality's legal representatives. Judgement was granted in favour of the applicant (Masenya Construction) in respect of costs but the main application was postponed to an unknown date. The Municipality's attorneys filed a review application to the high court of Polokwane in respect of the cost judgement and for now we are still waiting for response on the review application; and as at year end the case was not yet finalised

Alfred Malekane vs Makhuduthamaga Local Municipality

Mr Alfred Malekane was dismissed as an employee by the municipality on grounds of financial misconduct following the conclusion of the disciplinary processes by the municiplaity. Mr Malekane has since challenged his dismissal arguing that he was unfairly dismissed by the municipality. During the year under review 2024-25, the court has ruled in favour of Mr Malekane whereby the judgement indicated that that the municipality must reinstate Mr Malekane and the court judgement was implemented.

Ratale Mashifane Attorneys vs Makhuduthamaga Local Municipality

Ratale Mashifane Attorneys has issued the summons against municipality wherein he demanded to be paid an amount of R 65 519 from services which were not rendered. The plaintiff obtained a default judgement - which we have filed an application to rescind it. As at year end the case was not yet finalised.

Onicca Mathabathe Sehlola VS Makhuduthamaga Local Municipality

Onica Mathabathe Sehlola has sued the municipality an amount of R 81 549 for the damage caused by pothole. The plaintiff has not served the municipality with a notice of bar, Marweshe Attorneys had prepared a notice of exception to the summons, had been served filed at Nebo court. The exception is unopposed the matter shall be set down on unopposed roll for hearing.

City Patrick Maphutha Vs Makhuduthamaga Local municipality

City Patrick Maphutha issued summons against the municipality demanding that he be appointed in the position of senior manager community services which was re-advertised in 2018. The municipality opposed the application in court of law and as year end the matter was still on. The amount of R 2 400 000 contingent liability was informed by Mr Maphutha CP's settlement request amount that was sent to the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

41. Related parties

Related party transactions

Section 57 transactions		
Municipal Manager (Mr Moganedi R.M)	1,970,903	1,491,642
Senior Manager: Corporate Services(Ms Mahlare M.A)	-	202,669
Senior Manager: Corporate Services(Mr Matsetse P.E)	1,208,040	828,809
Acting Senior Manager: Corporate Services(Ms Maake M.M)	-	42,832
Senior Manager: Community services(Ms Marishane M.E)	-	145,398
Senior Manager: Community services(Ms Mashao A.M)	1,161,602	815,369
Acting Senior Manager: Community services(Ms Matsimela M.J)	-	37,131
Senior Manager: Budget and Treasury (Mr Chuene M.V)	-	483,168
Senior Manager: Budget and Treasury (Mr Mothapo K.T)	795,638	45,047
Acting Senior Manager: Budget and Treasury (Mr Makgalemane T.M)	-	21,433
Acting Senior Manager: Budget and Treasury (Mr Mathabathe C.M)	11,858	23,117
Senior Manager: Economic Development and Planning(Mr Thabela A.P)	-	809,033
Senior Manager: Economic Development and Planning(Ms Tong K.T)	628,759	37,131
Senior Manager: Infrastructure development(Mr Segale M.A)	-	682,258
Senior Manager: Infrastructure development(Ms Lubisi N.B)	1,052,565	163,781

Remuneration of councillors

Councillors

2025

Name	Basic salary	Cellphone allowance	Car allowance	Travel claim,Data,Pension,SDL	Total
Cllr Mahlase MM(Mayor)	895,873	47,004	-	119,570	1,062,447
Cllr Maitula B	7,615	-	-	3,093	10,708
Cllr Nkgadima MJ	728,210	43,200	-	99,670	871,080
Cllr Phala M	490,516	43,200	192,359	119,095	845,170
Cllr Matjomane NM	490,516	43,200	192,359	132,635	858,710
Cllr Rankoe TP	273,573	43,200	107,284	60,392	484,449
Cllr Malaka MS	467,277	43,200	181,916	141,749	834,142
Cllr Machaba MG	273,573	43,200	107,284	58,999	483,056
Cllr Mahlase NE	273,573	43,200	107,284	59,921	483,978
Cllr Moretsele LP	273,573	43,200	107,284	57,697	481,754
Cllr Morwamakoti M	273,480	43,200	107,246	53,950	477,876
Cllr Mosoane EM	272,708	43,200	106,979	107,326	530,213
Cllr Mokomane ML	265,548	43,200	104,137	52,494	465,379
Cllr Mogide LS	206,921	43,200	81,145	41,848	373,114
Cllr Thamaga MM(Chief Whip)	490,516	43,200	192,359	93,347	819,422
Cllr Leokana MD	206,921	43,200	81,145	41,848	373,114
Cllr Mohlala MJ	228,931	43,200	89,777	45,992	407,900
Cllr Masemola ME	206,921	43,200	81,145	41,848	373,114
Cllr Aphane MN	206,921	43,200	81,145	41,848	373,114
Cllr Moretsele MA	206,921	43,200	80,794	54,455	385,370
Cllr Lethuba MP	206,921	43,200	81,145	49,647	380,913
Cllr Mohlakwane SS	206,921	43,200	81,145	62,503	393,769
Cllr Maapea RS	206,921	43,200	81,145	111,656	442,922
Cllr Tau TT	206,921	43,200	81,145	47,319	378,585

41. Related parties (continued)

Cllr Ngwato OM	206,921	43,200	81,145	41,848	373,114
Cllr Lerobane MM	206,921	43,200	81,145	44,263	375,529
Cllr Monakedi MJ	206,921	43,200	81,145	41,848	373,114
Cllr Masemola TP	206,921	43,200	81,145	43,027	374,293
Cllr Mmotong ML	206,921	43,200	81,145	45,192	376,458
Cllr Tshehla MB	206,921	43,200	81,145	41,848	373,114
Cllr Kgatuke LD	254,571	43,200	99,832	51,559	449,162
Cllr Machai MJ	206,921	43,200	81,145	41,848	373,114
Cllr Malatjie BT	206,921	43,200	81,145	46,671	377,937
Cllr Maepa KJ	206,921	43,200	81,145	45,453	376,719
Cllr Makuwa SS	206,921	43,200	81,145	43,225	374,491
Cllr Matsomane EM	206,921	43,200	81,145	47,733	378,999
Cllr Mashegoana MC	206,921	43,200	81,145	41,848	373,114
Cllr Tshehla MZ	206,921	43,200	81,145	46,024	377,290
Cllr Kgaphola RK	206,921	43,200	81,145	44,448	375,714
Cllr Ngoanatsoana MG	206,921	43,200	81,145	41,848	373,114
Cllr Sebowane SH	206,921	43,200	81,145	48,164	379,430
Cllr Nkadimeng KT	206,921	43,200	81,145	46,641	377,907
Cllr Hleko K	206,921	43,200	81,145	44,448	375,714
Cllr Moshabane D	282,528	43,200	110,794	63,088	499,610
Cllr Thokwane GA	206,921	43,200	81,145	41,848	373,114
Cllr Mothupi SM	206,921	43,200	81,145	43,938	375,204
Cllr Selala PT	254,560	43,200	99,830	51,530	449,120
Cllr Vilakazi SM	206,921	43,200	81,145	41,848	373,114
Cllr Rantho PK	206,921	43,200	81,145	41,848	373,114
Cllr Thokwane KZ	265,548	43,200	104,137	52,494	465,379
Cllr Makobe PA	206,921	43,200	81,145	41,848	373,114
Cllr Boshielo MP	206,921	43,200	81,145	44,530	375,796
Cllr Piitjo MH	265,548	43,200	104,137	120,996	533,881
Cllr Maduana HD	206,921	43,200	81,145	41,848	373,114
Cllr Morodi PE	206,921	43,200	81,145	41,848	373,114
Cllr Ntobeng ML	22,264	3,600	8,731	3,462	38,057
Cllr Tsatsi MD	206,921	43,200	81,145	41,848	373,114
Cllr Mogashoa KJ	206,921	43,200	81,145	74,726	405,992
Cllr Diketane SP	475,987	43,200	186,674	128,124	833,985
Cllr Mkalapa SM	206,921	43,200	81,145	41,848	373,114
Cllr Mankge PR	203,547	43,200	80,767	41,812	369,326
Cllr Laka LE	203,547	43,200	80,767	41,812	369,326
Cllr Phala LL	181,935	38,990	71,510	42,707	335,142
Cllr Matlala MA	181,935	38,990	71,510	37,818	330,253
Cllr Mampane A	6,186	-	2,427	80	8,693
Cllr Mapheto	3,856	-	1,512	51	5,419
	16,170,492	**2,677,384**	**5,702,055**	**3,628,790**	**28,178,721**

2024

Name	Basic salary	Cellphone allowance	Car allowance	Pension,SDL,Data cards and travel claims	Total
Cllr Nkgadima MJ(Speaker)	530,061	45,600	-	311,758	887,419
Cllr Thamaga MM(Chief Whip)	489,894	45,600	192,115	106,220	833,829
Cllr Mokomane ML	265,280	45,600	104,031	58,074	472,985
Cllr Phala M	489,894	45,600	192,115	109,869	837,478
Cllr Mapheto MT	137,500	30,092	53,922	33,354	254,868

Notes to the Annual Financial Statements

Figures in Rand				2025	2024

41. Related parties (continued)

Cllr Mahlase NE	273,292	45,600	107,173	66,395	492,460
Cllr Diketane SP(MPAC Chairperson)	471,603	45,600	184,943	103,587	805,733
Cllr Mogide LS	206,711	45,600	81,063	47,050	380,424
Cllr Leokana MD	206,711	45,600	81,063	47,050	380,424
Cllr Matjomane NM	489,894	45,600	192,115	147,975	875,584
Cllr Masemola ME	206,711	45,600	81,063	48,928	382,302
Cllr Maitula BM	286,487	24,764	-	165,569	476,820
Cllr Aphane MN	206,711	45,600	81,063	47,050	380,424
Cllr Moretsele MA	206,711	45,600	81,063	47,050	380,424
Cllr Lethuba MP	206,711	45,600	81,063	54,407	387,781
Cllr Mohlala MJ	489,894	45,600	192,115	100,354	827,963
Cllr Mohlakwane SS	206,711	45,600	81,063	50,683	384,057
Cllr Rankoe TP	273,292	45,600	107,173	67,015	493,080
Cllr Maapea RS	206,711	45,600	81,063	105,281	438,655
Cllr Machaba MG	273,292	45,600	107,173	64,342	490,407
Cllr Tau TT	206,711	45,600	81,063	49,744	383,118
Cllr Ngwato OM	206,711	45,600	81,063	47,050	380,424
Cllr Lerobane MM	206,711	45,600	81,063	48,912	382,286
Cllr Monakedi MJ	206,711	45,600	81,063	47,050	380,424
Cllr Malaka MS	273,292	45,600	107,173	83,642	509,707
Cllr Masemola TP	206,711	45,600	81,063	47,050	380,424
Cllr Mmotong ML	206,711	45,600	81,063	47,050	380,424
Cllr Tshehla MB	206,711	45,600	81,063	48,788	382,162
Cllr Kgatuke LD	206,711	45,600	81,063	47,050	380,424
Cllr Machai MJ	206,711	45,600	81,063	49,413	382,787
Cllr Malatjie BT	206,711	45,600	81,063	48,788	382,162
Cllr Maepa KJ	206,711	45,600	81,063	48,397	381,771
Cllr Makuwa SS	206,711	45,600	81,063	52,871	386,245
Cllr Matsomane EM	206,711	45,600	81,063	47,050	380,424
Cllr Mashegoane MC	206,711	45,600	81,063	49,752	383,126
Cllr Tshehla MZ	206,711	45,600	81,063	47,050	380,424
Cllr Moretsele LP	273,292	45,600	107,173	63,740	489,805
Cllr Morwamakoti M	269,642	45,600	105,742	58,934	479,918
Cllr Kgaphola RK	206,711	45,600	81,063	48,928	382,302
Cllr Ngoanatsobane MG	206,711	45,600	81,063	48,389	381,763
Cllr Sebowane SH	206,711	45,600	81,063	48,928	382,302
Cllr Hleko K	206,711	45,600	81,063	47,050	380,424
Cllr Mashabane D	206,711	45,600	81,063	56,617	389,991
Cllr Thokwane GA	206,711	45,600	81,063	48,606	381,980
Cllr Mothupi SM	206,711	45,600	81,063	47,050	380,424
Cllr Selala PT	206,711	45,600	81,063	47,050	380,424
Cllr Vilakazi SM	206,711	45,600	81,063	47,050	380,424
Cllr Rantho PK	206,711	45,600	81,063	47,050	380,424
Cllr Thokwane KZ	265,280	45,600	104,031	58,074	472,985
Cllr Makobe PA	206,711	45,600	81,063	47,050	380,424
Cllr Boshielo MP	206,711	45,600	81,063	48,686	382,060
Cllr Piitjo MH	265,280	45,600	104,031	89,353	504,264
Cllr Maduana HD	206,711	45,600	81,063	47,050	380,424
Cllr Mampane MA	224,042	38,400	87,860	49,600	399,902
Cllr Morodi PE	206,711	45,600	81,063	47,050	380,424
Cllr Mosoane EM	269,950	45,600	104,031	65,231	484,812
Cllr Ntobeng ML	206,711	45,600	81,063	49,434	382,808
Cllr Tsatsi MD	206,711	45,600	81,063	47,050	380,424
Cllr Mogashoa KJ	206,711	45,600	81,063	55,591	388,965
Cllr Mokalapa SM	211,183	47,200	82,817	45,026	386,226
Cllr Mokalapa MS	12,277	1,800	4,092	3,055	21,224

41. Related parties (continued)

Cllr Nkadimeng KT	206,711	45,600	81,063	48,767	382,141
Cllr Mankge PR	72,576	14,958	29,765	15,256	132,555
Cllr Laka LE	72,576	16,262	28,461	15,270	132,569
Cllr Mahlase MM(Mayor)	490,808	47,502	48,862	249,088	836,260
	15,645,732	**2,820,178**	**5,670,496**	**4,181,691**	**28,318,097**

42. Risk management

Financial risk management

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.

Liquidity risk

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

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

Cash flow forecasts are prepared monthly and monitored.

2025	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Above 5 years**	**Total**
Trade payables	97,517,561	-	-	-	97,517,561
Retentions	28,169,292	-	-	-	28,169,292
	125,686,853	**-**	**-**	**-**	**125,686,853**

2024	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Above 5 years**	**Total**
Trade payables	89,687,505	-	-	-	89,687,505
Retentions	28,958,721	-	-	-	28,958,721
	118,646,226	**-**	**-**	**-**	**118,646,226**

Figures in Rand	2025	2024

42. Risk management (continued)

Credit risk

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

Financial instrument

2025	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Above 5 years	Total
Receivables from exchange transactions	9,262,432	-	-	-	9,262,432
Cash and cash equivalents	4,394,220	-	-	-	4,394,220
VAT receivables	5,790,003	-	-	-	5,790,003
	19,446,655	**-**	**-**	**-**	**19,446,655**

2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	above 5 years	Total
Receivables from exchange transactions	3,086,464	-	-	-	3,086,464
Cash and cash equivalents	13,919,985	-	-	-	13,919,985
VAT receivables	5,678,536	-	-	-	5,678,536
	22,684,985	**-**	**-**	**-**	**22,684,985**

Market risk

Interest rate risk

The municipality’s interest rate risk arises from short-term investments.

Concentration risk

Included in the payables there's and amount for retention which arises from projects which have been completed years ago which raises the concentration risk in a sense that should all those service providers appeal to the municipality claiming those retentions will the municipality be able to pay all that debt.

43. Unauthorised expenditure

	2025	2024
Opening balance as previously reported	30,511,957	23,008,909
Add: Unauthorised expenditure - current	-	30,511,957
Less: Written off - current	(30,511,957)	(23,008,909)
Closing balance	**-**	**30,511,957**

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

	2025	2024
Non-cash	-	20,361,730
Cash	-	10,150,227
	-	**30,511,957**

43. Unauthorised expenditure (continued)

Analysed as follows: non-cash

Provision of impairment	-	20,361,730

Analysed as follows: cash

Contracted services	-	9,032,256
General expenditure	-	1,117,971
	-	**10,150,227**

Unauthorised expenditure: Budget overspending – per municipal department:

Budget and treasury Office	-	30,511,957

Council Approval on unauthorised expenditure

During the current year ended June 30, 2025, MPAC investigated all Unauthorised expenditure and council has written off the unauthorised expenditure as irrecoverable. The amount of R 30 511 957 was approved by council to be written off as irrecoverable. There were no Unauthorised expenditure incurred during the current year.

44. Fruitless and wasteful expenditure

Opening balance as previously reported	64,753	64,753
Add: Fruitless and wasteful expenditure identified - current	5,978,585	-
Less: Amount recovered - current	(64,753)	-
Closing balance	**5,978,585**	**64,753**

Included in the amount of R5 978 585, there is an amount of R323 001 which relates to misuse of fuel cards by fleet drivers. The other amount of R5 655 584 emanates from the re-instatement of municipal official who was previously dismissed. The muncipality recovered fruitless and wasteful expenditure amounting to R64 753 during the year.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

45. Irregular expenditure

Opening balance as previously reported	-	65,100
Add: Irregular expenditure - current	1,537,829	1,471,039
Less: Amount written off - current	(1,537,829)	(1,536,139)
Closing balance	**-**	**-**

As per MFMA circular no 68 municipalities are advised to record their irregular expenditure in the irregular expenditure register and consequently disclose it in the annual financial statements inclusive of VAT the circular became into existence in October 2021. The latter is due to the amount of the transgression from the provisions of the applicable legislation as contained in the definition of the irregular expenditure is the full value of the transaction involved and not just a portion of the transaction and the adjustment is effected from the financial year 2024/25. The irregular expenditure disclosed above is VAT inclusive.

Notes to the Annual Financial Statements

Figures in Rand		2025	2024

45. Irregular expenditure (continued)

Incidents/cases identified/reported in the current year include those listed below:

	Status of Irregular Expenditure		
		-	-
The bid was advertised for less than 60 days as required by the SCM regulation and policy		-	72,108
Bidder did not initialize one page	The irregular was identified by the Auditor general during the financial year 2021-2022 and the contract was still ongoing in the current year	1,537,829	1,398,931
		-	-
Other state institution award and possible bid rigging	The irregular has been investigated by Financial misconduct board	-	-
		-	-
		-	-
		-	-
		-	-
		1,537,829	**1,471,039**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

46. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance :

Net surplus (deficit) per the statement of financial performance	19,909,980	(57,445,887)
Capital expenditure write-off(D -roads)	63,873,838	119,704,748
Net surplus per approved budget	**83,783,818**	**62,258,861**

The reconciling differences emanate from D-roads which are expensed on the Statement of Financial Performance, while budgeted under capital expenditure on the Statement of Budget and Actual Amounts

47. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Amount paid - current year	(5,306,612)	(4,844,497)
	(5,306,612)	**(4,844,497)**

PAYE and UIF

Opening balance	2,137,876	-
Current year subscription / fee	28,668,092	24,575,743
Amount paid - current year	(28,648,467)	(22,437,867)
Outstanding balance as at year end	**2,157,501**	**2,137,876**

Pension and Medical Aid Deductions

Opening balance	2,587,206	17,387
Current year subscription / fee	32,960,431	31,048,652
Amount paid - current year	(32,739,031)	(28,478,833)
Outstanding balance as at year end	**2,808,606**	**2,587,206**

VAT

VAT receivable	10,218,386	13,336,052

VAT output payables and VAT input receivables are shown in note 7.

All VAT returns have been submitted by the due date throughout the year.

Figures in Rand	2025	2024

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

Supply chain management regulations

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

Incident		
Deviation as per section 36(1)(a)(i) of the SCM regulations (Emergency)	-	255,506
Deviation as per section 36(1)(a)(ii) of the SCM regulations (Single provider)	387,802	867,534
Deviation as per section 36(1)(v) of the SCM regulations (Impractical to follow SMC processes)	7,616,814	9,942,684
	8,004,616	**11,065,724**

48. Prior period errors

Transfer to Eskom

In terms of Municipal mSCOA circular No. 16, the municipalities without electricity license should record the spending of INEP Grant under Contracted services. Previously Makhuduthamaga Local Municipality accumulated the spending under WIP: Electrical infrastructure and transfered the spending of completed projects to Eskom through the statement of financial performance. It is for this reason that the spending of INEP Grant has been reclassified from "Transfer to Eskom" to "Contracted services" in order to comply with the requirements of mSCOA circular No. 16. The comparative figures for Transfer to Eskom have been cleared to zero together with WIP: Electrical infrastructure. The contracted services have been restated retrospectively as a result of this circular.

INEP grant revenue

In addition, Circular 16 further requires that upon the recognition of revenue, the INEP transactions should be recognised as revenue from exchange transactions under sales of goods and rendering of services instead of non-exchange transactions under INEP Grant revenue. The impact of the implementation of this circular resulted in INEP Grant revenue being reclassified to sales of goods and rendering of services retrospectively
Over and above, the municipality previously recognised INEP grant revenue inclusive of vat after the conditions were met and as a result, the revenue recognised was overstated by a portion of vat output. The comparative figures for both revenue and vat output have been restated retrospectively.

Interest on outstanding debtors

In the previous financial period, the interest rate used to calculate interest on outstanding debtors was incorrect and as a result, the municipality reviewed the interest rate i.e. prime plus one against the market rate and therefore the comparative figures have been appropriately restated. The correction of the error resulted in the decrease of interest on outstanding debtors and receivables from non-exchange transactions respectively.

Property, Plant and Equipment

Depreciation

In the previous financial periods the municipality errornously ommited to revise the useful lives of the certain classes of assets and consequently some of the assets were sitting at zero in the municipality's fixed assets register while still in use. In the current financial period, management decided to revise the useful lives of these classes of assets with effect from 01 July 2023 in order to
fairly present the carrying amount of the property, plant and equipment amounting to R 3 550 499. The results of this ommission constitute an error, which resulted in the decrease of both depreciation and accumulated depreciation. Had management previously revised the useful lives of this classes of assets, the municipality would not be having assets still in use and sitting at zero in the municipality's fixed asset register. Furthermore in july 2022 depreciation amounting to R 95 683 was corrected retrospectively as a result of incorrect calculation of depreciation.

Statement of financial position

48. Prior period errors (continued)

2022

	Note	As previously reported	Adjustments	Restated
VAT receivables		18,587,291	(2,608,696)	15,978,595
		18,587,291	**(2,608,696)**	**15,978,595**

2023

	Note	As previously reported	Adjustments	Restated
VAT receivables		15,978,595	(782,609)	15,195,986
Property, plant and equipment		286,904,479	95,683	287,000,162
		302,883,074	**(686,926)**	**302,196,148**

2024

	Note	As previously reported	Adjustments	Restated
VAT receivables		15,195,986	(1,860,453)	13,335,533
Work in progress: Electrical infrastructure		10,317,392	(10,317,392)	-
Receivables from non exchange		115,036,405	(363,936)	114,672,469
Property, plant and equipment		367,022,831	3,550,499	370,573,330
		507,572,614	**(8,991,282)**	**498,581,332**

Statement of financial performance

2024

	Note	As previously reported	Adjustments	Restated
Interest on outstanding debtors		12,574,615	(363,936)	12,210,679
Sales of Goods and Rendering of Services		433,516	12,403,022	12,836,538
INEP Grant		14,263,475	(14,263,475)	-
Contracted services		(67,251,089)	(12,403,022)	(79,654,111)
Transfer to Eskom (Clearing WIP)		(2,085,630)	(10,317,392)	(12,403,022)
Transfer to Eskom (Reclassification to Contracted services)		-	12,403,022	12,403,022
INEP Grants		14,263,475	(1,860,453)	12,403,022
Depreciation		34,936,641	(3,550,499)	31,386,142
		7,135,003	**(17,952,733)**	**(10,817,730)**

2023

	Note	As previously reported	Adjustments	Restated
INEP Grant		6,000,000	(782,609)	5,217,391
		6,000,000	**(782,609)**	**5,217,391**

48. Prior period errors (continued)

2022

	Note	As previously reported	Adjustments	Restated
INEP Grant		20,000,000	(2,608,696)	17,391,304
		20,000,000	**(2,608,696)**	**17,391,304**

49. Events after the reporting date

Non-adjusting events:

Appointment of the Executive support senior manager:

- The council of Makhuduthamaga local municipality has appointed Mr Mampuru SI as the Senior Manager for Executive support department on the 31st of July 2025.

50. Operating lease-as lessee (commitment)

	2025	2024
Within one year of the reporting date	2,371,257	2,371,257
More than one year but less than five years of the reporting date	592,814	2,964,071
	2,964,071	**5,335,328**

The operational lease commitment relates to Lease of photocopy machines.

51. Principal agents

The municipality has signed a binding memorandum of agreement with Limpopo Department of transport and public safety for the administration of learners, drivers licenses and vehicle registrations, and the municipality earns Agency fees. The amount collected on behalf of the Limpopo Department of transport and public safety is **(R 15 059 877)** for the current year and (**R 13 406 927)** for the prior year.

51. Prepayments (continued)

Limpopo Department of transport and public safety		
Revenue recognised for transactions carried out on behalf of the principal	6,339,848	6,261,884
Revenue received for principal	15,059,877	13,406,927
	21,399,725	**19,668,811**

Receivables on behalf of the principal		
Additions	15,059,877	13,406,927
Cash paid	(15,059,877)	(13,406,927)
	-	-

Sekhukhune District Municipality water reticulation

In terms of GRAP 104, par 7.13, when an entity intends to excercise the right or to settle simultaneously, presentation of the assets and liability on a net basis reflects more appropriately the amount and timing of the expected future cash flow i.e When an entity has right to receive or pay a single net amount and intend to do so, only single financial asset or liability should be disclosed. In all other circumstances, financial assets and liabilities are presented separately from each other.

In our circumstances, Makhuduthamaga Local Municiality has no intention to excercise the right or to settle the transactions simultaneously as single net amount. All the water reticulation transactions are invoiced to Sekhukhune District Municipality and subsequently paid in full. The VAT payable to Sekhukhune District Municipality will also be paid in full, thus seperate presentation of financial assets and liability constitute fair presentation.

Expenditure for transactions carried out on behalf of the principal	(32,153,386)	(21,147,518)
Revenue received from principal	30,169,229	21,540,218
	(1,984,157)	**392,700**

Receivables from SDM as at year end		
Opening balance	2,227,092	-
Amount paid (Previous year)	(1,164,645)	-
Outstanding invoices	5,884,585	1,164,646
Outstanding retention	1,295,807	1,062,446
Retention paid	(204,229)	-
	8,038,610	**2,227,092**

Payables to SDM as at year end		
Opening balance	2,619,792	-
VAT received on behalf of the principal (current year)	3,827,361	2,619,792
	6,447,153	**2,619,792**

52. Prepayments (SALGA Levy)

SALGA Levy relates to prepayments of Annual membership fee to SALGA	-	1,117,253

53. Leave Gain

Leave Gain	66,566	154,077

The municipality realised leave gain due to the decreased leave balances as at the end of the financial period

54. Fair value adjustment- Investment property

Fair value adjustment-investment property	-	329,789
Change during the year	-	25,789
	-	**355,578**

55. Public contributions and donations

Donation Income	-	19,595

The Municipality has received a donation in kind of computer equipment from the Department of Economic development, Environment & Tourism during the 2023-24 financial year.

56. Loss on fair value adjustment-investment property

Property, plant and equipment	(77,789)	-

Loss on fair value adjustment was due to other properties which were valued at the market value less than the value reported in the previous financial period.

57. Segment reporting

The following terms are used in this Standard with the meanings specified:
Management comprises those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.
A segment is an activity of an entity:
(a) that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
(b) whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
(c) for which separate financial information is available.
Terms defined in other Standards of GRAP are used in this Standard with the same meaning as in those other Standards.

The municipality is organised and reports to management and council on the basis of six (06) major functional areas: Executive Support, Corporate Services, Budget and Treasury Office, Community Services, Infrastructure Development services and Economic Development and Planning. for which seperate financial information is not applicable nor available and the municipality has one set of financial statement. The departments are centralised to provide service delivery function to all the geographical areas namely Ward 1 to Ward 31 on implementation of infrastructure requirements of the municipality. Based on how the budget of the municipality is determined, annually the communities from all wards are consulted on their needs through the Integrated Development Plan processes. This information is then used to allocate resources available to implement these needs. Resources are not allocated based on how the unit has performed or the activity within the unit has performed, but based on the needs priorities and the available funds at the time that the municipality holds. Municipal revenue, expenditure and assets are not reviewed as per geographical area, these are the same services across all wards and presented as a consolidated figure. The service provided to communities are the same for all wards, therefore the level of information of each ward within the municipal jurisdiction may not be relevant for decision making purposes, as such reporting of segments is deemed not applicable.

58. Debt Impairment (Debtors)

Debt Impairment	(19,776,670)	(20,361,730)

The impairment on debtors was mainly informed by the commercial debtors who are not paying their property rates on a monthly basis.