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Dr JS Moroka Local Municipality
(Registration number MP316)
Annual Financial Statements
for the year ended 30 June 2025

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155(1) of the Constitution of South Africa (Act 108 of 1996)
Nature of business and principal activities	The provision of services (water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.

Mayoral committee

Executive Mayor	1. Mtsweni NS
Speaker	2. Nkoane MR
Chief Whip	3. Nkgodi JS
MMC Social Development	4. Mnguni PP
MMC Public Safety, Roads & Transport	5. Mtsweni S
MMC Planning & Infrastructure	6. Madyibi C
MMC Finance & LED	7. Makola MJ
MMC Admin & Corporate Services	8. Legong MS
Councillors	9. Ditshego K
	10. Dlowu BM
	11. Kekae MD
	12. Kutu PF (Resigned 3 June 2025)
	13. Lamola BR
	14. Lebelo LK
	15. Lekgoathi MR
	16. Mabena JS
	17. Mabogoane KM
	18. Machava SS
	19. Mahlangu SK
	20. Mahlangu JS
	21. Mahlangu PL
	22. Mahlangu K
	23. Mahlangu P
	24. Mahlangu LM
	25. Majombosi TR
	26. Makuwa IS
	27. Maleka AL
	28. Maleka ME
	29. Manganye SM
	30. Manganye J
	31. Maphalla JK
	32. Mashabela N
	33. Mashamaite J
	34. Mashiane CM (Resigned 1 March 2025)
	35 Mashilo JP
	36. Mashishi DA
	37. Mashishi MW
	38. Masumbuka MP
	39. Matlaila BJ
	40. Matabane MS
	41. Maubane ONM
	42. Mgidi MA

General Information

	43. Mhlanga KP
	44. Mnguni V
	45. Moabi JM
	46. Moimana AT
	47. Mothibi MF
	48. Mphela LK
	49. Msiza DL
	50. Mtimunye MS
	51. Mtsweni TL
	52. Ngoatle MM
	53. Ngubeni PM
	54. Nkgau JS
	55. Nkwana MMT
	56. Ntuli JM
	57. Ntuli PA
	58. Rankapole S
	59. Rankapole MM
	60. Simango BA
	61. Skhosana LM
	62. Skhosana AX
	63. Nxabane N (Appointed 1 March 2025)
	64. More M (Appointed 3 June 2025)
	Dr JS Moroka has a total of 62 councillors
Grading of local authority	Grade 3
Accounting Officer	Mathebela MM
Executive Management	
Chief Finance Officer (CFO)	Klaas DB
Administration and Corporate Services	Zulu LT
Planning & Economic Development	Matjiane EK
Community Development Services	Mathabe RS
Technical Services	Mpela SJ
Registered office	A2601/3 Bongimfundo Street Siyabuswa 0472
Business address	A2601/3 Bongimfundo Street Siyabuswa 0472
Postal address	A2601/3 Bongimfundo Street Siyabuswa 0472
Bankers	ABSA Bank Limited Marble Hall Branch
Auditors	Auditor General South Africa

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Mpumalanga Business Unit

General Information

Audit Committee Members	Adv. Thubakgale LJ (Chairperson) Mr. Mathabathe MG Mr. Monama L Mr. Ntuli A Ms. Ntuli P
Legislation governing the municipality's operations	Constitution of the Republic of South Africa (Act 108 of 1998) Local Government: Municipal Finance Management Act (Act 56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Municipal Property Rates Act (Act 6 of 2004) Division of Revenue Act (Act 1 of 2007)
Section 79 Committee	

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

Abbreviations used:

DORA	Division of Revenue Act
GRAP	Generally Recognised Accounting Practice
LGSETA	Local Government Services Sector Education and Training Authority
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MPAC	Municipal Public Accounts Committee
MPRA	Municipal Property Rates Act
MSIG	Municipal System Improvement Grant
mSCOA	Municipal standard Chart of Accounts
SALGA	South African Local Government Association
COGTA	Cooperative Governance and Traditional Affairs
SCM	Supply Chain Management
MSA	Municipal Structures Act
MSA	Municipal Systems Act

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Local Government: Municipal Finance Management Act (Act no.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 must be given unrestricted access to all financial records and related data.

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year from 01 July 2024 to 30 June 2025 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

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

I certify that the salaries, allowances and benefits of councillors as disclosed in note 47 to 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, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The external auditors,being the Auditor General of South Africa, are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been not examined by the municipalitiy's external auditors.

The annual financial statements set out in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003), set out on pages X to XX, which have been prepared on the going concern basis, were approved by the accounting officer on 30 June 2025 and were signed on its behalf by:

Accounting Officer
MM Mathebela

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Mpumalanga Business Unit

Audit Committee Report

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

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 8 meetings were held.

Name of member	Number of meetings attended
Adv. Thubakgale LJ	12
Mr. Mathabathe MG	9
Mr. Monama L	10
Mr. Ntuli A (Appointed 1 July 2024)	8
Ms. Ntuli P	10

Audit committee responsibility

The shared audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The shared audit committee also reports that it has adopted appropriate formal terms of reference as its shared audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein and in line with Local Government MFMA section 166.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King Report on Corporate Governance requirements, Internal Audit provides the shared audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

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

Evaluation of annual financial statements

The shared audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed significant adjustments resulting from the draft AFS for 2024/25

Internal audit

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

Chairperson of the Audit Committee

Date: ______________________

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Mpumalanga Business Unit

Accounting Officer's Report

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

1. Review of activities

Main business and operations

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

Net surplus of the municipality was R 149,960,397 (2024: surplus R 139,338,609), after taxation of R - (2024: R -).

2. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of R2 064 655 907 and that the municipality's total assets exceed its liabilities by R2 064 655 907

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. All impairments were measured and judged in line with past performances.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

3. Subsequent events

The accounting officer is aware of matters that arose since the end of the financial year, that may need to be adjusted for or disclosed in the Financial Statements.The adjusting events relate to write off of Unauthorised expenditure, Irregular expenditure, Fruitless and wasteful expenditure.

4. Accounting Officers' interest in contracts

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

5. Accounting policies

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

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

6. Accounting Officer

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

Name	Nationality
Ms Mathebela MM	South African

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Accounting Officer's Report

7. Corporate governance

General

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

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report IV on Corporate Governance for South Africa of September 2009. The accounting officer discuss the responsibilities of management in this respect, at Council meetings and monitor the municipality's compliance with the code on a quarterly basis.

The salient features of the municipality's adoption of the Code is outlined below:

8. Bankers

The municipality banks primarily with ABSA Bank Limited

9. Auditors

Auditor General South Africa will continue in office for the next financial period.

10. Non-compliance with applicable legislation

In terms of section 65 (2)(e) of the Municipal Finance Act (No. 56 of 2003), all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement. Due to cash flow constraints, the municipality, could not settle all money owing within the prescribed period.

In terms of section 126 (1)(a) of the Municipal Finance Act (No. 56 of 2003), the accounting officer of a municipality must prepare the annual financial statements within 2 months after the end of the financial year.

The annual financial statements set out on page 9, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2025 and were signed on its behalf by:

Accounting Officer
MM Mathebela

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Mpumalanga Business Unit

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	3	7,427,082	4,654,263
Receivables from non-exchange transactions	4	121,918,677	120,402,372
VAT receivable	5	8,588,065	25,171,858
Prepayments	11	-	243,729
Receivables from exchange transactions	6	507,793,183	419,007,224
Cash and cash equivalents	7	273,996	1,561,235
		646,001,003	**571,040,681**
Non-Current Assets			
Investment property	8	154,170	154,170
Property, plant and equipment	9	1,651,229,279	1,606,156,417
Intangible assets	10	393,307	488,822
Heritage assets	12	197,000	197,000
		1,651,973,756	**1,606,996,409**
Total Assets		**2,297,974,759**	**2,178,037,090**
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	173,841,244	181,232,564
Consumer deposits	14	883,400	867,876
Unspent conditional grants and receipts	16	-	791,433
Long service bonus liability	17	2,265,134	755,474
		176,989,778	**183,647,347**
Non-Current Liabilities			
Provisions	15	41,068,463	34,444,491
Long service bonus liability	17	15,260,611	14,987,029
		56,329,074	**49,431,520**
Total Liabilities		**233,318,852**	**233,078,867**
Net Assets		**2,064,655,907**	**1,944,958,223**
Accumulated surplus		2,064,655,907	1,944,958,223
Total Net Assets		**2,064,655,907**	**1,944,958,223**

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* See Note 49

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	128,395,168	114,245,155
Rendering of services	19	867,353	3,289,681
Rental of facilities and equipment	20	644,647	349,903
Interest received (trading)	21	79,950,122	52,911,420
Licences and permits	22	10,017,325	10,239,482
Interest received - investment	24	6,191,239	7,448,764
Total revenue from exchange transactions		**226,065,854**	**188,484,405**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	44,088,315	44,387,119
Interest - Property rates	21	13,846,028	14,307,382
Transfer revenue			
Government grants & subsidies	26	674,035,506	650,778,235
Public contributions and donations	27	777,500	43,257,445
Fines, Penalties and Forfeits	28	1,065,584	2,089,701
Total revenue from non-exchange transactions		**733,812,933**	**754,819,882**
Total revenue		**959,878,787**	**943,304,287**
Expenditure			
Employee related costs	29	(251,850,888)	(232,298,672)
Remuneration of councillors	30	(28,488,888)	(27,292,943)
Impairment loss	31	(1,558,669)	(14,062,515)
Depreciation and amortisation	32	(86,465,850)	(86,492,367)
Finance costs	33	(5,172,180)	(5,036,063)
Operating leases	34	(2,300,007)	(3,276,002)
Debt Impairment/reversal	35	(96,064,606)	(103,060,654)
Bad debts written off		(2,585,715)	(2,491,077)
Loss on derecogntion of property, plant and equipment	9	(152,069)	(480,224)
Contracted services	36	(222,019,573)	(227,083,630)
General Expenses	37	(110,528,074)	(103,083,432)
Total expenditure		**(807,186,519)**	**(804,657,579)**
Operating surplus		**152,692,268**	**138,646,708**
Gain(loss) on landfill site provision	23	(3,069,400)	603,756
Actuarial gains/losses	17	337,529	88,145
		(2,731,871)	**691,901**
Surplus for the year		**149,960,397**	**139,338,609**

* See Note 49

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	2,349,185,886	2,349,185,886
Adjustments		
Prior year adjustments	(543,566,272)	(543,566,272)
Balance at 01 July 2023 as restated*	**1,805,619,614**	**1,805,619,614**
Changes in net assets		
Surplus for the year	139,338,609	139,338,609
Total changes	139,338,609	139,338,609
Opening balance as previously reported	2,578,623,494	2,578,623,494
Adjustments		
Prior year adjustments 49	(663,927,984)	(663,927,984)
Restated* Balance at 01 July 2024 as restated*	**1,914,695,510**	**1,914,695,510**
Changes in net assets		
Surplus for the year	149,960,397	149,960,397
Total changes	149,960,397	149,960,397
Balance at 30 June 2025	**2,064,655,907**	**2,064,655,907**

Note(s)

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* See Note 49

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	116,134,000	(1,959,000)	**114,175,000**	128,395,168	**14,220,168**	(a)
Rendering of services	762,000	(185,000)	**577,000**	867,353	**290,353**	(b)
Rental of facilities and equipment	371,000	385,000	**756,000**	644,647	**(111,353)**	(c)
Interest received (trading)	67,363,000	(67,348,000)	**15,000**	79,950,122	**79,935,122**	(d)
Licences and permits	7,960,000	60,000	**8,020,000**	10,017,325	**1,997,325**	(e)
Operational Revenue	13,970,000	(6,530,000)	**7,440,000**	-	**(7,440,000)**	(f)
Interest received - investment	7,419,000	(767,000)	**6,652,000**	6,191,239	**(460,761)**	(g)
Total revenue from exchange transactions	**213,979,000**	**(76,344,000)**	**137,635,000**	**226,065,854**	**88,430,854**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	66,024,000	(709,000)	**65,315,000**	44,088,315	**(21,226,685)**	(h)
Property - Interest	-	75,154,000	**75,154,000**	13,846,028	**(61,307,972)**	(i)
Transfer revenue						
Government grants & subsidies	663,398,000	2,000,000	**665,398,000**	674,035,506	**8,637,506**	(j)
Public contributions and donations	-	-	**-**	777,500	**777,500**	(k)
Fines, Penalties and Forfeits	332,000	(100,000)	**232,000**	1,065,584	**833,584**	(l)
Total revenue from non-exchange transactions	**729,754,000**	**76,345,000**	**806,099,000**	**733,812,933**	**(72,286,067)**	
Total revenue	**943,733,000**	**1,000**	**943,734,000**	**959,878,787**	**16,144,787**	
Expenditure						
Personnel	(280,153,000)	-	**(280,153,000)**	(251,850,888)	**28,302,112**	(m)
Remuneration of councillors	(29,635,000)	(2,180,000)	**(31,815,000)**	(28,488,888)	**3,326,112**	(n)
Impairment loss	-	-	**-**	(1,558,669)	**(1,558,669)**	
Depreciation and amortisation	(64,325,000)	-	**(64,325,000)**	(86,465,850)	**(22,140,850)**	(o)
Finance costs	(1,000,000)	-	**(1,000,000)**	(5,172,180)	**(4,172,180)**	(p)
Operating leases	-	-	**-**	(2,300,007)	**(2,300,007)**	(q)
Debt Impairment	(120,298,000)	-	**(120,298,000)**	(96,064,606)	**24,233,394**	(r)
Bad debts written off	-	-	**-**	(2,585,715)	**(2,585,715)**	
Loss on disposal of Property, plant and equipment	-	-	**-**	(152,069)	**(152,069)**	
Contracted Services	(195,192,000)	1,118,000	**(194,074,000)**	(222,019,573)	**(27,945,573)**	(s)
General Expenses including inventory consumed	(112,887,000)	409,000	**(112,478,000)**	(110,528,074)	**1,949,926**	(t)
Total expenditure	**(803,490,000)**	**(653,000)**	**(804,143,000)**	**(807,186,519)**	**(3,043,519)**	
Operating surplus	**140,243,000**	**(652,000)**	**139,591,000**	**152,692,268**	**13,101,268**	
Gain on landfill site provision	-	-	**-**	(3,069,400)	**(3,069,400)**	(u)
Actuarial gains/losses	-	-	**-**	337,529	**337,529**	(v)
	-	**-**	**-**	**(2,731,871)**	**(2,731,871)**	

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		54,207,677	41,534,476
Grants		673,244,073	645,439,701
Interest income		6,191,240	7,448,764
Other receipts		13,674,411	11,022,238
		747,317,401	705,445,179
Payments			
Employee costs		(277,978,788)	(256,604,840)
Suppliers		(333,179,727)	(292,861,856)
Finance costs		-	-
		(611,158,515)	(549,466,696)
Net cash flows from operating activities	38	**136,158,886**	**155,978,483**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(137,446,122)	(162,131,590)
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		**(1,287,236)**	**(6,153,107)**
Cash and cash equivalents at the beginning of the year		1,561,235	7,714,343
Cash and cash equivalents at the end of the year	7	**273,999**	**1,561,236**

The accounting policies on pages 17 to 47 and the notes on pages 48 to 114 form an integral part of the annual financial statements.

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Mpumalanga Business Unit

* See Note 49

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Surplus before taxation	**140,243,000**	**(652,000)**	**139,591,000**	**149,960,397**	**10,369,397**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**140,243,000**	**(652,000)**	**139,591,000**	**149,960,397**	**10,369,397**	

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Dr JS Moroka Local Municipality

(Registration number MP316)
Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	13,051,000	20,000	**13,071,000**	7,427,082	**(5,643,918)**	(w)
Receivables from non-exchange transactions	103,315,000	(76,489,000)	**26,826,000**	121,918,677	**95,092,677**	(x)
VAT receivable	41,831,000	-	**41,831,000**	8,588,065	**(33,242,935)**	(y)
Receivables from exchange transactions(Consumer debtors)	362,576,000	71,539,000	**434,115,000**	507,793,183	**73,678,183**	(z)
Current portion of non current receivables	15,000	-	**15,000**	-	**(15,000)**	(aa)
Cash and cash equivalents	108,289,000	-	**108,289,000**	273,996	**(108,015,004)**	(ab)
	629,077,000	**(4,930,000)**	**624,147,000**	**646,001,003**	**21,854,003**	
Non-Current Assets						
Investment property	154,000	-	**154,000**	154,170	**170**	(ac)
Property, plant and equipment	2,278,695,000	2,000,000	**2,280,695,000**	1,651,229,279	**(629,465,721)**	(ad)
Intangible assets	751,000	-	**751,000**	393,307	**(357,693)**	(ae)
Heritage assets	-	-	**-**	197,000	**197,000**	(af)
Prepayments	3,071,000	-	**3,071,000**	-	**(3,071,000)**	(ag)
	2,282,671,000	**2,000,000**	**2,284,671,000**	**1,651,973,756**	**(632,697,244)**	
Total Assets	**2,911,748,000**	**(2,930,000)**	**2,908,818,000**	**2,297,974,759**	**(610,843,241)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	204,580,000	(2,277,000)	**202,303,000**	173,841,244	**(28,461,756)**	(ah)
Consumer deposits	888,000	-	**888,000**	883,400	**(4,600)**	(ai)
Long service bonus liability	2,140,000	-	**2,140,000**	2,265,134	**125,134**	
	207,608,000	**(2,277,000)**	**205,331,000**	**176,989,778**	**(28,341,222)**	
Non-Current Liabilities						
Provisions	29,461,000	-	**29,461,000**	41,068,463	**11,607,463**	(aj)
Long service bonus liability	-	-	**-**	15,260,611	**15,260,611**	(ak)
	29,461,000	**-**	**29,461,000**	**56,329,074**	**26,868,074**	
Total Liabilities	**237,069,000**	**(2,277,000)**	**234,792,000**	**233,318,852**	**(1,473,148)**	
Net Assets	**2,674,679,000**	**(653,000)**	**2,674,026,000**	**2,064,655,907**	**(609,370,093)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	2,674,679,000	(653,000)	**2,674,026,000**	2,064,655,901	**(609,370,099)**	(al)

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

The adjustments made to the approved budget were after the mid year assessment of actual performance was conducted.The reasons for the adjustments are mentioned in the 2024/2025 Mid Year Performance Report. Recommendations were made to council based on this report and a Mid Year Resolution was reached by council to adopt these adjustments as tabled before a Council sitting at its Ordinary Meeting held on 30 January 2025.

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Accounting Policies

Figures in Rand	Note(s)	2025	2024

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Local Government: Municipal Finance Management Act (Act no.56 of 2003).

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

A summary of the significant accounting policies, which have been consistently applied in the 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

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

1.3 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 Significant judgements and sources of estimation uncertainty

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

Receivables from exchange transactions

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

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Accounting Policies

Impairment testing

An asset is impaired when the carrying amount of the asset exceeds its recoverable service amount. If there is an indicator of impairment present, the municipality is required to make a formal estimate of recoverable service amount. The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. The recoverable service amount is determined based on the higher of value in use and fair values less costs to sell.

Value in use of cash-generating assets

Estimating the value in use of an asset involves estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal; and applying the appropriate discount rate to those future cash flows. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. These calculations require the use of estimates and assumptions. It is reasonably possible that the interest rate assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of assets.

Expected future cash flows used to determine the value in use of assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors together with economic factors such as exchange rates, inflation and interest.

Value in use of non-cash-generating assets

In determining the value in use of assets, the remaining service potential of the asset is determined. The present value of the remaining service potential of the asset is determined by using the depreciated replacement cost approach, restoration cost approach or the service unit's approach. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Provisions

Provisions were raised and management determined an estimate based on the information available. Estimated expenditure to be incurred to settle the liability is recognised as a provision. Where the effect of time value of money is material the liability is discounted. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Contingent provisions

Contingencies recognised in the current year required estimates and judgments from legal experts based on the nature of the cases before the courts, refer to note 40.

Useful lives of assets

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

Post-retirement benefits

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

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

Effective interest rate

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

Allowance for doubtful debts

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

Impairment of statutory receivables

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

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

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

1.5 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.

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

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

Item	Useful life
Property - land	indefinite

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

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

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Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

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:

The nature OR type of properties classified as held for strategic purposes are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 9).

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

Item	Depreciation method	Average useful life
Land	Straight-line	indefinite
Buildings	Straight-line	5-60
Plant and machinery	Straight-line	3-50
Furniture and fixtures	Straight-line	3-20
Transport Assets	Straight-line	3-20
Office equipment	Straight-line	3-20
IT equipment	Straight-line	3-20
Infrastructure	Straight-line	5-80
Community	Straight-line	5-60

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 (see note 9).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

1.7 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.

Accounting Policies

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.

1.8 Intangible assets

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

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

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

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

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

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

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

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.

Accounting Policies

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	3-5

1.9 Heritage assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

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

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

1.10 Financial instruments

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

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

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

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

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

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

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

Accounting Policies

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

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

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

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

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

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

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

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

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

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

Accounting Policies

Classification

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

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

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

Class	Category
Payables from exchange transations	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

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

Initial measurement of financial assets and financial liabilities

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

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

Financial instruments at amortised cost.

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

Short term receivables and payables are not discounted were initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

Accounting Policies

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

the contractual rights to the cash flows from the financial asset expire, are settled or waived;

the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose without needing to impose additional restrictions on the transfer. In this case, the municipality:

derecognise the asset; and

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

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

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

Financial liabilities

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

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

Presentation

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

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

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

Accounting Policies

1.11 Statutory receivables

Identification

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

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

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

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

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

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

Accounting Policies

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

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

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

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

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

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

Derecognition

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

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

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

1.12 Leases

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

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

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.

1.13 Inventories

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

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

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

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

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

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

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

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

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

1.14 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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

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

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

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

1.15 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

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

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Accounting Policies

Composition of estimates of future cash flows

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

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

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

Discount rate

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

Cash-generating units

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

1.16 Impairment of non-cash-generating assets

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

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

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

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

Accounting Policies

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

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

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

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

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

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

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

Designation

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

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

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

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

1.17 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

Accounting Policies

Short-term employee benefits

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

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

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

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

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

Post-employment benefits

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

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

Post-employment benefits: Defined contribution plans

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

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

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

Accounting Policies

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

Assumptions about post employment costs take account of estimated future changes in the costs, resulting from both inflation and specific changes.

Other post retirement obligations

The municipality provides long service awards to employees based on period in service.

The entitlement to the long service awards is based on the employee remaining in service up to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. An annual charge to income is made to cover both these liabilities.

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

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

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Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

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

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

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

1.18 Provisions and contingencies

Provisions are recognised when:

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

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

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).

Accounting Policies

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.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.15 and 1.16.

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

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

1.19 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.20 Revenue from exchange transactions

Revenue 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.

Accounting Policies

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.

Interest revenue

Revenue arising from the use by others of entity assets yielding interest is recognised when:

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

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

1.21 Revenue from non-exchange transactions

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

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

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

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

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

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

Accounting Policies

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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.

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.

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Accounting Policies

Taxes (Property Rates)

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Fines

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

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

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

Gifts and donations, including goods in-kind

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

Revenue received from conditional grants is recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. A liability is recognised, to the extent that the criteria, conditions or obligations have not been met.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received but the Municipality has not met the condition, a liability is recognised.

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

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 present 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 will be recognised as revenue.

1.22 Investment income

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

1.23 Accounting by principals and agents

Identification

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

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

Accounting Policies

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

Recognition

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

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

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

1.24 Comparative figures

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

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are 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.

1.25 Unauthorised expenditure

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

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

1.26 Fruitless and wasteful expenditure

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

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

1.27 Irregular expenditure

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Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure 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).

National Treasury circular 68 guides procedures and recognition of UIF&W.

Irregular expenditure that was incurred and identified during the current financial and which was condoned/found to not be recoverable before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned/found to not be recoverable in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned/found to not be recoverable.

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

1.28 Segment information

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

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

Reportable segments for the municipality are as follows:

- Water
- Refuse
- Sewerage
- Electricity
- Roads and Infrastructure
- Planning and development, and
- Community and social services

These segments were identified as reportable segments as they represent the mandate of service delivery that the municipality carries towards the community. Management considers these segments as the main reason the municipality is set up and as such the perfomance of each of them needs to be reported on on a regular basis. All other ancilliary services of the municipality that are administrative in nature have been aggregated into an unallocated segment.

Please refer to note 50 for the analysis of the mentioned segments

Measurement

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

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

The measurement of the amounts for the reportable segments is done using the allocation structure of votes in the general ledger. The general ledger has clear distinct votes where all transactions are appropriately processed on a monthly basis. Management extract the revenue, expenditure, assets and liabilities per the identified reportable segments. Please refer to note 49 for a description of the allocations.

1.29 Trade and other payables

Trade and other payables excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

They are recognised when the municipality becomes a party to the contractual provisions of a transaction, and are measured, at initial recognition, at amount payable.

1.30 Budget information

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

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

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

Accounting Policies

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

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

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

The materiality threshold - management's materiality positions, which accepts minor variances below 10%, is in line with the general guidance that materiality is determined by the nature and context of the items.

1.31 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

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

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

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

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

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the municipality.

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

1.32 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

1.33 General expenses

General expenses consist of the municipality's operational and administrative expenses.

General expenses are recognized in the financial statements when it is probable that an outflow of economic resources will occur and that the amount can be reliably measured. Risks and rewards would also be considered to have passed to the municipality upon delivery of goods and services.

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Accounting Policies

Expenses are measured at the amount paid or payable, exclusive of any recoverable taxes.

1.34 Value-added Tax

Revenue, expenses and assets are recognised net of the amounts of Value Added Tax. The net amount of value added tax recoverable from, or payable to the taxation authority is included as part of receivables or payables in the Statement of Financial Position. The Municipality is registered at SARS for VAT on the payment basis. VAT control debit and credit accounts (recognised on transaction(s) date before payments) are presented on net basis and they do not form part of financial instruments. Once payments are received or paid, the VAT receivable or payable from/(to) SARS is presented on a net basis and is accounted as a statutory receivable under GRAP 108 or statutory payable in line with GRAP 19

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

GRAP 1 (amended): Presentation of Financial Statements (Going Concern)

The Board undertook a project in 2021 to consider the guidance and disclosure requirements on going concern in the relevant Standards of GRAP. As an outcome of this project, the Board agreed to include additional guidance and disclosures on going concern in this Standard. Consequential amendments are also made to the Standard of GRAP on Events After the Reporting Date.

Applicability of going concern in the public sector

An entity prepares its financial statements on a going concern basis unless there is an intention to liquidate the entity, to cease operating, or if there is no realistic alternative but to do so. A liquidation or cessation of an entity's operations will result in the termination of all its functions.

In South Africa, specific legislative requirements need to be followed before a decision is taken to liquidate a public sector entity, to cease or scale back its operations, to transfer some or all of its functions to another entity, or to merge one or more entities. The "intention" to liquidate an entity, to cease or scale back its operations, to transfer some or all of its functions to another entity, or to merge one or more entities needs to be established. This intention can be reflected in a number of ways and may encompass legislation passed in Parliament or a provincial legislature, cabinet decision, ministerial order, a decision made by a municipal council, board, council or equivalent, a regulation or a notice, or other official means.

The liquidation or cessation of a public sector entity's operations is rare, and only in the case of dissolution without any continuation of the entity's operations will the going concern basis cease to apply. When all, or some of the functions of an entity are transferred to another entity, or when a decision is taken to merge one or more entities, the application of the going concern basis remains appropriate. This is because the entity's functions will continue to be provided in a modified form, even though they are executed by another entity.

The Board agreed to include explanatory guidance in this Standard on the application of the going concern assumption by public sector entities.

Where some of an entity's functions are transferred in a transfer of functions, and the remaining functions are discontinued, there are two separate transactions. The Board concluded that management should assess these transactions separately based on the functions transferred, those to be discontinued (if any), and those that may be retained and continued (if any), to determine if preparing the entity's financial statements on a going concern basis remains appropriate.

Disclosure on going concern

The Board's project highlighted a need for specific disclosures on going concern, material uncertainties relating to going concern, and actions taken by management to mitigate these uncertainties. Consideration was also given to the practices, guidance and requirements in other countries and/or from other standard-setting bodies on these matters.

To address the diversity in the information disclosed on going concern, the Board agreed to expand the disclosure requirements in this Standard to ensure that consistent disclosures are provided.

The effective date of these revisions have not yet been set.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 103 (amended): Heritage Assets

Notes to the Annual Financial Statements

Background

The Accounting Standards Board (the Board) completed its post-implementation review of the Standard of GRAP on Heritage Assets (GRAP 103) (hereafter referred to as "the review") in 2020. Based on the feedback received as part of the review, the Board agreed to reconsider certain principles in GRAP 103.

The objective of the project was to revise and clarify principles in GRAP 103 following feedback received from the review and actions agreed by the Board.

Key amendments to GRAP 103

The Board agreed that the definition of a heritage asset in GRAP 103 should be reconsidered to better align it with the legislative explanation of a heritage resource in the National Heritage Resources Act, 1999, and the classification by the South African Heritage Resources Agency.

The proposed definition focuses on assets that have "cultural significance" and defines a heritage asset as "an asset that has cultural significance, and is held indefinitely for the benefit of present and future generations". "Cultural significance" has also been defined and described in GRAP 103 based on legislation.

The characteristics displayed by heritage assets, and the range of assets that could be heritage assets, have also been aligned with legislation.

The amendments further relate to the Classification of dual purpose heritage assets, Determining a reliable value for a heritage asset, Protective rights imposed on heritage assets, Re-assessing if a reliable value becomes available subsequently, Aggregation of individually insignificant heritage assets, Impairment of heritage assets, Mandatory disclosures of heritage assets borrowed or on loan.

The effective date of these revisions have not yet been set.

The effective date of the standard is for years beginning on or after .

The municipality expects to adopt the standard for the first time in the 1999/2000 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 104 (as revised): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:
- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the revisions is not yet set by the Minister of Finance.

The impact of this standard is currently being assessed.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

3. Inventories

Consumable stores	7,427,082	4,654,263
Inventories recognised as an expense during the year	14,990,027	11,684,061

Water for distribution

Opening balance	86,792	149,106
Water Pumped	38,351,678	39,933,611
Authorised consumption	(35,247,709)	(35,453,130)
Water losses	(3,103,969)	(4,480,481)
Overs and unders	8,666	(62,314)
Closing balance	**95,458**	**86,792**

Material Inventory		
Opening Balance	983,250	377,000
Purchases	6,963,400	10,691,200
Consumed	(6,245,440)	(10,084,950)
	1,701,210	**983,250**

4. Receivables from non-exchange transactions

Traffic fines		
Fines	10,657,470	11,721,446
Fines: Impairment	(9,800,285)	(8,905,403)
	857,185	**2,816,043**

Property rates		
Consumer debtors - Rates	224,842,417	192,334,232
Consumer debtors - Rates: Impairment	(103,780,925)	(74,747,903)
	121,061,492	**117,586,329**

Fines	10,657,470	11,721,446
Allowance for impairment	(9,800,285)	(8,905,403)
Consumer debtors - Rates	224,842,417	192,334,232
Allowance for impairment	(103,780,925)	(74,747,903)
	121,918,677	**120,402,372**

Statutory receivables included in receivables from non-exchange transactions above are as follows:

Rates	172,091,054	118,554,600
Fines	-	1,662,814
	172,091,054	**120,217,414**

Total receivables from non-exchange transactions	121,918,677	120,402,372
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

Statutory receivables general information

Transaction(s) arising from statute

Property rates are governed by the Municipal Property Rates Act which regulates the power of a municipality to value and rate immovable properties (that is, land and buildings) located within the boundaries of municipalities. The market value of the properties is determined by professional valuers who value the immovable property at an amount the property would have realised if sold on the open market.

Traffic fines are governed by the National Road Traffic Act and AARTO which sets out the rules pertaining to who can drive a vehicle, the qualifications one has to have before one can be licensed to drive a vehicle, how one may operate a vehicle on the various types of roads and what happens in the case of a person operating a vehicle in a reckless or negligent manner or failing to comply with the rules of the road.

Determination of transaction amount

Municipal property rates are the financial liabilities that each immovable property owner pays to the municipality where his/her immovable property (land and buildings) is located. The financial liabilities for property rates are calculated by multiplying the market value of immovable property (land plus buildings) by a cent amount in the rand that a municipal council has determined.

Infringement of the regulations set out in the National Road Traffic Act and other traffic violations results in fines being issued based on penalties set out by the MEC and published in the Provincial Gazette.

Interest or other charges levied/charged

Interest on rates is calculated on accounts that are overdue and payable after 30 days. The interest is charged daily on outstanding amounts after 30 days.

Basis used to assess and test whether a statutory receivable is impaired

Impairment of rates is done for outstanding accounts over 90 days.

Impairment of fines is done for all outstanding tickets over 90 days.

Statutory receivables past due but not impaired

Statutory receivables impaired

As of 30 June 2025, Statutory receivables amounted to R- (2024: R-). The total amounts impaired were R1 (2023:R83 477 429).

The amount of the provision was R- as of 30 June 2025 (2024: R107,689,321).

Credit quality of receivables from non-exchange transactions

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

Receivables from non-exchange transactions

Rates (Ageing)		
Current (0-30 days)	4,456,872	10,383,934
31-60 days	3,462,659	2,717,318
61-90 days	3,298,524	2,682,543
90-120 days	3,226,602	2,632,890
Above 120 days	205,734,119	169,253,904
	(170,275,375)	(91,270,796)
	49,903,401	**96,399,793**

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Receivables from non-exchange transactions past due but not impaired

5. VAT receivable

VAT	8,588,065	25,171,858

VAT Receivable is attributable to:

a) VAT Receivable - Cash portion : VAT returns submitted to SARS awaiting payment by SARS as year end

b) VAT Receivable - Accrual portion : VAT related transactions arising from debtor and creditor transaction not actually paid or received as at year end

	2025	2024
VAT receivable - Cash Portion	2,146,899	1,635,856

	2025	2024
VAT Receivable - Accrual Portion	6,441,166	23,536,002

6. Receivables from exchange transactions

Gross balances: Receivables from exchange transactions at amortised cost		
Water	709,346,948	374,967,168
Sewerage	64,217,179	32,712,414
Refuse	58,380,862	26,550,564
Interest and Other	66,503,622	309,295,802
	898,448,611	**743,525,948**
Less: Allowance for impairment		
Water	(272,905,892)	(142,848,431)
Sewerage	(45,916,472)	(23,144,134)
Refuse	(45,582,128)	(20,857,807)
Interest and Other	(26,250,936)	(137,668,352)
	(390,655,428)	**(324,518,724)**
Net balance		
Water	436,441,056	232,118,737
Sewerage	18,300,707	9,568,280
Refuse	12,798,734	5,692,757
Interest and Other	40,252,686	171,627,450
	507,793,183	**419,007,224**
Water		
Current (0 -30 days)	7,517,318	99,764
31 - 60 days	10,153,187	9,120,982
61 - 90 days	16,247,258	9,261,098
90-120 days	9,704,341	11,954,265
Above 120 days	665,724,841	344,531,056
Allowance for impairment	(389,277,667)	(259,220,206)
	320,069,278	**115,746,959**

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Figures in Rand	2025	2024
Sewerage		
Current (0 -30 days)	2,337,443	23,859
31 - 60 days	1,269,544	1,394,462
61 - 90 days	1,221,620	808,818
90-120 days	1,176,723	801,414
Above 120 days	58,211,848	29,683,859
Allowance for impairment	(40,374,289)	(6,375,818)
	23,842,889	**26,336,594**
Refuse		
Current (0 -30 days)	782,674	1,041,945
31 - 60 days	822,111	1,251,844
61 - 90 days	811,872	434,467
Above 90 days	804,776	433,358
Above 120 days	54,695,884	23,388,947
Allowance for impairment	(21,352,527)	(17,461,469)
	36,564,790	**9,089,092**
Other (specify)		
Current (0 -30 days)	4,012,494	361,273
31 - 60 days	1,040,990	7,943,302
61 - 90 days	1,022,255	7,639,095
90 - 120 days	1,007,897	7,867,815
Above 120 days	44,233,367	285,484,315
Allowance for impairment	(189,669,474)	(87,786,922)
	(138,352,471)	**221,508,878**

7. Cash and cash equivalents

Cash and cash equivalents consist of:

	2025	2024
Bank balances	214,640	1,288,228
Short-term deposits	59,356	273,007
	273,996	**1,561,235**

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2025	Bank statement balances 30 June 2024	Bank statement balances 30 June 2023	Cash book balances 30 June 2025	Cash book balances 30 June 2024	Cash book balances 30 June 2023
ABSA Bank -40-6952-9871	1,026	1,425	908	1,026	1,425	908
ABSA Bank- 40-5285-3972 Cheque Account(Primary account)	210,938	1,288,225	602,333	214,644	1,288,225	602,333
ABSA Bank -40-9074-1909 Call Deposits	805	164,100	7,098,596	805	164,100	7,098,596
FNB - 63 01406573	-	-	12,509	-	-	12,509
ABSA Bank - 93-8039-9198 - Call Deposits	856	53,483	-	856	53,483	-
Standard Bank - 03-856-864-0-060- Call Deposits	56,670	53,998	-	56,670	53,998	-
Total	**270,295**	**1,561,231**	**7,714,346**	**274,001**	**1,561,231**	**7,714,346**

The bank processed unauthorised debit orders on our Main account for R3,700. The corrections to reverse the transactions were effected after 30 June 2025.

Notes to the Annual Financial Statements

8. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	154,170	-	154,170	154,170	-	154,170

Reconciliation of investment property - 2025

	Opening balance	Total
Investment property	154,170	154,170

Reconciliation of investment property - 2024

	Opening balance	Total
Opening balance	154,170	154,170

Details of property

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.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

Details of valuation

The investment property relates the Valschfontein 33 JS Portion 29 and Potion 31 farms and is measured at cost.

The investment property was not pledged as security as of 30 June 2025.

There were no repairs and maintanance pertaining to the property during the 2024 and 2025 financial year.

Amounts recognised in surplus and deficit for the year.

Notes to the Annual Financial Statements

Figures in Rand

9. 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	87,395,669	-	87,395,669	87,395,669	-	87,395,669
Buildings	101,399,189	(61,353,439)	40,045,750	101,530,905	(58,033,091)	43,497,814
Plant and machinery	47,195,603	(29,646,655)	17,548,948	46,688,891	(25,280,437)	21,408,454
Furniture and fixtures	14,914,828	(8,762,448)	6,152,380	14,162,627	(7,241,093)	6,921,534
Transport Assets	36,289,973	(28,790,229)	7,499,744	36,289,973	(26,832,164)	9,457,809
Office equipment	3,271,076	(1,683,963)	1,587,113	2,888,177	(1,394,653)	1,493,524
IT equipment	25,164,071	(16,905,403)	8,258,668	20,122,181	(15,900,728)	4,221,453
Infrastructure	2,547,946,398	(1,169,053,716)	1,378,892,682	2,422,215,008	(1,100,329,946)	1,321,885,062
Community	232,478,557	(128,630,232)	103,848,325	232,598,503	(122,723,405)	109,875,098
Total	**3,096,055,364**	**(1,444,826,085)**	**1,651,229,279**	**2,963,891,934**	**(1,357,735,517)**	**1,606,156,417**

Notes to the Annual Financial Statements

Figures in Rand

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Loss on derecognition	WIP Additions	Transfers	Depreciation	Impairment loss	Total
Land	87,395,669	-	-	-	-	-	-	87,395,669
Buildings	43,497,814	8,000	(24,339)	-	-	(3,341,914)	(93,811)	40,045,750
Plant and machinery	21,408,454	800,338	(64,545)	-	-	(4,595,299)	-	17,548,948
Furniture and fixtures	6,921,534	753,587	(44)	-	-	(1,522,697)	-	6,152,380
Transport Assets	9,457,809	-	-	-	-	(1,958,065)	-	7,499,744
Office equipment	1,493,524	491,000	(29,956)	-	-	(367,455)	-	1,587,113
IT equipment	4,221,453	5,268,881	(11,473)	-	-	(1,220,193)	-	8,258,668
Infrastructure	1,321,885,062	9,765,333	(21,438)	123,476,461	(7,409,663)	(68,777,751)	(25,322)	1,378,892,682
Community	109,875,098	-	(273)	-	-	(4,586,964)	(1,439,536)	103,848,325
	1,606,156,417	**17,087,139**	**(152,068)**	**123,476,461**	**(7,409,663)**	**(86,370,338)**	**(1,558,669)**	**1,651,229,279**

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Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Loss on derecognition of assets	Donations received	Work in Progress	Transfers	Depreciation	Impairment loss	Total
Land	87,395,669	-	-	-	-	-	-	-	87,395,669
Buildings	48,463,731	-	(14,495)	-	-	-	(3,675,344)	(1,276,078)	43,497,814
Plant and machinery	22,066,013	1,749,495	(56,459)	2,989,000	-	-	(5,339,595)	-	21,408,454
Furniture and fixtures	6,651,399	1,951,760	(16,322)	-	-	-	(1,665,303)	-	6,921,534
Transport Assets	12,680,722	-	(95,261)	-	-	-	(3,127,652)	-	9,457,809
Office equipment	1,850,172	124,649	(10,027)	-	-	-	(471,270)	-	1,493,524
IT equipment	5,236,937	1,776,223	(181,867)	-	-	-	(2,609,840)	-	4,221,453
Infrastructure	1,210,048,000	30,158,885	(68,521)	36,980,087	120,559,021	(6,055,103)	(64,384,423)	(5,352,884)	1,321,885,062
Community	122,062,920	240,190	(37,271)	-	-	-	(4,957,187)	(7,433,554)	109,875,098
	1,516,455,563	**36,001,202**	**(480,223)**	**39,969,087**	**120,559,021**	**(6,055,103)**	**(86,230,614)**	**(14,062,516)**	**1,606,156,417**

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

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Total
Opening balance	70,241,269	38,292,996	108,534,265
Additions/capital expenditure	123,476,462	-	123,476,462
Transferred to completed items	(72,499,823)	-	(72,499,823)
Projects expensed	(7,409,663)	-	(7,409,663)
Impairment	-	(1,177,400)	(1,177,400)
	113,808,245	**37,115,596**	**150,923,841**

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Figures in Rand	2025	2024

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	120,633,287	39,657,332	160,290,619
Additions/capital expenditure	120,559,021	-	120,559,021
Project expensed	(6,055,102)	-	(6,055,102)
Transferred to completed items	(167,805,605)	-	(167,805,605)
Impairment	-	(1,364,335)	(1,364,335)
Donations	2,909,667	-	2,909,667
	70,241,268	**38,292,997**	**108,534,265**

Work in progress age analysis	In Progress	Delayed	Halted	Total
>1 Year	62,232,688	-	4,807,556	67,040,245
>3 Years	-	46,768,000	-	46,768,000
>5 Years	-	-	37,115,596	37,115,596
	62,232,688	**46,768,000**	**41,923,152**	**150,923,841**

The Fresh Produce Project was initiated in 2008, with the first payment disbursed in 2009. However, the project faced immediate challenges, including community protests over the original site, which compelled the municipality to relocate the initiative during the 2012/2013 financial year. Since its inception, progress has been consistently hindered by community unrest. In the 2013/2014 financial year, delays were exacerbated by the main contractor's cashflow issues, resulting in a lack of materials on site. Additionally, unpaid subcontractors halted their work, further stalling development. Due to the initial contractor's slow progress and reluctance to meet deadlines, a replacement contractor was appointed, causing additional delays. Although the revised completion date was set for 2015, ongoing protests prevented the project's finalization. A new target was established for the end of the 2016/2017 financial year, but further setbacks were incurred. Since then, the project has remained inactive and is subject to annual impairment assessments.

The construction of the sewer reticulation system for the Libangeni project commenced in 2021. However, the initial contractor was unable to complete the work as planned, necessitating the appointment of a new contractor to finalize the project in 2024. Progress was further hindered by delays in the supply of pumps as they had to be manufactured. Although the project remains active and the contractor is currently on site, it is anticipated that it will be completed early in the year 2025/26.

These projects were donated by the district. The projects consist of designs only and were not implemented by the district. The municipality does not have funding to complete the project and therefore the projects are halted.

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Buildings	2,958,526	459,870
Infrastructure	51,412,100	58,910,538
IT Equipment	3,063,211	-
Transport Assets	(876,235)	10,243,529
Plant and Machinery	(539,591)	77,600
Furniture	129,185	-
	56,147,196	**69,691,537**

Change in Estimate

Property, Plant and Equipment

The useful lives of certain items of Property Plant and Equipment was revised. The effect of this change has impacted the depreciation charges for the current and future periods.

Effect of change in current and future periods

Impact on Depreciation	Depreciation using old useful lives	Depreciation using revised useful lives	Change
Buildings	3,383,496	3,341,915	41,582
Infrastructure	67,085,885	68,777,750	(1,691,865)
Community assets	4,634,531	4,586,964	47,567
Furniture and fittings	1,986,692	1,522,696	463,996
Office Equipment	472,691	367,455	105,236
Transport Assets	2,755,856	1,958,065	797,792
Plant and Machinery	6,106,812	4,595,299	1,511,513
IT Equipment	1,568,190	1,220,196	347,993
	87,994,153	**86,370,340**	**1,623,814**

Impact on Carrying Amount	Carrying amount based on Old useful lives	Carrying amount based on revised useful lives	Change
Buildings	40,087,333	40,045,751	41,582
Infrastructure	1,377,200,817	1,378,892,682	(1,691,865)
Community Assets	103,895,891	103,848,325	47,567
Furniture and fittings	6,616,369	6,152,373	463,996
Office Equipment	1,692,353	1,587,117	105,236
Transport Assets	8,297,537	7,499,745	797,792
Plant and Machinery	19,060,463	17,548,950	1,511,513
IT Equipment	8,606,658	8,258,664	347,993
	1,565,457,421	**1,563,833,607**	**1,623,814**

Effect of depreciation on future periods	Effect of changes in depreciation for future periods	Total
Buildings	41,582	41,582
Infrastructure	(1,691,865)	(1,691,865)
Community Assets	47,567	47,567
Furniture and fittings	463,996	463,996
Office Equipment	105,236	105,236
Transport Assets	797,792	797,792
Plant and Machinery	1,511,513	1,511,513
IT Equipment	347,993	347,993
	1,623,814	**1,623,814**

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.

Notes to the Annual Financial Statements

Figures in Rand

10. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intangible assets	1,273,052	(879,745)	393,307	1,273,052	(784,230)	488,822

Reconciliation of intangible assets - 2025

	Opening balance	Amortisation	Total
Intangible assets	488,822	(95,515)	393,307

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Opening balance	-	-	-
Intangible assets	750,574	(261,752)	488,822

11. Prepayments

The municipality acquired a compactor truck and included in the cost of the asset was a service plan for R250 000. The maintanance plan has been concluded.

Heading	2025	2024
Compactor Truck Service Plan	-	243,729

Notes to the Annual Financial Statements

Figures in Rand

12. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Stamp collections, military insignia, medals, coin	197,000	-	197,000	197,000	-	197,000

Reconciliation of heritage assets 2025

	Opening balance	Total
Stamp collections, military insignia, medals, coin	197,000	197,000

Reconciliation of heritage assets 2024

	Opening balance	Total
Stamp collections, military insignia, medals, coin	197,000	197,000

13. Payables from exchange transactions

Trade payables	55,228,638	54,510,830
Payments received in advanced	35,366,237	49,160,414
Retentions	34,673,406	36,549,791
Accrued leave pay	24,618,174	20,709,727
Accrued bonus	5,588,431	5,179,373
Payroll accruals	6,641,561	9,101,233
Accruals	4,207,537	1,404,290
ENatis	7,517,260	4,616,906
	173,841,244	**181,232,564**

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Trade and other payables measured at amortised cost

Trade and other payables payables	173,841,244	181,232,564
Payments received in advance	(35,366,237)	(49,160,414)
Accrued leave pay	(24,618,174)	(20,709,727)
Accrued bonus	(5,588,431)	(5,179,373)
Payroll accruals	(6,641,561)	(9,101,233)
Trade and other payables measured at amortised cost	**101,626,841**	**97,081,817**

14. Consumer deposits

Water	385,753	380,788
Refuse	284,119	284,119
Housing rental	213,528	202,969
	883,400	**867,876**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

15. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Utilised during the year	Change in discount factor	Total
Siyabuswa Landfill	24,158,474	2,259,860	2,457,013	28,875,347
Libangeni Landfill	10,286,019	809,540	1,097,559	12,193,118
	34,444,493	**3,069,400**	**3,554,572**	**41,068,465**

Reconciliation of provisions - 2024

	Opening Balance	Utilised during the year	Change in discount factor	Total
Siyabuswa landfill	21,737,914	100,777	2,319,783	24,158,474
Libangeni landfill	9,863,933	(704,533)	1,126,619	10,286,019
	31,601,847	**(603,756)**	**3,446,402**	**34,444,493**

Environmental rehabilitation provision

The municipality has two landfill sites for which the calculation was made and those calculations of the closure costs have been based on estimations.
Siyabuswa landfill has now been closed, a remaining useful life of zero years has been used for the valuations since 2013.

The expected useful life of the Libangeni landfill is estimated at 27 years.

Financial Assumptions used
Unit Costs
Unit costs for each of the elements are obtained annually by means of a commercial quotation. Details of this are provided separately.

Consumer Price Index
The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three month average CPI for the quarter that includes the financial year-end date. The average of the CPI for the last quarter amounted to 2,8878%.

Discount rate
GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pretax rate that reflects current market assessments of the time value of money., and the risks specific to the liability. Normally corporate bonds are to determine the discount rate. The liability for this purpose is in most cases determined for a government entity (municipality). Therefore government bonds are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the bond rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used.

The rate most consistent with the remaining life of the landfill published at the end of the quarter that includes the financial year-end date was used.

For the landfills the rate associated with a maximum period of 10 years is used.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
BankSeta	-	-
Expanded Public Works Program	-	-
LG Seta Grant	-	-
Financial Management Grant	-	-
Municipal Infrastructure Grant	-	(1)
Integrated National Electrification Grant	-	791,434
	-	**791,433**

Movement during the year

Balance at the beginning of the year	791,433	6,129,967
Additions during the year	145,891,000	147,052,000
Income recognition during the year	(146,682,433)	(152,390,534)
	-	**791,433**

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

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

See note 26 for reconciliation of grants from National/Government.

These amounts are invested in a ring-fenced investment until utilised.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

17. Long service bonus liability

	2025	2024
Opening balance	15,742,503	15,751,429
Service cost	1,258,637	1,291,279
Interest cost	1,617,608	1,589,661
Acturial gains	(337,529)	(88,145)
Benefits paid	(755,474)	(2,801,721)
	17,525,745	**15,742,503**

Long service broken down	2025	2024
Current portion	2,265,134	755,474
Non current portion	15,260,611	14,987,029
	17,525,745	**15,742,503**

Nature of Liability

The employer's long service bonus awards consist of an obligation to pay out a bonus in the year of the employee attaining the required service.This obligation represents a liability to the employer and the value is represented by the present value of the total long service bonus awards expected to become payable under the employer's current policy. Dr JS Moroka offers bonuses for every 5 years of completed service from 10 years to 45 years

Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed . Dr JS Moroka advised that in most cases, employees choose to exercise the option to wholly convert their accumulative leave bonus days into cash

Summary of acturial assumptions

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2024, the duration of liabilities was 6.22 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2025 is 9.39% per annum, and the yield on inflation-linked bonds of a similar term was about 4.99% per annum. This implies an underlying expectation of inflation of 3.71% per annum ([1 + 9.39% - 0.50%] / [1 + 4.99%] - 1). The 0.5% deduction has been added as a risk premium to reflect the uncertainty inherent in the projection

We have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 4.71% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 4.47% per annum ([1 + 9.39%] / [1 + 4.71%] - 1).

Liability valuation method

In accordance with the requirements of GRAP 25, the Projected Unit Credit method has been applied. Accrued liabilities are defined as the actuarial present value of all benefits expected to be paid in future based on service accrued to the valuation date and awards projected to retirement date.In determining these liabilities, due allowance has been made for future award increases.
The valuation has been made with reference to Acturial Society of South Africa (ASSA) guidelines, in particular the Advisory Practise Note 207 version 2.0 effective September 2017 as issued by ASSA and is consistent with the requirements of GRAP 25.

2025	1% decrease R's	30 June 2025 /aluation basis R's	1% increase R's
Employer's accrued liability	16,528,106	17,525,745	18,619,192
Employer's current service cost	1,232,681	1,319,934	1,416,646
Employer's interest cost	1,445,142	1,538,519	1,640,889
	19,205,929	**20,384,198**	**21,676,727**

As per the table above, a 1% increase in the salary increase rate results in a 6.24% increase in the accrued liability whilst a 1% decrease in the salary increase rate will result in a 5.69% decrease in the accrued liability.

Discount Rate

The effect of a 1% increase and decrease in the discount rate is as follows:

2025	1% decrease R's	30 June 2025 valuation basis R's	1% decrease R's
Employer's accrued liability	18,580,387	17,525,745	16,577,260
Employer's current service cost	1,413,195	1,319,934	1,236,957
Employer's interest cost	1,462,803	1,538,519	1,604,214
	21,456,385	**20,384,198**	**19,418,431**

As per the table above, a 1% increase in the discount rate results in a 5.41% decrease in the accrued liability whilst a 1% decrease in the discount rate results in a 6.02% increase in the accrued liability.

2024	1% decrease R's	Valuation Basis	1% increase R's
Employer's accrued liability	14,769,863	15,742,503	16,810,790
Employer's current service cost	1,169,669	1,258,637	1,357,507
Employer's interest cost	1,515,208	1,617,608	1,730,078
	17,454,740	**18,618,748**	**19,898,375**

As per the table above, a 1% increase in the salary increase rate results in a 6.79% increase in the accrued liability whilst a 1% decrease in the salary increase rate will result in a 6.18% decrease in the accrued benefit

Discount Rate

The effect of a 1% increase and decrease in the discount rate is as follows:

2024	1 % decrease R's	30 June 2024 Valuation basis R's	1 % increase R's
Employer's accrued liability	16,774,134	15,742,503	14,816,508
Employer's current service cost	1,354,095	1,258,637	1,173,912
Employer's service cost	1,562,164	1,617,608	1,664,615
	19,690,393	**18,618,748**	**17,655,035**

As per the table above, a 1% increase in the discount rate results in a 5,88% decrease in the accrued liability whilst a 1% decrease in the discount rate results in a 6,55% increase in the accrued liability.

18. Service charges

	2025	2024
Sale of water	108,670,551	95,607,486
Solid waste	7,402,846	7,243,124
Sewerage and sanitation charges	12,321,771	11,394,545
	128,395,168	**114,245,155**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

19. Rendering of services

Application for tenders	27,921	58,617
Administration fees	181,690	94,806
Advertising	97,176	108,191
Sundry income	338,809	2,911,712
Sale of water	221,757	116,355
	867,353	**3,289,681**

20. Rental of facilities and equipment

Facilities and equipment		
Municipal buildings	644,647	349,903

21. Interest received

Interest received (trading)	79,950,122	52,911,420
Interest - Property rates	13,846,028	14,307,382
	93,796,150	**67,218,802**

The balance is made up of interest received charged on receivables for property rates and other services.

22. Licences and permits

Trading	9,090,485	9,205,565
Road and Transport	926,840	1,033,917
	10,017,325	**10,239,482**

23. Gain on landfill site provision

Gain/(loss) on landfill site provision	(3,069,400)	603,756

24. Investment revenue

Interest revenue		
Bank	6,191,239	7,448,764

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

25. Property rates

Rates received

Agricultural	7,208,261	6,892,873
Business	6,386,685	6,114,080
Government	541,289	517,980
Multi Use Properties	2,770,494	2,657,413
Public Service Infrastructure	17,467,932	16,890,924
Residential	26,561,422	25,438,205
Vacant land	461,464	440,488
Less: exemption	(16,928,108)	(14,564,843)
	44,469,439	**44,387,120**

Valuation Roll

Residential	3,123,747,738	3,123,747,738
Business	311,889,000	311,889,000
Government	37,930,000	37,930,000
Public Service Infrastructure	1,157,714,200	1,157,714,200
Agricultural	363,101,850	363,101,850
Multi Use properties	292,300,152	292,300,152
Vacant Land	16,842,600	16,482,600
Property rates 3	295,000	295,000
Property rates 4	10,698,000	10,698,000
	5,314,518,540	**5,314,158,540**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. A supplimentary valuation roll has been issued and extends the validity of the General valuation roll by 2 years from 1 July 2023.

The basic rates of R0.0200 agriculture commercial, R0.0090 on the value of agricultural residential, R0.0200 on the vaule of commercial business land and buildings, R0.0150 consent use, R0.0200 government institutions, R0.0090 on the value of state land and buildings, R0.0021 farming, R0.0294 vacant land empty sites, 0.0294 non permitted use, R0.0094 multi purpose business and residential and R0.0090 on the value of residential land and buildings are applied to determine assessment rates. These rates were agreed to the approved tariff policy..

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

26. Government grants & subsidies

Operating grants		
Equitable share	520,563,000	491,709,000
LG SETA Grant	459,072	404,701
EPWP Grant	2,155,000	3,824,000
Financial Management Grant	2,400,000	2,450,000
BankSETA	1,776,000	-
	527,353,072	**498,387,701**
Capital grants		
Municipal infrastructure Grant	144,500,000	146,301,968
INEP Grant	2,182,434	6,088,566
	146,682,434	**152,390,534**
	674,035,506	**650,778,235**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Equitable Share

In terms of section 227 of the Constitution, the equitable share grant is used to subsidise the provision of basic services and the day to day operations of the municipality.

LG Seta Grant

Current-year receipts	459,072	404,701
Conditions met - transferred to revenue	(459,072)	(404,701)
	-	-

The grant is aimed at addressing the skills development priorities in the local government sector. Conditions of the grant were met, and no funds have been withheld

EPWP Grant

Current-year receipts	2,155,000	3,824,000
Conditions met - transferred to revenue	(2,155,000)	(3,824,000)
	-	-

The grant was used to provide poverty and income relief through temporary work for the unemployed to carry out socially useful activities.The conditions of the grant were met and no funds have been withheld.

Financial Management Grant

Current-year receipts	2,400,000	2,450,000
Conditions met - transferred to revenue	(2,400,000)	(2,450,000)
	-	-

The purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA. The conditions of the grant were met and no funds have been withheld

Municipal Infrastructure Grant

Audited
By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
Balance unspent at beginning of year	-	6,129,969
Current-year receipts	144,500,000	140,172,000
Conditions met - transferred to revenue	(144,500,000)	(146,301,969)
	-	-

The grant aims to eradicate municipal infrastructure backlogs in poor communities to ensure the provision of basic services such as water, sanitation, roads and community lighting. In the current year conditions of the grant were met and no funds have been withheld.

Integrated National Electrification Programme

Balance unspent at beginning of year	791,434	-
Current-year receipts	1,391,000	6,880,000
Conditions met - transferred to revenue	(2,182,434)	(6,088,566)
	-	**791,434**

The purpose of the grant is for planning, project management and funding the bulk infrastructure grid and non grid new connections for households that can afford to pay on their own to receive access to electricity

BankSETA

Current-year receipts	1,776,000	-
Conditions met - transferred to revenue	(1,776,000)	-
	-	-

BankSeta approved a grant to Dr JS Moroka Local Municipality through the Entrepreneurship Funding Window to support skills development initiatives. The funding is designated for the training and development of 30 learners..

27. Public contributions and donations

Nkangala District Municipality	777,500	43,257,445

Nkangala District Municipality donated the following assets and operational items to the municipality in 2025.

Donations of an operational nature that were donated amounted to R777 500. These were expenditures that Nkangala District Municipality incurred on behalf of the municipality during 2025. This is a Land Surveying Project Portion Farm Valschfontein

Nkangala District Municipality donated the following assets and operational items to the municipality in 2024.

Capital assets that were donated to the municipality were the following:

Infrastructure assets	:	Madubaduba & Moripe Gardens Water Supply	R34,070,419.39
		Mogononong to Siyabuswa Magistrate Court Road	R 912,608.73
		Ga-Morwe to Mtambathini Vehicle Bridge	R 1,105,164.12
		Thabana and Ramokgeletsane Subsurface Drainange	R 891,893.15
Movable assets	:	Honey Sucker Truck	R 2,989,000.00

Donations of an operational nature that were donated amounted to R3,288,358.20. These were expenditures that Nkangala District Municipality incurred on behalf of the municipality during 2024. This includes the Formalisation of a Township Establishment Dr JS Moroka, Opening Township Register: Dr JS Moroka and the Land Surveying Dr JS Moroka.

28. Fines, Penalties and Forfeits

Municipal Traffic Fines	1,065,584	2,089,701

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By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

29. Employee related costs

Basic	161,415,862	152,591,600
Bonus	11,699,044	9,348,237
Medical aid - company contributions	16,173,051	15,124,681
UIF	1,072,608	1,054,426
SDL	2,010,112	1,916,166
Leave pay provision charge	3,908,448	(3,714,718)
Pension fund contribution	30,102,757	29,489,313
Travel, motor car, accommodation, subsistence and other allowances	9,276,839	9,680,516
Overtime payments	5,022,461	7,633,155
Acting allowances	5,313,380	2,566,394
Housing benefits and allowances	1,190,302	742,082
Group life contributions	11,862	23,372
Bargaining Council	72,106	68,213
Cellphone allowance	1,120,789	1,124,153
Standby allowance	3,461,270	4,651,081
	251,850,891	**232,298,671**

30. Remuneration of councillors

Executive Major	1,226,792	1,331,500
Mayoral Committee Members	4,223,964	3,972,014
Speaker	990,934	1,075,173
Councillors	21,150,955	20,033,305
Chief Whip	896,243	880,951
	28,488,888	**27,292,943**

In-kind benefits

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

The Executive Mayor and the Speaker have use of a Council owned vehicle, a bodyguard and a driver for official duties.

The Mayor has full time personal assistant to assist her in her duties.

The remuneration of political office bearers and councillors is paid in line with the upper limits as determined by the framework envisaged in Section 129 of the constitution.

31. Impairment loss

Impairments		
Property, plant and equipment	1,558,669	14,062,515

32. Depreciation and amortisation

Property, plant and equipment	86,370,335	86,230,615
Intangible assets	95,515	261,752
	86,465,850	**86,492,367**

33. Finance costs

Other interest paid	5,172,180	5,036,063

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By
2025 -11- 30
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Mpumalanga Business Unit

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

Included in the interest paid is the interest on the landfill site provision, interest on late payments and interest on long service bonus liability.

34. Lease rentals on operating lease

Plant and equipment		
Contractual amounts	2,300,007	3,276,002

35. Debt impairment/reversal

Debt impairment	96,064,606	103,060,654

36. Contracted services

Contractors		
Repairs and Maintanance	56,703,761	70,681,069
Security	88,341,698	74,120,558
Specialist Services	60,148,725	62,058,918
Other contractors	16,825,389	20,223,085
	222,019,573	**227,083,630**

37. General expenses

	110,528,074	**103,083,432**
Advertising and Bursaries	794,617	511,313
Auditors remuneration	11,328,865	10,576,794
Bank Charges	756,000	516,151
Cleaning	6,863,950	7,831,433
Consumables	1,173,284	7,719,925
Inventory consumed	13,288,826	10,727,860
Electricity	39,840,142	36,778,583
Indigent Relief	2,258,268	5,538,003
Completed INEP Projects expensed	1,898,176	5,294,405
WIP projects expensed	7,409,663	-
Insurance	-	28,080
Medical expenses	-	1,291,279
Other expenses	15,376,179	8,830,225
Postage and courier	-	179,945
SMME Support and Learnerships	2,512,163	826,084
Subscriptions and membership fees	2,956,371	2,493,994
Telephone and fax	82,080	-
Transport and freight	171,750	56,500
Travel - local	450	24,858
Ward Committee support	3,817,290	3,858,000

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

38. Cash generated from operations

Surplus	149,960,397	139,338,609
Adjustments for:		
Depreciation and amortisation	86,465,850	86,492,367
Gain on sale of assets and liabilities	152,069	480,224
Surplus on distribution of non-cash assets to owners	-	-
Movement in employee benefit liability	165,634	(1,598,587)
Finance costs	5,172,180	5,036,063
Impairment of assets	1,558,669	14,062,515
Debt impairment	96,064,606	103,060,654
Bad debts written off	2,585,715	2,491,077
Movements in provisions - Landfill site	3,069,400	(603,756)
Non-cash donations and other in-kind benefits	-	(39,969,087)
Changes in working capital:		
Inventories	(2,772,819)	(2,299,827)
Consumer debtors	(213,406,804)	(101,058,805)
Other receivables from non-exchange transactions	(1,516,308)	(82,961,411)
Prepayments	243,729	6,271
Payables from exchange transactions	(7,391,316)	27,487,112
VAT	16,583,793	11,336,385
Unspent conditional grants and receipts	(791,433)	(5,338,534)
Consumer deposits	15,524	17,213
	136,158,886	**155,978,483**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

39. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment - Infrastructure	59,042,565	30,252,835
Total capital commitments		
Already contracted for but not provided for	59,042,565	30,252,835

Authorised operational expenditure

Total commitments

Total commitments		
Authorised capital expenditure	59,042,565	30,252,835

This committed expenditure relates to Property,Plant and equipment (Infrastructure) and will be financed by retained surpluses, existing cash resources, funds internally generated.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	1,816,079	-
- in second to fifth year inclusive	2,242,950	-
	4,059,029	**-**

DR JS Moroka Municipality entered in a 36 months operating Lease agreement with Konika Minolta to lease printing and photo copying machines. The contract commenced on the 01/09/2024 for 37 machines. The fixed lease monthly rent is R109 942.82 inclusive of VAT for the period 01/09/2024 to 30/11/2024 and thereafter a fixed monthly amount of R155 339.89 inclusive of VAT.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

40. Contingencies

Figures in Rand	2025	2024

Contingent liabilities 2025

1. Elijah B Mashinga/ Dr JS Moroka Local Municipality

The Plaintiff is claiming damages from the Municipality for unlawful arrest and detention. The plaintiff is claiming R900 000 plus interest and legal costs against the Municipality.

2. Dumisani J Mashiga/ Dr JS Local Municipality

This is a claim against the municipality in the amount of R700 000 in respect of wrongful arrest and detention plus interest and legal costs.

3. Sizwe Africa IT Group/ Dr JS Moroka Local Municipality

The Plaintiff has instituted action against the Municipality claiming that the Municipality repudiated the Rental Agreement concluded which agreement relates to the rental of equipment. Damages in the sum of R3 418 270.20, plus interest and legal costs are being sought.

4. Khwinana Logistics CC Enterprise (Pty) Ltd/Dr JS Moroka Local Municipality

Dolamo Attorneys received summons from DR JS Moroka and entered the intention to defend. Matter has been set down for having in our special plea, awaiting for a date. The value of the claim is R998 000,00.

5. Rev BL Sibiya//Dr JS Moroka Local Municipality

Default judgement was obtained against the Municipality in the amount of R250 000,00 in the form of damages. The judgement was successfully rescinded, and the matter is currently proceeding to trial.

6. Oradimpho Trading/Dr JS Moroka Local Municipality

The application brought by Oradimpho Trading being the urgent application to interdict the Municipality from further implementing phase two of the Libangeni Sewer.Currently dealing with Part B of the application wherein our opponents have applied to the Court to declare the tender advert for phase 2, Null and Void and to review and set aside the decision that was made by the Municipality to advertise Phase 2 of construction of Libangeni. The value of the claim is R2 700 000.00.

7. Lucas Mduduzi Mthombeni//Dr JS Moroka Local Municipality

Claim against the Municipality for damages because of a strike that occurred in the premises of the Municipality.The value of the claim is R6 000 000.00.

8.Zodwana Holding (Pty) Ltd//Dr JS Moroka Local Municipality

Claim against the Municipality for unlawful demolition. The value of the claim is R7 600 000.00

9. Mozma Trading//Dr JS Moroka Local Municipality

A claim against the Municipality for breach of conduct.The value of the claim is R1 267 194,92.

10. Chief Maphothoma//Dr JS Moroka Local Municipality and 3 others

Claim against the Municipality for damages of premises due to sewer in his property. The value of the claim is R56 000 000

11. Monareng//Dr JS Moroka Local Municipal (Constitutional Court)

An ex-employee resigned from a post with the Municipality. The employee then sought to retract the letter of resignation. The request was denied by the then administrator and the employee approached the labour Court and sought an order for reinstatement claiming he had lawfully retracted his resignation letter. The application was opposed by the Municipality.The Municipality has appealed the order of the LAC to the Constitutional Court . Estimated legal costs is R800 000.00.

12. Pangela Protection Services//Dr JS Moroka Local Municipality

An urgent application instituted by the applicant, a security contract intending to interdict the termination of services agreement.The urgent application was successfully opposed and matter struck from the urgent roll.The trial is on normal roll and we await court date. Matter is at pre-trial phase. Estimated legal costs is R5 000 000.00.

13. Get There Security Services//Dr JS Moroka Local Municipality

An action was instituted by the plaintiff. A security contractor.The contractor alleges that its contract termonated due to non-compliance with SCM processes of the Municipality was irregualrly terminated.The trial is on normal roll and we await court date. Matter is at pre-trial phase. Estimated legal costs is R10 381 121.84

14. T. Kubheka//Dr JS Moroka Local Municipality

A claim at the CCMA by an ex-employee seeking compensation and reinstatement of alleged unfair dismissal. The employee has applied for a review of the commissioner's award at the Labour court under section 145 of the LRA.

15.Sidas Security Services (Pty) Ltd//Dr JS Moroka Local Municipality

Summons issued against the Municipality by the plaintiff claiming the sum of R1 960 320.42 for the outstanding amount in relation to service rendered.

16. Phathagke Billy Tladi//Dr JS Moroka Local Municipality

Plaintiff alleges that he drove into a pothole in Semotlhase road at Mamethlake which resulted in the loss of control of vehicle and colliding into a fence and claim the sum of R49 582.62 for motor vehicle damages suffered.

17.Gubis85 Solutions (Pty) Ltd //Dr JS Moroka Local Municipality

A claim for specific performance arising out of a contract concluded between Gubis85 Solutions (Pty) Ltd and the entity on 28 November 2018 for provision of security services at the entity's various premises. The plaintiff alleges that the entity is in breach of the terms of the said contract in that the entity failed to pay the Plaintiff's. The claim is for R403 148.32.

Contingent liabilities 2024

1. Sizwe Africa IT Group/ Dr JS Moroka Local Municipality

The following matter relates to a claim against the Municipality for the repudiation of an equipment rental agreement for which the municipality reneged on. The Plaintiff is claiming R3 418 270,20 in damages against the Municipality plus interest and legal costs.

2. Elijah Mashinga/ Dr JS Moroka Local Municipality

The following matter relates to the unlawful detention of the plaintiff. The plaintiff is claiming R900 000 against the Municipality.

3. Dumisani J Mashiga/ Dr JS Local Municipality

This is a claim against the municipality in the amount of R700 000 in respect of wrongful arrest and detention plus interest and legal costs.

4. Pangela Protection Service (Pty) Ltd/Dr JS Moroka Local Municipality

Urgent court application instituted against the respondent for termination of agreement under case number 3293/21. The claim is estimated to be R5 000 000.

5. Mr Monareng // Dr JS Moroka Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

Urgent court application in the labour court against the respondent for termination of salary dispute and declaration of the applicant as an employee as well as salary reinstatement. The balance of the claim is estimated at R800 000.00.

6. Get There Security Services (Pty) Ltd/ / Dr JS Moroka Local Municipality

The matter relates to a claim of a contract terminated because the process did not follow the law and SCM policies of the Municipality. The value of the claim amounts to R10 381 121.84..

7. Gubis85 Solutions (Pty)Ltd/ Dr JS Moroka Local Municipality

A claim for the sum of R403 148.32 for termination of contract and outstanding amount for service rendered on the monitoring and maintenance of the CCTV cameras.

8. Thathazakho Taxi Association / Dr JS Moroka Local Municipality

This is a claim against the municipality which dispute relates to two rival taxi associations regarding a taxi route with the municipality as one of the respondents and ordered to implement the court order.

9. Mozma Trading / Dr JS Moroka Local Municipality

The claim is against the municipality for breach of contract. The Plaintiff is claiming damages of R1 267 194,92 against the municipality.

10. Lucas Mafetsa Attorneys/ Dr JS Moroka Local Municipality

This matter is awaiting notice of sit down. The Plaintiff is claiming damages of R2 758 253 against the municipality.

11. Reverance Baphasile Johann Sibiya//Dr JS Moroka Local Municipality

The plaintiff has issued a summons for payment of R250 000.00 in respect of a damage claim arising from destruction of property.

12. Fleet Horizon Solutions Pty Ltd// Dr JS Moroka Local Municipality

A claim by the plaintiff for the alleged breach of contract and outstanding amount of R3 058 908.10.

13. Lucas Mduduzi Khobongo Mthombeni// Dr JS Moroka Local Municipality

Summons issued against the Municipality by the plaintiff claiming the sum of R6 000 000.00 for damages emanating from serious bodily injuries sustained during strike action instituted by members of the community.

14. Sidas Security// Dr JS Moroka Local Municipality

Matter at pleading stage and awaiting date for case management with the Judge for setting a hearing date. The claim amount is R1 960 320.42

15. Khwinana Logistics CC Enterprises // Dr JS Moroka Local Municipality.

It is alleged that Dr JS Moroka Local Municipality owes Khwinana an amount of R998 000.00 for services rendered for repairing damaged sewer, benching and unblocking of the main sewer.

16. T Khubheka v Dr JS Moroka Local Municipality.

The applicant applied for a review of the CCMA Commissioner's Award.

17. Phathakge Billy Tladi // Dr JS Moroka Local Municipality

Plaintiff alleges that he drove into a pothole in Semotlhase road at Mamethlhake which resulted in the loss of control of vehicle and colliding into a fence and claim the sum of R49 582,62 for motor vehicle damages suffered.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

18. Oradimpho Trading Enterprise // Dr JS Moroka Local Municipality

Review application to set aside the decision of the municipality to advertise the project of Construction of Libangeni Sewer Reticulation Phase 2.

19. Zodwana Pty Ltd // Dr JS Moroka Local Municipality

The plaintiff claims damages for an amount of R7 600 000.00 for the alleged demolition of stand no 25/174 for the operation of pap and grill business.

Contingent assets

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

Contigent Assets 2025

1. Dr JS Moroka Local Municipality/ Geomab Construction.
The Municipality is claiming over-payment against the defendant. The claim is also against the members of the Close Corporation in their personal capacities. The Municipality is claiming R9 563 700 in damages against defendant.

2. Dr JS Moroka Local Municipality/ The Curve Crystal Sparkle.
The Municipality is claiming for non-performance against the defendant. The Municipality is claiming R5 996 572.09 against defendant.

3. Dr JS Moroka Local Municipality//N.T.G Kubheka
Instructions issued to SS Masondo Attorneys to recoup outstanding legal costs on various matters, in favour of the Municipality.The estimated value is R90 000.00.

4. Dr JS Moroka Local Municipality//Ndhlovu A J Inc
The plaintiff withdrew its action in the sum of R 412, 635.00 against the Municipality, agreeing to pay the latter's party and party costs tax bill of costs. Previous attorneys mandate was terminated, and Dolamo Attorneys furnished with new instructions to defend the plaintiff's claim. An attorney of record made an application to the court for allocation date for the purpose of taxation. The estimated costs is R21 270.00.

5. Dr JS Moroka Local Municipality/Rammutla Tshireletso and others
Application proceedings for the review and setting aside of the appointments by Mr Kubheka N.T.G inter alia termination of employment contract.

6. Dr JS Moroka Local Municipality /Mr L Babedi
The Municipality is pursuing an action against Mr L.E Babedi for damages the Municipality suffered as a result of maladministration, corruption, and wasteful and fruitless expenditure which were incurred as a result of Mr Babedi as the employee of the Municipality. The municipality is claiming 1 894 130.44 from the defendant.

7. Dr JS Moroka Local Municipality/Pheladi Riba
The Municipality intent pursuing an action against Ms Pheladi Riba to recover damages the Municipality suffered as a result of the award of a Bursary awarded to Ms Riba which has been vitiated by noncompliance with paragraph 8.2 of the Municipality's external bursary policy. The municipality is claiming R318 319.84

8.Dr JS Moroka Local Municipality//Unlawful occupiers
Municipality instituted application to evict the unlawful occupiers of Farm 34JS Watervaal on land that belongs to the municipality. Matter still ongoing.

9.There is a work in progress project to be donated by Nkangala district municipality on completion the details of which are as follows:

Project No	Project description	Amount
185487	King Mabhoko and Gogo Esther Mahlangu Road	11 929 923

10.There is a project funded by the Department of Water and Sanitation to be donated by Nkangala district municipality on completion the details of which are as follows:

Project No	Project description	Amount
173320	Western Highveld(Rust De Winter) Bulk Water Supply	18 325 011

Contingent Assets 2024

1. Dr JS Moroka Local Municipality/ Geomab Construction.

The Municipality is claiming over-payment against the defendant. The claim is also against the members of the Close Corporation in their personal capacities. The Municipality is claiming R9 563 700 in damages against defendant.

2. Dr JS Moroka Local Municipality/ The Curve Crystal Sparkle.

The Municipality is claiming for non-performance against the defendant. The Municipality is claiming R5 996 572.09 against

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

defendant.

3. Dr JS Moroka Local Municipality//Lucas Mafetsa Attorneys

The Municipality brought an application under Middleburg High Court to review the appointment of Lucas Mafetsa Attorney. There are no legal implications attached.

4. Dr JS Moroka Local Municipality//N.T.G Kubheka

Instructions issued to SS Masondo Attorneys to recoup outstanding legal costs on various matters, in favour of the Municipality.The estimated value is R90 000.00.

5. Dr JS Moroka Local Municipality//Ndhlovu A J Inc

The plaintiff withdrew its action in the sum of R 412, 635.00 against the Municipality, agreeing to pay the latter's party and party costs tax bill of costs. Previous attorneys mandate was terminated, and Dolamo Attorneys furnished with new instructions to defend the plaintiff's claim. An attorney of record made an application to the court for allocation date for the purpose of taxation. The estimated costs is R21 270.00.

6. Dr JS Moroka/ Unlawful invasion Portion 2 De Beerpruit 152

This matter relates to the illegal invasion of De Beerspruit 152 by squatters. There is no monetary value attached.

7. Dr JS Moroka Local Municipality/ Unlawful invasion of land Geelbeksvley 684

This matter relates to the illegal invasion of farm Geelbeksvley by squatters. There is no monetary value attached.

8. Dr JS Moroka Local Municipality/ Unlawful invasion of land Allenmanskraal

This matter relates to the illegal invasion of farm Allenmanskraal by squatters. There is no monetary value attached.

9. Dr JS Moroka Local Municipality/ Unlawful invasion of land Portion 12 of ERF 162 Allenmansdrift

This matter relates to the illegal invasion of farm Portion 12 of ERF 162 Allenmansdrift by squatters.

10. Dr JS Moroka Local Municipality/ Unlawful invasion of land Vaalbank 163

This matter relates to the illegal invasion of land Vaalbank 163 by squatters. There is no monetary value attached.

11. Dr JS Moroka Local Municipality/Rammutla Tshireletso and others

Application proceedings for the review and setting aside of the appointments by Mr Kubheka N.T.G inter alia termination of employment contract.

12. Dr JS Moroka Local Municipality/Mthimunye Mvhangeli, SAMWU, and the employees listed in annexures.Interdict and restraining order.

13. There are work in progress projects to be donated by Nkangala District Municipality on completion the details are as follows:

Project **No**	**Project description**	**Amount**
185487	King Mabhoko and Gogo Esther Mahlangu Road	702 950.78

14.There is a project funded by the Department of Water and Sanitation to be donated by Nkangala District Municipality on completion the details of which are as follows:

Project No	**Project description**	**Amount**
173320	Western Highveld(Rust De Winter) Bulk Water Supply	5 491 406.09

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Notes to the Annual Financial Statements

Figures in Rand	2025	2024

41. Unauthorised expenditure

Opening balance as previously reported	129,516,178	116,541,324
Add: Unauthorised expenditure - current	112,374,669	25,713,168
Less: Amount written off - current	(48,022,687)	-
Less: Amount authorised/approved - current	(129,516,178)	(12,738,314)
Less: Amount authorised - prior period	(64,351,982)	-
Closing balance	**-**	**129,516,178**

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

Non-cash	81,858,500	(11,654,625)
Cash	30,516,169	37,367,793
Less: Approved by council	(64,351,982)	(12,738,315)
Less: Amount written off	(48,022,687)	-
	-	**12,974,853**

Analysed as follows: non-cash

Depreciation and amortisation	22,141,158	27,867,339
Irrecoverable debt write-off	2,585,715	(40,473,076)
Disposal of fixed and intangible assets	152,069	2,493,902
Impairment loss on receivables	55,420,888	(23,782,229)
Impairment loss: Property palnt and equipment	1,558,669	22,239,438
	81,858,499	**(11,654,626)**

Analysed as follows: cash

Safeguard and Security	11,791,698	42,384
Construction work in progress	(870,045)	(683,519)
Contracted services	(1,961,664)	9,136,206
Employee related costs	(10,282,972)	(8,482,436)
Consultants and professional services - Financial Management	5,917,463	11,622,279
Expenditure- Inventory	559,231	235,341
Finance lease	(749,164)	(364,273)
Operating lease	100,007	(723,998)
Operational expenditure	23,476,075	26,585,809
[Other 2]	2,535,541	-
	30,516,170	**37,367,793**

Unauthorised expenditure: Budget overspending – per municipal department:

Public Safety	9,674,389	-
Electricity	10,400,281	-
Finance and Admin	92,299,998	25,713,169
	112,374,668	**25,713,169**

Amount approved by council

In the 2024/25 financial year, council approved/authorized an amount of R 64 351 982,28 relating to 2024/25 financial year and a write-off of R48 022 687,19 relating to 2024/25 financial year and R 129 516 178 relating to 2014/15, 2015/16, 2016/17, 2017/18, 2019/20,2021/22 and 2023/24 financial years as it was found that the overall municipal budget has an underspending from which the unauthorized votes can be funded with, within each applicable years..

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42. Fruitless and wasteful expenditure

Opening balance as previously reported	4,143,051	5,059,667
Add: Fruitless and wasteful expenditure identified - current	97,057	51,722
Add: Fruitless and wasteful expenditure identified - prior period	3,887,750	-
Less: Amount written off - prior period	(4,216,157)	(968,338)
Less: Eskom interest reversal - prior period	(17,534)	-
Closing balance	**3,894,167**	**4,143,051**

Notes to the Annual Financial Statements

Figures in Rand

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Eskom	Interest charged on late payment	90,641	51,722
SAMWUMED	Duplicate Medical aid contribution	4,457	-
P461002- Travel Allowance	Incorrect rate used for travel claim	1,959	-
Oradimpho Trading Enterprise	Amount paid without service being rendered- Sewer Reticulation Libangeni	3,887,750	-
		3,984,807	**51,722**

Council wrote off R4 216 157 relating to prior years 2011-12, 2012-13,2017-18,2023-24 and 2024-25; and mentioned other matters in the current year 2024-25 have been referred to Council committee.

Eskom has reversed interest incorrectly charged of R17 534 relating to prior year 2023-24

43. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	507,793,183	507,793,183
Cash and cash equivalents	273,996	273,996
	508,067,179	**508,067,179**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	101,626,841	101,626,841
Consumer deposits	883,400	883,400

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
	102,510,241	**102,510,241**

2024

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	419,007,224	419,007,224
Cash and cash equivalents	1,561,235	1,561,235
	420,568,459	**420,568,459**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	97,081,817	97,081,817
Consumer deposits	867,876	867,876
	97,949,693	**97,949,693**

44. Irregular expenditure

	2025	2024
Opening balance as previously reported	1,495,869,528	1,372,806,157
Add: Irregular expenditure - current (Non compliant with Laws and Regulations)	73,118,737	110,633,867
Add: Irregular expenditure - prior period (Non compliant with Laws and Regulations	-	12,429,504
Less: Amount written off - prior period	(1,320,199,353)	-
Closing balance	**248,788,912**	**1,495,869,528**

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

Non-compliance tax status on appointment	8,196,277	4,130,507
Evaluation and adjudication not consistent with the bid document	57,864,394	97,536,445
Bid mandatory requirements not met	-	6,250,288
Reasons for deviations unjust	3,800,011	4,478,983
Bid procurement process not followed	-	29,998
MBD 4 form not attached	-	4,496,024
Approval of procurement not done by delegated official	3,258,054	-
Service continued on expired contract	-	368,519
Quotations from suppliers that are not on NT's central supplier database	-	29,080
Failure to provide a valid certificate from the Department of Labour	-	5,743,527
	73,118,736	**123,063,371**

2024/25: R15 254 342.60 (2023/24: R19 276 637.68) cases related to non-compliance with with laws, regulation, council policies and or by-laws.

(2024/25: R57 864 394.41 (2023/24: R103 786 733.70) cases related to non-compliance with procurement processes requirements.

Cases assessed by the accounting officer

Supply Chain regulation	15,254,343	19,276,638
Municipal Supply Chain Management Policies and procurement processes	57,864,394	103,786,734
	73,118,737	**123,063,372**

Notes to the Annual Financial Statements

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Amount recovered

After the council committee investigations, council adopted a council committee recommendation to recover an amount of 2025: R 0,00 (2024: R 0,00) from the service provider.

Amount written-off

Council adopted the council committee recommendation to write-off an amount of 2024/25: R1 320 199 353 and (2023/24:R 0,00) from the total irregular amount as it was found that the municipality received value and the services were delivered in accordance with the contract stipulation.

45. Additional disclosure in terms of Municipal Finance Management Act

SALGA fees

Opening balance	2,376,539	2,376,539
Current year subscription / fee	2,850,181	2,384,244
Amount paid - current year	(2,850,181)	(2,384,244)
	2,376,539	**2,376,539**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
Water distribution losses		
Total water pumped	38,351,678	39,933,611
Total water consumed	(35,247,709)	(35,453,130)
Normal Distribution loss % 2025;(10%) 2024 (11%)	**3,103,969**	**4,480,481**

Kilo litre lost

The water losses were determined by using actual kilolitre pumped and water billed at cost per kilo litre of R3.47 for 2025 and R2.91 for 2024.

Refer to note 3 for water losses

Kilo litres	2025	2024
Total kilo litres pumped	11,048,482	13,711,214
Total kilo litres consumed	(10,154,280)	(12,172,840)
	894,202	**1,538,374**

Audit fees

Current year fee	11,328,865	10,585,711
Amount paid - current year	(11,328,865)	(10,585,711)
	-	-

PAYE UIF and SDL

Current year contributions	38,328,212	34,275,499
Amount paid - current year	(38,328,212)	(34,275,499)
	-	-

Pension and Medical Aid Deductions

Current year contributions	64,760,207	66,107,338
Amount paid - current year	(64,760,207)	(66,107,338)
	-	-

VAT

VAT receivable	284,831,844	284,210,357
VAT payable	(276,243,779)	(259,038,499)
	8,588,065	**25,171,858**

VAT input receivables are shown in note 5.

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

Notes to the Annual Financial Statements

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Councillors' arrear consumer accounts

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

30 June 2025	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Clr Dlowu BM	111	41	152
Clr Kekae MD	111	47	158
Clr Legong MS	119	900	1,019
Clr Mabena JS	111	47	158
Clr Mabogoane K	99	237	336
Clr Madyibi C	112	47	159
Clr Mahlangu P	443	13,455	13,898
Clr Makuwa IS	362	-	362
Clr Maleka AL	51	-	51
Clr Manganye J	111	26	137
Clr Manganye SM	135	2,859	2,994
Clr Mashiane CM	113	370	483
Clr Maphalla JK	22	-	22
Clr Matabane MSM	113	174	287
Clr Mashilo JP	22	-	22
Clr Maubane ONM	22	-	22
Clr Masumbuka MP	111	25	136
Clr Matlaila BJ	113	276	389
Clr Mgidi MA	478	16,365	16,843
Clr Mhlanga KP	111	47	158
Clr Mnguni V	140	3,494	3,634
Clr Moabi JM	111	47	158
Clr Mothibi M	104	41	145
Clr Mphela L	117	301	418
Clr Mthimunye MS	623	18,608	19,231
Clr Mtsweni TL	569	21,137	21,706
Clr Ngoatle M	111	47	158
Clr Ngubeni PN	111	47	158
Clr Nkgau JS	108	129	237
Clr Nkoane MR	48	-	48
Clr Nkwana MMT	228	8,005	8,233
Clr Ntuli J	110	149	259
Clr Rankapole MM	92	3,039	3,131
Clr Simango B	206	2,880	3,086
Clr Skhosana AX	431	14,699	15,130
Clr Skhosana LM	112	150	262
	6,091	**107,689**	**113,780**

30 June 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Clr Legong MS	462	797	1,259
Clr Mabogoane K	431	31	462
Clr Mahlangu P	1,695	12,149	13,844
Clr Makola MJ	349	-	349
Clr Makuwa IS	1,391	11,861	13,252
Clr Mashiane CM	169	107	276
Clr Matabane MSM	373	-	373
Clr Matlaila BJ	368	-	368
Clr Mgidi MA	1,816	14,120	15,936

Notes to the Annual Financial Statements

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Clr Mhlanga KP	451	1,529	1,980
Clr Mnguni V	499	2,230	2,729
Clr Mphela L	339	-	339
Clr Mthimunye MS	2,319	14,821	17,140
Clr Mtsweni TL	2,144	17,859	20,003
Clr Nkau JS	347	-	347
Clr Nkwana MMT	835	5,937	6,772
Clr Ntuli J	366	-	366
Clr Simango B	682	1,594	2,276
Clr Skhosana AX	1,644	13,303	14,947
	16,680	**96,338**	**113,018**

46. Risk management

Financial risk management

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

Risk management is carried out by treasury unit which comprises of the expenditure management unit, a revenue management unit, an asset management unit, a financial reporting and compliance management unit and a supply chain management unit that identifies, evaluates and hedges financial risk. Management is responsible for developing policies that need to be approved by the council.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding.

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 available funding.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2025	Less than 1 year
Payables from exchange transactions	101,626,841
Customer deposits	883,400

At 30 June 2024	Less than 1 year
Payables from exchange transactions	97,081,817
Customer deposits	867,876

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Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers with the use of an age analysis.

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

Financial instrument	2025	2024
Receivables from exchange transactions	507,793,183	419,007,224
Cash and cash equivalents	273,996	1,561,235

Market risk

Interest rate risk

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

Cash flow interest rate risk

Financial assets 2025	
Short-term deposits	59,356
Bank balances	214,640
	273,996

Financial assets 2024	
Short-term deposits	273,007
Bank balances	1,288,228
	1,561,235

47. Deviation from supply chain management regulations

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

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

The reasons for deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviations from the normal supply chain management regulations.

Incident		
Sole supplier	67,500	57,500
Impractical or impossible	144,685	-
	212,185	**57,500**

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48. Related parties

Relationships	
Accounting Officer	Mathebela MM 6
Other members of key management	Klaas DB - Chief Financial Officer Zulu LT- Administration & Corporate Services Manager Mathabe RS- Community Dev Services Manager Matjiane EK - Planning & Economic Development Manager Mpela SJ - Technical Services Manager
Councillors	The details of the councillors are as listed below in this note
Close family members	*Sakhile Masombuka, an employee of the municipality as a General assistant: Cleaning, is the wife of Jack Masombuka who is the Director of Jasa Construction and Projects *Lawrence Ntshwane, an employee of the municipality as an Operator:Landfill, is a close family member of James Ntshwane, who is a director of Mafemane Trading.

Related party transactions

	2025	2024
Amounts paid for providing catering services		
Jasa Construction and projects	20,910	-
Mafemane Trading	6,660	-

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Remuneration of management

Management class: Councillors

2025

Name	Basic salary	Travel Allowance	Cellphone Allowance	Pension	Skills Levy	Medical Aid	Total
Executive Mayor	1,043,910	-	47,004	126,123	9,754	-	1,226,791
Speaker	835,134	-	47,004	100,899	7,896	-	990,933
Chief Whip	505,874	265,848	47,004	70,961	6,554	-	896,241
MMC Legong MS	470,020	228,219	47,004	65,583	6,615	41,232	858,673
MMC Madyibi C	478,717	213,145	47,004	66,888	6,522	31,231	843,507
MMC Makola MJ	458,150	222,604	47,004	63,803	6,593	54,883	853,037
MMC Mnguni PP	469,837	192,279	47,004	65,556	6,520	41,443	822,639
MMC Mtsweni S	473,203	215,724	47,004	66,061	6,541	37,572	846,105
Clr Ditshego K	213,350	81,095	47,004	29,935	1,912	-	373,296
Clr Dlowu BM	273,805	107,649	47,004	38,417	2,320	-	469,195
Clr Kekae MD	213,350	81,095	47,004	29,935	1,912	-	373,296
Clr Kutu PF	195,997	74,443	43,087	27,332	1,756	-	342,615
Clr Lamola BR	213,350	81,095	47,004	29,935	1,912	-	373,296
Clr Lebelo LK	213,350	81,095	47,004	29,935	1,912	-	373,296
Clr Lekgoathi M	213,350	82,291	47,004	29,935	1,912	-	374,492
Clr Mabena JS	213,350	83,365	47,004	29,935	1,912	-	375,566
Clr Mabogoane KM	213,350	81,095	47,004	29,935	1,912	-	373,296
Clr Machava SS	213,350	81,095	47,004	29,935	1,912	-	373,296
Clr Mahlangu SK	213,350	81,095	47,004	29,935	1,912	-	373,296
Clr Mahlangu JS	213,350	81,095	47,004	29,935	1,912	-	373,296
Clr Mahlangu PL	213,350	83,816	47,004	29,935	1,916	-	376,021
Clr Mahlangu K	213,350	81,095	47,004	29,935	1,912	-	373,296
Clr Mahlangu P	213,350	81,095	47,004	29,935	1,912	-	373,296
Clr Mahlangu LM	213,350	81,095	47,004	29,935	1,912	-	373,296
Clr Majombosi TR	213,350	82,673	47,004	29,935	1,913	-	374,875
Clr Makuwa IS	213,350	82,197	47,004	29,935	1,911	-	374,397
Clr Maleka AL	191,437	81,095	47,004	26,648	2,084	25,200	373,468
Clr Maleka ME	273,805	108,019	47,004	38,417	2,323	-	469,568

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Clr Manganye SM	213,350	81,095	47,004	29,935	1,912	-	373,296
Clr Manganye J	213,350	81,095	47,004	29,935	1,911	-	373,295
Clr Maphalla JK	213,350	81,095	47,004	29,935	1,911	-	373,295
Clr Mashabela N	213,350	81,095	47,004	29,935	1,911	-	373,295
Clr Mashamaite J	213,350	81,095	47,004	29,935	1,911	-	373,295
Clr Mashiane CM	126,587	47,836	27,419	16,921	1,134	-	219,897
Clr Mashilo JP	213,350	81,095	47,004	29,935	1,912	-	373,296
Clr Mashishi D	213,350	81,095	47,004	29,935	1,912	-	373,296
Clr Mashishi MW	451,520	203,648	47,004	63,319	6,347	44,912	816,750
Clr Masumbuka MP	213,350	83,552	47,004	29,935	1,912	-	375,753
Clr Matabane M	207,296	78,774	47,004	29,935	1,863	-	364,872
Clr Matlaila BJ	213,350	90,716	47,004	29,935	1,926	-	382,931
Clr Maubane ONM	213,350	81,095	47,004	29,935	1,912	-	373,296
Clr Mgidi MA	213,350	81,095	47,004	29,935	1,912	-	373,296
Clr Mhlanga K	213,350	81,095	47,004	29,935	1,912	-	373,296
Clr Mnguni V	213,350	81,095	47,004	29,935	1,912	-	373,296
Clr Moabi JM	213,350	81,095	47,004	29,935	1,912	-	373,296
Clr Moimana AT	273,805	104,074	47,004	38,417	2,320	-	465,620
Clr Mothibi MF	273,805	105,309	47,004	38,417	2,320	-	466,855
Clr Mphela LK	213,350	81,095	47,004	29,935	1,912	-	373,296
Clr Msiza DL	213,350	81,095	47,004	29,935	1,912	-	373,296
Clr Mtimunye MS	213,350	81,095	47,004	29,935	1,912	-	373,296
Clr Mtsweni TL	199,756	82,339	47,004	27,896	1,862	-	358,857
Clr Ngoatle MN	213,350	81,095	47,004	29,935	1,912	-	373,296
Clr Ngubeni PM	179,209	90,702	47,004	24,813	2,211	39,268	383,207
Clr Nkgau JS	213,350	81,095	47,004	29,935	1,912	-	373,296
Clr Nkwana MMT	213,350	82,197	47,004	29,935	1,911	-	374,397
Clr Ntuli JM	213,350	81,096	47,004	29,935	1,911	-	373,296
Clr Ntuli PA	273,805	113,032	47,004	38,417	2,336	-	474,594
Clr Rankapole S	213,350	81,095	47,004	29,935	1,912	-	373,296
Clr Rankapole MM	213,350	81,095	47,004	29,935	1,912	-	373,296
Clr Simango BM	213,350	81,095	47,004	29,935	1,912	-	373,296
Clr Skhosana LM	213,350	81,095	47,004	29,935	1,912	-	373,296
Clr Skhosana AX	273,805	105,271	47,004	38,417	2,320	-	466,817
Clr Nxabane N	69,411	26,607	15,668	10,412	621	-	122,719
Clr More M	16,325	6,047	3,615	2,603	142	-	28,732
	16,762,563	**6,019,607**	**2,910,029**	**2,313,590**	**167,358**	**315,741**	**28,488,888**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

2024

Name	Basic salary	Travel Allowance	Cellphone Allowance	Pension	Skills Levy	Medical Aid	Total
Executive Mayor	1,151,894	-	49,370	119,317	10,919	-	1,331,500
Speaker	921,515	-	49,370	95,454	8,834	-	1,075,173
Chief Whip	469,562	288,645	49,370	67,116	6,259	-	880,952
MMC Legong MS	423,615	219,161	49,370	60,224	6,258	52,839	811,467
MMC Madyibi C	444,191	194,082	49,370	63,310	6,099	29,176	786,228
MMC Makola MJ	425,496	206,584	49,673	60,506	6,169	50,676	799,104
MMC Mnguni PP	452,442	185,715	49,594	64,548	6,071	19,688	778,058
MMC Mtsweni S	439,395	204,524	49,818	62,591	6,137	34,692	797,157
Clr Ditshego K	198,127	78,282	46,570	28,320	1,829	-	353,128
Clr Dlowu BM	254,263	101,367	49,370	36,343	2,207	-	443,550
Clr Kekae MD	198,127	75,482	49,370	28,320	1,829	-	353,128
Clr Kutu PF	198,127	75,482	49,370	28,320	1,829	-	353,128
Clr Lamola BR	198,127	75,482	49,370	28,320	1,829	-	353,128
Clr Lebelo LK	198,127	75,482	49,370	28,320	1,829	-	353,128
Clr Lekgoathi MR	198,127	78,671	49,370	28,320	1,829	-	356,317
Clr Mabena JS	198,127	78,016	49,370	28,320	1,829	-	355,662
Clr Mabogoane KM	198,127	75,482	49,370	28,320	1,829	-	353,128
Clr Machava SS	198,127	75,482	49,370	28,320	1,829	-	353,128
Clr Mahlangu SK	198,127	75,482	49,370	28,320	1,829	-	353,128
Clr Mahlangu JS	198,127	75,482	49,370	28,320	1,829	-	353,128
Clr Mahlangu PL	198,127	75,821	49,370	28,320	1,829	-	353,467
Clr Mahlangu K	198,127	72,372	49,370	28,320	1,804	-	349,993
Clr Mahlangu P	198,127	75,482	49,370	28,320	1,829	-	353,128
Clr Mahlangu LM	198,127	76,236	49,370	28,320	1,829	-	353,882
Clr Majombosi TR	198,127	78,817	49,370	28,320	1,835	-	356,469
Clr Makuwa IS	198,127	75,482	49,370	28,320	1,829	-	353,128
Clr Maleka AL	178,006	75,482	49,370	25,301	1,987	23,140	353,286
Clr Maleka ME	254,263	106,641	49,370	36,343	2,214	-	448,831
Clr Manganye SM	198,127	78,349	49,370	28,320	1,829	-	355,995
Clr Manganye J	198,127	75,482	49,370	28,320	1,829	-	353,128
Clr Maphalla JK	198,127	75,482	49,370	28,320	1,829	-	353,128
Clr Mashabela N	198,127	78,282	46,570	28,320	1,829	-	353,128

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Clr Mashamaite J	198,127	75,482	49,370	28,320	1,829	-	353,128
Clr Mashiane CM	198,127	75,482	49,370	28,320	1,829	-	353,128
Clr Mashilo JP	198,127	78,282	46,570	28,320	1,829	-	353,128
Clr Mashishi DA	198,127	75,482	49,370	28,320	1,829	-	353,128
Clr Mashishi MW	417,862	183,808	49,370	60,370	5,916	41,240	758,566
Clr Masumbuka MP	198,127	78,350	74,570	28,320	2,080	-	381,447
Clr Matabane M	186,918	73,260	47,746	28,320	1,739	-	337,983
Clr Matlaila BJ	198,127	77,095	49,370	28,320	1,831	-	354,743
Clr Maubane ONM	198,127	76,155	49,370	28,320	1,829	-	353,801
Clr Mgidi MA	198,436	75,482	49,370	28,233	1,831	-	353,352
Clr Mhlanga K	198,127	77,177	49,370	28,320	1,829	-	354,823
Clr Mnguni V	198,127	75,482	49,370	28,320	1,829	-	353,128
Clr Moabi JM	198,127	75,482	49,370	28,320	1,829	-	353,128
Clr Moimana AT	254,082	101,768	49,370	36,343	2,271	-	443,834
Clr Mothibi MF	254,263	100,807	49,370	36,343	2,207	-	442,990
Clr Mphela LK	198,127	75,482	49,370	28,320	1,829	-	353,128
Clr Msiza DL	198,127	75,482	49,370	28,320	1,829	-	353,128
Clr Mtimunye MS	198,127	76,194	49,370	28,320	1,830	-	353,841
Clr Mtsweni TL	174,823	75,482	49,370	24,824	1,744	-	326,243
Clr Ngoatle MN	198,127	75,482	49,370	28,320	1,829	-	353,128
Clr Ngubeni PM	181,734	82,067	49,370	25,861	1,999	20,816	361,847
Clr Nkgau JS	198,127	75,482	49,370	28,320	1,829	-	353,128
Clr Nkwana MMT	198,127	76,835	49,370	28,320	1,829	-	354,481
Clr Ntuli JM	198,127	77,170	49,370	28,320	1,832	-	354,819
Clr Ntuli PA	252,564	103,416	49,370	36,343	2,209	-	443,902
Clr Rankapole S	198,127	75,482	49,370	28,320	1,829	-	353,128
Clr Rankapole MM	198,127	78,282	46,570	28,320	1,829	-	353,128
Clr Simango BM	198,127	75,482	49,370	28,320	1,829	-	353,128
Clr Skhosana LM	198,127	75,482	49,370	28,320	1,829	-	353,128
Clr Skhosana AX	254,263	99,413	49,370	36,343	2,207	-	441,596
	15,910,921	**5,679,658**	**3,074,291**	**2,193,473**	**162,333**	**272,267**	**27,292,943**

Details of the remuneration of councillors have been disclosed on Note 30 "Remuneration of councillors"

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

Management class: Key management

2025

Name		Annual Remuneration	Acting allowance	Bonuses and performance related payments	Contributions to UIF,Med Aid, Pension Funds	Benefits and other allowances	Travel Allowances	Total
Municipal Manager -	M Mathebela	1,348,619	-	-	230,698	29,635	-	1,608,952
CFO	Klaas DB	945,527	-	-	134,173	29,635	257,626	1,366,961
Manager Admin	LT Zulu	969,057	11,812	59,575	146,116	29,635	233,626	1,449,821
Community Dev Services	RS Mathabe	942,518	-	-	171,909	29,635	204,356	1,348,418
Exec Manager Technical	Mpela SJ	959,276	-	-	123,439	29,635	212,882	1,325,232
Exec Manager Dvpt & Planning	Matjiane E	958,703	-	-	171,807	29,635	188,477	1,348,622
		6,123,700	**11,812**	**59,575**	**978,142**	**177,810**	**1,096,967**	**8,448,006**

2024

Name		Annual Remuneration	Acting Allowance	Contributions to UIF, Med Aid, Pension Funds	Benefit and Other allowances	Travel Allowances	Total
Municipal Manager	M Mathebela	1,302,330	-	219,522	29,635	-	1,551,487
CFO	Klaas B	876,074	-	147,340	29,635	238,580	1,291,629
Acting CFO	Motlapema P	-	5,187	-	-	-	5,187
Exec Manager Dvpt & planning	Matjiane E	587,453	-	110,228	19,756	115,850	833,287
Exec Manager Technical	Mpela SJ	588,602	-	81,211	19,756	142,146	831,715
Manager Admin	Zulu LT	975,198	24,139	141,209	29,635	245,538	1,415,719
Acting Manager Admin	Thobejane CT	-	3,509	-	-	-	3,509
Acting Community Dev Serv	Peloo JR	-	1,334	-	-	-	1,334
Community Dev Services	Mathabe RS	897,818	-	165,008	29,635	194,473	1,286,934
		5,227,475	**34,169**	**864,518**	**158,052**	**936,587**	**7,220,801**

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49. Prior-year adjustments

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

Statement of financial position

2024

	Note	As previously reported	Correction of error	Restated
Inventories		3,671,013	983,250	4,654,263
Receivables from non exchange transactions	[2]	120,217,414	184,958	120,402,372
VAT receivable	[4]	27,749,218	(2,577,360)	25,171,858
Receivables from exchange transactions	[2]	393,938,589	25,068,635	419,007,224
Cash and cash equivalents		1,561,235	-	1,561,235
Investment property		154,170	-	154,170
Property, plant and equipment	[1]	2,271,070,323	(664,913,906)	1,606,156,417
Intangible assets		488,822	-	488,822
Heritage assets	[1]	-	197,000	197,000
Prepayment		243,729	-	243,729
Payables from exchange transactions	[6]	(158,362,003)	(22,870,560)	(181,232,563)
Consumer deposits		(867,876)	-	(867,876)
Unspent conditional grants and receipts		(791,433)	-	(791,433)
Long service bonus liability - current		(755,474)	-	(755,474)
Provisions		(34,444,491)	-	(34,444,491)
Long service bonus liability - non current		(14,987,029)	-	(14,987,029)
Accumulated surplus		(2,608,886,207)	663,927,984	(1,944,958,223)
		-	-	-

Statement of financial performance

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges	[3]	99,853,740	14,391,415	-	114,245,155
Rendering of services		3,289,681	-	-	3,289,681
Rental of facilities		349,903	-	-	349,903
Interest received (trading)		52,911,420	-	-	52,911,420
Licences and permits		10,239,482	-	-	10,239,482
Interest received - investment		7,448,764	-	-	7,448,764
Property rates	[2]	51,900,407	(7,513,288)	-	44,387,119
Interest - property rates		14,307,382	-	-	14,307,382
Government grants and subsidies		650,778,235	-	-	650,778,235
Public contributions and donations		43,257,445	-	-	43,257,445
Traffic fines		2,089,701	-	-	2,089,701
Employee related costs		(232,298,672)	-	-	(232,298,672)
Remuneration of councillors		(27,292,943)	-	-	(27,292,943)
Depreciation and amortisation	[1]	(89,187,352)	2,694,985	-	(86,492,367)
Impairment loss	[1]	(22,239,439)	8,176,924	-	(14,062,515)
Finance cost		(5,036,063)	-	-	(5,036,063)
Operating leases		(3,276,002)	-	-	(3,276,002)
Debt Impairment/reversal	[2]	42,079,080	(145,139,734)	-	(103,060,654)
Bad debt written off	[2]	(3,222,928)	731,851	-	(2,491,077)
Contracted services	[7]	(192,371,443)	-	(34,712,187)	(227,083,630)
Loss on derecognition of assets	[1]	(2,493,903)	2,013,679	-	(480,224)
General expenditure	[1;7]	(138,055,874)	260,255	34,712,187	(103,083,432)
Gain on landfill site provision		603,756	-	-	603,756
Acturial gains/losses		88,145	-	-	88,145
Surplus for the year		**263,722,522**	**(124,383,913)**	**-**	**139,338,609**

Cash flow statement

2024

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities Receipts				
Sale of goods and services	{a}	34,054,672	7,479,804	41,534,476
Grants		645,439,701	-	645,439,701
Interest income (bank)		7,448,764	-	7,448,764
Other receipts	{b}	14,046,778	(3,024,540)	11,022,238
		700,989,915	**4,455,264**	**705,445,179**
Cash flow from operating activities Payments				
Employee costs	{c}	(256,604,840)	-	(256,604,840)
Suppliers	{d}	(283,019,958)	(9,841,898)	(292,861,856)
		(539,624,798)	**(9,841,898)**	**(549,466,696)**
Cash flow from investing activities				
Purchase of property, plant and equipment	{e}	(167,518,224)	5,386,634	(162,131,590)

Errors

The prior year cash flow statement was restated after recalculation of all the input components. The effect of the adjustments is reflected above.

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{a} Sale of goods and services was restated by R7 479 804 following a comprehensive revision of property rates and receivables.

{b} Other receipts were adjusted by R (3 024 560) due to changes in debtors (fines)

{c} Cash paid to suppliers was restated by R(9 841 898) after considering the split between capital payments.

{d} Property plant and equipment cash payments were restated by R5 386 634 following prior period adjustments on PPE and allocation of capital payments.

{e} Consumer deposits were reclassified to reflect the correct deposits per each line item of Water, refuse and housing rental. The error was due to an incorrect allocation of financial system votes.

{f} Inventory recognised as an expense were restated by R6 849 347 to align to the valuation report for Inventory.

{g} A capital work in progress project to be donated by Nkangala to the municipality with a value of R702 950 was omitted in the contingent assets disclosure in the prior year. The error has now been corrected.

(h) A project funded by the Department of Water and Sanitation which is of a capital nature with a value R5 491 406 was omitted in the contingent assets disclosure in the prior year. The error has now been corrected.

(i) Prepayments of R243 729 were reclassified from non-current assets to current assets in the prior year as the conditions that existed at the 2024 financial year changed. The vehicle maintanance plan that this prepayment related to was ending within 12 months as at the end of 2024 financial year which made it a current asset at that time.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

[1] Property plant and equipment

a) Misstatements were noted in the prior period relating to inconsistency in how the remaining useful life was recalculated. The 2024 condition was used to reassess the remaining useful lives instead of the 2022 and 2023 conditions at that point in time. The municipality addressed the misstatements by aligning the conditions to the relevant year i.e. 2022 and 2023 to reassess the useful lives at that point in time. The error initially occurred in the financial year 2022/23. Please see the effect of the correction per line item in the table below.

b) Movable assets cost was mainly affected by duplicates assets which were recognised in both plant and machinery and transport. The correct category is plant and machinery and therefore the assets with a cost of R124 648 was derecognised in transport.

c)The cost of the Libangeni project, which is still a work in progress, was overstated by R4 663 640. This overstatement arose because certain items included in the contractor's initial bill of quantities and payment certificate were invoiced to the municipality but not executed on site. Consequently, the project's work-in-progress cost has been corrected to reflect only the actual work performed.

e) The municipality acquired a heritage asset for R197 000 in 2018 and this asset has now been brought into the financial statements as at the earliest disclosure date.

Accumulated depreciation for the full population was recalculated which affects the financial statement line items as follows:

2023	Audited AFS 2024	Adjustment	Restated Closing Balance 2023
Property plant and equipment	2,271,070,323	(677,076,497)	1,593,993,825
Accumulated Surplus	-	672,412,857	-
Receivables from exchange transactions	-	4,663,640	-
	2,271,070,323	**-**	**1,593,993,825**

2024	Restated Opening Balance 2024	Adjustment	Restated Closing Balance 2024
Property plant and equipment	1,593,993,825	12,162,593	1,606,156,418
Depreciation	89,187,352	(2,694,985)	86,492,367
Impairment	22,239,439	(8,176,924)	14,062,515
Loss on recognition	2,492,936	(2,013,679)	479,256
General expenditure - Consumables	138,055,874	124,649	138,180,523
General expenditure - INEP Projects	4,696,059	598,346	5,294,405
	1,850,665,485	**-**	**1,850,665,484**

The net movement in PPE adjustments for Prior years is as below:

	Adjusted AFS 2023	Audited AFS 2023	Impact
2023 PPE Adjustments	-	-	(677,076,497)
2024 PPE Adjustments	-	-	12,162,593
	-	**-**	**(664,913,904)**

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[2] Receivables from exchange and non exchange transactions, property rates, impairment and bad debts written-off prior period error note

The prior year correction is due to reassessment performed on property rates billing to align with valuation roll.

Disclosure in 2024-25 AFS for prior year adjustments:

	Property Rates	Receivables from exchange transactions	Receivables from non exchange transactions	Accumulated Surplus impact
Amount as reported on AFS- 30 June 2024	51,900,407	393,938,589	120,217,415	2,608,886,207
Prior period adjustment restating	(5,065,087)	41,038,879	18,597,600	54,571,392
Reversed correction relating to prior year assessment	(2,448,199)	(15,970,244)	(18,412,643)	(36,831,086)
Amount as reported on restated AFS - 30 June 2024	**44,387,121**	**419,007,224**	**120,402,372**	**2,626,626,513**

Impairment and bad debts wriiten off

Correction of impairment estimate to align with the valuation roll market values and categories amounted to R 145 139 734.

The adjustment of bad debt written off amounted to R731 851.

[3] Service charges

The adjustments on service charges for the prior year were as a result of the alignment of the billing reports to the valuation roll and correction of the billing of accounts on the levy report.

Disclosure Note

2024	**Revenue from exchange transactions**	**Accumulated surplus**
Amount as reported on audited AFS: 30 June 2024	99,853,740	(2,608,886,207)
Correction relating to prior year	14,391,415	14,391,451
	114,245,155	**2,456,318,521**

[4] VAT Receivables

The prior year movement in VAT of R2 577 360 relates to adjustments that were made to the following annual financial statement line items as shown below.

	VAT adjustment
Bad Debts written off	(1,195,341)
Debtors	(120,089)
Service charges	(1,261,930)
	(2,577,360)

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

[5] Irregular expenditure

Prior Period Error Note	Audited Adjustment Irregular	Restated figure 2024/25 Opening Balance	Adjustment
2017/18	272,340,948	273,283,306	942,357
2018/19	156,259,582	161,202,820	4,943,238
2020/21	126,847,212	158,398,016	31,550,804
2021/22	173,356,809	188,420,172	15,063,364
			52,499,763

Nature of Prior Period Error

During the current financial year, the municipality corrected an error resulting to the restatement. The restatement results from an error identified during the 2023-24 audit process by the AGSA of irregular expenditure that has been identified in prior years by the AGSA and internal audit that were not accounted for in the irregular registers of the respective years.

An assessment conducted from 2017/18, being the year where the error is identified to 2023-24 financial year to correct the error and account for all irregular expenditure that was not accounted for in the register

The amount of the restatement is R52 499 764

	Audited Restated Opening Balance 2022/3 on 2023/4 AFS	Restated Opening Balance 2022/3 on 2024/5 AFS	Amount
	1,237,234,379	1,372,806,157	135,571,777

Nature of Prior Period Error

The restatement result from an error identified in the current financial year during the annual financial statement preparation. In the 2023/24 audited annual financial statements, the disclosed comparative opening balance on Note 43 was not adjusted with adjustments that were made during audit on the prior year error note.
The amount of the restatement is R (8 635 998).

	Total
Total Prior year error comparative opening balance adjustments	188,071,541

	Audited Adjustment Irregular	Restated figure 2024/25 Opening Balance	Adjustment
2023/24	120,500,754	123,063,371	2,562,617

Nature of Prior Period Error

The restatement result from an error that occurred in 2023/24 financial year. Cession payments made in the 2023/24 financial year on a project that had been identified as irregular had not been accounted for in that particular year in the irregular register and Accruals that were not accounted for.e

The amount of the restatement is R2 562 617

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[6] Payables from exchange transactions

The prior period error adjustment in Payables from exchange transactions was due to recalculations of advance payments of R22 870 558.

[7] Reclassification of expenditure items

Contracted services and General Expenses items in the 2024 statement of financial performance were reclassified with an amount of R34 712 187. This was due to the correction of segments used to capture costs in the financial system.]

50. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of seven major functional areas: water,refuse,sewerage,electricity,roads and infrastructure,planning and development and community and social services. The segments were organised around the type of service delivery as the mandate of the municipality. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Aggregated segments

The municipality operates in Mpumalanga Province. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Mpumalanga were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Water	The council is responsible for the provision of water to the community.
Refuse	The council is responsible for the removal of solid waste from the community.
Sewerage	The council is responsible for the provision of waste water services to the community.
Electricity	Council ensures that the community has adequate street lighting.
Roads and Infrastructure engineering	Provision of project management services. Roads construction, maintenance. Mechanical workshop services and building plans and inspection services.
Planning and development	Plan and formulate economic, social, infrastructure, environmental, administrative and other development programs.
Community and social services	Ensuring the provision of an acceptable standard of Social Services, Emergency Services, Environmental and Health Services, Community Safety, and Road Traffic Management as well as Sports, Arts and Cultural Services to the communities.
Unallocated segment	Relates to all amounts that do not meet the definition of a segment. This refers to all ancillary services that provide support to the main service provision related services that the municipality carries out.

Notes to the Annual Financial Statements

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Segment surplus or deficit, assets and liabilities

2025

	Water	Refuse	Sewerage	Roads and Infrastructure	Electricity	Planning and Development	Community and Social Services	Unallocated	Total
Revenue									
Service Charges	108,670,551	7,402,845	12,321,771	-	-	-	-	-	128,395,167
Operational Revenue	222,453	-	-	-	-	129,832	46,361	468,707	867,353
Rental of facilities and equipment	89,141	-	2,193	-	-	-	485,488	67,825	644,647
Interest received (trading)	59,873,297	56,578	20,438,474	-	-	-	-	(418,228)	79,950,121
Licences and permits	-	-	-	60	-	-	1,043,041	8,974,225	10,017,326
Gain/(loss) on landfill site provision	-	(3,069,400)	-	-	-	-	-	-	(3,069,400)
Interest received (investment)	-	-	-	-	-	-	-	6,191,240	6,191,240
Acturial gains	11,591	12,510	11,831	45,108	4,211	38,776	61,834	151,669	337,530
Property rates	-	-	-	-	-	-	-	44,088,315	44,088,315
Interest property rates	-	-	-	-	-	-	-	13,846,028	13,846,028
Government grants & subsidies	-	-	144,500,000	-	2,182,434	-	-	527,353,072	674,035,506
Public contributions and donations	-	-	-	-	-	-	-	777,500	777,500
Fines, Penalties and Forfeits	-	-	-	-	-	-	1,065,584	-	1,065,584
Total segment revenue	**168,867,033**	**4,402,533**	**177,274,269**	**45,168**	**2,186,645**	**168,608**	**2,702,308**	**601,500,353**	**957,146,917**
Entity's revenue									**957,146,917**

Notes to the Annual Financial Statements

Figures in Rand

	Water	Refuse	Sewerage	Roads and Infrastructure	Electricity	Planning and Development	Community and Social Services	Unallocated	Total
Expenditure									
Employee related costs	8,648,410	9,334,802	8,827,791	33,657,590	3,142,302	28,932,991	46,137,841	113,169,170	251,850,897
Remuneration of councillors	-	-	-	-	-	-	-	28,488,888	28,488,888
Depreciation and armotisation	19,560,898	194,363	1,017,917	34,187,979	1,621,812	-	4,586,964	25,295,916	86,465,849
Impairment loss	-	-	-	-	-	-	1,439,536	119,133	1,558,669
Finance costs	-	3,554,572	-	-	-	-	-	1,617,608	5,172,180
Operating leases	-	-	-	-	-	-	-	2,300,007	2,300,007
Debt impairment/reversal	130,057,461	24,724,320	22,772,338	-	-	-	894,882	(82,384,395)	96,064,606
Bad debt written off	983,541	60,344	12,887	-	-	-	38,753	1,490,190	2,585,715
Contracted services	32,779,276	-	225,338	6,392,363	13,874,206	219,471	90,804,648	77,724,273	222,019,575
Loss on disposal of assets	21,438	-	-	-	-	-	273	130,357	152,068
General expenses	7,526,497	5,462,775	2,574,159	4,012,001	42,414,598	1,608,185	4,367,370	42,562,487	110,528,072
Total segment expenditure	**199,577,521**	**43,331,176**	**35,430,430**	**78,249,933**	**61,052,918**	**30,760,647**	**148,270,267**	**210,513,634**	**807,186,526**
Total segmental surplus/(deficit)									**149,960,391**
Assets									
Inventories	-	4,892,521	-	2,534,561	-	-	-	-	7,427,082
Receivables from non-exchange transactions	-	-	-	-	-	-	3,430,184	118,488,497	121,918,681
VAT receivables	584,811	424,459	200,013	311,734	3,295,626	124,956	339,346	3,307,117	8,588,062
Receivables from exchange transactions	193,151,700	11,850,515	2,530,737	-	-	-	7,610,399	292,649,833	507,793,184
Cash and cash equivalent	-	-	-	-	-	-	-	274,004	274,004
Investment Property	-	-	-	-	-	-	-	154,170	154,170
Property, plant and equipment	563,325,439	3,634,370	42,859,918	403,242,749	35,791,258	87,395,669	103,848,327	411,131,549	1,651,229,279
Intangible assets	-	-	-	-	-	-	-	393,307	393,307
Heritage Asset	-	-	-	-	-	-	-	197,000	197,000
Total segment assets	**757,061,950**	**20,801,865**	**45,590,668**	**406,089,044**	**39,086,884**	**87,520,625**	**115,228,256**	**826,595,477**	**2,297,974,769**
Total assets as per Statement of financial Position									**2,297,974,769**

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	Water	Refuse	Sewerage	Roads and Infrastructure	Electricity	Planning and Development	Community and Social Services	Unallocated	Total
Liabilities									
Payables from exchange transactions	30,537,832	-	-	10,193,889	6,761,631	457,978	45,405,186	80,484,724	173,841,240
Consumer deposits	385,753	284,119	-	-	-	-	-	213,528	883,400
Long service bonus liablity	-	-	-	-	-	-	-	2,265,134	2,265,134
Provisions	-	-	-	-	-	-	-	41,068,463	41,068,463
Long service bonus liability	-	-	-	-	-	-	-	15,260,611	15,260,611
Total segment liabilities	**30,923,585**	**284,119**	**-**	**10,193,889**	**6,761,631**	**457,978**	**45,405,186**	**139,292,460**	**233,318,848**
Total liabilities as per Statement of financial Position									**233,318,848**

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

Notes to the Annual Financial Statements

Figures in Rand

2024

	Water	Refuse	Sewerage	Roads	Electricity	Planning and Development	Community and Services	Unallocated	Total
Revenue									
Service charges	95,607,486	7,243,124	11,394,545	-	-	-	-	-	114,245,155
Operational revenue	145,061	-	-	-	-	32,206	54,839	3,057,573	3,289,679
Rental of facilities and equipment	23,151	-	-	-	-	-	253,850	72,901	349,902
Interest received (trading)	37,309,336	2,862,349	3,064,245	-	4	-	-	9,675,486	52,911,420
Licences and permits	-	-	-	-	-	-	1,048,735	9,190,748	10,239,483
Gain/(loss) on landill site provision	-	603,756	-	-	-	-	-	-	603,756
Interest received (investment)	-	-	-	-	-	-	-	7,448,764	7,448,764
Acturial gains	16,260	3,280	3,118	11,514	1,117	7,896	15,848	29,112	88,145
Property rates	-	-	-	-	-	-	-	44,387,120	44,387,120
Interest property rates	-	-	-	-	-	-	-	14,307,382	14,307,382
Government grants & subsidies	-	-	146,301,968	-	6,088,566	-	-	498,387,701	650,778,235
Public contributions and donations	-	-	-	-	-	-	-	43,257,445	43,257,445
Fines, penalties and forfeits	-	-	-	500	-	-	2,089,201	-	2,089,701
Total segment revenue	**133,101,294**	**10,712,509**	**160,763,876**	**12,014**	**6,089,687**	**40,102**	**3,462,473**	**629,814,232**	**943,996,187**
Entity's revenue									**943,996,187**
Expenditure									
Employee related costs	42,853,520	8,644,733	8,219,021	30,344,409	2,929,056	20,809,883	41,767,565	76,730,485	232,298,672
Remuneration of councillors	-	-	-	-	-	-	-	27,292,943	27,292,943
Depreciation and armotisation	18,265,218	229,056	590,157	29,623,772	1,671,890	-	4,957,188	31,155,086	86,492,367
Impairment loss	2,191,453	-	-	1,017,455	-	-	7,433,554	3,420,053	14,062,515
Finance costs	-	3,446,402	-	-	-	-	-	1,589,661	5,036,063
Operating leases	-	-	-	-	-	-	-	3,276,002	3,276,002
Debt impairment/reversal	38,502,855	3,891,058	6,282,468	-	-	-	1,620,538	52,763,737	103,060,656
Bad debts written off	2,058,754	311,744	77,176	-	-	-	-	43,403	2,491,077
Contracted services	30,118,128	29,700	-	8,741,765	22,300,006	335,904	74,012,852	91,545,276	227,083,631
Gain/Loss on disposal of assets	17,788	-	-	916	-	-	37,272	424,248	480,224
General expenses	8,181,379	8,962,439	7,719,925	6,361,528	31,413,126	1,139,044	8,393,570	30,912,419	103,083,430
Total segment expenditure	**142,189,095**	**25,515,132**	**22,888,747**	**76,089,845**	**58,314,078**	**22,284,831**	**138,222,539**	**319,153,313**	**804,657,580**

Notes to the Annual Financial Statements

Figures in Rand

	Water	Refuse	Sewerage	Roads	Electricity	Planning and Development	Community and Services	Unallocated	Total
Total segmental surplus/(deficit)									**139,338,607**
Assets									
Inventories	-	3,903,599	-	41,959	-	-	-	708,704	4,654,262
Receivables from non-exchange transactions	-	-	-	-	-	-	-	120,402,372	120,402,372
VAT receivable	2,013,085	4,104,811	-	1,565,298	7,729,416	280,270	1,872,766	7,606,214	25,171,860
Receivables from exchange transactions	346,289,011	52,436,433	12,981,270	-	-	-	-	7,300,508	419,007,222
Cash and cash equivalents	-	-	-	-	-	-	-	1,561,237	1,561,237
Investment property	-	-	-	-	-	-	-	154,170	154,170
Property, plant and equipment	552,685,326	4,270,347	21,721,520	417,383,121	37,411,895	87,395,669	109,875,097	375,413,441	1,606,156,416
Intangible assets	-	-	-	-	-	-	-	488,822	488,822
Prepayments	-	-	-	-	-	-	-	243,729	243,729
Heritage assets	-	-	-	-	-	-	-	197,000	197,000
Total segment assets	**900,987,422**	**64,715,190**	**34,702,790**	**418,990,378**	**45,141,311**	**87,675,939**	**111,747,863**	**514,076,197**	**2,178,037,090**
Total assets as per Statement of financial Position									**2,178,037,090**
Liabilities									
Payables from exchange transactions	8,906,918	-	5,737,793	8,974,205	1,047,594	-	26,447,461	130,910,018	182,023,989
Consumer deposits	380,788	284,119	-	-	-	-	-	202,969	867,876
Unspent conditional grants	-	-	-	-	-	-	-	791,434	791,434
Provisions	-	-	-	-	-	-	-	34,444,491	34,444,491
Long service bonus liability	-	-	-	-	-	-	-	15,742,503	15,742,503
Total segment liabilities	**9,287,706**	**284,119**	**5,737,793**	**8,974,205**	**1,047,594**	**-**	**26,447,461**	**182,091,415**	**233,870,293**
Total liabilities as per Statement of financial Position									**233,870,293**

Measurement of segment surplus or deficit, assets and liabilities

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Notes to the Annual Financial Statements

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

The measurement of segment costs is determined by the allocations in the genenal ledger. The general ledger transactions are split by core functions and these core functions are then analysed and grouped together into their relevant segment. Each line item on the statement of financial performance and position is then reported into its relevant segment according to the split.

Information about geographical areas

The municipality's operations are in the Siyabuswa area of the Mpumalanga Province. There is no segment information available by geographical demarcation within the Municipal area.

51. Budget differences

Material differences between budget and actual amounts

(a) We billed more service charges than anticipated due to billing corrections effected on the system, the initial budget estimates were based on inaccurate billing data.

(b)More services were rendered than anticipated. The services are per request and we experiened more requests than anticipated.

(c) This line item is driven by community demands and activities taking place at a given time. The trend follows an upward trajectory whilst driven by demand, in this period less activities were realised from the community.

(d) Incorrect reclassification during budget adjustment led to a reduction of the budget line item. See narration below (**).

(e)There were more licences issued due to new national regulations enforced on spazza shops registrations.

(f) There was a reclassification of segment from operational revenue to service charges.

(g) The investment income was reduced due to the municipality collecting less revenue than anticipated from its government debtors thereby affecting surplus funds for investments.

(h) Recalculation and adjustment of property rates.

(i) Incorrect reclassification during budget adjustment led to an increase of the budget line item. See narration below.(**)

(j) The difference is due to debtor balance decrease from correction related to proprty rates.

(k) Component does not form part of MSCOA budget items.

(l) More traffic fines were issued than anticipated in budgeting.

(m) The municipality followed a staggered approach in filling in vacant positions , whilst realising savings in overtime worked and standby allowance compared to the budgeted figures.

(n)The decrease is due to the movement on benefits processed during the year and the determination of upper limits by the Minister of COGTA.

(o) Actual depreciation / amortisation cost of the budgeted depreciation and amortisation costs is dependent on the acqusition timing of new assets which were procured during the year.

(p) The finance cost budgeted were lower than the acturials calculations

(q) Component does not form part of MSCOA budget items.

(r) The debt impairment is calculated using a risk matrix on the actual debtors age analysis; therefore the net calculation was lower than the budgeted amount..

(s) There was more maintenance on service delivery infrastructure, buildings and equipment than anticipated.The was an increase in number of safeguarded sites.

(t) The difference is within acceptable range.

(u) Component does not form part of MSCOA budget items.

(v) Component does not form part of MSCOA budget items.

(**)Interest from Exchange Transaction (Service Charges) was budgeted at R67million and during Mid-term Budget adjustment process the vote was subsequently adjusted to R15k due to the lack of activity in the said vote. The balance previously attributable to Interest from Exchange Transaction was re-allocated to Interest from Non-Exchange Transactions (Property) resulting in an adjusted budgeted amount R75million. Management during the period under review; realised that the interest from Exchange Transaction (Service Charges) was billed against the incorrect vote, this has then been adjusted. As such, merging the actual interest from exchange and non-exchange will result in a variance of 4%.

(w) The municipality placed emphasis on the repairs and maintanance of infrastructural assets by injecting funds in its electrical , mechanical, water and sanitation materials.

(x) Recalculation and adjustments of debtors book.

(y) The difference is attributed to corrections processed on service charges (Water, Refuse and Sanitation)

(z) Recalculation and adjustments of debtors book.

(aa) Recalculation and adjustments of debtors book.

(ab) The budgeted cash and cash equivalent is estimated on an accrual basis. The municipality was anticipating to receive revenue from its bulk water provision services to government and business customers.

(ac) The difference is within acceptable range.

(ad) The PPE figures were extracted based on trends and estimated capital allocation from previous financial periods, this then informs the budgetary estimates. The actuals were informed bym corrections in the AFS, hence the difference.

(ae) This was due to planned acquisition of software, which materialise in the year under review.

(af) Mayoral chain initial recognition, the item was procured in the prior prior period ,therefore no budget in the current period.

(ag) There were no prepayments that occurred during the year under review.

(ah) The variance is attributed to good management of portfolio of projects and better monitoring of service provider performance.

(ai) The difference is within acceptable range

(aj) An error in budget computation resulted in the line item being under-budgeted.

(ak) The difference is as a result of a reduction in the expected benefit payout, as calculated upon the realisation or non-realisation of expert assumptions.

(al) The Municipality realised less surplus for the year as well as prior year adjustments to various line items

52. Accounting by principals and agents

Dr JS Moroka is a party to principal-agent arrangement(s).

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

Details of the arrangment(s) is|are as follows:

The municipality was appointed as an agent to act on behalf of The Mpumalanga Department of Roads and Transport in May 2006 to provide registration, licensing and testing functions in terms of the applicable national and provincial road traffic legistration. In terms of the agreement the Mpumalanga Department of Roads and Transport which was responsible for registration, licensing and testing functions had identified the Dr JS Moroka Municipality as an agent to process these functions for and on behalf of the Department. However, according to Proclamation No. R_2011, the traffic management functions were officially transferred from the Department of Roads and Transport to the Department of Community Safety, Security, and Liaison as of 29 April 2011. Since then, Dr JS Moroka Municipality is now the agent with the Department of Community Safety, Security and Liaison being the Principal .

The significant terms and conditions of the arrangement(s) are that the agent shall be responsible for motor vehicle registration and licensing functions, learner licence functions, driver's license fuctions, motor vehicle testing functions, compliance with all NaTIS requirements and be responsible for all equipment provided by the Department of Community Safety, Security and Liaison in return for a fee that is determined by the MEC by notice in the provincial Gazzette for activities rendered. No changes have occurred during the reporting period to these arrangements.

The relationship exists to make it easier for the department ot provide a service to the community through an agent who is closer to the community as well as to better manage the administrative functions that come with the provision of the services. A major risk associated with this arrangement is cash management and the municipality mitigates this risk by having a cash management contract with G4S.

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Entity as agent

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

As at year end, R7,517,260 (2024: R4,616,906) had been collected through licensing and had not been handed over to the department. This amount was disclosed in the payables from exchange transactions at year end.

This amount will be paid over to the department in the 2025/6 financial year.

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R5,776,208 (2024: R5,715,684).

Licenses and permits exclusive of VAT of R10,017,325 (2024: R10,239,482) is inclusive of other amount besides agency fees as follows:

	2025	2024
Agency fees	5,022,790	4,970,161
Licensing and permits	3,829,383	3,998,054
Motor vehicle license renewals	926,840	1,033,917
Trading licenses	238,313	237,352
	10,017,326	**10,239,484**

Liabilities and corresponding rights of reimbursement recognised as assets

There are no liabilities incurred on behalf of the principal(s) that have been recognised by the entity

Additional information

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

Category(ies) of revenue received or to be received on behalf of the principal, are:

Categories	Additional details
Licences and Permits	Receipt for services rendered

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

Total receipts per eNatis report	41,154,022	41,282,511
Administrative costs	(11,246,240)	(11,502,451)
	29,907,782	**29,780,060**

The amount of revenue received on behalf of the principal during the reporting period is arrived at after deducting various administration fees from the total received as per the Enatis report. Refer to table below for the applicable deductions:

	2025	2024
Dr JS Moroka 100% Admin costs	4,404,166	4,597,762
Dr JS Moroka 17% fee	5,776,208	5,715,685
Prodiba	1,065,866	1,189,004
	11,246,240	**11,502,451**

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