Joe Morolong Local Municipality
Annual Financial Statements
for the year ended 30 June 2025

General Information

Legal form of entity	South African category B municipality (Local Municipality) as defined by the Municipal Systems Act (Act no.117 of 1998)
Nature of business and principal activities	Joe Morolong Municipality is a local municipality performing functions as set out in the Constitution (Act no. 108 of 1996)
Mayoral committee	
Executive Mayor	Councillor Leutlwetse D.D
Councillors	Councillor Jordan V. (Speaker)
	Councillor Tagane G.C
	Councillor Tswere K.N
	Councillor Matebese I.
	Councillor Mokweni O.N
	Councillor Kaotsane G.G
	Councillor Manankong L.P
	Councillor Choche S.P
	Councillor Gaobuse T.I
	Councillor Manzana A.S
	Councillor Kolberg O.J
	Councillor Lebatlang K.D
	Councillor Filipo M.P
	Councillor Majoro K.L
	Councillor Kgositau G.G
	Councillor Etshetshang O.A
	Councillor Magano T
	Councillor Mmereki P.C
	Councillor Tikane J.T
	Councillor Bareki P.M.
	Councillor Machogo L.
	Councillor Kgosierileng N.D.
	Councillor Kopeledi D.L
	Councillor Mosegedi T.G
	Councillor Gaetsewe M.J
	Councillor Mbolekwa B.M
	Councillor Mosimanyana G.V
	Councillor Witbooi P.J.J.
	Councillor Kehologile E.K.
	Councillor Maamogwa K.E
Grading of local authority	3
Accounting Officer	Mrs B.D. Motlhaping
Chief Finance Officer (CFO)	Miss Masego Mokubung (Acting CFO)
Registered office	D320 Cardington Road Churchill Village Mothibistad Kuruman 8474
Business address	D320 Cardington Road Churchill Village

General Information

	Mothibistad Kuruman 8474
Postal address	Private Bag X117 Mothibistad Kuruman 8474
Bankers	Standard Bank ABSA Bank
Auditors	Auditor General of South Africa
Attorneys	Peyper Attorneys Morwaagae Attorneys Kgomo Attorneys

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Abbreviations used:

ABSA	ABSA Bank of South Africa
VAT	Value Added Tax
GRAP	Generally Recognised Accounting Practice
SALGBC	South African Local Government Bargaining Council
SARS	South African Revenue Services
SCM	Supply Chain Management
MFMA	Municipal Finance Management Act
DBSA	Development Bank of South Africa
UIF	Unemployment Insurance Fund
PAYE	Pay as You Earn

Accounting Officer's Responsibilities and Approval

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

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

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

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

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 period to 30 June 2026 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 partially dependent on the municipality for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

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

The annual financial statements set out on page 8-80, 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
Mrs B.D. Motlhaping

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	3	3 224 420	4 253 386
Receivables from exchange transactions	4	61 133 457	29 496 433
Receivables from non-exchange transactions	5	172 317 952	128 411 751
VAT receivable	6	43 758 810	41 720 314
Other Receivables	7	2 692 341	2 326 534
Cash and cash equivalents	8	4 375 303	17 873 574
		287 502 283	**224 081 992**
Non-Current Assets			
Investment property	9	17 176 288	13 463 998
Property, plant and equipment	10	1 032 090 262	969 586 108
Intangible assets	11	892 797	1 268 603
		1 050 159 347	**984 318 709**
Total Assets		**1 337 661 630**	**1 208 400 701**
Liabilities			
Current Liabilities			
Other financial liabilities	12	167 575	225 683
Payables from exchange transactions	13	88 215 827	63 358 319
Consumer deposits	14	92 129	39 500
Employee benefit obligation	15	340 000	1 112 000
Unspent conditional grants and receipts	16	11 269	-
Provisions	17	3 158 289	-
		91 985 089	**64 735 502**
Non-Current Liabilities			
Other financial liabilities	12	182 729	375 763
Employee benefit obligation	15	4 453 000	3 605 000
Provisions	17	11 454 725	9 725 177
		16 090 454	**13 705 940**
Total Liabilities		**108 075 543**	**78 441 442**
Net Assets		**1 229 586 087**	**1 129 959 259**
Accumulated surplus		1 229 586 087	1 129 959 259
Total Net Assets		**1 229 586 087**	**1 129 959 259**

* See Note 59

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	23 254 294	15 891 889
Reversal of debt impairment: exchange transactions	30	46 978 815	-
Rental of facilities and equipment	19	105 363	97 278
Interest- Exchange Transactions	20	16 644 673	22 281 433
Commission earned	57	72 359	-
Licences and permits	58	222 468	-
Prepaid services	21	3 928 409	3 680 505
Other income	22	432 234	1 301 608
Investment revenue	23	4 755 469	7 841 865
Total revenue from exchange transactions		**96 394 084**	**51 094 578**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	48 658 881	46 859 187
Reversal of debt impairment: non-exchange transactions	30	41 701 169	-
Interest - Non-Exchange Transactions	20	33 715 816	28 938 628
Transfer revenue			
Government grants & subsidies	25	321 423 184	317 779 000
Public contributions and donations	26	97 535 477	20 450 112
Fair Value Adjustments	40	3 712 290	8 298 298
Actuarial gains/(losses)	15	854 000	425 000
Total revenue from non-exchange transactions		**547 600 817**	**422 750 225**
Total revenue		**643 994 901**	**473 844 803**
Expenditure			
Employee related costs	27	(123 660 372)	(120 740 653)
Remuneration of councillors	28	(14 972 995)	(15 933 867)
Depreciation and amortisation	29	(124 850 760)	(124 005 909)
Impairment loss	30	(8 926 867)	(16 495 166)
Finance costs	31	(2 105 648)	(1 931 206)
Lease rentals on operating lease	32	(814 500)	(861 026)
Debt written off	33	(78 456 161)	(47 712 344)
Bulk purchases electricity	34	(16 499 048)	(14 013 337)
Contracted Services	35	(42 381 087)	(37 182 938)
Transfers and Subsidies	36	(11 841 497)	(14 403 625)
Loss on disposal of assets	39	(14 248 946)	(10 162 069)
Inventory Consumed	37	(31 171 781)	(31 937 287)
General Expenses	38	(73 233 867)	(41 519 326)
Total expenditure		**(543 163 529)**	**(476 898 753)**
Surplus (deficit) for the year		**100 831 372**	**(3 053 950)**

* See Note 59

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit *Restated	Total net assets *Restated
Balance at 01 July 2023	**1 133 013 209**	**1 133 013 209**
Changes in net assets		
Surplus/(Deficit) for the year	(3 053 950)	(3 053 950)
Total changes	(3 053 950)	(3 053 950)
Restated* Balance at 01 July 2024	**1 129 959 102**	**1 129 959 102**
Changes in net assets		
Net income (losses) recognised directly in net assets	(1 204 387)	(1 204 387)
Surplus/(Deficit) for the year	100 831 372	100 831 372
Total changes	99 626 985	99 626 985
Balance at 30 June 2025	**1 229 586 087**	**1 229 586 087**

* See Note 59

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
VAT Received		29 861 573	27 692 399
Service charges		37 040 251	26 298 154
Grants		321 434 453	317 779 000
Interest income		4 755 468	7 841 865
Other receipts		1 788 162	3 627 223
Property rates		24 621 305	7 840 963
		419 501 212	391 079 604
Payments			
Employee costs		(122 030 600)	(114 465 756)
Suppliers		(173 628 780)	(162 776 292)
Interests costs		(602 933)	(550 098)
Councillors Remuneration		(14 972 995)	(15 933 867)
		(311 235 308)	(293 726 013)
Net cash flows from operating activities	43	**108 265 904**	**97 353 591**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(121 472 903)	(114 206 700)
Purchase of other intangible assets	11	(39 995)	(186 101)
Net cash flows from investing activities		**(121 512 898)**	**(114 392 801)**
Cash flows from financing activities			
Repayment of other financial liabilities		(251 142)	(43 274)
Net cash flows from financing activities		**(251 142)**	**(43 274)**
Net increase/(decrease) in cash and cash equivalents		**(13 498 136)**	**(17 082 484)**
Cash and cash equivalents at the beginning of the year		17 873 574	34 956 040
Cash and cash equivalents at the end of the year	8	**4 375 438**	**17 873 556**

The accounting policies on pages15-39 and the notes on page 39-84 form an integral part of the annual financial statements.

* See Note 59

Statement of Comparison of Budget and Actual Amounts

Budget on Cash 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	48 626 000	(20 236 000)	**28 390 000**	23 254 294	**(5 135 706)**	1
Reversal of debt impairment: exchange transactions	-	-	**-**	46 978 815	**46 978 815**	
Rental of facilities and equipment	126 000	(21 000)	**105 000**	105 363	**363**	2
Interest - Exchange Transactions	13 378 000	3 287 000	**16 665 000**	16 644 673	**(20 327)**	
Commission Earned	30 000	(30 000)	**-**	72 359	**72 359**	3
Licences and permits	210 000	-	**210 000**	222 468	**12 468**	4
Prepaid Services	-	-	**-**	3 928 409	**3 928 409**	5
Other income	640 000	(176 000)	**464 000**	432 234	**(31 766)**	6
Investment revenue	8 526 000	(3 771 000)	**4 755 000**	4 755 469	**469**	7
Total revenue from exchange transactions	**71 536 000**	**(20 947 000)**	**50 589 000**	**96 394 084**	**45 805 084**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	42 591 000	3 052 000	**45 643 000**	48 658 881	**3 015 881**	
Reversal of debt impairment: non-exchange transactions	-	-	**-**	41 701 169	**41 701 169**	32
Interest - Non-Exchange Transactions	17 629 000	1 977 000	**19 606 000**	33 715 816	**14 109 816**	8
Transfer revenue						
Government grants & subsidies	200 312 000	19 431 000	**219 743 000**	321 423 184	**101 680 184**	9
Public contributions and donations	-	-	**-**	97 535 477	**97 535 477**	
Gains on disposal of assets	-	2 448 000	**2 448 000**	-	**(2 448 000)**	
Fair value adjustments	(11 000)	9 000	**(2 000)**	3 712 290	**3 714 290**	31
Expected benefits vesting	-	-	**-**	854 000	**854 000**	38
Total revenue from non-exchange transactions	**260 521 000**	**26 917 000**	**287 438 000**	**547 600 817**	**260 162 817**	
Total revenue	**332 057 000**	**5 970 000**	**338 027 000**	**643 994 901**	**305 967 901**	
Expenditure						
Employee related costs	(132 302 000)	8 085 000	**(124 217 000)**	(123 660 372)	**556 628**	
Remuneration of councillors	(16 842 000)	1 869 000	**(14 973 000)**	(14 972 995)	**5**	
Depreciation and amortisation	(102 425 000)	(48 692 000)	**(151 117 000)**	(124 850 760)	**26 266 240**	33
Impairment loss/ Reversal of impairments	-	-	**-**	(8 926 867)	**(8 926 867)**	34
Finance costs	(70 000)	(397 000)	**(467 000)**	(2 105 648)	**(1 638 648)**	10
Lease rentals on operating lease	-	-	**-**	(814 500)	**(814 500)**	11
Debt Impairment	(16 712 000)	(16 677 000)	**(33 389 000)**	-	**33 389 000**	12
Bad debts written off	(12 272 000)	(4 815 000)	**(17 087 000)**	(78 456 161)	**(61 369 161)**	
Bulk purchases	(9 600 000)	(6 900 000)	**(16 500 000)**	(16 499 048)	**952**	13
Contracted Services	(45 458 000)	(19 998 000)	**(65 456 000)**	(42 381 087)	**23 074 913**	14
Transfers and Subsidies	(800 000)	614 000	**(186 000)**	(11 841 497)	**(11 655 497)**	15

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Inventory consumed	-	-	**-**	(31 171 781)	**(31 171 781)**	35
General Expenses	(50 613 000)	1 937 000	**(48 676 000)**	(73 233 867)	**(24 557 867)**	16
Total expenditure	**(387 094 000)**	**(84 974 000)**	**(472 068 000)**	**(528 914 583)**	**(56 846 583)**	
Operating surplus	**(55 037 000)**	**(79 004 000)**	**(134 041 000)**	**115 080 318**	**249 121 318**	
Loss on disposal of assets and liabilities	-	-	**-**	(14 248 946)	**(14 248 946)**	36
Surplus before taxation	**(55 037 000)**	**-**	**(55 037 000)**	**100 831 372**	**155 868 372**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(55 037 000)**	**-**	**(55 037 000)**	**100 831 372**	**155 868 372**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash 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	4 613 000	(793 000)	**3 820 000**	3 224 420	**(595 580)**	17
Receivables from exchange transactions	144 881 000	(241 000)	**144 640 000**	61 133 457	**(83 506 543)**	18
Receivables from non-exchange transactions	203 991 000	-	**203 991 000**	172 317 952	**(31 673 048)**	19
VAT receivable	45 128 000	77 000	**45 205 000**	43 758 810	**(1 446 190)**	
Other Receivables	49 000	-	**49 000**	2 692 341	**2 643 341**	
Cash and cash equivalents	153 752 000	(75 115 000)	**78 637 000**	4 375 303	**(74 261 697)**	20
	552 414 000	**(76 072 000)**	**476 342 000**	**287 502 283**	**(188 839 717)**	
Non-Current Assets						
Investment property	-	354 000	**354 000**	17 176 288	**16 822 288**	21
Property, plant and equipment	1 476 281 000	(29 044 000)	**1 447 237 000**	1 032 090 262	**(415 146 738)**	22
Intangible assets	13 037 000	(2 894 000)	**10 143 000**	892 797	**(9 250 203)**	23
	1 489 318 000	**(31 584 000)**	**1 457 734 000**	**1 050 159 347**	**(407 574 653)**	
Total Assets	**2 041 732 000**	**(107 656 000)**	**1 934 076 000**	**1 337 661 630**	**(596 414 370)**	
Liabilities						
Current Liabilities						
Other financial liabilities	145 000	85 000	**230 000**	167 575	**(62 425)**	24
Payables from exchange transactions	49 579 000	78 842 000	**128 421 000**	88 215 822	**(40 205 178)**	25
VAT payable	10 990 000	-	**10 990 000**	-	**(10 990 000)**	
Consumer deposits	37 000	42 000	**79 000**	92 154	**13 154**	26
Employee benefit obligation	-	-	**-**	340 000	**340 000**	27
Unspent conditional grants and receipts	-	-	**-**	11 269	**11 269**	39
Provisions	563 000	-	**563 000**	3 158 289	**2 595 289**	40
	61 314 000	**78 969 000**	**140 283 000**	**91 985 109**	**(48 297 891)**	
Non-Current Liabilities						
Other financial liabilities	315 000	243 000	**558 000**	182 729	**(375 271)**	28
Employee benefit obligation	3 558 000	47 000	**3 605 000**	4 453 000	**848 000**	41
Provisions	8 213 000	1 512 000	**9 725 000**	11 454 725	**1 729 725**	30
	12 086 000	**1 802 000**	**13 888 000**	**16 090 454**	**2 202 454**	
Total Liabilities	**73 400 000**	**80 771 000**	**154 171 000**	**108 075 563**	**(46 095 437)**	
Net Assets	**1 968 332 000**	**(188 427 000)**	**1 779 905 000**	**1 229 586 067**	**(550 318 933)**	
Reserves						
Accumulated surplus	1 968 332 000	(188 427 000)	**1 779 905 000**	1 229 586 087	**(550 318 913)**	42

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

1) Budgeted amount was based on estimates that turned out to be higher than actual costs.
2) Budgeted amount is higher due to assumptions that costs might be higher maintenance, Utilities or services when budget was done
3) The budgeted amount is less than the actual because the actual commission rates or structures were more favourble than budgeted.
4) The budgeted amount is less than actual due to increase of fees for licence and permits.
5) There was no prepaid services budgeted amount as this was previously mapped under service charges
6)There was no budgeted amount for other income
7) Less monies were deposited in investments accounts
8) The interest rate charged in respect of customer accounts increased.
9) Increase in allocation on Grants
10) Certain suppliers could not be paid within 30 days, which resulted in interest charged.
11) Photocopier machine rentals not budgeted for
12) The budgeted amount is less than actual due to actual defaults on debts that were higher than anticipated
13) The budgeted amount is higher than actual due to increase in actual purchase prices of bulk due to market changes
14) The budget amount is hgher than actual due to lower usage of contracted services than anticipated
15) The budgeted amount is less than actual due to sanitation projects transfers
16) The budgeted amount is less than the actual due to increase in prices on other items.
17) The budgeted amount is higher than actual due to better management or lower usage of inventory
18) Projections were made based on the assumption that the rates will increase, also payments or collections from receivables were slower.
19) Projections were made based on the assumption that outstanding amounts will be recovered
20) Projections were done based on the assumption that receipts will increase
21) The budgeted amount is less than actual due to higher property values, maintenance costs and other expenses relating to investment property.
22) The budgeted amount is higher than actual due to lower costs on acquiring and maintaining the assets.
23) The budgeted amount is higher than the actual because the actual spending on intangible assets was lower than anticipated or actual costs for developing/acquiring was lower.
24) The budgeted amount is higher than actual due to lower borrowings and fewer liabilities incurred.
25) The budget amount is higher than actual because payments to suppliers were made quicker and there was effective management of payables
26) The budgeted amount is less than actual due to higher consumer deposits that were received
27)The item is not budgeted for.
28) The budgeted amount is higher than actual due to lower borrowings and fewer liabilities incurred.
29) The item is not budgeted for.
30)The budgeted amount is less than actual because the actual need for provisions was higher than anticipated.
31) No insurance claims or settlements were received.
32) Debt written off which subsequently led to a reversal of impairment.
33) The budgeted amount is more than the actual because the useful life of the assets were re-assessed leading to reduction in depreciation.
34) It was not anticipated that would be impairment loss on assets based on prior year's figures.
35) Under-estimation of usage rates.
36) Difficulty predicting disposals or losses on assets as this is not an annual occurrence.
37) Difficulty predicting market fluctuations.
38) Uncertainty and unpredictability of actuarial assumptions and complexity in estimating future obligations.
39) Assumption that funds would be fully utilized within the grant period based on prior years amounts.
40) Difficulty in estimating provision amounts and future obligations as the amount was initially a contingent liability.
41) Uncertainty and unpredictability of actuarial assumptions and complexity in estimating future obligations.
42) A combination of factors/reasons outlined in reasons 1 to 41.
43) VAT receipts which were not budgeted for

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Transfers and subsidies - operational	200 312 000	-	**200 312 000**	196 626 453	**(3 685 547)**	
Transfers and subsidies - capital	251 510 000	(129 524 000)	**121 986 000**	124 808 000	**2 822 000**	
Property rates	31 442 000	-	**31 442 000**	24 621 305	**(6 820 695)**	
Service charges	31 906 000	-	**31 906 000**	37 040 251	**5 134 251**	
Other receipts	1 006 000	-	**1 006 000**	31 649 735	**30 643 735**	43
Interest	44 421 000	(301 000)	**44 120 000**	4 755 468	**(39 364 532)**	
	560 597 000	**(129 825 000)**	**430 772 000**	**419 501 212**	**(11 270 788)**	
Payments						
Suppliers and employees	(290 905 000)	(30 439 000)	**(321 344 000)**	(310 632 375)	**10 711 625**	
Interests costs	(70 000)	-	**(70 000)**	(602 933)	**(532 933)**	
	(290 975 000)	**(30 439 000)**	**(321 414 000)**	**(311 235 308)**	**10 178 692**	
Net cash flows from operating activities	**269 622 000**	**(160 264 000)**	**109 358 000**	**108 265 904**	**(1 092 096)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(145 035 000)	60 000 000	**(85 035 000)**	(121 472 903)	**(36 437 903)**	
Purchase of other intangible assets	-	-	**-**	(39 995)	**(39 995)**	
Net cash flows from investing activities	**(145 035 000)**	**60 000 000**	**(85 035 000)**	**(121 512 898)**	**(36 477 898)**	
Cash flows from financing activities						
Repayment of other financial liabilities	(219 000)	-	**(219 000)**	(251 142)	**(32 142)**	
Net increase/(decrease) in cash and cash equivalents	124 368 000	(100 264 000)	**24 104 000**	(13 498 136)	**(37 602 136)**	
Cash and cash equivalents at the beginning of the year	25 595 000	37 000	**25 632 000**	17 873 574	**(7 758 426)**	
Cash and cash equivalents at the end of the year	**149 963 000**	**(100 227 000)**	**49 736 000**	**4 375 438**	**(45 360 562)**	

Significant Accounting Policies

1. Significant accounting polices

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

1.1 Presentation of Annual Financial Statements

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

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

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.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 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:

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

Receivables

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

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

Significant Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as exchange rates, inflation and interest rates.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Useful lives and residual values

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

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.

Long Service Awards

The long service awards liability arises from the municipality being part of a Collective Agreement and Conditions of Service Northern Cape Division of SALGBC. The long service award plan is a defined benefit plan accounted for in terms of GRAP

Value Added Taxation

The Municipality is registered with the South African Revenue Services (SARS) for VAT on the payment basis, in accordance with section 15(1) of the VAT Act No.89 of 1991.

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.

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.

Significant Accounting Policies

1.5 Investment property (continued)

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

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

Fair value

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

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

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

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

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

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.

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:

- managements' intended usage of the property; and
- the extent to which it is owner occupied.

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.

Significant Accounting Policies

1.6 Property, plant and equipment (continued)

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.

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

Item	Depreciation method	Average useful life
Land	Straight-line	infinite years
Buildings	Straight-line	10-50 years
Leased Assets	Straight-line	3-5 years
Machinery and Equipment	Straight-line	7 years
Furniture and Fittings	Straight-line	2-7 years
Transport Assets	Straight-line	7 years
Office Equipment	Straight-line	3 years
Computer Equipment	Straight-line	5-7 years
Infrastructure assets	Straight-line	10-80 years
Community assets	Straight-line	8-50 years
Machinery and plant	Straight-line	2-15 years

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

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

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

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

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

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

1.6 Property, plant and equipment (continued)

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 10).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

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.

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

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

1.8 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.

1.8 Intangible assets (continued)

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.

Internally generated goodwill is not recognised as an intangible asset.

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

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

1.9 Financial instruments

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

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

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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.

1.9 Financial instruments (continued)

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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.

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

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

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

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

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

Significant Accounting Policies

1.9 Financial instruments (continued)

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

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

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

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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

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

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

1.9 Financial instruments (continued)

Classification

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

Class	Category
Receivables from Exchange Transactions	Financial asset measured at amortised cost
Receivables from Non-Exchange Transactions (excluding property rates)	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
Trade and Other Payables from Exchange Transactions	Financial liability measured at amortised cost
Other Financial Liabilities	Financial liability measured at amortised cost
Consumer Deposits	Financial liability measured at amortised cost

Initial recognition

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

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

Reclassification
The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or

Significant Accounting Policies

1.9 Financial instruments (continued)

- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

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

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

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

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

Impairment and uncollectibility of financial assets

The 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.

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 asset.

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

1.9 Financial instruments (continued)

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

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

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

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

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

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

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

Financial liabilities

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

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

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

Presentation

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

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

1.9 Financial instruments (continued)

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

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

1.10 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.

1.10 Statutory receivables (continued)

Other charges

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

Impairment losses

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

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

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

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

In estimating the future cash flows, a 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.

1.11 Leases

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

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

Operating leases - lessee

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

1.12 Inventories

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

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

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

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

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

1.13 Cash and cash equivalents

Cash and cash equivalents include cash on hand (including petty cash), short-term investments and cash in the bank account. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with a registered banking institutions, with maturity of three months or less, subject to an insignificant risk of change in value. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets carried at amortised costs.

Bank overdrafts are recorded based on the facility utilised. Finance costs on bank overdrafts are expenses as when they are incurred. Amounts owing in respect of bank overdrafts are recognised as financial liabilities carried at amortised cost.

1.14 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).

1.14 Impairment of cash-generating assets (continued)

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

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

1.15 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

1.16 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:

Significant Accounting Policies

1.16 Employee benefits (continued)

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

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

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

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

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

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

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

1.17 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).

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

1.17 Provisions and contingencies (continued)

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

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

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

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

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

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

1.18 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.

1.18 Commitments (continued)

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

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

1.19 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.

Sale of goods

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

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

Service Charges

Service Charges relating to electricity and water are based on consumption. Meters are read monthly and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.
Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.
Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved by Council and are levied monthly. In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Rental of facilities and Equipment

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement. It is earned from the renting of municipal facilities such as halls, sports, grounds, and lease of tenants, and is charged using the relevant approved tariffs.

1.19 Revenue from exchange transactions (continued)

Interest - Exchange Transactions

Interest is recognised in surplus or deficit, using the effective interest rate method. Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
The amount of the revenue can be measured reliably.
Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Other Income

Other income shall be accounted for when the cash, asset or service is received by the municipality. Other income included amongst others the following:
Sale of bid documents
Administration and Parking fees
Skills development refunds

1.20 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

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.

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.

Transfers

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

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

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

Donations and Contributions

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

Services in-kind

Services in-kind include services provided by individuals to the municipality at no charge or where the municipality has the right to use assets at no charge.

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

When the criteria for recognition is satisfied, services in-kind are recognised at their fair value as at the date of acquisition

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

Government grants and Subsidies

Transfer revenue include government grants, subsidies, public contributions, donations, fines, penalties and forfeits. Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes. Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset. The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset. Transferred assets are measured at their fair value as at the date of acquisition.

Significant Accounting Policies

1.21 Investment income

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

1.22 Borrowing costs

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

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

1.23 Comparative figures

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

1.24 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).

1.25 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).

1.26 Irregular expenditure

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

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

1.27 Segment information

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

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

1.27 Segment information (continued)

Measurement

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

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

1.28 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.

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

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

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

1.29 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 ventures).

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.

1.29 Related parties (continued)

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

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

1.30 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.

1.31 Unspent Conditional Grants

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

A liability for unspent conditional grants is recognised only to the extent that the conditions attached to the grant have not been satisfied and are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be asset-backed. The following provisions are set for the creation and utilisation of this creditor:
Unspent conditional grants are recognised as a liability when the grant is received.
When grant conditions are met an amount equal to the conditions met is transferred to revenue in the Statement of Financial Performance.

The cash which backs up the creditor is invested as an individual investment or part of the operating account of the municipality until it is utilised
.
Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality’s interest it is recognised as interest earned in the Statement of Financial Performance.

1.32 Prepayments

Prepayments are the payments for goods or services to be received in the future and is recognised as a current asset. Prepayments are transferred to the Statement of Financial Performance upon the receipt of the goods or services paid for. Prepayments are accounted for at cost.

1.33 Bad Debts Write Off

Debt owed to the Municipality will be regarded as irrecoverable or bad and written off in the following instances:

The consumer is untraceable

The Municipality must take all reasonable steps to trace the debtor and collect the debt owed to the Municipality. A reasonable effort to trace the debtor will include, but is not limited to the following:
-Utilising all available information on the Municipality's records;
-Utilising the telephone directory to located the debtor; and
-Contacting the following institutions or persons in order to locate the debtor:
The Department of Home Affairs; The South African Revenue Services Officials and/or colleagues at the debtor's last place of employment
The Municipal Manager shall consider all other economically viable avenues for debt recovery, including the use of tracing agents. This shall be for debts above R15 000.
If the debtor cannot be traced after all reasonable steps have been taken, a submission shall be made to council requesting a write off of the debt.
The submission must highlight all steps taken to trace the debtor and must show that it would be uneconomical to take any further steps.
Insolvent estate
·The consumer is insolvent (bankrupt) if his/her liabilities exceed his/her assets and upon sequestration, a trustee is appointed by a High Court to take control of the insolvent estate.
·The Municipality's claim against an insolvent estate or an estate that is being administered as insolvent cannot be paid if there are no liquid assets in the insolvent estate to cover the debt.
·However, part payment of the debt will be recovered.
·Only the portion that may be irrecoverable will be written off.
Debt that cannot be proved.
Debt for which no source documentation is available to substantiate or prove the claim, the Municipal Manager must have satisfied him/her that all reasonable steps have been taken to locate the source document.
Disputes that relates to consumption services untraced.
Where disputes have been lodged against the bill of the municipality in respect of water or electricity meter that cannot be validated. Any debt that will remain after recalculation of the correct or acceptable bill must be written off.
Procedure for writing off Bad Debt.
A submission must be made to Council requesting the write-off of the debt.
The submission must contain the following information:
·The name, address, amount and relevant particulars of the debt;
·The nature of the debt and date incurred;
·An outline of measures taken to collect the debt;
·Reason(s) why the debt is deemed to be irrecoverable or bad;
·Period of the debt and/or date(s) of invoice;
·Recommendation that the debt be written off;
·The vote or account classification against which the write-off must be charged.
All debts written off must be disclosed in the Municipality's Annual Financial Statements.
In considering a debt write-off the following conditions will apply:
·Each case will be considered on its merits,
·Except for bulk write-off that may be approved by council,
·Each request will be supported by relevant documentation,
·Each case will receive authorisation from the appropriate authorised officer (CEO) and or member of the Bad debt committee in accordance with the policy.
·Appropriate records of all unauthorised write offs will be maintained and reviewed periodically against live caseload.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

2.2 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:

• IGRAP 22: Foreign currency transactions and advance consideration	01 April 2025	Unlikely there will be a material impact

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

• GRAP 104: Financial Instruments (revised)	01 April 2025	Unlikely there will be a material impact

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2025 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 1: Presentation of Financial Statements (ammended 2022)	To be determined	Unlikely there will be a material impact
• GRAP 103: Heritage Assets (amended)	To be determined	Unlikely there will be a material impact
• GRAP 105: Transfer of Functions between entities under common control (amended)	To be determined	Unlikely there will be a material impact
• GRAP 106: Transfers of Functions between entities not under common control (amended)	To be determined	Unlikely there will be a material impact
• GRAP 107: Mergers (amended)	To be determined	Unlikely there will be a material impact
• Improvements to Standards of GRAP (2023)	To be determined	Unlikely there will be a material impact
• Guideline (The application of materiality to Financial Statements	To be determined	Unlikely there will be a material impact

3. Inventories

Consumables	2 387 316	3 351 851
Materials and Supplies	815 101	901 535
Water for distribution	22 003	-
	3 224 420	**4 253 386**

The Municipality's inventory is measured on weighted average basis.

Inventory pledged as security

There was no inventory pledged as security.

Reconciliation of water inventory	**Volume**	**Value**
Input volume	563 440	7 043 000
Inventory consumed	-	(7 020 997)
Authorised consumption: Metered (billed)	(467 577)	(5 844 710)
Water losses	(94 103)	(1 176 288)
	1 760	**22 002**

4. Receivables from exchange transactions

Consumer debtors - Electricity	3 530 419	1 432 615
Consumer debtors - Water	47 857 515	21 437 914
Consumer debtors - Sewerage	5 965 180	3 426 941
Consumer debtors - Refuse	3 579 536	3 026 449
Consumer debtors - Housing Rental	188 707	165 793
Consumer debtors - Sundry Debtors	12 100	6 721
	61 133 457	**29 496 433**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

4. Receivables from exchange transactions (continued)

Trade and other receivables pledged as security

There were no trade and other receivables pledged as security.

Gross balances		
Consumer debtors - Electricity	15 246 785	13 944 372
Consumer debtors - Water	131 698 779	133 069 566
Consumer debtors - Sewerage	16 464 774	18 033 478
Consumer debtors - Refuse	19 660 969	18 742 712
Consumer debtors - Housing Rental	322 755	268 785
Consumer debtors - Sundry Debtors	26 603	14 338 375
	183 420 665	**198 397 288**

Less: Allowance for impairment		
Consumer debtors - Electricity	(11 716 366)	(12 511 757)
Consumer debtors - Water	(83 841 264)	(111 631 652)
Consumer debtors - Sewerage	(10 499 594)	(14 606 537)
Consumer debtors - Refuse	(16 081 433)	(15 716 263)
Consumer debtors - Housing Rental	(134 048)	(102 992)
Consumer debtors - Sundry Debtors	(14 503)	(14 331 654)
	(122 287 208)	**(168 900 855)**

Net balance		
Consumer debtors - Electricity	3 530 419	1 432 615
Consumer debtors - Water	47 857 515	21 437 914
Consumer debtors - Sewerage	5 965 180	3 426 941
Consumer debtors - Refuse	3 579 536	3 026 449
Consumer debtors - Housing Rental	188 707	165 793
Consumer debtors - Sundry Debtors	12 100	6 721
	61 133 457	**29 496 433**
		-

Electricity		
Current (0 -30 days)	1 526 791	861 491
31 - 60 days	510 008	290 559
61 - 90 days	358 543	259 024
91 - 120 days	400 248	322 742
>120 days	12 451 195	12 210 556
	15 246 785	**13 944 372**

Water		
Current (0 -30 days)	5 543 575	4 560 160
31 - 60 days	1 994 423	2 168 910
61 - 90 days	2 108 757	2 090 136
91 - 120 days	2 486 492	2 267 744
>120 days	119 565 532	121 982 616
	131 698 779	**133 069 566**

Sewerage		
Current (0 -30 days)	584 842	552 256
31 - 60 days	243 975	602 862
61 - 90 days	241 994	282 319

Figures in Rand	2025	2024

4. Receivables from exchange transactions (continued)

	2025	2024
91 - 120 days	240 233	280 779
>120 days	15 153 730	16 315 262
	16 464 774	**18 033 478**

Refuse

	2025	2024
Current (0 -30 days)	787 036	671 348
31 - 60 days	337 590	320 269
61 - 90 days	339 982	317 745
91 - 120 days	337 159	315 214
>120 days	17 859 202	17 118 136
	19 660 969	**18 742 712**

Housing Rental

	2025	2024
Current (0 -30 days)	15 467	14 534
31 - 60 days	7 717	7 191
61 - 90 days	7 664	7 696
91 - 120 days	7 687	7 645
>120 days	284 220	231 719
	322 755	**268 785**

Sundry debtors

	2025	2024
Current (0 -30 days)	439	7 034
31 - 60 days	1 956	-
61 - 90 days	1 088	207
91 - 120 days	3	374
>120 days	23 117	14 330 760
	26 603	**14 338 375**

Consumer debtors past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Impairment ageing - 30 June 2025	0-30 days	31-60 days	61-90 days	91-120 days	>120 days	Total
Electricity	-	123 845	142 132	178 571	1 274 099	1 718 647
Housing rental	-	5 042	5 004	5 043	158 151	173 240
Refuse	-	27 546	31 807	31 282	2 375 919	2 466 554
Sewerage	-	118 124	116 639	115 385	4 483 489	4 833 637
Water	-	347 278	330 647	461 364	24 841 568	25 980 857
	-	**621 835**	**626 229**	**791 645**	**33 133 226**	**35 172 935**

Impairment ageing - 30 June 2024	0-30 days	31-60 days	61-90 days	91-120 days	>120 days	Total
Electricity	-	27 447	12 018	2 756	159 818	202 039
Housing Rental	-	4 706	5 227	5 192	136 135	151 260
Refuse	-	7 372	7 332	6 861	2 123 129	2 144 694
Sewerage	-	301 862	49 243	48 743	1 731 205	2 131 053
Sundry Debtors	-	-	-	-	164	164
Water	-	79 765	92 056	81 610	6 310 500	6 563 931
	-	**421 152**	**165 876**	**145 162**	**10 460 951**	**11 193 141**

4. Receivables from exchange transactions (continued)

Ageing per debtor type
The ageing per debtor type is as follows:

Ageing per debtor type - June 2025	0-30 days	31-60 days	61-90 days	91-120 days	>120 days	Total
Agricultural properties	42 258	3 598	4 694	4 153	271 554	326 257
Business and commercial properties	2 707 527	1 041 381	845 066	979 738	38 432 350	44 006 062
Industrial properties	30 581	15 589	14 527	14 418	1 010 537	1 085 652
Mining properties	2 136	1 002	1 030	972	61 504	66 644
Public benefit organisations	282 172	82 299	130 491	61 087	1 282 768	1 838 817
Public service infrastructure properties	118 954	56 815	63 656	60 177	1 711 385	2 010 987
Public service purpose properties	287 764	60 355	57 553	70 589	4 287 542	4 763 803
Residential properties	4 168 905	1 523 880	1 571 187	1 858 405	91 638 315	100 760 692
Vacant land	817 855	310 748	369 823	422 282	26 637 555	28 558 263
	8 458 152	**3 095 667**	**3 058 027**	**3 471 821**	**165 333 510**	**183 417 177**

Ageing per debtor type - June 2024	0-30 days	31-60 days	61-90 days	91-120 days	>120 days	Total
Agricultural properties	20 593	13 564	9 059	9 685	264 550	317 451
Business and commercial properties	1 796 912	892 068	656 594	786 101	36 430 212	40 561 887
Industrial properties	625 519	9 478	9 621	9 350	419 556	1 073 524
Mining properties	2 121	1 014	952	1 025	48 665	53 777
Public benefit organisations	74 136	34 579	34 257	33 943	544 381	721 296
Public service infrastructure properties	89 680	44 289	43 032	42 436	1 242 183	1 461 620
Public service purpose properties	146 225	212 586	76 114	101 524	4 471 900	5 008 349
Residential properties	3 248 989	1 732 264	1 676 404	1 864 156	103 343 029	111 864 842
Vacant land	662 649	449 950	451 094	346 276	21 104 684	23 014 653
	6 666 824	**3 389 792**	**2 957 127**	**3 194 496**	**3 194 496**	**184 077 399**

Figures in Rand	2025	2024

5. Receivables from non-exchange transactions

Consumer debtors - Rates	172 317 952	128 411 751
Total receivables from non-exchange transactions	172 317 952	118 466 406

Receivables from non-exchange transactions pledged as security

There were no Receivables from non-exchange transactions pledged as security.

Gross balances		
Consumer debtors - Rates	335 171 704	332 966 672
Less: Allowance for impairment		
Consumer debtors - Rates	(162 853 752)	(204 554 921)
		-
	(162 853 752)	**(204 554 921)**
Net balance		
Consumer debtors - Rates	172 317 952	128 411 751
Property Rates		
Current (0 -30 days)	33 669 680	16 290 647
31 - 60 days	17 430 277	8 043 319
61 - 90 days	3 316 657	7 967 233
91 - 120 days	3 261 905	7 899 635
>120 days	277 493 185	292 765 838
	335 171 704	**332 966 672**

Consumer debtors past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Impairment ageing - 30 June 2025	0-30 days	31-60 days	61-90 days	91-120 days	>120 days	Total
Property Rates	-	3 800 153	2 337 529	2 303 854	123 914 874	132 356 410

Impairment ageing - 30 June 2024	0-30 days	31-60 days	61-90 days	91-120 days	>120 days	Total
Property rates	-	2 862 540	2 830 815	2 803 679	96 154 344	104 651 378

Ageing per debtor type

The ageing per debtor type is as follows:

Ageing per debtor type - June 2025	0-30 days	31-60 days	61-90 days	91-120 days	>120 days	Total
Agricultural properties	8 188 595	13 912 167	173 080	158 466	126 389 692	148 822 000
Business and commercial properties	9 107 201	230 724	151 179	141 894	55 920 154	65 551 152

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Receivables from non-exchange transactions (continued)

Industrial properties	711 997	83 958	22 832	22 623	7 007 805	7 849 215
Mining properties	2 374 118	283 069	497 500	489 118	15 102 348	18 746 153
Public benefit organisations	29 961	218	1 239	1 227	332 288	364 933
Public service infrastructure properties	105 481	2 615	891	882	1 372 904	1 482 773
Public service purpose properties	10 321 353	2 658 762	2 218 906	2 198 334	51 492 242	68 889 597
Residential properties	2 584 989	220 675	240 323	238 763	16 865 941	20 150 691
Vacant land	245 986	38 088	10 705	10 597	3 002 707	3 308 083
	33 669 681	**17 430 276**	**3 316 655**	**3 261 904**	**277 486 081**	**335 164 597**

Ageing per debtor type - June 2024	0-30 days	31-60 days	61-90 days	91-120 days	>120 days	Total
Agricultural properties	8 691 080	4 289 150	4 260 675	4 230 615	167 219 374	188 690 894
Business and commercial properties	923 321	459 568	448 394	446 506	51 403 305	53 681 094
Industrial properties	184 417	92 791	92 490	92 168	6 742 832	7 204 698
Mining properties	1 110 371	553 055	550 138	538 940	11 721 941	14 474 445
Public benefit organisations	272 293	126 086	114 341	111 413	719 853	1 343 986
Public service infrastructure properties	35 923	18 628	18 579	18 530	1 468 634	1 560 294
Public service purpose properties	4 144 966	2 045 081	2 026 585	2 008 092	31 778 787	42 003 511
Residential properties	819 516	413 650	410 893	408 408	18 819 602	20 872 069
Vacant land	108 760	45 310	45 137	44 964	2 789 616	3 033 787
	16 290 647	**8 043 319**	**7 967 232**	**7 899 636**	**7 899 636**	**332 864 778**

6. VAT receivable

VAT Control	43 758 810	41 720 314

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

7. Other Receivables

Prepaid electricity and public contributions and donation debtors	1 238 323	1 063 799
Over/Under Banking	617 134	1 262 736
Pension Control	836 884	-
	2 692 341	**2 326 535**

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	4 375 303	15 421 593
Short-term deposits	-	2 451 981
	4 375 303	**17 873 574**

The municipality had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book balances**		
	30 June 2025	**30 June 2024**	**30 June 2023**	**30 June 2025**	**30 June 2024**	**30 June 2023**
Standard Bank - Primary Account - 302854185	3 858 023	15 365 650	14 408 112	3 858 023	15 365 650	14 408 112
ABSA BANK - Primary Account - 4054385292	517 280	55 944	1 815	517 280	55 944	1 815
NEDBANK - Call Deposit - 7881112840/000005	-	-	436 906	-	-	436 906
Standard Bank - Fixed Deposit - 5088662043-018	-	-	468 820	-	-	468 820
ABSA BANK - Fixed Deposit - 9353081205	-	-	4 186 608	-	-	4 186 608
ABSA BANK - Invest Tracker - 9359045392	-	2 451 831	1 998 291	-	2 451 831	1 998 291
Standard Bank - 48 Hours Notice Deposit - 048473162-002	-	-	6 007 842	-	-	6 007 842
ABSA BANK - Fixed Deposit - 20-8053-5025	-	-	7 447 577	-	-	7 447 577
Total	**4 375 303**	**17 873 425**	**34 955 971**	**4 375 303**	**17 873 425**	**34 955 971**

9. Investment property

	2025			2024		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	17 176 288	-	17 176 288	13 463 998	-	13 463 998

Reconciliation of investment property - 2025

	Opening balance	**Fair value adjustments**	**Total**
Investment property	13 463 998	3 712 290	17 176 288

Reconciliation of investment property - 2024

	Opening balance	**Fair value adjustments**	**Total**
Investment property	5 165 700	8 298 298	13 463 998

No investment property is pledged as security.

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

The valuation of investment property is according to the highest and best use for land and improvement applicable. The fair value represents the market value.

10. Property, plant and equipment

	2025			2024		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	28 662 303	(18 743 835)	9 918 468	28 354 538	(17 806 937)	10 547 601
Furniture and Office Equipment	5 771 087	(2 845 598)	2 925 489	4 353 751	(2 272 988)	2 080 763
Transport Assets	40 938 693	(31 420 659)	9 518 034	37 189 809	(28 647 237)	8 542 572
Computer Equipment	4 040 010	(2 343 586)	1 696 424	3 966 384	(1 809 725)	2 156 659
Infrastructure	2 135 693 276	(1 213 297 665)	922 395 611	1 969 573 567	(1 144 826 170)	824 747 397
Community	68 357 692	(32 264 071)	36 093 621	62 431 350	(30 289 483)	32 141 867
Machinery and Equipment	15 072 185	(11 729 082)	3 343 103	13 510 153	(11 239 113)	2 271 040
Work in progress	46 199 512	-	46 199 512	87 098 209	-	87 098 209
Total	**2 344 734 758**	**(1 312 644 496)**	**1 032 090 262**	**2 206 477 761**	**(1 236 891 653)**	**969 586 108**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Donated assets received	Disposals	Donations Made	Transfers to PPE	Landfill site provision adjustment	Depreciation	Impairment loss	Total
Buildings	10 547 601	346 500	-	(10 753)	-	-	-	(662 407)	(302 473)	9 918 468
Furniture and Office Equipment	2 080 763	1 417 336	-	-	-	-	-	(572 610)	-	2 925 489
Transport Assets	8 542 572	3 748 885	-	-	-	-	-	(1 509 689)	(1 263 733)	9 518 034
Computer Equipment	2 156 659	192 443	-	(64 530)	-	-	-	(511 942)	(76 206)	1 696 424
Infrastructure	824 747 397	2 923 441	96 604 372	(14 105 607)	-	136 619 410	691 833	(118 876 495)	(6 208 740)	922 395 611
Community	32 141 867	-	-	(76 556)	-	6 487 142	-	(1 811 848)	(646 984)	36 093 621
Machinery and Equipment	2 271 040	1 562 031	-	-	-	-	-	(489 968)	-	3 343 103
Work in progress	87 098 209	111 082 141	-	-	(8 874 286)	(143 106 552)	-	-	-	46 199 512
	969 586 108	**121 272 777**	**96 604 372**	**(14 257 446)**	**(8 874 286)**	**-**	**691 833**	**(124 434 959)**	**(8 498 136)**	**1 032 090 262**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Donated assets received	Disposals	Donations Made	Transfers to PPE	Landfill site provision adjustment	Depreciation	Total
Buildings	11 208 129	-	-	(9 646)	-	-	-	(650 882)	10 547 601
Furniture and fixtures	1 947 665	794 513	-	(142 874)	-	-	-	(518 541)	2 080 763
Motor vehicles	8 559 722	1 587 023	-	-	-	-	-	(1 604 173)	8 542 572
IT equipment	2 642 941	323 127	-	(211 590)	-	-	-	(597 819)	2 156 659
Infrastructure	876 138 114	1 915 440	18 142 144	(9 807 647)	-	55 786 270	573 613	(118 000 537)	824 747 397
Community	26 375 779	-	-	(3 331)	-	7 415 844	-	(1 646 425)	32 141 867
Machinery and Equipment	2 604 153	265 000	-	(32 884)	-	-	-	(565 229)	2 271 040
Work in progress	48 794 953	111 458 384	-	-	(9 953 014)	(63 202 114)	-	-	87 098 209
	978 271 456	**116 343 487**	**18 142 144**	**(10 207 972)**	**(9 953 014)**	**-**	**573 613**	**(123 583 606)**	**969 586 108**

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Total
Opening balance	80 611 067	6 487 142	87 098 209
Additions/capital expenditure	105 288 406	5 793 735	111 082 141
Other movements - donations made	(8 874 286)	-	(8 874 286)
Transferred to completed items	(136 619 410)	(6 487 142)	(143 106 552)
	40 405 777	**5 793 735**	**46 199 512**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	34 891 966	13 902 987	48 794 953
Additions/capital expenditure	111 458 384	-	111 458 384
Other movements - donations made	(9 953 014)	-	(9 953 014)

Figures in Rand		2025	2024

10. Property, plant and equipment (continued)

Transferred to completed items	(55 786 269)	(7 415 845)	(63 202 114)
	80 611 067	**6 487 142**	**87 098 209**

The following projects were subject to unforseen delays during their construction and as a result they were not completed as planned at reporting date :

- Heuningvlei Water Reticulation project: The project to construct internal reticulation, originally scheduled for completion by June 2025, remains incomplete due to delays on electrification by Eskom relating to the electrical connections to the borehole. As of June 2025, R14,9 million has been spent on the project against a budget of R17,1 million. Eskom is currently doing some connections at a very slow pace.
- Dithakong Sportfield project: The project to refurbish an existing sport facility including new fence, originally scheduled for completion by June 2025, remains incomplete due to non-performance of the contractor where an Extension of Time was granted on 3 occasions yet still the contractor did not perform. As of June 2025, R11,7 million has been spent on the project against a budget of R17,7 million. A new contractor will be allocated the project in the 2025/26 financial year.
- Dockson Water Supply project: The project for water supply augumentation, originally scheduled for completion by June 2025, remains incomplete due to non-performance of the contractor. As of June 2025, R8,7 million has been spent on the project against a budget of R21,9 million. A new contractor has been appointed in February 2025.

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	543 680	864 503
Transport assets	2 140 071	1 707 298
Infrastructure	1 585 621	2 787 888
Machinery and Equipment	107 795	147 273
Furniture and office equipment	186 971	510 542
Other assets	115 686	131 509
	4 679 824	**6 149 013**

No property, plant and equipment is pledged as security.

Correction of useful lives

During the current financial year, the municipality undertook a detailed review of the remaining useful lives of its property, plant and equipment and intangible assets as part of its asset management and compliance processes. The review indicated that in prior periods, certain categories of assets were not depreciated over the appropriate useful lives in line with GRAP 17. As a result, management adjusted the financial information to account for the correction of the remaining useful lives retrospectively in terms of GRAP3: Accounting policies, Changes in Accounting Estimates and Errors.

The correction has resulted in a decrease in opening accumulated depreciation by R97 446 519 and an increase in opening accumulated surplus with the same amount.

The detailed financial impact of the correction on opening balances and related adjustments on the depreciation charge for 2023/24 has been disclosed in note 57 - prior year adjustments.

Use of third party infrastructure to provide service delivery to Hotazel Town

During the reporting period, the municipality benefitted from the right of use of infrastructure assets owned by Hotazel Manganese mine (Pty) Ltd (South 32). The nature of right of use with related services provided is as follows:

Electrical Distibution Network: Access to Infrastructure for transmission and distribution of electricity to Hotazel Town.
Service Water Treatment Plant: Use of facilities for the treatment and disposal of waste water generated within the municipality.
Water Infrastructure: Access to water supply systems, including reserviors pipelines and treatment facilities for the provision of potable water

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

10. Property, plant and equipment (continued)

The municipality provides the services using infrastructure that is owned and maintained by South 32. Therefore, it does not own, maintain or control the infrastructure and does not recognise any of the infrastructure assets used as the assets of the municipality in accordance with GRAP 17. The municipality is only responsible for operational aspects of service delivery, while all infrastructure-related risks and maintenance obligations remain with South 32.
The memorandum of understanding which seeks to outline and formalise the terms of arrangements between the municipality and South 32 have not been signed yet. In the meantime, management continues to hold meetings with South 32 in preperation for a swift transfer of these assets when the transfer eventually takes place for both Asset Management and Financial Reporting processes of the municipality.

Hotazel public spaces

The municipality has recognised 13 public open spaces in the Hotazel Town which were declared as the municipality's public open spaces through a proclamation that was signed in July 2007. These properties were gradually included in the municipality's valuation roll from 2009 with all of them being included in the valuation roll at reporting date. The municipality has engaged conveyancers, who have started with the process of transferring legal ownership of these properties from Hotazel Manganese Mines (Pty) Ltd (South 32) to the name of the municipality. The municipality has recognised these properties as assets of the municipality, resulting in restatement of the comparative financial information to include the 13 properties with a total market value of R7 600 in the fixed asset register.

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.

11. Intangible assets

	2025			2024		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	4 266 805	(3 374 008)	892 797	4 226 810	(2 958 207)	1 268 603

Reconciliation of intangible assets - 2025

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software	1 268 603	39 995	(415 801)	892 797

Reconciliation of intangible assets - 2024

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software	1 538 763	186 101	(456 261)	1 268 603

12. Other financial liabilities

At amortised cost		
Development Bank of South Africa - Short Term Portion	167 575	225 683
Terms and conditions		
Development Bank of South Africa - Long Term Portion	182 729	375 763
Terms and conditions		
	350 304	**-**
Total other financial liabilities	**350 304**	**-**

Figures in Rand	2025	2024

12. Other financial liabilities (continued)

The loan accrues interest at a fixed rate of 8.848%. Any amounts in arrears accrue interest at a fixed rate of 10.848%. The capital is payable in bi-annual installments over 20 years. The interest portion is repayable in bi-annual instalments.

Non-current liabilities		
At amortised cost	182 729	375 763
Current liabilities		
At amortised cost	167 575	225 683

13. Payables from exchange transactions

Trade payables	52 467 722	29 109 764
Debtors with credit balances	3 938 930	3 192 970
Leave Accrued	8 607 773	8 057 158
Control, Clearing and Interface Accounts	10 732	282 164
Retentions	17 279 015	17 452 076
13th Cheque	5 719 356	5 105 199
Unallocated Deposits	192 299	158 988
	88 215 827	**63 358 319**

14. Consumer deposits

Water	40 914	39 500
Rental Deposits	51 215	-
	92 129	**39 500**

15. Employee benefit obligations

Defined benefit plan

The employee benefit obligation relate to long service bonus awards.

Long Service Bonus Awards

The municipality has an obligation to provide long service bonus awards to all its permanent employees. In terms of the municipality's policies and practice, long service bonus awards are offered for every 5 years of completed service from 10 years to 45 years.

The most recent actuarial valuation of plan assets and the present value of the defined obligation were carried out as at 30 June 2025 by Mr C Weiss. Fellow of the Actuarial Society of South Africa.

The present value of the obligation, the related current service cost and past service cost, were measured using the projected unit credit method.

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(4 793 000)	(4 717 000)
Non-current liabilities	(4 453 000)	(3 605 000)
Current liabilities	(340 000)	(1 112 000)
	(4 793 000)	**(4 717 000)**

Net expense recognised in the statement of financial performance

Figures in Rand	2025	2024

15. Employee benefit obligations (continued)

Current service cost	465 000	449 000
Interest cost	465 000	443 000
Actuarial (gains) losses	258 000	267 000
Expected benefits vesting	(1 112 000)	(692 000)
	76 000	**467 000**

Long service bonus awards carrying value

Opening balance	4 717 000	4 250 000
Actuarial gains (losses)	258 000	267 000
Current service costs	465 000	449 000
Interest costs	465 000	443 000
Expected benefits vesting	(1 112 000)	(692 000)
	4 793 000	**4 717 000**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10,00 %	11,10 %
Expected rate of return on assets	5,00 %	6,30 %
Expected rate of return on reimbursement rights	4,80 %	4,60 %

A discount rate of 10,00% per annum has been used. The corresponding liability-weighted index- linked yield is 5,30%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2025. These yields were obtained by calculating the duration of the total liability and then taking the fixed - interest and index - linked yields from the respective yield curves at the at that duration using an iterative process (because the yields depend on the duration, which in turn depends on the liability). The duration of the total liability was estimated to be 8.75 years.

<u>Earnings Inflation Rate</u>
This assumption is required to reflect the estimated growth in earnings of the eligible employees until retirement. It is important in that the LSA are based on an employee's earnings at the date of the award.
The assumption is traditionally split into two components, namely General Earnings Inflation and Promotional Earnings Escalation. The latter is considered under demographic assumptions.

<u>General Earnings Inflation Rate</u>
This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, earnings inflation is between 1.0% and 1.5% above CPI inflation.
The CPI inflation assumption of 4.0% was obtained from the differential between market yields on index-linked bonds (5.30%) consistent with the estimated terms of the liabilities and those of nominal bonds (10.0%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as ((1+10.0%-0.50%)/(1+5.30%))-1.
Thus, a general earnings inflation rate of 5.00% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 4.80%.
It was assumed that the next general earnings increase will take place on 1 July 2026

Other assumptions

The extent to which the actual DBO faced in the future by the Municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made

The assumptions which tend to have the greatest impact on the results are:
- the general earnings inflation rate assumption;
- the discount rate assumption;
- the average retirement age of employees; and
- assumed service termination rates.

Notes to the Annual Financial Statements

15. Employee benefit obligations (continued)

Sensitivity Analysis Results
The DBO at this valuation was recalculated to show the effect of:
- a one percentage point increase and decrease in the assumed general earnings inflation rate;
- a one percentage point increase and decrease in the assumed discount rate;
- a two-year increase and decrease in the assumed average retirement age of eligible employees; and
- a two-fold increase and a 50% decrease in the assumed rates of termination of service.

The table below indicates, for example, that if the earnings inflation rate is one percentage point greater than the long-term assumption made, the DBO will be 6.00% higher than the results shown in Section 6.

Sensitivity analysis on the DBO

Assumption	Change	DBO	%Change
Central assumptions		4 793 000	- %
General earnings inflation rate	+1%	5 085 000	6 %
	-1%	4 525 000	(6)%
Discount rate	+1%	4 522 000	(6)%
	-1%	5 093 000	6 %
Average retirement age	+2yrs	5 131 000	7 %
	-2yrs	4 388 000	(8)%
Rates of termination of service	x2	3 822 000	(20)%
	x0,5	5 430 000	13 %

The table below summarises the results of this analysis on the current service and interest costs for the year ending 30 June 2025. These figures were derived at the last valuation and were presented in that report.

Sensitivity analysis on current service and interest costs for year ending 30/06/2025.

Assumption	Change	Current Service Cost	Interest Cost	Total	%Change
Central assumptions		465 000	465 000	930 000	- %
General earnings infaltion rate	+1%	501 000	493 000	994 000	7 %
	-1%	432 000	439 000	871 000	(6)%
Discount rate	+1%	436 000	478 000	914 000	(2)%
	-1%	497 000	450 000	947 000	2 %
Average retirement age	+2yrs	495 000	498 000	993 000	7 %
	-2yrs	426 000	427 000	853 000	(8)%
Rates of termination fof service	x2	341 000	368 000	709 000	(24)%
	x0,5	553 000	529 000	1 082 000	16 %

The table below summarises the results of this analysis on the current service and interest costs for the year ending 30 June 2026.

Assumption	Change	Current Service Cost	Interest Cost	Total	%Change
Central assumptions		504 000	462 000	966 000	- %
General earnings inflation rate	+1%	543 000	491 000	1 034 000	7 %
	-1%	469 000	435 000	904 000	(6)%
Discount rate	+1%	473 000	478 000	951 000	(2)%
	-1%	539 000	442 000	981 000	2 %
Average retirement age	+2yrs	537 000	495 000	1 032 000	7 %
	-2yrs	461 000	421 000	882 000	(9)%
Rates of termination of service	x2	372 000	365 000	737 000	(24)%
	x0.5	597 000	525 000	1 122 000	16 %

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

15. Employee benefit obligations (continued)

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Water Services Infrastructure Grant (WSIG)	11 269	-

Movement during the year

Additions during the year	130 345 453	137 218 000
Income recognition during the year	(130 334 184)	(137 218 000)
	11 269	**-**

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

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

See note 25 for reconciliation of grants from National/Provincial Government.

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

17. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Interest Charge	Change in estimate	Total
Environmental rehabilitation	9 725 177	1 037 715	691 833	11 454 725
Litigations	-	3 158 289	-	3 158 289
	9 725 177	**4 196 004**	**691 833**	**14 613 014**

Reconciliation of provisions - 2024

	Opening Balance	Interest Charge	Change in estimate	Total
Environmental rehabilitation	8 213 456	938 108	573 613	9 725 177

Non-current liabilities	11 454 725	9 725 177
Current liabilities	3 158 289	-
	14 613 014	**9 725 177**

Environmental rehabilitation provision

The municipality has an obligation to rehabilitate the landfill sites of Joe Morolong.

The environmental rehabilitation provision represents the estimated costs to rehabilitate and close existing waste landfill sites. The provision is recognised at the present value of the expenditure expected to settle the obligation.

This assessment was performed using the General Landfill Closure Costing Model (GLCCM) that was developed by Mr Seakle Godschalk Pr Sci Nat, GIMFO and Dr Maryna Möhr, both partners in Environmental & Sustainability Solutions (ESS). ESS is a boutique consultancy focusing on all aspects of environmental and sustainability accounting.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

18. Service charges

Sale of Electricity - Conventional	5 240 685	2 998 761
Sale of water - Conventional	14 298 192	9 172 238
Sewerage and sanitation charges	1 449 862	1 472 403
Refuse removal	2 265 555	2 248 487
	23 254 294	**15 891 889**

19. Rental of facilities and equipment

Premises	105 363	97 278

20. Interest on arrear accounts

Interest - Non-Exchange Transactions	33 715 816	28 938 628
Interest - Exchange Transactions	16 644 673	22 281 433
	50 360 489	**51 220 061**

21. Prepaid Services

Sale of Electricity - Prepaid	3 926 565	3 680 505
Sale of Water - Prepaid	1 844	-
	3 928 409	**3 680 505**

22. Other income

Photo Copies	1 699	2 828
Admin Fees	10 209	26 708
Tender documents	30 240	55 753
Building Plans	60 797	44 130
Cemetery Fees	183	278
Insurance claims fees	14 150	826 704
Water:Connection/Disconnection	17 418	5 470
Parking Fees	33 300	23 280
Skills Development Levy Refund	188 729	165 592
Application fees for land usage	75 009	126 354
Recoveries	500	24 511
	432 234	**1 301 608**

23. Investment revenue

Interest revenue		
Investments	3 216 234	6 574 846
Bank	1 539 235	1 267 019
	4 755 469	**7 841 865**

24. Property rates

Rates received

Residential	3 303 116	1 581 958
Commercial	8 093 966	1 537 040
State	21 924 975	16 653 395
Small holdings and farms	10 067 180	19 608 208
Mining	5 269 644	7 478 586

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

24. Property rates (continued)

	48 658 881	**46 859 187**

25. Government grants & subsidies

Operating grants		
Equitable share	191 089 000	180 561 000
Financial Management Grant	3 000 000	3 100 000
Library Grant	1 306 453	1 252 000
Expanded Public Works Programme	1 231 000	2 159 000
	196 626 453	**187 072 000**
Capital grants		
Municipal Infrastructure Grant	68 808 000	77 007 000
Water Service Infrastructure	55 988 731	53 700 000
	124 796 731	**130 707 000**
	321 423 184	**317 779 000**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Financial Management Grant

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

Conditions still to be met - remain liabilities (see note 16).

Municipal Infrastructure Grant

Current-year receipts	68 808 000	77 007 000
Conditions met - transferred to revenue	(68 808 000)	(77 007 000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

Library Grant

Current-year receipts	1 306 453	1 252 000
Conditions met - transferred to revenue	(1 306 453)	(1 252 000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

Water Services Infrastructure Grant

Current-year receipts	56 000 000	53 700 000
Conditions met - transferred to revenue	(55 988 731)	(53 700 000)
	11 269	-

Conditions still to be met - remain liabilities (see note 16).

Figures in Rand	2025	2024

25. Government grants & subsidies (continued)

EPWP Grant

Current-year receipts	1 231 000	2 159 000
Conditions met - transferred to revenue	(1 231 000)	(2 159 000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

26. Public contributions and donations

Mining Subsidies	97 507 481	20 368 482
Donation of Laptops	27 996	81 630
	97 535 477	**20 450 112**

27. Employee related costs

Basic	72 021 821	64 405 591
Bonus	5 826 657	5 845 865
Medical aid	6 614 054	5 811 152
UIF	576 615	544 490
SDL	906 150	806 994
Group life insurance	11 885	11 885
Leave pay	1 057 711	1 202 011
Standby Allowance	1 093 916	986 237
Pension Funds	11 815 879	12 207 555
Transport Allowance	1 473 429	6 505 006
Overtime payments	4 414 008	4 597 186
Long-service awards	471 955	380 367
Acting allowances	1 025 036	684 452
Travel allowance	7 518 811	7 023 316
Housing benefits and allowances	1 206 661	1 288 162
Cellphone Allowance	1 298 100	1 210 600
Industrial Council	34 942	29 311
Non-Pensionable Allowance	182 000	-
Current Service Cost	465 000	449 000
	118 014 630	**113 989 180**

Remuneration of Municipal Manager

Basic Salary	1 138 664	660 016
UIF	2 125	1 417
Cellular and Telephone	42 000	28 000
Travel Allowance	216 000	88 000
Housing Allowance	192 000	80 000
Bargaining Council Allowance	143	91
Rural Allowance	145 688	75 408
Transport Allowance	53 349	140 900
Acting Allowance	-	123 124
	1 789 969	**1 196 956**

Remuneration of Chief Finance Officer

Basic Salary	-	258 215
Acting Allowance	139 097	88 861
UIF	-	708

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

27. Employee related costs (continued)

Bargaining council	-	45
Cellular and Telephone	-	14 000
Housing Benefits	-	60 000
Travel Allowance	-	76 000
Transport Allowance	-	46 502
Non-Pensionable Allowance	-	20 340
Scarcity Allowance	-	42 136
Leave Pay	-	239 274
	139 097	**846 081**

Mr O. Ramukhuvhathi was the Acting Chief Financial Officer from 1 July 2024 to 31 March 2025
Ms M.V . Mokubung was the Acting Chief Financial Officer from 1 April 2025 to 30 June 2025

Remuneration of Community Service Director

Basic Salary	-	711 126
UIF	-	1 948
Rural Allowances	-	92 187
Cellular and Telephone	-	37 351
Non-Pensionable Allowance	-	23 730
Travel Allowance	-	176 086
Housing Allowance	-	74 703
Bargaining Allowance	-	124
Transport Allowance	-	115 011
Leave Pay	-	176 632
Acting Allowance	108 921	17 854
	108 921	**1 426 752**

Ms J.G. Kamphilu was the Acting Community Services Director from 1 July 2024 to 30 November 2024.
Mrs G.P. Ntlhaile was the Acting Community Services Director from 1 December 2024 to 31 May 2025
Mrs S.I. Letselebe was the Acting Community Services Director from 1 June 2025 to 30 June 2025.

Corporate and human resources (corporate services)

Basic Salary	540 547	772 747
UIF	1 594	2 125
Rural Allowance	84 263	116 120
Cellular and Telephone	31 500	42 000
Non-Pensionable Allowance	-	23 730
Travel Allowance	150 000	200 000
Housing Allowance	152 079	202 772
Bargaining Council	108	136
Transport Allowance	25 123	91 085
Leave Pay	274 134	-
Acting Allowance	33 768	-
	1 293 116	**1 450 715**

Mr M.E Segami was the Acting Corporate Services Director from 1 April 2025 to 30 June 2025.

Technical Director

Basic Salary	558 977	821 322
UIF	1 594	2 125
Rural Allowance	84 263	116 120
Cellular and Telephone	31 500	42 000
Non-Pensionable Allowance	-	23 730
Travel Allowance	131 850	151 799
Housing Allowance	151 799	202 398

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

27. Employee related costs (continued)

Bargaining Council Allowance	108	135
Transport Allowance	-	85 423
Leave Pay	256 160	-
Acting Allowance	35 201	-
	1 251 452	**1 445 052**

Mr M.G. Malola was the Acting Technical Services Director from 1 April 2025 to 30 June 2025.

Director Planning and Development

Basic Salary	548 381	145 100
UIF	2 125	-
Rural Allowance	91 397	22 849
Cellular and Telephone	42 000	10 500
Travel Allowance	192 000	48 000
Housing Allowance	173 588	40 477
Bargaining Council Allowance	143	34
Transport Allowance	13 553	34 595
Acting Allowance	-	84 362
	1 063 187	**385 917**

28. Remuneration of councillors

Executive Mayor	971 828	977 533
Speaker	830 434	879 255
Chief Whip	872 077	916 295
Executive Committee	3 307 078	3 418 152
Councillors	8 455 782	9 142 324
Section 79 Committee Chairperson	535 796	600 308
	14 972 995	**15 933 867**

Executive Mayor

Basic Salary	626 856	640 040
Cellphone Allowance	47 004	45 919
Office Bearer Allowance	-	50 380
Pension Fund Contributions	66 737	58 409
Travelling Allowance	231 231	165 311
Transport Allowance	-	17 474
	971 828	**977 533**

Speaker

Basic Salary	501 566	498 281
Cellphone Allowance	47 004	45 919
Pension Fund Contributions	53 389	58 819
Medical Aid Benefits	30 616	27 650
Travelling Allowance	184 985	172 672
Transport Allowance	12 874	75 915
	830 434	**879 256**

Chief Whip

Basic Salary	474 694	471 785
Cellphone Allowance	47 004	45 919
Pension Fund Contributions	50 529	55 667
Medical Aid Benefits	39 270	35 975
Travelling Allowance	175 074	163 307
Transport Allowance	85 506	146 283

28. Remuneration of councillors (continued)

	2025	2024
	872 077	**918 936**

Executive Committee		
Basic Salary	1 898 775	1 887 141
Cellphone Allowance	188 016	183 676
Office Bearer Allowance	-	38 144
Pension Fund Contributions	202 117	222 670
Medical Aid Benefits	155 087	134 942
Travelling Allowance	700 297	615 086
Transport Allowance	162 786	336 493
	3 307 078	**3 418 152**

Councillors		
Basic Salary	4 107 992	4 152 613
Cellphone Allowance	976 837	960 382
Office Bearer Allowance	-	15 943
Pension Fund Contributions	438 808	481 520
Medical Aid Benefits	491 412	424 804
Travelling Allowance	1 537 816	1 393 937
Transport Allowance	902 917	1 730 510
	8 455 782	**9 159 709**

Section 79 Committee Chairperson		
Basic Salary	254 625	254 774
Cellphone Allowance	47 004	45 919
Pension Fund Contributions	27 104	29 860
Medical Aid Benefits	29 489	27 421
Travelling Allowance	93 910	87 598
Transport Allowance	83 663	154 736
	535 795	**600 308**

Additional information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

29. Depreciation and amortisation

Property, plant and equipment	124 434 959	123 549 648
Intangible assets	415 801	456 261
	124 850 760	**124 005 909**

30. Impairment loss

Impairments		
Property, plant and equipment	8 561 697	3 331
Receivables from exchange transactions	365 170	16 491 835
	8 926 867	**16 495 166**

Reversal of impairments		
Receivables from exchange transactions	46 978 815	-
Receivables from non-exchange revenue	41 701 169	-
	88 679 984	**-**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

31. Finance costs

Employee benefit interest cost	465 000	443 000
Development Bank of South Africa	41 410	54 216
Landfill site provision	1 037 715	938 108
Other interest paid	561 523	495 882
	2 105 648	**1 931 206**

32. Lease rentals on operating lease

Equipment		
Contractual amounts	814 500	861 026

33. Debt written off

Debt written off	78 456 161	47 712 344

34. Bulk purchases

Electricity - Eskom	16 499 048	14 013 337

Electricity losses

Units		
Units purchased	7 110 842	6 445 465
Units sold	(3 927 650)	(3 173 017)
Total loss	**3 183 192**	**3 272 448**

Amounts		
Distribution losses	2 115 201	540 350

Percentage Loss:		
Electricity losses	45 %	51 %

Water losses

Units purchased	563 440	624 460
Units sold	(467 577)	(373 205)
Units on hand	(1 760)	-
	94 103	**251 255**

Amounts		
Distribution losses	1 176 288	3 377 747

Percentage Loss:		
Water losses	17 %	40 %

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

35. Contracted services

Outsourced Services		
Business and Advisory	4 669 465	4 808 213
Personnel and Labour	1 045 749	838 447
Transport Services	330 870	521 906
Electrical	51 017	134 011
Consultants and Professional Services		
Business and Advisory	30 386 779	27 949 414
Infrastructure and Planning	66 970	21 720
Laboratory Services	1 066 940	699 008
Legal Cost	4 763 297	2 210 219
	42 381 087	**37 182 938**

36. Transfer and subsidies

Other subsidies		
SMME subsidies	184 290	-
Indigent subsidies	2 782 921	4 450 611
Sanitation	8 874 286	9 227 667
Road	-	725 346
	11 841 497	**14 403 624**

37. Inventory Consumed

Sale of goods		
Consumables	16 771 497	15 785 034
Material and Supplies	7 379 287	8 852 317
Water	7 020 997	7 299 936
	31 171 781	**31 937 287**

38. General expenses

Advertising	256 328	380 451
Auditors remuneration	8 965 060	6 679 861
Bank charges	350 714	449 294
Commission paid	7 180 873	3 860 809
Computer expenses	533 671	442 590
Entertainment	700 688	836 195
Hire	289 901	223 225
Insurance	5 455 257	3 227 979
Conferences and seminars	828 289	575 315
Motor vehicle expenses	981 321	851 336
Fuel and oil	573 264	515 919
Postage and courier	9 220	8 620
Printing and stationery	712 388	60 000
Repairs and maintenance	4 679 823	6 149 012
Security (Guarding of municipal property)	8 774 919	3 848 104
Staff welfare	665 463	433 043
Subscriptions and membership fees	1 381 987	1 118 632
Telephone and fax	3 758 325	976 599
Accommodation and travel	5 760 646	2 047 068
Breach of contract	14 479 755	-
Office Service Charges	4 481 823	4 426 064
Protective Clothing	24 620	4 512
Seating Allowance Traditional Leaders	16 111	18 085
Workmen's Compensation Fund	2 100	2 163 071
Learnerships and Internships	13 667	-

Figures in Rand	2025	2024

38. General expenses (continued)

Satellite Signals	15 313	6 176
Ward Committee Expenses	1 766 830	1 799 316
Bursaries	530 571	269 448
Fines and Penalties	38 129	7 819
Deeds Search	6 811	-
Resettlement Cost	-	140 783
	73 233 867	**41 519 326**

39. Loss on disposal of assets

Property, plant and equipment	13 032 265	8 145 856

40. Fair value adjustments

Investment property (Fair value model)	3 712 290	8 298 298

41. Statutory receivables

The entity had the following statutory receivables where other Standards of GRAP have been applied, for the initial recognition:

Property Rates	172 317 952	128 411 751
The relating line item where statutory receivables are included is Property rates (Refer to note 5)		

Statutory receivables (other than exchange or non-exchange) general information

Transaction(s) arising from statute

VAT is levied in terms of Value-Added Tax (VAT) Act 89 of 1991.

Property Rates is levied in terms of the Local Government Municipal Property Rates Act No.6 of 2004, approved Property Rates Policy and by-lawas

Determination of transaction amount

The VAT rate currently sits at 15% as determined by the Minister of Finance.

Property Rates- Tariffs are reviwed annualy as part of the MTREF process and applied as per the Property Rates Policy which is guided by the Local Government Municipal Property Rates Act No.6 of 2004.

Interest or other charges levied/charged

VAT - There are no Interest implications on the VAT amount.

Property Rates - According to the Credit Control and Debt Collection Policy, interest is levied on arrear municipal debt in excess of 30 days.
Interest is levied monthly at the prime lending rate plus 1% of the Municipality's Banker as at 01 July of each year and is fixed for the period 1 July 2024 to 30 June 2025

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

Property Rates - GRAP 108 statutory receivables sets out the requirements and guidelines for the impairment of financial assets subsequently carried at amortised cost.
Recognition is as per GRAP 108 requirements and guidelines. Reversal will be due to the amount being settled which will automatically be excluded from future impairment calculations.

-

Notes to the Annual Financial Statements

. Consumer debtors disclosure (continued)

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

42. Auditors' remuneration

Fees	8 965 060	6 679 861

43. Cash generated from operations

Surplus (deficit)	100 831 372	(3 053 950)
Adjustments for:		
Depreciation and amortisation	124 850 760	124 005 909
Gain on sale of assets and liabilities	14 248 946	10 162 069
Fair value adjustments	(3 712 290)	(8 298 298)
Impairment loss	8 926 867	16 495 166
Debt written off	78 456 161	47 712 344
Actuarial gains	(854 000)	(425 000)
Interest on employee benefit obligations	465 000	443 000
Interest on landfill site provisions	1 037 715	938 108
Donations made	8 874 286	9 953 013
Donations received	(96 632 368)	(18 224 774)
Net income (losses) recognised directly in net assets	(1 204 409)	24 887 665
Changes in employee benefit obligation	465 000	449 000
Changes in leave accrual	550 615	739 713
Changes in 13th cheque accrual	614 157	1 275 152
Changes in working capital:		
Inventories	1 028 966	(1 096 183)
Receivables from exchange transactions	(31 637 024)	(8 395 294)
Provisions	3 158 290	-
Other receivables from non-exchange transactions	(43 906 201)	(24 825 975)
Other Receivables	(365 807)	557 880
Impairment	(365 170)	(16 495 166)
Debt written off	(78 456 161)	(47 712 344)
VAT	(2 038 496)	(4 764 902)
Unspent conditional grants and receipts	11 269	-
Consumer deposits	52 629	3 000
Changes in Trade payables	23 357 958	(2 053 410)
Changes in Debtors with credit balances	745 960	(4 925 640)
Changes in unallocated deposits	33 311	58 891
Changes in salaries control accounts	(271 432)	(56 383)
	108 265 904	**97 353 591**

44. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	Total
Receivables from Exchange Transactions	61 133 457	61 133 457
Cash and cash equivalents	4 375 303	4 375 303
	65 508 760	**65 508 760**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	350 303	350 303
Trade and other payables from exchange transactions	73 888 698	73 888 698

Figures in Rand	2025	2024

44. Financial instruments disclosure (continued)

Consumer Deposits	92 154	92 154
	74 331 155	**74 331 155**

2024

Financial assets

	At amortised cost	Total
Receivables from Exchange Transactions	29 496 433	29 496 433
Cash and Cash Equivalents	17 873 574	17 873 574
	47 370 007	**47 370 007**

Financial liabilities

	At amortised cost	Total
Other financial Liabilities	601 446	601 446
Trade and other payables from exchange transactions	50 195 962	50 195 962
Consumer Deposits	39 500	39 500
	50 836 908	**50 836 908**

45. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	449 882	1 859 417
Total capital commitments		
Already contracted for but not provided for	449 882	1 859 417

46. Contingencies

Contingent Liabilities		
1) Obakeng Donald Gabotsileli obo T.G Thipe versus Joe Morolong Municipality. The Municipality and Eskom is suing for damages arising from injuries sustained the electrical poles and electrical wire which was utilized for the purpose of distributing and transmitting electrical current in our area of jurisdiction belonging to Eskom.	12 950 000	150 000
2) Ho tla ba Thata General Trading. Contract (B121/2015) The Full Maintenance Lease Agreement (FMLA) which came to an end August 2018 however there are outstanding disputes relating to payments	-	4 067 031
3) Joe Morolong Local Municipality versus Ditiro tsa ka Trading 6. Poor Performance breach by the contractor which led to termination of contract by the Municipality	-	14 478 961
4) Peyper Attorneys versus Joe Morolong Local Municipality: Applicant filed an application to review bid for appointment of a panel of attorneys to include them on the panel.	-	120 000
5) Lotshepe Development Engineers CC versus Joe Morolong Local Municipality. The plaintiff instituted a legal action against Joe Morolong Local Municipality to claim the damages.	-	395 230
6) The MACP Construction CC issued Provisional Sentence Summons against Joe Morolong Local Municipality in terms thereof it claimed payment in the amountof R734 000.54 in	734 000	734 000

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
46. Contingencies (continued)		
7) Khethwayo versus Joe Morolong Local Municipality. Khethwayo Construction CC issued a review Application out of the High Court of South Africa NC Division to declareunlawful,invalid and set aside the decision of Joe Morolong Local Municipality to appoint several bidders in respect of Bid:228-2023	-	150 000
8) MACP versus Joe Morolong Local Municipality. MACP Construction CC issued Combined Summons against Joe Morolong Municipality in terms thereof it seeks an order to cancel the agreement and paymentin the amount of	1 511 606	1 511 606
9)Tebogo Abraham Bosealetsa vesrus Joe Morolong Local Municipality.The Municipality filed the Notice of Intention to Defend. A round table discussion with the Plaintiff Attorneys is scheduled for 3 June 2025	130 000	-
10) Lebogang Moinwe versus Joe Morolong Local Municipality. The Labour Court issued a judgement in favour of the applicant on 9 May 2025. The Municipality has since 20 May 2025 filed for an application for a Leave to Appeal	-	-
11) SAMWU versus Joe Morolong Local Municipality. The Municipality is in process of filling Statement of Defence	-	-
	15 325 606	**21 606 828**

47. Related parties

Members of key management	Refer to note 27
Councillors	Refer to note 28

Related party balances

There were no senior managers and Councillors who received any services from the municipality in the year under review. Refer to note 27 and 28 (excluding the transport claims and subsistence allowance received) for the remuneration of councillors and senior managers.

Key management information

Councillor Manakong L.P	Lite Projects (Pty) Ltd
Councillor Kolberg J.O	Mahube Agrow
Councillor Matebese I.	Candle Away General Trading, Awera General Trading
Councillor Gaetsewe M.J	Rona Mmogo (Pty) Ltd
Councillor Kaotsane G.G	Asili Ya Mama (Pty) Ltd, Saba Logistics (Pty) Ltd,Seconded councillor to John Taolo Gaetsewe District Municipality
Councillor Tagane G.C	Phoko Construction
Councillor Mokweni O.N	Batlharo Agriculture (Pty) Ltd, Perth Butchery, Ural Co-Op (Pty) Ltd
Motlhaping B.D (Municipal Manager)	Lebotore (Pty) Ltd ,Tharef Petroleum
Moinwe L.A (Former Director - TechnicalServices)	EML Consulting
Ramukhuvhathi O. (Acting CFO)	ATM Pharmaceuticals
Ntlhaile G.P. (Acting Director: Community Services	Moreways Project Solutionx
Gopetse T.J. (Acting Director: Corporate Services)	Gopetse Farming

48. Risk management

Liquidity risk

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

48. Risk management (continued)

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

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

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	Between 1 and 2 years	Between 2 and 5 years	Column heading	Total
Trade Payables	52 467 722	-	-	-	52 467 722
Other financial liabilities	167 575	182 729	-	-	350 304
	52 635 297	**182 729**	**-**	**-**	**52 818 026**

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Financial instrument	2025	2024
Trade Receivables from Exchange Transactions	61 133 457	29 496 433

Market risk

Interest rate risk

The municipality’s interest rate risk arises from long-term borrowings. Borrowings arises at fixed rates, which expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

During 2024 and 2025, the entity’s borrowings at variable rate were denominated in the Rand. The entity analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the entity calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies

Price risk

The entity is not exposed price risk as the municipality does not hold any investments classified on the statement of financial position either as available-for-sale or at fair value through surplus or deficit. The entity is also not exposed to commodity price risk.

49. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the municipality will continue to receive grants from National and Provincial Governments as well as continue to levy rates and charge for services provided to consumers. The proceeds are presumed to be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The following indicators have a negative outlook on the going concern of the municipality:

Non-compliance (30 days) - The municipality is currently not paying all their creditors within the accepted 30 days. This also resulted in fruitless and wasteful expenditure due to interest on overdue creditors account:

49. Going concern (continued)

Joe Morolong Local Municipality is a state entity set up by the Constitution of the Republic of South Africa to provide basic services to the community and is also funded by the state for that purpose. Failure to provide these services will prompt National Government intervention to ensure it stays functional and able to deliver basic services and consequently compliance with the Constitution.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality. The below are the amounts that the government has committed to allocate to Joe Morolong Local Municipality in line with the DORA to ensure that the municipality continues with its operations.

	2024/2025	2025/2026	2026/2027	Total
Finance Management Grant (FMG)	3 000 000	3 000 000	3 000 000	9 000 000
Municipal Infrastructure Grant (MIG)	68 808 000	72 574 000	78 825 000	220 207 000
Water Sanitation Infrastructure Grant (WSIG)	56 000 000	55 000 000	70 000 000	181 000 000
Integrated National Electrification Grant	47 609 000	1 320 000	1 192 000	50 121 000
Equitable Share	191 089 000	193 366 000	192 049 000	576 504 000
	366 506 000	**325 260 000**	**345 066 000**	**1 036 832 000**

The following figures are extracted from the 2025/2026 budget.

Description	**Amount**
Projected revenue	347 475 000
Projected expenditure	(315 339 000)
Net	32 136 000
Capital expenditure	(127 218 000)
Approximate cash impact	**(95 082 000)**

The budget for 2025/26 anticipates continued cost saving.

Should the organs of state who currently owe the municipality settle their accounts in the coming year, this would significantly reduce the projected cash shortfall.Additional text

The assessment of the municipality's financial health is detailed below.

Ratios	**Current year**	**Previous year**
Creditors days	92	73
Debtors days	795	595
Debtors days - consumer debtors	671	473
Debtors days - other receivables	19 730	11 163
Debt impairment provision as a percentage of total accounts receivable	51	65
Percentage distribution losses - electricity	45	51
Percentage distribution losses - water	17	40
Repairs and maintenance expenditure level	-	1
Capital expenditure as a percentage of operating and capital expenditure	19	21
Depreciation and asset impairment	85	90
Current liabilities (excluding unspent conditional grants) as a percentage of next year's budgeted resources	17	12
Cash coverage (excluding unspent conditional grants)	-	1

50. Events after the reporting date

There are no major events that occurred after the reporting date.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

51. Unauthorised expenditure

The municipality calculates unauthorised expenditure per item (Schedule B4 and B5)

Opening balance as previously reported	1 299 117 515	604 119 526
Add: Unauthorised expenditure - current	236 630 279	69 422 878
Add: Unauthorised expenditure - prior period	-	625 575 111
Closing balance	**1 535 747 794**	**1 299 117 515**

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

Non-cash	70 363 208	52 801 976
Cash	166 267 071	16 620 902
	236 630 279	**69 422 878**

Analysed as follows: non-cash

Depreciation and amortisation	-	29 305 672
Finance costs	1 639 030	1 432 206
Loss on disposal of property, plant and equipment	7 354 737	8 155 754
Irrecoverable debt written off	61 369 441	13 908 344
	70 363 208	**52 801 976**

Analysed as follows: cash

Bulk purchases	-	85 337
General expenditure	24 557 754	-
Lease rentals on operating lease	814 500	861 026
Inventory consumed	31 171 781	-
Employee related cost	-	1 538 621
Transfers and subsidies	11 655 207	13 903 625
	68 199 242	**16 388 609**
Capital expenditure	98 067 828	232 293

Unauthorised expenditure: Budget overspending – per municipal department:

LED development and town planning	8 890 500	7 612 742
Corporate services	2 875 368	7 177 327
Community services	-	42 417 028
Finance	50 958 852	54 783 793
	62 724 720	**111 990 890**

Unauthorised capital expenditure: Budget overspending – per municipal department:

Office of the Municipal Manager	-	63 128
Technical services	101 563 851	-
Community services	4 074 564	8 423 663
	105 638 415	**8 486 791**

Disciplinary steps taken/criminal proceedings

No disciplinary steps/criminal proceedings were taken to recover unauthorised expenditure

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

52. Fruitless and wasteful expenditure

Opening balance as previously reported	5 102 514	4 618 636
Add: Fruitless and wasteful expenditure identified - current	15 041 154	483 878
Closing balance	**20 143 668**	**5 102 514**

Fruitless and wasteful expenditure is presented inclusive of VAT

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

52. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

Interest and Penalties	15 041 154	483 878

Amount recovered

No amounts were recovered during the 2024/2025 financial year in respect of fruitless and wasteful expendituret

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

52. Fruitless and wasteful expenditure (continued)

Amount written-off

No amounts were written off during the 2024/2025 financial year. Amounts under investigation total R5 102 513.80

53. Irregular expenditure

Opening balance as previously reported	318 432 930	308 202 430
Add: Irregular expenditure - current	10 521 644	10 230 500
Closing balance	**328 954 574**	**318 432 930**

Cases under investigation

Irregular expenditure covering the financial years 2014/2015 to 2024/2025 is currently under investigation by MPAC.

Disciplinary steps taken/criminal proceedings

No disciplinary action has been taken in respect of identified irregular expenditure.

54. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1 357 979	1 084 437
Amount paid - current year	(1 357 979)	(1 084 437)
	-	-

Audit fees

Opening balance	58 129	878 206
Current year subscription / fee	10 269 947	7 693 891
Amount paid - current year	(10 337 465)	(8 513 968)
	(9 389)	**58 129**

Figures in Rand	2025	2024

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

PAYE and UIF

Opening balance	1 703 528	-
Current year subscription / fee	21 442 188	18 763 328
Amount paid - current year	(21 442 304)	(17 059 800)
	1 703 412	**1 703 528**

Pension and Medical Aid Deductions

Opening balance	2 701 754	-
Current year subscription / fee	28 468 075	26 117 574
Amount paid - current year	(29 167 340)	(23 415 820)
	2 002 489	**2 701 754**

VAT

VAT output payables and VAT input receivables are shown in note 6.

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

55. 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 and section 36 of the Supply Chain Management regulations state that a supply management policy may allow the accounting officer -
To dispense with the official procurement process established by the policy and to procure any required goods or services through any convenient process which may include direct negotiations, but only in an emergency;if such goods or services are produced or available from a single provider only; for acquisitions of animals for zoos or in any exceptional case where it is impractical or impossible to follow the official procurement process.
The Accounting Officer my dispense with the official procurement process in the above circumstances, provided that she 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.

Reason for deviation		
Opening Balance	2 835 028	561 546
Current Year	736 775	2 273 482
	3 571 803	**2 835 028**

56. Segment information

General information

Identification of segments

The Municipality does not have reportable segment information.

Information about geographical areas

Although the municipality operates in a number of geographical areas (i.e. wards), the geographical information is not considered relevant to management for decision making. The goods and services provided to the community throughout the entire municipal area are based on similar tariffs and service standards. Therefore, the Municipality has assessed that it operates in a single geographical area.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

57. Commission earned

Commission earned	72 359	-

58. Licences and permits

Road and Transport	222 468	-

59. 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:

Recslassification of lister engine acquisitions (Water Supply Infrastructure) of R1 322 670 incorrectly recorded in inventory.

Reclassification of land relating to community asset with a cost of R5 960 006 from other assets to community assets

Correction of expenditure capitalised to JMLM024_25Gamakgatle Culvert Bridge donated project which was incorrectly overstated by a cost of R306 802 in roads & storm water infrastructure and accumulated depreciation of R15 981.

Correction of Lister engines (Borehole additions) of R1 322 670 and pump acquisition of R207 000 incorrectly recorded as inventory in 2023/24.

Correction of transfer of Dinokaneng borehole refurbishment project capitalised twice for R2 010 665.9 in the 2023/24 general ledger.

Correction of transfer from work-in-progress to additions for Penryn water supply project of R98 385.15

Correction of loss on disposal of Furniture of R142 873 incorrectly debited to the accumulated depreciation vote instead of the income statement disposal vote for Furniture and office equipment.

VAT Receivable - Derecognition of Vat denied of R121 994 on 2023/24 double cab acquisitions.

VAT Receivable - Recognition of VAT amounting to R 48 819 in respect of invoices raised relating to the 2023/2024 financial year.

Correction of revenue from JMLM024_25Gamakgatle Culvert Bridge donated project which was incorrectly overstated by R306 802 and a depreciation of R15 981.

Correction of pump acquisition with a cost of R207 591 incorrectly included in inventory consumed to correctly capitalise to Sanitation infrastructure..

Service Charges - Amounts totalling R5 470 relating to water disconnection/reconnection fees were erroneously classified as service charges instead of other income.

Other Income - Amounts totalling R5 470 relating to water disconnection/reconnection fees were erroneously classified as service charges instead of other income.

Other income - Laptop received from insurance in lieu of cash.

Receivables from exchange transactions - Balances not past due (0-30 days) were erroneously impaired. The impairment calculation was subsequently adjusted.

Receivables from non - exchange transactions - Balances not past due (0-30 days) were erroneously impaired. The impairment calculation was subsequently adjusted.

Receivables from exchange and non exchange transactions - Disclosures relating to receivables from exchange and non-exchange transactions were adjusted to reflect complete disclosure requirements and changes in impairment calculations. Refer to note 4 and 5.

MFMA disclosures- Adjustment of prior year figures to recognise amounts not previously taken into account. Refer to note 52 for amended changes

Payables from exchange transactions - Recognition of invoices relating to prior years

Employee related costs - Adjustments to payroll related amounts totalling R13 492.

General expenditure - Recognition of invoices not previously recognised totalling R181 716.

59. Prior-year adjustments (continued)
Finance costs - Recognition of expenditure not previously recognised totalling R11 912.

Accumulated surplus - Cumulative changes described above in respect of property, plant and equipment, VAT receivable, other receivables and payables from exchange transactions.

Correction of opening accumulated depreciation for certain assets by a decrease of R97 446 519 with a corresponding increase in opening accumulated surplus as a result of correction of estimated useful lives.

Correction of depreciation charge for the period by a decrease of R11 973 808 as a result of correction of estimated useful lives

Correction of expenditure and unbundling of prior period projects that have been measured at actual cost between 2020 and 2023 in response to audit finding. As a result, asset components with a cost of R257 514 778, opening accumulated depreciation of R33 081 971 and a depreciation charge of R9 927 280 were removed from the fixed asset register and replaced with compents updated for unbunding with an opening cost of R269 059 208, opening accumulated depreciation of R19 886 151 and depreciation charge of R8 152 026. This resulted in an increase in carrying amount by R26 515 504 from R214 505 527 as previously stated to R241 021 031.

Correction to remove immovable and movable assets that were duplicated in error on the fixed asset register. The immovable assets (Electrical, Roads, Storm water and Water Supply infrastructure with opening cost of R1 142 024, opening acccumulated depreciation of R840 877 and depreciation of R76 173 were removed from the asset register. The movable assets (Computer equipment, Furniture and office equipment, Machinery and equipment and Transport assets with opening cost R904 277, opening accumulated depreciation of R299 200 and depreciation of R178 326 were removed from the fixed asset register.

Correction to remove asset components relating to Klein neira road project which belongs to Department of Roads and Public Works, with three phases that were erroneously included in the municipality's fixed asset register in prior periods. The compnents with the opening cost of R46 079 603, opening accumulated depreciation of R5 259 466, and depreciation of R1 604 634 were removed from the asset register.

Reclassiffications within Water supply infrastructure acquisitions to correct for unbundling of capital projects. Asset components with acquisition cost of R7 222 632 were classified from boreholes, R3 791 083 were classified from distributions, R7 788 087 were classified to pump station and R3 225 629 were reclassified to reservoirs.

Reclassification of machinery and equipment assets with opening cost of R10 150 222, opening accumulated depreciation of R9 117 235 and depreciation of R344 320 from transport assets to machinery and equipment.

Reclassification of computer equipment assets with opening cost of R547 654, opening accumulated depreciation of R346 640 and depreciation of R61 941 from furniture and office equipment to computer equipment.

General expenses - In the prior years, the provision for landfill sites has not been accounted for in terms of IGRAP(2). The increase in the provision was erroneously expensed under general expenses. In terms of IGRAP(2) paragraph .05(a) subject to (b), changes in the liability shall be added to, or deducted from, the cost of the related asset in the current period. To correct this error a journal has been processed to add the increase in the provision to the cost of the landfill site asset. The effects of this prior year adjustment are as follows in the Financial Statements: An increase in the cost of the landfill site asset by an amount of R573 613: and a decrease in general expenses by an amount of R573 613.

General expenses - Interest on the provision for landfill sites was erroneously classified as general expenses. To correct this error, the interest has been remapped to finance costs. The effects of this prior year adjustment are as follows in the Financial Statements: An increase in finance costs by an amount of R938 108: and a decrease in general expenses by an amount of R938 108.

Contracted services - Deeds search expenditure relating to the 2024 Financial year was erroneously posted to the 2025 year. To correct this cut-off issue a prior year adjustment has been made. The effects of this transaction are as follows on the Financial Statements: An increase in contracted services by an amount of R3 979; and a decrease in accummulated surplus by an amount of R3 979.

Statement of financial position

2024

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

59. Prior-year adjustments (continued)

	Note	As previously reported	Correction of error	Re-classification	Restated
Inventories	3	5 576 056	-	(1 322 670)	4 253 386
Property, plant and equipment	10	878 114 598	90 148 836	1 322 670	969 586 104
VAT receivable	6	41 793 489	(73 175)	-	41 720 314
Payables from exchange transactions	13	(62 942 949)	(415 366)	-	(63 358 315)
Accumulated surplus		(1 024 482 809)	(105 476 450)	-	(1 129 959 259)
Receivables from exchange transactions	4	23 738 832	5 757 601	-	29 496 433
Receivables from non-exchange transactions	5	118 466 406	9 945 345	-	128 411 751
Intangible assets	10&11	1 155 394	113 209	-	1 268 603
		(18 580 983)	**-**	**-**	**(18 580 983)**

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Public contributions and donations	26	20 756 913	(306 801)	-	20 450 112
Depreciation and amortisation	29	(138 758 777)	14 752 868	-	(124 005 909)
Loss on disposal of assets	39	(8 171 454)	(1 990 615)	-	(10 162 069)
Inventory consumed	37	(32 064 356)	127 069	-	(31 937 287)
Service charges	18	15 897 359	-	(5 470)	15 891 889
Other income	22	1 281 739	14 399	5 470	1 301 608
General expenses	38	(42 849 331)	1 330 005	-	(41 519 326)
Employee related costs	27	(120 727 161)	(13 492)	-	(120 740 653)
Finance costs	31	(981 186)	(950 020)	-	(1 931 206)
Debt impairment	30	(32 194 780)	15 699 614	-	(16 495 166)
Contracted services	35	(37 178 959)	(3 979)	-	(37 182 938)
Surplus for the year		**(374 989 993)**	**28 659 048**	**-**	**(346 330 945)**

60. VAT payable

61. Service in-kind

Electricity Distribution Network: Access to infrastructure for the transmission and distribution of electricity toHotazel Town.

Sewer Treatment Plant: Use of facilities for the treatment and disposal of wastewater generated within the municipality
.
Water Infrastructure: Access to water supply systems, including reservoirs, pipelines, and treatment facilities, for the provision of potable water.

Recognition and Measurement
In line with GRAP 23, the municipality recognizes services in kind where:

The service provided is significant to its operations
.
The fair value of the service can be reliably measured.

However, for the current reporting period, determining the fair value of these rights of use proved challenging due to:
The lack of a directly comparable market for similar rights
.
The absence of sufficient data to reliably estimate replacement or usage costs.

As a result, the right of use of the above infrastructure has not been recognized in the financial statements but is disclosed qualitatively in this note.