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

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act No. 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act No. 108 of1998)
Nature of business and principal activities	The main business operations of the municipality is to engage in local governance activities in terms of section 152 of the Constitution, which includes planning and promotion of integrated development planning,land, economic and environmental development and supplying of the following services to the community: Waste management services (thecollection, disposal and purifying of waste, refuse and sewerage),water services (supplying water to the public), and rates and generalservices (all types of services rendered by the municipality, excluding the supply of housing to the community, however including the rentalof units owned by the municipality to private entities).
Mayor	Cllr Manyike MG
Speaker	Cllr Mapela F
MPAC Chair	Cllr Kodisang MD
	Cllr Monaheng MA (Ad hoc MPAC Chairperson from 6 March 2025)
Single Whip	Cllr Mleta NK
Exco Members	Cllr Macheke J
	Cllr Maluleka VK
	Cllr Moetji MM
	Cllr Molefe MG
	Cllr Mphapudi MV
	Cllr Ndlovu SL
	Cllr Pete RC
	Cllr Shai CM
	Cllr Tsoku FM

General Information

Councillors	Cllr Baloyi MG
	Cllr Chauke S
	Cllr Kutumela RME
	Cllr Kutumela SA
	Cllr Langa BJ
	Cllr Langa ND
	Cllr Lekalakala RC
	Cllr Letebele PM
	Cllr Letlape PK
	Cllr Letlhabi PS
	Cllr Mabena PM
	Cllr Mamadi GKT
	Cllr Mashaba FV
	Cllr Mashele SL
	Cllr Mathimbi JD
	Cllr Mbekwa DBS
	Cllr Moatshe MC
	Cllr Modisa SJ
	Cllr Modise LF
	Cllr Mokone HA
	Cllr Molefe KJ
	Cllr Monaheng MA
	Cllr Mosane ML
	Cllr Moselane EL
	Cllr Mosetlhe TJ
	Cllr Motaung JM
	Cllr Motlhasedi DK
	Cllr Motshegoa ST
	Cllr Mudau NP
	Cllr Nkutshweu DD
	Cllr Nkwana S
	Cllr Segona ED
	Cllr Sekhaolela TL
	Cllr Selepane EKM
	Cllr Sethole DS
	Cllr Sithole BL
	Cllr Sithole TM
	Cllr Skosana TN
	Cllr Sono D
	Cllr Tlhabane AL
	Cllr Zimba AI
Audit and risk committee members	Mabuza JM Ms (Chairperson)
	Mathabathe MG Mr
	Malapela L Mr
	Makhathini SJ Ms
	Ndou F Mr
Grading of local authority	GRADE 3
Demarcation code	NW 371

General Information

Chief Finance Officer (CFO)	Sathekge B Ms
Accounting Officer	Ngwenya S Mr
Registered office	4065B Mathibestad 04014
Business address	4065B Mathibestad 0404
Postal address	Private Bag X367 Makapanstad 0404
Bankers	ABSA (Primary Bank Account) First National Bank Standard Bank
Auditors	Auditor-General of South Africa
Attorneys	Panel of attorneys for cost containment
Legislation governing the municipality's operations	Constitution of the Republic of South Africa (Act No. 108 of 1996)Division of Revenue Act (Act No. 4 of 2022) Municipal Finance Management Act (Act No. 56 of 2003) Municipal PropertyRates Act (Act No. 6 of 2004) Municipal Structures Act (Act No. 117 of 1998)Municipal Systems Act (Act No. 32 of 2000)

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

Abbreviations used:

ASB	Accounting Standards Board
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
mSCOA	Municipal Standard Chart of Accounts
WSIG	Water Supply Infrastructure Grant
AGSA	Auditor General of South Africa
MM	Municipal Manager
CFO	Chief Financial Officer

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

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 8.

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

S Ngwenya
Accounting Officer

Audit Committee Report

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

Audit committee members and attendance

In terms of section 166 (4) (b) of Municipal Finance Management Act, 56 of 2003, the Audit Committee, consisting of independent external members listed below is required meet as often as is required to perform its function, but at least four times a year.

The audit committee held four (04) ordinary meetings and eleven (11) special meetings for the financial year 2024/25 as listed below:

Audit Committee members from 01 July 2024 to 30 April 2025

Name of Member	Position in the Committee	Number of ordinary meetings attended	Number of special meetings attended
Ms J M Mabuza	Chairperson	4	11
Mr MG Mathabathe	Member	4	8
Mr L Malapela	Member	4	11
Ms SJ Makhathini	Member	4	11
Mr F Ndou	Member	4	11

Audit committee responsibility

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

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

The effectiveness of internal control

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

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

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the unaudited annual financial statements to be included in the annual report, with the Accounting Officer;
- reviewed changes in accounting policies and practices ;
- reviewed the municipalities' compliance with legal and regulatory provisions;

Internal audit

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

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Audit Committee Report

Chairperson of the Audit Committee

Date: ______________________

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	253 092 755	285 828 111
Receivables from exchange transactions	4&5	31 906 833	37 439 755
Receivables from non-exchange transactions	5&6	34 292 090	44 816 427
Inventories	7	297 951	132 027
Operating lease asset	8	68 793	65 529
Prepayments	9	550 000	550 000
		320 208 422	**368 831 849**
Non-Current Assets			
Investment property	10	10 995 900	10 895 550
Property, plant and equipment	11	1 660 984 149	1 537 045 680
Intangible assets	12	344 871	25 131
Heritage assets	13	206 303	206 303
		1 672 531 223	**1 548 172 664**
Total Assets		**1 992 739 645**	**1 917 004 513**
Liabilities			
Current Liabilities			
Payables from exchange transactions	14	192 554 015	163 231 272
Unallocated Deposits	15	678 163	594 814
VAT payable	16	42 781 453	28 941 143
Employee benefit obligation	17	2 271 739	872 280
Unspent conditional grants and receipts	18	771 650	9 129 169
		239 057 020	**202 768 678**
Non-Current Liabilities			
Employee benefit obligation	17	8 236 447	7 897 959
Total Liabilities		**247 293 467**	**210 666 637**
Net Assets		**1 745 446 178**	**1 706 337 876**
Accumulated surplus		1 745 446 178	1 706 337 876
Total Net Assets		**1 745 446 178**	**1 706 337 876**

* See Note 43

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	69 425 605	67 752 967
Rendering of services		4 848	6 404
Rental of facilities and equipment	21	179 567	178 351
Bad Debts Recovered	22	9 300 000	-
Insurance Refund	23	99 980	-
Licence and permits	25	638 770	747 638
Sale of goods	23	443 417	490 611
Operating income	23	75 056	106 223
Interest received	26	44 243 873	44 985 635
Gain on disposal of assets and liabilities		75 502	-
Fair value adjustments		100 350	-
Actuarial gains	17	-	35 605
Total revenue from exchange transactions		**124 586 968**	**114 303 434**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	31 685 151	29 936 496
Interest - Property rates	28	3 851 318	3 375 278
Transfer revenue			
Government grants & subsidies	29	691 075 388	600 170 628
Total revenue from non-exchange transactions		**726 611 857**	**633 482 402**
Total revenue	19	**851 198 825**	**747 785 836**
Expenditure			
Employee related costs	30	(167 101 834)	(157 518 553)
Remuneration of councillors	31	(23 980 723)	(23 256 344)
Depreciation and amortisation	32	(63 526 025)	(62 616 052)
Impairment loss	33	(137 807 181)	(153 623 316)
Finance costs	34	(459 765)	(610 019)
Bad debts written off	5	-	(9 668 750)
Bulk purchases	35	(55 649 415)	(49 060 126)
Contracted services	36	(230 025 202)	(184 409 313)
Loss on disposal of assets and liabilities		-	(15 701 421)
Fair value adjustments		-	(9 672 506)
Actuarial losses	17	(1 103 477)	-
Public toilets distributed	37	(39 865 210)	(13 073 520)
Inventory Consumed	7	(2 133 197)	(1 914 651)
General Expenses	38	(90 438 498)	(77 746 803)
Total expenditure		**(812 090 527)**	**(758 871 374)**
Surplus (deficit) for the year		**39 108 298**	**(11 085 538)**

* See Note 43

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	1 715 432 608	1 715 432 608
Adjustments		
Prior year adjustments 43	1 990 806	1 990 806
Balance at 01 July 2023 as restated*	**1 717 423 414**	**1 717 423 414**
Changes in net assets		
Surplus for the year	(11 085 538)	(11 085 538)
Total changes	(11 085 538)	(11 085 538)
Opening balance as previously reported	1 713 253 076	1 713 253 076
Adjustments		
Prior year adjustments 43	(6 915 196)	(6 915 196)
Restated* Balance at 01 July 2024 as restated*	**1 706 337 880**	**1 706 337 880**
Changes in net assets		
Surplus for the year	39 108 298	39 108 298
Total changes	39 108 298	39 108 298
Balance at 30 June 2025	**1 745 446 178**	**1 745 446 178**

Note(s)

* See Note 43

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		9 645 692	2 251 401
Income from property rates		3 896 478	16 200 842
Grants		682 717 869	608 434 823
Interest income		28 522 293	31 028 161
Other receipts		10 933 856	1 277 691
		735 716 188	659 192 918
Payments			
Employee costs		(191 150 460)	(178 939 155)
Suppliers		(395 635 033)	(319 920 193)
Finance costs		(459 765)	(610 021)
		(587 245 258)	(499 469 369)
Net cash flows from operating activities	39	**148 470 930**	**159 723 549**
Cash flows from investing activities			
Purchase of property, plant and equipment		(182 135 151)	(145 613 749)
Proceeds from sale of property, plant and equipment	11	1 294 082	-
Purchase of other intangible assets	12	(365 217)	-
Net cash flows from investing activities		**(181 206 286)**	**(145 613 749)**
Net increase/(decrease) in cash and cash equivalents		**(32 735 356)**	**14 109 800**
Cash and cash equivalents at the beginning of the year		285 828 111	271 718 311
Cash and cash equivalents at the end of the year	3	**253 092 755**	**285 828 111**

* See Note 43

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	67 972 835	-	**67 972 835**	69 425 605	**1 452 770**	52
Sale of Goods and Rendering of services	744 422	(2 000)	**742 422**	448 265	**(294 157)**	
Rental of facilities and equipment	182 998	-	**182 998**	179 567	**(3 431)**	52
Insurance refund	-	-	**-**	99 980	**99 980**	
Licence and permits	1 149 850	-	**1 149 850**	638 770	**(511 080)**	
Fair value adjustments	-	-	**-**	100 350	**100 350**	
Other income - (rollup)	158 607	9 300 000	**9 458 607**	9 375 056	**(83 551)**	52
Interest received - investment	27 430 093	87 716	**27 517 809**	28 021 188	**503 379**	52
Gains on disposal of assets	-	-	**-**	75 502	**75 502**	
Interest Received -Receivables	15 803 237	-	**15 803 237**	16 222 685	**419 448**	52
Total revenue from exchange transactions	**113 442 042**	**9 385 716**	**122 827 758**	**124 586 968**	**1 759 210**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	22 119 746	-	**22 119 746**	31 685 151	**9 565 405**	52
Interest - Taxation revenue	3 301 842	-	**3 301 842**	3 851 318	**549 476**	52
Transfer revenue						
Government grants & subsidies	683 818 456	7 710 080	**691 528 536**	691 075 388	**(453 148)**	52
Fines, Penalties and Forfeits	1 742 058	-	**1 742 058**	-	**(1 742 058)**	52
Total revenue from non-exchange transactions	**710 982 102**	**7 710 080**	**718 692 182**	**726 611 857**	**7 919 675**	
Total revenue	**824 424 144**	**17 095 796**	**841 519 940**	**851 198 825**	**9 678 885**	
Expenditure						
Employee related costs	(181 836 165)	(3 292 719)	**(185 128 884)**	(167 101 834)	**18 027 050**	52
Remuneration of councillors	(25 473 911)	1 816 894	**(23 657 017)**	(23 980 723)	**(323 706)**	52
Depreciation and amortisation	(112 761 810)	-	**(112 761 810)**	(63 526 025)	**49 235 785**	52
Impairment loss/ Reversal of impairments	-	-	**-**	(4 200 175)	**(4 200 175)**	
Inventory Consumed	(7 380 290)	200 000	**(7 180 290)**	(2 133 197)	**5 047 093**	52
Finance costs	-	-	**-**	(459 765)	**(459 765)**	52
Debt Impairment	(72 644 516)	-	**(72 644 516)**	(133 607 006)	**(60 962 490)**	52
Bulk purchases	(50 352 000)	-	**(50 352 000)**	(55 649 415)	**(5 297 415)**	52
Contracted Services	(189 645 454)	(30 059 644)	**(219 705 098)**	(230 025 202)	**(10 320 104)**	52
Actuarial losses	-	-	**-**	(1 103 477)	**(1 103 477)**	
Public Toilets distributed	-	-	**-**	(39 865 210)	**(39 865 210)**	
General Expenses	(82 400 930)	(316 249)	**(82 717 179)**	(90 438 498)	**(7 721 319)**	52
Total expenditure	**(722 495 076)**	**(31 651 718)**	**(754 146 794)**	**(812 090 527)**	**(57 943 733)**	
Surplus before taxation	**101 929 068**	**(14 555 922)**	**87 373 146**	**39 108 298**	**(48 264 848)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**101 929 068**	**(14 555 922)**	**87 373 146**	**39 108 298**	**(48 264 848)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	222 792	(90 765)	**132 027**	297 951	**165 924**	52
Operating lease asset	4 176	(36 614)	**(32 438)**	68 793	**101 231**	52
Receivables from exchange transactions	20 431 008	6 438 006	**26 869 014**	31 906 833	**5 037 819**	52
Receivables from non-exchange transactions	22 656 141	26 782 734	**49 438 875**	34 292 090	**(15 146 785)**	52
VAT receivable	8 532 262	(6 036 322)	**2 495 940**	-	**(2 495 940)**	52
Prepayments	-	-	**-**	550 000	**550 000**	
Cash and cash equivalents	240 730 016	(30 699 112)	**210 030 904**	253 092 755	**43 061 851**	52
	292 576 395	**(3 642 073)**	**288 934 322**	**320 208 422**	**31 274 100**	
Non-Current Assets						
Investment property	18 739 570	(7 844 021)	**10 895 549**	10 995 900	**100 351**	52
Property, plant and equipment	1 473 416 375	218 559 678	**1 691 976 053**	1 660 984 149	**(30 991 904)**	52
Intangible assets	10 025 025	(5 999 893)	**4 025 132**	344 871	**(3 680 261)**	52
Heritage assets	206 303	-	**206 303**	206 303	**-**	52
	1 502 387 273	**204 715 764**	**1 707 103 037**	**1 672 531 223**	**(34 571 814)**	
Total Assets	**1 794 963 668**	**201 073 691**	**1 996 037 359**	**1 992 739 645**	**(3 297 714)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	156 398 656	(12 141 596)	**144 257 060**	192 554 014	**48 296 954**	52
Payables from non-exchange transactions	864 976	8 264 195	**9 129 171**	1 449 813	**(7 679 358)**	52
VAT payable	19 716 706	9 888 152	**29 604 858**	42 781 453	**13 176 595**	52
Consumer deposits	1	-	**1**	-	**(1)**	
Employee benefit obligation	3 468 669	1 087 243	**4 555 912**	2 271 739	**(2 284 173)**	52
	180 449 008	**7 097 994**	**187 547 002**	**239 057 019**	**51 510 017**	
Non-Current Liabilities						
Employee benefit obligation	7 355 999	541 959	**7 897 958**	8 236 447	**338 489**	52
Total Liabilities	**187 805 007**	**7 639 953**	**195 444 960**	**247 293 466**	**51 848 506**	
Net Assets	**1 607 158 661**	**193 433 738**	**1 800 592 399**	**1 745 446 179**	**(55 146 220)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1 326 869 075	178 360 519	**1 505 229 594**	1 745 446 178	**240 216 584**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	17 446 737	-	**17 446 737**	13 542 170	**(3 904 567)**	52
Grants	683 818 456	7 710 080	**691 528 536**	682 717 869	**(8 810 667)**	52
Interest income	44 355 956	87 716	**44 443 672**	28 522 293	**(15 921 379)**	52
Other receipts	3 977 935	9 298 000	**13 275 935**	10 933 856	**(2 342 079)**	52
	749 599 084	**17 095 796**	**766 694 880**	**735 716 188**	**(30 978 692)**	
Payments						
Suppliers and Employee costs	(537 088 750)	(31 651 718)	**(568 740 468)**	(586 785 493)	**(18 045 025)**	52
Finance costs	-	-	**-**	(459 765)	**(459 765)**	52
	(537 088 750)	**(31 651 718)**	**(568 740 468)**	**(587 245 258)**	**(18 504 790)**	
Net cash flows from operating activities	**212 510 334**	**(14 555 922)**	**197 954 412**	**148 470 930**	**(49 483 482)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(243 559 324)	(30 629 665)	**(274 188 989)**	(182 135 151)	**92 053 838**	52
Purchase of other intangible assets	-	-	**-**	(365 217)	**(365 217)**	52
Net cash flows from investing activities	**(243 559 324)**	**(30 629 665)**	**(274 188 989)**	**(182 500 368)**	**91 688 621**	
Net increase/(decrease) in cash and cash equivalents	(31 048 990)	(45 185 587)	**(76 234 577)**	(34 029 438)	**42 205 139**	
Cash and cash equivalents at the beginning of the year	271 341 633	14 486 475	**285 828 108**	285 828 111	**3**	
Cash and cash equivalents at the end of the year	**240 292 643**	**(30 699 112)**	**209 593 531**	**251 798 673**	**42 205 142**	

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2025											
Financial Performance											
Property rates	22 119 746	-	22 119 746	-		22 119 746	31 088 970		8 969 224	141 %	141 %
Service charges	67 972 835	-	67 972 835	-		67 972 835	62 465 623		(5 507 212)	92 %	92 %
Investment revenue	27 430 093	87 716	27 517 809	-		27 517 809	28 021 188		503 379	102 %	102 %
Transfers revenue	683 818 456	7 710 080	691 528 536	-		691 528 536	691 075 388		(453 148)	100 %	101 %
Other own revenue	23 083 014	9 300 000	32 383 014	-		32 383 014	30 965 088		(1 417 926)	96 %	134 %
Total revenue (excluding capital transfers and contributions)	**824 424 144**	**17 097 796**	**841 521 940**	**-**		**841 521 940**	**843 616 257**		**2 094 317**	**100 %**	**102 %**
Employee costs	(181 836 165)	(3 292 719)	(185 128 884)	-	-	(185 128 884)	(167 342 404)	-	17 786 480	90 %	92 %
Remuneration of councillors	(25 473 911)	1 816 894	(23 657 017)	-	-	(23 657 017)	(23 980 722)	-	(323 705)	101 %	94 %
Depreciation and asset impairment	(112 761 810)	-	(112 761 810)			(112 761 810)	(63 526 025)	-	49 235 785	56 %	56 %
Finance charges	-	-	-	-	-	-	(459 765)	-	(459 765)	DIV/0 %	DIV/0 %
Inventory consumed and bulk purchases	(57 732 290)	200 000	(57 532 290)	-	(255 000)	(57 787 290)	(59 544 632)	-	(1 757 342)	103 %	103 %

Other expenditure	(344 690 900)	(30 375 893)	(375 066 793)	-	254 998	(374 811 795)	(487 738 234)	(58 112 233)	(112 926 439)	130 %	142 %
Total expenditure	**(722 495 076)**	**(31 651 718)**	**(754 146 794)**	**-**	**(2)**	**(754 146 796)**	**(802 591 782)**	**(58 112 233)**	**(48 444 986)**	**106 %**	**111 %**
Surplus/(Deficit)	**101 929 068**	**(14 553 922)**	**87 375 146**	**-**		**87 375 144**	**41 024 475**		**(46 350 669)**	**47 %**	**40 %**
Surplus/(Deficit) for the year	**101 929 068**	**(14 553 922)**	**87 375 146**	**-**		**87 375 144**	**41 024 475**		**(46 350 669)**	**47 %**	**40 %**

1. Significant account policies

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

1.1 Basis of preparations

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 which is the functional and presentation currency of the Municipality.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

These accounting policies are consistent with the previous period.

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Receivables from exchange transactions

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

Allowance for slow moving, damaged and obsolete stock

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

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment and other assets

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

Long-term employee benefit obligations

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 17.

Effective interest rate

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

Impairment of statutory receivables

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

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

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

Receivables are assessed individually if they are significant otherwise they are assessed either individually or collectively. For the purposes of collective assessment of impairment, receivables are grouped based on similar credit risk characteristics. This grouping is done based on a credit risk evaluation or grading process that considers: Asset type, Industry, geographical location, collateral type, past due status and other relevant factors.

Discount rate was derived from minimum prescribed interest of 10.00% for government entities and adjusted based on the credit risk profile of each group of receivables.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment of receivables from exchange transactions

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

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

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

Receivables are assessed individually if they are significant otherwise they are assessed either individually or collectively. For the purposes of collective assessment of impairment, receivables are grouped based on similar credit risk characteristics. This grouping is done based on a credit risk evaluation or grading process that considers: Asset type, Industry, geographical location, collateral type, past due status and other relevant factors.

Discount rate was derived from minimum prescribed interest of 10.00% for government entities and adjusted based on the credit risk profile of each group of receivables.

1.4 Investment property

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

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

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

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

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

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

1.4 Investment property (continued)

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.

Derecognition/Disposal

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

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

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

1.5 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.

1.5 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.

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	5 - 50 years
Furniture and fixtures	Straight-line	4 - 10 years
Motor vehicles	Straight-line	5 - 15 years
IT equipment	Straight-line	3 - 8 years
Leased Assets	Straight-line	3 years
Infrastructure	Straight-line	5 -100 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 municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

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

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

1.5 Property, plant and equipment (continued)

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 11).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying values of assets.

Assets which the group 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.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

1.6 Intangible assets

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

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

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

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

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

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

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

1.6 Intangible assets (continued)

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

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

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

1.7 Heritage assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses. Heritage assets are not depreciated.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

1.7 Heritage assets (continued)

Derecognition

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

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

1.8 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.

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.

1.8 Financial instruments (continued)

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.

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.

1.8 Financial instruments (continued)

Classification

The municipality 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	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost

Subsequent measurement – financial assets

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

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

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

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

Subsequent measurement - financial liabilities

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

Fair value measurement considerations

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

1.9 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.

1.9 Statutory receivables (continued)

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

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

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

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

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.

1.9 Statutory receivables (continued)

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

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

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

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

Derecognition

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

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

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

1.10 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 - lessor

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

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

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

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

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

Operating leases - lessee

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

1.11 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. Inventory consist of consumables

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.

1.12 Impairment of non-cash-generating assets

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

Designation

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

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

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

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

1.12 Impairment of non-cash-generating assets (continued)

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.12 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.13 Employee benefits

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

Short-term employee benefits

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

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

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

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

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

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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

The amount recognised as a defined benefit liability is the net total of the following amounts:

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

1.13 Employee benefits (continued)

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

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

1.13 Employee benefits (continued)

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

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

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

1.14 Provisions and contingencies

A provision is a liability of uncertain timing or amount.

Provisions are recognised when the Municipality has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

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

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

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

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

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

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

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

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

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

1.14 Provisions and contingencies (continued)

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

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

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

No obligation arises as a consequence of the sale or transfer of an operation until the entity 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 41.

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, the 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.

1.15 Commitments

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

1.15 Commitments (continued)

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.16 Revenue from exchange transactions

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

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

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

Measurement

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

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

Sale of goods

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

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

1.16 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

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

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

1.17 Revenue from non-exchange transactions

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

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.

1.17 Revenue from non-exchange transactions (continued)

Measurement

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

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

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

Taxes

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

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

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

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

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.

Fines

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

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

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

Gifts and donations, including goods in-kind

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

1.18 Accounting by principals and agents

Identification

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

1.18 Accounting by principals and agents (continued)

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

Recognition

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

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

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

1.19 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.

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

1.20 Fruitless and wasteful expenditure

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

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

1.21 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including

- this Act; or
- the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- any provincial legislation providing for procurement procedures in that provincial government

National Treasury circular no. 68 of 2013 which was issued in terms of sections 62(1)(d) of the MFMA requires the following (effective from 1 July 2013):

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

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

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

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

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

1.22 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.

The municipality applies GRAP 18 - Segment Reporting to identify and report financial information about distinguishable activities or service delivery areas that are regularly reviewed by management for the purpose of allocating resources and assessing performance. Segments are identified based on the municipality's budget formats, monthly and quarterly budget monitoring statements that reflect the way in which services are delivered to the public.

1.22 Segment information (continued)

Each reportable segment comprises activities that generate revenue or incur expenses, and for which separate financial information is available. The basis for segment classification is aligned to the functional areas as defined in the approved municipal budget, including, but not limited to, functions such as community and social services, energy sources,road transport, sports and recreation, waste water and water management.

Segment information is presented using the same accounting policies as applied in the financial statements. Internal transfers between segments are measured on the same basis as external transactions, and any inter-segment revenue or expenses are eliminated during consolidation. The municipality discloses segment information in both financial and non-financial terms where applicable, to enhance transparency and accountability in service delivery.

1.23 Budget information

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

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

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

The annual budget figures have been prepared in accordance with the Municipal Budget and Reporting Regulations, 2009. A comparative of actual to budgeted amounts are reported in a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the Statement giving motivations for over or under spending on line items where it is found to be material. The budgeted figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is prepared and approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2024 to 30 June 2025. In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the financial statements in determining whether a difference between the budgeted and actual amount is material.

1.24 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.

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

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

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

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.

1.25 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).

Accounting Policies

1.25 Events after reporting date (continued)

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.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Guideline: Guideline on the Application of Materiality to Financial Statements

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The guideline is encouraged to be used by entities.

The entity expects to adopt the guideline for the first time in the 2098/2099 annual financial statements.

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

GRAP 104 (as revised): Financial Instruments

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

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

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

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

The entity expects to adopt the revisions for the first time when the Minister sets the effective date for the revisions.

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

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB’s Amendments to IAS 1.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An entity applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after 01 April 2025.

The entity expects to adopt the amendment for the first time in the 2025/2026 annual financial statements.

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

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 364	2 364
Bank balances	47 327 674	8 856 808
Short-term deposits	205 762 717	276 968 939
	253 092 755	**285 828 111**

The short term issuer default rating for ABSA bank is a B rating as per the Fitch Ratings.

3. Cash and cash equivalents (continued)

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
ABSA Bank - Account type - Cheque	47 327 674	8 856 808	198 639 815	47 327 674	8 856 808	198 639 815
ABSA PRIME LINKED 9361865734	82 987	35 014 436	32 035 573	82 987	35 014 436	32 035 573
ABSA PRIME LINKED 9359270109	38 717	16 335 858	14 946 189	38 717	16 335 858	14 946 189
ABSA CALL 4079532472	51 989 331	140 814 171	26 030 165	51 989 331	140 814 171	26 030 165
ABSA FIXED 4089541558	153 651 682	84 804 474	66 577	153 651 682	84 804 474	66 577
Total	**253 090 391**	**285 825 747**	**271 718 319**	**253 090 391**	**285 825 747**	**271 718 319**

No cash and cash equivalents was pledged as security.

4. Receivables from exchange transactions

	2025	2024
Accrued interest	1 475 189	1 976 294
Sundry Debtors	28 500	-
Debtor on licence and permits	431 835	624 053
Consumer debtors - Water	12 194 181	12 565 953
Consumer debtors - Refuse	9 578 562	9 811 631
Consumer debtors - Interest and sundry	8 198 566	12 461 824
	31 906 833	**37 439 755**

5. Consumer debtors disclosure

	2025	2024
Gross balances		
Consumer debtors - Rates	140 006 821	144 515 828
Consumer debtors - Water	329 322 311	277 463 554
Consumer debtors - Refuse	239 702 096	196 013 319
Consumer debtors - Interest and sundry	123 876 566	109 718 719
Debtor on licence and permits	431 835	624 053
Accrued interest	1 475 189	1 976 294
	834 814 818	**730 311 767**
Less: Allowance for impairment		
Consumer debtors - Rates	(105 714 731)	(99 699 401)
Consumer debtors - Water	(317 128 130)	(264 897 601)
Consumer debtors - Refuse	(230 123 534)	(186 201 688)
Consumer debtors - Interest and sundry	(115 678 000)	(97 256 895)
	(768 644 395)	**(648 055 585)**
Net balance		
Consumer debtors - Rates	34 292 090	44 816 427
Consumer debtors - Water	12 194 181	12 565 953
Consumer debtors - Refuse	9 578 562	9 811 631
Consumer debtors - Interest and sundry	8 198 566	12 461 824
Debtor on licence and permits	431 835	624 053
Accrued interest	1 475 189	1 976 294
	66 170 423	**82 256 182**

Figures in Rand	2025	2024

5. Consumer debtors disclosure (continued)

Summary of debtors by customer classification

Residences		
Current (0 -30 days)	18 389 367	10 299 316
31 - 60 days	8 078 612	6 793 110
61 - 90 days	7 935 896	6 774 625
91 - 120 days	11 539 295	6 759 857
121 - 365 days	12 650 071	71 122 021
> 365 days	585 482 775	511 122 753
	644 076 016	612 871 682
Less: Allowance for impairment	(619 251 420)	(588 292 246)
	24 824 596	**24 579 436**

Commercial		
Current (0 -30 days)	830 723	260 366
31 - 60 days	135 913	139 154
61 - 90 days	135 517	138 895
91 - 120 days	838 820	138 649
121 - 365 days	139 998	1 712 160
> 365 days	19 020 629	16 769 675
	21 101 600	19 158 899
Less: Allowance for impairment	(15 153 927)	(12 558 321)
	5 947 673	**6 600 578**

National and provincial government		
Current (0 -30 days)	7 217 839	12 745 845
31 - 60 days	808 544	809 975
61 - 90 days	801 888	794 298
91 - 120 days	832 217	777 439
121 - 365 days	816 800	8 362 144
> 365 days	78 396 781	72 191 136
	88 874 069	95 680 837
Less: Allowance for impairment	(55 382 939)	(47 205 017)
	33 491 130	**48 475 820**

Indigent		
Current (0 -30 days)	3 631 203	1 769 603
31 - 60 days	581 296	613 106
61 - 90 days	2 138 010	954 560
91 - 120 days	2 870 104	951 808
121 - 365 days	1 872 101	4 459 983
> 365 days	80 781 590	919 689
	91 874 304	9 668 749
Less: Allowance	(91 874 304)	-
Less Write Off	-	(9 668 749)
	-	**-**

Total debtor past due but not impaired		
31 - 60 days	9 815 510	8 355 345
61 - 90 days	11 117 660	8 662 379
91 - 120 days	16 534 817	8 627 753
121 - 365 days	16 285 188	28 935 227
	53 753 175	**54 580 704**

Figures in Rand	2025	2024

5. Consumer debtors disclosure (continued)

Reconciliation of allowance for impairment		
Balance at beginning of the year	648 055 586	566 827 021
Contributions to allowance	117 772 270	81 228 565
	765 827 856	**648 055 586**

6. Receivables from non-exchange transactions

Consumer debtors - Rates	34 292 090	44 816 427
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Property rates	34 292 090	44 816 427
Total receivables from non-exchange transactions	34 292 090	44 816 427

Statutory receivables general information

Transaction(s) arising from statute

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

Determination of transaction amount

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

Interest or other charges levied/charged

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

7. Inventories

Consumable stores	297 951	132 027
Carrying value of inventories carried at the lower cost and current replacement cost	297 951	132 027
Inventories recognised as an expense during the year	2 133 197	1 914 651

Inventory pledged as security

No inventory pledged as security.

7.1 Borehole water

Water inventory extracted from boreholes was assessed by management and the effect is insignificant to the financial statements of the Municipality. This was based on all the reserviors maximum capacity and estimated price per kilolitre.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

8. Operating lease asset (liability)

Current assets	68 793	65 529
Minimum lease payments		
Within one year	59 810	59 810
In second to fifth year inclusive	219 304	279 114
	279 114	**338 924**

The Municipality currently has a rental agreement with Vodacom that expires in 2030.

9. Prepayments

Prepayments	550 000	550 000

Vision Active Holdings provided ePMS Licence services to Moretele Local Municipality for the period 1 October 2024 to 30 September 2025 which was paid on 13 September 2024. The 3 month period of 1 July 2025 to 30 September 2025 is a prepayment since the Municipality year end is 30 June 2025.

Notes to the Annual Financial Statements

Figures in Rand

10. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	10 995 900	-	10 995 900	10 895 550	-	10 895 550

Reconciliation of investment property - 2025

	Opening balance	Fair value adjustments	Total
Investment property	10 895 550	100 350	10 995 900

Reconciliation of investment property - 2024

	Opening balance	Fair value adjustments	Total
Investment property	20 568 056	(9 672 506)	10 895 550

Pledged as security

No investment property has been 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.

Figures in Rand	2025	2024

10. Investment property (continued)

Details of valuation

The effective date of the revaluations was 30 June 2025. Fair valuations were performed by Engnet Solutions, who contracted an independant valuer, Mr Stefan Rudman, a qualified Property Valuer in terms of section 20(2)(a) of the Property Valuations Profession Act 2000., who is registered with the Professional Valuers Council, Registration Number: 3693. Mr Stefan Rudman and Engnet Solutions are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The following methods were used to determine the market value of Investment properties, the type of property has determine the method of valuation

Comparable Sales method
The Comparable Sales Method estimates the value of a property by examining the other properties that have sold within a recent timeframe.

Discounted cash flow method of valuation (DCF)
In finance, discounted cash flow (DCF) analysis is a method of valuing an asset (property) using the concepts of the time value of money. All future cash flows are estimated and discounted by using cost of capital to give their present values (PVs). The sum of all future cash flows, both incoming and outgoing, is the net present value (NPV), which is taken as the value of the cash flows in question.[1] Using DCF analysis to compute the NPV takes as input cash flows and a discount rate and gives as output a present value; the opposite process—takes cash flows and a price (present value) as inputs, and provides as output the discount rate—this is used in bond markets to obtain the yield. Discounted cash flow analysis is widely used in investment finance, real estate development, corporate financial management and patent valuation. It was used in industry as early as the 1700s or 1800s, widely discussed in financial economics in the 1960s, and became widely used in U.S. Courts in the 1980s and 1990s

Income capitalisation Approach
The Income Approach is one of three major groups of methodologies, called valuation approaches, used by appraisers. It is particularly common in commercial real estate appraisal and in business appraisal. The fundamental math is similar to the methods used for financial valuation, securities analysis, or bond pricing. However, there are some significant and important modifications when used in real estate or business valuation.

Depreciated Replacement Cost
“The current cost of reproduction or replacement of an asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.”

The valuation certificates are available for inspection at the municipality. These assumptions are based on current market conditions. All of the municpality's investment property is held, under freehold interest and no investment property had been pledged as security for any liabilities of the municipality.

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

Revenue from rental of investment property.

Rental revenue from investment property	179 567	178 351

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	47 298 661	-	47 298 661	47 298 661	-	47 298 661
Buildings	237 075 958	(102 168 983)	134 906 975	236 339 719	(99 320 656)	137 019 063
Furniture and fixtures	12 776 201	(6 735 396)	6 040 805	11 231 785	(5 926 499)	5 305 286
Motor vehicles	30 555 683	(9 649 213)	20 906 470	23 063 313	(7 076 331)	15 986 982
IT equipment	68 253 719	(48 547 942)	19 705 777	66 904 795	(43 378 873)	23 525 922
Infrastructure	1 771 854 831	(476 797 337)	1 295 057 494	1 442 954 389	(429 350 132)	1 013 604 257
Work in progress	142 390 218	(5 322 251)	137 067 967	298 681 493	(4 375 984)	294 305 509
Total	**2 310 205 271**	**(649 221 122)**	**1 660 984 149**	**2 126 474 155**	**(589 428 475)**	**1 537 045 680**

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	47 298 661	-	-	-	-	-	47 298 661
Buildings	137 019 063	1 127 775	(1 079 927)	5 734 724	(7 623 111)	(271 549)	134 906 975
Furniture and fixtures	5 305 286	1 800 403	(66 332)	-	(954 831)	(43 721)	6 040 805
Motor vehicles	15 986 982	7 492 370	-	-	(2 572 882)	-	20 906 470
IT equipment	23 525 922	1 544 708	(72 869)	-	(5 103 388)	(188 596)	19 705 777
Infrastructure	1 013 604 257	-	-	328 900 441	(47 226 336)	(220 868)	1 295 057 494
Work-in-progress	294 305 509	180 873 063	-	(334 635 165)	-	(3 475 440)	137 067 967
	1 537 045 680	**192 838 319**	**(1 219 128)**	**-**	**(63 480 548)**	**(4 200 174)**	**1 660 984 149**

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	47 298 661	-	-	-	-	-	47 298 661
Buildings	185 148 888	528 590	(13 217 326)	-	(9 567 851)	(25 873 238)	137 019 063
Furniture and fixtures	4 563 344	1 506 227	-	-	(764 285)	-	5 305 286
Motor vehicles	17 358 809	3 602 040	(2 417 495)	-	(2 556 372)	-	15 986 982
IT equipment	29 878 364	572 460	(66 600)	-	(6 858 302)	-	23 525 922
Infrastructure	1 012 619 622	-	-	85 985 527	(42 814 164)	(42 186 728)	1 013 604 257
Work-in-progress	247 534 997	137 132 023	-	(85 985 527)	-	(4 375 984)	294 305 509
	1 544 402 685	**143 341 340**	**(15 701 421)**	**-**	**(62 560 974)**	**(72 435 950)**	**1 537 045 680**

Pledged as security

No Property, plant and equipment has been pledged as security.

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Changes in accounting estimate

The effect of changes in useful lives which was done on 1 July 2024 has the following effect on the profit and loss:

Current year	**Depreciation using old useful lives**	**Depreciation using revised useful lives**	**Change**
Furniture and Fixtures	14 587	3 296	(11 291)
IT Equipment	1 731 819	330 824	(1 400 995)
	1 746 406	**334 120**	**(1 412 286)**

Impact on current year	**Carrying amount based on old usefule lives**	**Carrying amount based on revised useful live**	**Change**
Furniture and Fixtures	6 029 513	6 040 805	11 292
IT Equipment	18 304 782	19 705 777	1 400 995
	24 334 295	**25 746 582**	**1 412 287**

Effect of depreciation on future periods	**Effect of changes in depreciation for future periods**	**Total**
Furniture and Fixtures	(11 292)	(11 292)
IT Equipment	(1 400 995)	(1 400 995)
	(1 412 287)	**(1 412 287)**

Figures in Rand	2025	2024

11. Property, plant and equipment (continued)

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

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Electrical Infrastructure (Cost - R 2,2000 ('25) / R23443 ('24))	18 238 682	11 054 332
Water Supply Infrastructure	61 813 350	192 340 993
Roads Infrastructure	-	31 912 452
Storm Water Infrastructure	396 307	396 308
Community Assets	10 256 773	10 639 850
Operational Buidings	46 362 855	47 961 574
	137 067 967	**294 305 509**

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Construction Of New Municipal Space / Building	46 362 854	47 961 573
Contractor was terminated and municipality is requiring additional funding		
Moretele Rural Water Supply - Metered Yard Connections - Ward 21 Kontant And Kgomokgomo	11 478 480	12 082 611
Contractor was terminated and municipality is requiring additional funding		
Proposed Park and Recreational Facility - Ward 4	1 141 446	1 222 978
Municipality is awaiting additional funds to complete the project		
Reticulation And Instal Yard Conn Ward 7 Mechanical And Electrical For Desalination Plant	18 880 825	19 364 949
Municipality is awaiting additional funds to complete the project		
Construction of High Mast Lights in Ward 13	7 723 594	7 921 635
Awaiting electrification from Eskom		
Construction Of New Community Hall Ward 1	7 778 140	8 046 352
Municipality is awaiting additional funds to complete the project		
	93 365 338	**96 600 098**

Construction work in progress	**2025 Cost / Valuation**	**2025 Carrying value**	**2024 Cost / Valuation**	**2024 Carrying value**
Electrical Infrastructure	18 436 723	18 238 682	11 054 332	11 054 332
Water Supply Infrastructure	63 109 953	61 813 350	194 870 166	192 340 993
Roads Infrastructure	-	-	31 912 452	31 912 452
Storm water Infrastructure	396 307	396 307	396 307	396 307
Community Assets	11 639 850	10 256 773	11 639 850	10 639 850
Operation Buildings	47 961 574	46 362 855	47 961 575	47 961 575
	141 544 407	**137 067 967**	**297 834 682**	**294 305 509**

Construction work in progress - Projects taking significant longer than expected	**2025 Cost / Valuation**	**2025 Carrying value**	**2024 Cost / Valuation**	**2024 Carrying value**
Electrical Infrastructure	4 181 696	4 181 696	-	-
Water Supply Infrastructure	7 858 055	7 650 707	112 912 985	112 912 985
Storm water Infrastructure	396 307	396 307	396 307	396 307
Community Assets	1 370 250	1 370 250	689 680	689 680
	13 806 308	**13 598 960**	**113 998 972**	**113 998 972**

Construction work in progress - Projects halted during the current or previous financial year	**2025 Cost / Valuation**	**2025 Carrying value**	**2024 Cost / Valuation**	**2024 Carrying value**
Electrical Infrastructure	7 921 634	7 723 594	7 921 634	7 921 634
Water Supply Infrastructure	31 447 560	30 359 304	79 247 031	76 717 858

Notes to the Annual Financial Statements

Figures in Rand			2025	2024

11. Property, plant and equipment (continued)

Community Assets	9 269 330	8 886 253	10 269 331	9 269 331
Operation Buildings	47 961 573	46 362 854	47 961 573	47 961 573
	96 600 097	**93 332 005**	**145 399 569**	**141 870 396**

Age analysis of ongoing projects - 2025

	In progress	**Delayed**	**Contractor terminated**	**Halted**	**Total**
1 year	35 319 357	-	-	-	35 319 357
3 years	8 416 602	-	-	-	8 416 602
5 years	-	35 490 673	-	-	35 490 673
> 5 years	-	-	57 841 335	-	57 841 335
	43 735 959	**35 490 673**	**57 841 335**	**-**	**137 067 967**

Age analysis of ongoing projects - 2024

	In progress	Delayed	Contractor terminated	Halted	Total
1 year	27 909 235	-	-	-	27 909 235
3 years	113 542 007	-	-	10 983 871	124 525 878
5 years	-	30 429 374	-	-	30 429 374
> 5 years	-	28 634 280	60 044 184	22 762 558	111 441 022
	141 451 242	**59 063 654**	**60 044 184**	**33 746 429**	**294 305 509**

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		
Community Assets	780 510	559 495
Buildings	2 160 678	2 197 977
Infrastructure	22 842 246	13 211 511
Motor Vehicles	832 263	1 137 588
Office Furniture and Equipment	37 600	15 000
	26 653 297	**17 121 571**

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..

12. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	529 999	(185 128)	344 871	164 782	(139 651)	25 131

Reconciliation of intangible assets - 2025

	Opening balance	Additions	Amortisation	Total
Computer software, other	25 131	365 217	(45 477)	344 871

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software, other	80 209	(55 078)	25 131

Pledged as security

There are no intangible assets pledged as security:

Notes to the Annual Financial Statements

Figures in Rand

13. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	206 303	-	206 303	206 303	-	206 303

Reconciliation of heritage assets 2025

	Opening balance	Total
Art Collections, antiquities and exhibits	206 303	206 303

Reconciliation of heritage assets 2024

	Opening balance	Total
Art Collections, antiquities and exhibits	206 303	206 303

14. Payables from exchange transactions

Trade payables	66 883 175	54 545 875
Payments received in advanced	52 409 316	41 892 184
Retention	35 709 064	35 690 851
Trade payable -Accruals	15 577 732	9 928 121
Accrued leave pay	17 966 428	17 490 607
Accrued bonus	4 008 300	3 683 634
	192 554 015	**163 231 272**

Figures in Rand	2025	2024

14. Payables from exchange transactions (continued)

Reconciliation of financial liabilities

Trade payables	192 554 015	163 231 272
Accrued leave pay	(17 966 428)	(17 490 607)
Accrued bonus	(4 008 300)	(3 683 634)
	170 579 287	**142 057 031**

15. Payables from non-exchange

Unallocated receipts	678 163	594 814

16. VAT payable

Tax refunds payables	42 781 453	28 941 143

17. Employee benefit obligations

Long service awards

Under the plan, a long service award is payable to employees under 10 years of continuous service, and every 5 years of continuous service from 10 years of service to 45 years of service. The provision is an estimate of the long service based on historical staff turnover.

The present value of the defined benefit obligation were carried out by Xivoni Actuaries. The project unit credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. We have converted the awarded leave days to a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth.The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable. Further it is assumed that the current policy for awarding long service awards remains unchanged in the future.

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(7 897 959)	(8 770 239)
Non-current liabilities	(8 236 447)	(7 897 959)
Current liabilities	(2 271 739)	(872 280)
	(10 508 186)	**(8 770 239)**

Changes in the present value of the long service award are as follows:

Opening balance	(8 770 239)	(7 596 000)
Benefits paid	1 000 617	240 767
Net expense recognised in the statement of financial performance	(2 738 564)	(1 415 006)
	(10 508 186)	**(8 770 239)**

Figures in Rand	2025	2024

17. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	760 048	652 386
Interest cost	875 039	798 225
Actuarial (gains) losses	1 103 477	(35 605)
	2 738 564	**1 415 006**

Key assumptions used

Assumptions used at the reporting date:

Consumer price inflation	Difference between nominal and real yield curve	Difference between nominal and real yield curve
Normal salary increase rate	CPI +1%	CPI +1%
Discount rates used	Yield curve	Yield curve
Average retirement age	63	63

20% decrease in assumed level of withdrawal rates		
Accrued Liability	10 732 429	9 130 986
Current service cost	922 295	754 711
Interest cost	907 379	915 730

20% increase in assumed level of withdrawal rates:		
Accrued Liability	10 294 567	8 438 721
Current service cost	867 922	680 727
Interest cost	862 835	837 922

1% decrease in assumed level of salary inflation		
Accrued Liability	9 906 167	8 277 918
Current service cost	833 199	671 427
Interest cost	825 517	821 031

1% increase in assumed level of salary inflation		
Accrued Liability	11 167 028	9 306 463
Current service cost	962 038	764 179
Interest cost	949 589	934 218

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Library Grant	770 058	770 058
Municipal Infrastructure Grant	-	8 357 519
North West Sport : Maubane Cultural Village	1 592	1 592
	771 650	**9 129 169**

Figures in Rand	2025	2024

19. Revenue

Rendering of services	4 848	6 404
Service charges	69 425 605	67 752 967
Rental of facilities and equipment	179 567	178 351
Bad Debts Recovered	9 300 000	-
Insurance Refund	99 980	-
Sale of goods	443 417	490 611
Operating income	75 056	106 223
Interest received -	44 243 873	44 985 635
Property rates	31 685 151	29 936 496
Actuarial gains/losses	-	35 605
Government grants & subsidies	691 075 388	600 170 628
Interest - Property Rates	3 851 318	3 375 278
Licence and permits	638 770	747 638
Gain on disposal of assets and liabilities	75 502	-
	851 098 475	**747 785 836**

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

Service charges	69 425 605	67 752 967
Rendering of services	4 848	6 404
Rental of facilities and equipment	179 567	178 351
Miscellaneous other revenue	9 300 000	-
Fees earned	99 980	-
Sale of goods	443 417	490 611
Operating income	75 056	106 223
Interest received - investment	44 243 873	44 985 635
	123 772 346	**113 520 191**

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

Taxation revenue		
Property rates	31 685 151	29 936 496
Interest - Property rates	3 851 318	3 375 278
Transfer revenue		
Government grants & subsidies	691 075 388	600 170 628
Fines, Penalties and Forfeits	638 770	747 638
	727 250 627	**634 230 040**

20. Service charges

Sale of water	39 408 226	39 214 848
Refuse removal	30 017 379	28 538 119
	69 425 605	**67 752 967**

The service charges represent fees levied by the municipality for the provisions of essential services which includes water supply and refuse removal, these charges are the primary.

21. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	179 567	178 351

This is income earned through leasing municipal facilities to individuals,businesses and communities.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

22. Bad Debts Recovered

Bad Debts Recovered	9 300 000	-

During the year, the Municipality received R9,3 million from the curator of the VBS Bank as part of the second distribution to the creditors on 20 January 2025 after having received R3,5 million in the 2021/22 financial year.

23. Other revenue

Insurance Refund	99 980	-
Sale of goods	443 417	490 611
Operating income	75 056	106 223
	618 453	**596 834**

24. Other income

Administrative handling and gym fees	3 664	62 614
Building plans approval	71 392	43 609
	75 056	**106 223**

25. Licence and permits

Licence and permits	638 770	747 638

This is Income from licence discs collected by the Municipality on behalf of the Department of Traffic. The money collected goes into the bank account belonging to the Department of Traffic and the Municipality will receive 20% of the amounts collected.

26. Investment revenue

Interest revenue		
Bank	28 021 188	31 616 777
Interest charged on trade and other receivables	16 222 685	13 368 858
	44 243 873	**44 985 635**

The municipal positive liquidity allowed for a more effective cash flow management, resulting in an increased investment income.

27. Property rates

Rates received

Residential	31 685 151	29 936 496

The valuation roll is prepared in term of the municial property rate Act and the valuation roll is valid for 5 years. Current valuation was effected on 1 July 2024.

28. Interest from non-exchange receivables

Interest - Property rates	3 851 318	3 375 278

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

29. Government grants & subsidies

Operating grants		
Equitable share	469 371 000	443 170 884
Expanded Public Works Programme Grant	1 318 000	2 713 000
Local Government Financial Management Grant	2 900 000	2 900 000
Library Grant	1 028 696	900 870
LG Seta Grant	276 616	327 953
	474 894 312	**450 012 707**
Capital grants		
Municipal Infrastructure Grant	141 181 076	120 157 921
Water Supply Infrastructure Grant	75 000 000	30 000 000
	216 181 076	**150 157 921**
	691 075 388	**600 170 628**

Expanded Public Works Programme Grant

Current-year receipts	1 318 000	2 713 000
Conditions met - transferred to revenue	(1 318 000)	(2 713 000)
	-	-

Conditions were met and the grant was transferred to revenue.

Local Government Financial Management Grant

Current-year receipts	2 900 000	2 900 000
Conditions met - transferred to revenue	(2 900 000)	(2 900 000)
	-	-

Conditions were met and the grant was transferred to revenue.

Library Grant

Balance unspent at beginning of year	770 059	770 059
Current-year receipts	1 028 696	900 870
Conditions met - transferred to revenue	(1 028 696)	(900 870)
	770 059	**770 059**

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

Municipal Infrastructure Grant

Balance unspent at beginning of year	8 358 076	93 884
Current-year receipts	132 823 000	128 516 000
Conditions met - transferred to revenue	(141 181 076)	(120 157 924)
Rollover denied and witheld from equitable share	-	(93 884)
	-	**8 358 076**

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

North West Sport : Maubane Cultural Village

Balance unspent at beginning of year	1 592	1 592

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

29. Government grants & subsidies (continued)

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

Water services, Infrastructure grant (WSIG)

Current-year receipts	75 000 000	30 000 000
Conditions met - transferred to revenue	(75 000 000)	(30 000 000)
	-	-

Conditions were met and the grant was transferred to revenue.

Figures in Rand	2025	2024

30. Employee related costs

Basic	109 083 483	102 090 791
Bonus	8 499 802	8 112 991
Medical aid - company contributions	8 832 515	8 147 585
UIF	545 383	541 558
Leave pay provision charge	475 821	1 620 562
Travel, motor car, accommodation, subsistence and other allowances	18 052 245	16 854 270
Overtime payments	1 376 475	113 159
Long-service awards	634 470	1 209 844
Housing benefits and allowances	390 380	358 890
Social contributions -Bargaining Council	35 838	34 106
Telephone	2 050 318	1 926 488
Pension contribution	17 125 104	16 508 309
	167 101 834	**157 518 553**

Remuneration of Municipal Manager - (S Ngwenya) (1 July 2024 - 30 June 2025)

Basic Salary	969 915	1 058 012
Travel and cellphone allowance	355 305	344 117
Contributions to UIF, Medical and Pension Funds	2 125	2 125
	1 327 345	**1 404 254**

Remuneration of Chief Financial Officer (B Sathekge) (1 July 2024 to 30 June 2025)

Basic Salary	797 365	850 999
Housing Allowance	18 000	18 000
Travel and cellphone allowance	288 588	273 246
Contributions to UIF, Medical and Pension Funds	2 125	4 953
	1 106 078	**1 147 198**

Remuneration of Infrastructure Development Services Director : Technical Services - (MP Molautsi) (1 July 2024 - 30 June 2025)

Basic Salary	700 468	768 950
Travel and cell phone allowance	253 490	245 283
Contributions to UIF, Medical and Pension Funds	2 125	2 125
	956 083	**1 016 358**

Remuneration of Director : Local Economic Development -(TS Mohalanyane) (1 July 2024 - 30 June 2025)

Basic Salary	700 468	778 559
Travel and cell phone allowance	265 490	258 131
Contributions to UIF, Medical and Pension Funds	2 125	6 899
	968 083	**1 043 589**

Remuneration : Community Development Services Director (NG Temba) (Appointed on 3 October 2024)

Basic salary	529 851	-
Travel and cell phone allowance	194 617	-
Contributions to UIF, Medical and Pension Funds	1 594	-
	726 062	**-**

Remuneration : Community Development Services Acting Director (J Mathibe) (6 May 2024 - 30 June 2024) (1 July 2024 - 31 July 2024)

Figures in Rand	2025	2024

30. Employee related costs (continued)

Acting Allowance	10 910	20 827

Remuneration of Director: Community Development - (LD Lehari) (1 July 2023 - 3 May 2024)

Basic salary	-	673 255
Travel and cellphone allowance	-	236 006
Contributions to UIF, Medical and Pension Funds	-	1 948
Leave payment	-	129 035
	-	**1 040 244**

Remuneration of Director: Corporate and Human Resources - (PN Mahlo) (1 July 2024 - 30 June 2025)

Basic salary	712 468	790 559
Travel and cellphone allowance	253 490	246 131
Contributions to UIF, Medical and Pension Funds	2 125	2 125
	968 083	**1 038 815**

31. Remuneration of councillors

Executive Major	1 020 283	988 011
Single Whip	777 031	753 360
Speaker	825 683	800 296
MPAC Chairperson	762 370	739 223
Exco Members	6 993 275	6 782 096
Councillors	13 602 081	13 193 360
	23 980 723	**23 256 346**

2025 Mayor	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and medical aid	Total
MG Manyike	808 558	76 698	47 004	88 023	1 020 283

2025 Single Whip	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and medical aid	Total
NK Mleta	606 483	57 524	47 004	66 020	777 031

2025 Speaker	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and medical aid	Total
F Mapela	646 899	61 359	47 004	70 421	825 683

2025 Municipal Public Committee Accounts chairperson	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and medical aid	Total
MD Kodisang	594 304	56 368	47 004	64 694	762 370
MA Monaheng (Ad hoc MPAC Chairperson from 6 March 2025) (No acting allowance)					

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

31. Remuneration of councillors (continued)

2025 Exco Members	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and medical aid	Total
VK Maluleka	606 483	57 524	47 004	66 016	777 027
MM Moetji	606 483	57 524	47 004	66 020	777 031
J Macheke	606 483	57 524	47 004	66 020	777 031
FM Tsoku	606 483	57 524	47 004	66 020	777 031
MG Molefe	606 483	57 524	47 004	66 020	777 031
CM Shai	606 483	57 524	47 004	66 020	777 031
SL Ndlovu	606 483	57 524	47 004	66 020	777 031
RC Pete	606 483	57 524	47 004	66 020	777 031
MV Mphaphudi	606 483	57 524	47 004	66 020	777 031
	5 458 347	**517 716**	**423 036**	**594 176**	**6 993 275**

31. Remuneration of councillors (continued)

2025 Councillors	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and medical aid	Total
PS Letlhabi	256 035	24 272	47 004	27 860	355 171
PM Mabena	256 035	24 272	47 004	27 864	355 175
MC Moatshe	256 035	24 272	47 004	27 860	355 171
D Sono	256 035	24 272	47 004	27 860	355 171
S Nkwana	256 035	24 272	47 004	27 860	355 171
RC Lekalakala	256 035	24 272	47 004	27 860	355 171
SJ Modisa	256 035	24 272	47 004	27 864	355 175
RME Kutumela	256 035	24 272	47 004	27 864	355 175
EL Moselane	256 035	24 272	47 004	27 860	355 171
SA Kutumela	256 035	24 272	47 004	27 860	355 171
DBS Mbekwa	256 035	24 272	47 004	27 860	355 171
OM Mamabolo	8 932	-	-	-	8 932
DD Nkutshweu	256 035	24 272	47 004	27 865	355 176
TN Skosana	256 035	24 272	47 004	27 865	355 176
PK Letlape	256 035	24 272	47 004	27 865	355 176
LF Modise	256 035	24 272	47 004	27 865	355 176
ML Mosane	256 035	24 272	47 004	27 865	355 176
DK Motlhasedi	256 035	24 272	47 004	27 865	355 176
AI Zimba	256 035	24 272	47 004	27 865	355 176
AD Tlhabane	256 035	24 272	47 004	27 865	355 176
JM Motaung	256 035	24 272	47 004	27 865	355 176
DS Sethole	256 035	24 272	47 004	27 865	355 176
FV Mashaba	256 035	24 272	47 004	-	327 311
GKT Mamadi	256 035	24 272	47 004	27 865	355 176
S Chauke	256 035	24 272	47 004	27 864	355 175
TM Sithole	256 035	24 272	47 004	27 864	355 175
PM Letebele	256 035	24 272	47 004	27 864	355 175
EKM Selepane	256 035	24 272	47 004	27 864	355 175
JD Mathimbi	256 035	24 272	47 004	27 864	355 175
ND Langa	210 291	24 272	39 170	-	273 733
MG Baloyi	256 035	24 272	47 004	27 864	355 175
MA Monaheng	256 035	24 272	47 004	27 860	355 171
BL Sithole	256 035	24 272	47 004	-	327 311
KJ Molefe	256 035	24 272	47 004	27 860	355 171
ST Motshegoa	256 035	24 272	47 004	34 224	361 535
ED Segona	256 035	24 272	47 004	27 864	355 175
TL Sekhaolela	256 035	24 272	47 004	-	327 311
TJ Mosetlhe	77 950	24 272	19 585	-	121 807
SL Mashele	250 080	24 272	47 004	-	321 356
HA Mokone	211 192	10 481	38 102	-	259 775
NP Mudau	174 658	-	29 912	-	204 570
BJ Langa	45 744	-	7 834	-	53 578
S Mashele	4 466	-	-	-	4 466
	9 944 538	**932 817**	**1 826 747**	**897 979**	**13 602 081**

2024 Mayor	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and medical aid	Total
MG Manyike	652 263	201 692	46 570	87 486	988 011

2024 Single Whip	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and medical aid	Total
NK Mleta	469 654	171 518	46 570	65 618	753 360

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

31. Remuneration of councillors (continued)

2024 Speaker	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and medical aid	Total
F Mapela	500 783	182 953	46 570	69 990	800 296

2024 Municipal Public Committee Accounts chairperson	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and medical aid	Total
MD Kodisang	460 282	168 072	46 570	64 299	739 223

2024 Exco Members	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and medical aid	Total
VK Maluleka	469 654	171 518	46 570	67 474	755 216
MM Moetji	469 654	171 518	46 570	65 618	753 360
J Macheke	469 654	171 518	46 570	65 618	753 360
FM Tsoku	469 654	171 518	46 570	65 618	753 360
MG Molefe	469 654	171 518	46 570	65 618	753 360
CM Shai	469 654	171 518	46 570	65 618	753 360
SL Ndlovu	469 654	171 518	46 570	65 618	753 360
RC Pete	469 654	171 518	46 570	65 618	753 360
MV Mphaphudi	469 654	171 518	46 570	65 618	753 360
	4 226 886	**1 543 662**	**419 130**	**592 418**	**6 782 096**

31. Remuneration of councillors (continued)

2024 Councillors	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and medical aid	Total
PS Letlhabi	200 327	72 373	46 570	28 472	347 742
PM Mabena	200 327	72 373	46 570	27 694	346 964
MC Moatshe	200 327	72 373	46 570	28 472	347 742
D Sono	200 327	72 373	46 570	28 472	347 742
S Nkwana	200 327	72 373	46 570	28 472	347 742
RC Lekalakala	200 327	72 373	46 570	28 472	347 742
SJ Modisa	200 327	72 373	46 570	27 694	346 964
RME Kutumela	200 327	72 373	46 570	27 694	346 964
EL Moselane	200 327	72 373	46 570	28 472	347 742
SA Kutumela	200 327	72 373	46 570	28 472	347 742
DBS Mbekwa	200 327	72 373	46 570	28 472	347 742
OM Mamabolo	189 777	68 235	43 899	25 372	327 283
DD Nkutshweu	200 327	72 373	46 570	11 610	330 880
TN Skosana	200 327	72 373	46 570	27 694	346 964
PK Letlape	200 327	72 373	46 570	27 694	346 964
LF Modise	200 327	72 373	46 570	27 694	346 964
ML Mosane	200 327	72 373	46 570	27 694	346 964
DK Motlhasedi	200 327	72 373	46 570	27 694	346 964
AI Zimba	200 327	72 372	46 570	27 694	346 963
SM Ndlala	9 792	-	-	-	9 792
AD Tlhabane	200 327	72 372	46 570	27 694	346 963
JM Motaung	200 327	72 372	46 570	27 694	346 963
DS Sethole	200 327	72 372	46 570	2 322	321 591
FV Mashaba	200 327	72 372	46 570	-	319 269
GKT Mamadi	200 327	72 372	46 570	27 694	346 963
S Chauke	200 327	72 372	46 570	27 694	346 963
TM Sithole	200 327	72 372	46 570	27 694	346 963
PM Letebele	200 327	72 372	46 570	27 694	346 963
EKM Selepane	200 327	72 372	46 570	27 694	346 963
JK Baloyi	101 155	33 482	21 466	-	156 103
JD Mathimbi	200 327	72 372	46 570	27 694	346 963
ND Langa	187 813	72 372	46 570	-	306 755
MG Baloyi	200 327	72 372	46 570	27 694	346 963
MA Monaheng	200 327	72 372	46 570	28 472	347 741
BL Sithole	200 327	72 372	46 570	-	319 269
MJ Kau	9 792	-	-	-	9 792
KJ Molefe	200 327	72 372	46 570	28 472	347 741
ST Motshegoa	200 327	72 372	46 570	27 694	346 963
S Mashele	107 486	35 964	23 068	-	166 518
ED Segona	200 327	72 372	46 570	23 220	342 489
TL Sekhaolela	187 813	72 372	46 570	-	306 755
TJ Mosetlhe	77 368	30 340	19 585	-	127 293
SL Mashele	48 531	19 032	12 285	-	79 848
	7 730 645	**2 792 462**	**1 796 823**	**873 430**	**13 193 360**

Councillors are remunerated in terms of the public office bearers act as gazetted by the MEC responsible for local government

32. Depreciation and amortisation

	2025	2024
Property, plant and equipment	63 480 548	62 560 974
Amortisation of Intangible assets	45 477	55 078
	63 526 025	**62 616 052**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

33. Impairment loss

Impairments		
Property, plant and equipment	4 200 175	72 394 751
Trade and other receivables	133 607 006	81 228 565
	137 807 181	**153 623 316**

34. Finance costs

Interest on late payments	459 765	610 019

35. Bulk purchases

Water	55 649 415	49 060 126

Material losses

Purchased during the year	4 993 831	4 455 500
Sold during the year	(3 495 079)	(3 383 507)
Unaccounted - Normal distribution losses - % water (2025 - 28%) (2024 - 21%)	1 498 752	1 071 993
Kilo litres	1 383 552	956 054
Loss (R): At cost	15 527 192	11 080 660

36. Contracted services

Specialist Services	549 416	638 220
Outsourced Services		
Business and Advisory	17 714 805	13 607 930
Hygiene Services	47 187 211	38 002 411
Security Services	49 076 458	39 838 494
Consultants and Professional Services		
Business and Advisory	75 293 744	52 660 719
Infrastructure and Planning	-	26 217
Laboratory Services	12 478 560	9 178 279
Legal Cost	1 071 711	5 349 881
Contractors		
Maintenance of Buildings and Facilities	2 160 678	2 201 037
Maintenance of Equipment	588 032	382 170
Maintenance of Unspecified Assets	23 904 587	22 523 955
	230 025 202	**184 409 313**

37. Work in Progress: Inventory

Details		
Public toilets distributed	39 865 210	13 073 520

Figures in Rand	2025	2024

38. General expenses

Auditors remuneration	5 952 358	5 928 322
Bank charges	263 800	210 094
Skills Development Fund Levy	1 561 423	1 449 628
Travel and subsistence	540 347	1 908 902
Operating Lease	-	305 114
Mayoral Outreach Programmes	8 381 363	6 337 384
Fines and penalties	304 887	763 818
Catering	2 047 476	1 157 262
Insurance	6 212 184	5 494 959
IT expenses	64 739	2 750
Promotions and sponsorships	855 452	412 933
Magazines, books and periodicals	242 201	219 540
Fuel and oil	3 575 351	5 519 933
Postage and courier	2 357	-
Royalties and license fees	178 146	200 461
Subscriptions and membership fees	2 128 094	30 233
Telephone and fax	6 686 169	4 399 911
Travel - local	2 246 374	776 122
Utilities	19 397 279	15 593 355
LED projects	-	3 555 341
Conference and seminars	67 040	81 961
Public relations	1 015 070	429 900
Indigent relief	7 582 565	7 773 479
Stipends	11 216 748	9 663 928
Other expenses	9 917 075	5 531 473
	90 438 498	**77 746 803**

39. Cash generated from operations

Surplus (deficit)	39 108 298	(11 085 538)
Adjustments for:		
Depreciation and amortisation	63 526 025	62 616 052
(Loss) gain on sale of assets and liabilities	(75 502)	15 701 421
PPE impairment	4 200 175	72 394 751
Fair value adjustments	(100 350)	9 672 506
Debt impairment	133 607 006	81 228 564
Bad debts written off	-	9 668 750
Movements in retirement benefit assets and liabilities	1 737 947	1 174 239
Changes in working capital:		
Inventories	(165 924)	90 766
Receivables from exchange transactions	(128 575 190)	(93 206 853)
Other receivables from exchange	501 106	(588 616)
Other receivables from non-exchange transactions	10 524 337	(1 390 311)
Prepayments	-	(71 739)
Payables from exchange transactions	18 620 126	(10 463 039)
VAT	13 840 310	15 641 329
Payables from (non-exchange)	83 349	92 688
Unspent conditional grants and receipts	(8 357 519)	8 264 195
Operating lease assets and accruals	(3 264)	(15 616)
	148 470 930	**159 723 549**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Approved and contracted for	23 807 401	31 019 573
Total capital commitments		
Already contracted for but not provided for	23 807 401	31 019 573

Authorised operational expenditure

Already contracted for but not provided for		
• Approved and contracted for	200 144 843	198 375 137
Total operational commitments		
Already contracted for but not provided for	196 178 267	198 375 137

Total commitments

Total commitments		
Authorised capital expenditure	23 807 401	31 019 573
Authorised operational expenditure	196 178 267	198 375 137
	219 985 668	**229 394 710**

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

41. Contingencies

The table below sets out the contingent liabilities at year end with the maximum potential liability to the municipality.

Contingent liabilities incurred relating to interests in other entities

Contingent Liabilities	Nature	2025	2024
Bathini Security Services-Civil Matter (Against)- Matter still pending in court with possibility of liability	MLM filed its plea way back in 2009 which counter claim as a result of theft of MLM poperties (Mmmakaunyane/ Makapanstad Stadium.This case has been written off by Council since it is an old case and there has been no movement on the case for more than 5 years.	-	421 061
Bokosi Projects - Civil Matter (Against)	Contractor did not complete his snag list and MLM disputed claims to snag list.This case has been written off by Council since it is an old case and there has been no movement on the case for more than 5 years.	-	6 404 050
Chachaoka Management Project - Civil Matter (Against) Matter still pending in Court	Chachaoka Management instituted legal action based on a 2013 tender which was awarded to another bidder. There is a possibility of reimbursement. This case has been written off by Council since it is an old case and there has been no movement on the case for more than 5 years.	-	6 450 000
Khoza M - Civil matter (Against) - Matter still pending in Court	Plaintiff's Attorney of record withdrew from their matter following unsuccessful application for summary judgement in 2018.There possibility of reimbursement is unknown at the reporting date. This case has been written off by Council since it is an old case and there has been no movement on the case for more than 5 years.	-	10 000 000
Thomo Mphela Projects t/a Kago consulting engineers	This contract relates to the building where there was under-performance by the contractor and the contractor claims liability for the commitment based on the contract value.The case has been struck off the roll after agreement between the plaintiff and the defendant.	-	9 500 000
T Nxumalo v MLM	Employee was dismissed for forging his superior’s signature. CCMA ruled in favour of MLM, the employee applied for a review of the award	1 500 000	1 500 000
Mabotwane Security Services v MLM	Claim for unpaid invoices	1 192 410	1 192 410

Figures in Rand		2025	2024

41. Contingencies (continued)

Diges	Supplier is suing the municipality for the cessation amount that was not paid		1 932 987	1 932 987
		-	**4 625 397**	**37 400 508**

Other contingent liabilities

Municipality has furthermore a contingent liability relating to possible fines or penalties that could be incur due to illegal dumping by the community, currently taking place on land owned by the municipality . A possible obligation exists for the rehabilitation of the same land.

Contingent assets

Sizwe Auctions / MLM, Claim for damages against Sizwe Auctions, Pending at Pretoria High Court.	3 151 057	3 515 057

42. Related parties

Relationships	
Accounting officer	Refer to Accounting Officer's Responsibilities and Approvals Report
Members of key management remuneration	Refer to note 30
Councillors	Refer to note 31
Councillor arrear balances	Refer to note 49

43. Prior-year adjustments

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

Statement of financial position

2024

	Note	As previously reported	Correction of error	Restated
Inventories		132 027	-	132 027
Operating lease asset		65 529	-	65 529
Trade and other receivables from exchange transactions		37 439 755	-	37 439 755
Trade and other receivables from non-exchange transactions		44 816 427	-	44 816 427
Prepayments		550 000	-	550 000
Cash and cash equivalents		285 828 111	-	285 828 111
Investment property		10 895 550	-	10 895 550
Property, plant and equipment	**[a]**	1 534 548 877	2 496 800	1 537 045 677
Intangible assets		25 131	-	25 131
Heritage assets		206 303	-	206 303
Payables from exchange transactions	**[b]**	(153 900 195)	(9 331 075)	(163 231 270)
Payables from non exchange transactions		(594 814)	-	(594 814)
VAT payable	**[c]**	(28 860 221)	(80 922)	(28 941 143)
Employee benefit obligation : short term		(872 280)	-	(872 280)
Unspent conditional grants and receipts		(9 129 169)	-	(9 129 169)
Employee benefit obligation : long term		(7 897 959)	-	(7 897 959)
Accumulated Surplus		(1 713 253 072)	6 915 197	(1 706 337 875)
		-	-	-

Statement of financial performance

43. Prior-year adjustments (continued)

2024

	Note	As previously reported	Correction of error	Restated
Service charges		67 752 967	-	67 752 967
Rendering of services		6 404	-	6 404
Rental of facilities and equipment		178 351	-	178 351
Licence and permits		747 638	-	747 638
Sale of goods		490 611	-	490 611
Operating income		106 223	-	106 223
Interest received		44 985 635	-	44 985 635
Actuarial gains		35 605	-	35 605
Property rates		29 970 318	-	29 970 318
Interest - Property rates		3 375 278	-	3 375 278
Government grants and subsidies	**[d]**	600 305 758	(135 130)	600 170 628
Employee related costs		(157 518 552)	-	(157 518 552)
Remuneration of councillors		(23 256 345)	-	(23 256 345)
Depreciation and amortisation	**[a]**	(62 030 025)	(586 027)	(62 616 052)
Impairment loss		(153 664 515)	-	(153 664 515)
Finance costs	**[e]**	(493 088)	(116 931)	(610 019)
Bad debts written off		(9 668 750)	-	(9 668 750)
Bulk purchases		(49 060 126)	-	(49 060 126)
Contracted services	**[f]**	(176 334 022)	(8 075 291)	(184 409 313)
Loss on disposal of assets and liabilities		(15 701 421)	-	(15 701 421)
Fair value adjustment		(9 672 506)	-	(9 672 506)
Public toilets distributed		(13 073 520)	-	(13 073 520)
Inventory consumed		(1 914 651)	-	(1 914 651)
General expenses		(77 746 803)	-	(77 746 803)
Surplus for the year		**(2 179 536)**	**(8 913 379)**	**(11 092 915)**

Cash flow statement

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Non-Cash adjustments and Working Capital Movements					
Surplus / (deficit) for the year		(2 179 536)	(8 905 998)	-	(11 085 534)
Depreciation Property, plant and equipment	**[g]**	62 030 025	586 027	-	62 616 052
Impairment Property, plant and equipment	**[n]**	72 435 950	(41 199)	-	72 394 751
(Decrease) / Increase in payables from exchange	**[h]**	(19 057 287)	8 594 248	-	(10 463 039)
(Decrease) / Increase VAT receivable	**[i]**	15 908 224	(266 896)	-	15 641 328
(Decrease) / Increase in consumer deposits	**[j]**	(33 822)	33 822	-	-
		129 103 554	**4**	**-**	**129 103 558**
Cash flow from operating activities					
Grants Income	**[k]**	608 569 952	-	(135 129)	608 434 823
Payments made to suppliers	**[l]**	(320 172 255)	-	252 062	(319 920 193)
Finance costs	**[m]**	(493 088)	-	(116 931)	(610 019)
		287 904 609	**-**	**2**	**287 904 611**

Errors

[a] Property, plant and equipment & Depreciation

43. Prior-year adjustments (continued)

The restatement is due to additional assets that were identified on the ground during the physical verification of assets and their respective depreciation.

[b] Payables from exchange transactions

The restatements was as a result of ommitted invoices in the prior period from Magalies,Magalies Maintenance,Baloyi attorneys invoice for work done in prior years but paid in the current year, and invoices from Makgoga and Magalies Maintenance which were recorded in the incorrect period.

[c] VAT Payable

These are the VAT effects on the restatements of Magalies maintenance,legal fees on work done by Baloyi attorneys and Government grants income.

[d] Government grants & subsidies

Grants income reduced by R135 129 in the prior year due to a Library Grant which was recorded inclusive of VAT in error and the restatement was to made to reduce the grant with the VAT amount

[e] Finance Costs

This is interest on prior year ommitted invoices from Magalies lab and Magalies Maintenance invoices recorded in the current year as a restatement.

[f] Contracted services

The restatements was as a result of ommitted invoices in the prior period from Magalies,Magalies Maintenance and invoices from Makgoga and Magalies Maintenance which were recorded in the incorrect period.

[g] Depreciation Property, plant and equipment

The additional depreciation is depreciation on additional assets identified on the floor but were not on the fixed asset register.

[h] (Decrease) / Increase in payables from exchange

The additional payables is due to restatements on Magalies Maintenance,Magalies Water and other invoices which were not recorded in the correct period (cut-off).

[i] (Decrease) / Increase VAT payables

This is the VAT effect of all the restatements that had VAT including Magalies maintenance,legal fees on work done by Baloyi attorneys and Government grants income.

[j] (Decrease) / Increase in consumer deposits

This movement is due to an account which was in correctly mapped to revenue but was an accumulated surplus transaction and was there remapped from revenue from non-exchange transaction to accumulated surplus.

[k] Grants Income

Grants income reduced by R135 129 in the prior year due to a Library Grant which was recorded inclusive of VAT in error and the restatement was to reduce the grant with the VAT amount

[l] Payments made to suppliers

The payments made to suppliers has been reduced by R252 062 which consist of VAT output amount of R 135 129 from Library grant and interest costs from Magalies of R116 931.

m) Finance Costs

43. Prior-year adjustments (continued)

Finance costs increase was as a result of interest from Magalies which was recorded as a prior period error.

n) Impairment Property, plant and equipment

Impairment on Property, Plant and Equipment reduced by R41 199 due to impairment assessment done on assets.

Commitments

The Capital and Operational Commitments were restated because of adjustments made as a result of of incorrect allocations of invoices and recording of contract amounts..

Commitments	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Capital commitments	49 234 911	(18 215 338)	-	-	31 019 573
Operational commitments	150 716 377	47 658 760	-	-	198 375 137
	199 951 288	**29 443 422**	**-**	**-**	**229 394 710**

Accumulated Surplus

Opening Balance		1 715 432 608	-
Contracted services	**[f]**	(323 216)	-
Depreciation and amortisation	**[a]**	(584 603)	-
Finance Costs	**[e]**	(65 015)	-
Government grants & subsidies	**[d]**	(129 392)	-
Accumulated surplus		3 093 032	-
		1 717 423 414	**-**

Financial Instruments

Financial liabilities	As previously reported	Correction of error	Change in accounting policy	Reclassification	Restated
Trade and other payables from exchange transactions	132 725 954	9 331 077	-	-	142 057 031

Refer to note [b] above.

Risk management

	As previously reported	Correction of error	Change in accounting policy	Reclassification	Restated
Payables from exchange transactions	132 725 954	9 331 077	-	-	142 057 031

Refer to note [b] above.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

43. Prior-year adjustments (continued)

Unauthorised expenditure

	As previously reported	Correction of error	Change in accounting policy	Reclassification	Restated
Unauthorised expenditure	805 769 891	(111 865 946)	-	-	693 903 945

Council authorised the write-off of unauthorised expenditure of R111 865 946 for the 2022/23 financial year on 17 April 2024 but this write-off was not effected in the 2023/24 financial by error and it was only effected in the 2024/25 financial year as a prior period error.

44. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	31 906 833	31 906 833
Cash and cash equivalents	253 092 755	253 092 755
	284 999 588	**284 999 588**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	170 579 287	170 579 287

2024

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	37 439 755	37 439 755
Cash and cash equivalents	285 828 111	285 828 111
	323 267 866	**323 267 866**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	142 057 031	142 057 031

Analysis of Financial instrument related amounts in Statement of financial performance

2025

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	44 243 873	44 243 873

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

44. Financial instruments disclosure (continued)

Receivables impairment for the year	(133 607 006)	(133 607 006)
	(89 363 133)	**(89 363 133)**

2024

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	44 985 635	44 985 635
Receivables impairment for the year	(81 228 565)	(81 228 565)
Impairment loss (Debt write-offs)	(9 668 750)	(9 668 750)
	(45 911 680)	**(45 911 680)**

45. Risk management

Financial risk management

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

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

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.

At 30 June 2025	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	170 579 287	-	-	-

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	142 057 031	-	-	-

Notes to the Annual Financial Statements

45. Risk management (continued)

Credit risk

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

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy. The municipality uses its own trading record to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

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. Individual risk limits are set based by managment.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions short term credit rating of BBB and long-term credit rating of AA- and higher at an international accredited credit rating agency. The municipality's exposure is continuously monitored and the aggregate value of transactions concluded in spread amongst different types of approved investments and institutions, in accordance with its investment policy. In spite of the measures applied to mitigate investment risks the municipality was significantly exposed for the 2024/25 financial year after investing in a mutual bank. The municipality has reviewed its investment policy in the aim of improving its internal controls.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due not impaired) by only dealing with ABSA Bank, Nedbank and Standard Bank. No investments with a tenure exceeding 12 months are made.

Trade and other receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an on-going basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water services rendered to them.

Trade receivables consist of a large number of customers. Periodic credit evaluation is performed on the financial condition of accounts receivable. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts becomes in arrears, it is endeavoured to collect such accounts by "demand for payment" "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. At this stage, the municipality only partially implement its credit control policy as there is no hand over of debtors.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review.The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position , without taking into account the value of any collateral obtained.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

45. Risk management (continued)

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

Financial instrument	2025	2024
Receivables from exchange transactions	31 906 833	37 439 755
Cash and cash equivalents	253 092 755	285 828 111

Market risk

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with the financial instruments will fluctuate in amount as a result of market interest charges.

Financial assets and liabilities that are sensitive to interest risk are cash and cash equivalent, investments, and loan payables. The municipality is exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rates.

Potential concentration of interest rate risk consists mainly of variable rate deposit investments, long-term receivables, other debtors, bank and cash balances.

The municipality diversifies its money market investment operations by only dealing with ABSA Bank, Nedbank and Standard Bank. No investments with a tenure exceeding 12 months are made. In the 2017/18 financial year the municipality had invested with a bank registered under the mutual bank act, which is contrary to investment regulation of 2005.

Receivables comprise a widespread customer base. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts becomes in arrears, it is endeavoured to collect such accounts by "demand for payment" "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. At this stage, the municipality only partially implement its credit control policy as there is no hand over of debtors.

Long-term receivables and other debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting where applicable. Debtors write off has been approved by council for write off in the 2024/25 financial year.

The municipality is not exposed to interest rate risk arising from equity investments as the municipality does not trade these investments.

Cash flow interest rate risk

Financial assets 2025	
Bank balances	47 327 674
Short-term deposits	205 762 717
	253 090 391

Financial assets 2024	
Bank balances	8 856 808
Short-term deposits	276 968 939
	285 825 747

Interest rate sensitivity on income	**2025**	**2024**
Interest rate increase of 1%	2 530 905	2 858 257
Interest rate decrease of 1%	(2 530 905)	(2 858 257)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

46. Unauthorised expenditure

Opening balance as previously reported	693 903 945	709 529 319
Add: Unauthorised expenditure Identified - current	85 628 740	96 240 572
Less: Approved by Council	(82 638 225)	(111 865 946)
Closing balance	**696 894 460**	**693 903 945**

During the current year Council with the recommendation of MPAC has written of unauthorised amount of R 82 638 225 for the 2023/24 financial year.

47. Fruitless and wasteful expenditure

Opening balance as previously reported	20 162 056	18 908 691
Add: Fruitless and wasteful expenditure identified - current	765 811	1 253 365
Closing balance	**20 927 867**	**20 162 056**

Figures in Rand		2025	2024

47. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Interest charged by Eskom		8 078	7 287
SARS interest and penalties		304 887	763 818
Interest on overdue account - Magalies		426 955	472 502
Overdue charge - Auditor General		25 890	9 758
		765 810	**1 253 365**

48. Irregular expenditure

Opening balance as previously reported	965 452 693	955 325 166
Add: Irregular expenditure - current	2 941 780	10 127 527
Add: Irregular expenditure - prior period	1 848 539	-
Less: Amount written off	(347 364 643)	-
Closing balance	**622 878 369**	**965 452 693**

Cases under investigation

Investigations are still in progress regarding 5 cases which are all related to non-compliance with the procurement process requirements.

Figures in Rand		2025	2024

48. Irregular expenditure (continued)

Incident	Disciplinary steps taken/criminal proceedings		
Tax non-compliant on CSD report	Consequence management not followed	-	4 825 284
Declaration of interest incomplete	Consequence management not followed	-	3 817 243
Predetermined requirements not met	Consequence management not followed	-	1 485 000
13 days instead of 14 days that results in non-compliance with SCM reg. 22(1)(b)(i) with no approved reasons for deviation to 14 days.	Consequence management not followed	1 297 492	-
The person who approved the bid evaluation committee minutes was also a member on the bid adjudication committee	Consequence management not followed	2 941 780	-
Incorrect calculation of points	Consequence management not followed	365 483	-
During the testing of SCM deviations from normal procurement process, we identified that some reasons provided to deviate does not meet the requirement as per Supply Chain Management reg 36(1)(a)(i) to (v) below are the issues noted.	Consequence management not followed	185 564	-
		4 790 319	**10 127 527**

Cases assessed by the accounting officer

Three (Prior period: 2024) cases related to non-compliance with procurement process requirements as indicated above.	-	10 127 527
Six (current period: 2025) cases related to non-compliance with procurement process requirements as indicated above.	4 790 319	-
	4 790 319	**10 127 527**

Amount written off

[N1] After the council committee investigations, council adopted the council committee recommendation to write-off an amount of **R347 364 643** from the total irregular expenditure amount as it was found that the municipality received value for money and the services were delivered in accordance with the contract stipulation.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	-	2 007 612
Current year subscription / fee	2 090 341	-
Amount paid - current year	(2 090 341)	(2 007 612)
	-	-

Audit fees

Current year subscription / fee	5 978 248	5 686 056
Amount paid - current year	(5 978 248)	(5 686 056)
	-	-

PAYE and UIF

Current year subscription / fee	34 680 792	31 236 658
Amount paid - current year	(35 540 186)	(32 031 426)
	(859 394)	**(794 768)**

Pension and Medical Aid Deductions

Current year subscription / fee	16 265 688	15 338 818
Amount paid - current year	(16 265 688)	(15 338 818)
	-	-

Figures in Rand	2025	2024

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

Councillors' arrear consumer accounts

There were two councillors in arrears on their accounts for more than 90 days as listed below.

30 June 2025	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
SEKHAOLELA L MS	(1 660)	17 020	15 360
TSOKU FN MS	(49)	1 006	957
	(1 709)	**18 026**	**16 317**

30 June 2025	**Gross Debtors**	**Calculated Impairmen**	**Total**
SEKHAOLELA L MS	15 360	(14 851)	509
TSOKU FN MS	957	(890)	67
	16 317	**(15 741)**	**576**

30 June 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
SEKHAOLELA L MS	3 444	-	3 444
MASHELE SL MR	462	-	462
	3 906	**-**	**3 906**

30 June 2024	**Gross Debtors**	**Calculated Impairment**	**Total**
SEKHAOLELA L MS	17 156	(16 597)	559
MASHELE SL MR	8 706	(7 046)	1 660
	25 862	**(23 643)**	**2 219**

The municipality provided water and refuse collection services to the councillors above. The outstanding amounts also included property rates levied.

VAT

	2025	2024
VAT payable	42 781 453	28 941 143

VAT output payables and VAT input receivables are shown in note 16.

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

50. Deviation from supply chain management regulations

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

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

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

Incident		
Emergency	80 205	358 428
Sole supplier	483 268	871 760
Impractical or impossible	-	368 347
	563 473	**1 598 535**

51. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of seven major functional areas:Community and Social Services,Energy Sources,Road Transport, Sport and Recreation,Waste Water Management, Water Management and other which consists of executive and council, municipal manager, budget and treasury office, human resources and corporate services, infrastructure development services, community development services and local and economic development.. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Aggregated segments

The municipality operates in the North-West Province within Moretele Local Municipality jurisdiction. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Moretele Local Municipality were sufficiently similar to warrant aggregation.

51. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Community and Social Services	Energy Sources	Road Transport	Sports and Recreation	Waste Water Managemen	Water Management	Unallocated	Total
Revenue								
Service charges	-	-	-	-	30 017 379	39 408 226	-	69 425 605
Rendering of services	-	-	-	-	-	4 292	556	4 848
Rental of facilities and equipment	-	-	-	-	-	-	179 567	179 567
Bad Debts Recovered	-	-	-	-	-	-	9 300 000	9 300 000
Insurance Refund	-	-	-	-	-	-	99 980	99 980
Licence and permits	-	-	638 770	-	-	-	-	638 770
Sale of goods	-	-	-	-	-	22 111	421 306	443 417
Operating income	-	-	-	-	-	-	75 056	75 056
Interest received -Non exchange	-	-	-	-	-	-	3 851 318	3 851 318
Interest received	-	-	-	-	6 393 182	9 756 313	28 094 377	44 243 872
Gains on disposal of assets and liabilities	-	-	-	-	-	-	75 502	75 502
Fair value adjustments	-	-	-	-	-	-	100 350	100 350
Property rates	-	-	-	-	-	-	31 685 151	31 685 151
Government Grants and Subsidies	1 028 696	-	-	-	-	76 318 000	613 728 692	691 075 388
Total segment revenue	**1 028 696**	**-**	**638 770**	**-**	**36 410 561**	**125 508 942**	**687 611 855**	**851 198 824**
Entity's revenue								**851 198 824**

51. Segment information (continued)

	Community and Social Services	Energy Sources	Road Transport	Sports and Recreation	Waste Water Managemen	Water Management	Unallocated	Total
Expenditure								
Employee related costs	19 203 391	-	12 859 940	3 030 450	-	5 492 686	126 515 368	167 101 835
Remuneration of councillors	-	-	-	-	-	-	23 980 722	23 980 722
Depreciation and amortisation	-	-	-	-	-	63 526 024	-	63 526 024
Impairment loss	-	-	-	-	-	137 807 181	-	137 807 181
Finance costs	-	-	-	-	-	-	459 765	459 765
Bulk purchases	-	-	-	-	-	55 649 414	-	55 649 414
Contracted services	1 857 218	2 870 370	1 234 995	-	-	32 552 180	191 510 440	230 025 203
Actuarial losses	-	-	-	-	-	-	1 103 477	1 103 477
Public toilets distributed	-	-	-	-	39 865 210	-	-	39 865 210
Inventory Consumed	57 600	-	-	-	-	-	2 075 597	2 133 197
General Expenses	1 512 683	18 843 534	552 534	97 958	3 112 504	4 601 950	61 717 335	90 438 498
Total segment expenditure	**22 630 892**	**21 713 904**	**14 647 469**	**3 128 408**	**42 977 714**	**299 629 435**	**407 362 704**	**812 090 526**
Total segmental surplus/(deficit)	**(21 602 196)**	**(21 713 904)**	**(14 008 699)**	**(3 128 408)**	**(6 567 153)**	**(174 120 493)**	**280 249 151**	**39 108 298**
Assets								
Cash and cash equivalents	-	-	-	-	-	-	253 092 755	253 092 755
Receivables from exchange transactions	-	-	-	-	-	-	31 906 833	31 906 833
Receivables from non-exchange transactions	-	-	-	-	-	-	34 292 090	34 292 090
Inventories	-	-	-	-	-	-	297 951	297 951
Operating lease asset	-	-	-	-	-	-	68 793	68 793
Prepayments	-	-	-	-	-	-	550 000	550 000
Investment property	-	-	-	-	-	-	10 995 900	10 995 900
Property, plant and equipment	-	-	-	-	-	-	1 660 984 149	1 660 984 149
Intangible assets	-	-	-	-	-	-	344 871	344 871
Heritage assets	-	-	-	-	-	-	206 303	206 303
Total segment assets	**-**	**-**	**-**	**-**	**-**	**-**	**1 992 739 645**	**1 992 739 645**
Total assets as per Statement of financial Position								**1 992 739 645**

Notes to the Annual Financial Statements

Figures in Rand

51. Segment information (continued)

	Community and Social Services	Energy Sources	Road Transport	Sports and Recreation	Waste Water Managemen	Water Management	Unallocated	Total
Liabilities								
Payables from exchange transactions	-	-	-	-	-	-	(192 554 015)	(192 554 015)
Unallocated Deposits	-	-	-	-	-	-	(678 163)	(678 163)
VAT payable	-	-	-	-	-	-	(42 781 453)	(42 781 453)
Employee benefit obligation	-	-	-	-	-	-	(10 508 186)	(10 508 186)
Unspent conditional grants and receipts	-	-	-	-	-	-	(771 650)	(771 650)
Total segment liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**(247 293 467)**	**(247 293 467)**
Total liabilities as per Statement of financial Position								**(247 293 467)**

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

2024

	Community and Social Services	Energy Sources	Road Transport	Sports and Recreation	Waste Water Management	Water Management	Unallocated	Total
Revenue								
Service charges	-	-	-	-	28 538 119	39 214 848	-	67 752 967
Rendering of services	-	-	-	-	-	5 765	639	6 404
Rental of facilities and equipment	-	-	-	-	-	-	178 351	178 351
Licence and permits	-	-	747 638	-	-	-	-	747 638
Sale of goods	-	-	-	-	-	19 577	471 034	490 611
Operating income	-	-	-	149	-	-	106 074	106 223
Interest received	-	-	-	-	5 468 662	7 824 902	35 067 349	48 360 913
Actuarial Gains	-	-	-	-	-	-	35 606	35 606
Property rates	-	-	-	-	-	-	29 936 495	29 936 495
Government Grants and Subsidies	1 036 000	-	-	-	-	32 713 000	566 421 628	600 170 628
Total segment revenue	**1 036 000**	**-**	**747 638**	**149**	**34 006 781**	**79 778 092**	**632 217 176**	**747 785 836**
Entity's revenue								**747 785 836**

51. Segment information (continued)

Expenditure								
Employee related costs	15 803 985	-	10 230 471	3 212 240	-	3 314 502	124 957 355	157 518 553
Remuneration of councillors	-	-	-	-	-	-	23 256 346	23 256 346
Depreciation and amortisation	-	-	-	-	-	62 616 052	-	62 616 052
Impairment loss	-	-	-	-	-	153 623 316	-	153 623 316
Finance costs	-	-	-	-	-	-	610 019	610 019
Bad debts written off	-	-	-	-	-	9 668 749	-	9 668 749
Bulk purchases	-	-	-	-	-	49 060 126	-	49 060 126
Contracted services	-	3 348 186	193 912	3 060	-	19 465 176	161 398 978	184 409 312
Fair value adjustments	-	-	-	-	-	-	9 672 506	9 672 506
Loss on disposal of assets	-	-	-	-	-	-	15 701 421	15 701 421
Public toilets distributed	-	-	-	-	13 073 520	-	-	13 073 520
Inventory Consumed	247 113	-	-	-	-	223 920	1 443 618	1 914 651
General Expenses	1 828 973	14 049 184	1 317 554	775 865	2 988 747	4 055 235	52 731 245	77 746 803
Total segment expenditure	**17 880 071**	**17 397 370**	**11 741 937**	**3 991 165**	**16 062 267**	**302 027 076**	**389 771 488**	**758 871 374**
Total segmental surplus/(deficit)	**(16 844 071)**	**(17 397 370)**	**(10 994 299)**	**(3 991 016)**	**17 944 514**	**(222 248 984)**	**242 445 688**	**(11 085 538)**
Assets								
Inventories	-	-	-	-	-	-	132 027	132 027
Operating lease asset	-	-	-	-	-	-	65 529	65 529
Receivables from exchange transactions	-	-	-	-	-	-	37 439 755	37 439 755
Receivables from non-exchange transactions	-	-	-	-	-	-	44 816 427	44 816 427
Prepayments	-	-	-	-	-	-	550 000	550 000
Cash and cash equivalents	-	-	-	-	-	-	285 828 111	285 828 111
Investment property	-	-	-	-	-	-	10 895 550	10 895 550
Property, plant and equipment	-	-	-	-	-	-	1 537 045 680	1 537 045 680
Intangible assets	-	-	-	-	-	-	25 131	25 131
Heritage assets	-	-	-	-	-	-	206 303	206 303
Total segment assets	**-**	**-**	**-**	**-**	**-**	**-**	**1 917 004 513**	**1 917 004 513**
Total assets as per Statement of financial Position								**1 917 004 513**

	Community and Social Services	Energy Sources	Road Transport	Sports and Recreation	Waste Water Management	Water Management	Unallocated	Total

51. Segment information (continued)

	Community and Social Services	Energy Sources	Road Transport	Sports and Recreation	Waste Water Management	Water Management	Unallocated	Total
Liabilities								
Payables from exchange transactions	-	-	-	-	-	-	(163 231 272)	(163 231 272)
Unallocated Deposits	-	-	-	-	-	-	(594 814)	(594 814)
VAT payable	-	-	-	-	-	-	(28 941 143)	(28 941 143)
Employee benefit obligation	-	-	-	-	-	-	(8 770 239)	(8 770 239)
Unspent conditional grants and receipts	-	-	-	-	-	-	(9 129 169)	(9 129 169)
Total segment liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**(210 666 637)**	**(210 666 637)**
Total liabilities as per Statement of financial Position								**(210 666 637)**

52. Budget differences

Material differences between budget and actual amounts

STATEMENT OF FINANCIAL PERFORMANCE

It is general practise to deem a deviation of more than 10% on operational revenue and expenditure versus the final budget as material.

REVENUE

Service charges - Billing for service charges are realistic with a variance of 8% when compared to the projections.

Rental of facilities and equipment -Rental performance reflect a favourable performance of 98% and the variance of 2% is acceptable

Insurance refund - These are claims made by the municipality to the insurance companies for asset losses suffered.

Licences and permits - This variance is purely dependant on the number of people that come to the Municipality for their vehicle licencing.

52. Budget differences (continued)

Other income -Other Income- This is from sale of Tender documents, there for it depends on the demand of tenderes. It is unpredictable

Interest received - investment -The variance is due consective interest rate hikes after the budget budget processes.

Interest Received -Receivables - Interest on outstanding debtors projections are not realistic, the budget is lower than the actual.

Property rates -The increase is due to increase and tariffs and some property values.

Interest - Taxation revenue - This is interest on property rates and it increases as and when the debtors book increases

Government grants & subsidies - Dependant on the government allocation

Fines, Penalties and Forfeits - DLTC services not fully functional.

EXPENDITURE

Personnel - Employee cost- Reflects favourable variance of 10% , this is due to vacant posts that where not filled.

Remuneration of councillors -Councillors remuneration reflects overperfomance of only 1%, this is due to the payback (upper limits) for the previous year.

Depreciation and amortisation - The performance results with 44% variance when compared to the budget,this is due to the infractructure assets that were impaired.

Inventory Consumed - Inventory consumed reflects favourable variance due to cost cutting measures implemented by the municipality.

Finance costs - Not budgeted.

Debt Impairment - Debt Impairment-This reflects a decrease in collection rate compared to the budgeted

Bulk purchases - It is within the acceptable range.

Contracted Services - It is within the acceptable range

General Expenses - General expenditure peformanceis slightly above the generally accepted limit due to some unplanned but necessary adhoc expenses incurred by the municipality.

STATEMENT OF FINANCIAL POSITION

It is general practise that a deviation of more than 10% on both actual figures for assets and liabilities versus the final budget as material.

Current Assets

Inventories - Inventories- the increase is due to Inventory supplied late and dispatched after financial year end.

Operating lease asset - under perfomance is due classification of under/over banking account linked to operating lease assets

Receivables from exchange - The municipality experienced lower collection rates than projected, particularly on service charges, this resulted in a larger portion of debtors being assessed as doubtful and impaired.

Receivables from non-exchange transactions - The municipality experienced lower collection rates than projected, particularly on Property rates, this resulted in a larger portion of debtors being assessed as doubtful and impaired.

Prepayments - No movement.

52. Budget differences (continued)

VAT receivable - There was a VAT payable in the current period instead of VAT receivable

Cash and cash equivalents -The budget vs actual has a favourable variance of R43m which was mostly made up of a favourable variance on the purchases of PPE of R93m which was partially offset by an adverse variance onreceipts from operating activities of R31m and an adverse variance of R19m on the payments of suppliers and employees.

Non-Current Assets

Investment property - Change was due to revaluations done by the Municipality

Property, plant and equipment - The difference due to the extensive assets Conditional reassemment that was conducted

Intangible assets -Variance is due to classification of assets, GIS and PMS System software were classified as Intangile assets when budgeting, and expensed under capital

Heritage assets - No movement

Current Liabilities

Payables from exchange transactions - There were many unpaid invoices as at year end than expected which were only paid after year end.

Payables from non-exchange transactions - Unallocated deposit have been reduced , this due to prior year deposits being allocated

Employee benefit obligation - Employee benefit Obligation-This is due to Actuarial workings that were not used when budgeting. It is cost effective to only use actuarial at the end of the year.

Unspent conditional grants and receipts - his is from MIG Schedule B Mmakaunyane Water project which had delays due to technical issues encountered on the ground.

CASHFLOW STATEMENT

It is general practise that a deviation of more than 10% on actual figures for all cash items versus the final budget as material

Cash flows from operating activities

Receipts

Sale of goods and services - The municipality experienced lower collection rates than projected,

Grants -The movement is in line with expectation.

Interest income - This relates to interest from investments made with the banks and is dependant on the prevailing interest rates like the prime rate..

Other receipts -This not in the control of the municipality and is mostly on demand and the projections were based on previous year performance which is very volatile.

Payments

Suppliers and Employee costs - This is in line with expectation

Finance costs - Not budgeted, this is due to interest charged on oustanding invoices and penalties(Fruitless expenditure)

Cash flows from investing activities

Purchase of property, plant and equipment - Less assets were purchased than originally budgeted for because the municipality buys assets that are really necessary not budgeted for.

52. Budget differences (continued)

Purchase of other intangible assets - Budgeted under PPE, and correctly reclassified as intangible.

53. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.The Municipality's operations are substantially funded by government and at the time of concluding the financial statements, the government had not announced any intention to cease funding the Municipality.

54. Events after the reporting date

There are no significant events after the reporting date.

55. Accounting by principals and agents

Moretele Local Municipality is a party to principal-agent arrangement(s).

Details of the arrangment(s) is|are as follows:

The municipality was appointed as an agent to act on behalf of The North West Department of Community Safety and Transport Management in May 2015 to provide motor vehicle registration and licensing functions in terms of the applicable national and provincial road traffic legistration. In terms of the agreement the North West Department of Community Safety and Transport Management which was responsible for registration and licensing of motor vehicles had identified Moretele Local Municipality as an agent to process these functions for and on behalf of the Department.

The significant terms and conditions of the arrangement(s) are that the agent shall be responsible for motor vehicle registration and licensing functions in compliance with all NaTIS requirements and be responsible for all equipment provided by the Department of Community Safety, Security and Liaison in return for a fee that is deternined by the MEC by notice in the provincial Gazzette for activities rendered. No changes have occurred during the reporting period to these arrangements.

The relationship exists to make it easier for the department ot provide a service to the community through an agent who is closer to the community as well as to better manage the administrative functions that come with the provision of the services.

Entity as agent

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

The municipality does not hold any money or asset on behalf the Department. The Municipality only issues the licences and the money goes to the Department of Traffic which will pay the Municipality 20% of the amount collected.

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R 638 770 (2024: R 747 638).

Liabilities and corresponding rights of reimbursement recognised as assets

There are no liabilities incurred on behalf of the principal(s) that have been recognised by the entity.

Additional information

Amounts receivable from the principal as at year end

	2025	2024
Receivable from Exchange Transactions		
Debtors on Licence and Permits	431 835	624 053