Madibeng Local Municipality
(Demarcation code NW372)
Annual Financial Statements
for the year ended 30 June 2025

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

The following supplementary information does not form part of the annual financial statements and is unaudited:

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	The main business operations of the municipality is to engage in local government activities, which includes planning and promotion of integrated development planning, land use management, economic and environmental development and delivering general services to the community
Legislation governing the municipality's operations	Constitution of the Republic of south Africa (Act 108 of 1998)
	Municipal Finance Management Act (Act 56 of 2003)
	Local Government: Municipal Systems Act (Act 32 of 2000)
	Local Government: Municipal Structures Act (Act 117 of 1998)
	Municipal Property Rates Act (act of 6 2004)
	Division of Revenue Act (Act 1 of 2007)

Executive mayor and chairperson of mayoral commitee

Portfolio	**Councillor**
Executive mayor and chairperson of mayoral committee	Hon. DS Maimane
Speaker	Cllr. D Mbezi
Chief WIP	Cllr. RP Padi
MMC Budget and Treasury	Cllr. AT Matlou
MMC Corporate Support Services	Cllr. EM Bopape
MMC Human Settlement & Planning	Cllr. WK Morare
MMC Community Development	Cllr. LG Mhlambi
MMC Public Safety & Facilities Management	Cllr. FJ Motepe
MMC Infrastructure & Technical Services	Cllr. DM Molekoa
MMC IDP, PMS & Legal	Cllr. CK Montsho
MMC Roads & Transport	Cllr. M Masuku
MMC Economic Development, Tourism and Agriculture	Cllr JM Modipane
MMC Intergovernmental Relations and Special Projects	Cllr IB Bhebe

Executive management

Position	**Name**
Municipal Manager	Mr Q Kgatla
Chief Financial Officer (CFO) (Acting)	Mr S Rikhotso
Director - Community Services	Ms N Kole-Rampete
Director - Corporate Support Services	Mr DN Masemola
Director - Public Safety	Mr M Khoza
Director - Local Economic Development	Ms S Monyaki
Director - Human Settlements	Mr W Phala
Chief Audit Executive (CAE)	Ms M Lekhafola

General Information

Council members

Nr	Surname	Initials	Nr	Surname	Initials
1	Bodigelo	MD	2	Chiya	JB
3	Khutoane	TB	4	Clouston	G
5	Klopper	JE	6	Du Plessis	M
7	Komape	S	8	Mohlaban	TJ
9	Kwele	TA	10	Legong	PP
11	Lourens	EDF	12	Mabunda	NS
13	Magawana	A	14	Makhubela	TJ
15	Mamabolo	JM	16	Mamogwe	PD
17	Manne	B	18	Maphoru	MS
19	Mashilo	AK	20	Matlala	RB
21	Makhongela	PB	22	Matlou	KG
23	Modibane	OR	24	Mhlanga	TW
25	Mohale	S	26	Mogale	BN
27	Mokau	BN	28	Mokoka	RM
29	Mokonoto	G	30	Mokwena	NF
31	Moloi	MS	32	Monnakgotla	S
33	Morapedi	MD	34	Nkala	ME
35	Motaung	PL	36	Mphahlele	C
37	Maluleke	RL	38	Nthekiso	KA
39	Muller	WJ	40	Moreki	SS
41	Ntobong	LM	42	Pieterse	J
43	Phaloane	LSG	44	Ratloi	J
45	Pretorius	P	46	Riba	RS
47	Ratlou	LA	48	Sedio	LP
49	Rossouw	GJ	50	Sekhoto	CS
51	Sefike	KR	52	Sepuru	PM
53	Mathonsi	KH	54	Sethole	A
55	Sethe	MI	56	Simango	LM
57	Sibanda	JM	58	Songwane	PRD
59	Smith	JD	60	Tsheola	P
61	Stoltz	L	62	Van Rhyn	JC
63	Nkoe	EM	64	Peplar	AG
65	Rakolle	L	66	Ramatlhap	L
67	Ratele	MJ	68	Selialia	MT
69	Van Der Schyff	E			

We certify that the remuneration, allowances and benefits of the above Councillors as disclosed in note 35 of the annual financial statements are within the upper limits of the framework envisaged in section 219 of the constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Governments determination in accordance with this Act.

The following were councilliors during the year and as at 30 June 2025 were not councillors anymore:

Councillor Greenwoo CM - Left in July 2024,
Councillor Smith RJD - Left in July 2024,
Councillor Moraile RN - Left in July 2024 and
Councillor Kungoane SP - Left in December 2024.

General Information

Members of the Audit Commitee	
Chairperson	Mr. SAB Ngobeni
Member	Mr. S Maharaj
Member	Mr. MM Makgale
Member	Mr. RT Tshimomola
Member	Ms. MG Mathye
Member	Ms. SJ Masite
Members of the Risk Committee	
Chairperson	DR Scheepers
Grading of local authority	
	Grade 06
Accounting Officer	
	Mr Q Kgatla
Chief Financial Officer (CFO)	Mr. S Rikhotso (Acting)
Executive Mayor	Hon. DS Maimane
Registered head office	53 Van Velden Street Brits North West 0250
Postal address	PO Box 106 Brits North West 0250
Telephone	(012) 3180 9100
Bankers	First National Bank Refer to note 4
Demarcation code	NW372
Legal representative	De Swart Myambo Hlahla Attorneys JL Raphiri Attorneys KLM Maja Attorneys Nobela Attorneys Inc Mohulatsi Attorneys Inc Tlou Attorneys Rangwako Attorneys MB Mabunda Inc Kgomo Attorneys Mpoyana Ledwaba Inc

Abbreviations

AGSA	Auditor-General of South Africa
ASB	Accounting Standards Board
CIGFARO	Chartered Institute of Government, Finance, Audit and Risk Officers
COID	Compensation for Occupational Injuries and Diseases
COGTA	Cooperative Governance and Traditional Affairs
DORA	Division of Revenue Act
DSACR	Department of Sport, Arts, Culture and Recreation
EPWP	Expanded Public Works Programme
FMG	Financial Management Grant
GRAP	Generally Recognised Accouting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
INEP	Integrated Electrification Programme
LGSETA	Local Government Services Sector Education and Training Authority
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MPAC	Municipal Public Accounts Committee
MPRA	Municipal Property Rates Act
MSA	Municipal Structures Act
MSA	Municipal Systems Act
mSCOA	Municipal Standard Chart of Accounts
MSIG	Municipal Systems Improvement Grant
PEMA	Post Employment Medical Obligations
PIC	Public Investment Corporation
SALGA	South African Local Government Association
SAPS	South African Police Services
SARS	South African Revenue Services
SCM	Supply Chain Management
VAT	Value Added Tax
WSIG	Water Services Infrastructure Grant
VBS	Venda Building Society Mutual Bank

Accounting Officer's Responsibilities and Approval

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

The annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant 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.

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

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

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

Although, I am primarily responsible for the financial affairs of the municipality, I am supported by the municipality's senior management team, internal auditors, external auditors and oversight governance structures of the municipal council.

I would like to bring the following material matters to your attention:

I certify that the salaries, allowances and benefits of councillors as disclosed in note 34 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government’s determination in accordance with the Act.

The external auditors, being the Auditor-General of South Africa (AGSA), is responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements will be presented for examination by the municipal internal and external auditors.

The annual financial statements set out on pages 9 to 112, in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003), which have been prepared on the going concern basis and which I have signed on behalf of the municipality on 29 August 2025:

Accounting Officer
Mr. Q Kgatla

Brits

Friday, 29 August 2025

Accounting Officer's Report

The Accounting Officer submit their report for the year ended 30 June 2025.

1. Review of activities

Main business and operations

The municipality is an organ of state within the local sphere of government exercising legislative and executive authority within the an area determined in terms of the Local Government: Municipal Demarcation Act, 1998 and operates primarily in North West- South Africa.

The main business operations of the municipality is to engage in local government activities, which includes planning and promotion of integrated development planning, land use management, economic and environmental development and delivering general services to the community.

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

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. Refer to Note 56 for details.

The municipality is under mandatory intervention invoked by the North West Provincial Executive in terms of Section 139(5)(a) and (c) of the Constitution read together with Section 139 of the MFMA. The Municipal Financial Recovery Services (MFRS) of National Treasury has prepared a Financial Recovery Plan (FRP) for the municipality in terms of Section 141 of the MFMA. The ability of the municipality to continue as a going concern is a number of factors. The most significant of these is that the Accounting Officer continue to implement the adopted FRP in order to restore the financial sustainability and solvency of the municipality.

3. Events after the reporting date

The Accounting Officer is not aware of any matter or circumstance arising since the end of the financial year other those mentioned in note 49.

4. Accounting Officer's interest in contracts

The Accounting Officers' had no interest in contracts awarded by the municipality.

5. Accounting policies

The annual financial statements prepared in accordance with the Municipal Finance Management Act and the effective Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of MFMA as the prescribed framework by National Treasury.

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

6. Corporate governance

General

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

All staff, including senior management and councillors are obliged to annually declare specific personal assets and private business interests. These annual financial declarations are subjected to verification and where identified life-style audits are commissioned.

The declarations includes, shared and other financial interests (not bank accounts with financial institutions), directorships and partnerships (also those held by the spouse and close family members), remunerated work outside the municipality, consultancies and retainerships, sponsorships, gifts and hospitality from a source other than a family member (exceeding the value of R350 over a period of 12 months), land and property registered in their name, vehicle(s) owned (registered) in their name and participation in elections.

Internal audit

The municipality has an in-house internal audit function. This is in compliance with the Municipal Finance Management Act, 2003.

Accounting Officer's Report

7. Primary Bankers

The primary bank account of the municipality as required by Section 8 of the MFMA is held with First National Bank.

8. Auditors

Auditor-General of South Africa (AGSA) will continue in office for the next financial year.

9. Non-compliance with applicable legislation

Section 64 of the MFMA requires that the accounting officer of the municipality must take reasonable steps to ensure that the municipality has an effective revenue collection system consistent with Section 95 of the Municipal Systems Act and the municipality's credit and debtors collection policy. The Act further requires that the municipality maintains a system of internal control in respect of both revenue and debtors.

The municipality did not always have adequate systems of internal control relating to revenue and debtors in that some accounts were billed using estimates due to a number of reasons, such as faulty or broken meters and refusal of access to premises to take actual meter readings.

Section 65(2)(e) of the MFMA requires the accounting officer to take all reasonable steps to ensure that all monies owing by the municipality is paid within 30 days of receiving the relevant invoice or statement.

During the financial year 2024/25, the municipality did not always pay the Eskom Bulk account for the purchase of electricity within 30 days of receiving the relevant invoice. The late and/or delayed Eskom bulk payments resulted in interest being charged on the outstanding amount.

The municipality did not always pay the Department of Water and Sanitation (DWS) and City of Tshwane Metropolitan Municipality (CoT) for bulk purchase of water within 30 days of receiving the relevant invoice or statement. The late and/or delayed DWS and CoT bulk payments resulted in interest being charged on the outstanding invoice or statement.

The municipality did not always pay the Rand Water account for the purchase of water within 30 days of receiving the invoice or statement. The late and/or delayed payment to Rand Water resulted in interest being charged on the outstanding invoice or statement.

The annual financial statements set out on page 7, which have been prepared on the going concern basis, were approved by the Accounting Officer on 29 August 2025 and were signed:

Mr Q Kgatla
Municipal Manager

Brits

Friday, 29 August 2025

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Cash and cash equivalents	4	89 744 359	71 348 212
Trade and other receivables from exchange transactions	5	777 193 175	445 711 306
Receivables from non-exchange transactions	6	387 552 695	222 404 447
VAT Receivable	7	176 200 762	58 473 209
Inventory	8	50 324 191	52 092 775
Total Current Assets		**1 481 015 182**	**850 029 949**
Non-Current Assets			
Investments	9	4 447 887	4 236 943
Investment property	10	143 126 600	140 397 800
Property, plant and equipment	11	4 944 513 161	4 811 200 473
Heritage assets	12	10 100	10 100
Intangible assets	13	288 574	361 617
Total Non-Current Assets		**5 092 386 322**	**4 956 206 933**
Total Assets		**6 573 401 504**	**5 806 236 882**
Liabilities			
Current Liabilities			
Financial liabilities	14	128 507 275	99 170 709
Consumer deposits	15	28 298 080	27 187 688
Trade and other payables from exchange transactions	16	2 853 014 875	1 665 346 248
Trade and other payables from non-exchange transactions	17	-	414 908
Defined benefit obligations	20	8 119 848	8 180 893
Total Current Liabilities		**3 017 940 086**	**1 800 300 444**
Non-Current Liabilities			
Financial liabilities	14	89 502 425	178 507 275
Provisions	18	26 350 995	20 845 343
Long term trade and other payable	19	109 914 623	234 942 506
Defined benefit obligations	20	198 430 948	179 815 839
Total Non-Current Liabilities		**424 198 991**	**614 110 963**
Total Liabilities		**3 442 139 077**	**2 414 411 407**
Net Assets		**3 131 262 427**	**3 391 825 475**
Community Wealth / Equity			
Accumulated surplus	21	3 131 262 427	3 391 825 475
Total Community Wealth / Equity		**3 131 262 427**	**3 391 825 475**

* See Note 57

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Exchange Revenue			
Services charges – Electricity	22	704 306 670	670 008 644
Services charges – Waste management	22	67 610 382	64 708 902
Services charges – Waste water management	22	61 275 665	50 373 988
Services charges – Water management	22	186 957 739	168 374 857
Agency services	23	17 550 510	17 283 123
Interest earned from receivables	24	158 648 814	70 338 875
Interests on current and non-current assets	25	14 323 130	16 133 106
Licences or permits	29	8 307 925	7 246 342
Rent from fixed assets	26	4 276 843	2 195 669
Operational revenue	31	13 873 694	15 311 743
Total Exchange Revenue		**1 237 131 372**	**1 081 975 249**
Non-Exchange Revenue			
Property rates by usage	27	455 570 763	361 611 386
Fines, penalties and forfeits	28	3 684 702	2 910 125
Transfers and subsidies – Operational	30	1 129 134 458	1 056 250 791
Transfers and subsidies – Capital	30	377 064 429	335 064 880
Interest earned from receivables	24	80 759 813	46 070 147
Operational revenue	31	762 692	108 161 356
Gains	32	1 193 424	37 967 872
Impairment loss reversal	33	8 873 025	-
Total Non-Exchange Revenue		**2 057 043 306**	**1 948 036 557**
Total Revenue		**3 294 174 678**	**3 030 011 806**
Expenditure			
Employee related cost	34	728 544 617	664 636 604
Remuneration of councillors	35	36 520 454	35 338 786
Bulk purchases	36	900 672 439	832 713 902
Inventory consumed	37	386 790 403	255 189 384
Debt impairment	38	36 813 171	288 406 009
Depreciation and amortisation	39	245 627 928	304 046 183
Impairment loss / (reversal) of impairment	40	2 816 166	5 385 403
Interest	41	163 873 646	120 158 750
Contracted services	42	582 171 876	473 501 093
Transfers and subsidies	43	7 344 103	4 404 054
Irrecoverable debts written off	44	47 279 621	12 940 952
Operational cost	45	416 283 306	328 250 568
Total Expenditure		**3 554 737 730**	**3 324 971 688**
Deficit for the year		**(260 563 052)**	**(294 959 882)**

The accounting policies on pages 18 to 41 and the notes on pages 42 to 112 form an integral part of the annual financial statements.

* See Note 57

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		902 510 875	949 462 022
Operational revenue		49 605 882	41 749 124
Transfers and Subsidies – Capital		376 649 521	333 973 727
Transfers and Subsidies – Operational		1 129 134 458	1 056 250 791
Interest		253 731 757	132 542 128
Payments			
Suppliers and employees		(2 112 452 736)	(2 169 276 071)
Finance charges		(116 321 436)	(79 266 320)
Net cash from(used) operating activities	46	**482 858 321**	**265 435 401**
Cash flows from investing activities			
Payments			
Capital assets		(404 793 890)	(325 189 623)
Investment property - additions		-	(2 870 000)
intangible assets - additions		-	(365 217)
Net cash flows from investing activities		**(404 793 890)**	**(328 424 840)**
Cash flows from financing activities			
Payments			
Decrease in borrowing long-term		(59 668 284)	(47 601 941)
Net cash flows from financing activities		**(59 668 284)**	**(47 601 941)**
Net increase/(decrease) in cash		**18 396 147**	**(110 591 380)**
Cash and cash equivalents at year begin		71 348 212	181 939 592
		89 744 359	**71 348 212**

* See Note 57

Statement of Changes in Net Assets

Description	Accumulated surplus	Total net assets
Opening balance as previously reported	3 884 849 826	3 884 849 826
Adjustments		
Correction of prior period errors*	(198 064 470)	(198 064 470)
Balance at 01 July 2023 as restated*	**3 686 785 356**	**3 686 785 356**
Restated* Deficit for the year	(294 959 882)	(294 959 882)
Total changes	(294 959 883)	(294 959 883)
Restated* Balance at 01 July 2024	**3 391 825 476**	**3 391 825 476**
Deficit for the year	(260 563 052)	(260 563 052)
Total changes	(260 563 052)	(260 563 052)
Balance at 30 June 2025	**3 131 262 432**	**3 131 262 432**

* See Note 57

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

Figures in Rand	Original budget	*Budget adjustments	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of origional budget	Reason for the material variance
2025 (30 June 2025)									
Financial performance									
Revenue									
Exchange revenue									
Service charges - Electricity	757 422 162	(31 500 000)	725 922 162	725 922 162	704 306 670	(21 615 492)	97.02 %	92.99 %	Refer to note 59
Service charges - Water	175 088 203	26 101 910	201 190 113	201 190 113	186 957 739	(14 232 374)	92.93 %	106.78 %	Refer to note 59
Service charges - Waste Water Management	55 120 187	11 057 374	66 177 561	66 177 561	61 275 665	(4 901 896)	92.59 %	111.17 %	Refer to note 59
Service charges - Waste Management	67 229 103	1 149 314	68 378 417	68 378 417	67 610 382	(768 035)	98.88 %	100.57 %	Refer to note 59
Sale of goods and rendering of services	4 689 957	(174 800)	4 515 157	4 515 157	-	(4 515 157)	- %	- %	Refer to note 59
Agency services	18 833 000	-	18 833 000	18 833 000	17 550 510	(1 282 490)	93.19 %	93.19 %	Refer to note 59
Interest earned from receivables	69 171 451	69 070 185	138 241 636	138 241 636	158 648 814	20 407 178	114.76 %	229.36 %	Refer to note 59
Interest earned from current and non current assets	17 920 408	(834 794)	17 085 614	17 085 614	14 323 130	(2 762 484)	83.83 %	79.93 %	Refer to note 59
Rent on land	7 343	17 696	25 039	25 039	-	(25 039)	- %	- %	
Rental from fixed assets	2 064 341	762 000	2 826 341	2 826 341	4 276 843	1 450 502	151.32 %	207.18 %	Refer to note 59
Licence and permits	31 751	8 006 000	8 037 751	8 037 751	8 307 925	270 174	103.36 %	26 165.87 %	Refer to note 59
Operational revenue	1 236 982	8 906 000	10 142 982	10 142 982	13 873 694	3 730 712	136.78 %	1 121.58 %	Refer to note 59
	1 168 814 888	**92 560 885**	**1 261 375 773**	**1 261 375 773**	**1 237 131 372**	**(24 244 401)**	**98.08 %**	**105.84 %**	
Non-exchange revenue									
Property rates	420 000 000	43 000 000	463 000 000	463 000 000	455 570 763	(7 429 237)	98.40 %	108.47 %	Refer to note 59

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

Figures in Rand	Original budget	*Budget adjustments	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of origional budget	Reason for the material variance
Fines, penalties and forfeits	8 991 471	(3 870 000)	5 121 471	5 121 471	3 684 702	(1 436 769)	71.95 %	40.98 %	Refer to note 59
Licences or permits	524 500	(524 500)	-	-	-	-	- %	- %	
Transfer and subsidies - Operational	1 137 358 000	471 216	1 137 829 216	1 137 829 216	1 129 134 458	(8 694 758)	99.24 %	99.28 %	Refer to note 59
Interest earned from receivables	50 071 031	24 000 000	74 071 031	74 071 031	80 759 813	6 688 782	109.03 %	161.29 %	Refer to note 59
Operational revenue	-	-	-	-	762 692	762 692	- %	- %	Refer to note 59
Gains	-	-	-	-	1 193 424	1 193 424	- %	- %	Refer to note 59
Impairment loss reversal	-	-	-	-	5 637 303	5 637 303	- %	- %	Refer to note 59
	1 616 945 002	**63 076 716**	**1 680 021 718**	**1 680 021 718**	**1 676 743 155**	**(3 278 563)**	**99.80 %**	**103.70 %**	
Discontinued operations	-	4 204 453	4 204 453	4 204 453	-	(4 204 453)	- %	- %	Refer to note 59
Total Revenue (excl. capital transfers and contributions)	**2 785 759 890**	**159 842 054**	**2 945 601 944**	**2 945 601 944**	**2 913 874 527**	**(31 727 417)**	**98.92 %**	**104.60 %**	
Expenditure									
Employee costs	(730 202 071)	(3 417 495)	(733 619 566)	(733 619 566)	(728 544 617)	5 074 949	99.31 %	99.77 %	Refer to note 59
Remuneration of councillors	(38 860 559)	-	(38 860 559)	(38 860 559)	(36 520 454)	2 340 105	93.98 %	93.98 %	Refer to note 59
Bulk purchases - Electricity	(665 719 792)	(5 750 000)	(671 469 792)	(671 469 792)	(900 672 439)	(229 202 647)	134.13 %	135.29 %	Refer to note 59
Inventory consumed	(204 931 063)	-	(204 931 063)	(204 931 063)	(386 790 403)	(181 859 340)	188.74 %	188.74 %	Refer to note 59
Debt impairment	(209 800 000)	-	(209 800 000)	(209 800 000)	(84 092 792)	125 707 208	40.08 %	40.08 %	Refer to note 59
Depreciation and amortisation	(317 937 094)	-	(317 937 094)	(317 937 094)	(245 627 928)	72 309 166	77.26 %	77.26 %	Refer to note 59
Finance charges	(43 233 306)	(16 600 000)	(59 833 306)	(59 833 306)	(163 873 646)	(104 040 340)	273.88 %	379.04 %	Refer to note 59
Contracted services	(288 183 385)	(150 088 300)	(438 271 685)	(438 271 685)	(582 171 876)	(143 900 191)	132.83 %	202.01 %	Refer to note 59
Transfers and subsidies	(7 343 000)	-	(7 343 000)	(7 343 000)	(7 344 103)	(1 103)	100.02 %	100.02 %	Refer to note 59
Impairment loss / (reversal) of impairment	-	-	-	-	(2 816 166)	(2 816 166)	- %	- %	Refer to note 59
Operational costs	(211 431 971)	(43 606 800)	(255 038 771)	(255 038 771)	(416 283 306)	(161 244 535)	163.22 %	196.89 %	Refer to note 59
Total Expenditure	**(2 717 642 241)**	**(219 462 595)**	**(2 937 104 836)**	**(2 937 104 836)**	**(3 554 737 730)**	**(617 632 894)**	**121.03 %**	**130.80 %**	
Deficit	**68 117 649**	**(59 620 541)**	**8 497 108**	**8 497 108**	**(640 863 203)**	**(649 360 311)**	**(7 542.13)%**	**(940.82)%**	
Transfers and subsidies - capital	346 202 000	4 898 005	351 100 005	351 100 005	377 064 429	25 964 424	107.40 %	108.91 %	Refer to note 59
Deficit for the year	**414 319 649**	**(54 722 536)**	**359 597 113**	**359 597 113**	**(263 798 774)**	**(623 395 887)**	**(73.36)%**	**(63.67)%**	

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

Figures in Rand	Original budget	*Budget adjustments	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of origional budget	Reason for the material variance
Financial position									
Assets									
Current assets									
Cash and cash equivalents	81 675 821	-	81 675 821	81 675 821	89 744 360	8 068 539	109.88 %	109.88 %	Refer to note 59
Trade and other receivables from exchange transactions	577 642 862	-	577 642 862	577 642 862	777 193 177	199 550 315	134.55 %	134.55 %	Refer to note 59
Receivables from non-exchange transactions	35 153 087	-	35 153 087	35 153 087	387 552 695	352 399 608	1 102.47 %	1 102.47 %	Refer to note 59
Inventory	223 950 181	-	223 950 181	223 950 181	50 324 191	(173 625 990)	22.47 %	22.47 %	Refer to note 59
VAT	-	-	-	-	176 200 762	176 200 762	- %	- %	Refer to note 59
Total current assets	**918 421 951**	**-**	**918 421 951**	**918 421 951**	**1 481 015 185**	**562 593 234**	**161.26 %**	**161.26 %**	
Non-current assets									
Investments	-	-	-	-	4 447 887	4 447 887	- %	- %	Refer to note 59
Investment property	85 000 000	-	85 000 000	85 000 000	143 126 600	58 126 600	168.38 %	168.38 %	Refer to note 59
Property, plant and equipment	5 510 939 856	-	5 510 939 856	5 510 939 856	4 944 513 161	(566 426 695)	89.72 %	89.72 %	Refer to note 59
Heritage assets	10 100	-	10 100	10 100	10 100	-	100.00 %	100.00 %	Refer to note 59
Intangible assets	-	-	-	-	288 574	288 574	- %	- %	Refer to note 59
Total non-current assets	**5 595 949 956**	**-**	**5 595 949 956**	**5 595 949 956**	**5 092 386 322**	**(503 563 634)**	**91.00 %**	**91.00 %**	
Total assets	**6 514 371 907**	**-**	**6 514 371 907**	**6 514 371 907**	**6 573 401 507**	**59 029 600**	**100.91 %**	**100.91 %**	
Liabilities									
Current liabilities									
Consumer deposits	-	-	-	-	28 298 080	28 298 080	- %	- %	Refer to note 59
Trade and other payables from exchange transactions	608 988 057	-	608 988 057	608 988 057	2 853 014 875	2 244 026 818	468.48 %	468.48 %	Refer to note 59
Defined benefit obligation	-	-	-	-	8 119 848	8 119 848	- %	- %	Refer to note 59

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

Figures in Rand	Original budget	*Budget adjustments	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of origional budget	Reason for the material variance
Other current liabilities	-	-	-	-	128 507 275	128 507 275	- %	- %	Refer to note 59
Total current liabilities	**608 988 057**	**-**	**608 988 057**	**608 988 057**	**3 017 940 078**	**2 408 952 021**	**495.57 %**	**495.57 %**	
Non-current liabilities									
Financial liabilities	-	-	-	-	89 502 425	89 502 425	- %	- %	Refer to note 59
Provision	200 799 900	-	200 799 900	200 799 900	26 350 995	(174 448 905)	13.12 %	13.12 %	Refer to note 59
Long term portion of trade payables	-	-	-	-	109 914 623	109 914 623	- %	- %	Refer to note 59
Other non-current liabilities	-	-	-	-	198 430 948	198 430 948	- %	- %	Refer to note 59
Total non-current liabilities	**200 799 900**	**-**	**200 799 900**	**200 799 900**	**424 198 991**	**223 399 091**	**211.25 %**	**211.25 %**	
Total liabilities	**809 787 957**	**-**	**809 787 957**	**809 787 957**	**3 442 139 069**	**2 632 351 112**	**425.07 %**	**425.07 %**	
Net assets	**5 704 583 950**	**-**	**5 704 583 950**	**5 704 583 950**	**3 131 262 438**	**(2 573 321 512)**	**54.89 %**	**54.89 %**	
Community wealth/ Equity									
Accumulated Surplus/(Deficit)	4 968 531 475	(54 722 536)	4 913 808 939	4 913 808 939	3 131 262 427	(1 782 546 512)	63.72 %	63.02 %	Refer to note 59
Cash flow									
Net cash from/(used) operating activities	(4 193 000)	-	(4 193 000)	(4 193 000)	480 879 822	485 072 822	(11 468.63)%	(11 468.63)%	Refer to note 59
Cash/cash equivalents at the year end:	159 048 864	-	159 048 864	159 048 864	89 744 359	(69 304 505)	56.43 %	56.43 %	Refer to note 59

Commentary

*Budget adjustments done in terms of section 28 and section 31 of the MFMA.

**Shifting of funds done in terms of section 31 of the MFMA.

***Virement in terms of Council Approve Policy, virements must offset each other so that virements in Total Expenditure column equals zero.

Reportable Segments for the year ended 30 June 2025

Figures in Rand	Community and Public Safety	Economic and Environmental Services	Trading Services	Unallocated	Total
2025 (30 June 2025)					
Segment revenue					
External revenue from non-exchange transactions	4 874 702	1 293 000	375 874 429	1 583 412 220	1 965 454 351
External revenue from exchange transactions	89 216 186	6 064 008	962 453 528	6 425 706	1 064 159 428
Other segment revenue	-	-	-	761 642	761 642
Interests on investments	-	-	-	14 323 130	14 323 130
Interest earned from receivables	26 149 725	-	123 545 547	89 713 355	239 408 627
Gain on disposal of assets	(1 786 155)	-	2 728 800	250 779	1 193 424
Impairment loss reversal	3 235 722	-	-	5 638 354	8 874 076
	121 690 180	**7 357 008**	**1 464 602 304**	**1 700 525 186**	**3 294 174 678**
Segment expenses					
Total segment expenses	803 920 264	61 435 200	1 623 490 521	656 390 169	3 145 236 154
Depreciation, amortisation and impairment	-	-	(22 518 413)	268 146 341	245 627 928
Interest expense	-	-	116 321 436	47 552 210	163 873 648
	803 920 264	**61 435 200**	**1 717 293 544**	**972 088 720**	**3 554 737 730**
Surplus for the year	**(682 230 084)**	**(54 078 192)**	**(252 691 240)**	**728 436 466**	**(260 563 052)**
Other information					
Segment assets	268 988 738	(448 090 188)	5 437 687 759	1 314 815 201	6 573 401 510
Segment liabilities	18 559 662	-	481 817 191	2 941 762 216	3 442 139 069
2024 (30 June 2024)					
Segment revenue					
External revenue from non-exchange transactions	4 193 406	831 000	332 950 599	1 417 862 177	1 755 837 182
External revenue from exchange transactions	87 293 798	3 982 764	899 539 299	4 687 407	995 503 268
Interests on investments	-	-	-	16 133 106	16 133 106
Interest earned from receivables	8 214 378	-	54 646 487	53 548 157	116 409 022
Gain on disposal of assets	(594 742)	-	37 872 800	689 814	37 967 872
Other segment revenue	-	-	-	108 161 356	108 161 356
	99 106 840	**4 813 764**	**1 325 009 185**	**1 601 082 017**	**3 030 011 806**
Segment expenses					
Total segment expenses	717 315 127	63 056 696	1 404 743 252	715 651 680	2 900 766 755
Depreciation, amortisation and impairment	-	-	303 597 185	448 998	304 046 183
Interest expense	-	-	79 266 427	40 892 323	120 158 750
	717 315 127	**63 056 696**	**1 787 606 864**	**756 993 001**	**3 324 971 688**
Surplus for the year	**(618 208 287)**	**(58 242 932)**	**(462 597 679)**	**844 089 016**	**(294 959 882)**

Accounting Policies

The annual financial statements of Madibeng Local Municipality for the year ended 30 June 2025 were authorised for issue by the Accounting Officers on 30 November 2025.

Basis of preparation

These 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).

The annual financial statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

The principal accounting policies, applied in the preparation of the annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior period annual financial statements, unless specified otherwise. Details of any changes in the accounting policies are provided in note Changes in accounting policies.

1. Summary of significant accounting policies

These standards are summarised as follows:

GRAP reporting framework	Framework for the Preparation and Presentation of Financial Statements
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 9	Revenue from Exchange Transactions
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 20	Related Party Disclosures (Revised)
GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash-generating Assets
GRAP 31	Intangible Assets
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents
IGRAP 1	Applying The Probability Test On Initial Recognition Of Revenue
IGRAP 2	Changes in Existing Decomissioning Restoration and Similar Liabilities
IGRAP 3	Determining Whether an Arrangement Contains a Lease
IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8	Agreements for the Construction of Assets from Exchange Transactions
IGRAP 13	Operating Leases – Incentives
IGRAP 14	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 16	Intangible Assets – Website Costs
IGRAP 18	Recognition and Derecogntion of Land
IGRAP 19	Liabilities to Pay Levies
IGRAP 20	Accounting for Adjustments to Revenue
IGRAP 21	The Effect of Past Decisions on Materiality
SIC 29	Disclosure Service Concession
Directive 3	Amended Transitional Provisions for High Capacity Municipalities
Directive 4	Amended Transitional Provisions for Medium and Low Capacity Municipalities
Directive 5	GRAP Reporting Framework
Directive 6	Transitional Provisions for Revenue Administered by SARS
Directive 7	The Application of Deemed Cost
Directive 11	Changes in Measurement Bases following Initial Adoption of Standards of GRAP
Guideline	Accounting for Landfill Sites

. Additional content (continued)

Guideline The Application of Materiality to Financial Statements

The cash flow statement is prepared using the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed.

Accounting policies for material transactions, events or conditions not covered by the above GRAP standards have been developed in accordance with GRAP 3. Where required, accounting policies were developed for standards of GRAP that have been issued by the Accounting Standards Board, but for which an effective date have not been determined by the Minister of Finance.

1.1 Presentation currency

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

1.2 Going concern assumption

These annual financial statements were 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 Offsetting

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

1.4 Comparative of actual information to budgeted information

The annual budget figures have been prepared in accordance with the Municipal Budget and Reporting Regulations, 2009. A comparison of actual to budgeted amounts are reported in a separate additional financial statement, called the 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 01 July 2024 to 30 June 2025.

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

1.5 Current year comparatives

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

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

The presentation and classification of items in the current year is consistent with prior periods unless where an enhancement or classification is different between the GRAP template and mSCOA financial reporting template.

1.6 Significant judgements and estimates

In the application of the municipality's accounting policies, which are described below, management class: executive management is required to make judgement, estimates and assumption that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experiences and other factors that are considered too reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

1.6 Significant judgements and estimates (continued)

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

1.6.1 Judgements

The following are the critical judgements, apart from those involving estimations, that the management class: executive management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the annual financial statements:

Materiality

Materiality is judged by reference to the size and nature of the item. The deciding factor is whether the omission or misstatement could, individually or collectively, influence the decisions that users make on the basis of these annual financial statements.

In preparation of the annual financial statements materiality has been considered in:
- Deciding what to report in the annual financial statements and how to present it.
- Assessing the effect of omissions, misstatements and errors on the annual financial statements.

In assessing whether an item, transaction or event is material, specific thresholds for specific items, transactions and events, or aggregations thereof has been developed. These thresholds are used to make decisions about the reporting of information (i.e. how to recognise, measure, present and disclose items, transactions and events), and used as a margin of error or framework within which to assess misstatements and errors.

The municipality has also considered whether certain transactions or balances may be qualitatively material based on the inherent characteristics thereof, even though the transaction or balance is quantitatively immaterial, if:
- The item, transaction or event relates to legal or regulatory requirements.
- Related party transactions.
- The regularity or frequency with which an item, transaction or event occurs.
- The item, transaction or event results in the reversal of a trend.
- The item, transaction or event is likely to result in a change in accounting policy.
- The commencement of a new function, or the reduction or cessation of an existing function.
- The degree of estimation or judgement that is needed to determine the value of an item, transaction or event.
- An item, transaction or event that affects the going concern assumption of the municipality.

Criteria for the classification of properties as investment property rather than property, plant and equipment, when classification is difficult

All properties held to earn market-related rentals or for capital appreciation or both and that are not for administrative purposes and that will not be sold in the ordinary course of operations are classified as investment property.

Accounting Policies

1.6 Significant judgements and estimates (continued)

1.6.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Pension and other post-employment benefits

The cost of defined benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Classification of financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management class: executive management. The Accounting Policy on Financial Instruments describes the factors and criteria considered by the management class: executive management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management class: executive management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: Financial Instruments.

Impairment of financial assets

The Accounting Policy on Financial Instruments describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management class: executive management of the municipality considers the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management class: executive mnagement of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of service debtors (receivables from exchange and non-exchange transactions) is performed on the ageing analysis of the municipality as at year end. The calculation as per approved methodology uses the Type and Payment risk scoring factors to calculate the impairment amount regarding each outstanding consumer debtor.

The calculation in respect of the impairment of fine receivables (receivables from non-exchange transactions) is based on a risk assessment.

Valuation of financial assets at fair value

Where the fair value of financial assets and financial liabilities recorded in the Statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, judgment is required in establishing fair values. Judgment includes the consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Review of useful lives of property, plant and equipment and intangible assets

The useful lives of assets are based on management class: executive management’s estimation. Management class: executive Management considers whether there is any indication that expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. These include changes in the composition, condition and nature of the asset, its susceptibility and adaptability to changes in technology and processes, the nature of the processes and environment in which the asset is deployed availability of funding to replace the asset and changes in the market in relation to the asset, as well as planned repairs and maintenance including refurbishments.

Valuation of land and buildings and fair value estimations of investment property

Land and buildings were valued and the fair value of investment property determined, by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Impairment of property, plant and equipment, intangible assets, heritage assets and inventory

1.6 Significant judgements and estimates (continued)

The Accounting Policies on impairment of non-cash generating assets as well as inventory describes the conditions under which non-financial assets are tested for potential impairment losses by the management class: executive management of the municipality. Significant estimates and judgements are made relating to the impairment of property, plant and equipment, intangible assets and heritage assets and the write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management class: executive management considers the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of non-cash generating assets.

Provisions and contingent liabilities

Management class: Executive Management judgement is required when recognising and measuring provisions, and when measuring contingent liabilities. Provisions are measured at the management class: executive management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Assumptions were used in determining the provision for rehabilitation of landfill sites. Provision is made for the estimated cost to be incurred on the long-term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill. The provision is based on the advice and judgment of qualified engineers. The estimates are discounted at a pre-tax discount rate that reflect current market assessments of the time value of money. The increase in the rehabilitation provision due to passage of time is recognised as finance cost in the Statement of financial performance.

Revenue recognition

The Accounting Policies on Revenue from Exchange Transactions and Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management class: executive management of the municipality. In making their judgement, the management class: executive management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-exchange Transactions.

In particular, in regard to revenue form exchange revenue - when goods are sold, whether the management class: executive management had transferred to the buyer the significant risks and rewards of ownership of the goods; and, when services is rendered, whether the service has been rendered.

The municipality uses estimated meter readings for revenue recognition on some of the municipal accounts where it is impractical to perform, count or receive actual meter readings. The impracticability exists either due to faulty meters or from residents refusing municipal employees access to properties.

Budget information

Management class: executive management assumes deviations between budget and actual amounts to be material when a deviation of more than 10% exists. All material differences are explained in the notes to the annual financial statements.

1.7 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried at amortised cost. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are carried at amortised cost.

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

1.8 Inventory

Inventory consist of raw materials, work in progress, consumables and finished goods, which are valued at the lower of cost, determined on the first in first out basis, and net realisable value, except for items which are valued at the tariffs charged. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value.

Accounting Policies

1.8 Inventory (continued)

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

Redundant and slow moving inventory are identified and written down to their estimated net realisable values estimated by management class: councillors. Inventories are written down according to their age, condition and utility. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised In the Statement of financial performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the Statement of financial position.

The basis of determining the cost of water purchased and not yet sold at Statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

1.9 Investment property

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Investment property also includes land held for an undetermined future use.

Initial recognition

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Where the classification of an investment property is based on management class: executive management's judgement, the following criteria have been applied to distinguish investment properties from owner-occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment properties;
- Land held for a currently undetermined future use;
- A building owned (or held by under a finance lease) and leased out under one or more operating leases;
- Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held;
- A building that is vacant but is held to be leased out under one or more operating leases;
- Property that is being constructed or developed for future use as investment property.

1.9 Investment property (continued)

Subsequent measurement – fair value model

Investment property is subsequently measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuer on reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that investment property at cost until the fair value can be reliably determined or construction has been completed.

Where the municipality has determined that the fair value of an investment property (other than investment property under construction) is not determinable on a continuing basis, the municipality measures that investment property using the cost model.

Derecognition/Disposal

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

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

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

1.10 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 year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Accounting Policies

1.10 Property, plant and equipment (continued)

Initial recognition and measurement

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

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

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

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as 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.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

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.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

1.10 Property, plant and equipment (continued)

Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated using the straight line method, to allocate their cost or revalued amounts less their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets' future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation rates are based on the following estimated useful lives:

Asset class	Average useful lives (Years)
Land	Indefinite
Buildings	30 - 80 years
Infrastructure	5 - 80 years
Other property, plant and equipment	3 - 17 years

The estimated useful life, residual values and depreciation method are assessed at each reporting date on an indicator basis:

Depreciation of an asset commences when the asset is ready for its intended use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the relevant lease. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use.

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 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.

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

Site rehabilitation and restoration costs

Where the municipality has an obligation to rehabilitate and restore items of property, plant and equipment such obligations are referred to as "rehabilitation provisions". The cost of an item of property, plant and equipment includes the initial estimate of the costs of rehabilitation and restoring the site on which it is located, the obligation for which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period.

As the related asset is measured using the cost model: -

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

Accounting Policies

1.11 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.

The municipality classifies assets as heritage assets where the significance as a heritage asset can be determined. In regards to land and buildings all graded sites are classified heritage assets. Furthermore land with a natural significance is not componentised but seen as a single heritage asset due to all parts contributing together to make up its significance.

Land and buildings that qualify as heritage asset, but of which a significant portion of that land and buildings is held for use in the production or supply of goods or services or for administrative purposes, are recognised as property, plant and equipment, rather than heritage asset.

Initial recognition and measurement

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

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired. The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Subsequent measurement

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets (excluding heritage assets which are land and buildings) are measured at cost less accumulated impairment losses. Heritage assets are not depreciated.

Dererecognition

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of financial performance as a gain or loss on disposal of heritage assets.

1.12 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets.

1.12 Intangible assets (continued)

Initial recognition and measurement

Intangible assets are initially recognised at cost. The cost of an intangible assets is the purchase price and other costs attributable to bring the intangible assets to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible assets is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Subsequent measurement

Amortisation is calculated on cost, using the straight-line method, over the useful lives of the assets, which is estimated to be between 3 to 10 years upon initial recognition. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Derecognition

Intangible assets 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 on the disposal or retirement of an intangible assets is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of financial performance.

1.13 Borrowing costs

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

Borrowing costs are recognised as an expense in the Statement of financial performance in the period in which they are incurred.

1.14 Impairment of property, plant and equipment, investment property, intangible assets and heritage assets

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. A commercial return means that the return charged by the entity is commensurate with the risk associated with holding the asset and the asset is intended to generate positive cash inflows. All other assets are classified as non-cash-generating assets.

Impairment of non-cash-generating assets

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

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount Is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

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

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

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Accounting Policies

1.14 Impairment of property, plant and equipment, investment property, intangible assets and heritage assets

A municipality assesses at each reporting date date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.15 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity. Financial instruments are classified into three categories namely, financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost. The municipality determines the classification of its financial instruments at initial recognition.

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets or financial liabilities.

A financial instrument is recognised if the municipality becomes a party to the contractual provisions of the instrument.

1.15.1 Classification of financial instruments

Financial assets

A financial asset is any asset that is a cash or contractual right to receive cash. In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Financial asset at amortised cost being a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Financial assets measured at fair value being financial assets that meet either of the following conditions:

- Derivatives;
- Combined instruments that are designated at fair value;
- Instruments held for trading;
- Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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

The municipality has the following types of financial assets as reflected on the face of the Statement of financial position or in the notes thereto:

Type of financial asset	Classification in terms of GRAP 104
Finance lease receivables	Financial assets at amortised cost
Long-term receivables	Financial assets at amortised cost
Current portion of long-term receivables	Financial assets at amortised cost
Consumer debtors	Financial assets at amortised cost
Other debtors	Financial assets at amortised cost
Short-term investment deposit - Call	Financial assets at amortised cost
Bank balances and cash	Financial assets at amortised cost
Investments in stock	Financial assets at fair value

1.15 Financial instruments (continued)

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

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

The following main categories of financial liabilities and the classification determining how they are measured exist:
- Financial liabilities measured at amortised cost; or
- Financial liabilities measured at fair value.

The municipality has the following types of financial liabilities as reflected on the face of the Statement of financial position or in the notes thereto:

Type of financial liability	Classification in terms of GRAP 104
Long-term liabilities	Financial liability at amortised cost
Current portion of long-term liabilities	Financial liability at amortised cost
Other creditors	Financial liability at amortised cost
Bank overdraft	Financial liability at amortised cost
Short-term loans	Financial liability at amortised cost

Financial liabilities that are measured at fair value that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial liabilities where there is recent actual evidence of short-term profiteering or are derivatives).

Any other financial liabilities should be classified as financial liabilities at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1.15.2 Initial and subsequent measurement

Initial recognition and measurement

A financial instruments is recognised, when the municipality becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. In the case of a financial instruments not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instruments are added or deducted from the fair value, as appropriate on initial recognition.

1.15 Financial instruments (continued)

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 be reliably are subsequently measured at cost less any impairment. Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Any calculated impairment is recognised in the Statement of financial performance.

Financial assets at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial assets. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to municipal entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as financial assets at amortised cost.

Financial assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the Statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity 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).

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of financial performance.

Any other financial liabilities classified at amortised cost (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of financial performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

1.15.3 Impairment of financial assets

Consumer debtors

Consumer debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios (i.e status of account, type of accoun and scoring type).

1.15 Financial instruments (continued)

1.15.4 Derecognition

Financial assets

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial assets, the municipality continues to recognise the financial assets and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The municipality derecognises financial liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

1.16 Provisions

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.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management class: councillors of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, where the provision being measured involves a large population of items; the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of financial performance as a finance cost as it occurs.

Environmental rehabilitation provisions

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

1.17 Employee benefits

The municipality provides short term benefits, long term benefits and retirement benefits for its employees and councillors.

1.17 Employee benefits (continued)

Short-term employee benefits

Remuneration to employees is recognised in the Statement of financial performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service.

Leave pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end and is shown as an accrual in the Statement of financial position.

Bonus provisions

The municipality recognises the expected cost of bonuses as a provision only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made at reporting date.

Post-employment benefits: Defined benefit plans

A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out by independent qualified actuaries regularly, as may be required for fair presentation.

Actuarial gains or losses recognised immediately in the Statement of financial performance.

Post-retirement health care benefits

The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Past-service costs are recognised immediately, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Long-service allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of financial performance.

1.18 Statutory receivables

1.18.1 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.

Accounting Policies

1.18 Statutory receivables (continued)

The municipality has the following major categories under the ambit of statutory receivables:
- VAT receivables
- Rates debtors
- Traffic fine debtors
- Availability charges debotrs:
- Electricity;
- Water;
- Waste; and
- Waste water.

1.18.2 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.

1.18.3 Measurement

The municipality initially measures statutory receivables at their transaction amount.

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.

1.18.4 Impairment

Statutory receivables, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Statutory receivables are impaired where there is objective evidence of impairment of Statutory receivables (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 108.

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.

According to GRAP 108, the assessment for impairment needs to be made for each individual financial asset separately or for groups of statutory receivables with similar credit risks. The following methodology was followed to make a provision for bad debts for the year under review:

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

Traffic fine debtors are reviewed collectively considering payment histories and disputes about certain amounts. Provision for impairment is made accordingly.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of financial performance.

1.18 Statutory receivables (continued)

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of financial performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

1.18.5 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 control of the statutory receivable and substantially all the risks and rewards of ownership of the asset to another entity; 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.

1.19 Revenue

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

Recognition and measurement

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

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

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

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

1.19 Revenue (continued)

1.19.1 Revenue from exchange transactions

Service charges

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

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

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

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

Pre-paid electricity

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

Interest earned and rentals received

Interest and rentals are recognised on a time proportion basis that takes into account the effective yield on the investment. Interest may be transferred from the Accumulated surplus/ (deficit) to the Housing development fund or the Insurance reserve.

Traffic charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

Income from agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

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 buyer 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.

Revenue recognition of unclaimed deposits

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

Accounting Policies

1.19 Revenue (continued)

1.19.2 Revenue from non-exchange transactions

Rates and taxes

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

Fines

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

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

Donations and contributions

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

Transfers and subsidies

Unconditional grants

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

Conditional grants

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

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

Interest earned on unspent grants and receipts

Interest earned on unspent grants and receipts is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality’s interest it is recognised as interest earned in the Statement of financial performance in accordance with GRAP 9.

Services received in-kind

Services in kind are recognised at its fair value when it is significant to the operations and/or service delivery objectives and 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. If the services in-kind are not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, only the nature and type of services in-kind received during the reporting period is disclosed.

1.19 Revenue (continued)

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

Revenue recognition of unclaimed deposits

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

1.20 Transfers and subsidies – non-exchange expenditure

The municipality transfers money to individuals, organisations and other sectors of government from time to time. These transfers are recognised in the annual financial statements as expenses in the period that the events giving rise to the transfer occurred.

1.21 Related parties and related party transactions

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

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

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

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

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

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

1.22 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the annual financial statements.

1.23 Principal-agent arrangements

The municipality is party to a principal-agent arrangement for transport licensing. In terms of the arrangement the municipality collecting money from motorists on behalf of the North West Department of Transport. .

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.

1.23 Principal-agent arrangements (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 a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

Recognition

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

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

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

1.24 Value Added Tax

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

1.25 Unauthorised expenditure

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA), defines Unauthorised expenditure as follows:
- Overspending of the total amount appropriated in the municipality’s approved budget;
- Overspending of the total amount appropriated for a vote in the approved budget;

1.25 Unauthorised expenditure (continued)

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

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA) also defines a Vote as:

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

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

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. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.26 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act 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 municipality’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.

1.27 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that 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. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.28 Change in accounting policies, estimates and errors

Changes in accounting policies that are affected by management class: councillors have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Details of changes in accounting policies, changes in estimates and correction of errors are disclosed in the notes to the annual financial statements where applicable.

1.29 Contingent assets and contingent liabilities

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Accounting Policies

1.29 Contingent assets and contingent liabilities (continued)

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the municipality.

1.30 Value added tax

The Municipality is registered for VAT with the South African Revenue Services on the payment (cash) basis. Revenue, expenses and assets are recognised net of the amount of value added tax. The amount owed to or by the South African Revenue Services on the cash basis represents a Statutory receivable and will be disclosed in the notes and accounted for in terms of GRAP 108.

The Municipality accounts for VAT on an accrual basis, thus the amount of VAT owed or receivable to the South African Revenue Services in the financial statements includes the VAT that has been declared to the South African Revenue Services, VAT that has not yet been paid for which is still part of receivables from exchange transactions and payables from exchange transactions. For the accrued VAT, the municipality discloses the input accrual and output accrual separately in the notes to the financial statements and will form part of the financial instruments and accounted for in terms of GRAP 104.

The net amount of value added tax recoverable from, or payable to, the South African Revenue Services is included as a separate line in statement of financial position.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

2. New standards and interpretations

2.1 Standards, amendments to standards and interpretations effective and adopted in the current year

No new standards, amendments or interpretations relevant to the municipality's operation were adopted for the current financial year.

2.2 Standards, amendments to standards and interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• iGRAP 22: Foreign Currency Transactions and Advance Consideration	01 April 2025	Not material.

2.3 Standards, amendments to standards and interpretations issued, but not yet effective

The municipality has chosen not to early adopt the following standards and interpretations, which have been published and the effective date is not yet determined by the Miniter of Finance.

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	Not Yet Determined	Not material
• GRAP 103 (amended): Heritage Assets	Not Yet Determined	Not material
• GRAP 106 (as revised): Transfer of Functions Between Entities Not Under Common Control	Not Yet Determined	Not material

3. Key judgements and sources of estimation uncertainty

In the application of the municipality's accounting policies, which are described above, management class: executive management is required to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Figures in Rand	2025	2024

4. Cash and cash equivalents

4.1 Cash and cash equivalents

Cash and cash equivalents consist of the following:

	2025	2024
Cash at bank		
Bank accounts	89 744 359	71 270 016
Cash on hand	-	78 196
Total cash and cash equivalents	**89 744 359**	**71 348 212**

4.2 Bank accounts

The municipality has the following bank accounts:

		2025	2024
ABSA Bank Limited	Cheque Account - Account Number 640000376	2 793 186	4 850 529
First National Bank	Primary - Cheque Account: Account Number 62547261602	12 122 968	14 272 343
First National Bank (Traffic)	Traffic - Cheque account: Account Number 62547269672	-	1
First National Bank (Licensing)	Licensing - Cheque account: Account Number 62547263103	4 515 759	1 215 822
Investec Account	Call Account - Account Number - 1400189013500	1 533 814	1 422 912
First National Bank	EQS - Call account - Account Number - 62564475210	1 011 845	5 148 573
First National Bank	EPWP - Call Account Number - 62564478016	8 566	7 967
First National Bank	MIG - Call Account Number - 62576598323	48 050 598	28 693 140
First National Bank	MIG Retention - Call Account Number - 62564479585	18 282 476	15 270 455
First National Bank	INEP - Call Account Number - 62559313003	1 388 816	92 568
First National Bank	- FMG - Call Account Number - 62550510153	36 331	295 706
Total		**89 744 359**	**71 270 016**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

4. Cash and cash equivalents (continued)

4.3 Difference between cash book and bank statement

2025 (30 June 2025)

	Cash book	Bank statement	Reconciling Items
ABSA Bank Limited - Cheque Account - 640000376	2 793 186	2 793 186	-
First National Bank - Primary Cheque Account - 62547261602	12 122 968	11 208 458	914 510
First National Bank - Licensing - Cheque Account - 62547263103	4 515 759	4 515 759	-
Investec Account - Call Account - 1400189013500	1 533 814	1 533 814	-
First National Bank - EQS - Call Account - 62564475210	1 011 845	1 011 845	-
First National Bank - EPWP - Call Account - 62564478016	8 566	8 566	-
First National Bank - MIG - Call Account - 62576598323	48 050 598	48 050 598	-
First National Bank - MIG Retention - Call Account- 62564479585	18 282 476	18 282 476	-
First National Bank - INEP - Call Account - 62559313003	1 388 816	1 388 816	-
First National Bank - FMG - Call Account 62550510153	36 331	36 331	-
	89 744 359	**88 829 849**	**914 510**

2024 (30 June 2024)

	Cash book	Bank statement	Reconciling items
ABSA Bank Limited - Cheque Account - Account Number 640000376	4 850 529	4 850 529	-
First National Bank - Primary Aheque Account - 62547261602	14 272 343	13 638 682	633 661
First National Bank - Traffic - Cheque Account - 62547269672	1	-	1
First National Bank - Licensing - Cheque Account - 62547263103	1 215 822	1 215 523	299
Investec Account - Call Account - 1400189013500	1 422 912	1 422 912	-
First National Bank - EQS - Call Account - 62564475210	5 148 573	5 148 573	-
First National Bank - EPWP - Call Account - 62564478016	7 967	7 967	-
First National Bank - MIG - Call Account - 62576598323	28 693 140	28 693 140	-
First National Bank - MIG Retention - Call Account- 62564479585	15 270 455	15 270 455	-
First National Bank - INEP - Call Account - 62559313003	92 568	92 568	-
First National Bank - FMG - Call Account 62550510153	295 706	295 706	-
	71 270 016	**70 636 055**	**633 961**

5. Trade and other receivables from exchange transactions

Prepayments and advances	5.1	5 739 301	-
Trading service and customer service debtors	5.2	771 453 874	445 711 306
Total		**777 193 175**	**445 711 306**
Current assets		777 193 175	445 711 306

5.1 Prepayments and advances

	2025	
	Gross	**Total**
Insurance	5 739 301	**5 739 301**

5.1.1 Ageing of prepayments and advances

2025 (30 June 2025)

		Not due	Past due	
	Total	**Current**	**30 days**	**60 days**
Insurance	**5 739 301**	1 913 100	1 913 100	1 913 101

5.1.2 Prepayments and advances pledged as security

No prepayments were pledged as security.

Insurance paid in advance	5 739 301	-

The annual insurance premium paid on 6 December 2024 covers the period from 1 October 2024 to 30 September 2025. Consequently, the insurance for the three months from 1 July 2025 to 30 September 2025 is recorded as a prepayment as of the financial year-end on 30 June 2025.

5. Trade and other receivables from exchange transactions (continued)

5.2 Trading service and customer service debtors

	2025			2024		
	Gross	Impairment	Total	Gross	Impairment	Total
Electricity	312 655 633	(183 290 874)	**129 364 759**	266 020 765	(187 195 953)	**78 824 812**
Waste management	334 648 535	(267 084 788)	**67 563 747**	295 796 761	(250 405 201)	**45 391 560**
Waste water management	312 153 122	(241 898 030)	**70 255 092**	284 668 547	(241 348 230)	**43 320 317**
Water	974 248 125	(741 789 875)	**232 458 250**	885 525 049	(737 657 224)	**147 867 825**
Other service charges	1 105 834 539	(834 022 513)	**271 812 026**	895 224 401	(764 917 609)	**130 306 792**
Total	**3 039 539 954**	**(2 268 086 080)**	**771 453 874**	**2 627 235 523**	**(2 181 524 217)**	**445 711 306**

5.2.1 Ageing of trading service and customer service debtors

2025 (30 June 2025)

		Not due			Past due		
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Ageing by debt type							
Electricity	**129 364 759**	55 309 870	8 007 450	7 641 547	3 071 234	2 012 234	53 322 424
Waste management	**67 563 747**	2 033 225	1 149 714	983 754	857 910	803 109	61 736 035
Waste water management	**70 255 092**	-	-	-	-	-	70 255 092
Water	**232 458 250**	8 710 326	4 498 976	3 489 536	3 069 374	3 151 820	209 538 218
Other service charges	**271 812 026**	6 105 310	34 095 263	5 134 077	4 982 916	5 915 054	215 579 406
Total ageing by debt type	**771 453 874**	**72 158 731**	**47 751 403**	**17 248 914**	**11 981 434**	**11 882 217**	**610 431 175**

2024 (30 June 2024)

5. Trade and other receivables from exchange transactions (continued)

	Total	Not due Current	Past due 30 days	60 days	90 days	120 days	120+ days
Ageing by debt type							
Electricity	**78 824 812**	31 605 597	5 107 848	4 887 138	1 970 620	1 261 197	33 992 412
Service charges	**130 306 792**	52 247 811	8 443 880	8 079 021	3 257 670	2 084 909	56 193 501
Waste management	**45 391 560**	18 200 200	2 941 373	2 814 277	1 134 789	726 265	19 574 656
Waste water management	**43 320 317**	17 369 714	2 807 157	2 685 860	1 083 008	693 125	18 681 453
Water	**147 867 825**	59 289 083	9 581 835	9 167 805	3 696 696	2 365 885	63 766 521
Total ageing by debt type	**445 711 306**	**178 712 405**	**28 882 093**	**27 634 101**	**11 142 783**	**7 131 381**	**192 208 543**

5.2.2 Ageing of impaired trading service and customer service debtors

2025 (30 June 2025)

	Total	Not due Current	Past due 30 days	60 days	90 days	120 days	120+ days
Ageing by debt type							
Electricity	**183 290 874**	16 668 805	7 767 739	6 955 502	6 705 181	6 291 738	138 901 909
Waste water management	**241 898 030**	3 728 904	3 585 868	3 536 098	3 541 267	3 731 760	223 774 133
Waste management	**267 084 788**	3 331 298	3 192 258	3 172 192	3 151 717	3 130 123	251 107 200
Water	**741 789 875**	10 953 293	11 046 146	10 482 463	10 294 186	11 076 701	687 937 086
Other service charges	**834 022 513**	18 837 225	22 552 654	18 223 179	17 997 531	19 514 416	736 897 508
Total by debt type	**2 268 086 080**	**53 519 525**	**48 144 665**	**42 369 434**	**41 689 882**	**43 744 738**	**2 038 617 836**

2024 (30 June 2024)

	Total	Not due Current	Past due 30 days	60 days	90 days	120 days	120+ days

5. Trade and other receivables from exchange transactions (continued)

Ageing by debt type							
Electricity	**187 195 953**	13 192 616	6 224 983	4 200 695	3 744 845	3 510 505	156 322 309
Waste water management	**241 348 230**	3 447 014	3 634 652	3 061 342	3 224 074	3 093 993	224 887 155
Waste management	**250 405 201**	3 085 850	2 936 970	2 907 594	2 898 491	2 891 654	235 684 642
Water	**737 657 224**	10 164 848	11 046 609	9 035 054	9 498 473	9 085 746	688 826 494
Other service charges	**764 917 609**	8 900 938	9 099 126	8 320 752	8 417 117	8 566 576	721 613 100
Total by debt type	**2 181 524 217**	**38 791 266**	**32 942 340**	**27 525 437**	**27 783 000**	**27 148 474**	**2 027 333 700**

5.2.3 Trading service and customer service debtors pledged as security

No trading and consumer service debtors were pledged as security.

6. Receivables from non-exchange transactions

Customer service debtors	6.1	356 384 790	180 584 514
Other receivables	6.2	31 167 905	41 819 933
Total		**387 552 695**	**222 404 447**
Current		387 552 695	222 404 447

6.1 Customer service debtors

	2025			2024		
	Gross	Impairment	Total	Gross	Impairment	Total
Property rates	1 004 404 915	(648 020 125)	**356 384 790**	872 804 226	(692 219 712)	**180 584 514**

6. Receivables from non-exchange transactions (continued)

Property rates

	2025			2024		
	Gross	Impairment	Total	Gross	Impairment	Total
Agricultural Properties	60 826 796	(35 149 485)	**25 677 311**	50 500 933	(39 889 098)	**10 611 835**
Business and commercial	97 717 450	(60 234 797)	**37 482 653**	82 009 278	(58 312 726)	**23 696 552**
Industrial Properties	1 894 502	(1 462 089)	**432 413**	1 848 222	(1 459 174)	**389 048**
Mining Properties	15 692 633	(8 519 562)	**7 173 071**	11 184 306	(8 040 969)	**3 143 337**
Public Benefit Organisations	33 107 862	(13 596 723)	**19 511 139**	19 194 488	(9 706 657)	**9 487 831**
Residential properties	786 596 290	(523 767 215)	**262 829 075**	701 307 985	(569 834 028)	**131 473 957**
Small holdings	8 569 382	(5 290 254)	**3 279 128**	6 759 014	(4 977 060)	**1 781 954**
Total	**1 004 404 915**	**(648 020 125)**	**356 384 790**	**872 804 226**	**(692 219 712)**	**180 584 514**

6.1.1 Ageing of customer service debtors

2025 (30 June 2025)

		Not due	Past due				
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Property rates	**356 384 790**	18 452 950	8 215 663	6 692 116	5 381 741	4 835 185	312 807 135

6. Receivables from non-exchange transactions (continued)

Property rates

		Not due	Past due				
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Agricultural Properties	**25 677 311**	391 769	282 815	248 122	262 759	232 031	24 259 815
Business and Commercial	**37 482 653**	4 153 395	1 324 845	940 659	719 244	662 000	29 682 510
Industrial Properties	**432 413**	129 606	18 865	382	382	382	282 796
Mining Properties	**7 173 071**	227 626	168 531	130 392	125 244	126 587	6 394 691
Public Benefit Organisations	**19 511 139**	336 394	369 784	342 469	290 206	287 371	17 884 915
Residential Properties	**262 829 075**	12 953 095	6 908 815	5 646 244	4 934 329	4 485 178	227 901 414
Small Holdings	**3 279 128**	258 515	117 599	410 782	93 906	73 463	2 324 863
Total	**356 384 790**	**18 450 400**	**9 191 254**	**7 719 050**	**6 426 070**	**5 867 012**	**308 731 004**

2024 (30 June 2024)

		Not due	Past due				
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Property rates	**180 584 514**	19 818 129	7 056 084	4 367 872	4 078 862	3 575 675	141 687 892

6. Receivables from non-exchange transactions (continued)

Property rates

		Not due			Past due		
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Agricultural Properties	**10 611 835**	404 239	156 452	132 980	140 147	137 911	9 640 106
Business and Commercial	**23 696 552**	4 157 241	1 084 504	588 541	538 285	412 505	16 915 476
Industrial Properties	**389 048**	123 015	-	-	-	-	266 033
Mining Properties	**3 143 337**	247 870	206 431	134 082	131 898	128 641	2 294 415
Public Benefit Organisations	**9 487 831**	265 744	162 575	161 041	161 026	160 977	8 576 468
Residential Properties	**131 473 957**	14 355 402	5 361 173	3 286 261	3 060 152	2 695 228	102 715 741
Small Holdings	**1 781 954**	264 438	84 950	64 965	47 353	40 414	1 279 834
Total	**180 584 514**	**19 817 949**	**7 056 085**	**4 367 870**	**4 078 861**	**3 575 676**	**141 688 073**

6.1.2 Ageing of impaired customer service debtors

2025 (30 June 2025)

		Not due			Past due		
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Property rates	**648 020 125**	23 001 981	11 202 053	11 139 438	10 978 978	10 837 468	580 860 207

6. Receivables from non-exchange transactions (continued)

Property rates

		Not due			Past due		
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Agricultural Properties	**35 149 485**	789 857	773 158	767 157	771 974	762 174	31 285 165
Business and Commercial	**60 234 797**	1 426 784	1 083 561	1 051 993	1 006 807	1 004 868	54 660 784
Industrial Properties	**1 462 089**	11 844	2 370	871	871	871	1 445 262
Mining Properties	**8 519 562**	248 542	245 432	243 424	242 516	246 453	7 293 195
Public Benefit Organisations	**13 596 723**	536 196	540 077	537 938	549 329	548 827	10 884 356
Residential properties	**523 767 215**	19 841 962	8 428 264	8 331 374	8 276 154	8 152 530	470 736 931
Small holdings	**5 290 254**	146 796	129 191	206 681	131 327	121 746	4 554 513
Total	**648 020 125**	**23 001 981**	**11 202 053**	**11 139 438**	**10 978 978**	**10 837 469**	**580 860 206**

2024 (30 June 2024)

		Not due			Past due		
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Property rates	**692 219 712**	12 012 453	10 402 938	8 171 803	8 187 132	8 138 494	645 306 892

6. Receivables from non-exchange transactions (continued)

Property rates

		Not due	Past due				
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Agricultural Properties	**39 889 098**	470 445	414 653	410 378	413 317	414 595	37 765 710
Business and Commercial	**58 312 726**	1 307 636	923 656	859 173	858 648	852 441	53 511 172
Industrial Properties	**1 459 174**	10 384	-	-	-	-	1 448 790
Mining Properties	**8 040 969**	266 982	264 801	260 989	260 746	260 171	6 727 280
Public Benefit Organisations	**9 706 657**	286 977	281 538	281 506	281 504	281 499	8 293 633
Residential properties	**569 834 028**	9 544 058	8 411 602	6 257 928	6 273 464	6 233 560	533 113 416
Small holdings	**4 977 060**	125 972	106 688	101 829	99 454	96 232	4 446 885
Total	**692 219 712**	**12 012 454**	**10 402 938**	**8 171 803**	**8 187 133**	**8 138 498**	**645 306 886**

6.1.3 Customer service debtors pledged as security

No customer service debtor were pledged as security.

6.2 Other receivables

	2025			2024		
	Gross	**Impairment**	**Total**	**Gross**	**Impairment**	**Total**
Accrued income	-	-	**-**	11 997 554	-	**11 997 554**
Fines	33 394 750	(2 226 845)	**31 167 905**	31 348 333	(1 525 954)	**29 822 379**
Total	**33 394 750**	**(2 226 845)**	**31 167 905**	**43 345 887**	**(1 525 954)**	**41 819 933**

6.2.1 Ageing of other receivables

2025 (30 June 2025)

6. Receivables from non-exchange transactions (continued)

		Not due	Past due				
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Fines	**31 167 905**	227 352	379 100	252 500	281 550	358 500	29 668 903

2024 (30 June 2024)

		Not due	Past due				
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Accrued income	**11 997 554**	11 997 554	-	-	-	-	-
Fines	**29 822 379**	21 850	14 800	16 040	190 150	294 850	29 284 689
Total	**41 819 933**	**12 019 404**	**14 800**	**16 040**	**190 150**	**294 850**	**29 284 689**

6.2.2 Impairment reconciliation of other receivables

Controlling entity

	2025			2024		
	Opening balance	movement	Closing balance	Opening balance	movement	Closing balance
Fines	1 525 954	700 891	**2 226 845**	1 047 873	478 081	**1 525 954**

6.2.3 Ageing of impaired other receivables

2025 (30 June 2025)

6. Receivables from non-exchange transactions (continued)

		Not due			Past due		
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Fines	**2 226 845**	22 312	58 962	48 619	49 951	69 954	1 977 047

2024 (30 June 2024)

		Not due			Past due		
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Fines	**1 525 954**	2 296	16 456	27 695	286 697	85 231	1 107 579

6.2.4 Other receivables pledged as security

No other receivables were pledged as security.

Notes to the Annual Financial Statements

Figures in Rand		2025	2024

7. VAT Receivable

VAT input accrual		241 537 170	106 404 459
VAT output accrual		(65 697 213)	(46 391 953)
VAT receivable / (payable) from / (to) SARS		360 805	(1 539 297)
Total		**176 200 762**	**58 473 209**

The prior year comparatives have been restated, please refer to note 57 for more detail information.

VAT is received and paid as required by the Value Added Tax Act No. 89 of 1991 (VAT Act). VAT is applied to all relevant goods and services as stated in the VAT Act and the amounts thereof are determined in terms of the VAT Act. VAT is submitted and paid on a monthly basis.

VAT receivable from SARS is not impaired as the municipality considers that SARS has sufficient funds to pay any outstanding amounts. VAT on output provision is assessed with debtors impairment provision and included therein.

VAT receivable / (payable) from / (to) SARS is a Statutory receivable / payable in context of GRAP 108. Statutory receivables arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

8. Inventory

Consumables		48 601 045	51 319 099
Water	8.1	1 712 828	763 358
Finished goods		10 318	10 318
Total Inventories		**50 324 191**	**52 092 775**

8.1 Water

Summary

Opening balance		763 358	643 935
System input volume		282 620 087	226 354 035
Authorised consumption		(213 298 697)	(103 619 811)
Water losses	8.1.1	(68 252 497)	(122 614 801)
Closing balance		**1 832 251**	**763 358**

	2025	**2024**
	Total 2025	**Total 2024**
Opening balance	**763 358**	**643 935**
System input volume		
Water Treatment Works	**89 590 546**	**79 714 718**
Bulk Purchases	**193 029 541**	**146 639 317**
Total system input volume (SIV)	**282 620 087**	**226 354 035**
Water sold (Sales)	**(213 298 697)**	**(103 619 811)**
Non-revenue water made up of:		
Commercial losses	**(68 252 497)**	**(122 614 801)**

Figures in Rand	2025	2024

8. Inventory (continued)

Closing balance	**1 832 251**	**763 358**

8.1.1 Water losses

Real losses: Leakage on transmission and distribution mains	(250 779)	(689 814)

8.2 Inventory pledged as security

No portion of Inventories was pledged as security.

9. Investments

9.1 Carrying value of investments

2025 (30 June 2025)

	Fair value	Total
Carrying value as at 30 June 2025		
Listed/unlisted bonds and stocks	4 447 887	**4 447 887**
Net investment	**4 447 887**	**4 447 887**
Total	**4 447 887**	**4 447 887**

2024 (30 June 2024)

	Fair value	Total
Carrying value as at 30 June 2024		
Listed/unlisted bonds and stocks	4 236 943	**4 236 943**
Net investment	**4 236 943**	**4 236 943**
Total	**4 236 943**	**4 236 943**

The prior year comparatives have been restated, please refer to note 57 for more detail information.

9.2 Fair value of investments

The fair value of listed investments is estimated at R 4 447 887 (2024 (30 June 2024): R 4 236 943).

The listed share portfolio includes investments in Sanlam Limited, Old Mutual Limited, Quilter PLC and Nedbank Group Limited.

The fair value of investments was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

9.3 Investments pledged as collateral

None of the investments were pledged as collateral.

10. Investment property

10.1 Reconciliation of carrying value

Opening carrying value		
Cost	140 397 800	99 655 000

10. Investment property (continued)

Additions from acquisitions	-	2 870 000
Fair Value Adjustments	2 728 800	37 872 800
	2 728 800	**40 742 800**
Closing carrying value	**143 126 600**	**140 397 800**
Cost	143 126 600	140 397 800

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

A register containing the information required by section 63 of the Municipal Finance Management Act (Act 56 of 2003) is available for inspection at the registered offices of the municipality

10.1.1 Investment property under construction

The municipality does not have any investment property under construction.

10.2 Investment property contractual commitments

The municipality does not have contractual commitments on investment property.

10.3 Restrictions on investment property

The municipality does not have any restrictions on investment property.

10.4 Investment property pledged as security

None of the investment property are held as security for any debt.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

11. Property, plant and equipment

11.1 Reconciliation summary

	2025			**2024**		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	947 995 658	-	**947 995 658**	947 995 658	-	**947 995 658**
Work in progress	592 132 828	-	**592 132 828**	566 946 434	-	**566 946 434**
Electrical Infrastructure	2 052 372 156	(795 624 951)	**1 256 747 205**	1 979 611 138	(694 914 138)	**1 284 697 000**
Water Supply Infrastructure	919 882 788	(217 036 360)	**702 846 428**	919 882 782	(194 517 894)	**725 364 888**
Sanitation Infrastructure	293 584 790	(51 462 287)	**242 122 503**	178 338 743	(44 259 298)	**134 079 445**
Solid Waste Infrastructure	11 348 477	(1 193 591)	**10 154 886**	7 669 521	(259 659)	**7 409 862**
Fecing Infrastructure	345 358	(265 433)	**79 925**	345 358	(257 575)	**87 783**
Other property, plant and equipment	283 742 050	(151 808 209)	**131 933 841**	239 858 132	(124 479 441)	**115 378 691**
Roads Infrastructure	5 344 811 424	(4 532 633 749)	**812 177 675**	5 353 453 208	(4 542 189 288)	**811 263 920**
Community Assets	243 879 934	(85 530 164)	**158 349 770**	217 391 222	(87 174 246)	**130 216 976**
Other assets						
Operational Buildings	164 095 320	(74 122 878)	**89 972 442**	155 562 431	(67 802 615)	**87 759 816**
Total	**10 854 190 783**	**(5 909 677 622)**	**4 944 513 161**	**10 567 054 627**	**(5 755 854 154)**	**4 811 200 473**

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

11.2 Reconciliation of carrying value

2025 (30 June 2025)

	Opening balance	Additions	Disposals	Transfers received	Transfers made	Other changes, movements	Depreciation	Impairment loss/ reversal	Total
Land	947 995 658	-	-	-	-	-	-	-	**947 995 658**
Work in progress	566 946 434	349 399 191	-	-	(324 212 797)	-	-	-	**592 132 828**
Electrical Infrastructure	1 284 697 001	-	-	22 405 611	-	-	(50 355 407)	-	**1 256 747 205**
Water Supply Infrastructure	725 364 841	-	-	-	-	-	(22 518 413)	-	**702 846 428**
Sanitation Infrastructure	134 079 444	-	-	115 246 047	-	-	(7 202 988)	-	**242 122 503**
Solid Waste Infrastructure	7 409 863	-	-	-	-	3 281 370	(536 347)	-	**10 154 886**
Fecing Infrastructure	87 783	-	-	-	-	-	(7 858)	-	**79 925**
Other property, plant and equipment	115 378 690	43 580 442	(18 205)	-	-	-	(25 725 518)	(1 281 568)	**131 933 841**
Roads Infrastructure	811 263 966	-	(1 767 950)	147 359 084	-	-	(144 677 425)	-	**812 177 675**
Community Assets	130 216 975	-	-	39 202 055	-	-	(10 466 785)	(602 475)	**158 349 770**
Other assets									
Operational Buildings	87 759 816	8 532 889	-	-	-	-	(6 137 161)	(183 102)	**89 972 442**
Total	**4 811 200 471**	**401 512 522**	**(1 786 155)**	**324 212 797**	**(324 212 797)**	**3 281 370**	**(267 627 902)**	**(2 067 145)**	**4 944 513 161**

2024 (30 June 2024)

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

	Opening balance	Additions	Disposals	Transfers received	Transfers made	Other changes, movements	Depreciation	Impairment loss/ reversal	Total
Land	947 995 658	-	-	-	-	-	-	-	**947 995 658**
Work in progress	476 826 519	297 925 658	-	-	(207 805 743)	-	-	-	**566 946 434**
Electrical Infrastructure	1 302 869 733	-	-	31 938 938	-	-	(50 111 671)	-	**1 284 697 000**
Water Supply Infrastructure	699 990 746	-	-	47 442 728	-	-	(22 068 586)	-	**725 364 888**
Sanitation Infrastructure	121 989 055	-	-	16 514 725	-	-	(4 424 335)	-	**134 079 445**
Solid Waste Infrastructure	6 142 831	-	-	-	-	1 683 200	(416 169)	-	**7 409 862**
Fecing Infrastructure	95 663	-	-	-	-	-	(7 880)	-	**87 783**
Other property, plant and equipment	113 411 716	25 580 765	-	-	-	-	(22 711 347)	(902 443)	**115 378 691**
Roads Infrastructure	913 750 066	-	(594 742)	106 862 561	-	-	(208 753 965)	-	**811 263 920**
Community Assets	128 112 463	-	-	5 046 791	-	-	-	(2 942 278)	**130 216 976**
Other assets									
Operational Buildings	94 896 157	-	-	-	-	-	(7 136 341)	-	**87 759 816**
Total	**4 806 080 607**	**323 506 423**	**(594 742)**	**207 805 743**	**(207 805 743)**	**1 683 200**	**(315 630 294)**	**(3 844 721)**	**4 811 200 473**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

11. Property, plant and equipment (continued)

Property, plant and equipment	4 944 513 161	4 811 200 473

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

11.3 Property, plant and equipment under construction

2025 (30 June 2025)

	Infrastructure assets	Community assets	Other assets	Total
Accumulated expenditure included in carrying value of property, plant and equipment				
Of which:				
Opening balance	534 453 903	19 709 048	12 783 483	566 946 434
Additions/Capital expenditure	328 961 069	16 350 912	4 087 210	349 399 191
Transfers to completed projects	(285 010 742)	(39 202 052)	-	(324 212 794)
	578 404 230	**(3 142 092)**	**16 870 693**	**592 132 831**

2024 (30 June 2024)

	Infrastructure assets	Community assets	Other assets	Total
Accumulated expenditure included in carrying value of property, plant and equipment				
Of which:				
Opening balance	457 832 093	13 915 277	5 079 149	476 826 519
Additions/Capital expenditure	279 380 762	10 840 562	7 704 334	297 925 658
Transfers to completed projects	(202 758 952)	(5 046 791)	-	(207 805 743)
	534 453 903	**19 709 048**	**12 783 483**	**566 946 434**

Other assets represents buildings.

11.4 Property, plant and equipment contractual commitments

Capital commitments relating to property, plant and equipments are disclosed under Note 55.

11. Property, plant and equipment (continued)

11.5 Property, plant and equipment pledged as security

None of the property, plant and equipment were pledged as security or collateral for any liabilities.

11.6 Maintenance of property, plant and equipment

For detailed expenditure on repairs and maintenace, see contracted services 42

12. Heritage assets

12.1 Reconciliation of carrying value

2025 (30 June 2025)

Opening carrying value as at 01 July 2024
Cost

2024 (30 June 2024)

	Arts, Collections, Antiquities and Exhibits	Total
Opening carrying value as at 01 July 2023		
Cost	10 100	10 100
Cost	10 100	10 100

12.1.1 Heritage assets

2025 (30 June 2025)

	Art Collections, antiquities and exhibits	Total
Carrying value of heritage assets	10 100	10 100

2024 (30 June 2024)

	Art Collections, antiquities and exhibits	Total
Carrying value of heritage assets	10 100	10 100

12.2 Heritage assets pledged as security

None of the heritage assets were ledged as security.

Figures in Rand		2025	2024

13. Intangible assets

13.1 Reconciliation of carrying value

2025 (30 June 2025)

		Computer software	Total
Opening carrying value as at 01 July 2024			
Cost		5 253 373	5 253 373
Accumulated depreciation and impairment		(4 891 756)	(4 891 756)
		361 617	**361 617**
Amortisation	39	(73 043)	(73 043)
Closing carrying value as at 30 June 2025		**288 574**	**288 574**
Cost		5 253 373	5 253 373
Accumulated amortisation and impairment		(4 964 799)	(4 964 799)
		288 574	**288 574**

2024 (30 June 2024)

	Computer software	Total
Opening carrying value as at 01 July 2023		
Cost	5 253 373	5 253 373
Accumulated depreciation and impairment	(4 891 756)	(4 891 756)
	361 617	**361 617**
Cost	5 253 373	5 253 373
Accumulated amortisation and impairment	(4 891 756)	(4 891 756)
	361 617	**361 617**

13.2 Intangible assets pledged as security

No intangible assets were pledged as security.

14. Financial liabilities

	2025	2024
Annuity and bullet loans	218 009 700	277 677 984
Less: Transferred to current liabilities	(128 507 275)	(99 170 709)
Total non-current liabilities	**89 502 425**	**178 507 275**

The prior year comparatives have been restated, please refer to note 57 for more detail information.

14.1 Carrying value of current financial liabilities

2025 (30 June 2025)

	Opening balance	Withdrawals	Total
Carrying value as at 30 June 2025			
Annuity and bullet loans	235 777 499	(107 270 224)	**128 507 275**

14. Financial liabilities (continued)

2024 (30 June 2024)

	Opening balance	Withdrawals	Total
Carrying value as at 30 June 2024			
Annuity and bullet loans	146 772 649	(47 601 940)	**99 170 709**

The prior year comparatives have been restated, please refer to note 57 for more detail information.

	2025	2024
Non-current liabilities		
At amortised cost	-	178 507 275
	-	**178 507 275**

	2025	2024
Current liabilities		
At amortised cost	218 009 700	99 170 709
	218 009 700	**99 170 709**

The municipality received bonds from PIC prior to 1994 and no repayment were made which led to legal dispute. The municipality has been accounting for this loan under contingent liabilities until it lost the case at the Constitutional Court.

A payment arrangement was concluded with PIC, and the split of the liability represents the arrangement approved by Council

15. Consumer deposits

	2025	2024
Electricity	28 298 080	27 187 688

Consumer deposits are paid by consumers on application for new services (i.e water and electricity connections). The deposits are repaid when the services(i.e water and electricity connections) are terminated.

No interest is paid on consumer deposits held.

The management class: executive management of the municipality is of the opinion that the carrying value of consumer deposits approximate their fair values.

16. Trade and other payables from exchange transactions

		2025	2024
Bulk purchases	16.1	1 732 791 955	721 322 928
Contractors	16.2	64 249 432	62 926 602
Control and clearing accounts	16.3	36 818 775	31 530 123
Employee benefits	16.4	71 175 407	65 944 383
Other payables	16.5	947 979 314	783 622 210
Total		**2 853 014 883**	**1 665 346 246**

16.1 Bulk purchases

	2025	2024
Bulk water	226 724 198	123 708 216
Bulk electricity	1 506 067 757	597 614 712
Total	**1 732 791 955**	**721 322 928**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

16. Trade and other payables from exchange transactions (continued)

16.2 Contractors

Retentions	64 249 432	62 926 602

16.3 Control and clearing accounts

Pay As You Earn	10 760 585	9 984 821
Medical aid control	8 029 285	7 646 382
Pension control	10 316 161	9 936 003
Salary Control - Employee Related Costs	7 189 106	3 439 279
Salary Control - Remuneration of Councillors	523 638	523 638
Total	**36 818 775**	**31 530 123**

16.4 Employee benefits

Bonus	14 886 042	14 485 964
Leave accrual	56 289 365	51 458 419
Total	**71 175 407**	**65 944 383**

16.5 Other payables

Agency fees - North West DoT	1 705 667	4 764 787
Auditor-General of South Africa	1 586 805	754 719
Payables and accruals	471 270 662	427 768 849
Unallocated deposits	16 929 178	27 229 242
Advance payments	112 882 514	146 312 238
Municipal debt relief	343 604 488	176 792 375
Total	**947 979 314**	**783 622 210**

17. Trade and other payables from non-exchange transactions – Transfers and subsidies Unspent

		2025				2024				
		Opening balance	Funds received	Transfer to revenue	Closing balance	Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance
Capital										
Monetary Allocations	17.1	414 908	377 825 968	(378 240 876)	-	975 828	335 707 517	(335 375 890)	(892 547)	**414 908**
Operational										
Monetary Allocations	17.2	-	4 193 000	(4 193 000)	-	530 233	3 731 000	(3 731 000)	(530 233)	-
Total		**414 908**	**382 018 968**	**(382 433 876)**	**-**	**1 506 061**	**339 438 517**	**(339 106 890)**	**(1 422 780)**	**414 908**

17.1 Unspent capital monetary allocations

	2025				2024				
	Opening balance	Funds received	Transfer to revenue	Closing balance	Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance
National Government									
Integrated National Electrification Programme Gran	-	33 738 000	(33 738 000)	-	-	7 500 000	(7 500 000)	-	-
Library Services Grant	-	1 190 000	(1 190 000)	-	83 281	1 200 000	(1 283 281)	-	-
Municipal Infrastructure Grant	-	326 923 000	(326 923 000)	-	892 547	316 941 000	(316 941 000)	(892 547)	-
LG Seta Grant	-	1 176 447	(1 176 447)	-	-	1 142 010	(1 142 010)	-	-
National Department of Water and Sanitation Grant	414 908	14 798 521	(15 213 429)	-	-	8 924 507	(8 509 599)	-	**414 908**
Total	**414 908**	**377 825 968**	**(378 240 876)**	**-**	**975 828**	**335 707 517**	**(335 375 890)**	**(892 547)**	**414 908**

17. Trade and other payables from non-exchange transactions – Transfers and subsidies Unspent (continued)

17.2 Unspent operational monetary allocations

		2025				2024			
		Opening balance	**Funds received**	**Transfer to revenue**	**Closing balance**	**Opening balance**	**Funds received**	**Transfer to revenue**	**Repayment unspent grants**
National Government									
Expanded Public Works Programme Integrated Grant	-	1 293 000	(1 293 000)	-	-	831 000	(831 000)	-	-
Local Government Financial Management Grant	-	2 900 000	(2 900 000)	-	530 233	2 900 000	(2 900 000)	(530 233)	-
Total	**-**	**4 193 000**	**(4 193 000)**	**-**	**530 233**	**3 731 000**	**(3 731 000)**	**(530 233)**	**-**

18. Provisions (current and non-current)

Landfill Sites	18.1	26 350 995	20 845 343

Split between current and non-current

Non-current	26 350 995	20 845 343

18.1 Landfill Sites

Opening Balance	17 197 871	17 197 871
Additional provisions raised	9 153 124	3 647 472
Closing balance	**26 350 995**	**20 845 343**

Split between current and non-current

Non-current	26 350 995	20 845 343

18. Provisions (current and non-current) (continued)

The landfill rehabilitation provision is intended for the rehabilitation of the current operational sites which are evaluated at each year-end to reflect the best estimate at reporting date. The sites under consideration is the Hartbeesfontein landfill situated on portion 37 (a portion of portion 3) of the farm Hartbeesfontein 445 JQ.

A permit referenced B33/2/0121/41/P81 for the landfill was issued by the national department of water affairs and forestry on 17 September 1993. The permit has an unlimited period of validity.

The valuation for the landfill site was performed by Mr Seakle Godschalk Pr Sci Nat, GIMFO and Dr Maryna Mohr, both from Environmental & Sustainability Solutions(ESS). Mr Godscchalk is a registered professional environmental scientist with the South African Council for Natural Scientific Professions (SACNASP) as well as the Southern African Institute of Ecologists and Environmental Scientists (SAIE&ES). He holds a Master's degree in Science as well as Master's Degree in Accounting. He is also a member of Chartered Institute of Government Finance, Audit and Risk Officers (CICFARO). Dr Mohr holds an MBA as well as a D Tech and is a member of the Institute of Directors South Africa (IoDSA).

ESS has developed a General Landfill Closure Costing Model (GLCCM) to estimate the final rehabilitation and closure costs for general landfills. The GLCCM is being updated in cooperation with Jones and Wagener Consulting Civil Engineers (Pty) Ltd, a company that is actively involved in rehabilitation and closure of landfill sites. The GLCCM is based on the minimum requirements for Waste Disposal by Landfill of the Department of Water Affairs (1998), as amended by more recent regulations. The GLCCM provides a reliable best possible estimate of closure costs in terms of paragraph .49 of GRAP 19.

Key assumptions used

Unit costs

Unit costs for each of the cost elements are obtained annually by means of a commercial quotation.

Consumer Price Index (CPI)

The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end date. The average of the CPI for the last three months amounted to 3.2095%.

Discount rate

GRAP 19 states that where the effect of the time value for money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. The liability for this purpose is in most cases determined for a government entity (municipality). Therefore, government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation linked rates are used.

The rate most consistent with the remaining life of the landfill published at the end of the quarter that includes the financial year-end date was used. For this landfill the rate associated with the maximum period of 10 years was used, i.e. 5.75% above CPI.

Location		
Hartbeesfontein 445 JQ	26 350 995	20 845 343

19. Long term trade and other payable

The prior year comparatives have been restated, please refer to note 57 for more detail information.

Figures in Rand		2025	2024

19. Long term trade and other payable (continued)

The Minister of Finance, in the 2023 Budget Speech announced conditional debt relief for all municipalities that owes Eskom on 31 March 2023 (including interest and penalties). Any municipality that owes Eskom arrears, interest or penalties on 31 March 2023 qualify for this relief subject to Council's successful written application to the National Treasury. The municipal debt relief application for the municipality was approved, and as a result, the municipality now recognises municipal debt relief liability.

Long term trade and other payables		
Municipal Debt Relief	453 519 111	411 734 881
Non Current Liabilities		
Municipal Debt Relief	109 914 623	234 942 506
Current Liabilities		
Municipal Debt Relief	343 604 488	176 792 375
	453 519 111	**411 734 884**

20. Defined benefit obligations

20.1 Defined benefit obligations

Defined benefit plan liability			
Long Service awards	20.1.1	37 398 815	37 245 648
Post-employment medical benefits liability			
Present value of defined benefit obligation	20.1.1	169 151 980	150 751 084
Total		**206 550 795**	**187 996 732**

20.1.1 Reconciliation of present value of the defined benefit obligations

Current	8 119 848	8 180 893
Non-current	198 430 948	179 815 839
Total	**206 550 796**	**187 996 732**

The municipality post-employment health care liability consists of a commitment to pay a portion of the pensioners' post employment medical scheme contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary member.

Madibeng local municipality is committed to paying subsidies as follows:-

All current active employees will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement. All continuation members and their eligible dependants receive a 60% subsidy.

Notes to the Annual Financial Statements

Figures in Rand

20.1.2 Net benefit expense

	Long Service Awards	Post-employment medical benefits	Total
For the year ended 30 June 2024			
Current service costs	2 753 000	6 190 000	**8 943 000**
Benefits paid	(5 048 000)	(4 933 000)	**(9 981 000)**
Interest cost on benefit obligation	4 355 000	18 135 000	**22 490 000**
Actuarial Gains / (Losses) recognised	1 495 648	(8 468 927)	**(6 973 279)**
Total expense recognised in the statement of financial performance	**3 555 648**	**10 923 073**	**14 478 721**
For the year ended 30 June 2025			
Current service costs	2 988 513	8 417 836	**11 406 349**
Benefits paid	(5 532 893)	(3 910 039)	**(9 442 932)**
Interest cost on benefit obligation	3 543 698	18 310 931	**21 854 629**
Actuarial Gains / (Losses) recognised	(846 151)	(4 417 820)	**(5 263 971)**
Total expense recognised in the statement of financial performance	**153 167**	**18 400 908**	**18 554 075**

20.1.3 Key actuarial assumptions

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

Assumptions used at the reporting date:

2025	Post-employment medical aid benefits	Long service leave benefits
Discount rate	12.23 %	9.18 %
Consumer price inflation	6.18 %	3.55 %
General salary inflation rate	7.68 %	4.55 %
Net effect on discount rate	4.23 %	4.22 %

2024	Post-employment medical aid benefits	Long service leave benefits
Discount rate	10.28 %	13.46 %
Consumer price inflation	4.77 %	7.48 %
General salary inflation rate	5.77 %	8.48 %
Net effect on discount rate	4.26 %	4.59 %

The basis used to determine the overall expected provision is as follows:

Net Discount Rate

GRAP 25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2024 the duration of liabilities was 10.19 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2025 is 12.23% per annum, and the yield on the inflation-linked bonds of a similar term was about 4.23% per annum, implying an underlying expectation of inflation of 6.18% per annum.

Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Spouses and Dependents

We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children.

20.1.4 Sensitivity analysis

A one percentage point change in the assumed rate of increase in healthcare inflation would have the following effects:

	Increase	Decrease
2024 (30 June 2024)		
Effect on current service cost	10 180 640	7 016 148
Effect on current interest cost	21 146 339	15 787 667
Effect on the defined benefit obligation	174 798 006	131 047 744
2025 (30 June 2025)		
Effect on current service cost	10 180 640	7 016 148
Effect on current interest cost	21 146 339	15 787 667
Effect on the defined benefit obligation	174 798 006	131 047 744

A one percentage point change in the assumed discount rate would have the following effects:

Figures in Rand	2025	2024
	Increase	**Decrease**
2024 (30 June 2024)		
Effect on current service cost	7 141 749	10 026 107
Effect on current interest cost	17 217 184	19 300 195
Effect on the defined benefit obligation	132 123 089	173 717 108
2024 (30 June 2025)		
Effect on current service cost	7 141 749	10 026 107
Effect on current interest cost	17 217 184	19 300 195
Effect on the defined benefit obligation	132 123 089	173 717 108

20.1.5 Historical analysis

	2021	**2022**	**2023**	**2024**	**2025**
Defined benefit plan – long service award					
Defined benefit obligation	30 546 000	32 702 000	33 690 000	37 245 648	37 398 815
Post-employment medical benefits					
Defined benefit obligation	124 216 000	142 651 000	139 828 000	150 751 073	169 151 992

21. Accumulated surplus / (deficit)

Opening Balance	3 131 262 432	3 391 825 474

Refer to the Statement of Changes in Net Assets for more detail and the movement on Accumulated surplus.

22. Services charges

Electricity		
Consumption – Electricity	664 800 768	632 404 055
Other – Electricity	39 505 902	37 604 589
Sub-total	**704 306 670**	**670 008 644**
Water management		
Consumption – Water management	186 957 739	168 374 857
Waste water management		
Consumption – Waste water management	59 826 741	49 178 480
Other – Waste water management	1 448 924	1 195 508
Sub-total	**61 275 665**	**50 373 988**
Waste management		
Consumption – Waste management	67 610 382	64 708 902
Total	**1 020 150 456**	**953 466 391**

Section 64 of the MFMA requires that the accounting officer of the municipality must take reasonable steps to ensure that the municipality has an effective revenue collection system consistent with Section 95 of the Municipal Systems Act and the municipality's credit and debtors collection policy. The Act further requires that the municipality maintains a system of internal control in respect of both revenue and debtors.

There were instances were estimated billing was used, due to faulty meters in the current year and some community members denying meter readers access to conduct readings.

Notes to the Annual Financial Statements

Figures in Rand		2025	2024

23. Agency services

Provincial		17 550 510	17 283 123

Refere to note 50 for the reconciliation and disclosure of the principals and agency relationship.

24. Interest earned from receivables

Exchange receivables	24.1	158 648 814	70 338 875
Non-exchange receivables	24.2	80 759 813	46 070 147
Total		**239 408 627**	**116 409 022**

24.1 Interest earned from exchange receivables

Consumer receivables		
Electricity	21 510 748	15 951 722
Water	77 826 426	31 483 112
Waste water management	24 208 373	7 211 653
Waste management	26 149 725	8 214 378
Other service charges	8 953 542	7 478 010
	158 648 814	**70 338 875**

24.2 Interest earned from non-exchange receivables

Consumer receivables		
Property rates	80 759 813	46 070 147

25. Interests on current and non-current assets

Short-term investments and call accounts	14 323 130	16 133 106

26. Rent from fixed assets

Rental of equipment	4 276 843	2 195 669

26.1 Rental by asset class

Property, plant and equipment	4 276 843	2 195 669

26.2 Rental by type

Market related

Property, plant and equipment

Other assets		
• Straight-lined operating	4 276 843	2 195 669
Total	**4 276 843**	**2 195 669**

Figures in Rand		2025	2024

27. Property rates by usage

Agricultural property		19 187 889	17 434 245
Business and commercial properties		83 375 775	80 926 914
Small holdings and farms		7 407 067	17 553 958
Mining properties		10 733 323	10 947 165
Residential properties		289 831 774	192 537 342
State-owned properties		45 034 935	42 211 762
Total		**455 570 763**	**361 611 386**

Valuation as at 30 June 2025

Agricultural property		13 234 653 571	9 930 834 000
Business and commercial properties		6 524 155 820	5 169 503 870
Industrial properties		502 673 940	476 123 000
Mining properties		860 338 060	686 229 000
Multiple purposes		57 992 180	1 496 369 000
Public benefit organisations		32 494 000	5 190 000
Public service infrastructure properties		306 954 840	413 280 000
Public service purposes properties		1 968 227 279	2 071 610 000
Residential properties		35 507 058 405	26 816 917 980
Vacant land		6 460 210 220	1 897 690 150
Total property valuations		**65 454 758 315**	**48 963 747 000**

The valuation roll takes effect from the start of the financial year following completion of public inspection and remains valid for a period not exceeding five financial years. The current effective valuation roll was certified by Activa Valuation Services (PTY) LTD,and came into effect on 2024/07/01.

During the financial year, the municipality identified a variance between the General Valuation Roll and the billing system, which resulted in an understatement of property rates revenue, contrary to the Municipal Property Rates Act. The discrepancy was primarily caused by objections to the General Valuation Roll and the implementation of a supplementary roll and corrections were made in terms of the Property rates and the requirements on GRAP standards.

28. Fines, penalties and forfeits

Fines	28.1	3 684 702	2 910 125

28.1 Fines

Traffic fines			
Law enforcement fines		3 684 702	2 910 125

29. Licences or permits

Exchange revenue	29.1	8 307 925	7 246 342

29.1 Licenses and permits - Exchange revenue

Road and transport		8 307 925	7 246 342

30. Transfers and subsidies

Operational			
Allocations in-kind	30.1	1 129 134 458	1 056 250 791
Capital			
Monetary allocations	30.2	377 064 429	335 064 880

Notes to the Annual Financial Statements

Figures in Rand		2025	2024

30. Transfers and subsidies (continued)

Total		**1 506 198 887**	**1 391 315 671**

30.1 Allocations in-kind: Operational

National government		1 129 134 458	1 056 250 791

30.2 Monetary allocations: Capital

Departmental agencies and accounts		1 190 000	1 283 281
Households		-	831 000
National government		375 874 429	332 950 599
Total		**377 064 429**	**335 064 880**

31. Operational revenue

Exchange revenue			
Cemetery fees		1 527 366	1 310 852
Town planning		1 910 673	1 945 770
Reconnection fees		2 020 388	2 768 746
Service connections		938 380	538 855
Other services		648 650	36 357
Tender document fees		1 212 176	685 656
Valuation fees		320 547	3 148 181
Library fees		64 759	51 583
Development charges		229 924	978 531
Advertising		74 206	36 847
Sale of nursery plants		14 122	1 126
Notice fees		4 912 503	2 506 579
Administrative handling fees		-	1 302 660
Total		**13 873 694**	**15 311 743**

Non-exchange revenue			
Unallocated deposits		762 692	-
Debt waived		-	108 161 356
Total		**762 692**	**108 161 356**

32. Gain/(Loss) on disposal of fixed and intangible assets

Gains/(losses) on disposals	32.1	(1 535 376)	95 072
Fair value adjustment	32.2	2 728 800	37 872 800
Total		**1 193 424**	**37 967 872**

32.1 Gains/(losses) on disposals

Property, plant and equipment		(1 786 155)	(594 742)
Water losses		250 779	689 814
Total		**(1 535 376)**	**95 072**

32.2 Fair value adjustment

Investment property		2 728 800	37 872 800

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

33. Impairment loss reversal

VBS Mutual Bank Refund	5 637 303	-
Bad debts recovered	3 235 722	-
Total	**8 873 025**	**-**

During the 2018/2019 financial year end VBS Mutual Bank Investment experienced financial difficulties which led to breach of contracts when some of the matured investments and deposits could not be honoured. The municipality had a short-term deposit of R 31 504 248. The municipality accounts for short term deposits as financial assets at amortised cost. The curator and National Treasury did not offer any guarantees to the municipality. The Minister of Finance placed VBS Mutual Bank Investment under curatorship with effect from 11 March 2018. SizweNtsalubaGobodo Advisory Services was appointed, in terms of section 81 of the Mutual Banks Act 124 of 1993 ("the Mutual Banks Act"), as the curator to VBS Mutual Bank Investment. The municipality resolved in the 2018/2019 financial year to fully impair the investment of R 31 504 248 since there were no future cashflows expected from VBS Mutual Bank Investment. During the current financial year, the municipality was paid an amount of R 5 637 303 which has been recognised as an impairment loss reversal.

In the 2023/24 financial year, the municipality wrote off debt that had been approved by Council as irrecoverable. In the current financial year, an amount of R3 235 722 was subsequently paid to the municipality and has been recognised as bad debts recovered.

Notes to the Annual Financial Statements

Figures in Rand

34. Employee related cost

Senior management	34.1	13 261 058	3 907 759
Municipal staff	34.2	715 283 559	660 728 845
Total		**728 544 617**	**664 636 604**

34. Employee related cost (continued)

34.1 Senior management costs

2025 (30 June 2025)

	Municipal manager	Chief financial officer	Community Services	Corporate Support Services	Economic Development, Tourism and Agriculture	Human Settlement and Planning	Infrastructure and Technical Services	Public Safety and Social Services	Chief Audit Executive	Total
Basic salary	838 252	1 210 195	1 089 179	1 196 813	1 084 962	1 170 665	1 195 765	971 999	1 193 669	9 951 499
Service-related benefits	-	28 755	-	51 518	-	128 524	-	-	-	208 797
Allowances	218 264	236 555	301 407	384 048	390 920	286 530	383 740	387 348	368 784	2 957 596
Bargaining council	10 350	14 341	12 788	16 003	13 681	13 996	15 092	11 660	17 192	125 103
Unemployment insurance	1 240	1 948	2 125	2 125	2 125	-	2 125	-	2 125	13 813
Less: Costs capitalised	-	-	-	-	-	2 125	-	-	2 125	4 250
	1 068 106	**1 491 794**	**1 405 499**	**1 650 507**	**1 491 688**	**1 601 840**	**1 596 722**	**1 371 007**	**1 583 895**	**13 261 058**

2024 (30 June 2024)

	Chief financial officer	Community services	Corporate Support Services	Economic Development, Tourism and Agriculture	Human Settlement and Planning	Infrastructure and Technical Services	Public Safety and Social Services	Chief Audit Executive	Total
Basic salary	374 898	-	371 120	345 184	373 120	-	369 510	381 120	2 214 952
Service-related benefits	46 223	-	-	-	-	-	-	-	46 223
Allowances	82 657	434 532	122 862	117 780	97 683	510 434	116 000	122 657	1 604 605
Bargaining council	5 611	4 052	4 814	8 349	-	4 814	3 683	4 814	36 137
Unemployment insurance	708	1 416	708	886	-	708	-	708	5 134
Less: Costs capitalised	-	-	-	-	-	-	-	708	708
	510 097	**440 000**	**499 504**	**472 199**	**470 803**	**515 956**	**489 193**	**510 007**	**3 907 759**

The Remuneration of Executives as disclosed above refer to the actual amounts paid to them during the 2025 (30 June 2025) and 2024 (30 June 2024) 12 months respectively.

34.2 Municipal staff costs

Notes to the Annual Financial Statements

Figures in Rand		2025	2024

34. Employee related cost (continued)

	2025	2024
Basic salary	389 175 178	362 728 304
Bonuses	31 066 298	30 197 160
Service-related benefits	89 966 615	82 813 912
Allowances	47 187 067	44 560 880
Bargaining council	5 484 810	5 237 340
Post-retirement benefit: Medical	70 271 755	55 880 330
Post-retirement benefit: Pension	79 360 924	76 631 980
Unemployment insurance	2 770 912	2 678 939
Total	**715 283 559**	**660 728 845**

Acting Allowances for Section 56 Appointments

	2025	2024
Municipal Manager	221 004	340 179
Chief Financial Officer	88 192	181 037
Director Corporate Services	49 350	95 809
Director Infrastructure and Technical Services	39 172	86 898
Director Local Economic Development	20 562	151 361
Director Human Settlements	101 887	95 977
Director Community Services	-	82 358
Director Public Safety	-	95 976
	520 167	**1 129 595**

35. Remuneration of councillors

		2025	2024
Executive Mayor/Mayor	35.1	1 059 992	1 040 254
Chief whip	35.2	712 834	601 340
Speaker	35.3	857 394	842 114
Executive committee	35.4	8 931 588	8 118 582
All other councillors	35.5	24 958 646	24 736 496
Total		**36 520 454**	**35 338 786**

35.1 Executive Mayor/Mayor

Allowances and service related benefits

	2025	2024
Cell phone allowance	47 004	49 608
In-kind benefits	101 166	140 646
Office-bearer allowance	715 057	653 235
Travelling allowance	196 765	196 765
	1 059 992	**1 040 254**

35.2 Chief whip

Allowances and service related benefits

	2025	2024
Office-bearer allowance	464 756	423 862
Cell phone allowance	43 088	37 857
In-kind benefits	204 990	139 621
	712 834	**601 340**

Figures in Rand	2025	2024

35. Remuneration of councillors (continued)

35.3 Speaker

Allowances and service related benefits		
Cell phone allowance	47 004	46 136
In-kind benefits	252 062	248 598
Office-bearer allowance	558 328	547 380
	857 394	**842 114**

35.4 Executive committee

Allowances and service related benefits		
Cell phone allowance	524 878	510 435
In-kind benefits	482 851	406 510
Office-bearer allowance	6 283 124	5 698 842
Travelling allowance	1 640 735	1 502 795
	8 931 588	**8 118 582**

35.5 All other councillors

Allowances and service related benefits		
Cell phone allowance	3 186 321	3 377 091
In-kind benefits	835 577	974 040
Office-bearer allowance	16 928 445	16 337 288
Travelling allowance	4 008 303	4 048 077
	24 958 646	**24 736 496**

36. Bulk purchases

Electricity: Eskom	900 672 439	832 713 902

36.1 Electricity losses

	2025		2024	
	KHW	**Amount**	**KHW**	**Amount**
Units purchased	300 041 518	900 672 439	472 841 613	832 713 903
Units sold	(155 992 324)	(704 306 670)	(240 059 926)	(670 008 643)
Total loss	**144 049 194**	**196 365 769**	**232 781 687**	**162 705 260**
Percentage loss:				
Technical losses	48.00 %	21.80 %	49.00 %	20.00 %

36.2 Water losses

Real losses: Leakage on transmission and distribution mains	(250 779)	(689 814)

The municipality is required to report on water losses in terms of MFMA Circular No. 71 issued by National Treasury in terms of Section 168 of the MFMA. The municipality is of the view that the methodology outlined in MFMA Circular 71 is an over simplification and does not take into account various components in the calculation.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

36. Bulk purchases (continued)

The municipality is currently unable to determine the split of technical and non-technical losses due to the varied quantity and price mix of water, including infrastructure challenges. Currently, the largest quantity of water is purchased in raw form from the Department of Water and Sanitation, whilst purified and clean water is purchased from both Rand Water and the City of Tshwane.

	2025		2024	
	ML	**Amount**	**ML**	**Amount**
Units purchased	11 424 203	192 910 489	9 134 102	146 520 310
Units sold	(8 656 913)	(213 298 697)	(4 183 595)	(103 619 811)
Total loss	**2 767 290**	**(20 388 208)**	**4 950 507**	**42 900 499**

37. Inventory consumed

		2025	2024
Consumables		104 847 712	20 911 783
Materials and supplies		391 497	7 266 667
Water		281 551 194	227 010 934
Total		**386 790 403**	**255 189 384**

38. Debt impairment

		2025	2024
Trade and other receivables from exchange transactions	5	80 311 867	227 834 637
Receivables from non-exchange transactions	6	(43 498 696)	60 571 372
Total		**36 813 171**	**288 406 009**

Madibeng Local Municipality assessed for impairment of Trade and other receivables from exchange transactions in terms of Grap 104 Financial instruments and the receivables from non exchange transactions are Statuory receivables that have been impaired interms of Grap 108 Statutory receivables.

39. Depreciation and amortisation

		2025	2024
Amortisation			
Intangible assets	13.1	-	3 602
Depreciation			
Property, plant and equipment		245 627 928	304 042 581
Total		**245 627 928**	**304 046 183**

40. Impairment loss / (reversal) of impairment

		2025	2024
Impairment loss / Reversal of impairment			
Property, plant and equipment		2 816 166	5 385 403

41. Interest

41.1 Interest cost

		2025	2024
Late payment charges	4.2	116 321 436	79 266 320
Borrowings	14.1		
• Municipal debt relief - debt waived		41 784 230	34 573 158
Interest cost on landfill site provision	16	2 224 282	1 964 272
Defined benefit obligation		3 543 698	4 355 000
Total		**163 873 646**	**120 158 750**

Notes to the Annual Financial Statements

Figures in Rand		2025	2024

42. Contracted services

Consultants and professional services	42.1	199 029 067	88 922 648
Contractors	42.2	69 663 070	40 309 249
Outsourced services	42.3	313 479 739	344 269 196
Total		**582 171 876**	**473 501 093**

42.1 Consultants and professional services

Business advisory services		
Accounting and auditing	18 363 285	16 472 500
Laboratory services		
Medical	-	86 609
Legal services		
Collection	12 355 083	2 463 975
Legal advice and litigation	22 474 915	14 437 851
Total legal services	**34 829 998**	**16 901 826**
Engineering services		
Civil engineering	145 835 784	55 461 713
Total consultants and professional services	**199 029 067**	**88 922 648**

42.2 Contractors

General services		
Bore waterhole drilling	11 646 563	457 391
Gardening services	1 363 212	1 667 179
Graphic designers	910	-
Pest control and fumigation	199 980	-
Traffic and street lights	719 565	489 750
Total general services	**13 930 230**	**2 614 320**
Maintenance services		
Inspection fees	7 652 022	5 133 397
Maintenance of buildings and facilities	17 469 639	11 132 761
Maintenance of equipment	595 334	3 885 708
Maintenance of unspecified assets	30 015 845	17 543 063
Total maintenance service	**55 732 840**	**37 694 929**
Total contractor	**69 663 070**	**40 309 249**

42.3 Outsourced services

Business and advisory services		
Business and Financial Management	35 780 610	28 804 879
Valuer	6 420 061	7 425 857
Total business and advisory services	**42 200 671**	**36 230 736**

Notes to the Annual Financial Statements

Figures in Rand		2025	2024

42. Contracted services (continued)

General services			
Cleaning Services		29 880	98 505
Clearing and Grass Cutting Services		189 550	956 087
Meter Management		44 733 858	39 530 224
Printing Services		3 605 487	10 066 186
Security		147 835 034	130 958 392
Refuse Removal		1 805 922	8 516 030
Sewerage Services		14 034 161	38 209 741
Total general services		**212 233 892**	**228 335 165**
Trading services			
Connection/Dis-connection: Electricity		3 003 387	3 111 860
Electrical		56 041 789	76 591 435
Total trading services		**59 045 176**	**79 703 295**
Total outsourced services		**313 479 739**	**344 269 196**

43. Transfers and subsidies

Operational			
Allocations in-kind	43.1	7 344 103	4 404 054

43.1 Allocations in-kind: Operational

Households - indigents	7 344 103	4 404 054

44. Irrecoverable debts written off

Non specific accounts	47 279 621	12 940 952

The prior year comparatives have been restated, please refer to note 57 for more detail information.

The bad debts written off was the actual write off of indigents that was approved by council as not collectable and should be written off.

Figures in Rand	2025	2024
45. Operational cost		
Advertising	13 008 342	3 590 779
Assistance to indigents	369 600	397 592
Audit committee costs	1 502 614	366 511
Auditor's remuneration	10 681 983	9 664 803
Bank Charges	3 239 073	3 242 456
Commission	5 520 999	4 614 562
Community participation	5 543 612	5 055 392
Consulting and professional fees	89 700	341 896
Discount allowed	193 592	20 899
Geographical information system	600 909	808 234
Insurance	15 708 372	7 069 702
Legal fees	2 000	-
Licence fees	3 301 652	3 252 090
Marketing	36 250	70 389
Mayoral out-reach programme	2 124 095	1 200 650
Motor vehicle expense	1 616 078	1 914 254
Other expenditure	97 942	-
Plant and machinery hire expenses	265 865 326	225 363 540
Postage and courier	-	4 500
Printing and stationery	110 822	349 749
Project management cost	1 223 183	1 231 041
Protective clothing	3 033 109	4 051 687
Remuneration to Ward Committees	35 800	109 190
Signage	12 541	-
Social programmes	-	340 000
Subscriptions and membership fees	7 419 265	7 915 510
Telephone and fax	6 763 561	4 339 668
Training	11 154 101	14 670 532
Travel and accomodation	4 689 000	3 555 557
Two-way radios	2 565 381	-
VIP toilets	-	12 592 384
Ward committee expenses	5 491 200	5 903 300
Water and electricity	42 622 374	5 825 387
Water resource management charges	1 660 830	388 314
Total	**416 283 306**	**328 250 568**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

46. Net cash from/(used) operating activities

Deficit for the year	(260 563 052)	(294 959 882)
Adjustments for:		
Depreciation and amortisation	267 700 945	315 633 896
Bad debts written off	47 279 621	12 940 952
Debt waived - Municipal debt relief	-	(108 161 354)
Fair value adjustment	(2 728 800)	(34 123 151)
Increase / (Decrease) in provisions	5 505 652	2 252 098
Debtors impairment	36 813 171	288 406 009
Reversal of impairment loss	(6 056 859)	1 395 374
Movement in employee benefit	18 554 064	14 478 721
Movement in non-current liability	(125 027 883)	234 942 506
Movement in working capital		
(Increase) / Decrease in receivables from non-exchange transactions	(121 649 553)	(87 840 276)
(Increase) / Decrease in inventory	2 019 363	(16 279 350)
(Increase) / Decrease in receivables from exchange transactions	(459 073 358)	(279 971 148)
(Increase) / Decrease in VAT Receivable	(117 727 553)	2 580 825
(Increase) / Decrease in other financial assets	(210 945)	(1 002 209)
Increase / (Decrease) in trade and other payables from exchange	1 197 327 818	213 898 717
Increase / (Decrease) in unspent conditional grants and receipts trade and other payable non-exchange transactions	(414 908)	(1 091 153)
Increase / (Decrease) in consumer deposits	1 110 598	2 334 826
Net cash flows from operating activities	**482 858 321**	**265 435 401**

Figures in Rand	2025	2024
47. Contingent liabilities		
1) Magalies Water *The plaintiff is claiming for breach of undertaking and damages incurred for rendering of additional services.*	36 550 923	36 550 923
2) Stephen Mphedi Madiro *The plaintiff is suing both Madibeng and Bojanala for raw sewer spillage in his property due to the municipalities failure to maintain sewer system.*	16 842 500	18 568 856
3) Boss Directory Services *The plaintiff is claiming for services allegedly rendered.*	-	683 724
4) Resilient Properties *Claiming for damages of former employees actions.*	28 803 025	28 803 025
5) LSO *The plaintiff alleges that the municipality failed to pay him three months of services rendered.*	4 810 747	4 828 747
6) Ngwenya River Estate *The plaintiff is claiming for damages for repair of substation and/or pump station.*	188 198	188 198
7) Flame IT *Claiming for outstanding amount for services allegedly rendered.*	54 604 678	54 604 678
8) Mosoma Pokisi Daniel *Claiming for damages for the death of a minor child who fell in a open hole at Thelele Section of Mmakau Village*.	20 000 000	20 000 000
9) Leon Van Rhyn *The plaintiff claims for damages as a result of collusion caused by pothole.*	1 064 849	1 142 051
10) Martin Jordan *Claim for damages due to a lack of road marking. The plaintiff drove his quadricycle into exposed building materials.*	5 928 000	5 928 000
11) Stephen Velaphi Chauke *Claim for damages caused by a pothole.*	16 800	16 800
12) Mok Development CC *Claim for alleged breach of contract*.	6 893 012	6 893 012
13) Mosaza Civil Engineering *Claim for cessionary material supplied on Provincial project instituted against the municipality. The Province refused to pay for further work due to non compliance.*	7 245 348	7 245 348
14) JJ Van Der Walt *Claim for alleged failure by the municipality to repair and maintain traffic light which allegedly caused the accident.*	340 131	340 131
15) SM Ubane *Claim for damages arising from the alleged failure by the municipality to cover a hole at a construction site.*	-	850 000
16) Andre Coetzee Claim for damages on his property due to burst pipe.	145 541	145 541
17) Hometrad 66 CC *Claim for defamatory remarks made by municipal employee against the plaintiff*.	400 000	400 000
18) Elizabeth M Ntlatleng *Claim for collission with pothole near mount close*.	66 165	66 165
19) Hartbeespoort Irrigation Board *Claim for water usage charges*.	726 814	726 814
20) Openserve (Pty) Ltd *Claim for damages on underground cables*.	-	94 047
21) Johannes Jacobus Du Preez Plaintiff claims against negligence to failure to maintain sewerage pipe line by municipal which resulted in spillage that flooded 6 hectares of plaintiff property, thus damaged it and claims of damaged crops.	15 267 779	-
22) EX PS (Pty) Ltd Claim for work contracted for in terms of the session agreement signed between the parties.	559 667	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
47. Contingent liabilities (continued)		
23) Midnight Storm Investments 181 (Pty) Ltd Payment erroneously paid to the Municipality by Langenhoven when requesting for a clearence certificate.	698 812	-
24) Edward Mokadi Sisoko The plaintiff claims to have fallen into a hole dug by Municipality's contractors and fractured his ankle.	12 000 000	-
25) Rooikoppies Oos Water Users Association Claim for unpaid levy for maintenance and running costs incurred in performance of funcitions.	285 284	-
26) Stephen Mphedi Madiro Claim dut to non-compliance with a court which was issued on the 06th June 2018.	16 842 500	-
	230 280 773	**188 076 060**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

48. Related party disclosures

48.1 Nature of related party relationships

Related party	Nature of relationship
Accounting Officer	Refer to accounting officers' report note
Councillors	Refer to note 35
Post employment benefit plan for employees of entity and/or other related parties	Refer to Note 20
Members of key management	No other payments are made outside the contractual employment payments from employment

48.2 Related party balances

Management class: Councillors

2024 (30 June 2025)

Name	Basic salary	Travel Allowances	Cellphone Allowances	Other benefits received	Total
Executive Mayor	715 057	196 765	47 004	101 166	1 059 992
Chief Whip	464 756	135 276	43 087	69 713	712 832
Speaker	558 328	157 412	47 004	94 650	857 394
EXCO Office Bearers	6 283 124	1 640 735	524 878	482 851	8 931 588
Councillors	16 928 447	4 008 303	3 186 321	835 577	24 958 648
	24 949 712	**6 138 491**	**3 848 294**	**1 583 957**	**36 520 454**

2024 (30 June 2024)

Name	Basic salary	Travel Allowances	Cellphone Allowances	Other benefits received	Total
Executive Mayor	653 235	196 765	49 608	140 644	1 040 252
Chief Whip	543 908	157 412	49 608	91 186	842 114
Speaker	423 862	110 680	37 857	28 941	601 340
EXCO Office Bearers	5 698 842	1 502 795	510 435	406 783	8 118 855
Councillors	16 337 288	4 048 077	3 376 819	974 041	24 736 225
	23 657 135	**6 015 729**	**4 024 327**	**1 641 595**	**35 338 786**

Management class: Key advisors/Sub committees - Audit Committee

2024 (30 June 2025)

Name	Preparation	Sitting allowance	Data/Internet	Travelling	Total
Mrs. APC Mangoma	3 831	7 642	700	-	12 173
Mr. S Maharaj	91 916	28 103	3 950	-	123 969
Mr. MM Makgale	70 000	18 886	2 800	1 136	92 822
Mr. TG Nevhutalu	2 298	4 520	350	-	7 168
Ms. AMM Badimo	1 916	3 820	350	-	6 086
Mr. R Tshimomola	90 000	24 282	3 600	-	117 882
Ms. MG Mathye	260 000	97 166	5 600	25 688	388 454
Ms. SJ Masite	70 000	18 886	2 800	2 049	93 735
	589 961	**203 305**	**20 150**	**28 873**	**842 289**

48. Related party disclosures (continued)

2024 (30 June 2024)

	Preparation	Sitting allowance	Data/Internet	Total
Name				
Mrs. APC Mangoma	9 578	19 104	1 750	30 432
Mr. S Maharaj	9 578	19 104	1 750	30 432
Mr. PR Mnisi	7 662	15 283	1 400	24 345
Mr. TG Nevhutalu	11 493	22 599	1 750	35 842
Ms. AMM Badimo	9 578	19 104	1 750	30 432
	47 889	**95 194**	**8 400**	**151 483**

Management class: Key advisors/Sub committees - Risk Committee

2024 (30 June 2025)

	Preparation	Sitting allowance	Data/Internet	Travelling	Total
Name					
Mr. SAB Ngobeni	225 000	71 136	4 400	6 485	307 021
Dr. Skeepers	42 560	94 047	1 600	3 002	141 209
	267 560	**165 183**	**6 000**	**9 487**	**448 230**

2024 (30 June 2024)

	Preparation	Sitting allowance	Data/Internet	Travelling	Total
Name					
Mr. SAB Ngobeni	37 266	61 454	1 500	2 793	103 013
Mr. BO Mmusinya	5 733	11 345	300	-	17 378
Dr. Skeepers	2 867	9 454	-	1 881	14 202
	45 866	**82 253**	**1 800**	**4 674**	**134 593**

49. Events after the reporting date

The accounting officer is aware of the matters and circumstances below, which have arisen between the end of the financial year and the date these financial statement were authorised. No other significant events requiring disclosure or adjustment have occured during this period:

	2025	2024
Non-Current Liabilities - Financial liabilities Due to persistent cash flow challenges, the municipality was unable to meet the terms of the payment arrangement entered with the Public Investment Corporation (PIC) over the initial loan of R325 279 924. Consequently, R218 009 700 of the loan was reclassified as a short-term liability. The municipality has proactively renegotiated terms with PIC in June 2025, resulting in a new payment arrangement plan approved on 21 July 2025. The immediate effect of this new agreement was the reclassification of R89 502 425 from short-term to long-term liability, providing the necessary relief.	89 502 425	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

50. Principal-agent arrangements

50.1 Municipality acting as the agent

Entity as agent

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

The municipality has disclosed all amounts held on behalf of the principle in the financial sattements.

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 17 550 510 (2024: 17 283 123).

Liabilities and corresponding rights of reimbursement recognised as assets

No liabilities were incurred on behalf of the principal.

Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

Reconciliation of the carrying amount of payables

	2025	2024
North West Provincial Government Department of Transpor		
Opening balance	4 764 787	21 940 940
Additions during the year	108 095 625	102 575 320
Income recognised during the year	(17 550 510)	(17 283 124)
Amount transferred to the principal	(93 604 235)	(102 468 349)
Closing balance	**1 705 667**	**4 764 787**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

51. Unauthorised, irregular, fruitless and wasteful expenditure

51.1 Unauthorised expenditure

	2025	2024
Opening balance as previously reported	4 708 774 300	4 387 132 175
Add: Unauthorised expenditure – current	309 227 764	321 642 125
Less: Amounts written-off – current	(321 642 125)	-
Closing balance	**4 696 359 939**	**4 708 774 300**

Application of Sec (b) of the definition of Unauthorised expenditure in terms of the MFMA - Total Operating Budget

2025 (30 June 2025)

	Unauthorised expenditure
Unauthorised expenditure per Vote (Department)	
Vote 03 - Chief operating officer	83 300 822
Vote 04 - Corporate and Support Services	12 935 875
Vote 05 - Budget and Treasury Office	37 765 472
Vote 10: Public Safety, Fleet & Facilities Management	175 225 595
	309 227 764

2024 (30 June 2024)

	Unauthorised expenditure
Unauthorised expenditure per Vote (Department)	
Vote 06: Infrastructure and Technical Services	259 182 332
Vote 10: Public Safety, Fleet & Facilities Management	62 459 793
	321 642 125

51.2 Irregular expenditure

	2025	2024
Opening balance as previously reported	2 706 129 901	2 504 721 038
Add: Irregular expenditure - current	228 884 837	82 110 679
Add: Irregular expenditure – prior period	502 115 037	88 947 582
Add: Prior year correction	317 709 822	42 163 588
Less: Amount incorrectly classified	-	(11 812 986)
Closing balance	**3 754 839 597**	**2 706 129 901**

	2025	2024
Incident		
Competitive bidding not invited	190 768 132	82 110 679
Awards without three quotes	38 116 715	-
Total	**228 884 847**	**82 110 679**

Figures in Rand	2025	2024

51. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

51.3 Fruitless and wasteful expenditure

	2025	2024
Opening balance as previously reported	200 402 612	199 265 232
Add: Fruitless and wasteful expenditure – current	116 419 090	77 068 599
Add: Fruitless and wasteful expenditure expenditure – prior period	-	1 030 898
Less: Interest reversed from Eskom Bulk account	-	(76 962 117)
Closing balance	**316 821 702**	**200 402 612**

Incident		2025	2024
Eskom	Interest raised on late payment of accounts	113 734 851	72 572 837
Rand Water	Interest raised on late payment of accounts	57 146	107 549
Department of Water and Sanitation	Interest raised on late payment of accounts	2 384 429	2 510 324
Telkom	Interest on late payments of accounts	-	16 306
Auditor General South Africa	Interest on late payments of accounts	181 259	1 600 672
SARS	Interest on late payments of accounts of PAYE and VAT	-	58 382
Eskom small accounts	Interest charged	61 406	35 557
Duplicates payments	Duplicate payments to various suppliers	-	144 954
MFMA	Portable flood lights procured but never been used	-	22 018
Total		**116 419 091**	**77 068 599**

52. Councillor's municipal accounts in arrears

List the name of the councillor which at any time during the relevant financial year was in arears for more than 90 days	**Amount outstanding for more than 90 days**	
M Du Plessis	9 618	-
NR & FP Rakolle	51 142	44 637
JM Mamabolo	10 970	16 970
KS & TP Komape	30 292	25 403
HL Laurens	1 523	1 352
PM, EM & JM Maunatlala, Bopape & Sereme	-	16 347
DS Maimane	6 931	9 178
TW Mhlanga	58 927	106 406
JC Van Rhyn	14	14
E Van Der Schyff	25 143	1 171
WJ Muller	6 140	-
J Pieterse	25 314	-
Mhlambi	617	-
M.S Moloi	5 905	-
	232 536	**221 478**

Figures in Rand	2025	2024

53. Deviations from SCM regulations - SCM Regulation 36

In terms of section 36 of the municipality SCM regulations, any deviations from SCM policy needs to be approved by the accounting officer and noted by Council. The awards listed below have been approved by the accounting officer and noted by Council.

All deviations considered by the accounting officer are processed in terms of the SCM regulations and the municipality's SCM policy. This process entails being assessed by the SCM Bid Adjudication Committee in terms of the stipulated criteria for emergency procurements and circumstances where it is impractical or not possible to follow the official procedure.

Deviation from, and ratification of minor breaches of, the procurement processes

In terms of section 36(2) of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the annual financial statements.

SGM paragraph reverence	Disciplinary steps/criminal proceedings	2025	2024
36 (1)(a) i	Dispense with the official procurement processes in an emergency	3 960 000	5 799 297
36 (1)(a) ii	Dispense with official procurement processes if such goods or services are produced or available from a single source or sole provider.	-	815 434
36 (1)(a) v	Dispense with official procurement processes in any other exceptional case where it is impractical or impossible to follow the official procurement processes.	12 859 931	29 790 524
Total deviations		**16 819 931**	**36 405 255**

Figures in Rand	2025	2024

54. Additional disclosure in terms of Municipal Finance Management Act

SALGA Contributions

Opening balance	2 732 425	7 769 286
Current year subscription / fee	7 400 564	1 842 921
Amount paid - current year	(8 218 241)	-
Amount paid - previous period	-	(6 879 782)
Amount approved by accounting officer and noted by council	**1 914 748**	**2 732 425**

Audit fees

Opening balance	754 718	728 204
Current year subscription / fee	12 465 439	11 093 358
Amount paid - current year	(11 633 352)	-
Amount paid - previous period	-	(11 066 844)
Amount approved by accounting officer and noted by council	**1 586 805**	**754 718**

PAYE

Opening balance	8 998 334	7 545 330
Current year subscription / fee	118 279 004	104 858 575
Amount paid - current year	(117 541 570)	-
Amount paid - previous period	-	(103 405 571)
Amount approved by accounting officer and noted by council	**9 735 768**	**8 998 334**

UIF

Opening balance	478 786	471 087
Current year subscription / fee	5 887 468	5 654 550
Amount paid - current year	(5 873 978)	-
Amount paid - previous period	-	(5 646 851)
Amount approved by accounting officer and noted by council	**492 276**	**478 786**

SDL

Opening balance	507 701	463 287
Current year subscription / fee	6 318 710	5 870 865
Amount paid - current year	(6 293 870)	-
Amount paid - previous period	-	(5 826 451)
Amount approved by accounting officer and noted by council	**532 541**	**507 701**

Pension deductions

Opening balance	9 922 766	7 530 733
Current year subscription / fee	122 750 477	119 119 730
Amount paid - current year	(122 330 102)	-
Amount paid - previous period	-	(116 727 697)
Amount approved by accounting officer and noted by council	**10 343 141**	**9 922 766**

Medical aid deductions

Figures in Rand	2025	2024

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

Opening balance	7 646 341	6 123 006
Current year subscription / fee	93 658 312	88 952 060
Amount paid - current year	(93 275 369)	(87 428 725)
Amount approved by accounting officer and noted by council	**8 029 284**	**7 646 341**

Value Added Tax

VAT receivable	176 200 762	58 473 209

55. Capital commitments

Commitments in respect of capital expenditure:

Approved and contracted for:		
Sanitation	89 200 832	59 490 631
Roads and stormwater	207 854 322	146 950 704
Electricity	34 146 723	44 126 982
Community	20 416 186	46 369 006
Other	-	13 030 788
	351 618 063	**309 968 111**

This committed expenditure relates to property, plant and equipment and will be financed by government grants.

56. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of R 3 131 262 427 and that the municipality's total assets exceed its liabilities by R 3 131 262 427.

The following matters when considered in aggregate indicate that the municipality may be unable to realise its assets and discharge its liabilities in the normal course of the business.

1. Deteriorating Financial Performance and Position

- **Persistent Operating Deficits**: The municipality recorded a significant deficit of R 260.6 million for the year ended 30 June 2025. This represents a deterioration from the prior years' deficit of R 295.0 million, indicating a continued inability to align expenditure with revenue generation (Statement of Financial Performnce).

- **Severe Liquidity Crisis**: As at 30 June 2025, the municipality current liabilities of R 3.018 billion far exceeds its current assets of R 1.481 billion (Statement of Financial Position). This results in negative working capital of over R1.536 billion demonstrating a critical inability to meet short-term obligations.

- **Erosion of Net Assets**: The municipality's net asset position has decreased from R 3.392 billion to R 3.131 billion primarily due to current year's deficit (Statement of Changes in Net Assets).

2. Inability to Service Debt and Creditor Obligations

- **Default on Major Loan:** The municipality was unable to service its loan with the Public Investment Corporation (PIC) as per the original payment arrangement due to "cash flow challenges". This necessitated a renegotiation of terms in june 2025, which was only approved post-year end on 21 July 2025 14&49. This default is a primary indicator of financial distress.

56. Going concern (continued)

- **Late Payment of Key Suppliers:** The municipality consistently failed to pay its bulk suppliers-Eskom, Rand Water, Department of Water and Sanitation (DWS) and the City of Tshwane (CoT) within the required 30 days period. This has resulted in significant interest charges further straining cash resources and is noted as both a non-compliance with the MFMA (Accounting Officer's Report) and the primary source of fruitless and wasteful expenditure (Note 51.3)

- **Massive Trade Payables**: Trade and other payables from exchange transactions have increased to R 2.9 billion of which R 1.73 billion is for bulk purchases.

3. **Systematic Governance and internal Control Failures**.

- Mandatory Intervention: The municipality is under mandatory intervention by the Provincial Executive in terms of Section 139 of the Constitution. The survival and financial improvement of the municipality is explicitly linked to the successful implementation of the Financial Recovery Plan developed by National Treasury.

- Pervasive Unauthorised, Irregular, Fruitless and Wasteful (UIFW) Expenditure: The closing balances for these items are significantly high in relation to the municipal budget.

4. Management's Position and Conclusion

The accounting officer has prepared these financial statement on a going concern basis, presuming that the implementation of the Financial Recovery Plan and access to future funding as Gazetted in terms of DORA will allow the municipality to continue its operations. The Medium Term Expenditure Framework provides for municipal fnunding allocation spanning the next three-financial years, confirming further the ability of the municipality to continue operating as a going concern.

Notes to the Annual Financial Statements

57. GRAP 3 adjustments

The following restatements and adjustments occurred which are set out below:

57.1 Adjustments of Statement of financial performance items

2024 (30 June 2024)

	Note	As previously reported	Correction of error	Re-classification	Restated
Revenue					
Exchange revenue					
Services charges	22	888 026 138	-	(888 026 138)	-
Services charges – Electricity	22	-	-	670 008 644	**670 008 644**
Services charges – Waste management	22	-	-	64 708 902	**64 708 902**
Services charges – Waste water management	22	-	13 074 868	37 299 120	**50 373 988**
Services charges – Water management	22	-	53 526 602	114 848 255	**168 374 857**
Operational revenue	31	24 923 290	(8 469 537)	(1 142 010)	**15 311 743**
Actuarial gains		6 973 279	-	(6 973 279)	-
		919 922 707	**58 131 933**	**(9 276 506)**	**968 778 134**
Non-exchange revenue					
Transfers and subsidies – Operational	30	1 390 173 661	-	(333 922 870)	**1 056 250 791**
Transfers and subsidies – Capital	30	-	-	335 064 880	**335 064 880**
Interest - municipal debt relief - debt waived		108 161 356	-	(108 161 356)	-
Operational revenue	31	-	-	108 161 356	**108 161 356**
Fair value adjustments		37 872 800	-	(37 872 800)	-
Gains	32	-	-	37 967 872	**37 967 872**
		1 536 207 817	**-**	**1 237 082**	**1 537 444 899**
Total revenue		**2 456 130 524**	**58 131 933**	**(8 039 424)**	**2 506 223 033**
Expenditure					
Employee related cost	34	699 720 993	-	(35 084 389)	**664 636 604**
Bulk purchases	36	979 234 212	-	(146 520 310)	**832 713 902**
Inventory consumed	37	-	775 906	254 413 478	**255 189 384**
Debt impairment	38	291 488 312	9 858 649	(12 940 952)	**288 406 009**
Depreciation and amortisation	39	325 669 373	445 396	(22 068 586)	**304 046 183**
Impairment loss / (reversal) of impairment	40	1 047 750	2 942 279	1 395 374	**5 385 403**
Finance costs		135 700 590	-	(135 700 590)	-
Interest	41	-	2 593 160	117 565 590	**120 158 750**
Contracted services	42	241 292 516	-	232 208 577	**473 501 093**
Irrecoverable debts written off	44	-	-	12 940 952	**12 940 952**
Operational cost	45	572 066 656	28 442 364	(272 258 452)	**328 250 568**
Loss on disposal of assets and liabilities		594 742	-	(594 742)	-
Loss on provision for landfill site		1 395 374	-	(1 395 374)	-
Total expenditure		**3 248 210 518**	**45 057 754**	**(8 039 424)**	**3 285 228 848**
Surplus for the year		**(792 079 994)**	**13 074 179**	**-**	**(779 005 815)**

57.2 Adjustments of Statement of financial position items

2024 (30 June 2024)

	Note	Previously reported	Correction of error	Re-classification	Restated
Assets					
Current assets					
Cash and cash equivalents	4	71 270 014	78 198	-	**71 348 212**
Trade and other receivables from exchange transactions	5	445 711 309	(3)	-	**445 711 306**

57. GRAP 3 adjustments (continued)

Receivables from non-exchange transactions	6	217 622 192	4 782 255	-	**222 404 447**
Inventory	8	52 092 359	416	-	**52 092 775**
VAT Receivable	7	87 760 068	(29 286 859)	-	**58 473 209**
Other financial assets		4 079 520	-	(4 079 520)	-
		878 535 462	**(24 425 993)**	**(4 079 520)**	**850 029 949**
Non-current assets					
Investments	9	-	157 423	4 079 520	**4 236 943**
Property, plant and equipment	11	4 859 813 878	(48 613 405)	-	**4 811 200 473**
		4 859 813 878	**(48 455 982)**	**4 079 520**	**4 815 437 416**
Total assets		**5 738 349 340**	**(72 881 975)**	**-**	**5 665 467 365**
Liabilities					
Current liabilities					
Financial liabilities	14	275 963 084	-	(176 792 375)	**99 170 709**
Trade and other payables from exchange transactions	16	1 376 445 558	112 108 315	176 792 375	**1 665 346 248**
		1 652 408 642	**112 108 315**	**-**	**1 764 516 957**
Non-current liabilities					
Financial liabilities	14	-	-	178 507 275	**178 507 275**
Long term trade and other payable	19	-	-	234 942 506	**234 942 506**
Other non-current liabilities		413 449 781	-	(413 449 781)	-
		413 449 781	**-**	**-**	**413 449 781**
Total liabilities		**2 065 858 423**	**112 108 315**	**-**	**2 177 966 738**
Community Wealth / Equity					
Accumulated surplus	21	3 884 849 828	(198 064 470)	-	**3 686 785 358**

57.3 Adjustments of Cash flow statement items

	Note	Previously reported	Correction of error	Re-classification	Restated
Cash flows from operating activities					
Receipts					
Sale of goods and services		898 662 669	50 799 353	-	**949 462 022**
Operational revenue		51 518 094	(9 768 970)	-	**41 749 124**
Transfers and Subsidies – Capital		1 389 082 508	1 142 010	(1 056 250 791)	**333 973 727**
Transfers and Subsidies – Operational		-	-	1 056 250 791	**1 056 250 791**
Interest		240 703 482	(108 161 354)	-	**132 542 128**
		2 579 966 753	**(65 988 961)**	**-**	**2 513 977 792**
Payments					
Suppliers and employees		(2 577 268 548)	407 992 477	-	**(2 169 276 071)**
Finance charges		(135 700 590)	56 434 270	-	**(79 266 320)**
		(2 712 969 138)	**464 426 747**	**-**	**(2 248 542 391)**
Net cash from(used) operating activities		**(133 002 385)**	**398 437 786**	**-**	**265 435 401**
Cash flows from investing activities					
Payments					
Capital assets		(338 564 916)	13 375 293	-	**(325 189 623)**
Cash flows from financing activities					
Payments					
Decrease in borrowing long-term		-	(47 601 941)	-	**(47 601 941)**
Net increase/ (decrease) in cash		**(471 567 301)**	**364 211 138**	**-**	**(107 356 163)**

57.4 Correction of errors

The following prior period errors adjustments occurred:

57. GRAP 3 adjustments (continued)

Services charges – Waste water management

During the current financial year, management identified a significant prior period error amounting to R13 074 868 relating to revenue billed for waste water that was not rendered. The municipality had incorrectly billed residents of the Lethabong area for waste water from the 2013/14 financial year through to the 2023/24 financial year.

A comprehensive review confirmed that the necessary infrastructure for the provision of these services was not in place, and consequently, the services were never provided to the affected community. The reversal was erroneously posted in the financial year 2023/24 rather than in the prior years. Therefore, the correcting journal was posted to recognise the transaction in the correct financial period.

The cumulative effect of the error for periods prior to the comparative year has been adjusted against the opening balance of accumulated surplus.

Services charges – Water management

During the current financial year, management identified a significant prior period error amounting to R53 526 602 relating to revenue billed for water that was not rendered. The municipality had incorrectly billed residents of the Lethabong area for water from the 2013/14 financial year through to the 2023/24 financial year.

A comprehensive review confirmed that the necessary infrastructure for the provision of these services was not in place, and consequently, the services were never provided to the affected community. The reversal was erroneously posted in the financial year 2023/24 rather than in the prior years. Therefore, the correcting journal was posted to recognise the transaction in the correct financial period.

The cumulative effect of the error for periods prior to the comparative year has been adjusted against the opening balance of accumulated surplus.

Operational revenue

An error was identified in which the votes relating to bulk creditors were mapped under operational revenue, necessitating the correction of the error.

Inventory consumed

During the prior year reconciliation of payables from exchange transactions, we identified invoices relating to inventory consumed, amounting to R775 906, that were not recorded in the 2023/24 financial year.

Debt impairment

In accordance with VAT Fact Sheet 11 released by the ASB, the municipality removed the debt impairment previously accounted for in the Statement of Financial Performance in order to net it off against the VAT output accrual.

Depreciation and amortisation

Due to the corrections made to property, plant and equipment, the depreciation on assets was recalculated and included in the 2023/24 financial year.

Impairment loss / (reversal) of impairment

The municipality did not account for impairment on infrastructure assets amounting to R2 942 278 hence requiring restatement in line with adjustments done to property plant and equipment.

Interest

During the prior year reconciliation of payables from exchange transactions, we identified statements that were reflecting interest that was not captured in the 2023/24 financial year amounting to R2 593 160.

Operational cost

57. GRAP 3 adjustments (continued)

In the previous financial year, the municipality capitalised expenditure of R12 592 384 which did not meet the definition of property, plant and equipment resulting in a restatement to expense the amount in the 2023/24 financial year.

Additionally, the municipality reperformed reconciliation of payables from exchange transactions, and identified various operational costs that had not been captured in the 2023/24 financial year.

Cash and cash equivalents

Management identified that a deposit received in the prior year was not adequately recorded. The omission was an administrative oversight. The comparative figures have been restated to correct the error.

Trade and other receivables from exchange transactions

During the current financial year, management identified a prior period rounding-off error totaling R3 in the financial statements due to reporting template conversion. Given that the rounding-off error is immaterial, the correction has no significant impact on the municipality's financial position, financial performance, or cash flows for the affected period.

Receivables from non-exchange transactions

n the 2023/24 financial year, the municipality overstated receivables from non-exchange transactions due to receipts that were not credited to the accrued income vote, resulting in inaccurate reporting of receivables from non-exchange transactions.

Inventory

During the current financial year, management performed a detailed recalculation and review of water losses for the prior year ended for purposes of alignment to mSCOA specimen disclosures. This review identified an unidentified and unreconciled total difference of R416 in the water losses calculation that is included in the Inventory note.

The error appears to have originated from computational inaccuracies during the aggregation and calculation of water loss volumes and their corresponding financial impact. The exact source of the variance could not be identified despite detailed reconciliation procedures.

The comparative figures have been restated to reflect the accurate water losses calculation and its financial impact.

VAT receivable

In line with VAT Fact Sheet 11 issued by the ASB, the municipality restated its VAT balances due to incorrect accounting for debt impairment. The debt impairment had been expensed over multiple years without the corresponding reversal of VAT previously declared to SARS. As a result, the VAT input and output accruals were misstated.

To correct this, the municipality reversed the impairment amounts previously recognised in the Statement of Financial Performance and offset them against the VAT output accrual. In addition, errors in the previously reported VAT balances were corrected to ensure accurate disclosure.

Additionally, the municipality previously treated grants received from the Provincial Government for library services as exempt supplies under section 11(2)(t) of the Value-Added-Tax Act, 1991 (Vat Act). However, following a comprehensive review of the constitutional framework and Binding General Ruling (VAT) 74 dated 3 October 2024, management determined that this treatment was incorrect.

Legal and Regulatory Framework, library grants are constitutionally a provincial competence as defined in the Constitution of the Republic of South Africa, 1996. When a municipality performs library services on behalf of the provincial government, it acts in an agency or delegation capacity. According to BGR 74, grants received for such services constitute consideration for taxable supplies and are subject to VAT at the standard rate of 15%.

The correction applied was that the municipality has retrospectively corrected the VAT treatment of library services grants. The correction involves recognising output vat liability on the full value of library services grants received and adjusting the net VAT position with SARS. Following the correction, the municipality’s net VAT position with SARS reflects an amount receivable, consequently no interest or penalties are applicable in relation to this error.

57. GRAP 3 adjustments (continued)

Investments

During the current financial year, management identified a prior period error relating to the amount disclosed for Investments in the Annual Financial Statements (AFS) for the year ended 30 June 2024. The error was identified upon receipt of the investment confirmation statement from the financial institution, which revealed a discrepancy between the balance confirmed and the amount recorded and disclosed in the prior year AFS.

The error has been corrected by retrospectively restating the prior period’s financial information.

Property, plant and equipment

During the current financial year, management identified several errors in the Property, Plant and Equipment (PPE) balances reported in the prior year. The errors comprised three distinct components as follows:

a) Impairment of Community Assets: The municipality constructed a community car wash facility (Madibeng Car Wash) intended to serve the local community. However, the facility was never utilised for its intended purpose and subsequently suffered vandalism, rendering it inoperable. Management failed to recognize the impairment of this community asset in the prior year, despite clear indicators that its carrying amount exceeded its recoverable amount.

b) Incorrect VAT Adjustment on Work in Progress: A VAT adjustment was incorrectly posted to Work in Progress assets instead of being processed against the appropriate VAT accounts. This resulted in an overstatement of the Work in Progress balance

c) Unrecorded Assets: Certain assets that were physically in use by the municipality were not captured in the asset register and were therefore omitted from the property, plant and equipment balance disclosed in the prior year's financial statements.

d) In the previous financial year, the municipality capitalised expenditure of R 44 887 651 which did not meet the definition of property, plant and equipment resulting in a restatement in the current financial year.

In accordance with GRAP 3: Accounting Policies, Changes in Accounting Estimates and Errors and GRAP 21: Impairment of Non-cash-generating Assets, the errors have been corrected retrospectively. The comparative figures have been restated to reflect the accurate property, plant and equipment balances as at the prior year-end.

Trade payables from exchange transactions

The municipality in the previous financial years was qualified on Trade and other payables from exchange transactions due to discrepancies between trade creditors listing and supplier statements. The trade creditors listing was not reconciled with the corresponding supplier statements, indicating potential data inconsistencies and certain supplier invoices were not recorded in the financial system, resulting in incomplete accounts payables. Additionally, the retention balance from prior years included amounts that could not be traced back to supporting documentation or specific transactions, indicating potential gaps in historical record keeping or system migration issues. The municipality then did a holistic reconciliation process to ensure Trade and other payables from exchange transactions were complete, existed, and the amounts were correct resulting in the prior year adjustment.

Accumulated surplus

It was restated by R198 064 470 mainly due to corrections made to property, plant and equipment, VAT receivables and payables from exchange transactions.

Cash flow statement

Due to the above prior period corrections and reclassifications to the account balances, the Cash Flow Statement was recalculated and adjustments were made on sale of goods and services, Operational revenue, Transfers and Subsidies - Operatiotional, Transfers and Subsidies – Operational, Suppliers and employees, Finance charges, Capital assets and Decrease in borrowing long-term.

57. GRAP 3 adjustments (continued)

57.5 Reclassification

The following reclassifications adjustments occurred:

Service charges

The municipality reclassified an amount of R888 026 138 to the relevant service-charge line items to align with the mSCOA requirements. These line items are service charges for electricity, water management, wastewater management, and waste management.

Operational revenue

In the prior financial year, the LGSETA grant amounting to R1 142 010 was incorrectly recognised as operational revenue. This amount has been reclassified to Transfers and Subsidies to ensure appropriate presentation in accordance with the applicable reporting framework.

Actuarial gains

In line with the requirements of GRAP 25, that post employment benefits are classified under employee related costs.

Transfers and subsidies

During the current financial year, management identified that the disclosure of Transfers and Subsidies in the prior year did not comply with the enhanced Municipal Standard Chart of Accounts (mSCOA) disclosure requirements.

The reclassification relates to the failure to properly distinguish and separately disclose operational grants from capital grants within the Transfers and Subsidies revenue line item. In the prior year, these grants were aggregated and disclosed as a single line item without the required split between their operational and capital components as mandated by mSCOA.

Operational revenue

Interest - municipal debt relief - debt waived was reclassified to operational non exchange revenue in line with the mSCOA specimen.

Gains

In line with mSCOA requirements, fair value adjustments and gains and losses on the disposal of assets and liabilities were reclassified to gains, amounting to R37 967 872.

Employee related cost

The reclassification was due to employee related costs that were capitalised to water inventory consumed, in line with the requirements of GRAP 12. Furthermore, R18 135 000 relating to medical interest costs was incorrectly mapped under employee-related costs. Lastly, R6 973 279 relating to actuarial gains was remapped to employee related costs, as well as R8 488 relating to a medical aid vote that had been incorrectly mapped under employee-related costs.

Bulk purchases

The reclassification was due to water bulk purchases that were capitalised to water inventory consumed, in line with the requirements of GRAP 12.

Inventory consumed

To align with mSCOA requirements, consumables previously classified under operational costs were reclassified to inventory consumed. Furthermore, labour costs, material supplies, and depreciation directly attributable to the provision of water were capitalised to inventory consumed.

57. GRAP 3 adjustments (continued)

Debt impairment

The actual debts written off were reclassified from debt impairment to irrecoverable debts written off in compliance with the requirements of GRAP 104.

Depreciation and amortisation

To align with mSCOA requirements, depreciation for assets directly attributable to the provision of water were capitalised to inventory consumed.

Impairment loss / (reversal) of impairment

Reclassification from loss on provision for landfill site to impairment losses in line with the mSCOA specimen.

Interest

In the prior year the municipality accounted for interest expenses as finance costs (R135 700 590) which has been reclassified in line with the mSCOA requirements. Furthermore, an amount of R18 135 000 relating to medical interest cost was remapped to employee costs.

Contracted services

Reclassification of contracted services from operational costs in line with the mSCOA specimen.

Operational cost

Reclassification of operational costs to contracted services in line with the mSCOA specimen.

Other financial assets

Reclassification of amounts in other financial assets to investments line items, to align with mSCOA requirements.

Investments

Reclassification of amounts from other financial assets to investments line items, to align with mSCOA requirements and an amount of R373 445 relating to reversal of internal billing was included in operating costs..

Financial liabilities -current portion

Reclassification of the Eskom municipal debt relief from financial liabilities to Trade and other payables from exchange transactions in line with mSCOA requirements.

Financial liabilities – non-current portion

In the prior year the municipality accounted for the PIC Loan and municipal debt relief as other financial liabilities which was split to financial liabilities for the PIC Loan and Trade and other payables for the municipal debt relief.

58. Financial instruments

58.1 Fair value of financial instruments

The management class: councillors of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the annual financial statements approximate their fair values, except for the listed Government stock. In accordance with GRAP 104 the Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of financial position, are as follow:

Figures in Rand	2025	2024

58. Financial instruments (continued)

	Note	2025 Carrying amount	2025 Fair value	2024 Carrying amount	2024 Fair value
Financial assets					
Fair value					
Listed investments	9	4 447 887	4 447 887	4 236 943	4 236 943
Amortised cost					
Trade and other Receivables from Exchange Transact		777 193 175	777 193 175	445 711 306	445 711 306
VAT input accrual		241 537 170	241 537 170	106 404 459	106 404 459
Cash and cash equivalents	4	89 744 359	89 744 359	71 348 212	71 348 212
		1 108 474 704	**1 108 474 704**	**623 463 977**	**623 463 977**
Total financial assets		**1 112 922 591**	**1 112 922 591**	**627 700 920**	**627 700 920**
Financial liabilities					
Amortised cost					
Trade and other payables:					
Consumer deposits	15	28 298 080	28 298 080	27 187 688	27 187 688
Trade and other payables from exchange transactions	16	2 853 014 883	2 853 014 883	1 665 346 246	1 665 346 246
VAT output accrual		65 697 213	65 697 213	46 391 953	46 391 953
		2 947 010 176	**2 947 010 176**	**1 738 925 887**	**1 738 925 887**
Total financial instruments		**(1 834 087 585)**	**(1 834 087 585)**	**(1 111 224 967)**	**(1 111 224 967)**

The Fair Values of Financial Assets and Financial Liabilities are determined as follow:

The Fair Value of Long term liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The fair value of Other Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

The annual financial statements include holdings in Listed Government Stock which are measured at Fair Value (Note 9). Fair Value is estimated with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices.

Assumptions used in determining fair value of financial assets and financial liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments.

The levels have been defined as follow:

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

58. Financial instruments (continued)

30 June 2025

	Less than 1 year	Between 1 and 2 years	Over 2 years	Total
Financial assets				
Financial instruments at fair value:				
Other financial assets	4 290 465	-	-	4 290 465
Trade and other receivables from exchange transactions	756 569 431	-	-	756 569 431
Cash and cash equivalents	89 912 556	-	-	89 912 556
VAT input accrual	241 537 170	-	-	241 537 170
Total financial assets	**1 092 309 622**	**-**	**-**	**1 092 309 622**

30 June 2024

	Less than 1 year	Between 1 and 2 years	Over 2 years	Total
Financial assets				
Financial instruments at fair value:				
Other financial assets	4 079 520	-	-	4 079 520
Trade and other receivables from exchange transactions	445 711 307	-	-	445 711 307
Receivables from non-exchange transactions	7 215 299	-	-	7 215 299
Cash and cash equivalents	71 269 716	-	-	71 269 716
VAT input accrual	106 404 459	-	-	106 404 459
Total financial assets	**634 680 301**	**-**	**-**	**634 680 301**

58.2 Capital risk management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance.

58.3 Financial risk management objectives

Due to largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IFRS mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department: Financial services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit and risk management, responsible for monitoring and responding to potential risk, reports quarterly to the municipality’s audit committee, an independent body that monitors the effectiveness of the internal audit function.

58.4 Significant accounting policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the annual financial statements.

58. Financial instruments (continued)

58.5 Market risk

The municipality’s activities expose it primarily to the financial risks of changes in interest rates (see Note 58.6 below). No formal policy exists to hedge volatilities in the interest rate market.

58.6 Interest rate risk

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

Potential concentrations of interest rate risk on financial assets consist mainly of fixed deposit investments and bank and cash balances.

The municipality’s maximum exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

58.7 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by effectively managing its working capital, capital expenditure, external borrowings and cash flows. Standby credit facilities are available with the municipality’s main banker to cater for any unexpected temporary shortfall in operating funds.

30 June 2025

	Within 1 year	2 to 5 years	Total
Maturity analysis			
Other financial liabilties	128 507 275	89 502 425	218 009 700
Payables from exchange transactions	2 900 681 402	109 914 623	3 010 596 025
Consumer deposits	28 298 080	-	28 298 080
VAT output accrual	65 697 213	-	65 697 213
	3 123 183 970	**199 417 048**	**3 322 601 018**

30 June 2024

	Within 1 year	2 to 5 years	Total
Maturity analysis			
Other financial liabilities	99 170 709	178 507 275	277 677 984
Payables from exchange transactions	1 629 874 877	234 942 506	1 864 817 383
Consumer deposits	27 187 688	-	27 187 688
VAT output accrual	46 391 953	-	46 391 953
	1 802 625 227	**413 449 781**	**2 216 075 008**

The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain its current debt to equity ratio. This will be achieved through the annual increase in tariffs to maintain the accumulated surplus, as well as the increased use of unsecured bank loan facilities.

58.8 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

58. Financial instruments (continued)

The municipality manages credit risk in its borrowing and investing activities by only dealing with wellestablished financial institutions of high credit standing, and by spreading its exposure over a range of such institutions in accordance with its approved investment policies. Credit risk relating to consumer debtors is managed in accordance with the municipality's credit control and debt collection policy. The municipality's credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in the accounting policies and Note 6 to the annual financial statements.

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 is limited because the counterparties are banks with high credit-ratings.

The carrying amount of financial assets recorded in the annual financial statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follow:

Investments	9	4 447 887	4 236 943
Bank and cash balances	4	89 744 359	71 348 212
Maximum credit and interest risk exposure		**94 192 246**	**75 585 155**

59. Budget information

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

Explanation of variances between approved and final budget amounts

The reason for the variances between the approved and final budgets are mainly due to reallocations made within the approved budget parameters allowed for by the Virement Policy of Madibeng Local Municipality as approved by Council.

Explanation of variances greater than 10%: Final Budget and Actual Amounts.

59.1. Statement of financial position

Current assets

- The municipal budget is primarily driven by revenue and expenses. Budget amounts for these items were ommitted in the financial position, and only the movements in the income statement were primarily budgeted for.

Non-current assets

- The amounts in the budget were not adequately prepared and presented for provisions and payable from exchange transactions.

59. Budget information (continued)

59.2. Statement of financial performance

Revenue from exchange transactions

- Other income exceeded the planned budget due to higher-than-expected revenue from various accounts, including library fees, other services, cemetery fees, and development charges. In addition, the other income components are split on the A Schedule but combined on the face of the annual financial statements.
- Service charges and agency fees- these items was over budgeted during budget adjustment
- Interest earned from receivables -the culture of none payment from our consumers lead to high interest
- Interest from current and non current assets -the cash flow challlenges we have did not allow us to invest as unticipated
- Rental from fixed assets and licence and permits - these items were under budgeted.
- Operational revenue - the actual revenue includes other revenue items

Revenue from non-exchange transactions

- The item is split between exchange and non-exchange revenue, whilst combined on the budget schedule approved by Council.
- Fines and penalties - the item was over budgeted due to expectation to collect more traffic fines since the muniucipality purchased traffic enforcement trailer but the trailer functionality too time to start because of speed point machines so that people can pay on the spot

Expenditure

- Bulk purchases - the item was slightly under budgeted
- Inventory consumed -due to delupidated infrastructure and emergency work a lot of material was purchased.
- Interest - due to non-payment of eskom account
- Debt impairment, depreciation and amortisation and contracted services - these items was over budgeted.
- Operationall costs - the item was under budgeted and in this financial year the municipality experienced a lot of service delivery emergencies that were unavoidable

60. Segment information (Additional Information - Vote Classification)

General information

Identification of segments

The segments of the municipality are identified as those activities and/or votes of the municipality that generate economic benefit or service potential and whose results are regularly reviewed by management to make decisions about resources to be allocated to segments and in assessing segments performance and for which separate financial information is available.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.

Figures in Rand	2025	2024

60. Segment information (Additional Information - Vote Classification) (continued)

Aggregated segments

The municipality is a local municipality within the Bojanala Platinum District Municipality, in the North West province of South Africa. The head office of the municipality is in Brits. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout local municipalities were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Community and public safety	Sports and Recreation, Housing, Health, Public Safety, Parks, Graveyards, Libraries and Community and Social Services
Economic and environmental services	Environmental Protection, Road Transport, Planning and Development
Trading services	Water and Electricity, Waste Management and Wastewater Management
Unallocated segments	Council administration, Corporaye Support Service and Budget & Treasury Office

Segment surplus or deficit, assets and liabilities

By vote

2025 (30 June 2025)

	Statement of financial performance			Statement of financial position
	Total segment revenue	Total segment expenditure	Total segment surplus/ (Deficit)	Total segment assets and liabilities
Council Administration	-	49 919 818	(49 919 818)	337 801
Municipal Manager	-	163 848 680	(163 848 680)	2 131 868
Corporate Support Services	1 176 458	129 235 897	(128 059 439)	27 588 185
Budget and Treasury Office	1 699 348 728	626 979 124	1 072 369 604	(1 657 004 869)
Infrastructure and Technical Services	1 464 602 304	1 717 293 545	(252 691 241)	4 955 870 555
Community services	98 581 467	169 798 965	(71 217 498)	55 173 923
Human settlement and Planning	5 996 416	33 286 623	(27 290 207)	(531 224 902)
Environmental development, Tourism and Agriculture	1 360 592	28 148 577	(26 787 985)	83 134 713
Public safety and Social Services	23 108 716	634 121 299	(611 012 583)	195 255 153
Risk Management	-	2 105 202	(2 105 202)	-
Total	**3 294 174 681**	**3 554 737 730**	**(260 563 049)**	**3 131 262 427**

2024 (30 June 2024)

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

60. Segment information (Additional Information - Vote Classification) (continued)

	Statement of financial performance			Statement of financial position
	Total segment revenue	Total segment expenditure	Total segment surplus/ (Deficit)	Total segment assets and liabilities
Council Administration	-	42 713 929	(42 713 929)	48 702
Municipal Manager	-	65 528 595	(65 528 595)	497 563
Corporate Support Services	1 142 010	109 486 583	(108 344 573)	27 651 799
Budget and Treasury Office	1 599 940 009	538 355 954	1 061 584 055	(1 204 972 361)
Infrastructure and Technical Services	1 325 009 183	1 787 606 860	(462 597 677)	4 656 707 281
Community services	74 402 456	175 619 075	(101 216 619)	108 910 055
Human settlement and Planning	3 935 100	45 288 341	(41 353 241)	(393 692 575)
Environmental development, Tourism and Agriculture	878 664	17 768 355	(16 889 691)	80 179 923
Public safety and Social Services	24 704 384	541 696 051	(516 991 667)	116 495 088
Risk Management	-	907 945	(907 945)	-
Total	**3 030 011 806**	**3 324 971 688**	**(294 959 882)**	**3 391 825 475**