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

General Information

Nature of business and principal activities	Provision of municipal services to communities within the Ratlou constituency
Mayoral committee	
Mayor	Cllr R Jafta Matlhomola
Speaker	Cllr K Gloria Leepo
Chief whip	Cllr Leonard Soka
	Cllr Thabo Motlapele (Infrastructure and Technical Services
	Cllr Thabang Mothibedi (Finance)
	Cllr C Sebolai (Corporate)
	Cllr Irene Tladi (Town Planning Services)
	Cllr Steven Motone (Community Services)
	Cllr Nxamo Radebe (MPAC Chairperson)
Councillors	Cllr Douglas Gaasenwe
	Cllr Godsend Mokgope
	Cllr Maria Badirwang (Deceased)
	Cllr Daniel Sejamoholo
	Cllr Mhletjwa Nqume
	Cllr Abel Pheho
	Cllr Pontsho Mafethe
	Cllr David Seitshiro
	Cllr Pule Shawe
	Cllr Gomotsegang Mogapi
	Cllr Baile Mosepele
	Cllr Tshepiso Dipheko
	Cllr Valencia Jantjies
	Cllr Anna Masilo
	Cllr Matahleho Dala
	Cllr Rapita Tshabang
	Cllr Kerotse Sechele
	Cllr Priscilla Letebele
	Cllr Minah Bhyan
Grading of local authority	Grade 1
Accounting Officer	Mr Lloyd Leoko
Acting Chief Finance Officer	Ms Priscilla Moruakgomo
Registered office	Delareyville Road, Next to Setlagole Library Setlagole 2772
Postal address	Private Bag X209 Madibogo 2772

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts

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 given unrestricted access to all financial records and related data.

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

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

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

The accounting officer certifies that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 27 of these 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, (Act 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

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

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on page 4, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2025 and were signed by:

Accounting Officer
Mr Lloyd Leoko

Accounting Officer's Report

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

1. Review of activities

Main business and operations

Net deficit of the municipality was 1 657 579 (2024: surplus 21 499 032).

2. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of 398 277 164 and that the municipality's total assets exceed its liabilities by 398 277 164.

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

The municipality will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, (Act 5 of 2023).

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

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

Name	Nationality
Mr Lloyd Leoko	South African

6. Corporate governance

General

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

Audit and risk committee

The Audit Committee has complied with the responsibilities arising from Section 166 of the Municipal Finance Management Act and Circular 65 issued by National Treasury. The Audit Committee has adopted appropriate formal terms of reference as its Audit Committee Charter, and it has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

7. Auditors

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

The annual financial statements set out on page 4, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2025 and were signed by:

Accounting Officer
Mr Lloyd Leoko

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	40 039 648	52 875 318
Receivables from exchange transactions	4&6	11 909 480	11 950 484
Receivables from non-exchange transactions	5&6	11 407 207	9 719 758
VAT receivable	8	9 955 414	10 362 663
Inventories	9	487 904	408 426
		73 799 653	**85 316 649**
Non-Current Assets			
Investment property	10	4 000 000	3 800 000
Property, plant and equipment	11	364 108 300	365 958 373
Intangible assets	12	321 926	362 176
		368 430 226	**370 120 549**
Total Assets		**442 229 879**	**455 437 198**
Liabilities			
Current Liabilities			
Operating lease liability	13	151 022	151 022
Payables from exchange transactions	14	27 744 626	25 151 551
Property rates and transfers payable (non-exchange)	15	4 984 932	9 695 651
Consumer deposits	16	4 087	63 922
Employee benefit obligation	17	599 218	518 606
Unspent conditional grants and receipts	18	980 422	2 073 851
		34 464 307	**37 654 603**
Non-Current Liabilities			
Employee benefit obligation	17	7 732 067	6 170 036
Provisions	19	1 756 343	1 952 221
		9 488 410	**8 122 257**
Total Liabilities		**43 952 717**	**45 776 860**
Net Assets		**398 277 162**	**409 660 338**
Accumulated surplus		398 277 164	407 589 031
Total Net Assets		**398 277 164**	**407 589 031**

* See Note 50 & 49

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	611 916	431 989
Rental of facilities and equipment	22	2 092 973	1 810 427
Agency services	24	903 772	950 762
Licences and permits	25	195 647	55 689
Reversal of Impairment		-	9 140 869
Other income	28	996 906	466 219
Interest received - investment	29	5 487 230	8 053 016
Gain on disposal of assets		-	1 781 177
Fair value adjustments		628 973	-
Actuarial gains		-	79 454
Total revenue from exchange transactions		**10 917 417**	**22 769 602**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	30	28 291 143	33 140 630
Interest - Taxation revenue	26	10 871 571	8 937 815
Transfer revenue			
Government grants & subsidies	31	220 074 772	218 022 400
Fines, Penalties and Forfeits	23	238 750	227 700
Total revenue from non-exchange transactions		**259 476 236**	**260 328 545**
Total revenue	20	**270 393 653**	**283 098 147**
Expenditure			
Employee related costs	33	(108 500 139)	(96 066 425)
Remuneration of councillors	34	(12 852 822)	(12 031 928)
Depreciation and amortisation	35	(32 939 040)	(30 231 919)
Impairments	36	(7 830 873)	(6 482 769)
Finance costs	37	(1 298 104)	(909 410)
Debt Impairment	39	(6 648 283)	(15 858 459)
Contracted services	41	(32 658 600)	(32 098 788)
Loss on disposal of assets		(1 751 469)	-
Fair value adjustments	44	-	(104 683)
Actuarial losses		(827 592)	-
General Expenses	40	(66 744 310)	(67 828 591)
Total expenditure		**(272 051 232)**	**(261 612 972)**
(Deficit) surplus for the year		**(1 657 579)**	**21 485 175**

* See Note 50 & 49

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2023	**386 103 856**	**386 103 856**
Changes in net assets		
Surplus for the year	21 485 175	21 485 175
Total changes	21 485 175	21 485 175
Opening balance as previously reported	392 637 721	392 637 721
Adjustments		
Prior year adjustments 50	7 297 022	7 297 022
Restated* Balance at 01 July 2024 as restated*	**399 934 743**	**399 934 743**
Changes in net assets		
Deficit for the year	(1 657 579)	(1 657 579)
Total changes	(1 657 579)	(1 657 579)
Balance at 30 June 2025	**398 277 164**	**398 277 164**
Note(s)		

* See Note 50 & 49

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Property rates		18 453 344	25 046 366
Sale of goods and services		3 575 265	4 192 583
Grants		218 981 343	196 858 640
Interest income		258 245	252 139
Vat receipts		17 165 939	14 788 618
		258 434 136	241 138 346
Payments			
Employee costs		(121 352 962)	(108 098 353)
Suppliers		(114 187 002)	(118 862 019)
Finance costs		(327 504)	(909 410)
		(235 867 468)	(227 869 782)
Net cash flows from operating activities	42	**22 566 668**	**13 268 564**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(40 631 323)	(60 796 277)
Purchase of other intangible assets	12	-	(198 650)
Interest Income		5 228 985	7 800 897
Net cash flows from investing activities		**(35 402 338)**	**(53 194 030)**
Net increase/(decrease) in cash and cash equivalents		**(12 835 670)**	**(39 925 466)**
Cash and cash equivalents at the beginning of the year		52 875 318	92 800 784
Cash and cash equivalents at the end of the year	3	**40 039 648**	**52 875 318**

The accounting policies on pages 11 to 39 and the notes on pages 40 to 82 form an integral part of the annual financial statements.

* See Note 50 & 49

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	609 098	42 603	**651 701**	611 916	**(39 785)**	59.1
Rental of facilities and equipment	2 526 722	(455 304)	**2 071 418**	2 092 973	**21 555**	59.2
Agency services	1 395 308	(330 522)	**1 064 786**	903 772	**(161 014)**	59.3
Licences and permits	497 640	(303 805)	**193 835**	195 647	**1 812**	59.4
Other income	320 000	29 187	**349 187**	996 906	**647 719**	
Interest received - investment	11 189 229	(5 240 963)	**5 948 266**	5 487 230	**(461 036)**	59.7
Total revenue from exchange transactions	**16 537 997**	**(6 258 804)**	**10 279 193**	**10 288 444**	**9 251**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	28 783 097	(491 955)	**28 291 142**	28 291 143	**1**	59.8
Interest received on property rates	3 261 147	-	**3 261 147**	10 871 571	**7 610 424**	59.9
Transfer revenue						
Government grants & subsidies	219 153 001	120 000	**219 273 001**	220 074 772	**801 771**	59.10
Fines, Penalties and Forfeits	293 652	(125 402)	**168 250**	238 750	**70 500**	59.11
Total revenue from non-exchange transactions	**251 490 897**	**(497 357)**	**250 993 540**	**259 476 236**	**8 482 696**	
Total revenue	**268 028 894**	**(6 756 161)**	**261 272 733**	**269 764 680**	**8 491 947**	
Expenditure						
Employee related costs	(103 278 300)	(5 259 220)	**(108 537 520)**	(108 500 139)	**37 381**	59.12
Remuneration of councillors	(12 961 932)	-	**(12 961 932)**	(12 852 822)	**109 110**	59.13
Depreciation and amortisation	(36 000 000)	11 076 221	**(24 923 779)**	(32 939 040)	**(8 015 261)**	59.14
Impairment loss/ Reversal of impairments	-	(1 000 000)	**(1 000 000)**	(7 830 873)	**(6 830 873)**	
Finance costs	(60 000)	(270 000)	**(330 000)**	(1 298 104)	**(968 104)**	59.15
Debt Impairment	(6 000 000)	-	**(6 000 000)**	(6 648 283)	**(648 283)**	59.16
Contracted Services	(48 066 732)	3 537 628	**(44 529 104)**	(32 658 600)	**11 870 504**	59.17
General Expenses	(48 983 440)	(10 021 440)	**(59 004 880)**	(66 744 310)	**(7 739 430)**	59.18
Inventory consumed	(2 175 000)	112 000	**(2 063 000)**	-	**2 063 000**	59.19
Total expenditure	**(257 525 404)**	**(1 824 811)**	**(259 350 215)**	**(269 472 171)**	**(10 121 956)**	
Operating surplus	**10 503 490**	**(8 580 972)**	**1 922 518**	**292 509**	**(1 630 009)**	
Loss on disposal of assets and liabilities	-	-	**-**	(1 751 469)	**(1 751 469)**	
Fair value adjustments	-	-	**-**	628 973	**628 973**	
Actuarial gains/losses	-	-	**-**	(827 592)	**(827 592)**	
	-	**-**	**-**	**(1 950 088)**	**(1 950 088)**	
Surplus/(Deficit) before taxation	**10 503 490**	**(8 580 972)**	**1 922 518**	**(1 657 579)**	**(3 580 097)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**10 503 490**	**(8 580 972)**	**1 922 518**	**(1 657 579)**	**(3 580 097)**	

1. Significant account policies

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

1.1 Basis of preparation

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

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

These accounting policies are consistent with the previous period.

1.2 Going concern assumption

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

Management considers key financial metrics and approved medium-term budgets, MFMA Section 71 reports together with the municipality's dependency on grants from national and provincial government, to conclude that the going concern assumption used in the compiling of its annual financial statements, is appropriate. Management is continuously assessing any indicators of negative impact.

1.3 Materiality

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Significant judgements and sources of estimation uncertainty

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

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

Trade receivables / Held to maturity investments and/or loans and receivables

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

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

Significant Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that there are changes (with adverse effect) in technology, legal or government policy environment or evidence of obsolescence or physical demage may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Useful lives of waste and water network and other assets

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

Post-retirement benefits

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

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

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

Significant Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

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

Allowance for doubtful debts

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

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships.

Additional information is disclosed in Note 60.

Impairment of statutory receivables

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

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

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

1.5 Investment property

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

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

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

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

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

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

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

Significant Accounting Policies

1.5 Investment property (continued)

Fair value

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

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

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

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

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

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

- Managements intended use for the property
- The nature of activities conducted at the property, if any

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	40 years
Buildings	Straight-line	4 - 41 years
Motor vehicles	Straight-line	6 - 16 years
Office equipment	Straight-line	4 - 11 years
IT equipment	Straight-line	4 - 11 years
Infrastructure	Straight-line	4 - 41 years
Community	Straight-line	4 - 31 years
Other property, plant and equipment	Straight-line	4 - 11 years
Bins and containers	Straight-line	4 - 6 years
Landfill site	Straight-line	40 years

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

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

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

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

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

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

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

Significant Accounting Policies

1.6 Property, plant and equipment (continued)

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 11).

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

1.7 Site restoration and dismantling cost

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

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

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

1.8 Intangible assets

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

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

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

Significant Accounting Policies

1.8 Intangible assets (continued)

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Intangible (Website development)	Straight-line	9 - 11 years

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

1.9 Financial instruments

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

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

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

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

Significant Accounting Policies

1.9 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

1.9 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

1.9 Financial instruments (continued)

Classification

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

Class	Category
Loan1	Financial asset measured at amortised cost
Loan2	Financial asset measured at amortised cost
Loan3	Financial asset measured at amortised cost
Other receivables1	Financial asset measured at amortised cost
Other receivables2	Financial asset measured at amortised cost
Other financial asset1	Financial asset measured at fair value
Other financial asset2	Financial asset measured at fair value

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

Class	Category
Loan1	Financial liability measured at amortised cost
Loan2	Financial liability measured at amortised cost
Loan3	Financial liability measured at amortised cost
Other receivables1	Financial liability measured at amortised cost
Other receivables2	Financial liability measured at amortised cost
Other financial liability1	Financial liability measured at fair value
Other financial liability2	Financial liability measured at fair value

1.10 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

1.10 Statutory receivables (continued)

Subsequent measurement

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

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

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:
- the rights to the cash flows from the receivable are settled, expire or are waived;

1.10 Statutory receivables (continued)

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

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

1.11 Value Added Tax

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

1.12 Leases

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

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

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

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

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

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

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

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

1.12 Leases (continued)

Operating leases - lessee

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

1.13 Inventories

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

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

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

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

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

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

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

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

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

1.14 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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

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

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

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

1.15 Impairment of cash-generating assets

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

Significant Accounting Policies

1.15 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

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

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

Designation

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

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

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

Identification

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

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

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

Value in use

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

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

Significant Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Discount rate

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

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

Significant Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

Redesignation

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

1.16 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

Significant Accounting Policies

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

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

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

Useful life is either:

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

Designation

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

The municipality designates an asset or a cash-generating unit as cash-generating when:

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

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

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

Identification

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

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

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

Value in use

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

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.17 Employee benefits

1.18 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

1.18 Provisions and contingencies (continued)

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

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

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

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

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 47.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and

Significant Accounting Policies

1.18 Provisions and contingencies (continued)

- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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

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

1.18 Provisions and contingencies (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:
- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.19 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

Significant Accounting Policies

1.20 Revenue from exchange transactions

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

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

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

Measurement

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

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

Sale of goods

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

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

Rendering of services

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

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

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

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

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

Interest, royalties and dividends

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

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

Significant Accounting Policies

1.20 Revenue from exchange transactions (continued)

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

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

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

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

Significant Accounting Policies

1.21 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

Significant Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

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

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

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

Taxes

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

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

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

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

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

Taxation revenue are not grossed up for the amount of tax expenditures.

Transfers

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

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

Services in-kind

1.21 Revenue from non-exchange transactions (continued)

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

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

Concessionary loans received

A concessionary loan is a loan granted to or received by a property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

1.22 Investment income

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

1.23 Borrowing costs

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

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

1.24 Accounting by principals and agents

Identification

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

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

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.

1.24 Accounting by principals and agents (continued)

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.

1.25 Comparative figures

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

1.26 Unauthorised expenditure

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

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

1.27 Fruitless and wasteful expenditure

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

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

1.28 Irregular expenditure

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

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

1.29 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.30 Segment information

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

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

Significant Accounting Policies

1.31 Budget information

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

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

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

The approved budget covers the fiscal period from 2023/07/01 to 2024/06/30.

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

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

1.32 Related parties

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

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

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

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

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

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

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

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

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

1.33 Events after reporting date

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

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

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

Significant Accounting Policies

1.33 Events after reporting date (continued)

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

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 2023 Improvements to the Standards of GRAP 2023	01 October 2026	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	01 November 2026	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	01 November 2026	Unlikely there will be a material impact
• iGRAP 22 Foreign Currency Transactions and Advance Consideration	01 April 2025	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

3. Cash and cash equivalents

Cash and cash equivalents consist of:

	2025	2024
Cash on hand	33 063	(2 137)
Bank balances	5 218 152	3 318 007
Short-term deposits	34 788 433	49 559 448
	40 039 648	**52 875 318**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
FNB BANK - Main Account - 6202 3653 042	5 218 151	4 849 419	4 257 052	5 218 151	4 849 419	4 257 052
FNB BANK - Infrastructure Account - 6215 9138 299	483 301	425 560	404 460	483 301	425 560	404 460
FNB BANK - Call Account - 6260 0527 975	32 862 546	86 275 201	68 364 652	32 862 546	86 275 201	68 364 652
FNB BANK - DBSA Account - 6260 0530 259	1 442 586	1 253 790	1 184 528	1 442 586	1 253 790	1 184 528
Total	**40 006 584**	**92 803 970**	**74 210 692**	**40 006 584**	**92 803 970**	**74 210 692**

4. Receivables from exchange transactions

	2025	2024
Other receivables	2 306 907	1 217 079
Control account	8 321 061	9 420 896
Licences and registration	1 177 179	191 227
Prepaid expenses	104 333	1 121 282
	11 909 480	**11 950 484**

Figures in Rand	2025	2024

5. Receivables from non-exchange transactions

Fines	140 591	88 402
Consumer debtors - Rates	11 266 616	9 631 356
	11 407 207	**9 719 758**

Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Property Rates	11 266 616	9 631 355
Fines	140 591	88 402
	11 407 207	**9 719 757**
Financial asset receivables included in receivables from non-exchange transactions above	-	-
Total receivables from non-exchange transactions	11 407 207	9 719 757

Statutory receivables general information

6. Consumer debtors disclosure

Gross balances		
Consumer debtors - Rates	95 038 798	78 508 120
Less: Allowance for impairment		
Consumer debtors - Rates	(83 772 182)	(68 876 764)
Net balance		
Consumer debtors - Rates	11 266 616	9 631 356
Rates		
Current (0 -30 days)	11 266 616	9 631 356

7. Consumer debtors

Total		
Current (0 -30 days)	674 987	706 080
31 - 60 days	889 506	822 355
61 - 90 days	886 731	817 480
91 - 120 days	1 754 074	808 868
121 - 365 days	90 833 500	75 371 418
> 365 days	(83 772 182)	(68 894 846)
	11 266 616	**9 631 355**
Residential		
Current (0 -30 days)	155 210	281 548
31 - 60 days	285 316	278 802
61 - 90 days	285 757	275 878
91 - 120 days	568 518	272 974
121 - 365 days	28 274 743	25 570 126
> 365 days	(26 101 813)	(23 383 912)
	3 467 731	**3 295 416**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

7. Consumer debtors (continued)

Commercial		
Current (0 -30 days)	298 002	160 616
31 - 60 days	368 868	137 682
61 - 90 days	371 447	136 235
91 - 120 days	735 430	134 803
121 - 365 days	37 068 662	12 687 307
> 365 days	(34 209 407)	(11 570 513)
	4 633 002	**1 686 130**
National and provincial government		
Current (0 -30 days)	221 775	263 916
31 - 60 days	235 321	405 870
61 - 90 days	229 526	405 367
91 - 120 days	450 126	401 092
121 - 365 days	25 490 095	37 113 986
> 365 days	(23 460 962)	(33 940 421)
	3 165 881	**4 649 810**
Fines		
Current (0 -30 days)	52 189	1 719 288
121 - 365 days	1 719 288	-
> 365 days	(1 630 886)	(1 630 886)
	140 591	**88 402**

Summary of debtors by customer classification

8. VAT receivable

VAT Control	9 955 414	10 362 663

9. Inventories

Consumable stores	296 682	250 114
Maintenance materials	191 222	158 312
	487 904	**408 426**
Carrying value of inventories carried at Net Realizable value	487 904	408 426
Inventories recognised as an expense during the year	1 061 926	754 920

Inventory pledged as security

No inventory was pledged as security by the municipality.

Notes to the Annual Financial Statements

Figures in Rand

10. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	4 000 000	-	4 000 000	3 800 000	-	3 800 000

Reconciliation of investment property - 2025

	Opening balance	Fair value adjustments	Total
Investment property	3 800 000	200 000	4 000 000

Reconciliation of investment property - 2024

	Opening balance	Fair value adjustments	Total
Investment property	4 000 000	(200 000)	3 800 000

Pledged as security

No investment property was pledged as security by the municipality.

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

10. Investment property (continued)

Details of valuation

The effective date of the revaluations was Monday, 30 June 2025. Revaluations were performed by an independent valuers, Ms Gugu Moyo (Registration number: 5913/2) and Mr Phemelo Khuduga (Registration number: 7914), of Kut PalProperties & Projects. Ms Moyo and Mr Khuduga are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use and the South African property valuers association's standard method of valuation.

These assumptions are based on current market conditions.
The investment property relate to Setlagole Complex.
These assumptions are based on current market conditions.
Amounts recognised in surplus and deficit for the year.

Amounts recognised in rental revenue for the year.

Rental revenue from investment property	2 081 872	1 790 657

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	69 558 525	(41 572 553)	27 985 972	71 009 736	(36 714 923)	34 294 813
Furniture and fixtures	6 040 094	(3 094 406)	2 945 688	4 949 910	(2 896 375)	2 053 535
Motor vehicles	34 447 264	(11 211 308)	23 235 956	40 171 776	(15 617 815)	24 553 961
Office equipment	2 422 006	(1 671 035)	750 971	2 415 176	(1 272 690)	1 142 486
IT equipment	12 524 116	(6 445 145)	6 078 971	13 427 646	(5 493 654)	7 933 992
Infrastructure	293 461 619	(117 356 280)	176 105 339	254 254 077	(97 211 953)	157 042 124
Community facilities	158 149 465	(74 838 760)	83 310 705	151 917 336	(66 161 413)	85 755 923
Other property, plant and equipment	1 410 518	(892 596)	517 922	1 563 552	(1 030 031)	533 521
Bins and containers	39 760	(34 599)	5 161	41 189	(34 088)	7 101
Work in progress	80 746 985	(37 578 985)	43 168 000	61 002 423	(8 366 553)	52 635 870
Emergency assets	43 708	(40 093)	3 615	44 772	(39 725)	5 047
Total	**658 844 060**	**(294 735 760)**	**364 108 300**	**600 797 593**	**(234 839 220)**	**365 958 373**

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Transfers	Write off @ carrying value	Depreciation	Impairment loss	Total
Buildings	34 294 813	-	-	(363 044)	(2 428 053)	(3 517 744)	27 985 972
Furniture and fixtures	2 053 535	1 277 195	-	(35 200)	(346 732)	(3 110)	2 945 688
Motor vehicles	24 553 961	1 442 102	-	(158 466)	(2 595 416)	(6 225)	23 235 956
Office equipment	1 142 486	74 781	-	(27 442)	(437 647)	(1 207)	750 971
IT equipment	7 933 992	1 272 530	-	(1 069 160)	(1 999 970)	(58 421)	6 078 971
Infrastructure	157 042 124	-	39 291 531	(15 165)	(19 581 870)	(631 281)	176 105 339
Community facilities	85 755 923	422 300	5 941 078	(33 982)	(5 385 368)	(3 389 246)	83 310 705
Other property, plant and equipment	533 521	154 905	-	(48 720)	(120 652)	(1 132)	517 922
Bins and containers	7 101	-	-	(140)	(1 800)	-	5 161
Work in progress	52 635 870	35 987 244	(45 232 607)	-	-	(222 507)	43 168 000
Emergency assets	5 047	-	-	(151)	(1 281)	-	3 615
	365 958 373	**40 631 057**	**2**	**(1 751 470)**	**(32 898 789)**	**(7 830 873)**	**364 108 300**

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals at carrying value	Transfers	Write offs	Reversal of write downs at carrying value	Depreciation	Impairment loss	Reversal impairment loss	Total
Buildings	34 965 479	-	-	-	(88 700)	80 159	(2 506 573)	(162 134)	2 006 582	34 294 813
Furniture and fixtures	989 209	756 136	-	-	(2 114)	667 457	(356 256)	(1 195)	298	2 053 535
Motor vehicles	20 961 662	4 314 655	(64 165)	-	-	1 195 384	(2 263 271)	-	409 696	24 553 961
Office equipment	1 519 184	38 850	-	-	(11 340)	34 633	(438 083)	(758)	-	1 142 486
IT equipment	3 568 574	7 457 344	(74 931)	-	(1 628 419)	626 252	(2 017 472)	-	2 644	7 933 992
Infrastructure	151 706 591	-	-	19 149 022	(639 336)	452 909	(17 121 856)	(639 139)	4 133 933	157 042 124
Community facilities	84 893 720	-	-	6 334 096	(122 706)	277 451	(5 359 487)	(1 092 413)	825 262	85 755 923
Other property, plant and equipment	283 093	221 000	-	-	(4 901)	162 286	(130 968)	(145)	3 156	533 521
Bins and containers	5 622	-	-	-	(449)	6 712	(4 784)	-	-	7 101
Work in progress	28 802 300	52 144 376	-	(25 483 119)	-	-	-	(4 586 985)	1 759 298	52 635 870
Emergency assets	4 565	-	-	-	(1)	3 833	(3 350)	-	-	5 047
	327 699 999	**64 932 361**	**(139 096)**	**(1)**	**(2 497 966)**	**3 507 076**	**(30 202 100)**	**(6 482 769)**	**9 140 869**	**365 958 373**

Pledged as security

Property, plant and equipment have not been pledged as security.

Restrictions on property, plant and equipment

There are no restrictions on the realisability of property, plant and equipment assets or the remittance of revenue and proceeds of disposal.

Figures in Rand	2025	2024

11. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2025

	Categorised as Infrastructure	Categorised as Community	Categories as Buildings	Total
Opening balance	26 152 097	26 483 772	-	52 635 869
Additions/capital expenditure	26 519 443	8 861 968	605 831	35 987 242
Impairment	-	(222 507)	-	(222 507)
Transferred to completed items	(39 291 528)	(5 941 076)	-	(45 232 604)
	13 380 012	**29 182 157**	**605 831**	**43 168 000**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	10 552 925	18 249 374	28 802 299
Additions/capital expenditure	37 283 806	14 860 569	52 144 375
Impairment	(2 535 609)	(292 075)	(2 827 684)
Transferred to completed items	(19 149 098)	(6 334 096)	(25 483 194)
	26 152 024	**26 483 772**	**52 635 796**

Carrying value of property,plant and equipment where contruction or development has been halted either during the current or pevious reporting period(s)	2025	2024
Kraaipan Cemetry fencing	-	876 225
Access road Madibogo Pan to Tlhaping - 8.5 km	-	1
Contruction of N18 link road	-	1
Fencing of Cemetry Ward 5	667 520	-
	667 520	**876 227**

Kraaipan Cemetry Fencing
The project has been delayed due to the contractor who has left the site and it has been haltered the impairment of R292,075 has been recognised during the year 2023/2024. The municipality has initiated the process to complete the project by advertising the project for completion of works.

Access Road Madibogo Pan to Tlhaping - 8.5 km

The project has been delayed due to rights to construct the bridge, the municipality has not yet obtain the rights to proceed with this project. The project has been 100% fully impaired as to date the is no movement on the project.

Fencing of Cementry Ward 5

The project has been delayed due to the contractor who has left the site due to none payment of certificate, the municipality had engagement with the contractor to resolved the issue of which the contractor has written lettet of commitment to the municiplaity ensuring that he will return to site once the payment is made.The paleside which erracted had damages, hence the fence project has been impaired by an amount of R 222 506 during the year 2024/2025.

Fencing of Cemetries Madibogo Pan

The project is delayed, The Municiplaity advertised the project for the completion of works, the project will be completed after the contractor is appointed.

Contruction of Link Road to N18 in Lokaleng Phase 3

The project is delayed, as it was not included on the implementation plan. The project is 100% fully impaired.

Notes to the Annual Financial Statements

11. Property, plant and equipment (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. The municipality asset management policy includes the indentification, recording and safegaurding of all PPE. Assets are physically verified annually, and discrepiancies are investigated and corrected.

Notes to the Annual Financial Statements

Figures in Rand

12. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	485 150	(163 224)	321 926	485 150	(122 974)	362 176

Reconciliation of intangible assets - 2025

	Opening balance	Amortisation	Total
Computer software, other	362 176	(40 250)	321 926

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software, other	193 281	198 650	(29 755)	362 176

Pledged as security

Carrying value of intangible assets not pledged as security:

Other information

Amortisation is calculated using the straight line method.

Service concession arrangements

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

13. Operating lease liability

Non-current liabilities	755 110	1 661 242
Current liabilities	1 057 154	1 057 154
	1 812 264	**2 718 396**

The total lease payments recognised as an expense during the reporting period amounted to R 906 132 (prior year: R 1 000 000), which is included in General Expenses in the Statement of Financial Performance.

The municipality does not bear the risk of obsolescence, breakdowns, or residual value losses. All maintenance, toner supply, and technical support are included in the lease by the service provider.

14. Payables from exchange transactions

Trade payables	5 168 163	5 111 546
Payments received in advanced - contract in process	268 925	143 097
Retentions	8 345 741	8 223 205
Accrued leave pay	10 541 124	8 166 256
Accrued bonus	3 400 201	3 488 483
Auditor General	20 472	18 964
	27 744 626	**25 151 551**

15. Property rates and transfers payable (non-exchange)

Advance receipts - Property Rates	4 984 932	9 695 651

16. Consumer deposits

Housing rental	4 087	63 922

17. Employee benefit obligations

Defined benefit plans - General information

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

Carrying value		
Present value of the defined benefit obligation	(8 331 285)	(6 688 642)
Non-current liabilities	(7 732 067)	(6 170 036)
Current liabilities	(599 218)	(518 606)
	(8 331 285)	**(6 688 642)**

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

Opening balance	6 688 642	5 746 920
Service cost	614 680	592 757
Interest cost	737 505	647 619
Remeasurements	827 592	(79 454)
Benefit payment	(537 134)	(219 200)
	8 331 285	**6 688 642**

17. Employee benefit obligations (continued)

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

Service cost	77 846	373 557
- Current service cost	614 980	592 757
- Past service cost	(537 134)	(219 200)
- Plan amendment	(537 134)	(219 200)
Remeasurements of the net defined benefit liability (asset)	827 592	(79 454)
- Actuarial gains and losses arising from:	827 592	(79 454)
- Changes in financial assumptions	827 592	(79 454)
Net interest expense	737 505	647 619
	1 642 943	**941 722**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.49 %	11.47 %
Expected rate of return on assets	3.78 %	5.92 %
Expected rate of return on reimbursement rights	4.49 %	4.35 %
Actual return on reimbursement rights	4.78 %	6.92 %

A long service award is payable after 10 years of continues service and every 5 years there after to the employees. The most recent acturial valuation of the present value of the defined benefit was carried out at 30 June 2025 by DM Nkomo and DT Mureriwa of One Pangaea Financial. The present value of the defined benefit obligation and the related current service cost and past service cost were measured using the Projected Unit Credit Method. At year end 207 employees were eligible for long service awards.

GRAP25 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 for setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2024 the duration of liabilities was 6.59 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2025 is 9.49% per annum, and the yield on inflation-linked bonds of a similar term was about 5.02% per annum. This implies an underlying expectation of inflation of 3.78% per annum ([1 + 9.49% - 0.5%] / [1 + 5.02%] - 1).

We have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 4.78% per annum

However, it is the relative levels of the discount rate and salary inflation to one another that is important, rather than the nominal values. We have thus assumed a net discount factor of 4.49% per annum ([1 + 19.49%] / [1 +4.78%] - 1).

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
DSAC Grant - Library	151 616	150 715
Free Basic Water Grant	828 806	1 923 136
	980 422	**2 073 851**

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

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

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

18. Unspent conditional grants and receipts (continued)

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

19. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Utilised during the year	Reversed during the year	Total
Environmental rehabilitation	1 952 221	233 095	(428 973)	1 756 343

Reconciliation of provisions - 2024

	Opening Balance	Utilised during the year	Reversed during the year	Total
Environmental rehabilitation	1 818 094	229 444	(95 317)	1 952 221

Environmental rehabilitation provision

The provision for environmental rehabilitation relates to the municipality's estimated liability arising from the operation of two dumping sites, one in Setlagole and the other in Makgobistad.

Provision has been made for the net present value of the cost by One Pangaea Expertise and Solutions (Pty) Ltd, registered actuaries and waste management consultants.

The environmental rehabilitation provision includes an interest cost of R 233 095 (2024: R 229 444).

Summary of Adjustments

The unit cost of the various cost elements relating to rehabilitation and closure were adjusted using the Civil Engineering Indices (drawn from the South African Federation of Civil Engineering Contractors website www.safcec.org.za) and the Contract Price Adjustment Factors (drawn from the www.dialytenders.co.za) websites, using the coefficients for Earthworks as provided in the General Conditions of Contract. Online research of services within the locality of Ratlou was used to determine unit rates for the cost derived for the closure and rehabilitation items. The pricing guide is the industry standard in referencing material for any stakeholder involved in the South African construction sector.

Accounting Standard GRAP19 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/life of the landfill site.

The methodology for setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2024 the duration of liabilities was 8.40 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2025 is 11.37% per annum, and the yield on inflation- linked bonds of a similar term was about 5.94% per annum. This implies an underlying expectation of inflation of 5.13% per annum ([1 + 11.37% - 0.5%] / [1 + 5.94%] - 1).

We have assumed that salary inflation would exceed general inflation by 1.00% per annum,i.e. 6.57% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that is important, rather than the nominal values. We have thus assumed a net discount factor of 2.87% per annum ([1 + 11.37%] / [1 + 6.57%] - 1).

The Zero-Coupon Yield Curves were obtained from the Bond Exchange of South Africa after the market closed on 30 June 2024.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

20. Revenue

Service charges	611 916	431 989
Rental of facilities and equipment	2 092 973	1 810 427
Agency services	903 772	950 762
Licences and permits	195 647	55 689
Impairment reversal	-	9 140 869
Profit on sale of assets	-	1 781 177
Other income	996 906	466 219
Actuarial gain	-	79 454
Interest received - investment	5 487 230	8 053 016
Property rates	28 291 143	33 140 630
Government grants & subsidies	220 074 772	218 022 400
Fines, Penalties and Forfeits	238 750	227 700
	258 893 109	**274 160 332**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	611 916	431 989
Rental of facilities and equipment	2 092 973	1 810 427
Agency services	903 772	950 762
Licences and permits	195 647	55 689
Impairment reversal	-	9 140 869
Other income	996 906	466 219
Interest received - investment	5 487 230	8 053 016
	10 288 444	**20 908 971**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	28 291 143	33 140 630
Transfer revenue		
Government grants & subsidies	220 074 772	218 022 400
Fines, Penalties and Forfeits	238 750	227 700
	248 604 665	**251 390 730**

21. Service charges

Sale of electricity	611 916	431 989

22. Rental of facilities and equipment

Premises		
Premises	2 081 872	1 790 657
Facilities and equipment		
Rental of facilities	11 101	19 770
	2 092 973	**1 810 427**

23. Fines, Penalties and Forfeits

Municipal Traffic Fines	238 750	227 700

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

24. Agency services

Driver's Licenses	903 772	950 762

25. Licences and permits

Licences	195 647	55 689

26. Interest from non-exchange receivables

Interest - Property rates	10 871 571	8 937 815

27. Other revenue

Impairment reversal	-	9 140 869
Other income	996 906	466 219
	996 906	**9 607 088**

28. Other income

Telecentre income	340 797	359 334
Insurance claims	617 343	-
Library income	20 505	19 928
Tender document fees	18 261	86 957
	996 906	**466 219**

29. Investment revenue

Interest revenue		
Bank	258 245	252 119
Interest on investments	5 228 985	7 800 897
	5 487 230	**8 053 016**

The amount included in Investment revenue arising from exchange transactions amounted to 258 245.

The amount included in Investment revenue arising from non-exchange transactions amounted to 5 228 985.

30. Property rates

Rates

Residential	283 113	2 435 936
Commercial	4 807 484	3 980 563
State	19 284 128	24 834 715
Small holdings and farms	4 874 896	4 889 706
Less: Income forgone	(958 478)	(3 000 290)
	28 291 143	**33 140 630**

Figures in Rand	2025	2024

31. Government grants & subsidies

Operating grants

Equitable share	168 819 000	160 330 000
Local Government Sector Education Training Authority Mandatory Grant	196 343	660 640
Municipal Infrastructure Grant operational	2 211 623	1 725 000
Expanded Public Works Programme Integrated Grant	1 589 000	1 234 000
Local Government Financial Management Grant	3 000 000	1 890 000
DSAC Library Grant	1 391 099	3 132 891
NMMDM Water and Sanitation Grant	1 094 330	1 181 869
	178 301 395	**170 154 400**

Capital grants

Municipal Infrastructure Grant	41 773 377	47 868 000
	220 074 772	**218 022 400**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	49 965 099	55 849 891
Restricted Grant Received	1 290 673	660 640
Non Restricted Grant Received	168 819 000	160 330 000
	220 074 772	**216 840 531**

Equitable Share

Purpose of the grant is to to enable local government to provide basic services and perform its allocated functions.

Local Government Financial Management Grant

Current-year receipts	3 000 000	1 890 000
Conditions met - transferred to revenue	(3 000 000)	(1 890 000)
Balance at the end of the year	**-**	**-**

Purpose of the grant is to provide direct support to municipalities to develop financial management and technical capacity for the implementation of the MFMA, its regulations and associated financial reforms..

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

Expanded Public Works Programme Integrated Grant

Current-year receipts	1 589 000	1 234 000
Conditions met - transferred to revenue	(1 589 000)	(1 234 000)
Balance at the end of the year	**-**	**-**

Figures in Rand	2025	2024

31. Government grants & subsidies (continued)

Purpose of the grant is to incentivise municipalities to expand work creation efforts through the use of labour-intensive delivery methods in the following identified focus areas, in compliance with the EPWP guidelines:
- road maintenance and the maintenance of buildings
- low traffic volume roads and rural roads
- basic services infrastructure, including water and sanitation reticulation (excluding bulk infrastructure)
- other economic and social infrastructure
- tourism and cultural industries
- waste management
- parks and beautification
- sustainable land-based livelihoods
- social services programmes
- community safety programmes.

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

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	18 533 000
Current-year receipts	43 985 000	32 193 000
Conditions met - transferred to revenue	(43 985 000)	(49 593 000)
Other	-	(1 133 000)
Balance at the end of the year	**-**	**-**

Purpose of the grant is to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, microenterprises and social institutions servicing poor communities. And to provide specific funding for the development of asset management plans for infrastructure servicing the poor.

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

Local Government Sector Education Training Authority Mandatory Grant

Current-year receipts	280 559	660 640
Conditions met - transferred to revenue	(280 559)	(660 640)
Balance at the end of the year	**-**	**-**

Purpose of the grant is to aid in the development of a skilled and capable workforce supporting a responsive, accountable, efficient and effective local government system, through a range of learning programmes that focuses on scarce and critical skills in the respect of sectors covered by the LGSETA, the New Growth Path, the Industrial Development Action Plan, the National Skills Accord, the Green Accord, the Beneficiation Strategy of South Africa, the National Development Plan, Strategic Integrated Projects, the Rural Development Strategy, the Back to Basics Strategy, the Environmental Strategy and the Human Resource Development Strategy.

DSAC Library Grant

Balance unspent at beginning of year	150 715	2 044 386
Current-year receipts	1 392 000	1 239 220
Conditions met - transferred to revenue	(1 391 099)	(3 132 891)
Balance at the end of the year	**151 616**	**150 715**

This grant is mainly used in assisting the municipality with services offered at public libraries. The services covers capacitating the municipality with human capital and computer hardware/software..

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

Free Basic Water Grant

Figures in Rand	2025	2024

31. Government grants & subsidies (continued)

Balance unspent at beginning of year	1 923 136	2 717 308
Conditions met - transferred to revenue	(1 094 330)	(794 172)
Balance at the end of the year	**828 806**	**1 923 136**

The purpose of this grant is to provide water to the community as an agent of the district. However current year there was no expenditure incurred.

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

Kraaipan Water Grant

Balance unspent at beginning of year	-	387 697
Conditions met - transferred to revenue	-	(387 697)
Balance at the end of the year	**-**	**-**

This grant is mainly used for drilling and equipping of boreholes, and purchase two water tankers and two crew cabs for essential teams.

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

NMMDM Water and Sanitation grant

Purpose of the grant is to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, microenterprises and social institutions servicing poor communities. And to provide specific funding for the development of asset management plans for infrastructure servicing the poor.

32. Public contributions and donations

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

33. Employee related costs

Basic	75 547 832	63 758 149
Bonus	5 923 001	5 801 644
Medical aid - company contributions	7 286 563	6 693 649
UIF	467 494	463 182
SDL	919 911	809 075
Leave pay provision charge	2 794 495	1 559 903
Overtime payments	2 306 874	2 853 069
Long-service awards	614 680	711 922
Acting allowances	1 915 503	3 915 987
Housing benefits and allowances	2 341 104	2 225 598
Bargaining council	30 315	28 484
Pension fund contribution	8 093 382	6 911 429
Remote allowance	258 985	285 894
Danger allowance	-	48 440
	108 500 139	**96 066 425**

Remuneration of Municipal Manager - (Status: MM - Mr Tebogo Chanda) Terminated

Annual Remuneration	-	12 944
Contributions to UIF, Medical and Pension Funds	-	259
13 203	**-**	**13 203**

Remuneration of Municipal Manager - (Status: MM Lloyd Leoko)

Annual Remuneration	1 505 334	778 366
Remote allowance	48 619	31 135
Contributions to UIF, Medical and Pension Funds	32 661	9 481
	1 586 614	**818 982**

Remuneration of Chief Financial Officer - (Status: CFO - Mr Tumelo Letlojane) Termintaed

Annual Remuneration	415 496	897 693
Remote Allowance	14 577	11 240
Contributions to UIF, Medical and Pension Funds	5 112	4 515
	435 185	**913 448**

Remuneration of the Acting Chief Financial Officer (Status: Acting CFO - Mr Collen Tjale) Acted on 01-05-2028 to 31-01-2024

Annual Remuneration	-	69 589
Remote Allowance	-	19 919
	-	**89 508**

Remuneration of the Acting Chief Financial Officer - (Status: - Acting CFO Mrs O Malema) Acting from 01-02-2024 up to date

Annual Remuneration	163 041	49 706
Remote Allowance	38 375	14 202
	201 416	**63 908**

Remuneration of the Senior Manager Technical Services (Status: SM - Ms KA Phiritshwane)

Annual Remuneration	1 121 931	213 027

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

33. Employee related costs (continued)

Remote Allowance	40 332	8 521
Contributions to UIF, Medical and Pension Funds	71 463	566
	1 233 726	**222 114**

Remuneration of the Acting Senior Manager Technical Services (Status: Acting SM - Mr Mooketsi Shomolekae) Acted on 01-02-2023 to 31-03-2024

Annual Remuneration	-	86 530
Remote Allowance	-	5 681
	-	**92 211**

Remuneration of the Acting Senior Manager Technical Services (Status: Acting SM - Mr Kaona Mpa) Acted on 01-07-2023 to 31-08-2023

Annual Remuneration	-	16 631
Remote Allowance	-	8 521
	-	**25 152**

Remuneration of the Acting Senior Manager Technical Services (Status: Acting SM - Mr K Mapomane) Acted on 01-09-2023 to 31-01-2024

Annual Remuneration	-	82 270
Remote Allowance	-	13 215
	-	**95 485**

Remuneration of the Senior Manager Corparate Services (Status: SM - Mr PM Masukela) Terminated

Annual Remuneration	-	71 009
Remote Allowance	-	2 840
Contributions to UIF, Medical and Pension Funds	-	899
	-	**74 748**

Remuneration of the Acting Senior Manager Corparate Services (Status: Acting SM - Mr Lesley Muji) Acted on 01-09-2023 to 30-04-2024

Annual Remuneration	-	76 333
Remote Allowance	-	21 810
	-	**98 143**

Remuneration of the Acting Senior Manager Corparate Services (Status: Acting SM - Mr GA Ntshekang) Acted on 01-09-2023 to 30-06-2024

Annual Remuneration	-	35 011
Remote Allowance	-	9 308
	-	**44 319**

Remuneration of the Senior Manager Community Services (Status: SM - Mr RS Manoto)

Annual Remuneration	1 057 931	213 027
Remote Allowance	40 332	8 521
Contributions to UIF, Medical and Pension Funds	173 283	2 696
	1 271 546	**224 244**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

33. Employee related costs (continued)

Remuneration of the Acting Community Service Senior Manager (Status: Acting Senior Manager - Mr Petrus Magano) Acted on 01-03-2023 to 31-08-2023 and from 01-02-2024 to 30-03-2024

Annual Remuneration	-	39 765
Remote Allowance	-	11 361
	-	**51 126**

Remuneration of the Senior Manager Corporate Services (Status: SM - Mr GA Ntshekang)

Annual Remuneration	276 346	-
Contributions to UIF, Medical and Pension Funds	75 573	-
	351 919	**-**

Remuneration of the Planning And Development Senior Manager - (Status: Senior Manager- Mr SC SEJAKE)

Annual Remuneration	-	127 731
Remote Allowance	-	3 156
Contributions to UIF, Medical and Pension Funds	-	1 466
	-	**132 353**

34. Remuneration of councillors

Mayor	1 027 246	977 455
Mayoral Committee Members	2 956 477	2 899 025
Speaker	831 235	802 596
Councillors	7 599 219	6 855 611
MPAC Chairperson	438 645	497 241
	12 852 822	**12 031 928**

Additional information

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

35. Depreciation and amortisation

Property, plant and equipment	32 898 789	30 202 164
Intangible assets	40 251	29 755
	32 939 040	**30 231 919**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

36. Impairment loss

Impairments		
Property, plant and equipment	7 830 873	6 482 769

Main Events and Reasons for Impairment:
Assets have experienced a notable decline in their assessed conditions, characterized by deterioration and visible damage. These issues have adversely affected the service potential of assets. Additionally, certain projects have demonstrated a reduction in anticipated economic benefits even prior to their completion

The main classes of assets affected by impairment losses are:

- Buildings

- Community Facilities

- Infrastructure

- Office Equipment

- Other PPE

- Furniture and fixture

- Work In Progress

The municipality reveiws PPE for impairment at each reporting period. The recoverable amount has been determined based on the municipality accounting policy. Impairment losses are recognised in the Statement of Financial Performance.

37. Finance costs

Trade and other payables	737 505	647 619
Fair value adjustments: Notional interest	233 095	229 444
Other interest paid	327 504	32 347
	1 298 104	**909 410**

38. Auditors' remuneration

Fees	5 934 034	4 835 533

39. Debt impairment

Debt impairment	6 648 283	15 858 459

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

40. General expenses

Advertising	2 174 567	1 910 661
Auditors remuneration	5 934 034	4 835 533
Bank charges	110 903	301 672
Cleaning	809 179	1 121 437
Consulting and professional fees	7 545 610	5 489 823
Donations	20 000	-
Insurance	1 833 273	2 289 188
Conferences and seminars	882 704	1 081 530
IT expenses	6 792 813	10 860 993
Fleet	120 578	908 809
Motor vehicle expenses	347 363	351 040
Fuel and oil	4 188 492	3 596 881
Postage and courier	-	2 384
Printing and stationery	1 048 303	759 812
Protective clothing	496 439	490 361
Repairs and maintenance	2 321 681	4 335 266
Staff welfare	216 418	101 798
Subscriptions and membership fees	1 144 435	1 027 838
Telephone and fax	-	97 392
Transport and freight	3 521 666	3 556 365
Training	437 179	1 444 682
Electricity	18 832 011	14 604 808
Accommodation	2 192 378	1 643 714
Ward commitee and secretaries	2 618 288	2 827 309
Catering	967 279	1 922 943
Other expenses	2 159 894	1 451 564
Rentals and hiring	28 823	814 788
	66 744 310	**67 828 591**

41. Contracted services

Presented previously		
Operating Leases	1 650 559	1 020 587
Outsourced Services		
Business and Advisory	1 718 231	2 188 389
Security Services	18 303 924	14 520 231
Consultants and Professional Services		
Legal Cost	7 669 035	7 756 458
Contractors		
Maintenance of Buildings and Facilities	2 460 406	3 019 067
Traffic and Street Lights	856 445	3 594 056
	32 658 600	**32 098 788**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

42. Cash generated from operations

(Deficit) surplus	(1 657 579)	21 485 175
Adjustments for:		
Depreciation and amortisation	32 939 040	30 231 919
Gain (loss) on sale of assets and liabilities	1 751 469	(1 781 177)
Fair value adjustments	(628 973)	104 683
Interest income	(5 487 210)	(8 053 016)
Finance costs	1 298 104	909 410
Impairment reversals	(7 830 873)	(6 482 769)
Debt impairment	6 648 283	15 858 459
Movements in operating lease assets and accruals	-	151 022
Movements in retirement benefit assets and liabilities	(1 642 643)	941 722
Movements in provisions	195 878	134 127
Straight lining of operating lease expenses	743 162	-
Actuarial gain/loss	827 592	(79 454)
Changes in working capital:		
Inventories	(79 478)	(102 818)
Receivables from exchange transactions	41 004	(9 923 516)
Other receivables from non-exchange transactions	(1 687 449)	(560 652)
Prepayments	-	1 121 281
Payables from exchange transactions	2 593 075	(15 967 519)
VAT	407 249	(3 281 787)
Property rates and transfers payable (non-exchange)	(4 710 719)	9 695 651
Unspent conditional grants and receipts	(1 093 429)	(21 163 760)
Consumer deposits	(59 835)	31 583
	22 566 668	**13 268 564**

43. Operating (deficit) surplus

Operating (deficit) surplus for the year is stated after accounting for the following:

(Loss) gain on sale of property, plant and equipment	(1 751 469)	1 781 177
Impairment on property, plant and equipment	7 830 873	6 482 769
Amortisation on intangible assets	40 251	-
Depreciation on property, plant and equipment	32 898 789	30 231 919
Employee costs	121 352 961	108 098 353

44. Fair value adjustments

Investment property (Fair value model)	200 000	(200 000)
Landfill site - (Fair value model)	428 973	95 317
	628 973	**(104 683)**

45. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At fair value	Total
Other financial assets	9 955 414	9 955 414
Trade and other receivables from exchange transactions	11 909 480	11 909 480
Other receivables from non-exchange transactions	11 407 207	11 407 207
Cash and cash equivalents	40 039 648	40 039 648
	73 311 749	**73 311 749**

45. Financial instruments disclosure (continued)

Financial liabilities

	At fair value	Total
Operating lease liabilities	151 022	151 022
Trade and other payables from exchange transactions	27 744 626	27 744 626
Employee benefit obligation	599 218	599 218
Unspent conditional grant	980 422	980 422
	29 475 288	**29 475 288**

2024

Financial assets

	At fair value	Total
Other financial assets	10 362 663	10 362 663
Trade and other receivables from exchange transactions	11 950 484	11 950 484
Other receivables from non-exchange transactions	9 719 758	9 719 758
Cash and cash equivalents	52 875 318	52 875 318
	84 908 223	**84 908 223**

Financial liabilities

	At fair value	Total
Operating lease liability	151 022	151 022
Trade and other payables from exchange transactions	25 151 551	25 151 551
Property rates and transfers payable (non-exchange)	9 695 651	9 695 651
Consumer deposits	63 922	63 922
Employee benefit obligation	518 606	518 606
Unspend conditional grants	2 073 851	2 073 851
	37 654 603	**37 654 603**

46. Commitments

Authorised capital expenditure

	2025	2024
Already contracted for but not provided for		
• Property, plant and equipment	74 679 411	96 803 823
Total capital commitments		
Already contracted for but not provided for	74 679 411	96 803 823

Total commitments

	2025	2024
Total commitments		
Authorised capital expenditure	74 679 411	96 803 823

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

47. Contingencies

Contingent liabilities

	2025	2024
T-Squarie Engineers	-	289 362
Sharons Maintenance and Electrical	2 227 898	2 227 898
DS Molapo Project and Fire Services	6 002 588	-
	8 230 486	**2 517 260**

T-Squarie Engineers

The matter with T-Squarie Engineers was finalised.

Sharons Electrical and Maintenance
Claims that the Municipality failed to pay the outstanding amount for the service rendered by Sharon's maintenance for the building of a water reservoir in Logageng Village in terms of a variation order allegedly granted to the service provider by MM for R2 227 898.21

DS Molapo Project and Fire Services (Pty) Ltd

The applicant in the matter claims the municipality is in breach of a contract for the amount of R6 002 587.88 in that they were appointed.

Figures in Rand	2025	2024

48. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' report note 5
Controlled entities	Refer to note
Joint ventures	Refer to note
Associates	Refer to note
Shareholder with significant influence	Name (Proprietary) Limited
Shareholder with joint control	Name (Proprietary) Limited
Close family member of key management	Name
Joint venture of key management	Name (Proprietary) Limited of [Mr key management]
Associate of close family member of key management	Name (Proprietary) Limited of [Mr key management]
Post employment benefit plan for employees of entity and/or other related parties	Name Share Trust of Entity Name Share Trust of [Related party 1] Name Share Trust of Entity [Related party 1]
Post employment benefit plan for employees of a related party of a close family member of key management	Name Share Trust of [Mr key management]
Members of key management	Name Name
Management entity providing key management services	Name Name

Remuneration of management

Management class: Councillors

2025

Name	Basic salary	Post-employment benefits	Other benefits received	Total
Mr J Matlhomola - Mayor	847 930	47 004	132 313	1 027 247
GL Leepo - Speaker	699 375	47 004	84 856	831 235
TJ Mothibedi - Exco	678 718	47 004	55 445	781 167
TB Motlapele - Exco	711 004	47 004	23 445	781 453
DC Sebolai - Exco	538 032	47 004	43 999	629 035
MI Tladi - Exco	655 268	47 004	54 693	756 965
SM Motone - Exco	728 770	47 004	7 413	783 187
NW Radebe - MPAC Chairperson	365 585	47 004	3 856	416 445
MM Dala - Cllr	286 718	47 004	23 929	357 651
KD Gaasenwe - Cllr	309 359	47 004	3 275	359 638
MD Seitshiro - Cllr	307 494	47 004	3 275	357 773
GG Mokgope - Cllr	312 007	47 004	26 085	385 096
GP Mogapi - Cllr	286 418	47 004	23 929	357 351
V Jantjies - Cllr	261 718	44 468	48 640	354 826
M Nqume - Cllr	307 494	47 004	3 275	357 773
L Soka - Cllr	307 494	47 004	3 275	357 773
BA Mosepele - Cllr	309 031	47 004	3 275	359 310
A Macucwa - Cllr	286 418	47 004	23 929	357 351
PJ Shawe - Cllr	307 494	47 004	3 275	357 773
TR Dipheko - Cllr	298 933	47 004	11 665	357 602
DR Sejamoholo - Cllr	286 419	47 004	23 929	357 352
PR Mafethe - Cllr	308 721	47 004	25 645	381 370
DP Letebele - Cllr	286 419	47 004	23 929	357 352
RS Tshabang - Cllr	307 494	47 004	3 275	357 773
A Pheho - Cllr	307 494	47 004	3 275	357 773
KP Sechele - Cllr	286 418	47 004	23 929	357 351
M Bhyan - Cllr	307 494	47 004	3 275	357 773

Figures in Rand	2025	2024

48. Related parties (continued)

2024

Name	Basic salary	Post-employment benefits	Other benefits received	Total
Mr Jafta - Mayor	845 109	40 800	65 794	951 703
GL Leepo - Speaker	692 298	42 600	67 698	802 596
T Motlapele - Exco	420 485	42 600	33 655	496 740
T Mothibedi - Exco	410 935	42 600	43 127	496 662
P Mafethe - Exco	646 259	42 600	58 798	747 657
G Mokgope - Cllr	425 345	42 600	29 296	497 241
R Tshabang - Cllr	292 006	42 600	6 924	341 530
P Shawe - Cllr	292 006	42 600	6 924	341 530
A Pheho - Cllr	292 006	42 600	6 924	341 530
L Soka - Cllr	292 006	42 600	6 924	341 530
M Nqume - Cllr	292 006	42 600	6 924	341 530
D Sejamohole - Cllr	273 564	42 600	24 996	341 160
C Sebolai - Cllr	503 554	42 600	42 146	588 300
A Mosepele - Cllr	292 006	42 600	6 924	341 530
T Dipheko	273 564	42 600	24 996	341 160
KD Gaasemwe - Cllr	563 995	42 600	9 373	615 968
V Jantjies - Cllr	263 688	42 600	33 927	340 215
D Seitshiro	292 006	42 600	6 924	341 530
M Dala - Cllr	273 563	42 600	24 997	341 160
G Mogapi - Cllr	273 564	42 600	24 997	341 161
P Letebele - Cllr	273 564	42 600	24 997	341 161
M Tladi - Cllr	273 564	42 600	24 997	341 161
N Radebe - Cllr	292 005	42 600	6 924	341 529
S Matone - Cllr	636 916	42 600	10 373	689 889
A Masilo - Cllr	273 564	42 600	24 087	340 251
KP Sechele - Cllr	308 071	42 600	25 333	376 004
M Bhyan - Cllr	238 212	42 600	28 688	309 500
	10 205 861	**1 148 400**	**677 667**	**12 031 928**

Close family of Councillor M Nqume, his brother who is Director (Xolile Nqume) of Poxoli Feedsmed (Pty) Ltd provided services to the municipality worth a value of R 38 000.

49. Prior period errors

Current assets was understated. Receivable from non exchange omitted on the face of the financial statements.An amount of R 9 631 355.

Property, plant and equipment was overstated. Impairment of assets was not accounted for and corrections to depreciation which totaled R 4 204 610. Asset under construction previously not accounted for at R 4 136 083

Current liabilties was overtated as Operating lease liability (R 151 022) was omitted and Unspent conditional grant recognistion of revenue was not accounted for (R 1 181 869).The accrual of asset under contruction included R 4 136 083. Payables previously not include R 116 857.79 relating to The Mail..

Revenue from exchange transaction Other income was realigned to the TB (R 5 400) and Acturial gains was in which was previouly disclosed after nett profit (R 79 454). Revenue from non exchange, revenue was recognised from the water grant (R 1 181 869).

Expenditure, Employee related cost R 980 299 and Remuneration of councillors R 315 476 payment were made which relates to the accounting period not accounted or accounted for in the current period but relates to the previous period. Depreciation recalculated and correted R 68 784. Imapirment R 4 294 910, asset under construction previously not impaired. Debt impairment of R 313 529 Contracted services previously classified as General expenses R 18 291 664, Operating lease, Legal cost, Maintenance of buildings and facilities, Maitenance of traffic and street lights.

Figures in Rand	2025	2024

49. Prior period errors (continued)

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position		
Receivables from exchange transactions	-	3 588 969
Receivables from non exchange transactions	-	9 631 355
Property, plant and equipment	-	(82 383)
Operating lease liability	-	(151 022)
Payables from exchange transactions	-	6 177 239
Property rates and transfers (non exchange)	-	(9 695 651)
Unspent conditional grants and receipts	-	1 181 869
Opening Accumulated Surplus or Deficit	-	10 650 376
Statement of financial performance		
Other income	-	5 400
Actuarial gain	-	79 454
Government grants and subsidies	-	1 181 869
Employee related costs	-	(980 299)
Remuneration of councillors	-	315 479
Depreciation and armortisation	-	68 784
Impairments	-	(4 294 910)
Debt impairments	-	(313 529)
Contracted services	-	(18 291 664)
General expenses	-	15 433 718
Net profit / loss	-	(23 496 142)
Cash Flow Statement		
Cash flow from operating activities		
Property rates	-	25 046 366
Sales of goods and services	-	(24 929 075)
Grants	-	(378 401)
Vat receipts	-	14 788 618
	-	**14 527 508**
Cash flow from investing activities		
Employee cost	-	(1 685 999)
Suppliers	-	(13 206 833)
	-	**(14 892 832)**
Cash flow from financing activities		
Purchase of property, plant and equipment	-	(490 376)
Purchase of investment property	-	(95 317)
Purchase of other intangible assets	-	29 799
	-	**(555 894)**

50. Prior-year adjustments

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

Statement of financial position

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

50. Prior-year adjustments (continued)

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Receivables from exchange transactions		8 361 515	3 588 969	-	11 950 484
Receivables from non exchange transactions		-	9 631 355	-	9 631 355
Property Plant and Equipment		366 040 756	(82 383)	-	365 958 373
Operaring lease liability		-	151 022	-	151 022
Payables from exchahge transaction		31 328 790	-	(6 177 239)	25 151 551
Property rates and tranfers (non exchange)		-	-	9 695 651	9 695 651
Unspent conditional grants and receipts		3 255 720	(1 181 869)	-	2 073 851
		408 986 781	**12 107 094**	**3 518 412**	**424 612 287**

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Revenue from exchange transactions		22 684 748	84 854	-	22 769 602
Revenue from non exchange transaction		259 146 676	1 181 869	-	260 328 545
Remuneration of councillors		(12 347 404)	315 476	-	(12 031 928)
Employee related cost		(95 086 126)	(980 299)	-	(95 624 315)
Impairments		(2 187 859)	(4 294 910)	-	(6 482 769)
Depreciation and armortisation		(30 300 703)	68 784	-	(30 231 919)
Contracted services		(13 807 124)	-	(18 291 664)	(32 098 788)
General expenditure		(83 262 309)	-	15 433 718	(67 828 591)
Deficit for the year		**44 839 899**	**(3 624 226)**	**(2 857 946)**	**38 799 837**

Cash flow statement

2024

			Note	As previously reported
Cash flow from operating activities				
Property Rates		1	25 046 366	25 046 367
Sales of goods and Services		29 121 658	(24 929 075)	4 192 583
Grants		197 237 041	(372 401)	196 864 640
Vat receipts		(1)	14 788 618	14 788 618
		226 358 699	**14 533 508**	**240 892 208**
Cash flow from investing activities				
Employee cost		(106 412 354)	(1 685 999)	(108 098 353)
Suppliers		(105 655 186)	(13 206 833)	(118 862 019)
		(212 067 540)	**(14 892 832)**	**(226 960 372)**
Cash flow from financing activities				
Purchase Property Plant and Equipment	1.6	61 286 653	(490 376)	60 796 277
Purchase investment property		95 317	(95 317)	-
Purchase other intangible assets		168 895	29 799	198 694
		61 550 865	**(555 894)**	**60 994 971**

50. Prior-year adjustments (continued)

50.01 Contingent liabilities

a) Contingent liabilities were understated with an amount of R2 227 898 for Sharn's Maintenance..

50.02 Property, plant and equipment

Assets under construction which was previouly not impaired.

	2025	2024
Statement of Financial Position		
Decrease Property, Plant and Equipment (WIP)	-	(82 383)
Decrease Movable Assets	-	(88 701)
Decrease Land and buildings	-	(1 563)
Statement of Financial Peerformance		
Increase Impairment loss	-	4 294 910
Increase Depreciation	-	68 784
	-	**4 191 047**

50.03 Remmuneration of employees and councillors

a) Remuneration of councillors which relates to the previous accounting period was corrected as the upper limit were only implemted after year end. The backpay included current year and prior year payments

These errors have been corrected and the opening balances were adjusted with the effect thereof as follows:

	2025	2024
Statement of Financial Position		
Remuneration of councillors	-	315 674
Employee Related cost	-	980 299
	-	**1 295 973**

50.04 Payables from exchange transactions

a) Payables and accruals - payments made in advance which amount to R 9 933 949 which relates to Property rates age analysis with credit balances of R 9 695 651 was reclassified to Property rates and transfers (Non exchange).

These errors have been corrected and the opening balances were adjusted with the effect thereof as follows:

	2025	2024
Statement of Financial Position		
Payable from exchange transactions	-	(6 177 239)
Property rates and transfers (non exchange)	-	9 695 651
	-	**3 518 412**

50.06 Grants revenue and liabilities

In prior years, receipts from donors and grantors (i.e. receipts in respect of LGSETA Mandatory Grant, and Ngaka Modiri Molema water and sanitation support) were treated as conditional, wherein revenue may only be regognised upon performance or related conditional expenditure, per GRAP 23. This is inconsistent with the nature of the receipts, as they are restricted in nature

	2025	2024
Free Basic Water		
Free basic water	-	1 181 036

50.07 Commitments

Commitments in 2024 were understated .It was previousle diclosed as R 91 506 326 and restated as R 96 803 823

Figures in Rand	2025	2024

50. Prior-year adjustments (continued)

Already contracted for but not provided for		
Propert, plant and equipment	-	5 297 497

50.08 Irregular expenditure

Prior year irregular expenditure was understated with an amount totaling R12 161 365, the breakdown follow there off is as follows: (Did not follow MSCMR 12 (1)(c) and Lotshephe Developmenet Engineers was paid more than the contract value.)

Service providers		
Bornfree Civil Engineering	-	1 585 723
The Effectionate and Mokgwasa Construction JV	-	5 938 039
Arturf Africa - Cession with The Effectionate and Mokgwasa Construction JV	-	2 000 000
Lebidi Consulting	-	894 240
Lebidi Consulting	-	345 600
Lebidi Consulting	-	568 512
Lebidi Consulting	-	90 850
Mmabatho Autolot	-	137 598
Mmabatho Autolot	-	63 054
Cox Ventures	-	196 320
Lotshephe Developmenet Engineers	-	96 263
Mmabatho Autolot	-	63 054
Mmabatho Autolot	-	182 112
	-	**12 161 365**

50.09 Deviation

Deviation with an amount of R 14 900 was omitted in the prior year which relate to the supplier Tojo Manufatures Impractical to follow supply chain processes.

51. Risk management

Liquidity risk

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

At 30 June 2025	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	27 744 626	-	-	-
Property rates transfers payable (non exchange)	4 984 932	-	-	-
Consumer deposites	4 087	-	-	-
Unspent conditional grants and receipts	980 422	-	-	-

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	25 151 551	-	-	-
Property rates transfers payable (non exchange)	9 695 651	-	-	-
Consumer deposites	63 922	-	-	-
Unspent conditional grants and receipts	2 073 851	-	-	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

51. Risk management (continued)

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	2025	2024
Receivables from exchange transactions - at amortised cost	11 909 480	11 950 484
VAT receivable - at armortised cost	9 955 414	10 362 663
Cash and cash equivalents - at fair value	40 039 648	52 875 318

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

52. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of 398 277 164 and that the municipality's total assets exceed its liabilities by 398 277 164.

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

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

53. Unauthorised expenditure

	2025	2024
Opening balance as previously reported	50 965 396	41 546 207
Add: Unauthorised expenditure - current	15 792 113	9 419 189
Less: Amount authorised - current	(9 419 189)	-
Closing balance	**57 338 320**	**50 965 396**

	2025	2024
Unauthorised expenditure : per vote level		
Budget and Treasury	15 792 113	9 419 189

Unauthorised mainly relates to underestimated debt impairment, asset impairment, fair value adjustments which is non cash.Debts Impairment was under estimated due to being overly optimistic about customers' ability to pay and due to rapid changes in the economic environment

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

	2025	2024
Non-cash	15 792 113	9 419 189

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

54. Fruitless and wasteful expenditure

Opening balance as previously reported	1 271 247	1 246 457
Add: Fruitless and wasteful expenditure identified - current	294 585	24 790
Closing balance	**1 565 832**	**1 271 247**

Fruitless and wasteful expenditure is presented not inclusive of VAT as the expenditure relates to interest on late payment of Eskom.

55. Irregular expenditure

Opening balance as previously reported	269 888 396	250 618 664
Add: Irregular expenditure - current	11 921 249	7 108 367
Add: Irregular expenditure - prior period	-	12 161 365
Closing balance	**281 809 645**	**269 888 396**

56. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1 054 439	1 178 177
Amount paid - current year	(1 054 439)	(1 178 177)
	-	**-**

Audit fees

Opening balance	18 964	-
Current year subscription / fee	6 824 139	5 560 863
Amount paid - current year	(6 822 632)	(5 541 899)
	20 471	**18 964**

PAYE and UIF

Current year subscription / fee	20 923 115	17 635 877
Amount paid - current year	(20 923 115)	(17 635 877)
	-	**-**

Pension and Medical Aid Deductions

Current year subscription / fee	23 869 385	21 803 891
Amount paid - current year	(23 869 385)	(21 803 891)
	-	**-**

VAT

VAT receivable	9 955 414	10 362 663

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

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

Skills development levy

Current year subscription/fee	1 023 768	907 823
Amount paid - current year	(1 023 768)	(907 823)
	-	-

57. Deviation from supply chain management regulations

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

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

Procurement transactions	2024	2025	Number of Deviations 2025
Impractical to follow process	14 900	826 677	1
Sole Provider	-	574 562	25
	14 900	**1 401 239**	

Reason	Month	Supplier	Amount	Description
Sole supplier	August	Hurricane Locksmith	7 935	Changing of door locks.
Sole supplier	August	Institute of Internal Auditors South Africa	14 950	Registration fees.
Sole supplier	August	Institute of Internal Auditors South Africa	3 418	Membership fees.
Sole supplier	July	Institute of Waste Management of South Africa	36 400	Registration fees..
Sole supplier	July	CQS	91 775	Caseware license
Sole supplier	September	IMPS-SA	6 700	Registration fees.
Sole supplier	September	IMPS-SA	6 700	Registration fees.
Sole supplier	September	IMPS-SA	6 700	Registration fees.
Sole supplier	September	IMPS-SA	6 700	Registration fees.
Sole supplier	September	Institute of Intrnal Auditors South Africa	3 418	Membership fees.
Sole supplier	September	Institute of Intrnal Auditors South Africa	3 418	Membership fees.
Sole supplier	October	IMPS-SA	46 900	Regustration fees.
Sole supplier	October	IMPS-SA	6 700	Regustration fees.

57. Deviation from supply chain management regulations (continued)

Sole supplier	December	Institute of Traffic, Licensing & Metro Police South Africa	39 480	Regustration fees.
Sole supplier	December	PayDay	24 208	Laser Payslip.
Sole supplier	December	Xneelo (Pty) Ltd	22 681	Email hosting.
Sole supplier	November	IMPSA-SA	6 700	Registration fees.
Imparactical to follow official Procurement Process	November	TMK Attorneys Inc	826 677	Legal services.
Sole supplier	November	CIGFARO	18 711	Registration fees.
Sole supplier	February	Hurricane Locksmith	8 337	Changing of door locks.
Sole supplier	May	Road Traffic Managem ent Corpo ration	50 852	Registration fees.
Sole supplier	May	Wits University	62 000	Registration fees.
Sole supplier	May	Wits University	62 000	Registration fees.
Sole supplier	June	CIGFARO	7 000	Registration fees.
Sole supplier	June	South African Institute of Taxation	7 332	Membership fees.
Sole supplier	June	Zambezi Pride	19 470	Registration fees.
Sole supplier	June	Hurricane Locksmith	4 077	Changing door locks
			1 401 239	

58. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: primary, secondary and tertiary educational services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Aggregated segments

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

Notes to the Annual Financial Statements

Figures in Rand

58. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Budget and treasury	Community services	Corporate services	Library	Mayor	Municipal manager	Speaker	Technical services	Town planning	Total
Revenue										
Service charges	-	-	-	-	-	-	-	611 916	-	611 916
Rental of facilities and equipment	-	5 809	-	-	-	-	-	2 087 164	-	2 092 973
Agency services	903 772	-	-	-	-	-	-	-	-	903 772
Licenses and permits	-	195 647	-	-	-	-	-	-	-	195 647
Other income	636 065	-	-	20 505	340 336	-	-	-	-	996 906
Interest received - investment	-	-	5 487 230	-	-	-	-	-	-	5 487 230
Actuarial gains/losses	628 973	-	-	-	-	-	-	-	-	628 973
Property rates	28 291 143	-	-	-	-	-	-	-	-	28 291 143
Interest received - property rates	10 871 571	-	-	-	-	-	-	-	-	10 871 571
Government grants & subsidies	7 019 898	8 079 480	65 432 864	21 648 899	23 958 700	15 258 100	19 468 200	47 550 631	11 658 000	220 074 772
Public contributions and donations	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	-	238 750	-	-	-	-	-	-	-	238 750
Total segment revenue	**48 351 422**	**8 519 686**	**70 920 094**	**21 669 404**	**24 299 036**	**15 258 100**	**19 468 200**	**50 249 711**	**11 658 000**	**270 393 653**
Entity's revenue										**270 393 653**

Notes to the Annual Financial Statements

Figures in Rand

58. Segment information (continued)

	Budget and treasury	Community services	Corporate services	Library	Mayor	Municipal manager	Speaker	Technical services	Town planning	Total
Expenditure										
Employee related costs	14 885 466	17 331 145	27 039 076	10 886 457	5 805 872	4 358 164	5 769 164	13 525 554	8 899 243	108 500 141
Remuneration of councillors	-	-	-	-	4 016 675	-	8 836 148	-	-	12 852 823
Depreciation and amortisation	32 939 041	-	-	-	-	-	-	-	-	32 939 041
Impairments loss	7 830 873	-	-	-	-	-	-	-	-	7 830 873
Finance costs	1 298 104	-	-	-	-	-	-	-	-	1 298 104
Debt impairment	6 648 263	-	-	-	-	-	-	-	-	6 648 263
Contracted services	1 718 231	-	27 623 518	-	-	-	-	3 316 851	-	32 658 600
General expenses	15 018 011	1 776 076	11 088 983	703 963	4 181 998	4 441 805	4 651 364	20 029 023	4 853 063	66 744 286
Loss on disposal of assets	1 751 469	-	-	-	-	-	-	-	-	1 751 469
Acturial loss	827 592	-	-	-	-	-	-	-	-	827 592
Total segment expenditure	**82 917 050**	**19 107 221**	**65 751 577**	**11 590 420**	**14 004 545**	**8 799 969**	**19 256 676**	**36 871 428**	**13 752 306**	**272 051 192**
Total segmental surplus/(deficit)	**(34 565 628)**	**(10 587 535)**	**5 168 517**	**10 078 984**	**10 294 491**	**6 458 131**	**211 524**	**13 378 283**	**(2 094 306)**	**(1 657 539)**

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

2024

	Budget and treasury	Community services	Corporate services	Library	Mayor	Municipal manager	Speaker	Technical services	Town planning	Total

Notes to the Annual Financial Statements

Figures in Rand

58. Segment information (continued)

Revenue										
Service charges	-	-	-	-	-	-	-	398 710	-	398 710
Rental of facilities and equipment	-	-	-	-	-	-	-	1 660 290	-	1 660 290
Agency services	-	883 470	-	-	-	-	-	-	-	883 470
Other income	1 006 154	-	-	-	-	-	-	-	-	1 006 154
Interest received - investment	-	-	5 964 129	-	-	-	-	-	-	5 964 129
Gain/Loss on disposal of assets and liabilities	2 817 914	-	-	-	-	-	-	-	-	2 817 914
Actuarial gains/losses	1 131 120	-	-	-	-	-	-	-	-	1 131 120
Property rates	26 951 833	-	-	-	-	-	-	-	-	26 951 833
Interest received - property rates	16 422 825	-	-	-	-	-	-	-	-	16 422 825
Government grants & subsidies	6 920 238	21 228 616	41 331 036	10 421 945	22 935 697	14 393 591	14 811 436	29 213 209	7 226 254	168 482 022
Total segment revenue	**55 250 084**	**22 112 086**	**47 295 165**	**10 421 945**	**22 935 697**	**14 393 591**	**14 811 436**	**31 272 209**	**7 226 254**	**225 718 467**
Entity's revenue										**225 718 467**
Expenditure										
Employee related costs	(13 089 275)	(12 999 730)	(18 810 116)	(8 281 241)	(13 486 415)	(6 142 702)	(4 682 417)	(10 079 391)	(3 611 570)	(91 182 857)
Remuneration of councillors	-	-	-	-	(4 592 896)	-	(7 722 038)	-	-	(12 314 934)
Depreciation and amortisation	(29 991 823)	-	-	-	-	-	-	-	-	(29 991 823)
Total segment expenditure	**(43 081 098)**	**(12 999 730)**	**(18 810 116)**	**(8 281 241)**	**(18 079 311)**	**(6 142 702)**	**(12 404 455)**	**(10 079 391)**	**(3 611 570)**	**(133 489 614)**
Total segmental surplus/(deficit)	**98 331 182**	**35 111 816**	**66 105 281**	**18 703 186**	**41 015 008**	**20 536 293**	**27 215 891**	**41 351 600**	**10 837 824**	**359 208 081**

59. Budget variances

Material variances between budget and actual amounts

59. Budget variances (continued)

59.3 Agengcy Service
The collection from agency services was lower than anticipated, resulting in the shortfall.

59.5 Other Revenue
Higher collections mainly from non-core income sources not anticipated during budget.

59.7 Interest received - investments
Interest earned was lower than budget due to low cashflows and MIG reimbursement conditions.

59.9 Interest received - Property Rates
Revenue increased substantially owing to large outstanding debtors, which escalated interest on arrears..

59.10 Government Grants and Subsidies
Grants were higher due to recognition of the Free Basic Water grant and under-budgeting of the LGSETA grant. Overall grant performance was excellent..

59.11 Fines, Penalties and Forfeits
Actual collections exceeded budget, variance relates to enforcement activities.

59.14 Impairment loss
Higher impairments recognised due to deteriorating debtor recoverability; budget under-provided.

59.15 Finance costs
Variance relates to under-budgeting of landfill site interest (non-cash) charges.

59.16 Debt impairment
Higher impairments due to increased outstanding debtors and low recoverability rates.

59.17 Contracted services
Difference arises mainly from GRAP vs mSCOA classification between Contracted Services and Operational Costs; overall impact offsets with immaterial balance.

59.20 Loss on disposal of assets
Losses exceeded budget due to disposals at values below expectation; linked to GRAP disclosure requirements.

59.21 Fair value adjustments
Variance due to GRAP disclosure; item was budgeted under operational costs but disclosed separately in AFS.

59.22 Acturial gains/losses
Losses arose from updated actuarial assumptions; item budgeted under operational but disclosed separately per GRAP.

60. Accounting by principals and agents

The entity is a party to a principal-agent arrangement(s).

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

The municipality has entered into a principal-agent arrangement with the Department of Sports, Arts and Culture for the delivery and management of library services within the municipality's jurisdiction.
The arrangement is governed by a mandated implementation plan approved by the department and funded through a conditional grant.

The municipality has entered into a principal-agent arrangement with the Department of Transport for the facilitation of motor vehicle licensing and registration services within the municipal area. The municipality collects licensing and registration fees on behalf of the Department of Transport and is entitled to a 20% commission on the total collections. This arrangement is governed by an agreement between the two parties and is executed in line with applicable transport regulations.

60. Accounting by principals and agents (continued)

Entity as agent

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

Only the portion of the grant for which conditions have been met during the year is recognised as revenue from non-exchange transactions. The unspent portion is disclosed as a liability – Unspent Conditional Grants.

The municipality does not recognise the full value of the licensing and registration revenue as its own income. Only the 20% commission earned is recognised as revenue in the Statement of Financial Performance under agency service income. The remaining 80% is treated as funds held on behalf of the principal and is excluded from the municipality's revenue.

Revenue recognised

During the reporting period, the municipality received a conditional grant amounting to R1 392 000 In addition to the Opening Balance of R150 715.08. An amount of R1 391 099.25 was utilised and recognised as revenue in accordance with the approved implementation plan. The remaining R151 615.52 was unspent at year-end and is disclosed as a liability.

Liabilities and corresponding rights of reimbursement recognised as assets

The unspent conditional grant of R151 615.52 is expected to be utilised during the next financial year (2025/2026) in line with the approved implementation plan and the department's reporting deadlines.