



**Kgatelopele Local Municipality (Registration number NC086)**  
Annual financial statements  
for the year ended 30 June 2025

These annual financial statements were prepared by:  
Finance - Budget and Treasury Offices

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## General Information

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<b>Legal form of entity</b>	Municipality South Africa
<b>Relevant Legislation</b>	Constitution of the Republic of South Africa (Act No. 108 of 1996) Municipal Finance Management Act (Act 56 of 2003) Division of Revenue Act The Income Tax Act (Act No. 58 of 1962) Value Added Tax Act (Act No. 117 of 1998) Municipal Structures Act (Act No. 32 of 2000) Water Service Act (Act No.108 of 1997) Housing Act (Act No. 107 of 1997) Municipal Property Rates Act (Act No. 6 of 2004) Electricity Act (Act No. 41 of 1987) Skills Development Levies Act (Act No. 9 of 1999) Employment Equity Act (Act No. 55 of 1998) Unemployment Insurance Act (Act No. 30 of 1966) Basic Conditions of Employment Act (Act No. 75 of 1997) Municipal System Amendment Act (Act No. 7 of 2011) Municipal Planning and Performance Management Regulations Municipal Supply Chain Management Regulations Municipal Collective Agreements Municipal Budget and Reporting Regulations MFMA Circulars and Regulations
<b>Mayoral committee</b>	
Executive Mayor	Hon. NI Williams
Councillors	Cllr. M G Leutlwetse Cllr. G D Burger Cllr. S Vuyeka Cllr. R V Haai Cllr. F Maritz Cllr. D R Pienaar Cllr. J Slinger Cllr. A C Van Zyl Cllr. G L Teteme
<b>Accounting Officer</b>	Adv. Willie Blunden
<b>Chief Finance Officer (CFO)</b>	Leonard Coakley
<b>Business address</b>	222 Barker Street Danielskuil 8405
<b>Bankers</b>	First National Bank
<b>Auditors</b>	Auditor General South Africa

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

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### Abbreviations used:

VAT	Value Added Tax
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

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 on its behalf by:



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**Accounting Officer**  
**Adv. Willie Blundin**

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024
<b>Assets</b>			
Current Assets			
Inventories	2	5,430,982	3,861,677
Other Receivables from exchange transactions	7	2,846,277	2,846,277
Receivables from non-exchange transactions	3	28,613,431	16,744,113
VAT receivable	4	9,914,211	12,954,718
Prepayments		326,727	-
Receivables from exchange transactions	5	36,460,246	27,027,819
Cash and cash equivalents	6	18,843,811	13,221,433
		<b>102,435,685</b>	<b>76,656,037</b>
Non-Current Assets			
Investment property	8	29,996,446	29,055,094
Property, plant and equipment	9	561,016,427	520,459,249
Intangible assets	10	625,728	741,595
Heritage assets	11	1,151,058	1,151,058
		<b>592,789,659</b>	<b>551,406,996</b>
<b>Total Assets</b>		<b>695,225,344</b>	<b>628,063,033</b>
<b>Liabilities</b>			
Current Liabilities			
Payables from exchange transactions	12	111,606,755	91,058,419
Consumer deposits	13	1,637,839	1,576,351
Employee benefit obligation	14	172,000	412,000
Unspent conditional grants and receipts	15	17,709,231	9,002,115
Provisions	16	3,912,054	4,429,852
		<b>135,037,879</b>	<b>106,478,737</b>
Non-Current Liabilities			
Employee benefit obligation	14	2,210,348	1,960,000
<b>Total Liabilities</b>		<b>137,248,227</b>	<b>108,438,737</b>
<b>Net Assets</b>		<b>557,977,117</b>	<b>519,624,296</b>
Accumulated surplus		557,977,117	519,624,296
<b>Total Net Assets</b>		<b>557,977,117</b>	<b>519,624,296</b>

The accounting policies on pages 12 to 41 and the notes on pages 42 to 82 form an integral part of the annual financial statements.

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	18	62,550,064	46,402,932
Rental of facilities and equipment	19	461,058	135,287
Licences and permits	21	693,985	383,301
Other income - (rollup)	24	1,839,859	113,093
Interest received - investment	25	2,784,103	4,944,913
<b>Total revenue from exchange transactions</b>		<b>68,329,069</b>	<b>51,979,526</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	26	19,327,489	21,452,359
Interest - Taxation revenue	22	591,765	564,298
<b>Transfer revenue</b>			
Government grants & subsidies	27	100,850,885	163,921,214
Public contributions and donations	48	-	545,000
<b>Total revenue from non-exchange transactions</b>		<b>120,770,139</b>	<b>186,482,871</b>
<b>Total revenue</b>	17	<b>189,099,208</b>	<b>238,462,397</b>
<b>Expenditure</b>			
Employee related costs	28	48,438,971	42,230,916
Employee costs - Remuneration of councillors	29	5,234,487	5,079,633
Depreciation and amortisation	30	23,091,570	25,063,591
Finance costs	31	5,243,348	3,387,525
Debt Impairment	33	-	13,368,589
Bad debts written off		(331,071)	4,154,380
Bulk purchases	35	33,777,247	28,873,552
Contracted Services	36	16,422,511	15,486,156
Expenses (by function)	34	18,367,842	17,505,852
<b>Total expenditure</b>		<b>150,244,905</b>	<b>155,150,194</b>
<b>Operating surplus</b>	38	<b>38,854,303</b>	<b>83,312,203</b>
Loss on disposal of assets		(9,763,086)	(1,797,007)
Fair value adjustments	49	1,153,709	287,674
Actuarial gains/losses	14	91,348	(76,277)
		<b>(8,518,029)</b>	<b>(1,585,610)</b>
<b>Surplus for the year</b>		<b>30,336,274</b>	<b>81,726,593</b>

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

### Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	438,233,653	438,233,653
Adjustments		
Correction of errors 43	(335,950)	(335,950)
<b>Balance at 01 July 2023 as restated*</b>	<b>437,897,703</b>	<b>437,897,703</b>
Changes in net assets		
Surplus for the year	81,726,593	81,726,593
Total changes	81,726,593	81,726,593
Opening balance as previously reported	519,624,295	519,624,295
Adjustments		
Correction of errors 43	8,016,548	8,016,548
<b>Balance at 01 July 2024 as restated*</b>	<b>527,640,843</b>	<b>527,640,843</b>
Changes in net assets		
Surplus for the year	30,336,274	30,336,274
Total changes	30,336,274	30,336,274
<b>Balance at 30 June 2025</b>	<b>557,977,117</b>	<b>557,977,117</b>
Note(s)		

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Cash Flow Statement

Figures in Rand	Note(s)	2025	2024
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		66,901,556	58,833,569
Grants		109,558,001	94,520,000
Interest income		3,478,388	3,443,724
		<u>179,937,945</u>	<u>156,797,293</u>
<b>Payments</b>			
Employee costs		(53,571,762)	(48,244,912)
Suppliers		(50,433,397)	(46,672,906)
Finance costs		(5,243,348)	(3,387,525)
		<u>(109,248,507)</u>	<u>(98,305,343)</u>
<b>Net cash flows from operating activities</b>	37	<b><u>70,689,438</u></b>	<b><u>58,491,950</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(66,777,876)	(125,026,616)
Other movements	9	1,710,816	-
<b>Net cash flows from investing activities</b>		<b><u>(65,067,060)</u></b>	<b><u>(125,026,616)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>5,622,378</u></b>	<b><u>(66,534,666)</u></b>
Cash and cash equivalents at the beginning of the year		13,221,433	79,756,099
<b>Cash and cash equivalents at the end of the year</b>	6	<b><u>18,843,811</u></b>	<b><u>13,221,433</u></b>

The accounting policies on pages 12 to 41 and the notes on pages 42 to 82 form an integral part of the annual financial statements.



# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	63,270,000	4,201,000	<b>67,471,000</b>	62,550,064	<b>(4,920,936)</b>	
Rental of facilities and equipment	214,000	-	<b>214,000</b>	461,058	<b>247,058</b>	
Interest received (trading)	1,701,000	-	<b>1,701,000</b>	-	<b>(1,701,000)</b>	
Agency services	50,000	-	<b>50,000</b>	-	<b>(50,000)</b>	
Licences and permits	1,049,000	-	<b>1,049,000</b>	693,985	<b>(355,015)</b>	
Other income - (rollup)	146,000	-	<b>146,000</b>	1,839,859	<b>1,693,859</b>	
Interest received - investment	3,888,000	-	<b>3,888,000</b>	2,784,103	<b>(1,103,897)</b>	
<b>Total revenue from exchange transactions</b>	<b>70,318,000</b>	<b>4,201,000</b>	<b>74,519,000</b>	<b>68,329,069</b>	<b>(6,189,931)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	21,910,000	862,000	<b>22,772,000</b>	19,327,489	<b>(3,444,511)</b>	
Indirect taxes (VAT, customs duty)	9,000,000	-	<b>9,000,000</b>	-	<b>(9,000,000)</b>	
Interest - Taxation revenue	670,000	-	<b>670,000</b>	591,765	<b>(78,235)</b>	
<b>Transfer revenue</b>						
Government grants & subsidies	40,635,000	-	<b>40,635,000</b>	100,850,885	<b>60,215,885</b>	
Fines, Penalties and Forfeits	66,000	-	<b>66,000</b>	-	<b>(66,000)</b>	
<b>Total revenue from non-exchange transactions</b>	<b>72,281,000</b>	<b>862,000</b>	<b>73,143,000</b>	<b>120,770,139</b>	<b>47,627,139</b>	
<b>Total revenue</b>	<b>142,599,000</b>	<b>5,063,000</b>	<b>147,662,000</b>	<b>189,099,208</b>	<b>41,437,208</b>	
<b>Expenditure</b>						
Personnel	(49,994,000)	1,529,000	<b>(48,465,000)</b>	(48,438,971)	<b>26,029</b>	
Employee costs - Remuneration of councillors	(4,811,000)	(216,000)	<b>(5,027,000)</b>	(5,234,487)	<b>(207,487)</b>	
Depreciation and amortisation	(14,991,000)	800,000	<b>(14,191,000)</b>	(23,091,570)	<b>(8,900,570)</b>	
Finance costs	(1,209,000)	(300,000)	<b>(1,509,000)</b>	(5,243,348)	<b>(3,734,348)</b>	
Bad debt write-off	(4,350,000)	-	<b>(4,350,000)</b>	-	<b>4,350,000</b>	
Bad debts written off	-	-	-	331,071	<b>331,071</b>	
Inventory consumed	(1,353,000)	-	<b>(1,353,000)</b>	-	<b>1,353,000</b>	
Bulk purchases	(28,886,000)	(4,200,000)	<b>(33,086,000)</b>	(33,777,247)	<b>(691,247)</b>	
Contracted Services	(17,910,000)	(915,000)	<b>(18,825,000)</b>	(16,422,511)	<b>2,402,489</b>	
Expenses (by function)	(13,412,000)	(3,372,000)	<b>(16,784,000)</b>	(18,367,842)	<b>(1,583,842)</b>	
<b>Total expenditure</b>	<b>(136,916,000)</b>	<b>(6,674,000)</b>	<b>(143,590,000)</b>	<b>(150,244,905)</b>	<b>(6,654,905)</b>	
<b>Operating surplus</b>	<b>5,683,000</b>	<b>(1,611,000)</b>	<b>4,072,000</b>	<b>38,854,303</b>	<b>34,782,303</b>	
Loss on disposal of assets and liabilities	-	-	-	(9,763,086)	<b>(9,763,086)</b>	
Fair value adjustments	-	-	-	1,153,709	<b>1,153,709</b>	
Actuarial gains/losses	-	-	-	91,348	<b>91,348</b>	
	-	-	-	<b>(8,518,029)</b>	<b>(8,518,029)</b>	
<b>Surplus before taxation</b>	<b>5,683,000</b>	<b>(1,611,000)</b>	<b>4,072,000</b>	<b>30,336,274</b>	<b>26,264,274</b>	

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

### Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>5,683,000</b>	<b>(1,611,000)</b>	<b>4,072,000</b>	<b>30,336,274</b>	<b>26,264,274</b>	

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	3,264,000	-	<b>3,264,000</b>	5,430,982	<b>2,166,982</b>	
Other Receivables from exchange transactions	-	-	-	2,846,277	<b>2,846,277</b>	
Receivables from non-exchange transactions	21,731,000	172,000	<b>21,903,000</b>	28,613,431	<b>6,710,431</b>	
VAT receivable	28,825,000	2,603,000	<b>31,428,000</b>	-	<b>(31,428,000)</b>	
Prepayments	-	-	-	326,727	<b>326,727</b>	
Consumer debtors	117,397,000	3,652,000	<b>121,049,000</b>	36,460,246	<b>(84,588,754)</b>	
Cash and cash equivalents	81,908,000	(8,209,000)	<b>73,699,000</b>	18,843,811	<b>(54,855,189)</b>	
	<b>253,125,000</b>	<b>(1,782,000)</b>	<b>251,343,000</b>	<b>92,521,474</b>	<b>(158,821,526)</b>	

##### Non-Current Assets

Investment property	28,727,000	-	<b>28,727,000</b>	29,996,446	<b>1,269,446</b>	
Property, plant and equipment	1,062,816,000	9,700,000	<b>1,072,516,000</b>	561,016,427	<b>(511,499,573)</b>	
Intangible assets	1,151,000	-	<b>1,151,000</b>	625,728	<b>(525,272)</b>	
Heritage assets	4,625,000	-	<b>4,625,000</b>	1,151,058	<b>(3,473,942)</b>	
	<b>1,097,319,000</b>	<b>9,700,000</b>	<b>1,107,019,000</b>	<b>592,789,659</b>	<b>(514,229,341)</b>	

#### Total Assets

<b>1,350,444,000</b>	<b>7,918,000</b>	<b>1,358,362,000</b>	<b>685,311,133</b>	<b>(673,050,867)</b>	
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#### Liabilities

##### Current Liabilities

Payables from exchange transactions	158,166,000	-	<b>158,166,000</b>	111,606,750	<b>(46,559,250)</b>	
VAT payable	10,219,000	630,000	<b>10,849,000</b>	-	<b>(10,849,000)</b>	
Consumer deposits	1,509,000	-	<b>1,509,000</b>	1,637,839	<b>128,839</b>	
Employee benefit obligation	-	-	-	172,000	<b>172,000</b>	
Unspent conditional grants and receipts	-	-	-	17,709,231	<b>17,709,231</b>	
Provisions	-	-	-	3,912,054	<b>3,912,054</b>	
	<b>169,894,000</b>	<b>630,000</b>	<b>170,524,000</b>	<b>135,037,874</b>	<b>(35,486,126)</b>	

##### Non-Current Liabilities

Employee benefit obligation	-	-	-	2,210,348	<b>2,210,348</b>	
Provisions	(6,311,000)	-	<b>(6,311,000)</b>	-	<b>6,311,000</b>	
	<b>(6,311,000)</b>	-	<b>(6,311,000)</b>	<b>2,210,348</b>	<b>8,521,348</b>	

#### Total Liabilities

<b>163,583,000</b>	<b>630,000</b>	<b>164,213,000</b>	<b>137,248,222</b>	<b>(26,964,778)</b>	
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#### Net Assets

<b>1,186,861,000</b>	<b>7,288,000</b>	<b>1,194,149,000</b>	<b>548,062,911</b>	<b>(646,086,089)</b>	
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#### Net Assets

#### Net Assets Attributable to Owners of Controlling Entity

##### Reserves

Accumulated surplus	1,186,861,000	7,288,000	<b>1,194,149,000</b>	557,977,118	<b>(636,171,882)</b>	
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## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

### Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Total Net Assets</b>	<b>1,186,861,000</b>	<b>7,288,000</b>	<b>1,194,149,000</b>	<b>557,977,118</b>	<b>(636,171,882)</b>	

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Significant Accounting Policies

Figures in Rand	Note(s)	2025	2024
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### 1. Significant accounting 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 Presentation currency

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

#### 1.3 Going concern assumption

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

#### 1.4 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.

The entity does not retrospectively adjust the accounting of past items (or group of items) that were previously assessed as immaterial, unless an error occurred.

#### 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.

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Significant Accounting Policies

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### 1.5 Investment property (continued)

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

#### Fair value

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

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

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

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

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

Any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in surplus and deficit.

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.

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

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

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

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

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

### 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.

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## **Significant Accounting Policies**

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### **1.6 Property, plant and equipment (continued)**

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

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

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

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

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

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

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

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

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

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

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

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 restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

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.

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

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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## Significant Accounting Policies

### 1.6 Property, plant and equipment (continued)

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.

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

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

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	10 - 100 years
Plant and machinery	Straight-line	5- 15 years
Furniture and fixtures	Straight-line	5 years
Motor vehicles/Transport Assets	Straight-line	5- 20 years
Office equipment	Straight-line	3-5 years
IT equipment	Straight-line	3-5 years
Solid waste infrastructure	Straight-line	10- 50 years
Sport facilities	Straight-line	15- 30 years
Stormwater infrastructure	Straight-line	20- 50 years
Waste water /Sanitation network	Straight-line	15 years
Water network	Straight-line	15- 80 years
Conservation assets	Straight-line	Indefinite
Housing	Straight-line	15- 100 years
Road Infrastructure	Straight-line	7- 100 years
Electricity Infrastructure	Straight-line	20-45 years
Community Facilities	Straight-line	10-100 years

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

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

The 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.



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## Significant Accounting Policies

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### 1.6 Property, plant and equipment (continued)

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

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

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

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

### 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.

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## Significant Accounting Policies

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### 1.8 Intangible assets (continued)

An intangible asset is recognised when:

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

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

### 1.9 Heritage assets

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

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

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

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## Significant Accounting Policies

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### 1.9 Heritage assets (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

### Recognition

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

### Initial measurement

Heritage assets are measured at cost.

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

### Subsequent measurement

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

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

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

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

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## Significant Accounting Policies

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### 1.9 Heritage assets (continued)

#### Impairment

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

#### Derecognition

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

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

### 1.10 Financial instruments

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

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

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

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

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

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

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

A financial asset is:

- cash;
- a residual interest of another entity; or

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Significant Accounting Policies

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### 1.10 Financial instruments (continued)

- 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.

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 unissued 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;

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Annual Financial Statements for the year ended 30 June 2025

## Significant Accounting Policies

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### 1.10 Financial instruments (continued)

- 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.

### 1.11 Statutory receivables

#### Identification

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

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

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

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

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

#### Recognition

The municipality recognises statutory receivables as follows:

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

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

#### Accrued interest

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

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

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### 1.11 Statutory receivables (continued)

#### Other charges

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

#### Impairment losses

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

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

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

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

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

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

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

#### Derecognition

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

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

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

# **Kgatelopele Local Municipality (Registration number NC086)**

Annual Financial Statements for the year ended 30 June 2025

## **Significant Accounting Policies**

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### **1.12 Tax**

#### **Tax expenses**

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

### **1.13 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.

#### **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.

### **1.14 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.



# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Significant Accounting Policies

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### 1.14 Inventories (continued)

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.

### 1.15 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Significant Accounting Policies

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### 1.15 Impairment of cash-generating assets (continued)

#### 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.

#### Basis for estimates of future cash flows

In measuring value in use the municipality:

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

#### Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

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

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Significant Accounting Policies

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### 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.

#### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued 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 cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, 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.

#### 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.

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Significant Accounting Policies

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### 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.

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.

# **Kgatelopele Local Municipality (Registration number NC086)**

Annual Financial Statements for the year ended 30 June 2025

## **Significant Accounting Policies**

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### **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.

# **Kgatelopele Local Municipality (Registration number NC086)**

Annual Financial Statements for the year ended 30 June 2025

## **Significant Accounting Policies**

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### **1.17 Employee benefits**

#### **Identification**

##### **Employee benefits**

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

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

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.

Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either: (a) an entity's decision to terminate an employee's employment before the normal retirement date; or (b) an employee's decision to accept an offer of benefits in exchange for the termination of employment.

#### **Classification of plans**

A binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to the arrangement as if it were in the form of a contract. It includes rights from contracts or other legal rights.

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

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

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

Multi-employer plans are defined contribution plans (other than state plans) or defined benefit plans (other than state plans) that: (a) pool the assets contributed by various entities that are not under common control; and (b) use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees.

State plans are plans established by legislation that operate as if they are multiemployer plans for all entities in economic categories laid down in legislation.

#### **Net defined benefit liability (asset)**

The net defined benefit liability (asset) is the deficit or surplus, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling.

The deficit or surplus is: (a) the present value of the defined benefit obligation; less (b) the fair value of plan assets (if any); plus (c) any liability that may arise as a result of a minimum funding requirement.

The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Plan assets comprise: (a) assets held by a long-term employee benefit fund; and (b) qualifying insurance policies.

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Significant Accounting Policies

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### 1.17 Employee benefits (continued)

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in GRAP 20) of the reporting entity, if the proceeds of the policy: (a) can be used only to pay or fund employee benefits under a defined benefit plan; and (b) are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either: (i) the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or (ii) the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

#### Defined benefit cost

Service cost comprises: (a) current service cost, which is the increase in the present value of the defined benefit obligation resulting from employee service in the current period; (b) past service cost, which is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by a plan); and (c) any gain or loss on settlement.

Net interest on the net defined benefit liability (asset) is the change during the period in the net defined benefit liability (asset) that arises from the passage of time.

Remeasurements of the net defined benefit liability (asset) comprise: (a) actuarial gains and losses; (b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and (c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Actuarial gains and losses are changes in the present value of the defined benefit obligation resulting from: (a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and (b) the effects of changes in actuarial assumptions.

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

A settlement is a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions.

# **Kgatelopele Local Municipality (Registration number NC086)**

Annual Financial Statements for the year ended 30 June 2025

## **Significant Accounting Policies**

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### **1.17 Employee benefits (continued)**

#### **Short-term employee benefits**

##### **Recognition and measurement**

##### **All short-term employee benefits**

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

(a) As a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.

(b) As an expense, unless another Standard of GRAP requires or permits the inclusion of the benefits in the cost of an asset.

##### **Short-term paid absences**

The entity recognises the expected cost of short-term employee benefits in the form of paid absences as follows:

(a) in the case of accumulating paid absences, when the employees render service that increases their entitlement to future paid absences; and

(b) in the case of non-accumulating paid absences, when the absences occur.

The entity measures the expected cost of accumulating paid absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

##### **Bonus, incentive and performance related payments**

The entity recognises the expected cost of bonus, incentive and performance related payments when, and only when:

(a) the entity has a present legal or constructive obligation to make such payments as a result of past events; and

(b) a reliable estimate of the obligation can be made. A present obligation exists when, and only when, the entity has no realistic alternative but to make the payments.



# **Kgatelopele Local Municipality (Registration number NC086)**

Annual Financial Statements for the year ended 30 June 2025

## **Significant Accounting Policies**

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### **1.17 Employee benefits (continued)**

#### **Post-employment benefits: Defined benefit plans**

##### **Recognition and measurement**

The entity determines the net defined benefit liability (asset) with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

##### **Statement of financial position**

The entity recognises the net defined benefit liability (asset) in the statement of financial position. When the entity has a surplus in a defined benefit plan, it measures the net defined benefit asset at the lower of:

(a) the surplus in the defined benefit plan; and

(b) the asset ceiling, determined using the discount rate specified. Any adjustments arising from the limit is recognised in surplus or deficit.

##### **Recognition and measurement: Present value of defined benefit obligations and current service cost**

##### **Actuarial valuation method**

The entity uses the projected unit credit method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost.

##### **Attributing benefit to periods of service**

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

(a) the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until

(b) the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

##### **Actuarial assumptions**

Actuarial assumptions are unbiased and mutually compatible.

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

##### **Actuarial assumptions: Mortality**

The entity determines its mortality assumptions by reference to its best estimate of the mortality of plan members both during and after employment.

##### **Actuarial assumptions: Discount rate**

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

##### **Actuarial assumptions: Salaries, benefits and medical costs**

The entity measures its defined benefit obligations on a basis that reflects:

(a) the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the end of the reporting period;

# Kgatelopele Local Municipality (Registration number NC086)

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## Significant Accounting Policies

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### 1.17 Employee benefits (continued)

- (b) any estimated future salary increases that affect the benefits payable;
- (c) the effect of any limit on the employer's share of the cost of the future benefits;
- (d) contributions from employees or third parties that reduce the ultimate cost to the entity of those benefits; and
- (e) estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - (i) those changes were enacted before the end of the reporting period; or
  - (ii) historical data, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs takes account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

### Past service cost and gains and losses on settlement

When determining past service cost, or a gain or loss on settlement, the entity remeasures the net defined benefit liability (asset) using the current fair value of plan assets and current actuarial assumptions (including current market interest rates and other current market prices), reflecting:

- (a) the benefits offered under the plan and the plan assets before the plan amendment, curtailment or settlement; and
- (b) the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement.

### Past service cost

The entity recognises past service cost as an expense at the earlier of the following dates:

- (a) when the plan amendment or curtailment occurs; and
- (b) when the entity recognises related restructuring costs or termination benefits.

### Gains and losses on settlement

The entity recognises a gain or loss on the settlement of a defined benefit plan when the settlement occurs.

### Components of defined benefit cost

The entity recognises the components of defined benefit cost in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset, as follows:

- (a) service cost;
- (b) net interest on the net defined benefit liability (asset); and
- (c) remeasurements of the net defined benefit liability (asset).

### Current service cost

The entity determines current service cost using actuarial assumptions determined at the start of the reporting period. However, if the entity remeasures the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement, it determines current service cost for the remainder of the reporting period after the plan amendment, curtailment or settlement using the actuarial assumptions used to remeasure the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement (part b).

### Net interest on the net defined benefit liability (asset)

The entity determines net interest on the net defined benefit liability (asset) by multiplying the net defined benefit liability (asset) by the discount rate specified.

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## Significant Accounting Policies

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### 1.17 Employee benefits (continued)

To determine net interest, the entity uses the net defined benefit liability (asset) and the discount rate determined at the start of the reporting period. However, if the entity remeasures the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement, the entity determines net interest for the remainder of the reporting period after the plan amendment, curtailment or settlement using:

(a) the net defined benefit liability (asset) determined in accordance with the section on Past service cost gains and losses on settlement (part b); and

(b) the discount rate used to remeasure the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement (part b).

In applying this, the entity also takes into account any changes in the net defined benefit liability (asset) during the period resulting from contributions or benefit payments.

#### Remeasurements of the net defined benefit liability (asset)

Remeasurements of the net defined benefit liability (asset) comprise:

(a) actuarial gains and losses;

(b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and

(c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

#### Termination benefits

##### Recognition

The entity recognises a liability and expense for termination benefits at the earlier of the following dates: (a) when the entity can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of GRAP 19 and involves the payment of termination benefits.

##### Measurement

The entity measures termination benefits on initial recognition, and measures and recognise subsequent changes, in accordance with the nature of the employee benefit, provided that if the termination benefits are an enhancement to post-employment benefits, the entity applies the requirements for post-employment benefits. Otherwise:

(a) If the termination benefits are expected to be settled wholly before twelve months after the end of the reporting period in which the termination benefit is recognised, the entity applies the requirements for short-term employee benefits.

(b) If the termination benefits are not expected to be settled wholly before twelve months after the end of the reporting period, the entity applies the requirements for other long-term 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.

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### 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 40.

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

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Annual Financial Statements for the year ended 30 June 2025

## Significant Accounting Policies

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### 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.

### 1.19 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:

# **Kgatelopele Local Municipality (Registration number NC086)**

Annual Financial Statements for the year ended 30 June 2025

## **Significant Accounting Policies**

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### **1.19 Commitments (continued)**

- 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.

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## **Significant Accounting Policies**

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### **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.

# **Kgatelopele Local Municipality (Registration number NC086)**

Annual Financial Statements for the year ended 30 June 2025

## **Significant Accounting Policies**

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### **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.

### **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.

### **1.22 Investment income**

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



# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Significant Accounting Policies

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### 1.23 Accounting by principals and agents

#### Identification

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

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

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).

#### Recognition

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

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

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

### 1.24 Comparative figures

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

### 1.25 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.26 Fruitless and wasteful expenditure

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

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

### 1.27 Irregular expenditure

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).

### 1.28 Budget information

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

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

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

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

# **Kgatelopele Local Municipality (Registration number NC086)**

Annual Financial Statements for the year ended 30 June 2025

## **Significant Accounting Policies**

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### **1.28 Budget information (continued)**

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

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

### **1.29 Related parties**

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

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

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

### **1.30 Events after reporting date**

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

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

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

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

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>2. Inventories</b>		
Inventory held for sale (Land)	1,017,190	817,210
Consumable stores	2,402,845	2,006,481
Maintenance materials	1,968,431	967,591
Water for distribution	42,516	70,395
	<b>5,430,982</b>	<b>3,861,677</b>
<b>2.1 Inventory held for sale (Land)</b>		
Opening balance	817,210	817,210
transfers from investment property	199,980	-
	<b>1,017,190</b>	<b>817,210</b>
<b>3. Receivables from non-exchange transactions</b>		
Consumer debtors - Rates	37,132,732	27,017,502
Consumer debtors - Other (Specified)	(8,519,301)	(10,273,389)
	<b>28,613,431</b>	<b>16,744,113</b>
<b>Receivables before impairment included in receivables from non-exchange transactions and aged above are as follows:</b>		
Current (0 -30 days)	1,538,060	1,001,841
31 - 60 days	1,299,566	757,047
61 - 90 days	1,092,858	1,045,507
91 - 120 days	887,436	628,352
121 - 150 days	1,015,200	568,972
151 - 180 days	685,819	500,525
> 180 days	30,613,824	22,515,258
	<b>37,132,763</b>	<b>27,017,502</b>
<b>Financial asset receivables included in receivables from non-exchange transactions above</b>		
<b>Total receivables from non-exchange transactions</b>		
<b>Receivables from non-exchange transactions impaired</b>		
As of 30 June 2025, other receivables from non-exchange transactions of - (2024: -) were impaired and provided for.		
The amount of the provision was - as of 30 June 2025 (2024: -).		
<b>Reconciliation of provision for impairment of receivables from non-exchange transactions</b>		
Opening balance	(10,273,389)	(5,585,679)
Provision for impairment	1,754,088	(4,687,710)
	<b>(8,519,301)</b>	<b>(10,273,389)</b>

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>4. VAT receivable</b>		
VAT Control	9,914,211	12,954,718
<b>Breakdown on VAT control base on accrual and cash basis</b>		
VAT Control Account	11,169,788	-
VAT Receivable on cash basis	(1,064,236)	-
VAT 201 due on cash basis	(91,962)	-
	<b>10,013,590</b>	<b>-</b>
<p>The municipality accounts for VAT on the payment basis, GRAP requires financial statement must be prepared on the accrual basis, which mean the municipality only accounts for VAT once payment is received from debtors, VAT is paid over to SARS.</p> <p>No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.</p>		
<b>5. Consumer debtors</b>		
<b>Gross balances</b>		
Electricity	9,880,980	8,480,551
Water	43,412,690	37,837,711
Sewerage	12,990,394	10,975,433
Refuse	13,339,709	11,916,077
Housing rental	(725,301)	108,407
	<b>78,898,472</b>	<b>69,318,179</b>
<b>Less: Allowance for impairment</b>		
Electricity	(2,108,217)	(1,358,231)
Water	(26,340,680)	(22,615,813)
Sewerage	(7,808,597)	(8,914,168)
Refuse	(6,035,679)	(9,402,148)
Housing rental	(145,053)	-
	<b>(42,438,226)</b>	<b>(42,290,360)</b>
<b>Net balance</b>		
Electricity	7,772,763	7,122,320
Water	17,072,010	15,221,898
Sewerage	5,181,797	2,061,265
Refuse	7,304,030	2,513,929
Housing rental	(870,354)	108,407
	<b>36,460,246</b>	<b>27,027,819</b>
<b>Electricity</b>		
Current (0 -30 days)	1,051,539	975,258
31 - 60 days	572,523	530,991
61 - 90 days	277,420	257,295
91 - 120 days	258,560	239,803
121 - 365 days	259,448	240,627
> 365 days	5,353,273	4,878,346
	<b>7,772,763</b>	<b>7,122,320</b>

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>5. Consumer debtors (continued)</b>		
<b>Water</b>		
Current (0 -30 days)	440,693	406,028
31 - 60 days	743,370	684,898
61 - 90 days	279,446	257,465
91 - 120 days	326,773	301,069
121 - 365 days	361,409	332,981
> 365 days	14,920,319	13,520,224
	<b>17,072,010</b>	<b>15,502,665</b>
<b>Sewerage</b>		
Current (0 -30 days)	297,218	121,424
31 - 60 days	166,496	68,019
61 - 90 days	146,176	59,718
91 - 120 days	141,175	57,675
121 - 365 days	139,181	56,860
> 365 days	4,291,551	1,697,569
	<b>5,181,797</b>	<b>2,061,265</b>
<b>Refuse</b>		
Current (0 -30 days)	684,489	267,527
31 - 60 days	588,653	230,070
61 - 90 days	543,280	212,336
91 - 120 days	233,402	91,223
121 - 365 days	225,573	88,163
> 365 days	5,028,633	1,624,610
	<b>7,304,030</b>	<b>2,513,929</b>
<b>Housing rental</b>		
Current (0 -30 days)	(725,301)	(30,508)
31 - 60 days	-	(1,375)
61 - 90 days	-	(17,330)
91 - 120 days	-	(1,222)
121 - 365 days	-	(44,401)
> 365 days	-	(77,523)
	<b>(725,301)</b>	<b>(172,359)</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(42,290,361)	(33,609,482)
Contributions to allowance	(147,865)	(8,680,879)
	<b>(42,438,226)</b>	<b>(42,290,361)</b>
<b>6. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	3,132	180
Bank balances	1,312,854	3,697,321
Short-term deposits	17,527,825	9,523,932
	<b>18,843,811</b>	<b>13,221,433</b>

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

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### 6. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
First National Bank - Business Cheque Account 52003878794	1,312,849	3,697,321	1,143,729	1,312,849	3,697,321	1,143,683
First National Bank - MIG Call account 62021476313	5,000	5,128,731	27,068,087	5,000	5,128,731	27,068,087
First National Bank - WSIG Call account 62714846500	12,394,162	10,339	19,732	12,394,162	10,339	19,732
First National Bank - MSIG Call account 62627395347	5,000	5,022	5,000	5,000	5,022	5,000
First National Bank - FMG Call account 62627396155	-	5,000	-	-	5,000	-
First National Bank - EPWP Call account 62627396915	-	185,432	-	-	185,432	-
First National Bank - Library Call account 62627394498	-	5,000	-	-	5,000	-
First National Bank - Disaster Management account 62822654530	1,443	5,010	1,453	1,443	5,010	1,453
First National Bank - INEP Call account 62289233547	5,017	5,000	5,000	5,017	5,000	5,000
First National Bank - Traffic account 62798890630	-	-	3,031	-	-	3,031
First National Bank - TOA 76200036773	-	2,260,243	51,230,360	-	2,260,243	51,230,360
First National Bank- Retention account 76203316875	-	1,914,155	279,573	-	1,914,155	279,573
Non Std Fixed Deposit - 76209235011	5,000,000	-	-	5,000,000	-	-
<b>Total</b>	<b>18,723,471</b>	<b>13,221,253</b>	<b>79,755,965</b>	<b>18,723,471</b>	<b>13,221,253</b>	<b>79,755,919</b>

### 7. Other Receivables from exchange transactions

Trade debtors	2,846,277	2,846,277
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## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

### Notes to the Annual Financial Statements

Figures in Rand

#### 8. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	29,996,446	-	29,996,446	29,055,094	-	29,055,094

#### Reconciliation of investment property - 2025

	Opening balance	Disposals	Transfers	Fair value adjustments	Total
Investment property	29,055,094	(12,377)	(199,980)	1,153,709	29,996,446

#### Reconciliation of investment property - 2024

	Opening balance	Fair value adjustments	Total
Investment property	28,767,420	287,674	29,055,094

#### Pledged as security

No Investment Property was pledged as security:

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

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

### Notes to the Annual Financial Statements

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#### 9. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	35,993,898	(22,923,936)	13,069,962	35,993,898	(22,923,936)	13,069,962
Buildings	18,316,915	(10,580,282)	7,736,633	17,878,878	(10,499,000)	7,379,878
Plant and machinery	3,005,448	(2,013,056)	992,392	2,946,040	(1,751,215)	1,194,825
Furniture and fixtures	2,162,920	(1,388,504)	774,416	2,162,338	(1,154,900)	1,007,438
Transport assets	10,191,157	(7,579,697)	2,611,460	10,189,882	(6,696,348)	3,493,534
IT equipment	3,078,217	(2,272,406)	805,811	2,974,718	(2,012,787)	961,931
Electrical Infrastructure	113,139,143	(75,157,773)	37,981,370	113,043,897	(72,435,382)	40,608,515
Community	21,815,552	(7,469,566)	14,345,986	11,436,092	(10,330,068)	1,106,024
Road Network Infrastructure	178,562,245	(104,443,891)	74,118,354	175,064,234	(102,289,890)	72,774,344
Solid Waste Infrastructure	5,527,969	(5,127,108)	400,861	5,527,969	(5,110,896)	417,073
Storm Water Infrastructure	27,168,339	(10,525,006)	16,643,333	22,403,106	(9,948,148)	12,454,958
Wastewater Network Infrastructure	200,471,314	(61,352,498)	139,118,816	202,280,854	(48,438,511)	153,842,343
Water Supply Infrastructure	91,005,485	(33,943,777)	57,061,708	77,396,475	(33,736,025)	43,660,450
Working In Progress	195,355,325	-	195,355,325	168,487,974	-	168,487,974
<b>Total</b>	<b>905,793,927</b>	<b>(344,777,500)</b>	<b>561,016,427</b>	<b>847,786,355</b>	<b>(327,327,106)</b>	<b>520,459,249</b>



## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

### Notes to the Annual Financial Statements

Figures in Rand

#### 9. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfers	Retention	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
Land	13,069,962	-	-	-	-	-	-	-	-	13,069,962
Buildings	7,379,878	937,317	(59,475)	-	-	-	(551,374)	-	30,287	7,736,633
Plant and machinery	1,194,825	-	-	-	-	-	(202,433)	-	-	992,392
Furniture and fixtures	1,007,438	3,000	-	-	-	-	(236,022)	-	-	774,416
Transport assets	3,493,534	-	-	-	-	-	(882,074)	-	-	2,611,460
IT equipment	961,931	90,706	-	-	-	-	(246,826)	-	-	805,811
Electrical Infrastructure	40,608,515	323,696	(138,091)	-	-	-	(2,797,862)	(14,888)	-	37,981,370
Community	1,106,024	26,738	(1,501,162)	13,742,009	-	-	(591,335)	(63,909)	1,627,621	14,345,986
Road Network Infrastructure	72,774,344	29,380	(447,753)	4,818,970	-	-	(3,056,587)	-	-	74,118,354
Solid Waste Infrastructure	417,073	-	-	-	-	-	(16,212)	-	-	400,861
Storm Water Infrastructure	12,454,958	-	(8,491)	4,789,940	-	-	(593,074)	-	-	16,643,333
Wastewater Network Infrastructure	153,842,343	468,000	(1,894,772)	-	-	-	(7,184,205)	(6,112,550)	-	139,118,816
Water Supply Infrastructure	43,660,450	-	(5,696,115)	21,086,161	-	56,054	(2,016,815)	(28,027)	-	57,061,708
Working In Progress	168,487,974	64,899,039	-	(44,437,080)	6,405,392	-	-	-	-	195,355,325
	-	-	-	-	-	-	-	-	-	-
	<b>520,459,249</b>	<b>66,777,876</b>	<b>(9,745,859)</b>	<b>-</b>	<b>6,405,392</b>	<b>56,054</b>	<b>(18,374,819)</b>	<b>(6,219,374)</b>	<b>1,657,908</b>	<b>561,016,427</b>

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand

### 9. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers received	Retention	Other changes, movements	Depreciation	Impairment loss	Total
Land	13,069,962	-	-	-	-	-	-	-	13,069,962
Buildings	7,585,537	418,279	-	-	-	-	(613,704)	(10,234)	7,379,878
Plant and machinery	948,982	545,000	-	-	-	-	(299,157)	-	1,194,825
Furniture and fixtures	1,042,675	235,321	-	-	-	-	(270,558)	-	1,007,438
Transport assets	3,031,811	1,613,212	-	-	-	-	(1,151,489)	-	3,493,534
IT equipment	1,089,810	262,350	-	-	-	-	(390,229)	-	961,931
Electrical Infrastructure	43,756,631	764,664	(474,524)	-	-	-	(3,365,495)	(72,761)	40,608,515
Community	1,235,072	-	-	-	-	-	(128,724)	(324)	1,106,024
Road Network Infrastructure	75,743,019	-	(232)	-	-	-	(2,968,384)	(59)	72,774,344
Solid Waste Infrastructure	726,510	-	-	-	-	(44,838)	(141,088)	(123,511)	417,073
Storm Water Infrastructure	13,034,054	-	-	-	-	-	(579,096)	-	12,454,958
Wastewater Network Infrastructure	110,373,846	-	(917,538)	57,622,229	-	-	(7,323,136)	(5,913,058)	153,842,343
Water Supply Infrastructure	45,241,061	253,330	(26,034)	-	-	-	(1,779,856)	(28,051)	43,660,450
Working In Progress	108,604,429	101,870,769	-	(57,488,279)	15,501,055	-	-	-	168,487,974
	<b>425,483,399</b>	<b>105,962,925</b>	<b>(1,418,328)</b>	<b>133,950</b>	<b>15,501,055</b>	<b>(44,838)</b>	<b>(19,010,916)</b>	<b>(6,147,998)</b>	<b>520,459,249</b>

#### Pledged as security

No Property, Plant and Equipment was pledged as security:

#### Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Total
Opening balance	154,825,965	13,662,008	168,487,973
Additions/capital expenditure	71,224,431	80,000	71,304,431
Transferred to completed items	(30,695,071)	(13,742,008)	(44,437,079)
	<b>195,355,325</b>	<b>-</b>	<b>195,355,325</b>

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 9. Property, plant and equipment (continued)

#### Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	94,193,918	14,410,511	108,604,429
Additions/capital expenditure	107,367,135	10,004,689	117,371,824
Transferred to completed items	(46,735,088)	(10,753,192)	(57,488,280)
	<b>154,825,965</b>	<b>13,662,008</b>	<b>168,487,973</b>

#### Expenditure incurred to repair and maintain property, plant and equipment

#### Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Plant and Machinery	877,556	350,823
Buildings and Facilities	933,970	1,507,472
Infrastructure Assets	2,878,949	544,141
	<b>4,690,475</b>	<b>2,402,436</b>

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.

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

### Notes to the Annual Financial Statements

Figures in Rand

#### 10. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	2,793,037	(2,167,309)	625,728	2,763,772	(2,022,177)	741,595

#### Reconciliation of intangible assets - 2025

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	741,595	29,265	(145,132)	625,728

#### Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software, internally generated	1,353,669	(612,074)	741,595

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand

### 11. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	861,058	-	861,058	861,058	-	861,058
Conservation areas	25,000	-	25,000	25,000	-	25,000
Historical buildings	265,000	-	265,000	265,000	-	265,000
<b>Total</b>	<b>1,151,058</b>	<b>-</b>	<b>1,151,058</b>	<b>1,151,058</b>	<b>-</b>	<b>1,151,058</b>

#### Reconciliation of heritage assets 2025

	Opening balance	Total
Historical monuments	861,058	861,058
Conservation areas	25,000	25,000
Historical buildings	265,000	265,000
	<b>1,151,058</b>	<b>1,151,058</b>

#### Reconciliation of heritage assets 2024

	Opening balance	Total
Historical monuments	861,058	861,058
Conservation areas	25,000	25,000
Historical buildings	265,000	265,000
	<b>1,151,058</b>	<b>1,151,058</b>

#### Pledged as security

No carrying value of heritage assets pledged as security:

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>12. Payables from exchange transactions</b>		
Trade payables	68,604,494	47,784,297
Payments received in advance - unused prepaid electricity	412,649	364,173
Accrued bonus	1,245,942	1,245,942
Accrued expense	11,339	11,339
Accruals	-	318,192
Unallocated deposits	3,720,211	1,135,537
Salary control account	2,254,371	733,637
Retention	28,319,519	21,663,570
Leave accrual	2,887,099	2,696,317
Debtors with credit balance	3,669,555	14,535,668
Cash-in-Transit	481,576	569,747
	<b>111,606,755</b>	<b>91,058,419</b>

### 13. Consumer deposits

Electricity	1,637,839	1,576,351
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### 14. Employee benefit obligations

#### Long Service Awards

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

#### Carrying value

Present value of the defined benefit obligation	(2,372,000)	(2,250,000)
Present value of the defined benefit obligation-partly or wholly funded	(247,000)	(252,000)
Fair value of plan assets	(247,000)	(236,000)
Benefits Vesting	483,652	442,277
Actuarial gain/(loss)	91,348	(76,277)
	<b>(2,291,000)</b>	<b>(2,372,000)</b>
Non-current liabilities	(2,210,348)	(1,960,000)
Current liabilities	(172,000)	(412,000)
	<b>(2,382,348)</b>	<b>(2,372,000)</b>

The municipality provides certain long term service bonus awards. The municipality offers bonuses for every 5 years of completed services from 10 years to 45 years. Long term service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed out. Municipal employees, in most cases choose to exercise the option of taking their accumulated leave bonus as leave days.

The most recent actuarial valuation of plan assets and the present value of the defined obligation were carried out at 30 June 2025 by Mr. Chanan Weiss. Fellow of the Actuarial Society of South Africa employee of Arch Actuarial Consulting (Pty)Ltd. 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 funding method

#### Eligible employees

Female	46	47
Male	57	58
	<b>103</b>	<b>105</b>

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

Net expense recognised in the statement of financial performance	(81,000)	122,000
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# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

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### 14. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10.10 %	11.36 %
General earnings inflation	5.10 %	6.48 %
CPI inflation rate	4.10 %	5.48 %
Net discount rate	4.80 %	4.60 %
Average retirement age	62.00	62.00

Pre-retirement mortality	SA 85-90	SA 85-90
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#### Movements in the present value of the defined benefit obligations were as follows:

Opening Balances	(2,372,000)	(2,250,000)
Total annual expenditure	(10,348)	(198,277)
Actuarial (gain)/loss for the year	91,348	76,277
	<b>(2,291,000)</b>	<b>(2,372,000)</b>

#### Net Defined Benefit Liability History

	30/06/2025	30/06/2024	30/06/2023	30/06/2022	30/06/2021
Defined benefit obligation	2,291,000	2,372,000	2,250,000	2,220,000	1,860,000
Surplus/(Deficit)	(2,291,000)	(2,372,000)	(2,250,000)	(2,220,000)	(1,860,000)
	-	-	-	-	-

#### Financial Assumptions

##### Discount rate

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the defined benefit obligation. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 10.1% per annum has been used. The corresponding index-linked yield is 5.3%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2025.

These yields were obtained by calculating the duration of the define benefit obligation and then taking the fixed-interest and index-linked yields from the respective yield curves at that duration using an iterative process (because the yields depend on the duration, which in turn depends on the define benefit obligation). The duration of the define benefit obligation was estimated to be 9.5 years

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

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### 14. Employee benefit obligations (continued)

#### Earnings Inflation Rate

This assumption is required to reflect the estimated growth in earnings of the eligible employees until retirement. It is important in that the LSA are based on an employee's earnings at the date of the award. The assumption is traditionally split into two components, namely general earnings inflation and promotional earnings escalation. The latter is considered under demographic assumptions.

#### General Earnings Inflation Rate

This assumption is more stable relative to the growth in consumer price index (CPI) than in absolute terms. In most industries, experience has shown that over the long term, earnings inflation is between 1.0% and 1.5% above CPI inflation

The CPI inflation assumption of 4.1% per annum was obtained from the differential between market yields on index-linked bonds (5.3%) consistent with the estimated term of the define benefit obligation and those of nominal bonds (10.1%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.5%).

Thus, a general earnings inflation rate of 5.1% per annum over the expected term of the define benefit obligation has been assumed, which is 1.0% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 4.8%.

It was assumed that the next general earnings increase will take place on 1 July 2026



# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

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### 14. Employee benefit obligations (continued)

#### Demographic Assumptions

Demographic assumptions are required about the future characteristics of current employees who are eligible for LSA

#### Promotional Earnings Scale

The annual escalation rates below are in addition to the general earnings inflation assumption of 5.1% per annum for all employees.

Age Band	Additional Promotional Scale
20 – 24	5.0%
25 – 29	4.0%
30 – 34	3.0%
35 – 39	2.0%
40 – 44	1.0%
45+	0.0%

#### Average Retirement Age

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement. Employees who have passed the assumed average retirement age, have been assumed to retire at their next birthday.

#### Mortality During Employment

SA85-90 ultimate table, adjusted for female lives.

#### Termination of Service

If an eligible employee leaves due to resignation or retrenchment, the employer's define benefit obligation in respect of that employee ceases. It is therefore important not to overstate termination rates. The assumed annual rates are set out below.

Age	Rate
20 – 24	9%
40 – 44	5%
25 – 29	8%
45 – 49	4%
30 – 34	6%
50 – 54	3%
35 – 39	5%
55+	0%

#### Plan Assets

Management has indicated that there are currently no long-term assets set aside off-balance sheet in respect of the long service awards..

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

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### 14. Employee benefit obligations (continued)

#### Sensitivity analysis

The assumptions which tend to have the greatest impact on the results are:

- (i) the general earnings inflation rate assumption;
- (ii) the discount rate assumption;
- (iii) the average retirement age of employees; and
- (iv) assumed service termination rates.

#### Sensitivity Analysis Results

The define benefit obligation at this valuation was recalculated to show the effect of:

- (i) a one percentage point increase and decrease in the assumed general earnings inflation rate;
- (ii) a one percentage point increase and decrease in the assumed discount rate;
- (iii) a two-year increase and decrease in the assumed average retirement age of eligible employees; and
- (iv) a two-fold increase and a 50% decrease in the assumed rates of termination of service.

Assumption	Change	Define Benefit Obligation	% Change
Central assumptions		2,291,000	
General earnings inflation rate	+1%	2,443,000	7%
	-1%	2,153,000	-6%
Discount rate	+1%	2,153,000	-6%
	-1%	2,445,000	7%
Average retirement age	+2 yrs	2,372,000	4%
	-2 yrs	2,009,000	-12%
Rates of termination of service	x2	1,775,000	-23%
	x0.5	2,641,000	15%

The table above indicates, for example, that if the earnings inflation rate is one percentage point greater than the long-term assumption made, the defined benefit obligation will be 7% higher than the results net defined benefit liability.

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

Assumptions	Change	Current service cost	Interest cost	Total	% Change
Central assumptions		247,000	247,000	494,000	
General earnings inflation rate	+1%	266,000	263,000	529,000	7%
	-1%	229,000	231,000	460,000	-7%
Discount rate	+1%	231,000	252,000	483,000	-2%
	-1%	264,000	240,000	504,000	2%
Average retirement age	+2yrs	253,000	256,000	509,000	3%
	-2yrs	226,000	217,000	443,000	-10%
Rates of termination of service	x2	174,000	189,000	363,000	-27%
	x0.5	300,000	287,000	587,000	19%
Subtotal	-	2,190,000	2,182,000	4,372,000	-
	-	<b>2,190,000</b>	<b>2,182,000</b>	<b>4,372,000</b>	-

Sensitivity analysis on current service and interest costs for year ending 30/06/2026.

Assumptions	Change	Current Service cost	Interest Cost	Total	% Change
Central assumptions	-	243,000	222,000	465,000	-
General earnings inflation rate	+1%	263,000	238,000	501,000	8%
	-1%	225,000	208,000	433,000	-7%

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand				2025	2024
<b>14. Employee benefit obligations (continued)</b>					
Discount rates	+1%	228,000	229,000	457,000	2%
	-1%	261,000	214,000	475,000	-2%
Average retirement age	+2yrs	250,000	231,000	481,000	3%
	-2yrs	222,000	194,000	416,000	-11%
Rates of termination of service	x2	173,000	170,000	343,000	-26%
	x0.5	294,000	258,000	552,000	19%
Subtotal	-	2,159,000	1,964,000	4,123,000	-
	-	<b>2,159,000</b>	<b>1,964,000</b>	<b>4,123,000</b>	-

## 15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

### Unspent conditional grants and receipts

Municipal Infrastructure Grant	-	8,928,870
Water Service Infrastructure Grant	17,595,986	-
Unspent grants 6	40,000	-
Housing Grant	66,792	66,792
Disaster Management Grant	1,436	1,436
Energy Efficiency Grant	5,017	5,017
	<b>17,709,231</b>	<b>9,002,115</b>

### Movement during the year

Balance at the beginning of the year	9,002,116	78,403,329
Additions during the year	98,372,778	94,520,000
Income recognition during the year	(89,665,663)	(163,921,214)
	<b>17,709,231</b>	<b>9,002,115</b>

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.

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

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

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 16. Provisions

#### Reconciliation of provisions - 2025

	Opening Balance	Interest	Change in discount factor	Total
Environmental rehabilitation	4,429,852	345,915	(863,713)	3,912,054

#### Reconciliation of provisions - 2024

	Opening Balance	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	4,061,024	413,667	(44,839)	4,429,852

#### Environmental rehabilitation provision

The municipality has an obligation to rehabilitate the landfill sites of Kgatelopele Local Municipality.

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

The valuation of the landfill site provision was done by Infatec (Pty) Ltd, a company which specialises in infrastructure maintenance and environmental consultancy services to municipalities.

The future value of the rehabilitation of landfill sites obligation was calculated by inflating the non-current cost to an estimated future cost which is then discounted to present value. Interest rate used is 10,30%.

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

Because of the time value of money, provisions relating to cash outflows that arise soon after the reporting date are more onerous than those where cash outflows of the same amount arise later. Provisions are therefore discounted, where the effect is material to settle the obligation.

Kgatelopele Local Municipality intends to close the existing landfill site and establish a new landfill site at Daniëlskuil for the disposal of General waste. The provision that has been recognised represents the estimated costs to rehabilitate and close existing waste landfill sites.

#### Key financial assumptions used

Discount Rate (Bond rate)	10.30%
Inflation	5.10%
Net effective discount rate	5.20%

#### Landfill site detail

Landfill site perimeter	920.00m
Landfill Site Rehabilitation Area	45 500.00sqm
Total landfill volume as at June 2024	76 160.00m3
Rehabilitation volume as at June 2024	65 107.00m3
Remaining landfill volume as at June 2024	11 052.26m3
Remaining airspace as at June 2024	11 052.26m3
Site remaining life as at June 2024	1years
Additional years lying fallow before restoration	1years

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>17. Revenue</b>		
Service charges	62,550,064	46,402,932
Rental of facilities and equipment	461,058	135,287
Licences and permits	693,985	383,301
Other income - (rollup)	1,839,859	113,093
Interest received - investment	2,784,103	4,944,913
Property rates	19,327,489	21,452,359
Government grants & subsidies	100,850,885	163,921,214
Public contributions and donations	-	545,000
	<b>188,507,443</b>	<b>237,898,099</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	62,550,064	46,402,932
Rental of facilities and equipment	461,058	135,287
Licences and permits	693,985	383,301
Other income - (rollup)	1,839,859	113,093
Interest received - investment	2,784,103	4,944,913
	<b>68,329,069</b>	<b>51,979,526</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	19,327,489	21,452,359
<b>Transfer revenue</b>		
Government grants & subsidies	100,850,885	163,921,214
Public contributions and donations	-	545,000
	<b>120,178,374</b>	<b>185,918,573</b>
<b>18. Service charges</b>		
Sale of electricity	38,081,597	22,544,553
Sale of water	11,036,413	10,346,729
Solid waste	8,232,787	8,453,798
Sewerage and sanitation charges	5,199,267	5,057,852
	<b>62,550,064</b>	<b>46,402,932</b>
<b>19. Rental of facilities and equipment</b>		
<b>Premises</b>		
Premises	461,058	135,287
<b>20. Fines, Penalties and Forfeits</b>		
<b>21. Licences and permits</b>		
Road and Transport	693,985	383,301
<b>22. Interest from non-exchange receivables</b>		
Interest - rates and taxes	591,765	564,298
<b>23. Other revenue</b>		
Other income - (rollup)	1,839,859	113,093

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>24. Other income</b>		
Advertisements	12,941	11,608
Building plans	86,268	41,140
Consolidation and rezoning fees	1,622,758	5,589
Cemetries and Burials	14,632	22,114
Skills development refunds	85,771	-
Clearance fees	352	11,220
Photocopies and faxes	4,245	7,568
Reconnection fees	4,348	12,174
Incidental Cash Surpluses	5,403	-
Valuation services	3,141	1,680
	<b>1,839,859</b>	<b>113,093</b>
<b>25. Investment revenue</b>		
<b>Interest revenue</b>		
Interest charged on trade and other receivables	1,489,037	1,501,189
Interest cash and cash equivalents	1,295,066	3,443,724
	<b>2,784,103</b>	<b>4,944,913</b>
<b>26. Property rates</b>		
<b>Rates received</b>		
Residential	10,968,039	14,291,904
Commercial	2,562,822	3,305,478
State	1,249,362	764,894
Small holdings and farms	405,650	430,087
Mining property	3,710,082	2,324,588
Industrial properties	431,534	335,408
	<b>19,327,489</b>	<b>21,452,359</b>
<b>Valuations</b>		
Residential	1,072,492,720	1,072,492,720
Commercial	91,383,000	91,383,000
State	170,911,900	170,911,900
Municipal	46,909,100	46,909,100
Small holdings and farms	76,795,700	76,795,700
Church	1,064,000	1,064,000
Industrial	30,192,000	30,192,000
Mining	125,621,000	125,621,000
Agricultural	1,060,961,019	1,060,961,019
	<b>2,676,330,439</b>	<b>2,676,330,439</b>

The new general valuation will be implemented on 01 July 2024.

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>27. Government grants &amp; subsidies</b>		
<b>Operating grants</b>		
Equitable share	35,236,000	33,241,000
Library Grant	1,199,000	1,147,000
Expanded Public Works Programme	1,160,000	960,000
Financial Management Grant	3,000,000	3,100,000
	<b>40,595,000</b>	<b>38,448,000</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant	17,533,871	55,125,842
Water Services Infrastructure Grant	42,722,014	23,975,000
Regional bulk infrastructure grant	-	46,372,372
	<b>60,255,885</b>	<b>125,473,214</b>
	<b>100,850,885</b>	<b>163,921,214</b>

### Conditional and Unconditional

Included in above are the following grants and subsidies received:

#### Equitable Share

In terms of section 227 of the Constitution, this grant is used to enable the municipality to provide basic services and perform functions allocated to it. The Equitable Share Grant also provides funding to the municipality to deliver free basic services to poor households and to subsidise costs of administration and other core services of the municipality. The grant is realised in full upon receipt

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of - (2024: -), which is funded from the grant.

#### Expanded Public Works Programme

Balance unspent at beginning of year	-	960,000
Current-year receipts	1,200,000	(960,000)
Conditions met - transferred to revenue	(1,200,000)	-
	<b>-</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 15).

The purpose of the grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas, in compliance with EPWP guidelines.

#### Financial Management Grant

Current-year receipts	3,000,000	3,100,000
Conditions met - transferred to revenue	(3,000,000)	(3,100,000)
	<b>-</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 15).

The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

#### Municipal Infrastructure Grant

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>27. Government grants &amp; subsidies (continued)</b>		
Balance unspent at beginning of year	8,928,870	31,957,712
Current-year receipts	8,610,000	32,097,000
Conditions met - transferred to revenue	(17,538,870)	(55,125,842)
	<b>-</b>	<b>8,928,870</b>

Conditions still to be met - remain liabilities (see note 15).

The 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; to provide specific funding for the development of asset management plans for infrastructure servicing the poor.

### Housing Grant

Balance unspent at beginning of year	66,792	66,792
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Conditions still to be met - remain liabilities (see note 15).

### Grant 9

Conditions still to be met - remain liabilities (see note 15).

Provide explanations of conditions still to be met and other relevant information.

### Library Grant

Current-year receipts	1,200,000	1,147,000
Conditions met - transferred to revenue	(1,200,000)	(1,147,000)
	<b>-</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 15).

The purpose is to fund operational and maintenance needs of library facilities the community

### Regional bulk infrastructure grant

Balance unspent at beginning of year	-	46,372,372
Conditions met - transferred to revenue	-	(46,372,372)
	<b>-</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 15).

To develop new, refurbish, upgrade and replace ageing bulk water and sanitation infrastructure of regional significance that connects water resources to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area within a municipality; to implement bulk infrastructure with a potential of addressing water conservation and water demand management projects or facilitate and contribute to the implementation of local water conservation and water demand management projects that will directly impact on bulk infrastructure requirements.

### Grant 13

Conditions still to be met - remain liabilities (see note 15).

Provide explanations of conditions still to be met and other relevant information.

### Disaster Management Grant



## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

### Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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#### 27. Government grants & subsidies (continued)

Balance unspent at beginning of year	1,436	1,436
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Conditions still to be met - remain liabilities (see note 15).

To provide for the immediate release of funds for disaster response if an occurrence cannot be adequately addressed in line with section 2 (1)(b) of the Disaster Management Act.

#### Water Service Infrastructure Grant

Current-year receipts	60,318,000	23,975,000
Conditions met - transferred to revenue	(60,318,000)	(23,975,000)
	-	-

Conditions still to be met - remain liabilities (see note 15).

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure availability of water to the community.

#### Energy Efficiency Grant

Balance unspent at beginning of year	5,017	5,017
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Conditions still to be met - remain liabilities (see note 15).

The purpose of this grant is to provide capital subsidies to municipalities to address the electrification backlog of all existing and planned residential dwellings (including informal settlements, farm dwellers, new and existing dwellings) and the installation of relevant bulk infrastructure.

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>28. Employee related costs</b>		
Basic	34,074,316	30,555,377
Bonus	2,748,373	1,790,213
Medical aid - company contributions	2,148,241	1,986,984
Unemployment Insurance Fund	265,000	241,966
SDL	377,952	348,834
Leave pay provision charge	190,783	272,539
Leave pay	159,124	(30,376)
Standby Allowance	599,728	368,882
Cellular and Telephone Allowance	28,400	28,800
Defined contribution plans	(145,304)	(190,277)
Overtime payments	2,475,380	1,859,207
Long-service awards	139,381	234,360
Acting allowances	532,818	280,300
Transport allowance	96,306	71,621
Housing benefits and allowances	60,378	43,870
Bargaining Council	17,328	15,488
Group Life Insurance	9,936	9,936
Pension Contributions	4,496,153	4,189,694
Scarcity Allowance	160,530	153,498
	<b>48,434,823</b>	<b>42,230,916</b>

### Remuneration of Municipal Manager

Annual Remuneration	1,104,278	1,077,607
Scarcity Allowance	77,922	77,922
Performance Bonuses	161,426	-
Back-pay on basic salary	8,890	88,278
Gratuity Allowance	20,340	15,255
	<b>1,372,856</b>	<b>1,259,062</b>

Remuneration in the comparative year included employers contribution towards unemployment insurance fund and skills development levy which was incorrect to include.

### Remuneration of former Chief Finance Officer

Annual Remuneration	-	884,773
Scarcity Allowance	-	63,978
Performance Bonuses	116,833	-
Back-pay on basic salary	-	61,252
Other	53,743	15,255
	<b>170,576</b>	<b>1,025,258</b>

Remuneration in the comparative year included employers contribution towards unemployment insurance fund and skills development levy which was incorrect to include.

### Remuneration of Technical Director

Annual Remuneration	308,080	88,477
Housing Allowance	17,116	29,492
Scarcity Allowance	23,962	11,598
Back-pay on basic salary	-	35,651
Travel Allowance	17,116	29,492
Unpaid leave	4,108	(37,658)
	<b>370,382</b>	<b>157,052</b>

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 28. Employee related costs (continued)

Remuneration in the comparative year included employers contribution towards unemployment insurance fund and skills development levy which was incorrect to include.

#### Remuneration of Chief Financial Officer

Annual Remuneration	715,942	-
Housing Allowance	30,465	-
Travel Allowance	91,397	-
Gratuity Allowance	18,645	-
Acting Allowance	9,521	-
Scarcity Allowance	58,647	-
	<b>924,617</b>	<b>-</b>

### 29. Remuneration of councillors

Executive Major	932,296	895,361
Councillors	3,749,042	3,635,225
Skills Development Levy	99,549	49,447
Mayor Cellphone Allowance	43,200	45,600
Councillors & Speaker Cellphone Allowance	410,400	454,000
	<b>5,234,487</b>	<b>5,079,633</b>

#### 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.

### 30. Depreciation and amortisation

Property, plant and equipment	22,063,090	24,411,925
Intangible assets	1,028,480	651,666
	<b>23,091,570</b>	<b>25,063,591</b>

### 31. Finance costs

Non-current borrowings	345,915	413,667
Trade and other payables	4,621,548	2,737,858
Other interest paid	275,885	236,000
	<b>5,243,348</b>	<b>3,387,525</b>

### 32. Auditors' remuneration

Fees	4,172,114	4,159,374
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### 33. Debt impairment

Debt impairment	-	13,368,589
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# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 34. General expenses

Advertising	81,360	80,882
Auditors remuneration	4,172,114	4,159,374
Bank charges	224,392	231,611
Commission paid	2,249,909	706,739
Consumables	1,166,843	1,042,797
Entertainment	354,133	207,250
Insurance	326,727	590,453
Medical expenses	1,340	-
Motor vehicle expenses	131,395	130,034
Fuel and oil	1,596,254	1,692,176
Printing, stationery and meter reading	442,083	270,949
Protective clothing	76,164	581,511
Software expenses	1,850,542	1,734,994
Subscriptions and membership fees	574,061	519,576
Telephone and fax	744,359	788,296
Training	209,108	155,845
Travel - local	1,611,299	1,523,355
Ward committees	705,000	678,800
Water sample testing	436,637	339,067
License abd permits	12,785	457,948
Mayoral projects	2,265,050	1,614,195
Movement in landfill site provision	(863,713)	-
	<b>18,367,842</b>	<b>17,505,852</b>

### 35. Bulk purchases

Electricity - Eskom	33,777,247	28,873,552
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### Electricity losses

Units purchased (value in rand)	33,777,247	28,873,552
Units sold (value in rand)	(23,311,760)	(20,765,103)
<b>Total loss</b>	<b>10,465,487</b>	<b>8,108,449</b>

### Comprising of:

Units purchased (KVA/KWH)	16,514,699	16,060,574
Unist sold (KVA/KWH)	(11,572,962)	(11,550,344)
<b>Total</b>	<b>4,941,737</b>	<b>4,510,230</b>

### Percentage Loss:

Non-technical losses	30 %	28 %
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### 36. Contracted services

#### Outsourced Services

Catering Services	3,584	-
Professional Staff	6,456,002	7,211,394
Refuse Removal	1,858,635	2,642,552
Security Services	3,401,794	3,229,764

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>36. Contracted services (continued)</b>		
<b>Contractors</b>		
Maintenance of Buildings and Facilities	877,556	350,823
Maintenance of Vehicle, Plant and Machinery	933,970	1,507,472
Maintenance of Unspecified Assets	2,878,949	544,151
Pest Control and Fumigation	12,021	-
	<b>16,422,511</b>	<b>15,486,156</b>
<b>37. Cash generated from operations</b>		
Surplus	30,336,274	81,726,593
<b>Adjustments for:</b>		
Depreciation and amortisation	23,091,570	25,063,591
Gain on sale of assets and liabilities	9,763,086	1,797,007
Fair value adjustments	(1,153,709)	(287,674)
Debt impairment	-	13,368,589
Bad debts written off	(331,071)	4,154,380
Movements in retirement benefit assets and liabilities	10,348	45,723
Movements in provisions	(517,798)	368,828
Other non-cash items	331,071	(283,846)
Other non-cash items	-	104,743
<b>Changes in working capital:</b>		
Inventories	(1,569,305)	848,831
Other Receivables from exchange transactions	-	934,363
Consumer debtors	(9,432,427)	(6,689,782)
Other receivables from non-exchange transactions	(11,869,318)	(4,764,800)
Prepayments	(326,727)	-
Payables from exchange transactions	20,548,333	9,266,680
VAT	3,040,507	413,269
Unspent conditional grants and receipts	8,707,116	(67,641,424)
Consumer deposits	61,488	66,879
	<b>70,689,438</b>	<b>58,491,950</b>
<b>38. Operating surplus</b>		
Operating surplus for the year is stated after accounting for the following:		
Loss on sale of property, plant and equipment	(9,763,086)	(1,797,007)
Amortisation on intangible assets	1,028,480	651,666
Depreciation on property, plant and equipment	22,063,090	24,411,925
Employee costs	53,673,458	47,310,549

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

### Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>39. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	81,293,546	80,961,443
<b>Total capital commitments</b>		
Already contracted for but not provided for	81,293,546	80,961,443
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	81,293,546	80,961,443

#### 40. Contingencies

Litigation against Kgatelopele Local Municipality - The Applicant issued an application against Kgatelopele Local Municipality in terms thereof he sought an order to declare the termination of his appointment to be invalid and unconstitutional and to be set aside. The applicant subsequently brought a new application in terms thereof he sought an order to vary the Court Order that was granted on the 26 July 2024 and to substitute it with an Order compelling Kgatelopele Local Municipality to back-pay him the amount of R 1 098 817.32 less tax and statutory deductions

The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 41. Related parties

#### Relationships

Accounting Officer	Refer to accounting officers' report note
Members of key management	L. Coakley B. Sehole M. Likotsi L. Skota W. Gaseryane

#### Key management information

Mayor	Honorable Mayor	1
Councillors	Councillors	10
Municipal Managers	Accounting Officer	1
Chief Financial Officer	Chief Financial Officer	1
Director Technical & Community Services	Director Technical & Community Services	1
Acting Director Corporate Service	Acting Director Corporate Service	1
Deputy Chief Financial Officer	Deputy Chief Financial Officer	
Deputy Director Technical & Community Services	Deputy Director Technical & Community Services	1

#### Remuneration of management

##### Management class: Section 57 & 56 Management

Refer to Employee Related Cost Section for detailed on remuneration of senior managers.

#### 2025

Name	Travel and Subsistence allowance	Bonuses and performance related payments	Leave accrual	Total
Adv WL Blundin	7,278	161,426	(4,556)	164,148
Mr. AK Tietties (Previous Acting Municipal Manager)	-	86,250	-	86,250
Mr KS Scholtz	-	116,833	-	116,833
Mr. LR Coakley	-	-	47,135	47,135
	<b>7,278</b>	<b>364,509</b>	<b>42,579</b>	<b>414,366</b>

#### 2024

Name	Travel and Subsistence allowance	Leave accrual	Bonus Accrual	Total
Adv WL Blundin	13,550	4,410	-	17,960
Mr KS Scholtz	17,678	43,454	-	61,132
Mr. WB Gaseranyane	4,550	33,395	39,228	77,173
Mr SB Sehole	29,492	-	-	29,492
Mr. LN Skota	10,813	118,630	38,341	167,784
	<b>76,083</b>	<b>199,889</b>	<b>77,569</b>	<b>353,541</b>

##### Management class: Councillors

#### 2025

# Kgatelopele Local Municipality (Registration number NC086)

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### 41. Related parties (continued)

Name	Basic salary	Travel and Subsistence allowance	Cellphone Allowance	Skills Development Levy	Back Pay	Total
Ms NI Williams (Mayor)	909,842	8,050	39,600	10,017	42,473	1,009,982
Mr MG LEUTLWETSE (Speaker)	727,875	4,000	39,600	8,526	33,299	813,301
Miss AC VAN ZYL	380,381	3,150	39,600	4,663	15,668	443,462
Mr. DR Pienaar	287,933	-	39,600	3,220	11,117	341,870
Mr. F Maritz	287,933	-	39,600	3,635	11,117	342,285
Mr. F Sebelego	380,381	6,350	39,600	4,663	15,668	446,662
Mr. J Slinger	287,933	1,750	39,600	3,635	11,117	344,035
Mr. S Vuyeka	369,509	9,450	39,600	4,542	15,230	438,331
Mrs. GD Burger	287,933	-	39,600	3,359	11,117	342,009
Mrs. RV Haai	380,681	7,000	39,600	4,301	15,793	447,375
Mr. GL Teteme	287,933	1,050	39,600	3,635	11,117	343,335
	<b>4,588,334</b>	<b>40,800</b>	<b>435,600</b>	<b>54,196</b>	<b>193,716</b>	<b>5,312,647</b>

### 2024

Name	Basic salary	Travel and Subsistence allowance	Cellphone Allowance	Skills Development Levy	Back Pay	Total
Ms NI Williams (Mayor)	853,910	13,850	45,600	8,987	41,541	963,798
Mr. MG Leutlwtse (Speaker)	683,128	19,600	45,600	7,687	33,161	789,176
Miss. AC Van Zyl	354,731	6,033	45,600	4,372	30,057	440,793
Mr. DR Pienaar	270,232	-	45,600	2,915	7,095	325,842
Mr. F Maritz	270,232	-	45,600	3,357	13,118	332,307
Mr. F Sebelego	354,731	15,503	45,600	4,372	30,057	450,263
Mr. J Slinger	270,232	4,550	45,600	3,294	13,118	336,794
Mr. S Vuyeka	346,798	42,012	44,800	4,101	11,745	449,456
Mrs. GD Burger	270,232	3,172	45,600	3,102	13,118	335,224
Mrs. RV Haai	357,279	9,150	45,600	3,933	17,343	433,305
Mr. GL Teteme	268,319	3,150	44,400	3,327	13,228	332,424
	<b>4,299,824</b>	<b>117,020</b>	<b>499,600</b>	<b>49,447</b>	<b>223,581</b>	<b>5,189,382</b>

### Additional information

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



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### 42. Change in estimate

#### Property, plant and equipment

In terms of GRAP 17, the useful lives of Property, plant and equipment were reviewed by management at year-end. The remaining useful life expectation of some of the asset items differed from previous estimates. This resulted in a revision of some of the previous estimates which were accounted for as a change in accounting estimate. The effect of this revision is a decrease in depreciation charges for the current period ended 30 June 2025. The effect of this revision has increased the depreciation charges for the current and future periods by 934,076

#### Impact on depreciation

Community facilities	115,765	18,352
Electricity Infrastructure	460,650	126,938
Roads Infrastructure	(12,668)	(360,488)
Sanitation Infrastructure	(1,573,519)	2,554,145
Solid Waste Infrastructure	18,282	39,960
Storm Water Infrastructure	23,330	(41,033)
Water Supply Infrastructure	(69,951)	(157,289)
Buildings	104,035	89,307
	<b>(934,076)</b>	<b>2,269,892</b>

### 43. Prior period errors

**44.1)** During the current year it was discovered that Acting Allowance were not correctly calculated for Senior Managers in line with the Bargain council agreement. Therefore, employee related cost were overstated in the previous periods.

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

#### Statement of Financial Position

Increase in Receivables from exchange transaction - Other Debtors	-	789,274
Opening Accumulated Surplus or Deficit	-	(660,601)

#### Statement of financial performance

Decrease in Employee related cost	-	(128,673)
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**44.2)** Vending from prepaid electricity sales incorrectly account against other debtor instead of service charge revenue from electricity sales and Output Vat declared and paid on the cash basis.

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

#### Statement of Financial Position

Increase in Receivables from exchange transaction	-	9,184,026
Increase in VAT Payable	-	(1,197,916)
Increase in Accumulated Surplus or Deficit	-	(7,986,110)
	-	-

#### Statement of financial performance

Increase in Service Charges	-	(7,986,110)
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**44.3)** During the prior year Solid waste landfill site 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, were expense rather than deducting from the cost of the asset

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

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 43. Prior period errors (continued)

#### Statement of Financial Position

Decrease in Property, Plant and Equipment - Solid Waste Infrastructure	-	(44,839)
Increase in Accumulated Surplus or Deficit	-	44,839
	-	-

#### Statement of financial performance

Decrease in General expenditure	-	44,839
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44.4) During the prior year work in progress was overstated with completed projects under Wastewater Network Infrastructure, this has been restated in the current year. The change of R39 416 359 relates to correction of capitalisation of R 1778 946 (Eradication of Conservancy Tanks and connection to municipal sewer network Phase 1) that was omitted and R 37 637 394 for project: Daniëlskuil: Kuilsville, Rhodes and Tlhakatlou - Replacement Of Existing Asbestos Cement Rising Main that were omitted

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

#### Statement of Financial Position

Increase in historical cost Property, plant and Equipment - Wastewater Network Infrastructure	-	1,778,964
Increase in additions - Wastewater Network Infrastructure	-	37,637,395
Decrease in Work in Progress	-	(39,416,359)
	-	-

44.5) During the prior year debtors with credit balances was overstated within the debtor age analysis and was not inclusive to the overall outstanding debtors per service charges, but rather the individual services.

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

#### Statement of Financial Position

Decrease in Receivables from non-exchange transactions	-	(154,926)
Increase in Receivables from exchange transactions	-	6,542,151
Decrease in Payables from exchange transactions	-	(6,387,225)
	-	-

44.6 During the prior year incorrect billing relating to service charges cause a overstatement and corrected through passing credit notes in the current year, however billing relate to the prior year

#### Statement of Financial Position

Increase in Receivables from non-exchange transactions	-	5,733,830
Increase in Receivables from exchange transactions	-	3,635,612
Increase in Accumulated Surplus or Deficit	-	(9,369,442)
	-	-

#### Statement of financial performance

Increase in Revenue from non-exchange transactions - Property Rates	-	(5,733,830)
Increase in Revenue from exchange transactions - Service Charges	-	(3,635,612)
	-	(9,369,442)

44.7 During the prior year incorrect billing relating to service charges cause a overstatement and corrected through passing credit notes in the current year, however billing relate to the prior year.

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 43. Prior period errors (continued)

#### Statement of Financial Position

Decrease in Receivables from non-exchange transactions	-	(23,736)
Decrease in Receivables from exchange transactions	-	(63,161)
Decrease in Accumulated Surplus or Deficit	-	86,897
	-	-

#### Statement of financial performance

Decrease in Revenue from non-exchange transactions - Property Rates	-	23,736
Decrease in Revenue from exchange transactions - Service Charges	-	63,161
	-	<b>86,897</b>

**44.8** During the current year it was discovered with the physical verification other assets found that was previous part of the other assets buildings class. The change of R204 758 relates to carrying amount of assets that were found during verification and were not included in the register.

#### Statement of Financial Position

Increase in Property, plant and Equipment - other Assets	-	373,320
Increase in Accumulating depreciation	-	(156,794)
Increase in accumulating Surplus	-	(204,758)
	-	<b>11,768</b>

#### Statement Financial Performance

Increase in depreciation	-	(11,768)
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# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

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### 44. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of 557,977,117 and that the municipality's total liabilities exceed its assets by 557,977,117.

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

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

The following indicators have a negative outlook on the going concern of the municipality, however it does not indicate that the municipality has going concern issue: The municipality's current liabilities are more than the current assets, resulting in the municipality not being able to pay its current liabilities using the current assets.

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

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

The below are the amounts that the government has committed to allocate to Kgatelopele in line with the DORA to ensure that the municipality continues with its operations.

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Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 44. Going concern (continued)

#### Expected revenue from non-exchange transaction

Equitable Share	36,756,000	38,188,000
Finance Management Grant (FMG)	3,000,000	3,000,000
Municipal Infrastructure Grant (MIG)	8,812,000	9,165,000
Integrated National Electrification Grant	-	2,000,000
	<b>48,568,000</b>	<b>52,353,000</b>

#### Significant financial indicators

	Forecasted	Current year
<b>Revenue management</b>		
Average Debt-collection period	392 days	396 days
Amount of debtor's impairment provision	64,755,913	50,812,474
Debt-impairment provision as % of trade receivables	65%	75%
Percentage distributions losses - electricity	25%	30%
Percentage distributions losses - water	30%	36%
Current Assets versus total reveue budget next year	67%	71%

### 2) Liquidity and Solvency

The municipality is in a net liability position in the current; therefore, it is technically insolvent. However, considering history over 100% grant spending and sucessful roll over request and signed long terms repayment agreement to creditor will have sufficient working capital in next 12 month period.

#### Net Assets positio and liability management and quick ratio

Total current Liabilities	(113,467,313)	(135,030,209)
Total current Assets	123,723,069	102,435,685
	<b>10,255,756</b>	<b>(32,594,524)</b>

#### Debt Ratio:

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

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### 44. Going concern (continued)

Debt Ratio	Forecast		Current year	
Total Current Liabilities	113,467,313	0.92	134,030,209	1.32
Total Current Assets	123,723,069	1.00	102,435,685	1.00
			<b>236,465,894</b>	

The debt ratio is below the 'norm' of 1 : 1, indicating that the municipality's debt is low in relation to its assets.

Liquidity Ratio:	Forecasted		Current year	
Current Assets less inventory	120 399 607		97 004 703	
Current Liabilities	133 467 313	1.06	135 030 209	0.72

### Budget 2025/26 - Recent and Projected operations

Management have prepared a budget, in terms of which the municipality will continue as a going concern.

This indicates management's understanding that the municipality will continue in operation.

### The following figures are extracted from the 2025/26 budget:

Projected Revenue:	170,436,047.00	-
Projected Expenditure:	-146,541,012.00	-
<b>Net:</b>	<b>23,895,035.00</b>	<b>Surplus</b>

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2025

### Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>45. Fruitless and wasteful expenditure</b>		
Opening balance as previously reported	6,712,450	4,570,782
Add: Fruitless and wasteful expenditure identified - current	4,797,544	2,835,399
Less: Incorrect disclosure - prior period correction	-	(693,731)
<b>Closing balance</b>	<b>11,509,994</b>	<b>6,712,450</b>

Restatement base on prior period errors - disclosure of fruitless and wasteful mainly consist out of interest that is a exempt VAT supply, however the amount previously disclose was VAT inclusive.

### 46. Irregular expenditure

Opening balance as previously reported	113,105,315	112,778,306
Add: Irregular expenditure - current	1,642,827	327,009
<b>Closing balance</b>	<b>114,748,142</b>	<b>113,105,315</b>

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

	Disciplinary steps taken/criminal proceedings	
Competitive bidding not invited	-	317,799
Three written quotations not invited	-	9,211
No contract is in place. Non compliance with scm regulation.	1,642,827	-
	<b>1,642,827</b>	<b>327,010</b>

### Cases under investigation

22 February 2018 (prior periods ) cases related to non-compliance with procurement process requirements BID Ref No KLM2017/18/002 under investigation by the financial misconduct committee under Ref- FDB Matter/2021- 2022 .

# Kgatelopele Local Municipality (Registration number NC086)

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## Notes to the Annual Financial Statements

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<b>47. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Opening balance	-	572,857
Current year subscription / fee	534,367	542,617
Amount paid - current year	(534,367)	(572,857)
Amount paid - previous years	-	(542,617)
	-	-
<b>Water losses</b>		
Distribution losses ( value in percentage -%)	36%	20%
Distribution loss ( Value in rands)	3,432,642	2,373,586
<b>Opening balance as restated</b>	<b>3,432,678</b>	<b>2,373,606</b>
<b>Water Losses</b>		
	<b>2025</b>	<b>2024</b>
Units distributed from reservoirs	1,064,173	1,376,975
Units sold (quantity kl)	(683,302)	(1,100,655)
Subtotal	380,871	276,320
Tariff at 9.01 (2024-8.59 rands)	9	8
	<b>380,880</b>	<b>276,328</b>
<b>Audit fees</b>		
Opening balance	12,533,121	13,231,894
Current year subscription / fee	6,690,741	4,783,280
Amount paid - current year	(5,656,948)	1,609,517
Amount paid - previous years	(1,443,600)	(7,091,570)
	<b>12,123,314</b>	<b>12,533,121</b>
<b>PAYE</b>		
Opening balance	-	1,578,451
Current year subscription / fee	7,224,108	6,064,635
Amount paid - current year	(6,636,332)	(7,643,086)
	<b>587,776</b>	-
<b>UIF</b>		
Opening balance	42,200	39,068
Current year subscription / fee	529,999	483,933
Amount paid - current year	(527,357)	(480,804)
	<b>44,842</b>	<b>42,197</b>
<b>SDL</b>		
Opening balance	34,373	30,847
Current year subscription / fee	453,097	398,260
Amount paid - current year	(450,428)	(394,734)
	<b>37,042</b>	<b>34,373</b>



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Annual Financial Statements for the year ended 30 June 2025

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

#### Pension and Medical Aid Deductions

Opening balance	542,867	1,364,793
Current year subscription / fee	10,618,268	9,948,838
Amount paid - current year	(9,688,003)	(10,770,764)
	<b>1,473,132</b>	<b>542,867</b>

#### Councillors' arrear consumer accounts

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

30 June 2025	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr GD Burger	1,851	-	1,851
Cllr GJ Teteme	1,790	2,458	4,248
Cllr Pienaar	255	-	255
Cllr F Maritz	557	-	557
Cllr F Sebelego	901	-	901
Cllr J Slinger	685	-	685
Cllr V Haai	5,905	-	5,905
	<b>11,944</b>	<b>2,458</b>	<b>14,402</b>

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr GD Burger	820	5,632	6,452
Cllr GJ Teteme	566	14,965	15,531
Cllr Pienaar	280	16,406	16,686
Cllr F Maritz	418	-	418
Cllr F Sebelego	704	-	704
	<b>2,788</b>	<b>37,003</b>	<b>39,791</b>

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

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Municipal Manager and noted by Council. The awards listed below have been approved by the Municipal Manager and noted by Council.

#### Nature of deviations from SCM Regulations granted during the reporting period

Emergency	2,314,237	205,862
Single Provider	1,436,907	1,526,754
Impractical	1,295,545	732,839
	<b>5,046,689</b>	<b>2,465,455</b>

#### Nature of deviations from SCM Regulations granted during the reporting period

Advertisement	223,932	19,025
Annual membership	9,087	7,179
Electricity Cost of supply	-	97,878
Petrol and diesel	1,436,907	1,307,870
Hiring of Machinery	806,150	24,208
Maintenance/Service	221,689	9,616
Repairs and maintenance	2,224,003	821,039
Transformer replacement	-	158,848
Pole replacement	-	19,775
	<b>4,921,768</b>	<b>2,465,438</b>

#### Nature of deviations from SCM Regulations granted during the reporting period

Accommodation	24,195	-
Assessment recruiting agencies	36,437	-
Books & literature	22,997	-
Groceries, Dining and Restaurants	41,292	-
	<b>124,921</b>	<b>-</b>

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

### 48. Public contributions and donations

Public contributions and donations	-	545,000
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### 49. Fair value adjustments

Investment property (Fair value model)	1,153,709	287,674
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### 50. Events after the reporting date

During a special council meeting held 1 August 2025, after a report was table by the Municipal Public Accounts Committee Council has taken a resolution that the following historical expenditure as disclose in note 47 and 55 will be written off after the municipality apply for condonement in terms of Section 170 of the MFMA 32 of 2003.

## Kgatelopele Local Municipality (Registration number NC086)

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#### 50. Events after the reporting date (continued)

**Detail as per resolution was taken by Council that the following will be written of:**

Fruitless and Wasteful Expenditure 2022/2023 FY	-	2,845,694
Fruitless and Wasteful Expenditure 2023/2024 FY	-	2,737,858
Fruitless and Wasteful Expenditure 2024/2025 FY	-	4,797,544
Unauthorised Expenditure 2023/2024 FY	-	26,567,913
	-	<b>36,949,009</b>

#### 51. Unauthorised expenditure

Opening balance as previously reported	336,758,585	696,880,893
Add: Unauthorised expenditure - current	-	33,753,740
Less: Amount authorised - prior period	-	(393,876,048)
<b>Closing balance</b>	<b>336,758,585</b>	<b>336,758,585</b>

During a special council meeting held 1 August 2025, after a report was table by the Municipal Public Accounts Committee Council has taken a resolution that the following historical expenditure as disclose in note 47 and 55 will be written off after the municipality apply for condonement in terms of Section 170 of the MFMA 32 of 200

Furthermore, the Financial Misconduct Committee of Kgatelopele Local Municipality's determined building was set on fire during the community arrest in 2015, this happened whilst Internal Audit was in the process of investigating the irregular expenditure for 2011/12 financial year. The non-existence of records dating back since the fire occurred during the 2015 has been referred and concluded Furthermore, no municipal official/s could be identified to have caused the Unauthorised Expenditure for the reported period (2012 to 2015 financial years) due to unavailability of the records.