OR Tambo District Municipality
Annual Financial Statements
for the year ended 30 June 2025

Table of Contents

Abbreviations

AFS	Annual Financial Statements
COGTA	Cooperative Governance and Traditional Affairs
DORA	Division of Revenue Act
EPWP	Expanded Public Works Programme
GRAP	Generally Recognised Accounting Practice
IGRAP	Interpretations of Generally Recognised Accounting Practice
MDRG	Municipal Disaster Relief Grant
ME's	Municipal Entities
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MPAC	Municipal Public Accounts Committee
MSA	Municipal Structures Act
MSA	Municipal System Act
MSCOA	Municipal Standard Chart of Accounts
MSIG	Municipal System Improvement grant
RBIG	Regional Bulk Infrastructure Grant
RRAMS	Rural Roads Asset Management Systems
SALGA	South African Local Government Association
SARS	South African Revenue Services
SITA	State Information Technology Agency
VAT	Value Added Tax
WSIG	Water Services Infrastructure Grant

OR Tambo District Municipality

Annual Financial Statements for the year ended 30 June 2025

General Information

Legal form of entity
Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996) and the Water Services Act (Act 108 of 1997).

Nature of business and principal activities
The provision of services (water, sanitation, fire and disaster relief) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.

Area of Jurisdiction
The OR Tambo District Municipality is located on the eastern coastline of the Eastern Cape province of South Africa and it includes five local municipalities: King Sabata Dalindyebo, Nyandeni, Ingquza Hill, King Mhlontlo, and Port St Johns.

Legislation governing the municipality's operations
- Constitution of the Republic of south Africa (Act 108 of 1998)
- Local Government: Municipal Finance Management Act (Act no.56 of 2003)
- Local Government: Municipal Systems Act (Act 32 of 2000)
- Local Government: Municipal Structures Act (Act 117 of 1998)
- Division of Revenue Act (Act 1 of 2007)

GRADING OF THE LOCAL AUTHORITY:	Grade 5
EXTERNAL AUDITORS:	Auditor-General South Africa
ATTORNEYS:	Panel
PRIMARY BANKER:	First National Bank

REGISTERED OFFICE:

Magwa House	Private Bag X6043
Nelson Mandela Drive	MTHATHA
MTHATHA	5099
5099	

Telephone: (047) 501-6400
E-Mail: ortambodm@ortambodm.org.za
Website: www.ortambodm.gov.za

MUNICIPAL MANAGER	**CHIEF FINANCIAL OFFICER**
B.P. MASE (047) 501-6407	S. NDAKISA (047) 501-6546
maseb@ortambodm.gov.za	ndakisas@ortambodm.gov.za

MEMBERS OF THE AUDIT COMMITTEE

C. Sparg	Chairperson
W. Dukuza	Member
G. Labane	Member (*Resigned on 2 May 2025*)
T. Bacela	Member (*Resigned with effect from 11 August 2025*)
M. Phesa	Member

Members of the council

EXECUTIVE MAYOR:	Cllr Ngqondwana M.D.
DEPUTY EXECUTIVE MAYOR:	Cllr Sabisa T. (with effect from the 30 August 2024)
SPEAKER:	Cllr Ngqongwa N. (with effect from the 30 August 2024)
CHIEF WHIP (WHIP OF COUNCIL)	Cllr Mlombile-Cingo N. (with the effect from the 30 August 2024)

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor	Cllr Ngqondwana M.D.
Deputy Executive Mayor	Cllr Sabisa T.
MMC: Infrastructure, Water and Sanitation	Cllr Ndabeni M.
MMC: Budget and Treasury Office	Cllr Mdledle N.U.
MMC: Corporate Services	Cllr Mtshazo S.H.
MMC: Community Services	Cllr Gcingca N.
MMC: Rural Economic Development Planning	Cllr Mbede M.
MMC: Human Settlement	Cllr Njisane S. (with effect from 30 August 2024)
MMC: Special Programmes & Social Services	Cllr Mtuku B.N.
MMC: IGR, Panning, Research & Policy Development	Cllr Tshoto G.
MMC: Technical Services	Cllr Giyose M.R.

Section 79 Standing Committee Chairpersons (Full time)

Programming Committee	Cllr Ngqongwa N.
Chairpersons Committee	Cllr Ntshuba V.W.
Rules Committee	Cllr Gabada P.V.
Ethics & Members Interest Committee	Cllr Jacob U.
Municipal Public Accounts Committee	Cllr Dywili N.
Petitions & Public Participation Committee	Cllr Tokwana C.S.
Multiparty Women's Caucus	Cllr Cwecwe N.

Section 79 Standing Committee Chairpersons (Part-time)

Water & Sanitation Services	Cllr Ngxamile N.P.
Technical Services	Cllr Tshikitshwa T.
Human Settlements	Cllr Ncapayi N.
Budget & Treasury Office	Cllr Vanda N.L.
Community Services	Cllr Dyule N.W.
Corporate Services	Cllr Zondani V.B.
Rural Economic Development Programme	Cllr Ntshuba V.W.
IGR, Planning, Research & Policy Development	Cllr Mzamane Z.
Oversight Committee for Office of the Mayor and Legislature	Cllr Socikwa Y.V.
Special Programs & Social Services	Cllr Matanda N.P.

	COUNCILLOR	PARTY	PARTY REP.	LM REP.
1	Badli T.	ANC	No	Yes
2	Bunzana M.	UDM	No	Yes
3	Cwecwe N.	ANC	No	Yes
4	Dambuza M.B.	ANC	Yes	No
5	Dlani X.H.	ANC	No	Yes
6	Dudumayo M.B.	UDM	Yes	No
7	Dyule N.W.	ANC	Yes	No
8	Dywili N.	ANC	Yes	No
9	Fukula M.A.	EFF	Yes	No
10	Gabada P.V.	ATM	Yes	No

OR Tambo District Municipality

Annual Financial Statements for the year ended 30 June 2025

Members of the council

11	Gcilitshana L.	UDM	Yes	No	
12	Gcingca N.R.	ANC	Yes	No	
13	Giyose M.R.	ANC	No	Yes	
14	Jacob U.	ANC	Yes	No	
15	Jamjam M.A.	ATM	No	Yes	
16	Knock R.	UDM	No	Yes	
17	Kotana M.P.J.	DA	Yes	No	Replaced Cllr Mabasa in April 2025
18	Libazi M.	EFF	No	Yes	
19	Mabhedumana B.	EFF	No	Yes	
20	Makaba M.	ANC	No	Yes	
21	Makhetha M.A.	EFF	No	Yes	Replaced Cllr Mapolisa in May 2025
22	Maseko M.N.	ATM	No	Yes	
23	Matanda N. P.	ANC	No	Yes	
24	Matubatuba N.	ANC	No	Yes	
25	Mbangatha N.	EFF	Yes	No	Replaced Cllr Bodoza in August 2024
26	Mbede M.	ANC	Yes	No	
27	Mbunjana M.	ANC	No	Yes	
28	Mdledle N.U.	ANC	Yes	No	
29	Mgolombane S.I.	AIC	Yes	No	Replaced Cllr Sekese in February 2025
30	Mgquba A.	EFF	No	Yes	
31	Mhlaba S.	ANC	No	Yes	
32	Mlombile-Cingo N.	ANC	Yes	No	Replaced Cllr Capa in August 2024
33	Molakalaka L.C.	ANC	No	Yes	
34	Mtshazo S.H.	ANC	No	Yes	
35	Mtuku N.B.	ANC	Yes	No	
36	Mzamane Z.	ANC	Yes	No	
37	Ncapayi N.V.	ANC	No	Yes	
38	Ncolosi S.I.	ANC	No	Yes	
39	Ndabeni M.	ANC	Yes	No	
40	Ndzumo T.	ANC	No	Yes	
41	Ngqondwana M.D.	ANC	Yes	No	
42	Ngqongwa N.	ANC	Yes	No	
43	Ngxamile N.P.	ANC	Yes	No	
44	Ngxekana M.H.	Independent	No	Yes	
45	Njisane S.	ANC	No	Yes	
46	Njovane S.	Independent	No	Yes	
47	Nondaka Z.	UDM	No	Yes	
48	Nonkonyana N.	ANC	No	Yes	
49	Ntshuba V.W	ANC	Yes	No	
50	Sabisa T.N.	ANC	Yes	No	
51	Sidlova N.G.	ANC	No	Yes	
52	Socikwa Y.	ANC	Yes	No	
53	Somzana N.	DA	No	Yes	
54	Tokwana C.S.	ANC	No	Yes	
55	Tshikitshwa T.	ANC	No	Yes	
56	Tshoto G.	ANC	Yes	No	
57	Vanda N.L.	ANC	No	Yes	
58	Zondani V.B.	ANC	No	Yes	
59	Zozi Z.	ANC	No	Yes	

ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL OF FINANCIAL STATEMENTS

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 were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

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

I certify that the salaries, allowances and benefits of councillors as disclosed in note 29 to these Annual Financial Statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The Annual Financial Statements prepared in compliance with of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003) requirements are set out on pages 5 to 73 which have been prepared on the going concern basis, were approved on 29 August 2025.

B.P. MASE

MUNICIPAL MANAGER

29 August 2025

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
CURRENT ASSETS			
Inventories	2	8,257,960	12,350,377
Receivables from Exchange Transactions	3	490,276,041	368,501,861
Receivables from Non-exchange Transactions	4	1,439,455	1,574,135
Prepayments	5	8,249,496	247,614
Statutory Receivables	6	9,330,144	13,984,583
Cash and Cash Equivalents	7	764,666,192	468,035,695
		1,282,219,288	**864,694,265**
NON-CURRENT ASSETS			
Property, Plant and Equipment	8	8,916,826,103	8,434,291,385
Intangible Assets	9	2,185,996	211,952
Heritage Assets	10	247,025	247,025
		8,919,259,124	**8,434,750,362**
TOTAL ASSETS		**10,201,478,412**	**9,299,444,627**
CURRENT LIABILITIES			
Consumer Deposits	11	4,451,794	4,081,243
Defined Benefits Obligations	12	83,201,045	77,779,285
Payables from Exchange Transactions	13	609,888,074	611,616,294
Payables from Non-exchange Transactions	14	5,843,370	3,201,007
Unspent Conditional Grants and Receipts	15	5,478,798	-
Current Portion of Finance Lease Liabilities	16	1,720,101	1,804,511
		710,583,182	**698,482,340**
NON-CURRENT LIABILITIES			
Finance Lease Liabilities	16	2,056,709	641,507
Defined Benefits Obligations	17	126,692,000	109,388,000
		128,748,709	**110,029,507**
TOTAL LIABILITIES		**839,331,891**	**808,511,847**
Community wealth/equity		**9,362,146,521**	**8,490,932,780**
Accumulated Surplus / (Deficit)	18	9,344,169,063	8,472,955,322
Revaluation Surplus	19	17,977,458	17,977,458
TOTAL COMMUNITY WEALTH AND EQUITY		**9,362,146,521**	**8,490,932,780**

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
REVENUE			
Revenue from Exchange Transactions			
Service Charges	20	313,587,344	314,065,234
Interest Earned - External Investments	21	84,191,713	62,036,392
Interest Earned - Outstanding Debtors	22	59,261,086	43,705,015
Operational Revenue	23	2,140,561	886,753
Income from Agency Services	24	135,865	145,773
Contract Revenue	25	81,883,432	105,756,423
Total revenue from exchange transactions		**541,200,001**	**526,595,590**
Revenue from Non-exchange Transactions			
Government Grants and Subsidies Received	26	2,312,388,380	2,041,757,614
		2,312,388,380	**2,041,757,614**
Other Revenue	27	1,176,319	-
		1,176,319	**-**
Total revenue from non-exchange transactions		**2,313,564,699**	**2,041,757,614**
Total revenue		**2,854,764,700**	**2,568,353,204**
EXPENDITURE			
Employee Related Costs	28	(724,758,487)	(675,897,439)
Remuneration of Councillors	29	(23,127,512)	(21,374,274)
Depreciation and Amortisation	30	(313,664,576)	(303,772,117)
Impairment Losses	31	(20,548,960)	(270,345,945)
Write-offs	32	(302,878,630)	(292,323)
Finance Costs	33	(18,056,247)	(17,870,601)
Contracted Services	34	(128,584,735)	(100,639,938)
Repairs and Mintenance	35	(28,258,129)	(42,289,589)
Transfers and subsidies	36	(285,031,396)	(366,286,312)
Inventory Consumed	37	(110,253,251)	(95,739,197)
Inventory Losses	38	(38,566,749)	(37,781,587)
Contract Costs	39	(81,883,432)	(105,756,423)
Operational Costs	40	(170,487,569)	(179,639,045)
Total expenditure		**(2,246,099,673)**	**(2,217,684,790)**
Operating Surplus		**608,665,027**	**350,668,414**
Gains / (Losses) on disposal of assets	41	(18,892,580)	(18,197,051)
Reversal of Impairment / Provision Adjustment	42	282,111,293	4,477,664
Actuarial Gains / (Losses)	43	(670,000)	2,601,000
Surplus for the year		**871,213,740**	**339,550,027**

Statement of Changes in Net Assets

Figures in Rand	Note(s)	Accumulated surplus	Revaluation Surplus	Total Net Assets
Balance at 01 July 2023		**8,025,484,887**	**17,977,458**	**8,043,462,345**
Correction of prior year errors	50	107,920,408	-	107,920,408
Restated* Balance at 01 July 2023		**8,133,405,295**	**17,977,458**	**8,151,382,753**
Restated* Surplus for the year		**339,550,027**	**-**	**339,550,027**
Audited Surplus for the year	50	461,480,822	-	461,480,822
Correction of errors	50	(121,930,795)	-	(121,930,795)
Restated* Balance at 30 June 2024		**8,472,955,322**	**17,977,458**	**8,490,932,780**
Surplus for the year		871,213,740	-	871,213,740
Balance at 30 June 2025		**9,344,169,063**	**17,977,458**	**9,362,146,521**

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Service Charges		270,140,994	131,854,688
Interest income		81,308,363	133,578,032
Other receipts		40,227,503	(141,112,287)
Transfers and subsidies		2,317,867,178	1,929,766,564
		2,709,544,038	**2,054,086,997**
Payments			
Suppliers and Employees		(1,298,897,361)	(1,046,233,409)
Finance Costs		(4,831,247)	(6,002,601)
Transfers and Subsidies		(285,031,396)	(366,286,312)
		(1,588,760,004)	**(1,418,522,322)**
Net cash flows from operating activities	44	**1,120,784,034**	**635,564,675**
Cash flows from investing activities			
Purchase of property, plant and equipment		(826,891,262)	(628,504,816)
Purchase of other intangible assets		(1,529,909)	-
Proceeds from sale of assets		6,423,219	163,350
Net cash flows from investing activities		**(821,997,952)**	**(628,341,466)**
Cash flows from financing activities			
(Repayments) of Finance Lease Liabilities		(2,155,585)	(3,342,973)
Net cash flows from financing activities		**(2,155,585)**	**(3,342,973)**
Net increase/(decrease) in cash and cash equivalents		**296,630,497**	**3,880,237**
Cash and cash equivalents at the beginning of the year		468,035,695	464,155,458
Cash and cash equivalents at the end of the year	7	**764,666,192**	**468,035,695**

Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts	Variance	%	Ref.
Statement of Financial Performance							
Revenue By Source							
Service charges	427,311,890	-	427,311,890	313,587,344	(113,724,546)	-27%	**C01**
Interest earned - external investments	40,500,000	15,000,000	55,500,000	84,191,713	28,691,713	52%	**C02**
Interest earned - outstanding debtors	22,794,770	-	22,794,770	59,261,086	36,466,316	160%	**C03**
Operational revenue	230,555	-	230,555	367,447,470	367,216,915	159275%	**C04**
Transfers and subsidies	1,127,702,967	(417,933)	1,127,285,034	1,201,047,071	73,762,037	7%	**C05**
Total Revenue (excluding capital transfers and contributions)	**1,618,540,182**	**14,582,067**	**1,633,122,249**	**2,025,534,684**	**392,412,435**		
Expenditure By Type							
Employee Related Costs	(751,579,237)	(28,803,564)	(780,382,801)	(737,983,487)	(42,399,314)	5%	**C06**
Remuneration of Councillors	(26,763,685)	-	(26,763,685)	(23,127,512)	(3,636,173)	14%	**C07**
Depreciation and Amortisation	(171,000,000)	-	(171,000,000)	(313,664,576)	142,664,576	-83%	**C08**
Impairment Losses	(107,507,624)	-	(107,507,624)	(323,427,590)	215,919,966	-201%	**C09**
Finance Costs	(550,000)	-	(550,000)	(4,831,247)	4,281,247	-100%	**C10**
Contracted Services	(78,977,293)	(13,200,002)	(92,177,295)	(156,842,864)	64,665,569	-70%	**C11**
Transfers and subsidies	(69,988,650)	370,000	(69,618,650)	(285,031,396)	215,412,746	-309%	**C12**
Inventory Consumed	(90,841,663)	-	(90,841,663)	(148,820,000)	57,978,337	-64%	**C13**
Operational Expenses	(194,470,128)	(30,843,471)	(225,313,599)	(271,933,581)	46,619,982	-21%	**C14**
Total expenditure	**(1,491,678,280)**	**(72,477,037)**	**(1,564,155,317)**	**(2,265,662,253)**	**701,506,936**		
Surplus / (Deficit)	**126,861,902**	**(57,894,970)**	**68,966,932**	**(240,127,569)**			
Transfers and subsidies - Capital	1,326,964,000	(82,230,000)	1,244,734,000	1,111,341,309	133,392,691	11%	**C15**
Surplus for the year	**1,453,825,902**	**(140,124,970)**	**1,313,700,932**	**871,213,740**			

OR Tambo District Municipality

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts	Variance	%	Ref.
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	534,970,479	-	534,970,479	764,666,192	229,695,713	43%	**D01**
Receivables from Exchange Transactions	147,867,742	-	147,867,742	490,276,041	342,408,299	232%	**D02**
Receivables from non-exchange transactions	1,638,430	-	1,638,430	1,439,455	(198,975)	-12%	**D03**
Inventories	8,465,411	-	8,465,411	8,257,960	(207,451)	-2%	**D04**
Other debtors	155,335,223	-	155,335,223	17,579,640	(137,755,583)	-89%	**D05**
Total current assets	**848,277,285**	**-**	**848,277,285**	**1,282,219,288**	**433,942,003**		
NON-CURRENT ASSETS							
Property, Plant and Equipment	7,552,309,224	(112,005,467)	7,440,303,757	8,916,826,103	1,476,522,346	20%	**D06**
Intangible Assets	24,153,293	(1,000)	24,152,293	2,185,996	(21,966,297)	-91%	**D07**
Other non-current assets	247,025	-	247,025	247,025	-	0%	**D08**
Total non current assets	**7,576,709,542**	**(112,006,467)**	**7,464,703,075**	**8,919,259,124**	**1,454,556,049**		
TOTAL ASSETS	**8,424,986,827**	**(112,006,467)**	**8,312,980,360**	**10,201,478,412**	**1,888,498,052**		
CURRENT LIABILITIES							
Consumer Deposits	4,163,321	-	4,163,321	4,451,794	(288,473)	-7%	**D09**
Trade and other payables	119,060,335	-	119,060,335	619,508,254	(500,447,919)	-420%	**D10**
Provisions	299,061,829	-	299,061,829	209,893,045	89,168,784	30%	**D11**
Unspent Conditional Grants and Receipts	-	-	-	5,478,798	(5,478,798)	-100%	**D12**
Total current liabilities	**422,285,485**	**-**	**422,285,485**	**839,331,891**	**(417,046,406)**		
TOTAL LIABILITIES	**422,285,485**	**-**	**422,285,485**	**839,331,891**	**(417,046,406)**		
NET ASSETS	**8,002,701,342**	**(112,006,467)**	**7,890,694,875**	**9,362,146,521**	**2,305,544,458**		
Accumulated surplus / (Deficit)	7,948,735,217	(106,215,183)	7,842,520,034	9,344,169,063	(1,501,649,029)	-19%	
Revaluation Surplus		-	-	17,977,458	(17,977,458)	-100%	**D13**
	7,948,735,217	**(106,215,183)**	**7,842,520,034**	**9,362,146,521**	**(1,519,626,487)**		

Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts	Variance	%	Ref.
Cash Flow Statement							
Cash flows from operating activities							
Receipts							
Service Charges	324,757,036	-	324,757,036	270,140,994	(54,616,042)	-17%	**E01**
Transfers and subsidies	2,321,803,995	-	2,321,803,995	2,317,867,178	(3,936,817)	0%	**E02**
Interest income	40,500,000	-	40,500,000	81,308,363	40,808,363	101%	**E03**
Other receipts	205,843,165	-	205,843,165	40,227,503	(165,615,662)	-80%	**E04**
	2,892,904,196	**-**	**2,892,904,196**	**2,709,544,038**	**(183,360,158)**		
Payments							
Suppliers and employees	(1,320,273,986)	-	(1,320,273,986)	(1,298,897,361)	(21,376,625)	2%	**E05**
Finance Costs	-	-	-	(4,831,247)	4,831,247	100%	**E06**
Transfers and Grants	-	-	-	(285,031,396)	285,031,396	100%	**E07**
	(1,320,273,986)	**-**	**(1,320,273,986)**	**(1,588,760,004)**	**268,486,018**		
Net cash flows from operating activities	**1,572,630,210**	**-**	**1,572,630,210**	**1,120,784,034**	**85,125,860**		
Cash flows from investing activities							
Purchase of property, plant and equipment	(1,441,943,627)	-	(1,441,943,627)	(826,891,262)	615,052,365	-43%	**E08**
Net cash flows from investing activities	**(1,441,943,627)**	**-**	**(1,441,943,627)**	**(821,997,952)**	**610,159,056**		
Cash flows from financing activities							
Increase (decrease) in consumer deposits	88,105	-	88,105	-	88,105		
Acquisitions / (Repayments) of Long term loans	-	-	-	(2,155,585)	2,155,585	100%	**E09**
Net cash flows from financing activities	**88,105**	**-**	**88,105**	**(2,155,585)**	**2,243,690**		
Net increase/(decrease) in cash and cash equivalents	**130,774,688**	**-**	**130,774,688**	**296,630,497**	**697,528,606**		
Cash and cash equivalents at the beginning of the year	405,747,001	-	405,747,001	468,035,695	(62,288,694)	-15%	
Cash and cash equivalents at the end of the year	**536,521,689**	**-**	**536,521,689**	**764,666,192**	**635,239,912**		

STATEMENT OF FINANCIAL PERFORMANCE

C01 **Service Charges** - The variance is due to data cleansing and correction of billing.

C02 **Interest earned - external investments** - The variance is due to implementation of financial recovery plan which resulted to an improved liquidity and more funds available for investments.

C03 **Interest earned - outstanding debtors** - The increase in Interest on debtors is attributed to non payment of outstanding accounts by debtors.

C04 **Operational revenue** - The variance was mainly due to reversal of impairment on doubtful debts after the approval of uncollectable debts write-offs by the council.

C05 **Transfers and subsidies** - The variance is less the 10% and regarded as immaterial.

C06 **Employee Related Costs** - The variance in employee costs is less than 10% and regarded as immaterial

C07 **Remuneration of Councillors** - The budget amount took into account a projected increment of councillors' remuneration pending the expected upper limits for councillors to be issued by Cogta. For the year, no annual increase of Councillors' remuneration have been effected as the new upper limits were not available till the end of the financial year.

C08 **Depreciation and amortisation** - The variance was mainly due to adjustment of infrastructure assets with completed assets subsequent to the WIP register clean-up conducted during the current year.

C09 **Impairment Losses** - The budget for impairment includes Debtors Impairment and Asset Impairment as well as Write-offs. The variance is mainly due to write-offs approved in the current year.

C10 **Finance costs** - The variance was due to interest paid on overdue accounts that were not budgeted for.

C11 **Contracted Services** - The variance is mainly due to security fees as well as repairs and maintenance incurred.

C12 **Transfers and Subsidies** - The variance was mainly due to increase in free basic water provided by the municipality and expenditure for VIP toilets.

C13 **Inventory Consumed** - (1) The budget for Inventory Consumed also includes the budget for Inventory Losses. (2) The variance is mainly due to increase in water processing costs resulting in an increase in the water cost tariff used to determine the value of water losses..

C14 **Operational Costs** - The variance is mainly due to increase electricity costs and Constructions costs that were budgeted for under capital budget.

C15 **Transfers and subsidies** - The variance in Transfers and subsidies can be attributed housing budget included in this line item while the actual revenue is included operational revenue.

Statement of Comparison of Budget and Actual Amounts

STATEMENT OF FINANCIAL POSITION

D01 **Cash and Cash Equivalent** - Variance is mainly due to improved grant spending which resulted in more VAT refunds.

D02 **Receivables from Exchange Transactions** - The variance was mainly due to continued non payment of debtors and outstanding payments from Human Settlement.

D03 **Receivables from non-exchange transactions** - The variance is mainly due to the reclassification of Covid-19 allowance to contingent assets due the uncertainty of their recovery.

D04 **Inventory** - The variance is less than 10% and regarded as immaterial.

D05 **Other debtors** - This line item includes VAT, prepayments and other debtors. The variance is mainly due to less amount of outstanding VAT due improvement in SARS turn-around time for processing of VAT refunds.

D06 **Property Plant and Equipment** - Variance is mainly due to improved conditional grants expenditure during the current year.

D07 **Intangible Assets** - Certain Solar system modules planned to be purchased during the current year were not purchased due to delays in the configuration of the new servers.

D08 **Other non-current assets** - The variance is less than 10% and regarded as immaterial.

D09 **Consumer Deposits** - The variance is less than 10% and regarded to be immaterial.

D10 **Trade and other payables** - This item includes trade creditors, Provisions and Finance lease obligation. The increase mainly due to increase in accruals at year-end and reclassification of VAT Output accrual.

D11 **Provisions** - Provision budget includes the budget for Post employment benefit and Leave provisions. The variance is mainly attributed to over estimation of provisions during budgeting process.

D12 **Unspent Conditional Grants** - The unspent grant relates to WSIG grant that was reprioritised for disaster related expenditure subsequent to flooding disaster that occurred in June 2025.

D13 **Revaluation Surplus** - The municipality revaluation surplus was not budgeted for.

CASH FLOW STATEMENT

E01 **Service Charges -** The variance is due to under collection of outstanding debtors.

E02 **Transfers and subsidies** - The variance is less than 10% and is regarded as immaterial.

E03 **Interest Received** - The variance is due to consolidation of investments into one account resulting in more interest earned.

E04 **Other Receipts** - Variance was mainly due to VAT refunds budgeted under Other Receipts

E05 **Suppliers and employees** - The variance is less than 10% therefore regarded immaterial

E06 **Finance Costs** - Not budgeted for.

E07 **Transfers and Grants** - The actual expenditure was budgeted for under Suppliers and employees.

E08 **Purchase of property plant and equipment** - The budget for this line items is based on the grant allocation which is VAT inclusive while the expenditure is VAT exclusive thereby resulting in a variance. The expenditure for Housing grant was budgeted under this item while the expenditure was recorded under contract costs item.

E09 **Finance lease liability** are budgeted for under Trade and Other payables.

BUDGET ADJUSTMENTS

C02 The Interest received was adjusted upwards by R15 000 000.00 due to overperformance at mid-term resulting from the investing on high earning investments.

C05 Transfers and Subsidies were adjusted downwards by a net amount of R417 933 .00 being a reduction of R7 230 000.00 being reduction in MIG because of government Gazette No 51233 from the 12th September 2024 and an increase of R 6 582 067 for MSIG which was appropriated through an adjustment budget in January 2025.An increase of R230 000.00 for correction on MIG on the special adjustment.

C08 The depreciation budget was re-assed and no adjustment was done, this was before the verification which resulted in increase in depreciation expense.

C11 Contracted services were adjusted upwards by R13 200 002.00 due existing commitments and demands.

C12 Transfers and Subsidies were adjusted downwards by R370 000.00 as there was a need to decrease the budget because of the performance at midterm.

C14 Operational Expenses were adjusted upwards by R30 843 471 as there was a need to increase the budget so as to provide for operational expenses until the end of the financial year.

C15 Transfers and Subsidies Capital were adjusted downwards by a net amount of R82 230 000 being a reduction because of the adjustment government gazette no 51233 of the DoRa. MIG adjusted downwards by R7 230 000.00. Human Settlements grant was adjusted downwards by R75 000 000.00 during the adjustment budget in January 2025 because of slow receipts on the grant.

D06 Property plant and Equipment was adjusted downwards by R112 005 467.00 because of adjustments that were required because of the reduction of transfers and subsidies capital and other adjustments.

D07 Intangible Assets were adjusted downwards by R1 000.00 because there was a need during the adjustment budget.

Accounting Policies

1. Presentation of Annual Financial Statements
The Annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), as approved by the Minister of finance, including any interpretations, guidelines and directives issued by the Accounting Standard Board and the Municipal Finance Management Act (Act 56 of 2003).

The Annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, except where indicated otherwise. They are presented in South African Rand.

1.1 Changes in accounting policy and comparability
Accounting policies have been consistently applied unless it has been indicated otherwise.
For the years ended 30 June 2025 and 30 June 2024 the municipality adopted the framework as set out in paragraph 1 above. The details of any resulting changes in Accounting policy and comparative restatements are set out below and in the relevant notes to the financial statements.

Where a standard of GRAP is approved and effective, it replaces the equivalent of International Public sector accounting Standard, International Financial Reporting Standards or Generally accepted Accounting Practice. Where a standard of GRAP has been issued but is not yet effective, the municipality may select to apply the principles established in that standard in developing appropriate accounting policies, changes in accounting.

1.2 Critical Judgement, Estimates and Assumptions
In the application of the municipality's accounting policies, which are described below, management is required to make judgments, estimates and assumptions about the carrying amounts and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

The following are the critical judgments and estimates that the management have made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

Revenue Recognition
Accounting policy 1.14 on revenue from exchange transactions and revenue from non-exchange transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgment, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (revenue from exchange transactions) and GRAP 23 (revenue from non-exchange transactions). As far as revenue from exchange transactions is concerned, management considers whether the municipality when goods are sold had transferred the significant risks and rewards of ownership of the goods and when service is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that the revenue in the current year is appropriate.

Financial Assets and liabilities
The classification of Financial Assets and Liabilities, into categories, is based on judgement. Accounting policy 1.12 on financial assets classification and accounting policy 1.12 on financial liabilities classification describing the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.
In making the above-mentioned judgement management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104 (financial instruments).

Impairment of Financial Assets
Accounting policy 1.11 on impairment of financial assets describes the process followed to determine the value at which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104 (financial instruments) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting year. The management of the municipality is satisfied that impairment of Financial assets recorded during the year is appropriate.

The provision for impairment on receivables exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

1.2 Critical Judgement, Estimates and Assumptions (continued)

In determining the recoverability of receivables from non-exchange transactions, the municipality considers any change in the credit quality of the debtor from the date credit was initially granted up to the reporting date.
The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the provision for impairment.

Fair Value Estimations
The valuation of assets are based on management's estimation. Management considered the impact of valuation techniques and market information in order to determine the valuations, and more specific as follows:

Useful lives of Property, Plant and Equipment and Intangible assets
As described in accounting policies 1.8.3 and 1.9.1, the municipality depreciates its Property, Plant and Equipment (excluding land) and amortises its intangible assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives which are determined when the assets are available for use.

The useful lives of the assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on the management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Impairment of Property, Plant and Equipment, Intangible Assets.
Accounting policy 1.11 on impairment of assets, accounting policy 1.9.1 on intangible assets - subsequent measurement, amortisation and impairment. Subsequent measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible assets.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (impairment of non-cash generating assets).

Estimated impairments during the year to Property Plant and Equipment intangible assets and Heritage assets are disclosed in notes 8, 9 and 10 to the Annual Financial statement if applicable.

Water Inventory
The estimation of water inventory in reservoirs is based on the measurement using deep sticks, measuring the depth of water in the reservoirs. The reading on the deep stick is then converted into volumes based on the capacity of the reservoir. Furthermore, the length and width of all pipes are taken into account in determining the volume of the water on hand at year-end.

Defined Benefit Plan liabilities
As described in accounting policy 1.16 employee benefits - post-employment benefits municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are post-retirement health benefit obligations and long-service awards. The estimated liabilities are recorded in accordance with the requirement of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant notes to the Annual Financial Statements.

Provisions and Contingent liabilities
Management's judgement is required when recognising and measuring general provisions and when measuring contingent liabilities while post employment benefit provisions are determined using actuarial valuations.

Budget Information
Deviations between the budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the Annual Financial Statements.

1.3 Presentation currency
These annual financial statements are presented in South African Rand, rounded off to the nearest Rand which is the functional currency of the municipality.

1.4 Going concern assumption

Based on the current year improved financial ratios and the legislative nature of the municipality, these annual financial statements have been prepared on a going concern basis.

1.5 Offsetting

Assets, Liabilities Revenues and Expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 1 - Presentation on Financial Statements (amendments)
- GRAP 103 - Heritage Assets (amendments)
- GRAP 105 -Transfer of Functions Between Entities under Common Control
- GRAP 106 -Transfer of Functions between Entities not under Common Control
- GRAP 107 -Mergers (amendments)

The ASB Directive 5, paragraph 30, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on accounting policies, changes in accounting estimates and errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on accounting policies, changes in accounting estimates and errors.

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact except on the following:

<u>Potential impact of GRAP 104 - financial instruments amendments:</u>

- The classification of simple financial assets such as bank accounts and debtors will not be affected however classification of more complex financial assets, such as, investments and concessionary loans may change.
- The municipality would have to apply the amortised cost in calculating interest revenue rather than the gross carrying amount if the receivable becomes impaired after origination.
- Interest revenue on receivables that become credit impaired is always based on the gross amount.
- Under the amended GRAP 104, the municipality would have assessed whether a specific event occurred that indicated that a financial asset is impaired, for example, a debtor entering bankruptcy. This is an “incurred loss model” as it focuses on losses that arise based on the occurrence of a specific event.
- Under the revised approach, the municipality determines impairment losses based on the credit losses the municipality expects over 12 months or over the life of the instrument.
- Under the new GRAP 104 the municipality needs to gather **(a)** information about the credit risk of the parties it transacts with, and **(b)** needs to develop models that assess both current and future losses, on a probability weighted basis.

1.7 Net Assets

Included in the net assets of the municipality are the following reserves that are maintained in terms of specific requirements:

• Accumulated Surplus
• Revaluation Surplus

Accounting Policies

1.8 Property, plant and equipment

1.8.1 Initial recognition

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

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

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

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

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

1.8.2 Subsequent Measurement

Property, plant and equipment, excluding buildings and land

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

Land and Buildings

Land and Buildings are revalued on five year intervals and carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

If the carrying amount of an asset is decreased as a result of a revaluation, the decrease shall be recognised in surplus or deficit. However, the decrease shall be debited directly in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised directly in net assets reduces the amount accumulated in net assets under the heading revaluation surplus.

The municipality shall recognise the decrease in surplus or deficit when the asset is disposed. However, the loss on disposal shall be debited directly in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The loss on disposal recognised directly in net assets reduces the amount accumulated in net assets under the heading revaluation surplus. The revaluation reserve is not reduced as the asset is being used however it will be reduced on disposal of an asset to the extent of the revaluation reserve raised in the past.

1.8.3 Depreciation
Depreciation on assets other than land is calculated on cost using the straight-line method, to allocate their cost amounts to their residual values over the estimated useful lives of the assets. 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. Each part of an item of property, plant and equipment with a cost significant in relation to the cost item is depreciated separately.

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

Item	Depreciation method	Average useful life
Buildings	Straight line	5 - 30 years
Plant and machinery	Straight line	2 - 20 years
Furniture and fittings	Straight line	3 - 15 years
Transport Assets	Straight line	4 - 20 years
Office equipment	Straight line	3 - 15 years
IT equipment - Computer Equipment	Straight line	3-10 years
Infrastructure		
Bridge	Straight line	10 - 80 years
Roads and Paving	Straight line	3 - 60 years
Water	Straight line	5 - 100 years
Sewerage	Straight line	10 - 60 years
Emergency equipment	Straight line	3 - 20 years
Specialist Vehicles	Straight line	4 - 20 years

The asset's residual values, estimated useful lives and depreciation methods are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectation differ from the previous estimate.

1.8.4 Land
Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

1.8.5 Infrastructure
Infrastructure assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

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

1.8.7 Leased assets
Assets capitalised under finance lease are depreciated over their expected useful lives on the same basis as property, plant and equipment controlled by the municipality or, where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

1.8.8 Derecognition
The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from is use or disposal. The gain or loss arising from derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

Gains or Losses.
Gains or losses are calculated as difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposal and are included in the Statement of Financial Performance as gain or loss on disposal of property, plant and equipment. Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

1.9 Intangible assets

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in it Statement of Financial Position only when it is possible that the expected future economic benefits or service potential that attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably. Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as it is incurred. Costs incurred on development projects (relating to the design and testing of the new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the asset so that it will be available for use.
- management intends to complete the intangible asset and use or sell it.
- there is an ability to use or sell the intangible asset.
- it can be demonstrated how the intangible asset will generate probable future economic benefits.
- adequate technical, financial and other resources to complete the development and use or sell the intangible asset are available; and.
- the expenditure attributable to the asset during its development can be measured reliably.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent year. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 and GRAP 26.

Intangible assets are initially recognised at cost. The cost of an intangible asset is purchase price and other costs attributed to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at not cost, or for a nominal cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. The cost of an intangible asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could be measured at it value, its cost is measured at the carrying amount of the asset given up. if the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.9.1 Subsequent Measurement, Amortisation and Impairment

After initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 31, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives. The residual value of intangible assets with finite lives is zero, unless an active market exists. Where intangible assets are deemed to have indefinite useful lives, such intangible assets are not amortised, however, such intangible assets are subject to an annual impairment test. Amortisation only commences when the asset is available for use, unless stated otherwise. The amortisation rates are based on the following estimated useful lives:

Item	Amortisation method	Average
Computer software	Straight line	4 -10 years

Intangible assets are annually tested for impairment as described in accounting policy 1.11 on impairment of assets, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the year that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable service amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

1.9.2 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the proceeds of disposal and the carrying value, and is recognised in the Statement of Financial Performance.

Accounting Policies

1.10 Heritage assets

A Heritage Asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations. Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

1.10.1 Initial Recognition.

The cost of an item of Heritage Assets is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably. Heritage Assets are initially recognised at cost on its acquisition date or in the case of assets acquired by donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Heritage Assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located. Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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

1.10.2 Subsequent Measurement

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

1.10.3 Derecognition

The carrying amount of an item of Heritage Assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of an item of Heritage Assets is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of Heritage Assets.

1.11 Impairment of Assets

The municipality classifies all assets held with the primary objective of generating a commercial return as Cash Generating Assets. All other assets are classified as Non-cash Generating Assets. No assets are currently classified as cash generating assets.

1.11.1 Impairment of Non-Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset. An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

1.11 Impairment of Assets (continue)
The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

1.12 Financial instruments
The municipality has various types of Financial Instruments and these can be broadly categorised as Financial Assets, Financial Liabilities or Residual Interests in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial Recognition
Financial Assets and Financial Liabilities are recognised on the municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument. The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Amortised Cost
Amortised cost 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 Rate Method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

Financial Assets - Classification
A Financial Asset is any asset that is a cash, a contractual right to receive cash or another financial asset from another entity. In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard: Financial Assets measured at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current Assets. Financial Assets at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the Effective Interest Rate Method less a provision for impairment.

Classification
The municipality has the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Receivables from Exchange Transactions	Financial asset measured at amortised cost
Receivables from Non-exchange Transactions	Financial asset measured at amortised cost
Bank, Cash and Cash Equivalents - Call Deposits	Financial asset measured at amortised cost
Bank, Cash and Cash Equivalents - Bank	Financial asset measured at amortised cost
Bank, Cash and Cash Equivalents - Cash	Financial asset measured at amortised cost

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

Financial Liabilities

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.
There are two main categories of Financial Liabilities, the classification determining how they are measured. Financial Liabilities may be measured at:
(i) Financial Liabilities measured at amortised cost.
(ii) Financial Liabilities measured at cost.

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Accounting Policies

1.12 Financial instruments (continue)

Type of Financial Liability	**Classification in terms of GRAP 104**
Long-term Liabilities	Financial liability measured at amortised cost
Payables from Exchange Transactions	Financial liability measured at amortised cost
Payables from Non-exchange Transactions	Financial liability measured at amortised cost
Current Portion of Long-term Liabilities	Financial liability measured at amortised cost
Consumer Deposits	Financial liability measured at amortised cost

Initial and Subsequent Measurement

Financial Assets

Financial assets measured at amortised cost

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

Trade and Other Receivables (excluding VAT, prepayments and operating lease receivables) and loans that have fixed and determinable payments that are not quoted in an active market are classified as Financial Assets at amortised cost.

Financial Liabilities held at amortised cost

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

Impairment Financial assets

Financial Assets, are assessed for indicators of impairment at the end of each reporting year. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

The total increase in estimation of the impairment of receivables from exchange transactions and that of receivables from non-exchange transactions are disclosed in notes 3 and 4 to the Annual Financial Statement.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the Financial Asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

Derecognition of Financial Assets

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

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

Accounting Policies

1.12 Financial instruments (continue)

Derecognition of Financial Liabilities
The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire. The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

1.13 Inventories

Initial Recognition
Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the Inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired. Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Subsequent Measurement

-Consumable Stores, Raw Materials, Work-in-Progress and Finished goods.
Consumable stores, raw materials, work-in-progress, inventories distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and net realisable value (net amount that the municipality expects to realise from the sale on Inventory in the ordinary course of business). The cost is determined using the First-in-First-out Method for cost of commodities.

-Water Inventory
Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, therefore it is not recognised in the Statement of Financial Position. The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water and purified effluent are valued by using the First-in-First-out method, at the lowest of purified cost and net realisable value, in so far as it is stored and controlled in reservoirs at year-end.

-Other Inventories
Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such Inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of Inventories recognised as an expense in the year in which the reversal occurs. The carrying amount of inventories is recognised as an expense in the year that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.14 Revenue Recognition

General

Revenue is derived from a variety of sources which include grants from other tiers of government and revenue from trading activities and other services provided. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts. The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from Exchange Transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable. Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount. Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances. 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.

Revenue from Exchange Transactions

Service Charges

Service Charges are levied in terms of approved tariffs

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

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

In circumstances where services cannot be reliable measured and quantified, a basic / availability charge is levied monthly on such properties subject to opening of account by the customer.

Rentals Received

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the time-proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:
 Interest earned on unutilised Conditional Grants is allocated directly to the Creditor: Unutilised Conditional Grants, if the grant conditions indicate that interest is payable to the funder.

Tariff charges

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

Revenue from Agency Services

Revenue from agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

Sale of Goods
Revenue from the sale of goods is recognised when all the following conditions have been met:
(a) The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
(b) The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
(c)The amount of revenue can be measured reliably;
(d)The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

(e) It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and

(f) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from non-exchange transactions
An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

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

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

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

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the year in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure
Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.15 Provisions

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

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

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

1.16 Employee benefits

Short-term employee benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non accumulating benefits which are only recognised when the specific event occurs. The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the year in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Post-employment benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

Defined contribution plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior years.

The municipality’s contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the year in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit plans

A Defined Benefit Plan is a post-employment benefit plan other than a defined contribution plan.

Post-retirement Health Care Benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits to some of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the municipality is associated, provide for continued membership.

1.16 Employee benefits (continue)

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

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

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

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

Long-service allowance

The municipality has an obligation to provide long-service allowance benefits to all of its employees. According to the rules of the long-service allowance scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

Provincially-administered defined benefit plans

The municipality contributes to various national- and provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined benefit pension plans

Where applicable the municipality has an obligation to provide post-retirement pension benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting year less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit Method . The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance. Past-service costs are recognised immediately in the Statement of Financial Performance.

NB: The municipality currently does not have any employees that fall under Defined Benefit Pension Plan.

1.17 Leases

Classification

Leases are classified as Finance Leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as Operating Leases.

Municipality as lessee

Finance leases

Where the municipality enters into a finance lease, property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset, plus any direct costs incurred. Lease payments are allocated between the finance cost and the capital repayment using the Effective Interest Rate Method . Finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the finance cost and the capital repayment using the Effective Interest Rate Method . Finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis , except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Determining whether an arrangement contains a lease

At inception of an arrangement, the municipality determines whether such an arrangement is, or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the municipality the right to control the use of the underlying asset. At inception, or upon reassessment of the arrangement, the municipality separates payments and other considerations required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the municipality’s incremental borrowing rate.

1.18 Grants-In-Aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

(a) Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
(b) Expect to be repaid in future; or
(c) Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the year that the events giving rise to the transfer occurred.

Accounting Policies

1.19 Value Added Tax

Value Added Tax assets and liabilities
The municipality accounts for Value Added Tax on the Payments Basis in accordance with section 15(2)(a) of the Value Added Tax Act (Act No 89 of 1991).

1.20 Unauthorised expenditure
Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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

1.22 Fruitless and wasteful expenditure
Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and when recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Material Losses
The MFMA requires the disclosure of material losses incurred during the year under review. The disclosure is provided in order to comply to the legislative requirements governing municipalities and municipal entities. Due to their significance, the complete calculation of water losses is provided, including the opening balance, purchases, sales and closing balance where applicable. The unit rate is the rate per the last purchase as inventory is measured based on the First-In-First-Out Method as defined by GRAP 12 (inventories). Where management cannot reliable measure (is unable to bill) the usage of water such consumption is regarded and classified as water losses.

1.24 Prior year errors, Changes in accounting policies and estimates
Correction of prior year errors are applied retrospectively in the year in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the year-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest year for which retrospective restatement is practical. Details of correction of prior year errors are disclosed in the notes to the Annual Financial Statements where applicable.

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the year-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest year for which retrospective restatement is practical. Details of changes in accounting policies are disclosed in the notes to the Annual Financial Statements where applicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the Annual Financial Statements where applicable.

1.25 Treatment of administration and overhead expenses
The costs of internal support services are transferred to the various services and departments to whom resources are made available.

1.26 Contingent Assets and Contingent Liabilities

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in notes to the Annual Financial Statements.

1.27 Commitments

Commitments are future expenditure to which the municipality is committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the Annual Financial Statements.
- Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.

1.28 Related parties

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

1.29 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in notes to the Annual Financial Statements.

1.30 Comparative figures

Current year comparatives

In accordance with GRAP 1 budgeted amounts have been provided and forms part of the Annual Financial Statements.

Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior year comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

Budget information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a year of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the year from 1 July 2024 to 30 June 2025.

1.31 Statutory Receivables

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.

Recognition

The municipality recognises statutory receivables as follows:
- if the transaction is an exchange transaction, using GRAP 9;
- if the transaction is a non-exchange transaction, using GRAP 23; or
- if the definition of an asset is met.

Measurement

Statutory receivables are measured initially at their transaction amount, using the prescripts of legislation, regulations or an equivalent. The transaction amount is adjusted in subsequent reporting years to accrue for any interest or other charges that an entity levies (if required or permitted to do so in legislation or similar means) and, to account for any impairment losses or any amounts derecognised.

Subsequent measurement

Subsequent to initial recognition statutory receivables are measured using the cost method. Initial measurement of the receivable is changed to reflect any: interest or other charges that may have accrued on the receivable, impairment losses and amounts derecognised.

Derecognition

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 entity transfers to another party substantially all of the risks and rewards of ownership of the receivable.
- 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 municipality:
  - derecognises the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

1.32 Principal and agents related transactions

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

Recognising revenue and expenses as a principal or an agent

When the municipality determines that it is a principal in accordance with GRAP 109, it shall account for revenue and expenses arising from the transactions with third parties in its statement of financial performance. When it determines that it is an agent, it recognises the revenue and expenses associated with undertaking the transactions on behalf of the principal.

Recognising assets and liabilities as a principal or an agent

Whether the municipality is a principal or an agent, it applies the principles in the applicable Standards of GRAP in recognising assets and liabilities arising from a principal-agent arrangement.

1.33 Construction contracts

A contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Recognition of contract revenue and expenses

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract shall be recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date.

In the case of a fixed price contract, the outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:
- total contract revenue, if any, can be measured reliably;
- it is probable that the economic benefits or service potential associated with the contract will flow to the entity;
- both the contract costs to complete the contract and the stage of contract completion at the reporting date can be measured reliably; and
- the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

Accounting Policies

In the case of a cost plus or cost based contract, the outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:
• it is probable that the economic benefits or service potential associated with the contract will flow to the entity; and
• the contract costs attributable to the contract, whether or not specifically reimbursable, can be clearly identified and measured reliably.

Contract revenue and contract costs associated with the construction contract shall be recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date.

1.34 Segment Reporting

Recognition
A segment is an activity of the municipality:
(a) that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same municipality);

(b) whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
(c) for which separate financial information is available.

Two or more segments may be aggregated into a single segment if aggregation is consistent with the objective of this standard and the segments have similar economic characteristics, and the segments share a majority of the following:

(a) the nature of the goods and/or services delivered;
(b) the type or class of customer or consumer to which goods and services are delivered;
(c) the methods used to distribute the goods or provide the services; or
(d) if applicable, the nature of the regulatory environment that applies to the segment.

Measurement
The amount of each segment item reported shall be the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance.

1.35 Separate Financial Statements

Separate financial statements are those presented by an entity, in which the entity could elect, subject to the requirements in GRAP 34, to account for its investments in controlled entities, joint ventures and associates either at cost, in accordance with the standard of GRAP on Financial Instruments (GRAP 104) or using the equity method as described in the standard of GRAP on Investments in Associates and Joint Ventures (GRAP 36).

OR Tambo District Municipality, which is a controlling entity for Ntinga OR Tambo Development Agency which shall present separate financial statements for consolidation by OR Tambo District Municipality.

1.36 Consolidated Financial Statements

OR Tambo District Municipality is a controlling entity that fully owns Ntinga Development Agency and shall present consolidated financial statements. OR Tambo District Municipality does not need to present consolidated financial statements when it meets all the following conditions:

- it is itself a controlled entity and the information needs of users are met by its controlling entity's consolidated financial statements, and, in the case of a partially owned controlled entity, all its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the entity not presenting consolidated financial statements;
- its debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);
- it did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and
- its ultimate or any intermediate controlling entity produces financial statements that are available for public use and comply with the Standards of GRAP, in which controlled entities are consolidated or are measured at fair value in accordance with this standard.

Figures in Rand	2025	2024 Restated*

2. Inventories

Water	1,125,688	615,389
Consumable stores	7,132,272	11,734,988
	8,257,960	12,350,377

Movement in water inventory		
Opening Balance	615,389	392,195
Bulk Purchases	69,372,097	71,488,245
Water processing costs	165,792,447	153,174,073
Less: Water Sales (See note 37)	(96,053,482)	(92,804,609)
Less: Free Basic Services (See note 36)	(107,756,742)	(93,852,928)
	31,969,709	38,396,976
Less: Commercial Losses (See note 38)	(6,509,341)	(7,988,300)
Less: Physical Losses (See note 38)	(24,334,678)	(29,793,287)
	1,125,690	615,389

Movement in Consumable Stores		
Opening Balance	11,734,989	11,452,087
Purchases	40,376,168	37,000,905
Consumption	(37,229,155)	(36,718,004)
Disposal of obsolete inventory	(7,749,730)	-
	7,132,272	11,734,988

Water

Water inventory is held for sale and Inventory expensed during the year amounted to R96 053 482 (2024: R92 804 609). The cost of water production for the year amounted to R9.77 per kilolitre (2024: R8.40 per kilolitre) and the closing water inventory at year-end was 73 252 kilolitres. No inventories have been pledged as collateral for liabilities of the municipality.

Consumable stores

Consumables are held for own use and measured at the lower of the cost and net realisable value. No write downs of inventory to net realisable value were required. No inventories have been pledged as collateral for liabilities of the municipality.

3. Receivables from Exchange Transactions

3.1 Gross balances - Service debtors		
Water	561,695,872	696,167,215
Sewerage	146,717,934	177,235,419
Other Receivables	27,734,734	60,167,701
	736,148,540	**933,570,335**
Less: Allowance for impairment		
Water	(443,132,138)	(632,796,984)
Sewerage	(110,334,630)	(159,335,549)
Other receivables	(23,460,588)	(60,033,500)
	(576,927,356)	**(852,166,033)**
Net balance		
Water	118,563,734	63,370,231
Sewerage	36,383,304	17,899,870
Other Receivables	4,274,146	134,201
	159,221,184	**81,404,302**

Reclassification of interest charged over due debtors

Interest charge on over due accounts was previously disclosed as other receivables. The interest charge was reclassified in the current year and disclosed as part of service debtors with the exception of old interest that cannot be practically allocated to respective service debtor types.

3.2 Gross balances - Other debtors		
Human Settlement	24,417,055	18,448,736
Accrued Investment Interest	133,951	-
Sundry debtors	1,106,192	-
VAT Input Accrual	305,397,660	268,648,823
	331,054,857	**287,097,559**
Net Receivables from Exchange Transactions	**490,276,041**	**368,501,861**

Figures in Rand	2025	2024 Restated*

3. Receivables from Exchange Transactions (continue)

Water		
Current (0 - 30 days)	40,590,901	53,145,162
31 - 60 days	16,096,284	19,387,629
61 - 90 days	12,628,483	16,669,404
+90 days	492,380,204	606,965,020
	561,695,872	**696,167,215**
Less: Allowance for impairment	(443,132,138)	(632,796,984)
	118,563,734	**63,370,231**
Sewerage		
Current (0 - 30 days)	12,346,741	13,342,471
31 - 60 days	4,229,083	5,041,176
61 - 90 days	4,102,501	4,388,234
+90 days	126,039,609	154,463,538
	146,717,934	**177,235,419**
Less: Allowance for impairment	(110,334,630)	(159,335,549)
	36,383,304	**17,899,870**
Other Debtors		
Current (0 - 30 days)	154,750	58,289
31 - 60 days	34,062	38,389
61 - 90 days	22,778	84,304
+90 days	27,523,143	59,986,719
	27,734,734	**60,167,701**
Less: Allowance for impairment	(23,460,588)	(60,033,500)
	4,274,146	**134,201**

Summary of debtors by customer classification

Consumers		
Current (0 - 30 days)	17,340,211	24,304,118
31 - 60 days	9,392,662	11,889,387
61 - 90 days	7,826,857	11,385,922
+90 days	361,758,188	541,729,422
	396,317,918	**589,308,849**
Less: Allowance for impairment	(321,831,070)	(559,658,081)
	74,486,848	**29,650,769**
Industrial/ commercial		
Current (0 - 30 days)	13,345,744	13,496,430
31 - 60 days	5,298,076	4,370,779
61 - 90 days	4,322,407	5,307,798
+90 days	171,253,139	170,534,905
	194,219,367	**193,709,912**
Less: Allowance for impairment	(153,917,979)	(176,114,909)
	40,301,388	**17,595,003**
National and provincial government		
Current (0 - 30 days)	22,406,436	28,745,374
31 - 60 days	5,668,692	8,207,029
61 - 90 days	4,604,498	4,448,222
+90 days	112,931,628	109,150,950
	145,611,255	**150,551,574**
Less: Allowance for impairment	(101,178,307)	(116,393,043)
	44,432,948	**34,158,531**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
Totals		
Current (0 - 30 days)	53,092,392	66,545,922
31 - 60 days	20,359,430	24,467,195
61 - 90 days	16,753,763	21,141,942
+90 days	645,942,955	821,415,277
	736,148,540	**933,570,336**
Less: Allowance for impairment	(576,927,356)	(852,166,033)
	159,221,184	**81,404,303**

Totals		
Current (0 - 30 days)	(28,021,091)	(38,947,428)
31 - 60 days	(14,511,857)	(17,917,754)
61 - 90 days	(12,352,916)	(17,791,644)
+90 days	(522,041,492)	(777,509,206)
	(576,927,356)	**(852,166,032)**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(852,166,033)	(621,761,975)
Contributions to allowance	275,238,677	(230,404,058)
	(576,927,356)	**(852,166,033)**

Receivables from exchange transactions have not been pledged as security for the municipality's financial liabilities.

4. Receivables from Non-Exchange Transactions

Sundry Debtors	927,313	1,574,135
Covid-19 allowance	512,142	-
	1,439,455	**1,574,135**
Loan granted to Port Saint Johns Municipality	2,200,000	2,200,000
Other control accounts	1,199,163	1,199,163
Less: Impairments	(3,399,163)	(3,399,163)
	-	**-**
Net Receivables from Non-Exchange Transactions	**1,439,455**	**1,574,135**

Sundry debtors
Sundry debtors includes recoverable fruitless and wasteful expenditure and staff debtors.

Covid-19 allowance
Covid-19 allowance relates to staff members who were unduly paid Covid-19 danger allowance. Employees were instructed to pay back the money that was unduly paid to them and debtors were raised.

Loan granted to Port Saint Johns Municipality
Due to persistent difficulties in recovering the amount owed by PSJ Municipality, the management took a decision to fully impair the outstanding debt.

The municipality does not hold deposits or other security for its receivables. None of the receivables have been pledged as security for the municipality's financial liabilities.

5. Prepayments

Deposits	247,614	247,614
Salga	8,001,882	-
	8,249,496	**247,614**

The amount for deposits relate to deposits paid to KSD Municipality while Salga represent the amount of levies paid in advance to earn the discount.

Figures in Rand	2025	2024 Restated*

6. Statutory Receivables

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. The municipality only had Value Added Tax (VAT) that meets the definition of statutory receivables at year-end as it does not accrued or receive revenue from taxes, fines or penalties.

Statutory Receivables		
VAT Control account	9,330,144	13,984,583
	9,330,144	**13,984,583**

Statutory receivables relate to VAT determined in terms of the VAT act and refundable to the municipality from SARS. The municipality submits VAT returns to SARS on payment basis.

There were no statutory receivables that are past due at the end of the year, and which have been impaired as the VAT is refunded within days after the submission of the return to SARS.

7. Cash and Cash Equivalents

Cash and cash equivalents consist of:		
Bank balances	78,469,717	(32,068,607)
Call deposits	686,196,475	500,104,302
	764,666,192	**468,035,695**

For the purposes of the Statement of Financial Position and the Cash Flow Statement, cash and cash equivalents include cash in banks and investments in money market instruments. Included in the amount for call deposits is an amount of R5 478 798 relating to unspent WSIG grant. Refer to note 15.

Call deposits	**686,196,475**	**500,104,302**

Call deposits are investments with a maturity of less than 3 months and earn interest rates varying from 3% to 8.9% (2024: 3% to 8.45%) per annum.

7. Cash and Cash Equivalents (Continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances 30-Jun-25	Bank statement balances 30-Jun-24	Bank statement balances 30-Jun-23	Cash book balances 30-Jun-25	Cash book balances 30-Jun-24	Cash book balances 30-Jun-23
First National Bank - Current Account - 539 9013 7772	**171,016,660**	**28,907,173**	**302,397,312**	**78,469,717**	**(32,068,607)**	**284,894,242**

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances. The municipality did not pledge any of its cash and cash equivalents as collateral for its financial liabilities. Other than conditional grant funds, no restrictions have been imposed on the municipality in terms of the utilisation of its cash and cash equivalents. The municipality had the following call accounts:

	Bank statement balances 30-Jun-25	Bank statement balances 30-Jun-24	Cash book balances 30-Jun-25	Cash book balances 30-Jun-24
First National Bank - Call Account - 6202 957 0307	696,290	826,411	696,290	826,411
First National Bank - Call Account - 6305 837 1237	60,233,419	493,704,526	60,233,419	493,704,526
First National Bank - Call Account - 6258 819 5612	6,378,508	5,573,365	6,378,508	5,573,365
Standard Bank - Call Account - 5487 44086-036	357,534,696	-	357,534,696	-
Standard Bank - Call Account - 5487 44086-037	261,353,562	-	261,353,562	-
	686,196,475	**500,104,302**	**686,196,475**	**500,104,302**

8. Property, Plant and Equipment

Description	2025 Cost / Valuation	2025 Accumulated depreciation and accumulated impairment	2025 Carrying value	2024 Cost / Valuation	2024 Accumulated depreciation and accumulated impairment	2024 Carrying value
Land	13,798,000	-	13,798,000	13,798,000	-	13,798,000
Furniture and fixtures	31,297,265	(23,723,276)	7,573,989	31,145,310	(23,626,297)	7,519,013
Transport Assets	74,998,137	(37,324,268)	37,673,869	84,590,812	(41,825,422)	42,765,390
Computer equipment	18,993,118	(7,305,972)	11,687,146	11,883,855	(6,231,909)	5,651,946
Infrastructure	11,361,104,806	(3,856,877,051)	7,504,227,755	10,844,784,843	(3,565,972,599)	7,278,812,244
Buildings and Other assets	149,007,981	(79,714,126)	69,293,855	149,007,981	(76,840,763)	72,167,218
Infrastructure WIP	1,268,425,107	-	1,268,425,107	1,010,381,813	-	1,010,381,813
Leased Infrastructure	14,659,189	(11,462,708)	3,196,481	11,627,557	(9,365,273)	2,262,284
Machinery and Equipment	5,451,059	(4,501,158)	949,901	5,145,273	(4,211,796)	933,477
	12,937,734,662	**(4,020,908,559)**	**8,916,826,103**	**12,162,365,444**	**(3,728,074,059)**	**8,434,291,385**

Reconciliation of property, plant and equipment - 2025

Description	Opening balance	Additions	Impairment Reversal	Disposals	Decommissions	Transfers	Impairment Loss	Capitalised Depreciation	Expensed Depreciation	Total
Land	13,798,000	-	-	-	-	-	-	-	-	13,798,000
Furniture and fixtures	7,519,013	2,239,286	-	(85,543)	(308,471)	-	-	-	(1,790,296)	7,573,989
Transport Assets	42,765,389	4,895,346	-	(2,281,610)	-	-	-	-	(7,705,256)	37,673,869
Computer equipment	5,651,946	8,567,069	-	(163,593)	(72,911)	-	-	-	(2,295,366)	11,687,146
Infrastructure	7,278,812,244	11,539,849		-	(23,519,090)	566,813,385	(11,257,983)	(22,205,145)	(295,955,504)	7,504,227,756
Buildings and Other assets	72,167,218	-	-	-	-	-	-	-	(2,873,363)	69,293,855
Infrastructure WIP	1,010,381,812	827,275,039	6,872,616	-	-	(566,813,385)	(9,290,976)	-	-	1,268,425,106
Leased Assets	2,262,284	3,031,632	-	-	-	-	-	-	(2,097,435)	3,196,481
Machinery and Equipment	933,478	315,416	-	(154)	(1,347)	-		-	(297,492)	949,901
	8,434,291,384	**857,863,639**	**6,872,616**	**(2,530,900)**	**(23,901,820)**	**-**	**(20,548,959)**	**(22,205,145)**	**(313,014,712)**	**8,916,826,103**

NB: Capitalised depreciation relates to depreciation of water treatment plants included in the costing of water inventory. **The Impairment** amount for Infrastructure **includes** impairment on infrastructure affected by the disaster floods that occurred in the OR Tambo district.

OR Tambo District Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

Reconciliation of property, plant and equipment - 2024

Description	Opening balance	Additions	Impairment Reversal	Disposals	Decommissions	Transfers	Impairment	Capitalised Depreciation	Expensed Depreciation	Total
Land	13,798,000	-	-	-	-	-	-	-	-	13,798,000
Furniture and fixtures	8,692,848	777,000	-	(152,603)	-	-	-	-	(1,798,232)	7,519,013
Transport Assets	28,477,421	18,638,685	-	-	-	-	-	-	(4,350,717)	42,765,389
Computer equipment	2,339,011	4,702,446	-	(27,514)	-	-	-	-	(1,361,997)	5,651,946
Infrastructure	7,112,610,043	10,619,994	4,491,250	-	(18,180,284)	520,865,555	(39,953,446)	(21,663,557)	(289,977,312)	7,278,812,244
Buildings and Other assets	75,048,475	-	-	-	-	-	-	-	(2,881,257)	72,167,218
Infrastructure WIP	941,821,035	589,426,333	-	-	-	(520,865,555)	-	-	-	1,010,381,812
Leased Assets	5,328,400	-	-	-	-	-	-	-	(3,066,116)	2,262,284
Machinery and Equipment	563,332	602,682	-	(2,027)	-	-	-	-	(230,510)	933,478
	8,188,678,567	**624,767,140**	**4,491,250**	**(182,144)**	**(18,180,284)**	**-**	**(39,953,446)**	**(21,663,557)**	**(303,666,141)**	**8,434,291,384**

NB: Capitalised depreciation relates to depreciation of water treatment plants included in the costing of water inventory.

Figures in Rand	2025	2024

8. Property, Plant and Equipment (continued)

Assets pledged as security
The municipality did not pledge any of its assets as security.

Land and buildings carried at fair value
The municipality's Land and Buildings are accounted for according to the revaluation model and are valued at five year intervals, the last valuation was carried out in 2021/22 financial year.

Work-in-progress
The municipality has incurred expenditure on capital projects which were not completed at year-end. The details of the carrying amounts of expenditure included in each class of assets are listed below:

	2025	2024
Infrastructure - Water	1,048,142,896	870,986,951
Infrastructure - Sewerage	133,395,332	68,761,159
Buildings	86,886,881	70,633,705
	1,268,425,106	1,010,381,814

Delayed Projects
Projects that are currently in progress and experiencing significant delays i.e. projects delayed for more than three months.

Project number	Project name	Project Type	Planned Completion Date	Duration of the delay	Carrying Value	Reasons for delays
MIS 271 056C	Libode Secondary Bulk Water	Water	2024/01/19	528	34,168,117.91	Delayed due to change of the position of the reservoir after a land owner changed his mind.
SCMU 12-18/19	Construction of Ntsonyeni off Channel Storage Dam	Water	2021/02/27	1584	91,818,782.30	Terminated, processes for the appointed of a new contractor are underway.
MIS 315-995 B	PSJ Regional Water Supply Scheme Phase 6: Supply And Installation of Mechanical and Electrical Work for Pump Station.	Water	2022/08/23	1042	23,085,263.71	Project was delayed due to termination of the civil works contracts. The scope which was dependent on the civil contractor awaited the new appointment.
MIS 315-995 A	PSJ Regional Water Supply Scheme Phase 6: Supply and Installation of Mechanical and Electrical Work for Pump Station.	Water	2022/08/23	1042	5,983,467.26	Terminated and a new contractor was appointed under contract SCMU 12-23/24. The new contractor (Tswella) also later terminated.
SCMU 12-23/24	PSJ Regional Water Supply Phase 6A	Water	2024/09/18	285	1,868,116.54	Terminated and a new contractor was appointed.
MIS 403 690A	Construction of Qumbu WWTW and Sewer Reticulation: Phase 1	Sewer	2024/08/30	304	36,130,517.83	Late start due to site position re-negations as it was believed to be own by the local municipality, however the owner appeared so the process of negotiants started again. Delays on appointment of M & E contractor, inclement weather and stoppages by local forums.
AW2020/21/38	Coffee Bay Regional Water Supply Scheme	Water	2023/10/23	616	5,185,485.95	Terminated, scope to be completed under new contract.
AW2018/19/08	Coffee Bay Regional Water Supply Scheme Phase3B	Water	2021/01/29	1613	19,158,352.52	Terminated and a new contractor was appointed.
MIS 232 949_3	Construction of Lusikisiki Sewer & Sewage Treatment Plant Phase 3C	Sewer	2024/02/21	495	12,342,315.95	Terminated, scope to be completed under new contract.
MIS 503 070	Refurbishment of Flagstaff RWSS Contract B	Water	2025/02/07	143	15,801,314.11	Project was delayed owing to demands by the local forums demanding packages and denying the contractors access. Heavy rainfall also delayed the project.

Figures in Rand	2025	2024 Restated*

8. Property, Plant and Equipment (continued)

Project number	Project name	Project Type	Planned Completion Date	Duration of the delay	Carrying Value	Reasons for delays
MIS 503 059	Refurbishment of Flagstaff Regional Water Supply Scheme: Contract C	Water	2025/02/07	143	26,893,838.35	Project was delayed owing to demands by the local forums demanding packages and denying the contractors access. Heavy rainfall also delayed the project.
AW2018/19/19	Upgrade of Mqanduli Package Water Treatment Plant	Water	2020/06/14	1842	10,244,769.09	Terminated, remaining scope will be completed through new contract by ORTDM, the project is re-called from Amatola Water.
SCMU 94-18/19	Disaster Management Centre	Building	2021/03/22	1561	82,155,093.08	Project delayed due to budget constraints by the municipality and stoppages by the forums.
SCMU 30-18/19	Construction of 1 Ml Command Reservoir	Water	2020/06/03	1853	14,785,548.60	Terminated and a new contractor was appointed to complete the project.
SCMU 29-18/19	Construction of Pumpstation at Mhlahlane WTW and Refurbishment of Existing Weir	Sewer	2020/03/15	1933	5,836,858.01	Terminated and a new contractor was appointed to complete the project.
SCMU 31-18/19	Upper Mhlahlane Water Supply	Water	2020/06/13	1843	24,955,677.85	Terminated and a new contractor was appointed to complete the project.
AW2022/23/35	Completion of 10Ml Misty Mount Reservoir	Water	2024/12/14	1701	27,812,633.29	Delays in completing the post-tensioning due to slow progress by with contractor with cashflow problems.

9. Intangible Assets

	2025			2024		
Description	Cost / Valuation	Accumulated amortisation and impairment	Carrying value	Cost / Valuation	Accumulated amortisation and impairment	Carrying value
Computer software	7,895,436	(5,709,440)	2,185,996	5,271,528	(5,059,576)	211,952

Reconciliation of intangible assets - 2025

	Opening balance	Additions	Amortisation	Total
Computer software	211,952	2,623,909	(649,865)	2,185,996

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software	317,927	-	(105,975)	211,952

Other information

The amortisation expense has been included in the line item 'Depreciation and Amortisation' in the Statement of Financial Performance (see Note 30). Fully depreciated and unsuable intangible assets were written-off during the current year.

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality. No restrictions apply to any of the Intangible Assets of the municipality.

9.1 Intangible Assets with indefinite useful lives
The municipality amortises all its Intangible Assets and non of such assets are regarded as having indefinite useful lives. The useful lives of the Intangible Assets remain unchanged from the previous year.

9.2 Impairment of Intangible Assets
No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

9.3 Work-in-Progress
The municipality had no capital projects for Intangible Assets which were not completed at year-end.

9.4 Delayed Projects
No projects that are currently in progress are experiencing significant delays.

Figures in Rand	2025	2024 Restated*

10. Heritage Assets

Description	2025 Cost / Valuation	2025 Accumulated impairment	2025 Carrying value	2024 Cost / Valuation	2024 Accumulated impairment	2024 Carrying value
Statues and Monuments	247,025	-	247,025	247,025	-	247,025

Reconciliation of heritage assets - 2025

	Opening balance	Additions	Depreciation	Total
Statues and Monuments	247,025	-	-	247,025

Reconciliation of heritage assets - 2024

	Opening balance	Additions	Depreciation	Total
Statues and Monuments	247,025	-	-	247,025

Impairment of Heritage Assets
No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

Heritage Assets measured after recognition using the Revaluation Model
The municipality's Heritage Assets are subsequently measured at cost, less accumulated impairment losses.

Work-in-Progress
The municipality had no capital projects for Heritage Assets which were not completed at year-end.

Delayed Projects
No projects that are currently in progress are experiencing significant delays

11. Consumer Deposits

	2025	2024
Opening Balance	4,081,243	3,648,876
Additions	370,551	432,367
Refunds	-	-
	4,451,794	**4,081,243**

Consumer deposits are paid by consumers on application for new water connections. The deposits are repaid when the water connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid or accrued on consumer deposits held.

12. Defined Benefits Obligations

	2025	2024
Current Portion of Long-term Service Liability (See Note 17)	4,182,000	2,475,000
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 17)	1,135,000	921,000
Staff leave Provision	77,884,045	74,383,285
	83,201,045	**77,779,285**

Long-term Service Liability
The movement in provisions are reconciled as follows:.

	2025	2024
Balance at beginning of year	2,475,000	3,970,000
Transfer from non-current	4,182,000	2,475,000
Expenditure incurred	(2,475,000)	(3,970,000)
	4,182,000	**2,475,000**

Medical Aid Benefits Liability
The movement in provisions are reconciled as follows:.

	2025	2024
Balance at beginning of year	921,000	331,000
Transfer from non-current	1,135,000	921,000
Expenditure incurred	(921,000)	(331,000)
	1,135,000	**921,000**

Staff leave Provision
The movement in provisions are reconciled as follows:.

	2025	2024
Balance at beginning of year	74,383,285	75,706,890
Contribution / Adjustment	7,890,539	4,922,901
Expenditure incurred	(4,389,779)	(6,246,505)
	77,884,045	**74,383,285**

Staff Leave
Staff Leave accrues to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*

13. Payables from Exchange Transactions

Trade payables	233,891,420	259,408,320
Payments received in advance	14,972,955	15,825,226
Retentions	92,531,129	80,132,309
Staff bonus Provision	14,306,424	13,014,107
Other Creditors	5,712	177,744
VAT Output Accrual	254,180,434	243,058,588
	609,888,074	**611,616,294**

Trade payables

No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe. Other creditors relate to customer receipts paid to OR Tambo District Municipality by customers after the demarcation process.

Staff Bonuses

Staff bonuses relate to 13th cheques payable employees every financial year, the provision is an estimate of the amount due at the reporting date.

14. Payables from Non-Exchange Transactions

Sundry Creditors	3,007,942	2,988,386
Salaries control accounts	2,835,427	212,621
	5,843,370	**3,201,007**

15. Unspent Conditional Grants and Receipts

Unspent conditional grants and receipts comprises of:

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

National: WSIG Funds	5,478,798	-
	5,478,798	-

See Note 26 for the reconciliation of grants from government. The unspent grants are cash backed by term deposits disclosed under note 7. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

16. Finance Lease Liabilities

Capitalised Lease Liability	**2,056,709**	**641,507**
Minimum lease payments due		
- within one year	2,023,519	1,963,772
- in second to fifth year inclusive	2,258,998	654,591
	4,282,517	2,618,363
less: future finance charges	(505,707)	(172,345)
Present value of minimum lease payments	**3,776,810**	**2,446,018**
- within one year	1,720,101	1,804,511
- in second to fifth year inclusive	2,056,709	641,507
	3,776,810	**2,446,018**
Non-current liabilities	2,056,709	641,507
Current liabilities	1,720,101	1,804,511
	3,776,810	**2,446,018**

Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Xerox

Finance Leases relate to five lease contracts for office equipment started on 1 December 2024 and 1 February 2025 when effective interest rate on Finance Leases was 11.25% and 11% respectively. Further three contracts for office equipment started on 1 June 2025 when effective interest rate on Finance Leases was 10.75%. The municipality does not have an option to purchase the leased equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets. The municipality has a 36 months finance lease agreements with Bytes Document Automation (a division of Altron and a distributor of Xerox) for the following significant classes of assets:

Office equipment - multi-purpose photocopiers and the average instalments are as follows:

Contract 1	R11,584
Contract 2	R73,820
Contract 3	R11,633
Contract 4	R3,281
Contract 5	R13,760

Figures in Rand	2025	2024 Restated*

16. Finance Lease Liabilities (Continued)

Avis Fleet
Finance Leases relate to lease contract for four motor vehicles for VIP councillors which started on 9 November 2022 when effective interest rate on Finance Leases was 9.75%. The municipality does not have an option to purchase the leased equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets. The municipality has a 36 months finance lease agreements with Zeda Cars Leasing Pty (Ltd) trading as Avis Fleet for the following significant classes of assets:

- Motor vehicles - four VIP vehicles

The average monthly instalment is R163 647.

17. Defined Benefits Obligations

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

	2025	2024
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	96,878,000	82,177,000
Present value of the defined benefit obligation-partly or wholly funded	29,814,000	27,211,000
	126,692,000	109,388,000
Actuarial Gain / (Loss)		
Health Care Benefits	(197,000)	-
Long Service Awards	(473,000)	2,601,000
	(670,000)	2,601,000

Historical analysis

	2024/2025	2023/2024	2022/2023	2021/2022	2020/2021
Post-employment medical benefits					
Defined benefit obligation	98,013,000	83,098,000	73,023,000	113,008,000	108,825,000
Plan assets	-	-	-	-	-
Surplus/deficit in the plan	(98,013,000)	(83,098,000)	(73,023,000)	(113,008,000)	(108,825,000)
Experience adjustments:	-	-	-	-	-
Plan liabilities	-	-	-	-	-
Plan assets	-	-	-	-	-
Defined Benefit Plan - Long Service Awards					
Defined benefit obligation	33,996,000	29,686,000	27,084,000	39,741,000	42,594,000
Plan assets	-	-	-	-	-
Surplus/deficit in the plan	(33,996,000)	(29,686,000)	(27,084,000)	(39,741,000)	(42,594,000)
Experience adjustments:	-	-	-	-	-
Plan liabilities	-	-	-	-	-
Plan assets	-	-	-	-	-

POST-RETIREMENT HEALTH CARE BENEFITS LIABILITY

	2025	2024
Opening balance	82,177,000	72,692,000
Movements / Contributions by plan participants	15,836,000	9,816,000
Assumed in an entity combination	(921,000)	(331,000)
	97,092,000	82,177,000

The municipality provides certain percentage of post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2025 by ARCH Actuarial Consulting (Pty) Ltd (2024: 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 Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

	2025	2024
In-service members (employees)	736	707
In-service non-members (employees)	364	420
Continuation members (retirees, widowers and orphans)	11	11
	1,111	**1,138**

Figures in Rand	2025	2024 Restated*

17. Employee Benefit Liabilities (continue)

The liability in respect of past service has been estimated as follows:

In-service members (employees)	85,571,000	70,985,000
In-service non-members (employees)	7,621,000	7,890,000
Continuation members (retirees, widowers and orphans)	4,821,000	4,223,000
	98,013,000	**83,098,000**

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Fedhealth
- Sizwe - Hosmed
- LA Health
- Medshield
- Samwumed
- GEMS
- Keyhealth
- Medihelp

The current-service cost for the period ending 30 June 2025 is estimated to be R5 432 000 whereas the cost for the ensuing year is estimated to be R6186 000 (30 June 2024: R4 778 000 and R5 432 000 respectively).

Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	83,098,000	73,023,000
Current service cost	5,432,000	4,778,000
Interest cost	10,207,000	9,166,000
Actuarial (gains) losses	197,000	(3,538,000)
Expected subsidy (benefit) payments	(921,000)	(331,000)
	98,013,000	**83,098,000**

Key assumptions used

Assumptions used at the reporting date:		
Discount rates used	11.40%	12.58%
CPI inflation rate	5.30%	6.31%
Medical aid contribution inflation rate	7.10%	7.81%
Net discount rate (medical aid contributions)	4.00%	4.21%
Maximum subsidy inflation rate	4.70%	5.48%
Maximum subsidy inflation rate	6.40%	6.51%

Expected Retirement age		
Expected retirement age - males and females	62	62

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	**98,013,000**	**83,098,000**
Unfunded Accrued Liability	**98,013,000**	**83,098,000**
Total Benefit Liability	**98,013,000**	**83,098,000**

The amounts recognised in the Statement of Financial Performance are as follows:

Current Service Cost	5,432,000	4,778,000
Interest Cost	10,207,000	9,166,000
Actuarial Losses / (Gains)	197,000	(3,538,000)
	15,836,000	**10,406,000**

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

	1% Movement	**1% Movement**
1% Increase: -		
Effect on the aggregate of current service cost and the interest cost	5,963,000	15,232,000
Effect on defined benefit obligation	106,474,000	90,562,000
1% Decrease: -		
Effect on the aggregate of current service cost and the interest cost	4,765,000	12,367,000
Effect on defined benefit obligation	87,624,000	74,225,000

The municipality expects to make a contribution of R3 294 000 (2024: R5 432 000) to the Defined Benefit Plans during the next financial year.

Figures in Rand	2025	2024 Restated*

17. Employee Benefit Liabilities (continue)

LONG SERVICE AWARDS LIABILITY		
Balance at the beginning of the year	27,211,000	23,114,000
Contributions to provision	6,785,000	6,572,000
Transfer to Current Provisions	(4,182,000)	(2,475,000)
	29,814,000	27,211,000

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a long service bonus award is payable after 5 years of continuous service, and every 5 years of continuous service thereafter to 25 years, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2025 by ARCH Actuarial Consulting (Pty) Ltd (2024: ARCH Actuarial Consulting (Pty) Ltd), fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 1 100 (2024: 1 127) employees were eligible for long-service awards. The current-service cost for the year ending 30 June 2025 is estimated to be R3 294 000, (30 June 2024: R2 933 000).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rates used	9.20%	10.60%
CPI inflation rate	3.40%	4.86%
General earnings inflation rate	4.40%	5.86%
Net discount rate	4.60%	4.48%
Expected retirement age - males and females	62	62

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	29,686,000	27,084,000
Current Service Costs	3,294,000	2,933,000
Interest Costs	3,018,000	2,702,000
Benefits paid	(2,475,000)	(3,970,000)
Actuarial Losses / (Gains)	473,000	937,000
	33,996,000	**29,686,000**

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	**33,996,000**	**29,686,000**
Unfunded accrued liability	**33,996,000**	**29,686,000**
Total Benefit Liability	**33,996,000**	**29,686,000**

The amounts recognised in the Statement of Financial Performance are as follows:

Current service	3,294,000	2,933,000
Interest cost	3,018,000	2,702,000
Actuarial Losses / (Gains)	473,000	(3,970,000)
	6,785,000	**1,665,000**

The history of experienced adjustments is as follows:

Present value of Defined Benefit Obligation	**33,996,000**	**29,686,000**

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

Increase:		
Effect on the aggregate of current service cost and the interest cost	3,480,000	5,946,000
Effect on defined benefit obligation	35,394,000	31,053,000
Decrease		
Effect on the aggregate of current service cost and the interest cost	3,121,000	5,345,000
Effect on defined benefit obligation	32,687,000	28,407,000

The municipality expects to make a contribution of R3 469 000 (2024: R3 294 000) to the defined benefit plans during the next financial year.

18. Accumulated surplus

The accumulated surplus consists of the following Internal funds and reserves:

Accumulated surplus / (deficit) due to the results of operations	**9,344,169,063**	**8,472,955,322**

Refer to statement of changes in net assets for more detail and the movement on accumulated surplus.

Figures in Rand	2025	2024 Restated*

19. Revaluation surplus

Opening balance	17,977,458	17,977,458
	17,977,458	**17,977,458**

Land and building are subsequently accounted for using revaluation model and are revalued every 5 years. The most recent valuation was performed in 2022 financial year. The revaluation reserve is not reduced as the asset is being used however it will be reduced on disposal of an asset to the extent of the revaluation reserve raised in the past.

20. Service Charges

Sale of water	241,396,388	247,357,575
Sewerage and sanitation charges	72,190,956	66,707,659
	313,587,344	**314,065,234**

The amounts disclosed above for revenue from charges are in respect of sale of water and provision of sewerage and sanitation services which are billed to the consumers on a monthly basis according to approved tariffs.

21. Interest Earned - External Investments

Bank Accounts	5,441,434	6,158,788
Investments	78,750,279	55,877,604
	84,191,713	**62,036,392**

22. Interest Earned - Outstanding Debtors

Interest Earned - Service Debtors	59,261,086	43,705,015
	59,261,086	**43,705,015**

23. Operational Revenue

Refunds	3,000	117,683
Sundry Income	1,965,528	533,314
Forfeits	172,033	-
Foreign exchange gain	-	235,756
	2,140,561	**886,753**

Refund relates to refund for excess paid on repairing of motor vehicles. The foreign exchange gain is a result of changes in exchanges rates on Microsoft transactions for software licences. Forfeits relate to unallocated, unclaimed deposits that are older than 3 years and have been recognised as revenue.

24. Income from Agency Services

Commission Received	135,865	145,773
	135,865	**145,773**

The amounts disclosed above is generated from commission fees received from third parties for deducting and paying over the amounts deducted from employees.

25. Construction Revenue

Construction contracts	81,883,432	105,756,423
	81,883,432	**105,756,423**

Contract revenue is recognised using the stage of completion method. The stage of completion was determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Where contract costs exceeded contract value and there was no variation order, contract revenue was recognised to the extent of contract costs that were recoverable from the principal. The housing programme revenue is exempted from a VAT levy.

Construction contracts	**2025 Revenue recognised**	**2024 Revenue recognised**
Ingquza 500 (390)	12,487,100	26,935,372
Lutshaya 300 Ph1	-	2,580,660
PSJ Lutshaya Ph2	-	2,622,660
OR Tambo 132 (64)	361,980	499,380
Maladini104 Ph2	-	596,093
Ingquza76(36)	-	690,360
Lutshaya 300 (135)	585,220	9,683,244
KSD Mandela 400 (200)	-	1,930,000
Ingquza 500 Destitute	20,112,521	13,308,859
PSJ 806 (295)	9,066,700	4,697,800
PSJ 806 350	6,045,816	12,960,296
KSD 261 Houses	14,360,354	4,749,549
KSD ORT 385 (96)	1,821,560	2,001,000
Qweqwe 300(150)	-	2,453,270
Qweqwe 1000 (150)	9,107,172	11,969,692

Figures in Rand	2025	2024 Restated*

25. Construction Revenue (Continued)

Military Veterans 84	520,795	1,459,285
OR Tambo 500 (50)	400,000	-
Bolani 97	-	2,212,704
Buhlanyanga -100	-	865,000
Mhlontlo 619 (350)	982,800	2,797,200
Mthonjane 350 (62)	-	744,000
KSD Matheko 65	701,510	-
PSJ Lutshaya 300 (115) 85 Units	2,357,140	-
Mhlontlo 151 Units	1,009,115	-
PSJ LM Lubala 91(58)	501,700	-
PSJ 806	619,850	-
Nyandeni LM 500	842,100	-
	81,883,433	**105,756,423**

26. Government Grants and Subsidies Received

Operating grants		
Equitable share	1,193,994,000	1,124,309,050
SITA Skills Development Grant	1,207,071	1,223,564
	1,195,201,071	**1,125,532,614**
Conditional grants		
National: EPWP	3,846,000	4,767,000
National: FMG	2,000,000	2,000,000
National: MIG	720,325,000	713,603,000
National: WSIG	94,521,202	72,000,000
National: Department of Roads and Transport	3,296,000	3,155,000
National: RBIG	291,113,000	120,700,000
National: MSIG	2,086,107	-
	1,117,187,309	**916,225,000**
	2,312,388,380	**2,041,757,614**

In terms of MFMA circular No 48 all conditional allocations (excluding interest earned thereon) that at year-end are not utilised, must revert back to the National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects.

Equitable Share		
Current-year receipts	1,193,994,000	1,012,318,000
Rejected rollovers withheld from Equitable Share	-	111,991,050
Current-year allocation	**1,193,994,000**	**1,124,309,050**

National: SITA Skills Development Grant		
Current-year receipts	1,207,071	1,223,564
Conditions met - transferred to revenue: Operating expenses	(1,207,071)	(1,223,564)
	-	-

National: EPWP Funds		
Current-year receipts	3,846,000	4,767,000
Conditions met - transferred to revenue: Operating expenses	(3,846,000)	(4,767,000)
	-	-

The EPWP is paid by the national treasury to municipalities fund the payment of stipends relating contract workers employed under EPWP. No funds have been withheld.

National: FMG Funds		
Current-year receipts	2,000,000	2,000,000
Conditions met - transferred to revenue: operating expenses	(2,000,000)	(2,000,000)
	-	-

Conditions met - grant fully spent (see note15).

National: WSIG Funds		
Balance unspent at beginning of year	-	28,379,833
Conditions not met - withheld from the equitable share	-	(28,379,833)
Current-year receipts	100,000,000	72,000,000
Conditions met - transferred to revenue: capital expenses	(94,521,202)	(72,000,000)
	5,478,798	**-**

Conditions have been met, the unspent grant was reprioritised for disaster relief interventions. Refer to note 15 for unspent grant.

Figures in Rand	2025	2024 Restated*

26. Government Grants and Subsidies Received (continue)

National: Regional Bulk Infrastructure Grant (RBIG)

Balance unspent at beginning of year	-	10,093,596
Conditions not met - withheld from the Equitable Share	-	(10,093,596)
Current-year receipts	291,113,000	120,700,000
Conditions met - transferred to revenue: Capital expenses	(291,113,000)	(120,700,000)
	-	-

Conditions have been met, the grant was fully spent during the current year.

National: Rural Roads Asset Management Systems

Current-year receipts	3,296,000	3,155,000
Conditions met - transferred to revenue	(3,296,000)	(3,155,000)
	-	-

Conditions have been met, the grant was fully spent during the current year.

National: MIG

Balance unspent at beginning of year	-	70,485,109
Conditions not met - withheld	-	(70,485,109)
Current-year receipts	720,325,000	713,603,000
Conditions met - transferred to revenue	(720,325,000)	(713,603,000)
	-	-

Conditions have been met, the grant was fully spent during the current year.

National: MDG

Balance unspent at beginning of year	-	3,032,512
Conditions not met - withheld	-	(3,032,512)
	-	-

National: MSIG

Current-year receipts	2,086,107	-
Conditions met - transferred to revenue	(2,086,107)	-
	-	-

27. Other Revenue

Covid_19 refunds	1,128,070	-
Recoverable fruitless and wasteful expenditure	48,249	-
	1,176,319	**-**

28. Employee Related Costs

Basic Salaries	453,592,782	435,688,204
Bonuses (13th Cheque)	31,611,364	28,624,118
Medical aid - company contributions	29,192,245	25,508,204
UIF	2,316,775	2,266,746
SDL	6,111,785	5,767,826
Bargaining Council Levy	138,704	131,951
Leave pay provision charge	7,822,412	3,774,955
Overtime payments	6,920,058	5,405,889
Night Shift allowance	1,042,142	300,743
Sunday allowance	8,624,020	3,376,002
Standby allowance	8,904,647	7,282,063
Shift allowance	1,736,122	1,416,273
Scarcity allowance	583,741	387,202
Long-service awards	3,127,128	2,902,888
Acting allowances	687,357	872,407
Travel Allowances	41,405,026	40,540,483
Housing benefits and allowances	21,911,355	19,554,565
Telephone allowance	5,805,854	4,365,491
Contributions: Group Life Insurance	24,858,555	26,148,801
Defined Benefit Plan expense	4,511,000	3,410,000
Pensions - Company Contributions	63,855,415	58,172,628
	724,758,487	**675,897,439**

Figures in Rand	2025	2024 Restated*
Employee Related Costs (Employee Cost transferred to Water processing cost)		
Basic Salaries	25,604,912	34,037,500
Bonuses (13th Cheque)	1,908,685	2,352,113
Medical aid - company contributions	1,844,282	2,023,903
UIF	159,054	265,261
SDL	377,128	489,409
Bargaining Council Levy	10,707	16,786
Leave pay provision charge	68,127	745,391
Overtime payments	6,855,175	7,461,272
Long-service awards	61,648	163,733
Travel Allowances	-	278,348
Housing benefits and allowances	2,110,992	2,556,691
Telephone allowance	54,000	36,600
Contributions: Group Life Insurance	1,432,405	2,186,897
Pensions - Company Contributions	3,980,087	5,137,967
	44,467,203	**57,751,871**
Total Employee Related Costs	**769,225,690**	**733,649,310**

REMUNERATION OF SENIOR MANAGERS:

	2025	2024 Restated*
Remuneration of Municipal Manager		
Annual Remuneration	1,494,294	1,503,912
Car Allowance	552,000	519,000
Bonuses	100,000	90,381
Backpay	88,563	82,500
Contributions to UIF, Salga, Group life and SDL**	-	109,520
	2,234,857	**2,305,313**
Remuneration of Chief Financial Officer		
Annual Remuneration	1,046,238	959,898
Car Allowance	195,600	195,600
Bonuses	62,954	69,159
Backpay	67,464	62,954
Medical Allowance	141,001	141,001
Pension Allowance	109,696	109,966
Contributions to UIF, Salga, Group life and SDL**	-	81,007
Cellphone Allowance	-	30,000
	1,622,953	**1,649,584**
Remuneration of the Director: Strategic Planning and Governance		
Annual Remuneration	1,397,983	1,336,934
Car Allowance	240,000	220,000
Backpay	153,872	69,142
Leave Benefits	-	308,135
Cellphone Allowance	-	18,500
Contributions to UIF, Salga, Group life and SDL**	-	90,978
	1,791,854	**2,043,689**
Remuneration of the Director: Infrastructure Water and Sanitation		
Annual Remuneration	1,259,316	801,626
Backpay	59,653	428,362
Car Allowance	428,362	61,348
Contributions to UIF, Salga, Group life and SDL**	-	57,316
Cellphone Allowance	-	30,000
	1,747,332	**1,378,652**
Remuneration of Director: Community Services		
Annual Remuneration	1,446,802	1,300,508
Car Allowance	180,000	150,000
Bonuses	101,998	69,142
Backpay	67,447	-
Contributions to UIF, Salga, Group life and SDL**	-	82,736
Cellphone Allowance	-	20,000
	1,796,247	**1,622,386**
Remuneration of the Director: Corporate Services		
Annual Remuneration	1,024,225	969,083
Backpay	67,464	499,594
Car Allowance	503,955	69,159
Contributions to UIF, Salga, Group life and SDL**	-	80,686
	1,595,644	**1,618,522**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*
Remuneration of the Director: Rural and Economic Development		
Annual Remuneration	1,071,758	938,520
Car Allowance	193,483	128,989
Bonuses	60,484	57,633
Backpay	55,938	-
Contributions to UIF, Salga, Group life and SDL**	-	69,207
Cellphone Allowance	-	22,500
Housing Subsidy	193,483	128,989
	1,575,146	**1,345,837**
Remuneration of the Director: Internal Audit		
Annual Remuneration	-	503,255
Car Allowance	-	75,000
Bonuses (13th Cheque)	-	100,651
Contributions to UIF, Salga, Group life and SDL**	-	40,135
Leave Benefits	-	267,443
Cellphone Allowance	-	12,500
	-	**998,984**

Based on the recently approved organogram, this position has been abolished

*** Group life benefit for Senior Managers has been terminated effective from 01 July 2024*

29. Remuneration of Councillors

	2025	2024
Executive Mayor	1,225,409	1,161,796
Deputy Executive Mayor	879,010	869,315
Speaker	862,823	860,555
Chief Whip	870,295	870,295
Mayoral Committee Members	6,589,122	6,589,122
Councillors	12,465,955	10,794,476
Traditional Leaders	234,898	228,715
	23,127,512	**21,374,274**

In-kind benefits

No in-kind benefits were received by the councillors during the current year.

30. Depreciation and Amortisation

	2025	2024
Property, plant and equipment	313,014,712	303,666,141
Intangible assets	649,864	105,976
	313,664,576	**303,772,117**

Depreciation for infrastructure assets used for purification of water amounting to R22 205 145 (2024: R21 663 557) was capitalized to inventory. (Refer to Note 08)

31. Impairment Loss

	2025	2024
Receivables from exchange transactions impairment adjustment	-	230,404,058
Asset impairment adjustment	20,548,960	39,941,887
	20,548,960	**270,345,945**

32. Write offs

	2025	2024
Services Bad debts	302,878,630	3,957
Lapsed Vehicle Maintenance plan	-	288,366
	302,878,630	**292,323**

33. Finance Costs

	2025	2024
Employee benefit obligation: Interest Cost	13,225,000	11,868,000
Finance Leases	287,045	371,323
Interest paid on overdue accounts	4,544,202	5,631,278
	18,056,247	**17,870,601**

34. Contracted Services

	2025	2024
Professional Services	13,905,930	13,393,711
Outsourced Services	100,959,363	74,410,368
Contractors	13,719,442	12,835,859
	128,584,735	**100,639,938**

35. Repairs and Maintenance

	2025	2024
Land and Buildings	4,972,788	2,589,324
Infrastructure - Sanitation	242,350	609,525
Infrastructure - Water	16,676,129	24,143,935
Other Assets	6,366,862	14,946,805
	28,258,129	**42,289,589**

Figures in Rand	2025	2024 Restated*
36. Transfers and Subsidies		
Transfers		
Ntinga Development Agency - Municipal entity	51,353,214	52,770,606
	51,353,214	**52,770,606**
Subsidies		
Community projects	101,334,371	180,574,285
Free Basic Services - Water (See note 2)	107,756,742	93,852,928
Water Carting	7,621,942	25,958,678
Social Aid	16,965,127	13,129,815
	233,678,182	**313,515,706**
	285,031,396	**366,286,312**

Community Projects

Community projects are in respect of local economic development projects and VIP toilets transferred to the community within the municipal area of jurisdiction. The municipality had financial difficulties in the prior year resulting in less projects implementation.

Free Basic Services

Free Basic Services are programmes aimed at providing free basic service levels to indigent households.

Municipal Entities

Municipal Entities are entities under control of the municipality to enable the entities to fulfil their mandates. The municipality currently has one municipal entity which is Ntinga Development Agency.

Social Aid

Social Aid constitutes social assistance programmes aimed at improving the social condition of people within the municipality's area of jurisdiction.

	2025	2024
37. Inventory Consumed		
Water Sales (See note 2)	96,053,482	92,804,609
Materials and Supplies	14,199,769	2,934,588
	110,253,251	**95,739,197**

	2025	2024
38. Inventory Losses		
Commercial losses	6,509,341	7,988,300
Physical losses	24,334,678	29,793,287
Materials and Supplies	7,722,730	-
	38,566,749	**37,781,587**

Commercial losses

Commercial losses relate to water losses occurred due to unauthorised connections, tampering of meters in urban areas as well as areas where there are no meters and the municipality cannot reliable measure the consumption.

Physical losses

Physical losses occur due to inter alia, leakages and faulty meters. Faulty meters and leakages are replaced/repaired as soon as they are reported. Refer to note 2 and note 66.

Materials and Supplies

Materials and supplies losses relate to obsolete inventory that was disposed of in the current year.

	2025	2024
39. Contract Costs		
Construction contracts	81,883,432	105,756,423
	81,883,432	**105,756,423**
Construction contracts		
Ingquza 500 (390)	12,487,100	26,935,372
Lutshaya 300 Ph1	-	2,580,660
PSJ Lutshaya Ph2	-	2,622,660
OR Tambo 132 (64)	361,980	499,380
Maladini104 Ph2	-	596,093
Ingquza76(36)	-	690,360
Lutshaya 300 (135)	585,220	9,683,244
KSD Mandela 400 (200)	-	1,930,000
Ingquza 500 Destitute	20,112,521	13,308,859
PSJ 806 (295)	9,066,700	4,697,800
PSJ 806 350	6,045,816	12,960,296
KSD 261 Houses	14,360,354	4,749,549
KSD ORT 385 (96)	1,821,560	2,001,000
Qweqwe 300(150)	-	2,453,270
Qweqwe 1000 (150)	9,107,172	11,969,692
Military Veterans 84	520,795	1,459,285
OR Tambo 500 (50)	400,000	-
Bolani 97	-	2,212,704
Buhlanyanga -100	-	865,000
Mhlontlo 619 (350)	982,800	2,797,200

Figures in Rand	2025	2024 Restated*
39. Contract Costs (continue)		
Mthonjane 350 (62)	-	744,000
KSD Matheko 65	701,510	-
PSJ Lutshaya 300 (115) 85 Units	2,357,140	-
Mhlontlo 151 Units	1,009,115	-
PSJ LM Lubala 91(58)	501,700	-
PSJ 806	619,850	-
Nyandeni LM 500	842,100	-
	81,883,433	**105,756,423**

Construction costs comprise contractors, professional service providers costs and other implementation fees. The contract costs form the basis of the construction revenue recognised.

	2025		2024	
	Costs incurred to date	Expenditure Recognised	Costs incurred to date	Expenditure Recognised
Ingquza 500 (390)	56,495,520	12,487,100	42,363,607	26,935,372
Lutshaya 300 Ph1	8,074,080	-	8,074,080	2,580,660
PSJ Lutshaya Ph2	8,225,020	-	8,225,020	2,622,660
OR Tambo 132 (64)	883,260	361,980	499,380	499,380
Maladini104 Ph2	8,134,335	-	8,134,335	596,093
Ingquza76(36)	6,383,043	-	6,383,043	690,360
Maladini 104 (Ph1)	8,809,949	-	8,809,949	-
Ingquza76(40)	6,212,961		6,212,961	-
PSJ Lutshaya 300 Ph 3B	3,455,325	-	3,455,325	-
Lutshaya 300 (135)	10,268,464	585,220	9,683,244	9,683,244
KSD Mandela 400 (200)	1,930,000	-	1,930,000	1,930,000
Ingquza 500 Destitute	33,421,380	20,112,521	13,308,859	13,308,859
PSJ 806 (295)	13,221,000	9,066,700	4,697,800	4,697,800
PSJ 806 350	19,006,112	6,045,816	12,960,296	12,960,296
KSD 261 Houses	20,215,096	14,360,354	4,749,545	4,749,549
KSD ORT 385 (96)	3,822,500	1,821,560	2,001,000	2,001,000
Qweqwe 300(150)	2,453,270	-	2,453,270	2,453,270
Qweqwe 1000 (150)	25,525,784	9,107,172	11,969,692	11,969,692
Military Veterans 84	1,980,078	520,795	1,459,283	1,459,285
OR Tambo 500 (50)	400,000	400,000	-	-
Bolani 97	2,212,704	-	2,212,704	2,212,704
Buhlanyanga -100	865,000	-	865,000	865,000
Mhlontlo 619 (350)	3,780,000	982,800	2,797,200	2,797,200
Mthonjane 350 (62)	744,000	-	744,000	744,000
KSD Matheko 65	701,510	701,510	-	-
PSJ Lutshaya 300 (115) 85 Units	2,357,140	2,357,140	-	-
Mhlontlo 151 Units	1,009,115	1,009,115	-	-
PSJ LM Lubala 91(58)	501,700	501,700	-	-
PSJ 806	619,850	619,850	-	-
Nyandeni LM 500	842,100	842,100	-	-
	252,550,297	**81,883,433**	**163,989,593**	**105,756,423**

NB: No retention is withheld on the housing projects as contractors are required to provide insurance covers on acceptance of appointments.

	2025	2024
40. Operational Costs		
Advertising, Publicity and Marketing	1,632,764	2,114,020
Assets less than capital threshold	96,150	-
Bank Charges, Facility and Card Fees	567,682	523,995
Bargaining council	8,442,200	8,175,316
Cleaning Materials	791,597	1,198,933
Communication	9,964,547	9,506,834
Customer Discounts	-	1,461,831
Deeds	44,368	28,127
Municipal Services	47,734,743	50,677,885
Entertainment	30,571	27,000
External Audit Fees	12,813,803	12,019,888
External computer services	12,015,450	22,316,766
Foreign Exchange Losses	271,702	-
Hire charges	17,570,118	12,986,355
Insurance underwriting	1,296,810	3,249,435
Learnership and Internships	1,367,775	1,866,527
Licences	951,029	1,054,978
Parking Fees	315,120	308,000
Printing, publications and books	5,346,549	2,195,551
Professional bodies, membership and subscriptions	199,527	146,787
Registration Fees	1,037,804	523,258
Travelling and Subsistence	33,746,250	33,121,224
Uniform and protective clothing	2,781,498	925,640
Vehicle Tracking	652,718	445,891
Wet fuel	10,816,794	12,582,701
Workmen's Compensation	-	2,182,103
	170,487,569	**179,639,045**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*

41. Gains / (Losses) on disposal and derecognition of assets

	2025	2024
Losses		
Losses on sale of Furniture and office Equipment	368,715	152,603
Losses on sale of Computer equipment	140,313	27,514
Infrastructure Assets	23,520,438	18,180,284
	24,029,466	**18,360,401**
Gains		
Gains on sale of Transport asset	(5,022,240)	(163,350)
Gains on sale of Machinery and Equipment	(114,646)	-
	(5,136,886)	**(163,350)**
Proceeds	(7,525,360)	(163,350)
Carrying Value: Furniture, Computers and Machinery	249,290	182,144
Carrying Value: Transport Assets	2,281,610	-
Carrying Value: Infrastructure Assets	23,520,438	18,180,284
Refer to note 8 for further details	**18,525,978**	**18,199,078**
	18,892,580	**18,197,051**

Infrastructure losses relate to derecognised infrastructure assets that were no longer usable at year-end following verification and conditional assessment.

42. Reversal of Impairment / provisions

	2025	2024
Infrastructure Assets	6,872,616	4,477,664
Accounts Receivables	275,238,677	-
	282,111,293	**4,477,664**

43. Actuarial Gains / (Losses)

	2025	2024
Health Care Benefits	(197,000)	-
Long Service Awards	(473,000)	2,601,000
Refer to note 17 for further details	**(670,000)**	**2,601,000**

44. Cash Generated from Operations

	2025	2024
Surplus for the year	871,213,740	339,550,027
Adjustments for:		
Depreciation and amortisation	313,664,576	303,772,117
(Gains) / Losses on sale of assets	18,892,580	18,197,051
Foreign Exchange Losses / (Gains)	271,702	(235,756)
Contributions to Post-retirement Health Care Benefits	15,836,000	10,406,000
Expenditure incurred from Post-retirement Health Care Benefits	(921,000)	(331,000)
Contribution to Long Service Awards liability	6,785,000	6,572,000
Expenditure incurred / Reduction on Long Service Awards liability	(2,475,000)	(3,970,000)
Movement in Leave Provision	3,500,760	(1,323,605)
Water Inventory Losses	38,566,749	37,781,587
Debt impairment - (Receivables from exchange transactions)	-	230,404,058
Reversal of Debtors Impairment	(275,238,677)	-
Debtors Written offs	302,878,630	292,323
Asset Impairment	20,548,960	39,941,887
Reversal of Asset Impairment	(6,872,616)	(4,477,664)
Changes in working capital:		
Decrease / (Increase) Inventories	(12,269,187)	(16,624,125)
Decrease / (Increase) in Receivables from exchange transactions	(147,857,247)	(440,191,616)
Decrease / (Increase) in Receivables from Non-Exchange transactions	134,680	(534,433)
Decrease / (Increase) in Prepayments	(8,001,882)	288,365
Decrease / (Increase) in VAT Receivable	4,654,439	37,965,920
(Decrease) / Increase in Payables from exchange transactions	(31,019,885)	191,177,569
(Decrease) / Increase in Payables from non-exchange	2,642,363	(1,537,348)
(Decrease) / Increase in Unspent Grants	5,478,798	(111,991,050)
(Decrease) / Increase in Consumer deposits	370,551	432,367
	1,120,784,034	**635,564,675**

45. Change in Accounting Estimate

During the current financial year, the method for calculating impairment for accounts receivables and doubtful debts was changed resulting in the following impact:

	Old Method	New Method	Impact
Impairment: Accounts Receivables	677,010,508	576,927,356	(100,083,152)
	677,010,508	**576,927,356**	**(100,083,152)**

The decrease is due to a change in the parameter for calculating impairment for customers with a payment rate between 0% and 25% which changed from 100% to 85%.

Figures in Rand	2025	2024 Restated*

46. Financial Instruments Disclosure

Categories of financial instruments

Financial assets - Amortised at cost		
Receivables from Exchange - Water	118,563,734	63,370,231
Receivables from Exchange - Sewerage	36,383,304	17,899,870
Receivables from Exchange - Other Receivables	335,329,003	287,231,760
Receivables from Non-Exchange - Sundry debtors	927,313	1,574,135
Receivables from Non-Exchange - Recoveries	512,142	-
Cash and cash equivalents - Call deposits	686,196,475	500,104,302
Cash and cash equivalents - Bank Balances	78,469,717	-
	1,256,381,688	870,180,298
Financial liabilities - Amortised at cost		
Payables from exchange transactions - Trade Creditors	233,891,420	259,408,320
Payables from exchange transactions - Retentions	92,531,129	80,132,309
Payables from exchange transactions - Other Creditors	5,712	177,744
VAT Output Accrual	254,180,434	243,058,588
Cash and cash equivalents - Bank Balances	-	32,068,607
	580,608,695	614,845,568

47. Related Party Transactions

All related party transactions are conducted at arm's length, unless stated otherwise.

Interest of Related Parties

No related party interests have been identified/declared for the two financial years under review.
O R Tambo Ntinga Development Agency is wholly controlled by the municipality.
O R Tambo Ntinga Development Agency is utilising free offices provided by the municipality.

Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004.

Compensation of Related Parties

Compensation of key management personnel and Councillors is set out in notes 28 and 29 to the Annual Financial Statements. The names and positions of key management personnel are as follows:

Mase B.P.	Municipal Manager
Ndakisa S.	Chief Financial Officer
Matomela B.	Director: Strategic Planning and Governance
Nkohla V.	Director: Rural Economic Development Programme
Madzidzela L.	Director: Community Services
Gqiba S.D.	Director: Infrastructure, Water and Sanitation
Nombasa L.	Director: Corporate Services

Purchases from Related Parties

The municipality did not buy goods from any companies which can be considered to be related parties.

Other Related Party Transactions

Grants paid by the municipality:

Grants paid to Ntinga Development Agency include funds for administration costs and operations at Adam Kok Farms. A breakdown of Ntinga OR Tambo Development Agency transactions is as follows:

	2025	2024
Ntinga OR Tambo Development Agency - Operational Grants	51,353,214	52,770,606
	51,353,214	**52,770,606**

The municipality did not make any cash transfers to the local municipalities in current year. However in-kind transfers and subsidies disclosed under note 36 were made to local municipalities within the jurisdiction of OR Tambo District.

48. Commitments

Authorised capital expenditure

	2025	2024
Already contracted for but not provided for		
- Infrastructure	1,233,163,634	872,820,519
Not yet contracted for and authorised by accounting officer		
- Infrastructure	-	-
Total commitments	1,233,163,634	872,820,519

This committed expenditure relates to Infrastructure and will be financed from capital expenditure budget. The prior year commitments balance was restated from R886 113 970 to R872 820 519.

Figures in Rand	2025	2024 Restated*

49. Contingencies

Contingent Liabilities

	2025	2024
General Claims:		
- **Keightley and Sigaba - Mvezo Plant and Civils** filed a claim against the municipality for breach of cession agreement.	970,000	970,000
- **Makade Incorporate - Magoda Development Planners** a claim against the municipality for non-payment of the work done on housing programme.	2,457,058	-
- **Keightley Inc. - Lingabantu Construction** filed a claim for damages and loss of profit resulting from the delay in payment of a retention fee that was later paid after a court judgement was issued against the municipality.	16,129,025	16,129,025
- **Ilizwe Planning Consultancy** - The applicant demands payment for the services rendered	-	1,800,000
Other Claims:		
Claims for damage suffered due to loss of life		
- **Jafta Attorneys** - Claims for three children drowned in the trench in Payne's Farm	10,050,000	10,050,000
	10,050,000	**10,050,000**
Total Contingent Liabilities	**29,606,083**	**28,949,025**

Contingent Assets

	2025	2024
Covid-19 Allowances to be recovered		
Covid-19 Allowances relate to allowances paid to employees with respect to the time worked during Covid-19 level 3. The council took a resolution on the 23 May 2024 that the allowances recovered from employees.	**10,861,808**	**11,989,877**
Late Cancellations and payments to ex-employee to be recovered	**42,344**	**90,594**
Penalties for late cancelations	27,187	27,187
Payment to ex-employee	15,157	63,407
Total Contingent Assets	**10,904,152**	**12,080,471**

50. Prior-year Adjustments

Statement of Financial Position	**As previously reported**	**Correction of error**	**Restated**	**Reference**
Inventories	12,251,492	98,885	12,350,377	**P_01**
Receivables from Exchange Transactions	199,008,132	169,493,729	368,501,861	**P_02**
Receivables from Non-exchange Transactions	18,812,084	(17,237,949)	1,574,135	**P_03**
Prepayments	247,614	-	247,614	
Statutory Receivables	38,653,684	(24,669,101)	13,984,583	**P_04**
Cash and Cash Equivalents	468,035,695	-	468,035,695	
Property, Plant and Equipment	8,343,355,952	90,935,433	8,434,291,385	**P_05**
Intangible assets	211,952	-	211,952	
Heritage Assets	247,025	-	247,025	
Consumer Deposits	(4,081,243)	-	(4,081,243)	
Employee Benefit Liabilities	(77,779,285)	-	(77,779,285)	
Payables from Exchange Transactions	(337,984,914)	(273,631,380)	(611,616,294)	**P_06**
Payables from Non-exchange Transactions	(44,201,002)	40,999,995	(3,201,007)	**P_07**
Current Portion of Long-term Liabilities	(1,804,511)	0	(1,804,511)	
Finance Lease Liabilities	(641,507)	(0)	(641,507)	
Employee Benefit Liabilities	(109,388,000)	-	(109,388,000)	
Revaluation Surplus	(17,977,458)	-	(17,977,458)	
Accumulated Surplus	(8,486,965,710)	14,010,388	(8,472,955,322)	**P_08**
	-	(0)	(0)	

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*

Statement of Financial Performance

	As previously reported	Correction of error	Restated	Reference
Service Charges	(314,065,234)	-	(314,065,234)	
Interest Earned - External Investments	(62,036,392)	-	(62,036,392)	
Interest Earned - Outstanding Debtors	(43,705,015)	-	(43,705,015)	
Operational revenue	(886,753)	-	(886,753)	
Income from Agency Services	(145,773)	-	(145,773)	
Contract Revenue	-	(105,756,423)	(105,756,423)	**P_09**
Government Grants and Subsidies Received	(2,041,757,614)	-	(2,041,757,614)	
Other Revenue	-	-	-	
Employee Related Costs	675,897,439	-	675,897,439	
Remuneration of Councillors	21,374,274	-	21,374,274	
Depreciation and Amortisation	336,010,435	(32,238,318)	303,772,117	**P_10**
Impairment Losses	152,698,668	117,647,277	270,345,945	**P_11**
Bad Debts Written off	292,323	-	292,323	
Finance Costs	15,234,428	2,636,173	17,870,601	**P_12**
Contracted Services	148,522,392	(47,882,454)	100,639,938	**P_13**
Repairs and Maintenance	-	42,289,589	42,289,589	**P_14**
Transfers and subsidies	351,545,343	14,740,969	366,286,312	**P_15**
Inventory Consumed	79,769,495	15,969,702	95,739,197	**P_16**
Inventory Losses	31,733,715	6,047,872	37,781,587	**P_17**
Contract Costs	-	105,756,423	105,756,423	**P_09**
Operational Costs	176,909,484	2,729,561	179,639,045	**P_18**
Gains / (Losses) on disposal of assets	18,197,051	-	18,197,051	
Reversal of Impairment	(4,468,088)	(9,576)	(4,477,664)	**P_19**
Actuarial Gains / (Losses)	(2,601,000)	-	(2,601,000)	
Surplus for the year	(461,480,822)	121,930,795	(339,550,027)	

Cash Flow Statement

	As previously reported	Correction of error	Restated
Service Charges	192,681,714	(60,827,026)	131,854,688
Interest income	68,554,476	65,023,556	133,578,032
Other receipts	1,464,892	(132,734,644)	(131,269,752)
Transfers and subsidies	1,930,054,929	(288,365)	1,929,766,564
Employee related costs	(1,206,288,478)	150,212,534	(1,056,075,944)
Finance Costs	(3,366,428)	(2,636,173)	(6,002,601)
Transfers and subsidies	(351,545,343)	(14,740,969)	(366,286,312)
Net cash flows from operating activities	631,555,762	4,008,913	635,564,675
Purchase of property, plant and equipment	(624,495,902)	(4,008,913)	(628,504,815)
Purchase of Intangible assets	163,350	-	163,350
Net cash flows from investing activities	(624,332,552)	(4,008,913)	(628,341,465)
Acquisitions of Long term loans	-	-	-
(Repayments) of Long term loans	(3,342,973)	-	(3,342,973)
Net cash flows from financing activities	(3,342,973)	-	(3,342,973)
Net increase/(decrease) in cash and cash equivalents	3,880,237	(0)	3,880,237
Cash and cash equivalents at the beginning of the year	464,155,458	-	464,155,458
Cash and cash equivalents at the end of the year	468,035,695	(0)	468,035,695

Explanations for Prior year error adjustments

P_01 - Inventories

Inventory was adjusted as follows:

Item	Amount	Comments
Inventory	98,885	Change in inventory cost calculation
	98,885	

P_02 - Receivables from Exchange Transactions

Item	Amount	Comments
Human Settlement	18,448,736	Reclassified to receivables from non-exchange transactions
Sundry debtors	(1,210,787)	Reclassification of reimbursement for legal costs awarded by the court
VAT Input Accrual	267,727,689	Reclassification of VAT input accrual
VAT Input Accrual	921,134	VAT adjustment resulting from omitted accruals
Impairment Loss	(116,393,043)	Impairment of government debtors that considered in the prior year
	169,493,729	

P_03 - Receivables from Non-exchange Transactions

Item	Amount	Comments
Human Settlement	(18,448,736)	Reclassified from receivables from exchange transactions
Sundry debtors	1,210,787	Reclassification of reimbursement for legal costs awarded by the court
	(17,237,949)	

Figures in Rand	2025	2024 Restated*

P_04 - Statutory Receivables

Statutory Receivables were adjusted as follows:

Item	Amount	Comments
VAT	(24,669,101)	VAT on accruals omitted in the prior year
	(24,669,101)	

P_05 - Property, Plant and Equipment

Property, plant & equipment have been restated with the following:

Item	Amount	Comments
Property, plant & equipment	90,935,433	Completed project omitted in the prior year
	90,935,433	

P_06 - Payables from Exchange Transactions

Payables from Exchange Transactions have been restated with the following:

Item	Amount	Comments
Trade Payables	(44,366,107)	Accruals omitted in the prior year
Other Creditors	4,650,224	Post Employee related creditors paid in the prior year
Trade Payables (Ntinga)	9,143,091	Reversal of Ntinga liability
VAT Output Accrual	(243,058,588)	Reclassification of VAT output accrual
	(273,631,381)	

P_07 - Payables from Non-exchange Transactions

Payables from Non-Exchange transactions were restated with the following:

Item	Amount	Comments
Human Settlement relief grant	40,999,995	Correction of understated balance
	40,999,995	

P_08 - Accumulated Surplus

Accumulated Surplus was restated with the following:

Item	Amount	Comments
Inventory Adjustments	7,676,678	Water Inventory adjustments
Accounts Payables	34,798,802	Omitted accruals
Accounts Payables - Other	(4,650,224)	Long service creditor writen-off
Accounts Payables Non-Exc	693,327	Correction of National Housing grant
Debtors' Impairment	116,393,043	Government debtors not considered in the prior year
Depreciation	(91,908,851)	Correction EUL Range
WIP Correction	599,372	Correction of WIP
Asset Impairment	1,254,234	Correction of asset impairment
Asset Impairment reversal	(9,576)	Correction of asset impairment
Accounts Payables	(9,143,091)	Reversal of Ntinga liability
Accounts Payables Non-Exc	(41,693,327)	Correction of National Housing grant
	14,010,388	

P_09 - Contract Revenue

Contract Revenue was restated with the following:

Item	Amount	Comments
Contract Revenue	(105,756,423)	Recognition of construction revenue
	(105,756,423)	

P_10 - Depreciation and Amortisation

Depreciation and Amortisation was adjusted with the following:

Item	Amount	Comments
Depreciation and Amortisation	(32,238,318)	Prior year depreciation from infrastructure (water treatment works) that has been capitalized to inventory
	(32,238,318)	

P_11 - Impairment Losses

Impairment Losses were adjusted as follows:

Debtors' Impairment	116,393,043	Impairment of government debtors that considered in the prior year
Asset Impairment	1,254,234	Correction of prior year impairment on infrastructure assets
	117,647,277	

P_12 - Finance Costs

Finance Costs were adjusted with the following:

Item	Amount	Comments
COIDA Interest	2,636,173	Interest charged on outstanding Workmen's Compensation
	2,636,173	

Figures in Rand	2025	2024 Restated*

P_13 - Contracted Services

Contracted Services were restated with the following:

Item	Amount	Comments
Repairs and Maintenance	(42,289,589)	Reclassification of Repairs and Maintenance
Payables from Exchange transactions	(5,592,865)	Accruals omitted in the prior year
	(47,882,454)	

P_14 - Repairs and Maintenance

Repairs and Maintenance has been adjusted with the following:

Item	Amount	Comments
Repairs and Maintenance	42,289,589	Repairs and Maintenance reclassified from Contracted Services
	42,289,589	

P_15 - Transfers and subsidies

Transfer and Subsidies have been adjusted with the following:

Item	Amount	Comments
Inventory	14,740,969	Change in inventory cost calculation
	14,740,969	

P_16 - Inventory Consumed

Inventory Consumed has been adjusted with the following:

Item	Amount	Comments
Inventory	15,969,702	Change in inventory cost calculation
	15,969,702	

P_17 - Inventory Losses

Inventory losses have been adjusted with the following:

Item	Amount	Comments
Inventory	6,047,872	Change in inventory cost calculation
	6,047,872	

P_09 - Contract Costs

Inventory losses have been adjusted with the following:

Item	Amount	Comments
Construction Costs	105,756,423	Change in accounting treatment from GRAP 109 to GRAP 11.
	105,756,423	

P_18 - Operational Costs

Inventory losses have been adjusted with the following:

Item	Amount	Comments
Payables from Exchange transactions	2,729,561	Accruals omitted in the prior year
	2,729,561	

P_19 - Reversal of Impairment

Reversal of Impairment has been adjusted with the following:

Item	Amount	Comments
Payables from Exchange transactions	(9,576)	Restatement of impairment due to correction useful lives
	(9,576)	

Cash Flow Statement

Cash Flow Statement was affected by the changes mentioned above.

51. Comparative figures

The comparative figures were restated as a result of the effect of prior year errors (Note 50).

52. Risk Management

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

	2025	2024
Foreign Exchange Loss	271,702	-

Liquidity risk

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

Figures in Rand	2025	2024 Restated*

Liquidity risk (continued..)

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

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met. Maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining year at the statement of financial position to the contractual maturity date.

Financial liabilities - Amortised at cost	**2025**	**Less than 1 year**	**Between 2 and 5 years**	**Over 5 years**
Payables from exchange transactions - Trade Creditors	233,891,420	233,891,420	-	-
Payables from exchange transactions - Retentions	92,531,129	92,531,129	-	-
Payables from exchange transactions - Other Creditors	5,712	5,712	-	-
VAT Output Accrual	254,180,434	254,180,434	-	-
Payables from Non-Exchange transactions	#REF!	#REF!	-	-
Consumer Deposits	4,451,794	4,451,794	-	-
Long-term and Current portion of Finance Lease Liabilities	3,776,810	1,720,101	2,056,709	-
Cash and cash equivalents - Bank Balances	-	-	-	-

Financial liabilities - Amortised at cost	**2024**	**Less than 1 year**	**Between 2 and 5 years**	**Over 5 years**
Payables from exchange transactions - Trade Creditors	259,408,320	259,408,320	-	-
Payables from exchange transactions - Retentions	80,132,309	80,132,309	-	-
Payables from exchange transactions - Other Creditors	177,744	177,744	-	-
Payables from Non-Exchange transactions	#REF!	#REF!	-	-
VAT Output Accrual	243,058,588	243,058,588	-	-
Consumer Deposits	4,081,243	4,081,243	-	-
Long-term and Current portion of Finance Lease Liabilities	2,446,018	1,804,511	641,507	-
Cash and cash equivalents - Bank Balances	32,068,607	-	-	-

Credit risk

Credit risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities. Financial assets exposed to credit risk at year end were as follows:

Financial assets - Amortised at cost	**2025**	**2024**
Receivables from Exchange - Sewerage	36,383,304	17,899,870
Receivables from Exchange - Water	118,563,734	63,370,231
Receivables from Exchange - Other Receivables	335,329,003	287,231,760
Receivables from Non-Exchange - Sundry debtors	927,313	1,574,135
Receivables from Non-Exchange - Recoveries	512,142	-
Financial assets that are neither past due nor impaired - Amortised at cost		
Cash and cash equivalents - Call deposits	686,196,475	500,104,302
Cash and cash equivalents - Bank Balances	78,469,717	-

Interest rate risk

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

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

The municipality limits its counterparty exposures from its money market investment operations by only dealing with registered banks (Absa Bank, First National Bank, Nedbank, Investec and Standard Bank). No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of service debtors, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer deposits are increased accordingly.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates. The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates.

Figures in Rand	2025	2024 Restated*

52. Risk Management (continue)

Cash and cash equivalents
If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's surplus for the year ended 30 June 2025 would have increased / decreased by R8 712 137 (30 June 2024: R3 395 500). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly. Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/bank, cash and cash equivalents
The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank, Investec and Standard Bank. No investments with a tenure exceeding twelve months are made.

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

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:
• The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
• A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
• The requirement of a deposit for new service connections, serving as guarantee and are reviewed Annually;
• Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables. Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated Annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

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

Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists based on the payment history of the parties They have been included in the Provision for Impairment of Consumer Debtors.

53. Going Concern
Based on the assessment performed by management at end of June 2025, the overall financial position of the municipality has improved and the financial ratios are showing positive signs as compared to previous years. Management believes that the Municipality will continue operating in the foreseeable future.

54. Events after the reporting date
No significant events after year end were identified

55. Private Public Partnerships
The municipality was not a party to any Private Public Partnerships during the year under review.

56. Separate Financial Statements
The OR Tambo District Municipality does not meet all the requirement for preparing separate Financial Statement in line with paragraph 5 of GRAP 35 read in conjunction with paragraph 18 of GRAP 34 therefore cannot elect to prepare separate financial statements. OR Tambo District Municipality is not a subsidiary of another entity, therefore may not elect not to consolidate the Ntinga and OR Tambo District Municipality AFS as there is no other parent entity that will prepare consolidation other that OR Tambo District Municipality itself.

57. Consolidated Financial Statements
In line with requirements of GRAP 35 the OR Tambo District Municipality will prepare consolidated Annual Financial Statements as it has a wholly owned subsidiary (Ntinga) and it is itself (OR Tambo District Municipality) not a subsidiary of another entity.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*

58. Disclosure of Interests in Other Entities

The OR Tambo District Municipality does not have any interest on other entities except Ntinga Development Agency which is accounted for in terms of GRAP 35 (Consolidated Financial Statements).

The significant judgements and assumptions - Methodology used to determine that OR Tambo DM has control of another entity

OR Tambo District Municipality used the "rights to relevant actives" method to determine the control of Ntinga development Agency and this is evidenced by the fact that OR Tambo District Municipality has:

- Rights to give policy direction to board of directors to direct the relevant activities of Ntinga Development Agency.
- Rights to appoint, reassign or remove Board members of Ntinga Development Agency.
- Rights to approve or veto operating and capital budgets relating to the relevant activities of Ntinga Development Agency.
- Rights to direct Ntinga Development Agency to enter into, or veto any changes to, transactions for its benefits.
- Rights to veto key changes to Ntinga Development Agency, such as the sale of a major asset.

Interests in controlled entities

- Ntinga Development Agency is wholly owned by the OR Tambo District Municipality and does not have a controlled entity therefore on consolidation the economic entity only comprise of OR Tambo District Municipality and Ntinga Development Agency.

- Ntinga Development Agency can only access or use assets, and settle its own liabilities and not those of the economic entity while the OR Tambo District Municipality can access the assets of the economic entity to settle liabilities.

- OR Tambo District Municipality as the only holder of Ntinga development Agency is ultimately responsible for the risks associated with its interests in Ntinga Development Agency.

- There were no changes in the ownership interest in Ntinga Development Agency that do not result in a loss of control during the current financial year.

59. Living and Non-living resources

Non-living resources

Water

OR Tambo District Municipality purchases water from the Department of Water Affairs, stored in reservoirs and sold or distributed to the community. This water is accounted for in line with GRAP 12 because it has not been extracted from it natural source.

Minerals, oil and gas and other non-regenerative resources

OR Tambo District Municipality's land has not been explored to determine whether it contains deposits of minerals, oil and gas, or other non-regenerative resources. The land owned by the municipality is therefore disclosed under property, plant and equipment in line with GRAP 17. There is no available evidence that the OR Tambo District Municipality land contain minerals, oil and gas and other non-regenerative resources therefore municipality does not have non-living resources.

Living resources

All OR Tambo District Municipality's living resources are in the custodianship of its municipal entity (Ntinga Development Agency) and will be accounted for in the Consolidated Annual Financial Statement in line with GRAP 27.

60. Unauthorised Expenditure

	2025	2024
Opening balance	267,349,820	104,400,727
Add: Unauthorised expenditure current year - per vote	547,274,650	264,984,965
Less: Amounts written off	(241,905,968)	(102,035,872)
	572,718,502	**267,349,820**

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

	2025	2024
Non-cash items	434,405,757	241,905,968
Cash items	112,868,893	23,078,997
	547,274,650	**264,984,965**

Analysed as follows: Non-cash items

	2025	2024
Depreciation and amortisation	142,664,576	191,989,943
Write-offs	215,919,966	-
Loss on derecognition of infrastructure assets	23,520,438	18,180,284
Water Losses	38,566,749	31,733,715
Loss on disposal of property, plant and equipment	509,028	2,026
Employee benefit obligation: Interest Cost	13,225,000	-
	434,405,757	**241,905,968**

Analysed as follows: Cash items

	2025	2024
Inventory Consumed	18,106,017	-
Employee-related costs	94,762,876	23,078,997
	112,868,893	**23,078,997**

Figures in Rand	2025	2024 Restated*

60. Unauthorised Expenditure (Continued)

Unauthorised expenditure: Budget overspending - per municipal department		
Rural and Economic Development Planning	3,973,417	-
Finance and Administration	24,057,800	-
Infrastructure, Water and Sanitation	515,207,029	264,984,965
Environmental	4,036,405	-
	547,274,650	**264,984,965**

Cases under investigations
The council resolved that unauthorised expenditure amounting to R23 078 997 (2023/24) on employee related costs should not be written-off until the committee is provided with satisfactory reasons for under budgeting.

Amount written off
After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R241 905 968 being depreciation expense that exceeded its budget.

61. Fruitless and Wasteful Expenditure

	2025	2024
Opening balance	41,552,701	70,237,342
Restatements	-	705,294
Restated balance	**41,552,701**	**70,942,637**
Add: Fruitless expenditure current year	4,670,132	5,725,200
Add: Fruitless expenditure on capital projects	728,471	-
Less: Amounts recoverable (Covid-19 Allowance)	-	(11,989,877)
Less: Amount recoverable - prior period	(90,434)	-
Less: Amounts written off	(2,995,105)	(23,125,259)
	43,865,764	**41,552,701**

Details of fruitless and wasteful expenditure - Current year		
Interest and penalties	4,544,202	5,631,278
Amounts paid to ex-employees	-	63,247
Costs for late cancellation of travelling arrangements	125,930	30,675
	4,670,132	**5,725,200**

Cases under investigations
During the council meeting held on the 30 July 2025, the council resolved that Fruitless and Wasteful Expenditure amounting to R609 218 should not be written-off until the committee completes its investigation.

Amount written off
After the Council committee investigations, Council adopted the council committee's recommendation to write-off an amount of R2 995 105 being interest incurred on mainly Eskom and KSD accounts.

Recoverable Amount
After investigations, the council decided to adopt the council committee recommendations to recover an amount of R90 434 (R27 187: Costs for late cancellations and R63,247 amounts paid to ex-employees) from the municipal officials, ex-employees and councillors after it was proven without reasonable doubt that they were liable. The municipality had already recovered R48 696 of the amount paid to ex-employees as at 30 June 2025.

62. Irregular Expenditure

	2025	2024
Restated Opening balance	653,060,462	1,057,306,409
Add: Irregular Expenditure - current year	47,088,306	122,120,918
Irregular Expenditure relating to contracts awarded in the current year	-	-
Irregular Expenditure relating to contracts awarded in prior years	47,088,306	122,120,918
Restatements - Irregular Expenditure current year	-	-
Irregular Expenditure relating to contracts awarded in the current year	-	-
Irregular Expenditure relating to contracts awarded in prior years	-	-
Less: Amounts written off	(236,210,463)	(526,366,865)
Amounts written off - current year	(30,104,020)	-
Amounts written off - prior years	(206,106,443)	(526,366,865)
	463,938,305	**653,060,462**

Incidents/cases reported in the current year		
Three written quotations not invited	-	-
Competitive bidding process not followed	47,088,306	122,120,918
Awards to close family member	-	-
Awards to other state officials	-	-
	47,088,306	**122,120,918**

Cases under investigations
The Council resolved that Irregular expenditure amounting to R6 946 439 pertaining to six outstanding vouchers should not be written off until further verification and satisfactory reasons have been provided to the committee.

Figures in Rand	2025	2024 Restated*

62. Irregular Expenditure (Continued)

Amount written off
After the Council committee investigations, council adopted the council committee recommendation to write-off an amount of R236 210 463 being R30 104 020 current year and R206 106 443 prior year as it was proven without reasonable doubt that there was value for the funds irregular spent.

63. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government - SALGA

	2025	2024
Opening balance	-	-
Current year subscription / fee	8,442,200	8,175,316
Amount paid - current year	(8,442,200)	(8,175,316)
Amount paid - previous years	-	-
	-	-

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

Audit fees

	2025	2024
Opening balance	42,744	-
Current year subscription / fee	14,704,427	13,822,872
Amount paid - current year	(14,704,427)	(13,780,128)
Amount paid - previous years	(42,744)	-
	-	**42,744**

PAYE and UIF

	2025	2024
Opening balance	-	-
Current year subscription / fee	151,896,789	145,595,703
Amount paid - current year	(151,896,789)	(145,595,703)
	-	-

The balance represents PAYE, SDL and UIF deducted from the June 2025 payroll. These amounts were paid during July 2025.

Pension and Medical Aid Deductions

	2025	2024
Opening balance	-	-
Current year subscription / fee	115,175,378	141,453,045
Amount paid - current year	(115,175,378)	(141,453,045)
	-	-

Statutory Receivables

	2025	2024
VAT Receivable	**9,330,144**	**13,984,583**

The net of VAT input payables and VAT output receivables are shown in Note 6. All VAT returns have been submitted by the due date throughout the year.

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

30 Jun 2025	Outstanding more than 90 days	Total
Knock R.	62,068	62,068
	62,068	**62,068**

30 June 2024	Outstanding more than 90 days	Total
Knock R.	76,619	76,619
Ngqongwa N.	142	142
Sokanyile T.	226	226
	76,987	**76,987**

Cllr Knock has a standing arrangement with the municipality to settle the outstanding balance.

Non-Compliance with the Municipal Finance Management Act

The municipality incurred non-compliance on the following section of the indicated chapters of the MFMA during the year under review:

- Section 65(2)(e):- Service providers were not always paid within 30 days as required.
- Section 62(1)(d):- Fruitless and Wasteful expenditure amounting to R4 670 132 disclosed in note 61 which is mostly interest on overdue accounts was incurred during the year.
- Section 62(1)(d):- Unauthorised expenditure amounting to R547 274 650 disclosed in note 60 which is mostly non-cash expenditure was incurred during the year.

Figures in Rand	2025	2024 Restated*

64. Awards to close family members of persons in service of state

In terms of the Municipal Supply Chain Management Regulation 45, the municipality must disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous 12 months, including the name of the person, the capacity in which that person is in the service of the state, and the amount of the award.

Management did not identify any cases where tenders were awarded to persons in the service of the state or close family members of the persons in the service of the state during the current financial year.

65. Deviation from supply chain management regulations

Paragraph 12(1) of government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of written / verbal quotations, formal written quotations and a competitive bidding process, depending on the specified threshold values.

Paragraph 36 of the above mentioned gazette also provides that the accounting officer may dispense with the official procurement process in certain circumstances provided that he/she records the reasons for any deviations, reports them to the next meeting of the Council and include as a note to the financial statements.

Various items were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12 (1) as stated above. The reasons for the deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviations from the normal supply chain management regulation. These deviations have also been reported to Council. The reasons for the deviations were mainly due to emergency cases, sole/single suppliers and impracticality in following the official procurement processes.

Incident		
Emergency in terms of SCM Policy	2,237,478	910,226
Sole Supplier	1,453,337	247,091
Impractical to obtain quotations	7,031,320	14,331,700
	10,722,135	**15,489,017**

The following deviations do not have a fixed contract value, they were made on rate or quotation basis:

Impracticality:- Fuel Contracts
Meyers Motors Umtata (Pty) Ltd, SLM Connexions,

Impracticality:- Repairs and Maintenance of vehicles and escalators
Toyota (Buffalo Toyota), New Age Fleet Maintenance, NTT Motors, Eastern Cape Panel City Panel beaters, Griqua Truck, Land rover and Volvo East London, Cybaex (Pty) Ltd, Fezmo trading enterprise, Fleet Dynamic, Kanu Equipment, Khandazonke trading enterprise, Lidz Auto tune motors, Meyers Motor Umtata (Pty) Ltd, Rencor Engineering and Simac Auto Electrical Services.

Impracticality:- professional bodies and training
University of Wits Watersrand, Manufacturing Indaba and IMMSA

Sole provider:- professional bodies and training
IMSA, EAP association, IMPSA, CIGFARO, MILLA SA, SAIEH, Bussynet Advanced Trading, Africa Travel Blaq Origin cc, Institute of Municipal People Practitionery of SA, Prestige conference, SABPP, SA Monitoring & Evaluation Association and The Water Academy.

Impracticality:- rental of parking space
Umthatha Club

Emergency:- Other
Cybaex, Trollec and Target Line

66. Bulk Water Losses in terms of section 125 of the MFMA

	Lost Units	Tariff	Value
30 June 2025 - Unaccounted Water Losses	3,170,707	9.72780	30,844,019
30 June 2024 - Unaccounted Water Losses	4,497,306	8.71776	37,781,587

Volumes in KL / year		
Water Inventory - opening balance	73,252	83,626
System Input volume	24,174,472	26,742,532
Billed Consumption	(9,874,117)	(11,046,936)
Free Basic Water provided	(11,113,938)	(11,208,664)
Water Inventory - closing balance	(88,962)	(73,252)
Commercial Losses	(669,148)	(942,255)
Physical Losses	(2,501,559)	(3,555,051)
	-	-
Percentage Distribution Loss	-13%	-17%

Water Losses occur due to inter alia, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repaired as soon as they are reported.

The amount of water losses also includes the unaccounted / unbilled water supplied to peri-urban and rural areas as there are no bulk metres measuring water supplied to these areas.

Figures in Rand	2025	2024 Restated*

67. Segment Reporting

Factors used to identify reportable segment
In Identifying the reportable segments the municipality assessed all its activities in all departments to determine whether they meet the definition of a segment or not. At the end of this process the municipality came to a conclusion that only two activities that meet the definition of a segment, and these are water services, Sanitation services as well as Fire and Rescue services.

Aggregation of Segments
Water and Sanitation segments have been aggregated because certain expenditure items for these items are not separated and based on that fact the these services are similar in nature, management took a decision to group these activities under one segment.

Services rendered by segments

Water and Sanitation
Water and Sanitation segment provides water and sanitation services to King Sabata Dalindyebo, Mhlontlo, Nyandeni, Port Saint Johns and Ingquza Hill municipalities. Consumers in urban areas billed on a monthly basis for the availability of the service and consumption while in rural areas the water is provided for free.

Fire and Rescue
Fire and Rescue segment provides fire and emergency services to King Sabata Dalindyebo, King Mhlontlo, Nyandeni, Port Saint Johns and Ingquza Hill municipalities. This services is provided for free.

Segment Statement of Financial Performance Reconciliation

Figures in Rand	WATER & SANITATION	FIRE & RESCUE	OTHER DEPARTMENTS	2025	2024 Restated*
REVENUE					
Revenue from Exchange Transactions					
Service Charges	313,587,345	-	-	313,587,344	314,065,234
Interest Earned - External Investments	-	-	84,191,713	84,191,713	62,036,392
Interest Earned - Outstanding Debtors	59,261,086	-	-	59,261,086	43,705,015
Operational revenue	-	-	2,140,561	2,140,561	886,753
Income from Agency Services	-	-	135,865	135,865	145,773
Contract Revenue	-	-	81,883,432	81,883,432	105,756,423
Total revenue from exchange transactions	**372,848,431**	**-**	**168,351,571**	**541,200,001**	**526,595,590**
Revenue from Non-exchange Transactions					
Transfer revenue					
Government Grants and Subsidies Received	1,105,959,202	-	1,206,429,178	2,312,388,380	2,041,757,614
Other Revenue	-	-	1,176,319	1,176,319	-
Total revenue from non-exchange transactions	**1,105,959,202**	**-**	**1,207,605,497**	**2,313,564,699**	**2,041,757,614**
Total revenue	**1,478,807,633**	**-**	**1,375,957,068**	**2,854,764,700**	**2,568,353,204**
EXPENDITURE					
Employee Related Costs	(286,957,041)	(50,381,731)	(387,419,715)	(724,758,487)	(675,897,439)
Remuneration of Councillors	-	-	(23,127,512)	(23,127,512)	(21,374,274)
Depreciation and Amortisation	(309,317,927)	(705,751.46)	(3,640,897.73)	(313,664,576)	(303,772,117)
Impairment Losses	(20,548,960)	-	-	(20,548,960)	(270,345,945)
Bad Debts Written off	(302,878,630)	-	-	(302,878,630)	(292,323)
Finance Costs	(4,544,202)	-	(13,512,045)	(18,056,247)	(17,870,601)
Contracted Services	(23,597,770)	(148,990)	(104,837,975)	(128,584,735)	(100,639,938)
Repairs and Maintenance	(16,747,479)	-	(11,510,650)	(28,258,129)	(42,289,589)
Transfers and subsidies	(213,757,665)	(2,777,984)	(68,495,747)	(285,031,396)	(366,286,312)
Inventory Consumed	(96,053,482)	-	(14,199,769)	(110,253,251)	(95,739,197)
Inventory Losses	(38,566,749)	-	-	(38,566,749)	(37,781,587)
Contract Costs	-	-	(81,883,432)	(81,883,432)	(105,756,423)
Operational Costs	(71,341,494)	(279,360)	(98,866,715)	(170,487,569)	(179,639,045)
Total expenditure	**(1,384,311,399)**	**(54,293,816)**	**(807,494,458)**	**(2,246,099,673)**	**(2,217,684,790)**
Operating Surplus	**94,496,234**	**(54,293,816)**	**568,462,610**	**608,665,027**	**350,668,414**
Gains / (Losses) on disposal of assets	(18,630,774)	(42,509)	(219,298)	(18,892,580)	(18,197,051)
Reversal of Impairment and other provisions	282,111,293	-	-	282,111,293	4,477,664
Actuarial Gains / (Losses)	(265,276)	(46,575)	(358,149)	(670,000)	2,601,000
Surplus for the year	**357,711,477**	**(54,382,900)**	**567,885,164**	**871,213,740**	**339,550,027**

Segment Statement of Financial Position Reconciliation as at 30 June 2025

Figures in Rand	WATER & SANITATION	FIRE & DISASTER	OTHER DEPARTMENTS	2025	2024 Restated*
CURRENT ASSETS					
Inventories	1,125,687	-	7,132,273	8,257,960	12,350,377
Receivables from Exchange Transactions	159,221,184	-	331,054,857	490,276,041	368,501,861
Receivables from Non-exchange Transactions	-	-	1,439,455	1,439,455	1,574,135
Prepayments	247,612	-	8,001,882	8,249,496	247,614
VAT Receivable	6,151,862	25,701	3,152,581	9,330,144	13,984,583
Cash and Cash Equivalents	-	-	764,666,192	764,666,192	468,035,695
	166,746,345	**25,701**	**1,115,447,240**	**1,282,219,288**	**864,694,265**
NON-CURRENT ASSETS					
Property, Plant and Equipment	8,793,259,982	20,063,034	103,503,087	8,916,826,103	8,434,291,385
Intangible Assets	-	-	2,185,996	2,185,996	211,952
Heritage Assets	-	-	247,025	247,025	247,025
	8,793,259,982	**20,063,034**	**105,936,108**	**8,919,259,124**	**8,434,750,362**
TOTAL ASSETS	**8,960,006,327**	**20,088,735**	**1,221,383,348**	**10,201,478,412**	**9,299,444,627**
CURRENT LIABILITIES					
Consumer Deposits	4,451,794	-	-	4,451,794	4,081,243
Employee Benefit Liabilities - Current portion	32,942,182	5,783,737	44,475,126	83,201,045	77,779,285
Payables from Exchange Transactions	-	-	609,888,074	609,888,074	611,616,294
Payables from Non-exchange Transactions	-	-	5,843,370	5,843,370	3,201,007
Unspent Conditional Grants and Receipts	5,478,798	-	-	5,478,798	-
Current Portion of Finance Lease Liabilities	1,696,264.39	3,870.26	19,966	1,720,101	1,804,511
	44,569,038	**5,787,608**	**660,226,536**	**710,583,182**	**698,482,340**
NON-CURRENT LIABILITIES					
Finance Lease Liabilities	2,028,208	4,628	23,873	2,056,709	641,507
Employee Benefit Liabilities	50,161,760	8,807,020	67,723,220	126,692,000	109,388,000
	52,189,968	**8,811,647**	**67,747,093**	**128,748,709**	**110,029,507**
TOTAL LIABILITIES	**96,759,006**	**14,599,255**	**727,973,629**	**839,331,891**	**808,511,847**
Net Assets	**8,863,247,321**	**5,489,480**	**493,409,719**	**9,362,146,521**	**8,490,932,780**
Accumulated Surplus / (Deficit)	8,863,247,321	5,489,480	475,432,261	9,344,169,063	8,472,955,322
Revaluation Surplus	-	-	17,977,458	17,977,458	17,977,458
	8,863,247,321	**5,489,480**	**493,409,719**	**9,362,146,521**	**8,490,932,780**

Segment Statement of Financial Performance Reconciliation

Figures in Rand	WATER & SANITATION	FIRE & RESCUE	OTHER DEPARTMENTS	2024 Restated*
REVENUE				
Revenue from Exchange Transactions				
Service Charges	314,065,233	-	-	314,065,234
Interest Earned - External Investments	-	-	62,036,392	62,036,392
Interest Earned - Outstanding Debtors	43,705,015	-	-	43,705,015
Operational revenue	-	-	886,753	886,753
Income from Agency Services	-	-	145,773	145,773
Contract Revenue	-	-	105,756,423	105,756,423
Total revenue from exchange transactions	**357,770,248**	**-**	**168,825,341**	**526,595,590**
Revenue from Non-exchange Transactions				
Transfer revenue				
Government Grants and Subsidies Received	1,018,294,050	-	1,023,463,564	2,041,757,614
Other Revenue	-	-	-	-
Total revenue from non-exchange transactions	**1,018,294,050**	**-**	**1,023,463,564**	**2,041,757,614**
Total revenue	**1,376,064,298**	**-**	**1,192,288,905**	**2,568,353,204**
EXPENDITURE				
Employee Related Costs	(254,878,140)	(46,844,633)	(374,174,666)	(675,897,439)
Remuneration of Councillors	-	-	(21,374,274)	(21,374,274)
Depreciation and Amortisation	(302,949,141)	(591,695)	(231,281)	(303,772,117)
Impairment Losses	(270,345,946)	-	-	(270,345,945)
Bad Debts Written off	(292,323)	-	-	(292,323)
Finance Costs	(5,631,278)	-	(12,239,323)	(17,870,601)
Contracted Services	(7,687,168)	(58,500)	(92,894,270)	(100,639,938)
Repairs and Maintenance	(23,644,025)	-	(18,645,564)	(42,289,589)
Transfers and subsidies	(300,141,188)	(3,807,628)	(62,337,496)	(366,286,312)
Inventory Consumed	(95,235,416)	-	(503,781)	(95,739,197)
Inventory Losses	(37,781,587)	-	-	(37,781,587)
Contract Costs	-	-	(105,756,423)	(105,756,423)
Operational Costs	(72,290,598)	(374,790)	(106,973,657)	(179,639,045)
Total expenditure	**(1,370,876,810)**	**(51,677,246)**	**(795,130,735)**	**(2,217,684,790)**
Operating Surplus	**5,187,488**	**(51,677,246)**	**397,158,170**	**350,668,414**
Gains / (Losses) on disposal of assets	(18,147,752)	(35,444)	(13,856)	(18,197,051)
Reversal of Impairment and other provisions	-	-	4,477,664	4,477,664
Actuarial Gains / (Losses)	980,826	180,268	1,439,905	2,601,000
Surplus for the year	**(11,979,438)**	**(51,532,421)**	**403,061,884**	**339,550,027**

Segment Statement of Financial Position Reconciliation as at 30 June 2025

Figures in Rand	WATER & SANITATION	FIRE & DISASTER	OTHER DEPARTMENTS	2024 Restated*
CURRENT ASSETS				
Inventories	615,388	-	11,734,989	12,350,377
Receivables from Exchange Transactions	81,404,303	-	287,097,558	368,501,861
Receivables from Non-exchange Transactions	241	-	1,573,894	1,574,135
Prepayments	247,613	-	-	247,614
VAT Receivable	8,020,208	62,673	5,901,701	13,984,583
Cash and Cash Equivalents	-	-	468,035,695	468,035,695
	90,287,753	**62,673**	**774,343,837**	**864,694,265.00**
NON-CURRENT ASSETS				
Property, Plant and Equipment	8,411,441,305	16,428,526	6,421,554	8,434,291,385
Intangible Assets	-	-	211,952	211,952
Heritage Assets	-	-	247,025	247,025
	8,411,441,305	**16,428,526**	**6,880,531**	**8,434,750,362**
TOTAL ASSETS	**8,501,729,058**	**16,491,199**	**781,224,368**	**9,299,444,627**
CURRENT LIABILITIES				
Consumer Deposits	4,081,243	-	-	4,081,243
Employee Benefit Liabilities - Current portion	29,330,248	5,390,673	43,058,364	77,779,285
Payables from Exchange Transactions	-	-	611,616,294	611,616,294
Payables from Non-exchange Transactions	241	-	3,200,766	3,201,007
Unspent Conditional Grants and Receipts	-	-	-	-
Current Portion of Finance Lease Liabilities	1,799,622	3,515	1,374	1,804,511
	35,211,354	**5,394,188**	**657,876,798**	**698,482,340**
NON-CURRENT LIABILITIES				
Finance Lease Liabilities	639,769	1,250	488	641,507
Employee Benefit Liabilities	41,249,764	7,581,388	60,556,848	109,388,000
	41,889,534	**7,582,638**	**60,557,336**	**110,029,507**
TOTAL LIABILITIES	**77,100,887**	**12,976,825**	**718,434,134**	**808,511,847**
Net Assets	**8,424,628,171**	**3,514,374**	**62,790,234**	**8,490,932,780**
Accumulated surplus / (Deficit)	8,424,628,171	3,514,374	62,790,234	8,472,955,322
Revaluation Surplus	-	-		17,977,458
	8,424,628,171	**3,514,374**	**62,790,234**	**8,490,932,780**

Segment Statement of Financial Performance Reconciliation - Water & Sanitation

Figures in Rand	2025	2024 Restated*
REVENUE		
Revenue from Exchange Transactions		
Service Charges	313,587,345	314,065,233
Interest Earned - Outstanding Debtors	59,261,086	43,705,015
Total revenue from exchange transactions	**372,848,431**	**357,770,248**
Revenue from Non-exchange Transactions		
Transfer revenue		
Government Grants and Subsidies Received	1,105,959,202	1,018,294,050
Total revenue from non-exchange transactions	**1,105,959,202**	**1,018,294,050**
Total revenue	**1,478,807,633**	**1,376,064,298**
EXPENDITURE		
Employee Related Costs	(286,957,041)	(254,878,140)
Depreciation and Amortisation	(309,317,927)	(302,949,141)
Impairment Losses	(20,548,960)	(270,345,946)
Bad Debts Written off	(302,878,630)	(292,323)
Finance Costs	(4,544,202)	(5,631,278)
Contracted Services	(23,597,770)	(7,687,168)
Repairs and Maintenance	(16,747,479)	(23,644,025)
Transfers and subsidies	(213,757,665)	(300,141,188)
Inventory Consumed	(96,053,482)	(95,235,416)
Inventory Losses	(38,566,749)	(37,781,587)
Operational Costs	(71,341,494)	(72,290,598)
Total expenditure	**(1,384,311,399)**	**(1,370,876,810)**
Operating Surplus	**94,496,234**	**5,187,488**
Gains / (Losses) on disposal of assets	(18,630,774)	(18,147,752)
Reversal of Impairment and other provisions	282,111,293	-
Actuarial Gains / (Losses)	(265,276)	980,826
Surplus for the year	**357,711,477**	**(11,979,438)**

OR Tambo District Municipality

Annual Financial Statements for the year ended 30 June 2025

Segment Statement of Financial Position as at 30 June 2025 - Water & Sanitation

Figures in Rand	2025	2024 Restated*
CURRENT ASSETS		
Inventories	1,125,687	615,388
Receivables from Exchange Transactions	159,221,184	81,404,303
Receivables from Non-exchange Transactions	-	241
Prepayments	247,612	247,613
VAT Receivable	6,151,862	8,020,208
	166,746,345.35	**90,287,753.48**
NON-CURRENT ASSETS		
Property, Plant and Equipment	8,793,259,982	8,411,441,305
	8,793,259,982	**8,411,441,305**
TOTAL ASSETS	**8,960,006,327**	**8,501,729,058**
CURRENT LIABILITIES		
Consumer Deposits	4,451,794	4,081,243
Employee Benefit Liabilities - Current portion	32,942,182	29,330,248
Payables from Non-exchange Transactions	-	241
Unspent Conditional Grants and Receipts	5,478,798	-
Current Portion of Long-term Liabilities	1,696,264	1,799,622
	44,569,038	**35,211,354**
NON-CURRENT LIABILITIES		
Long-Term Liabilities	2,028,208	639,769
Employee Benefit Liabilities	50,161,760	41,249,764
	52,189,968	**41,889,534**
TOTAL LIABILITIES	**96,759,006**	**77,100,887**
Net Assets	**8,863,247,321**	**8,424,628,171**
Accumulated surplus / (Deficit)	**8,863,247,321**	**8,424,628,171**

Segment Statement of Financial Performance - Fire & Rescue

Figures in Rand	2025	2024 Restated*
REVENUE		
Revenue from Exchange Transactions		
Service Charges	-	-
Income from Agency Services	-	-
Total revenue from exchange transactions	**-**	**-**
Revenue from Non-exchange Transactions		
Transfer revenue		
Government Grants and Subsidies Received	-	-
Total revenue from non-exchange transactions	**-**	**-**
Total revenue	**-**	**-**
EXPENDITURE		
Employee Related Costs	(50,381,731)	(46,844,633)
Depreciation and Amortisation	(705,751)	(591,695)
Contracted Services	(148,990)	(58,500)
Transfers and subsidies	(2,777,984)	(3,807,628)
Operational Costs	(279,360)	(374,790)
Total expenditure	**(54,293,816)**	**(51,677,246)**
Operating Surplus	**(54,293,816)**	**(51,677,246)**
Gains / (Losses) on disposal of assets	(42,509)	(35,444)
Actuarial Gains / (Losses)	(46,575)	180,268
Surplus for the year	**(54,382,900)**	**(51,532,421)**

Segment Statement of Financial Position as at 30 June 2025 - Fire & Rescue

Figures in Rand	2025	2024 Restated*
CURRENT ASSETS		
VAT Receivable	25,701	62,673
Cash and Cash Equivalents	-	-
	25,701	**62,673**
NON-CURRENT ASSETS		
Property, Plant and Equipment	20,063,034	16,428,526
	20,063,034	**16,428,526**
TOTAL ASSETS	**20,088,735**	**16,491,199**
CURRENT LIABILITIES		
Employee Benefit Liabilities - Current portion	5,783,737	5,390,673
Unspent Conditional Grants and Receipts	-	-
Current Portion of Long-term Liabilities	3,870	3,515
	5,787,608	**5,394,188**
NON-CURRENT LIABILITIES		
Long-Term Liabilities	4,628	1,250
Employee Benefit Liabilities	8,807,020	7,581,388
	8,811,647	**7,582,638**
TOTAL LIABILITIES	**14,599,255**	**12,976,825**
Net Assets	**5,489,480**	**3,514,374**
Accumulated surplus / (Deficit)	**5,489,480**	**3,514,374**