



Fezile Dabi

District Municipality

Fezile Dabi District Municipality
(Registration number DC20)
Annual Financial Statements
for the year ended 30 June 2025

Fezile Dabi District Municipality

(Registration number DC20)

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)
Nature of business and principal activities	Fezile Dabi is a district municipality performing the functions as set out in the Constitution of the Republic of South Africa (Act No.108 of 1996)
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)
Mayoral committee	
Executive Mayor	Cllr Khashudi
Speaker	Cllr Pittaway
MMC Corporate Services	Cllr Matwa
MMC Finance	Cllr Makhema
MMC Community Services	Cllr Muller
MMC Environmental Health and Emergency Services	Cllr Serfontein
Grading of local authority	Grade 1 Low Capacity Municipality
Accounting Officer	Mr S Thomas
Chief Finance Officer (CFO)	Mr A Mgcina
Registered office	John Vorster Road Sasolburg 1947
Postal address	P.O Box 10 Sasolburg 1947
Bankers	Standard Bank
Auditors	The Auditor General of South Africa Registered Auditors
Chairperson of MPAC	Cllr NP Mokodutlo
Chairperson of Audit Committee	Mr MA Mmaphetho
Chairperson of Risk Committee	MS NG Modisaesi
Municipal demarcation code	DC20

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Abbreviations used:

Cllr	Councillor
CPI	Consumer Price Index
GRAP	Generally Recognised Accounting Practice
IT	Information Technology
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MPAC	Municipal Public Accounts Committee
mSCOA	Municipal Standard Chart of Accounts
VAT	Value Added Tax
WIP	Work-in-progress

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Accounting Officer's Responsibilities and Approval

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2025 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The accounting officer would like to bring the following material matters to your attention:

I certify that the salaries, allowances and benefits of councillors as disclosed in note 18 to the 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 set out on page 4, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2025 and were signed on its behalf by:

Mr S Thomas
Accounting Officer

Fezile Dabi District Municipality

(Registration number DC20)

Annual Financial Statements for the year ended 30 June 2025

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in Fezile Dabi is a district municipality performing the functions as set out in The Constitution of the Republic of South Africa (act no.108 of 1996) and operates principally in South Africa

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

Net deficit of the municipality was 8 723 767 (2024: surplus 21 614 631).

2. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of R 134 576 273 and that the municipality's total assets exceed its liabilities by R 143 343 194.

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

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year, that may need to be adjusted for or disclosed in the Financial Statements.

4. Accounting Officers' interest in contracts

The accounting officer has no interest in contracts awarded, either direct or indirect.

5. Accounting policies

The annual financial statements prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

6. Accounting Officer

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

Name
S Thomas

7. Non-compliance with applicable legislation

In terms of section 65 (2)(e) of the Municipal Finance Act (No. 56 of 2003), all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement.

In terms of section 126 (1)(a) of the Municipal Finance Act (No. 56 of 2003), the accounting officer of a municipality must prepare the annual financial statements within 2 months after the end of the financial year.

The financial statements set out on pages 6 to 68, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2025 and were signed on its behalf by:

Fezile Dabi District Municipality

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Annual Financial Statements for the year ended 30 June 2025

Accounting Officer's Report

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

Mr S Thomas
Accounting Officer

Fezile Dabi District Municipality

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Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	4	352 226	3 103 428
Receivables from non-exchange transactions	5	3 272 802	2 696 083
VAT receivable	6	258 894	287 518
Cash and cash equivalents	3	163 293 429	126 337 608
		167 177 351	132 424 637
Non-Current Assets			
Property, plant and equipment	7	33 229 048	76 300 538
Intangible assets	8	585 648	717 641
		33 814 696	77 018 179
Total Assets		200 992 047	209 442 816
Liabilities			
Current Liabilities			
Finance lease obligation	11	231 445	425 773
Payables from exchange transactions	9	2 856 582	3 437 808
Employee benefit obligation	12	16 471 371	13 871 041
Unspent conditional grants and receipts	10	4 428 074	6 562 215
		23 987 472	24 296 837
Non-Current Liabilities			
Finance lease obligation	11	-	231 444
Employee benefit obligation	12	30 661 381	29 325 213
		30 661 381	29 556 657
Total Liabilities		54 648 853	53 853 494
Net Assets		146 343 194	155 589 322
Reserves			
Revaluation reserve	13	11 766 921	12 050 865
Accumulated surplus		134 576 273	143 538 457
Total Net Assets		146 343 194	155 589 322

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Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Construction contracts - revenue	40	25 869 278	4 419 154
Other income	14	1 120 594	776 162
Interest received - investment	15	15 348 793	11 045 014
Actuarial gains	12	1 624 384	3 344 288
Total revenue from exchange transactions		43 963 049	19 584 618
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	16	182 029 863	178 540 631
Total revenue		225 992 912	198 125 249
Expenditure			
Employee related costs	17	(122 897 307)	(123 074 478)
Remuneration of councillors	18	(8 672 120)	(7 928 501)
Depreciation and amortisation	19	(4 443 221)	(6 595 805)
Reversal of impairment	22	48 426	158 212
Finance costs	20	(3 740 427)	(3 922 531)
Repairs and maintenance		(998 299)	(1 030 013)
Inventory consumed	41	(1 470 402)	(2 433 205)
Contracted services	21	(6 502 519)	(5 001 427)
Construction contract - expense		(22 901 044)	(3 624 096)
Loss on derecognition of assets and liabilities	42	(40 798 281)	(2 081)
Loss on salary overpayment		-	(454 815)
General Expenses	23	(22 341 485)	(22 322 685)
Total expenditure		(234 716 679)	(176 231 425)
(Deficit) surplus for the year		(8 723 767)	21 893 824

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Annual Financial Statements for the year ended 30 June 2025

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2023	12 311 470	118 880 659	131 192 129
Changes in net assets			
Surplus for the year	-	21 893 824	21 893 824
Revaluation reserve realised	(260 605)	260 605	-
Adjustment	-	1 792 099	1 792 099
Prior year adjustment	-	711 270	711 270
Total changes	(260 605)	24 657 798	24 397 193
Opening balance as previously reported	9 794 467	145 354 213	155 148 680
Adjustments			
Correction of errors	-	440 632	440 632
Prior year adjustments 29	2 256 398	(2 256 398)	-
Restated* Balance at 01 July 2024 as restated*	12 050 865	143 538 457	155 589 322
Changes in net assets			
Revaluation realised	(283 944)	283 944	-
Adjustments	-	(522 361)	(522 361)
Net income (losses) recognised directly in net assets	(283 944)	(238 417)	(522 361)
Deficit for the year	-	(8 723 767)	(8 723 767)
Total recognised income and expenses for the year	(283 944)	(8 962 184)	(9 246 128)
Total changes	(283 944)	(8 962 184)	(9 246 128)
Balance at 30 June 2025	11 766 921	134 576 273	146 343 194
Note(s)	13		

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Annual Financial Statements for the year ended 30 June 2025

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		26 489 929	2 587 794
Grants and other receipts		179 895 722	183 423 846
Interest income		15 778 176	10 845 143
Recoveries from suppliers		2 273 667	-
		224 437 494	196 856 783
Payments			
Employee costs		(129 696 545)	(132 620 272)
Suppliers		(55 317 298)	(39 988 203)
Finance costs		(52 427)	(97 531)
		(185 066 270)	(172 706 006)
Net cash flows from operating activities	24	39 371 224	24 150 777
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(1 989 631)	(1 133 133)
Cash flows from financing activities			
Finance lease payments		(425 772)	(380 669)
Net increase/(decrease) in cash and cash equivalents		36 955 821	22 636 975
Cash and cash equivalents at the beginning of the year		126 337 608	103 700 633
Cash and cash equivalents at the end of the year	3	163 293 429	126 337 608

The accounting policies on pages 14 to 28 and the notes on pages 29 to 70 form an integral part of the annual financial statements.

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual
Basis

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Construction contracts - revenue	-	-	-	25 869 278	25 869 278	40.1
Other income - (rollup)	467 000	475 000	942 000	1 120 594	178 594	40.2
Interest received - investment	6 500 000	11 112 000	17 612 000	15 348 793	(2 263 207)	40.3
Total revenue from exchange transactions	6 967 000	11 587 000	18 554 000	42 338 665	23 784 665	

Revenue from non- exchange transactions

Transfer revenue

Government grants & subsidies	182 354 000	-	182 354 000	182 029 863	(324 137)	40.4
Total revenue	189 321 000	11 587 000	200 908 000	224 368 528	23 460 528	

Expenditure

Employee related costs	(137 859 000)	(339 000)	(138 198 000)	(122 897 307)	15 300 693	40.5
Remuneration of councillors	(8 626 000)	(285 000)	(8 911 000)	(8 672 120)	238 880	40.6
Depreciation and amortisation	(4 770 000)	(2 395 000)	(7 165 000)	(4 443 221)	2 721 779	40.7
Impairment loss/ Reversal of impairments	-	-	-	48 426	48 426	40.8
Finance costs	-	-	-	(3 740 427)	(3 740 427)	40.9
Repairs and maintenance	(1 640 000)	(400 000)	(2 040 000)	(998 299)	1 041 701	40.10
Inventory consumed	(3 120 000)	575 000	(2 545 000)	(1 470 402)	1 074 598	40.11
Contracted Services	(12 168 000)	(33 679 000)	(45 847 000)	(6 502 519)	39 344 481	40.12
Construction contract - expense	(2 140 000)	(70 000)	(2 210 000)	(22 901 044)	(20 691 044)	40.13
General Expenses	(22 178 000)	(2 111 000)	(24 289 000)	(22 341 485)	1 947 515	40.14
Total expenditure	(192 501 000)	(38 704 000)	(231 205 000)	(193 918 398)	37 286 602	
Operating surplus	(3 180 000)	(27 117 000)	(30 297 000)	30 450 130	60 747 130	
Loss on disposal of assets and liabilities	-	-	-	(40 798 281)	(40 798 281)	40.15
Actuarial gains/losses	-	-	-	1 624 384	1 624 384	40.16
	-	-	-	(39 173 897)	(39 173 897)	

Deficit before taxation	(3 180 000)	(27 117 000)	(30 297 000)	(8 723 767)	21 573 233	
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Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(3 180 000)	(27 117 000)	(30 297 000)	(8 723 767)	21 573 233	
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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual
Basis

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

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual
Basis

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

Statement of Financial Position

Assets

Current Assets

Receivables from exchange transactions	431 000	-	431 000	352 226	(78 774)	40.17
Receivables from non-exchange transactions	-	367 000	367 000	3 272 802	2 905 802	40.18
VAT receivable	(328 000)	757 000	429 000	258 894	(170 106)	40.19
Inventory	-	575 000	575 000	-	(575 000)	
Cash and cash equivalents	132 870 000	56 458 000	189 328 000	163 293 429	(26 034 571)	40.20
	132 973 000	58 157 000	191 130 000	167 177 351	(23 952 649)	

Non-Current Assets

Property, plant and equipment	89 803 000	(10 897 000)	78 906 000	33 229 048	(45 676 952)	40.21
Intangible assets	983 000	(265 000)	718 000	585 648	(132 352)	40.22
	90 786 000	(11 162 000)	79 624 000	33 814 696	(45 809 304)	
Total Assets	223 759 000	46 995 000	270 754 000	200 992 047	(69 761 953)	

Liabilities

Current Liabilities

Finance lease obligation	-	-	-	231 445	231 445	40.22
Payables from exchange transactions	6 015 000	(59 836 000)	(53 821 000)	2 856 582	56 677 582	40.23
VAT payable	(239 000)	239 000	-	-	-	40.25
Employee benefit obligation	1 038 000	(381 000)	657 000	16 471 371	15 814 371	40.26
Unspent conditional grants and receipts	-	10 562 000	10 562 000	4 428 074	(6 133 926)	40.27
	6 814 000	(49 416 000)	(42 602 000)	23 987 472	66 589 472	

Non-Current Liabilities

Employee benefit obligation	33 878 000	1 433 000	35 311 000	30 661 381	(4 649 619)	40.26
Total Liabilities	40 692 000	(47 983 000)	(7 291 000)	54 648 853	61 939 853	
Net Assets	183 067 000	94 978 000	278 045 000	146 343 194	(131 701 806)	

Net Assets

Reserves

Revaluation reserve	16 511 000	254 723 000	271 234 000	11 766 921	(259 467 079)	40.28
Accumulated surplus	166 556 000	(159 745 000)	6 811 000	134 576 273	127 765 273	40.29
Total Net Assets	183 067 000	94 978 000	278 045 000	146 343 194	(131 701 806)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual
Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Cash receipts from government grants	182 354 000	-	182 354 000	179 895 722	(2 458 278)	40.30
Sale of goods and services	-	-	-	26 489 929	26 489 929	40.31
Interest income	6 500 000	11 111 716	17 611 716	15 778 176	(1 833 540)	40.32
Other income	467 000	475 000	942 000	-	(942 000)	40.33
	189 321 000	11 586 716	200 907 716	222 163 827	21 256 111	
Payments						
Employee costs	(127 503 000)	-	(127 503 000)	(129 696 545)	(2 193 545)	40.34
Suppliers	(49 432 000)	-	(49 432 000)	(52 994 969)	(3 562 969)	40.35
Finance costs	-	-	-	52 427	52 427	40.36
	(176 935 000)	-	(176 935 000)	(182 639 087)	(5 704 087)	
Net cash flows from operating activities	12 386 000	11 586 716	23 972 716	39 524 740	15 552 024	
Cash flows from investing activities						
Purchase of property, plant and equipment	(4 200 000)	-	(4 200 000)	(2 038 293)	2 161 707	40.37
Cash flows from financing activities						
Finance lease payments	-	-	-	(425 772)	(425 772)	40.38
Net increase/(decrease) in cash and cash equivalents	8 186 000	11 586 716	19 772 716	37 060 675	17 287 959	40.39
Cash and cash equivalents at the beginning of the year	124 685 000	-	124 685 000	126 337 608	1 652 608	40.40
Cash and cash equivalents at the end of the year	132 871 000	11 586 716	144 457 716	163 398 283	18 940 567	

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Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

Figures in Rand	Note(s)	2025	2024
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1. Significant accounting policies

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

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

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

1.2 Materiality

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

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

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

1.3 Significant judgements and sources of estimation uncertainty

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

Receivables

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

Useful lives of property, plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment and other assets. This estimate is based on industry norm and on the pattern in which an asset's future economic benefit or service potential is expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease the depreciation charge where useful lives are more than previously estimated useful lives.

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1.3 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 12.

Effective interest rate

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

Provisions

Payment of performance bonuses depends on the availability of funds and is of subject to the prerogative of the council to approve. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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1.4 Property, plant and equipment (continued)

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

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

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

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

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

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

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

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight-line	50 years
Machinery and equipment	Straight-line	1-30 years
Furniture and office equipment	Straight-line	2-32 years
Motor vehicles	Straight-line	2-30 years
Computer equipment	Straight-line	2-30 years
Infrastructure assets	Straight-line	5-80 years
Work of art and paintings	No depreciating	No life span
Leased assets	Straight-line	2-7 years

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 7).

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

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1.5 Intangible assets

An asset is identifiable if it either:

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

An intangible asset is recognised when:

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

Intangible assets are initially measured at cost.

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

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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

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

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	5 -12 years

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

1.6 Financial instruments

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

A financial asset is:

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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1.6 Financial instruments (continued)

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost

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

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

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review

Fair value measurement considerations

Short-term receivables and payables are not discounted when the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

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1.6 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the financial assets. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

1.7 Statutory receivables

Identification

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

The municipality has the following major categories under the ambit of statutory receivables:

- VAT receivables

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Impairment losses

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

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

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).

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1.7 Statutory receivables (continued)

- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

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

Derecognition

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

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

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

1.8 Leases

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

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the incremental borrowing rate.

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

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1.8 Leases (continued)

Operating leases - lessee

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

1.9 Value -added Tax (VAT)

The municipality is registered with the South African Revenue Service (SARS) for VAT on payment basis, in accordance with Section 15(2) of the Value-added Tax Act 89 of 1991.

1.10 Employee benefits

Employee benefits

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

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

Short-term employee benefits include items such as:

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

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

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post-employment benefits: Defined contribution plans

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

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

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

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1.10 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

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

Other post retirement obligations

The municipality has an obligation to provide other long-term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to determine the present value of the obligation.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- actuarial gains and losses, which shall all be recognised immediately;

1.11 Provisions and contingencies

Provisions are recognised when:

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

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1.11 Provisions and contingencies (continued)

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

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

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

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

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

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

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

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

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

A contingent liability is:

- a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is:

- a possible asset that arises from the 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. Represent possible asset that arises from the 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 note 27.

1.12 Accumulated surplus/(deficit)

The accumulated surplus/(deficit) represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/(deficit). Prior year adjustments, relating to income and expenditure, are credited/debited against accumulated surplus/(deficit) when retrospective adjustments are made.

1.13 Revaluation reserve

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

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1.14 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Interest

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

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

Interest is recognised, in surplus or deficit, using the effective interest rate method

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

1.15 Revenue from non-exchange transactions

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

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1.15 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

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

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

1.16 Investment income

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

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1.17 Unauthorised expenditure

Unauthorised expenditure means:

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

All the expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the unauthorised expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Fruitless and wasteful expenditure

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

All the expenditure relating to fruitless expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the unauthorised expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 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.

All the expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the unauthorised expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.21 Budget information

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

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

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

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Significant Accounting Policies

1.22 Related parties

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

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

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

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

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

1.23 Events after reporting date

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

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

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

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

1.24 Comparative figures

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

1.25 Cash and cash equivalents

Cash comprises cash on hand and cash with banks.

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

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

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

1.26 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and

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Significant Accounting Policies

1.26 Segment information (continued)

- for which separate financial information is available.

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

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

• GRAP 107 Mergers	01 April 2023	Unlikely there will be a material impact
• GRAP 106 Transfer of Functions Between Entities Not Under Common Control	01 April 2023	Unlikely there will be a material impact
• GRAP 105 Transfer of Functions Between Entities Under Common Control	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	01 April 2019	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	01 April 2019	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	10 183 823	64 824 113
Short-term deposits	153 109 606	61 513 495
	163 293 429	126 337 608

Cash at the banks earns interest at floating rates based on daily bank deposit rate.

Short-term deposits are made for varying periods, depending on the immediate cash requirements earn interest at the respective short-term deposit rate.

The bank balance amounting to R30 647 055 include an amount of R4.4 million which must be used for infrastructure projects.

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3. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
Standard bank Current Account - 043108520	17 221 978	65 571 848	46 576 366	10 183 823	64 279 844	46 576 366
ABSA Current -5 20000100	-	278 427	264 872	-	278 427	264 872
ABSA HIV - 9209269959	-	1 367	1 395	-	1 367	1 395
ABSA Savings -9 070399717	-	264 566	245 066	-	264 566	245 066
ABSA - 2067390363	18 087 390	16 470 797	15 218 700	18 087 390	16 470 797	15 218 700
Nedbank - 7288009165	983 890	909 658	841 458	972 694	909 658	841 458
Standard bank -7 28670534/006	-	16 366 066	15 040 620	-	16 366 066	15 040 620
Standard bank -7 28670534/008	49 419 030	9 592 630	8 813 914	49 419 030	9 592 630	8 813 914
Standard bank -7 28670534/010	30 647 055	18 168 978	16 697 885	30 647 416	18 168 978	16 697 885
Standard bank -7 28670534/011	53 983 074	-	-	53 983 074	-	-
Total	170 342 417	127 624 337	103 700 276	163 293 427	126 332 333	103 700 276

Primary bank account

	Cash book	Bank Statement	Difference
Standard bank Current Account - 043108520	10 183 290	(17 221 978)	(7 038 688)

Unreconciled amount of R7 038 688 did not go through the bank as 30 June 2025. A reconciling list is available for inspection of the difference between the cashbook balance and bank statement.

4. Receivables from exchange transactions

Accrued interest	386 377	815 760
Recoverable - private phone calls	(34 151)	14 001
Prepaid expenses	-	2 273 667
	352 226	3 103 428
Total receivables from exchange transactions	352 226	3 103 428

Prepaid expense is as a result of advance payment made to the attorneys as surety. The amount was repaid during the financial year

Trade and other receivables pledged as security

None of the trade and other receivables were pledged as security

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

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4. Receivables from exchange transactions (continued)

Trade and other receivables past due but not impaired

The municipality considers receivables from exchange transactions in default when contractual payments are 90 days past due. However, in certain cases, the municipality may also consider receivable from exchange transaction to be in default when internal or external information indicates that the municipality is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held. A receivable from exchange transaction is written off when there is no reasonable expectation of recovering the contractual cash flows. At 30 June 2025, receivables of R352 226 (2024: R2 515 214) were past due but not impaired.

1 month past due	352 226	269 275
2 months past due	-	318 938
3 months past due	-	2 515 214
	352 226	3 103 427

5. Receivables from non-exchange transactions

Other receivables	1 514 106	257 300
Other sundry receivables	1 757 746	2 437 833
Accrued Income -Grants	950	950
	3 272 802	2 696 083

Statutory receivables general information

Receivables from non-exchange transactions pledged as security

None of the receivables from non-exchange transactions are pledged as security.

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Receivables from non-exchange transactions past due but not impaired

The municipality considers receivables from non-exchange transactions in default when contractual payments are 90 days past due. However, in certain cases, the municipality may also consider receivable from non-exchange transaction to be in default when internal or external information indicates that the municipality is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held. A receivable from non-exchange transaction is written off when there is no reasonable expectation of recovering the contractual cash flows.

At 30 June 2025, receivables from non-exchange of R3 272 802 (2024: R2 696 083) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	1 626 199	2 069 389
3 months past due	1 646 603	626 694
	3 272 802	2 696 083

6. VAT receivable

VAT Control	258 894	287 518
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Transaction(s) arising from statute

VAT - VAT is received and paid as required per the Value Added Tax Act No 89 of 1991 (VAT Act).

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6. VAT receivable (continued)

Determination of transaction amount

VAT - VAT is applied to all relevant goods or services as stated in the Vat Act and the amount thereof is determined in terms of the Vat Act.

Interest or other charges levied/charged

VAT - VAT is submitted and paid on a monthly basis thus no interest is charged on outstanding VAT amounts

Basis used to assess and test whether a statutory receivable is impaired

VAT receivable from SARS is not impaired as the South African Revenue Services has sufficient funds to pay any outstanding amounts.

Discount rate applied to the estimated future cash flows

No discount rate is applied on the above mentioned statutory receivables to estimate future cash flows

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7. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	2 650 000	-	2 650 000	2 650 000	-	2 650 000
Buildings	24 267 500	(1 081 144)	23 186 356	24 267 499	(520 983)	23 746 516
Machinery and equipment	2 949 919	(2 705 503)	244 416	3 336 707	(3 064 019)	272 688
Furniture and office equipment	7 618 131	(6 833 083)	785 048	8 140 984	(7 400 839)	740 145
Motor vehicles	16 412 643	(12 213 114)	4 199 529	16 501 695	(12 892 189)	3 609 506
Computer equipment	8 872 104	(7 323 357)	1 548 747	7 648 375	(6 231 871)	1 416 504
Infrastructure	1 031 153	(647 303)	383 850	106 563 678	(63 297 244)	43 266 434
Work of Art and Paintings	39 732	-	39 732	39 732	-	39 732
Leased assets	1 212 820	(1 021 450)	191 370	1 212 820	(653 807)	559 013
Total	65 054 002	(31 824 954)	33 229 048	170 361 490	(94 060 952)	76 300 538

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7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	2 650 000	-	-	-	-	2 650 000
Buildings	23 746 516	-	-	(560 160)	-	23 186 356
Machinery and equipment	272 688	74 292	(43 047)	(59 517)	-	244 416
Furniture and office equipment	740 145	217 887	(5 283)	(173 070)	5 369	785 048
Motor vehicles	3 609 506	1 153 323	(9 748)	(553 552)	-	4 199 529
Computer equipment	1 416 504	592 791	(82 642)	(431 435)	53 529	1 548 747
Infrastructure	43 266 434	-	(40 660 973)	(2 165 851)	(55 760)	383 850
Work of Art and Paintings	39 732	-	-	-	-	39 732
Leased assets	559 013	-	-	(367 643)	-	191 370
	76 300 538	2 038 293	(40 801 693)	(4 311 228)	3 138	33 229 048

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7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Depreciation	Impairment loss	Impairment reversal	Total
Land	2 650 000	-	-	-	-	2 650 000
Buildings	24 260 709	-	(514 193)	-	-	23 746 516
Machinery and equipment	456 008	6 078	(195 138)	5 740	-	272 688
Furniture and office equipment	989 103	205 125	(470 721)	16 638	-	740 145
Motor vehicles	3 651 990	1 102 132	(975 590)	(169 026)	-	3 609 506
Computer equipment	1 591 876	483 757	(724 226)	65 097	-	1 416 504
Infrastructure	46 911 173	-	(3 013 961)	(630 778)	-	43 266 434
Work of Art and Paintings	39 732	-	-	-	-	39 732
Leased assets	777 663	-	(405 013)	-	186 363	559 013
	81 328 254	1 797 092	(6 298 842)	(712 329)	186 363	76 300 538

Reconciliation of Assets to Ngwathe Local Municipality

Fezile Dabi Stadium Transferred	Carrying Value 40 660 973
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Municipality derecognised the Fezile Dabi stadium during the financial year. The stadium was transferred to Ngwathe Local Municipality

Pledged as security

No assets of the municipality were pledged as security.

Borrowing costs capitalised

Assets subject to finance lease (Net carrying amount)

Leased assets	191 370	559 013
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Notes to the Annual Financial Statements

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7. Property, plant and equipment (continued)

Revaluations

Land and buildings are re-valued independently every 5 years. Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. The following properties were revalued:

The municipality's land and buildings were revalued using the Depreciated Replacement Cost (DRC) method of valuation. DRC is a method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation.

Revaluation of land and building was performed by an independent valuer, Kgolofelo Property Services CC. The effective date of the revaluation was 30 July 2023

Portion 2 of Erf 8 Sasolburg and
Portion 1 of Erf 49 Sasolburg
Weltevreden settlement agricultural holding 78, off R82.

Details of properties

Portion 1 of Erf 49 Sasolburg

Terms and conditions		
- Purchase price: 1 December 2008	11 200 000	11 200 000
- Additions since purchase or valuation	1 100 000	1 100 000
	12 300 000	12 300 000

Portion 2 of Erf 8 Sasolburg

Terms and conditions		
- Purchase price: 1 December 2008	13 050 000	13 050 000
- Additions since purchase or valuation	1 450 000	1 450 000
	14 500 000	14 500 000

Expenditure incurred to repair and maintain property, plant and equipment

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

Buildings	251 613	153 310
Furniture & office equipment	383 512	218 595
Motor vehicles	347 175	645 132
IT equipment	16 000	8 110
	998 300	1 025 147

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

Change in estimate

A change in the estimated useful life of various assets of the municipality has resulted in the following decreases (increases) in depreciation for the mentioned asset categories for the financial year:

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7. Property, plant and equipment (continued)

Property, plant and equipment

Computer equipment	285 447	-
Furniture and office equipment	328 595	-
Machinery and equipment	109 916	-
Motor vehicles	455 758	-
Land, buildings and community assets	14 945	-
	1 194 661	-

The change in estimate effect amount relating to future periods is not disclosed, as it is impracticable to do so. (GRAP 3.42)

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8. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	3 283 742	(2 698 094)	585 648	3 283 742	(2 566 101)	717 641

Reconciliation of intangible assets - 2025

	Opening balance	Amortisation	Total
Computer software, other	717 641	(131 993)	585 648

Reconciliation of intangible assets - 2024

	Opening balance	Disposals	Amortisation	Impairment reversal	Total
Computer software, other	996 466	(2 080)	(296 964)	20 219	717 641

Change in estimate

The change in estimate effect amount relating to future periods is not disclosed, as it is impracticable to do so. (GRAP 3.42)

Intangible assets	164 966	-
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The change in estimate effect amount relating to future periods is not disclosed, as it is impracticable to do so. (GRAP 3.42)

Fezile Dabi District Municipality

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Annual Financial Statements for the year ended 30 June 2025

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9. Payables from exchange transactions		
Trade payables	982 977	3 357 659
Retentions	1 873 605	80 149
	2 856 582	3 437 808
10. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
MIG Mafube - Construction Contract	4 427 568	6 531 846
EPWP Grant	506	30 369
	4 428 074	6 562 215
Movement during the year		
Balance at the beginning of the year	6 562 215	1 678 050
Additions during the year	28 834 000	15 698 000
Income recognition during the year	(30 500 189)	(9 135 785)
Money withheld/paid	(467 952)	(1 678 050)
	4 428 074	6 562 215

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

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

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

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

30 June 2025

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10. Unspent conditional grants and receipts (continued)

Mafube MIG - Construction Contract	Municipal Infrastructure Grant	Total
Opening balance at the beginning of the year	6 531 846	6 531 846
Add: Receipts/Additions during the year	24 203 000	24 203 000
Less: Income recognition during the year	(25 869 327)	(25 869 327)
Money withheld/ paid	(438 000)	(438 000)
	4 427 519	4 427 519

Operating grant	Expanded Public Works Programme	Rural Roads Assets Management Systems Grant	Financial Management Grant	Total
Opening balance at the beginning of the year	30 369	-	-	30 369
Add: Receipts/Additions during the year	1 200 000	2 131 000	1 300 000	4 631 000
Less: Income recognition during the year	(1 199 863)	(2 131 000)	(1 300 000)	(4 630 863)
Money withheld/ paid	(30 000)	-	-	(30 000)
	506	-	-	506

30 June 2024

Mafube MIG - Construction Contract	Municipal Infrastructure Grant	Total
Add: Receipts/Addition during the year	10 951 000	10 951 000
Less: Income recognition during the year	(4 419 154)	(4 419 154)
	6 531 846	6 531 846

Operational grants	Expanded Public Works Programme	Energy Efficiency & Demand Side Management Grant	Rural Roads Assets Management Systems Grant	Financial Management Grant	Total
Opening balance at the beginning of the year	249 722	719 230	-	709 098	1 678 050
Add: Receipts/Additions during the year	1 097 000	-	2 350 000	1 300 000	4 747 000
Less: Income recognition during the year	(1 066 631)	-	(2 350 000)	(1 300 000)	(4 716 631)
Money withheld/ paid	(249 722)	(719 230)	-	(709 098)	(1 678 050)
	30 369	-	-	-	30 369

Mafube MIG - Construction Contract:

During 2023/24 financial year Mafube Local Municipality MIG funds were regazetted under Fezile Dabi District Municipality in terms of the Directive of the Minister of Finance. The purpose of the funds was for Fezile Dabi District Municipality to continue with the implementation of various capital projects in Mafube Local Municipality that were already under implementation prior to regazetting of funds. As at 30 June 2025 R4 428 074 (2024: R6 531 846) was unspent.

Rural Roads Asset Management System Grant (RRAMSG):

The purpose of RRAMS Grant is to conduct assessment and feasibility of roads in the region and then data is forwarded to the province in a form of report. As at 30 June 2025 Rnil (2024: Rnil) was unspent.

Financial Management Grant (FMG):

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10. Unspent conditional grants and receipts (continued)

The purpose of the FMG is to promote and support municipal financial management reforms and assist municipalities with the implementation of the MFMA. As at 30 June 2025 Rnil (2024: Rnil) was unspent.

Expanded Public Work Programme

EPWP is a conditional grant allocated to eligible public bodies to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximised. As at 30 June 2025 R506 (2024: R30 369) was unspent.

11. Finance lease obligation

Minimum lease payments due

- within one year	239 100	478 200
- in second to fifth year inclusive	-	239 100
	239 100	717 300
less: future finance charges	(7 653)	(60 080)
Present value of minimum lease payments	231 447	657 220

Present value of minimum lease payments due

- within one year	231 447	425 773
- in second to fifth year inclusive	-	231 447
	231 447	657 220

Non-current liabilities	-	231 444
Current liabilities	231 445	425 773
	231 445	657 217

It is municipal policy to lease office printing equipment and communication gadgets under finance leases. The average lease term is 3 years respectively and the municipality's average effective borrowing rate was 11.25% (2024:11.25%). Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. The lease is not subject to automatic renewal or purchase options and is not subject to escalation for the duration of the lease term.

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12. Employee benefit obligations

Defined benefit plans - General information

Defined benefit plan

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

- In service members will receive a post-employment medical aid subsidy of 60% of their contribution, capped at a maximum of R5,791.15 per member, per month. This applies from July 1, 2025, to June 30, 2026.
- All continuation members and their eligible dependents, with one exception, will continue to receive the same 60% subsidy, capped at R5,791.15 per member, per month, for the same period.
- One pensioner, who has a pre-existing agreement with the municipality, receives a 70% monthly subsidy. This member's subsidy is not subject to a maximum cap.

Upon a member's death in service, surviving dependents are entitled to begin receiving the same post-employment subsidy.

Upon a member's death in retirement, surviving dependents are entitled to continue receiving the same subsidy.

The obligation in respect of medical care contributions for retirement benefits is valued every year by independent qualified actuary.

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible retirees and retired employees of the municipality by One Pangaea as at 30 June 2025

Post retirement benefit plan

The post retirement medical plan is a defined benefit plan, of which the members are made up as follows:

	Average age 30 June 2025	Average employer monthly subsidy 30 June 25
Active employees	46,37 years	3 990,63
Continuation Members (Pensioners)	71,23 years	4 873,78

The municipality make monthly contributions for health care arrangements to the following medical aid schemes.

- Bonitas medical scheme
- Hosmed medical scheme
- KeyHealth medical scheme
- LA Health medical scheme
- Samwumed medical scheme

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

Carrying value

Opening balance	(16 560 000)	(15 469 000)
Current service cost	(887 000)	(729 000)
Interest cost	(2 110 000)	(1 987 000)
Benefits paid	715 208	635 712
Actuarial gain/losses	892 954	989 288
	(17 948 838)	(16 560 000)

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12. Employee benefit obligations (continued)

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

Service cost	887 000	729 000
- Current service cost	887 000	729 000
Interest cost	2 110 000	1 987 000
Remeasurements of the net defined benefit liability (asset)	(892 954)	(989 288)
- Actuarial gains and losses arising from:	(892 954)	(989 288)
- Other [Specify]	(892 954)	(989 288)
Benefits paid	(715 208)	(635 712)
	1 388 838	1 091 000

Financial assumptions used

Assumptions used at the reporting date:

Discount rates used	11,96%
Expected rate of return on assets	5,89%
Health care cost inflation	6,89%
Net discount rate	4,74%
Medical cost trend rates	

Demographic Assumptions

	Active employees	Pensioners
Normal retirement age	65	-
Fully accrued age. This is the average age of retirement, taking into account early retirement and ill-health decrements.	63	-
Employment age used for past service period	Actual service entry ages	Actual service entry ages
Age difference between spouses. We have assumed that the male spouse is older.	5 years	5 years
Proportion married	90% assumed married at retirement	Actual marital status
Mortality	SA85-90 (Normal)	PA (90)
Continuation percentage of post-employment medical aid subsidies at retirement for active members.	100%	N/A

The Accounting Standards Board revised GRAP 25 effectively from 1 April 2024. The revised GRAP 25 was used as a basis for the actuarial valuation.

GRAP25 states that the current service cost should be recognised as a periodic expense in operating profit and should be matched to the benefit received during the working life of the employee.

The Projected Unit Credit Method have applied to determine the liabilities. The projected liability is based on actuarial assumptions about the future. These assumptions are set to be realistic and individually justifiable. However, the experience of the beneficiaries of Fezile Dabi will vary from these assumptions. These variations emerge at each valuation as actuarial gains or losses.

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12. Employee benefit obligations (continued)

Sensitivity analysis

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

1% increase/decrease in the assumed rate of health care cost inflation

Assumed health care cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed health care cost trends rates would have the following effects:

Healthcare Cost Inflation	-1 % decrease	Valuation Assumption	+1 % increase
Total Accrued Liability	15 736 931	17 948 838	20 628 478
Service Cost	850 409	1 023 595	1 239 770
Net Interest Expense	1 832 270	2 096 578	2 416 828

We have illustrated the effect of higher and lower withdrawal rates by increasing and decreasing the discount rate by 1%. The effect is as follows:

Discount rate	-1% decrease	Valuation Assumption	+1% increase
Effect on the accrued liability	20 481 199	17 948 838	15 880 154
Effect on service cost	1 219 781	1 023 595	866 623
Effect on interest cost	2 198 824	2 096 578	2 003 778
Opening balance		16 560 000	15 868 000
Net (Increase)/decrease		1 388 838	692 000
		17 948 838	16 560 000
Provision for Current		867 692	692 000
Provision for Non- Current		17 111 146	15 868 000
		17 978 838	16 560 000

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12. Employee benefit obligations (continued)

Defined benefit plan

Only three employees of the municipality belong to defined benefit of the Free State Municipal Pension Fund and this governed by the Pension Fund Act of 1956.

Long service awards

An actuarial valuation of the municipality's liability in respect of benefits to eligible employees of the municipality was performed by One Pangaea Expertise and Solutions as at 30 June 2025. The provision is utilised when eligible employees of the municipality receive the value of the vested benefit. The actuarial valuation was performed in line with the requirements of GRAP 25.

	2025	2024
Number of active employees	134	142

	2025	2024
Average annual salary (R)	481 237	456 097

	2025	2024
Average age (years)	46	47

	2025	2024
Average past service (years)	12	13

Amounts recognised in the statement of financial position are as follows:

Opening balance	(14 343 000)	(15 824 000)
Net (Increase)/decrease	(991 774)	1 481 000
	(15 334 774)	(14 343 000)

Amounts recognised in the statement of financial position are as follows:

Current service cost	1 411 000	1 498 000
Interest cost	1 578 000	1 838 000
Actuarial gains/(losses)	(731 430)	(2 355 000)
Benefits paid	(1 265 796)	(2 462 000)
	991 774	(1 481 000)

Financial assumptions used

Discount rate	8,97%
Future CPI expectation	3,42%
Salary increase rate	4,42%
Net discount rate	4,35%

Promotional Earnings Scale

20 - 24
25 - 29
30 - 34
35 - 39

Additional promotional scale

5%
4%
3%
2%

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12. Employee benefit obligations (continued)

40 - 44	1%
45 +	0%

Demographics Assumptions

	2025	2024
Normal retirement age (years)	65	65
Average retirement age (years)	63	63
Mortality	SA85-90*	SA85-90*

Sensitivity analysis

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

1% increase/decrease in the Normal Salary cost inflation

We have illustrated the effect of higher and lower withdrawal rates by increasing and decreasing the withdrawal rates by 1%. The effect is as follows:

Discount Rate	1% decrease	Valuation Assumption	+1% increase
Total Accrued Liability	16 171 875	15 334 774	14 576 412
Current Service Cost	1 536 157	1 455 602	1 382 749
Interest Cost	1 217 125	1 295 126	1 364 297

We have tested the effect of a 1% p.a. change in the Normal Salary inflation assumption. The effect is as follows:

Salary Increase Rate	-1% decrease	Valuation Assumption	+1% increase
Total Accrued Liability	14 537 791	15 334 774	16 201 511
Current Service Cost	1 379 042	1 455 602	1 539 011
Interest Cost	1 223 976	1 295 126	1 372 533

Average Retirement Age	61 years	Valuation Basis	65 years
Total Accrued Liability	14 202 992	15 334 774	16 629 054
Current Service Cost	1 349 937	1 455 602	1 550 534
Interest Cost	1 194 433	1 295 126	1 406 435

Provision for long-service awards: Non-current portion	13 550 022	13 457 000
Provision for long-service awards: Current portion	1 784 752	886 000
	15 334 774	14 343 000

Defined benefit plan

Only three employees of the municipality belong to defined benefit of the Free State Municipal Pension Fund and this governed by the Pension Fund Act of 1956.

Other short-term employee benefits

Other short-term employee benefits obligation consists of:

Accrued Leave	10 395 347	8 797 036
Accrued Bonus	3 453 580	3 496 005
	13 848 927	12 293 041

The annual leave accumulates (vesting) as an employee is in service of Fezile Dabi District Municipality and when the employee leaves the employment the unused annual leave is paid out.

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13. Revaluation reserve		
The reserve is non-distributable reserve.		
Opening balance	12 050 865	12 311 470
Change during the year	(283 944)	(260 605)
	11 766 921	12 050 865
14. Other income		
Tender Documents Sales	24 098	30 870
Recoveries from staff	537 154	246 061
Insurance refund	15 878	-
Skills Development Levy	197 379	200 963
Third Party Refunds	70 585	241 177
Management Fees	170 000	57 091
Proceed from auction	105 500	-
	1 120 594	776 162
15. Investment revenue		
Interest revenue		
Bank	15 348 793	11 045 014
16. Government grants & subsidies		
Operating grants		
Equitable share	177 399 000	173 824 000
Rural Roads Asset Management Systems Grant	2 131 000	2 350 000
Financial Management Grant	1 300 000	1 300 000
Expanded Public Works Programme	1 199 863	1 066 631
	182 029 863	178 540 631
17. Employee related costs		
Basic	74 562 894	74 399 561
EPWP Salaries	950 700	875 710
Bonus	5 614 097	5 997 610
Medical aid - company contributions	7 317 793	6 513 771
UIF	333 195	357 643
Leave pay provision charge	2 082 238	622 116
Overtime payments	456 672	1 076 663
Long-service awards	1 411 000	2 227 000
Acting allowances	-	279 193
Car allowance	14 857 726	15 627 356
Housing benefits and allowances	772 175	783 425
Shift Allowance	1 449 633	1 182 087
Group life insurance	73 394	67 616
Cellphone Allowance	14 400	-
Pension Fund Contribution	13 001 390	13 064 727
	122 897 307	123 074 478
Municipal Manager		

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17. Employee related costs (continued)

Remuneration of Municipal Manager Mr S Thomas

Basic Salary	1 241 140	1 343 893
Car/ Travel Allowance	420 000	420 000
Contribution to UIF	2 125	2 125
Contribution to Medical Aid	38 473	45 418
Contribution to Pension Fund	223 405	217 800
	1 925 143	2 029 236

Chief Financial Officer

Remuneration of Chief Financial Officer: Mr A Mgcina

Basic Salary	1 299 898	440 438
Car/ Travel Allowance	272 359	158 876
Contribution to UIF	2 125	1 240
Contribution to Pension Fund	173 359	-
Back pay salary	475 547	-
	2 223 288	600 554

Remuneration of Acting Chief Financial Officer: Ms M Choshane (From February 2023 to November 2023)

Basic Salary	-	371 490
Car/ Travel Allowance	-	181 381
Contribution to UIF	-	886
Contribution to Medical Aid	-	26 387
Contribution to Pension Fund	-	67 128
Acting Allowance	-	308 522
Annual Bonus	-	74 298
	-	1 030 092

Corporate Services

Remuneration of Director - Corporate Services: Ms GD Ramaboea

Basic Salary	1 296 812	484 611
Car/ Travel Allowance	276 000	207 000
Contribution to UIF	2 125	1 594
Contribution to Pension Fund	172 774	75 798
Back pay salary	575 149	-
	2 322 860	769 003

Remuneration of Acting Director - Corporate Services: Mr T Motshoikha (From May 2023 to September 2023)

Basic Salary	-	222 894
Car/ Travel Allowance	-	108 051
Contribution to UIF	-	531
Contribution to Medical Aid	-	13 894
Contribution to Pension Fund	-	40 277
Acting Allowance	-	220 591
	-	606 238

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17. Employee related costs (continued)

Local Economic Development and Tourism

Remuneration of Director - Local Economic Development and Tourism: Ms M Letebele

Basic Salary	933 827	876 444
Car/ Travel Allowance	532 181	443 484
Contribution to UIF	2 125	1 771
Contribution to Pension Fund	190 022	158 352
	1 658 155	1 480 051

Remuneration of Acting Director - Local Economic Development and Tourism: D Maree (From May 2023 to August 2023)

Basic Salary	-	128 844
Car/ Travel Allowance	-	63 951
Contribution to UIF	-	354
Contribution to Medical Aid	-	10 555
Contribution to Pension Fund	-	23 282
Acting Allowance	-	166 812
	-	393 798

Environmental Health and Emergency Services

Remuneration of Director - Environmental Health and Emergency Services: Mrs GPM Phoofole (From September 2023 to June 2024)

Basic Salary	1 068 182	908 530
Car/ Travel Allowance	532 181	443 484
Contribution to UIF	2 125	1 771
Contribution to Medical Aid	11 764	-
Contribution to Pension Fund	185 029	126 266
	1 799 281	1 480 051

Remuneration of Acting Director - Environmental Health and Emergency Services: Mr M Mathibe (May 2023 to August 2023)

Basic Salary	-	148 596
Car/ Travel Allowance	-	72 321
Contribution to UIF	-	354
Contribution to Medical Aid	-	6 596
Contribution to Pension Fund	-	26 851
Acting Allowance	-	147 061
Annual Bonus	-	74 298
	-	476 077

18. Remuneration of councillors

Executive Major	1 080 787	998 851
Seconded Councillors	462 138	363 429
Mayoral Committee Members	2 964 135	2 545 228
Speaker	501 714	462 090
Councillors	3 663 346	3 558 903
	8 672 120	7 928 501

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Figures in Rand	2025	2024
18. Remuneration of councillors (continued)		
In-kind benefits		
The Executive Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor and Speaker each have the use of separate Council owned vehicles for official duties.		
Executive Mayor Cllr. D Khasudi		
Basic Salary	1 037 587	955 651
Cellphone Allowance	43 200	43 200
	1 080 787	998 851
Speaker Cllr. S Pittaway		
Basic Salary	501 714	462 090
Cllr. SM Matwa - MMC Coporate Services		
Basic Salary	630 763	574 205
Car Allowance	148 105	142 533
Cellphone Allowance	43 200	43 200
	822 068	759 938
Cllr. Makhema - MMC: Finance (From August 2023 to June 2024)		
Basic Salary	363 812	288 622
Car Allowance	85 631	69 065
	449 443	357 687
Cllr. T Mofokeng - MMC: Finance (Until July 2023)		
Basic Salary	-	15 759
Car Allowance	-	3 940
	-	19 699
Cllr. C Serfontein - MMC: Environmental Health, Emergency and Public Safety		
Basic Salary	364 874	339 712
Car Allowance	85 631	74 598
	450 505	414 310
Cllr. ND Muller - MMC: Community		
Basic Salary	364 875	339 712
Car Allowance	85 631	74 598
	450 506	414 310
Cllr. NP Mokodutlo -MPAC Chairperson (From November 2023 to June 2024)		
Basic Salary	748 412	459 665
Cellphone Allowance	43 200	33 600
	791 612	493 265
Cllr. A Motaung - MPAC Chairperson (Until October 2023)		
Basic Salary	-	66 835
Car Allowance	-	19 184

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18. Remuneration of councillors (continued)		
	-	86 019
Part time Councillors		
Cllrs: PMM Modikoe, ML Makhanda, MM Green, AN Radebe, MA Radebe, LL Moalusi, MJ Mochela, GS Malherbe, NE Masiteng, Cllr MN Mnaba		
Basic Salary	3 227 747	2 830 263
Car Allowance	-	292 109
Cellphone Allowance	435 600	436 530
	3 663 347	3 558 902
Seconded Councillors		
Cllrs: WB Gumede, A Tsotetsi, TL Soetsang, LL Nhlapo, LA Makhefu, MJ Ramoolla, MA Khotle, RD Tau, DJ Serapela, IM Magashule, SL Moseme, K Khumalo, ME Sefako, TD Thulo, TA Motaung (25/05/2025 to 30/06/2025)		
Basic Salary	462 138	363 429
19. Depreciation and amortisation		
Property, plant and equipment	4 311 228	6 298 842
Intangible assets	131 993	296 963
	4 443 221	6 595 805
20. Finance costs		
Finance leases	52 427	97 531
Post retirement benefit	3 688 000	3 825 000
	3 740 427	3 922 531
21. Contracted services		
Presented previously		
Consultants	2 482 681	1 221 204
Legal fees	2 259 447	1 838 919
Rural roads asset management service	1 760 391	1 941 304
	6 502 519	5 001 427
22. Impairment loss		
Impairments		
Property, plant and equipment	(48 426)	272 688
Reversal of impairments		
Property, plant and equipment	-	(430 900)
Total impairment losses (recognised) reversed	(48 426)	(158 212)

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Figures in Rand	2025	2024
23. General expenses		
Accommodation	699 872	835 412
Advertising	674 953	325 443
Auditors remuneration	5 829 865	5 321 732
Bank charges	82 110	76 315
Cleaning	416 938	386 802
Car hire	18 123	368 331
Remuneration of Sec.79 Committee Members	107 864	109 930
Donations	882 058	1 236 024
Cellphone costs	1 143 922	1 263 871
Hire	12 010	29 313
Insurance	534 241	875 218
Conferences and seminars	66 282	116 823
Sports and recreation	-	27 888
IT expenses	314 600	416 073
Vehicle tracking	43 213	24 680
Motor vehicle licenses and registration	37 553	21 904
Toll-gate fees	44 635	52 709
Postage and courier	2 183	1 235
Printing and stationery	704 529	550 115
Protective clothing	509 450	378 585
Public campaigns & awareness expenses	-	6 522
Stage and sounds	14 650	56 500
Security (Guarding of municipal property)	17 497	17 408
Software expenses	1 475 278	1 021 119
Subscriptions and membership fees	1 540 302	1 336 945
Telephone and fax	374 445	437 372
Transport and freight	123 476	57 550
Training	87 283	185 660
Travel and subsistence allowance	2 217 786	1 821 503
Workmens compensation fund	518 381	488 442
Staff recruitment costs	81 646	217 039
Municipal services	1 419 636	1 389 752
Catering services	938 295	1 011 347
Bursaries non-employees	34 680	398 098
Employee wellness	66 098	40 433
Sampling and specimens	-	29 987
SDL	989 235	1 014 859
Bursaries employees	227 825	201 596
Rental premises	-	53 287
Air travel	90 571	89 363
Resettlement costs	-	29 500
	22 341 485	22 322 685

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Figures in Rand	2025	2024
24. Cash generated from operations		
(Deficit) surplus	(8 723 767)	21 893 824
Adjustments for:		
Depreciation and amortisation	4 443 221	6 595 805
Loss on derecognition of assets and liabilities	40 798 281	2 081
Impairment reversals	(48 426)	(158 212)
Movements in retirement benefit assets and liabilities	3 936 498	(681 766)
Other non-cash items	(522 361)	1 109 725
Changes in working capital:		
Receivables from exchange transactions	2 751 202	(218 932)
Other receivables from non-exchange transactions	(576 719)	(2 375 560)
Payables from exchange transactions	(581 226)	(6 315 629)
VAT	28 624	(584 724)
Unspent conditional grants and receipts	(2 134 103)	4 884 165
	39 371 224	24 150 777

25. Financial instruments disclosure

Fair value of financial instruments

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

Statement of changes in net assets

Financial assets

	Carrying amount	Amortised cost
Trade and other receivables from exchange transactions	352 226	352 226
Receivables from non-exchange transactions	3 272 802	3 272 802
Cash and cash equivalents	163 293 429	163 293 429
	166 918 457	166 918 457

Financial liabilities

	Carrying amount	Amortised cost
Trade and other payables from exchange transactions	2 856 602	2 856 602
Finance lease obligation	231 445	231 445
	3 088 047	3 088 047

2024

Financial assets

	Carrying amount	Amortised cost
Trade and other receivables from exchange transactions	3 103 428	3 103 428
Other receivables from non-exchange transactions	2 416 890	2 416 890
Cash and cash equivalents	126 337 608	126 337 608
	131 857 926	131 857 926

Financial liabilities

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Notes to the Annual Financial Statements

Figures in Rand	2025	2024
25. Financial instruments disclosure (continued)		
	Carrying amount	Amortised cost
Trade and other payables from exchange transactions	3 437 808	3 437 808
Finance lease Obligation	657 220	657 220
	4 095 028	4 095 028
26. Commitments		
This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	24 667 755	-
Authorised operational expenditure		
Already contracted for but not provided for		
• Implementation of the RRAMS	3 025 694	5 341 340
• Multi-functioning printing devices (Photocopy Machines)	274 966	896 626
	3 300 660	6 237 966
Total operational commitments		
Already contracted for but not provided for	3 300 660	6 237 966
Total commitments		
Total commitments		
Authorised capital expenditure	24 667 755	-
Authorised operational expenditure	3 300 660	6 237 966
	27 968 415	6 237 966

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27. Contingencies

The municipality have the following contingent liabilities :

FDDM / Sibanda Senzo	10 575 118	9 500 000
FDDM//T Mdakane	2 145 434	-
T. Mabunda // FDDM	1 215 563	-
T. Lengoabala // FDDM	201 868	-
FDDM / SAMWU obo P Setseli - Labour case	-	10 000 000
FDDM / Noge Attorney	-	866 828
	14 137 983	20 366 828

Litigation is the process against the municipality relating to various matters as detailed below with a potential liability of R14 137 983 (2024: R20 366 828) as detailed above. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as likely and as such the litigation is proceeded with.

Details are as follows:

1. Senzo Sibanda//FDDM

Senzo Sibanda issued a claim against the Municipality in the amount of R10 575 000.00. Sibanda avers that the Municipality had a legal duty to maintain the relevant road on which the Plaintiff was in an accident.

2.FDDM//T Mdakane (Case Nr. JR5851/2021)

Self-review on the appointment of the Chief Internal Auditor

3.T. Mabunda//FDDM (Case Nr. JR293/2024)

Review of dismissal application by former employee for reinstatement.

4 T. Lengoabala//FDDM Case Nr 2025/093614)

Application to the Labour Court for monies allegedly owed by the municipality in accordance with a labour dispute.

Cases not disclosed under contingent liabilities

1 Elgin Femele // FDDM

Review application in labour disputed arbitrated before the SALGBC. Review of employment related decision.

Contingent assets

The municipality have the following contingent assets:

FDDM // A.M Mini Case number: 1836/2021	153 652	120 000
FDDM//G. Mashiyi Case number:1835/2021	171 379	143 262
FDDM // M A Olifant Case Number: 504/2021	7 497 626	5 857 521
FDDM // LM Molibeli	1 834 339	-
FDDM // JM Taetsane	1 296 197	-
FDDM // S Motingoe	1 524 948	-
FDDM // NP Mdaka	1 295 999	-
FDDM // N Baleni	1 524 766	-
FDDM // M Moabelo	574 079	-
FDDM // T Motshoikha	297 857	-
	16 170 842	6 120 783

1. FDDM // A.M Mini (Case number: 1836/2021)

MFMA Section 32 Recovery from the respondent parties for irregular expenditure.

2. FDDM // G. Mashiyi (Case number: 1835/2021)

MFMA Section 32 Recovery from the respondent parties for irregular expenditure.

3. FDDM // M A Olifant (Case Number: 504/2021)

MFMA Section 32 Recovery from the respondent parties for irregular expenditure.

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2025

2024

27. Contingencies (continued)

4. FDDM // FDDM // LM Molibeli
Recovery in terms of salary overpayments amde whilst in the employ of the municipality
5. FDDM // JM Taetsane
Recovery in terms of salary overpayments amde whilst in the employ of the municipality
6. FDDM // S Motingoe
Recovery in terms of salary overpayments amde whilst in the employ of the municipality
7. FDDM // NP Mdaka
Recovery in terms of salary overpayments amde whilst in the employ of the municipality
8. FDDM // N Baleni
Recovery in terms of salary overpayments amde whilst in the employ of the municipality
9. FDDM // M Moabelo
Recovery in terms of salary overpayments amde whilst in the employ of the municipality
10. FDDM // T Motshoikha
Recovery in terms of salary overpayments amde whilst in the employ of the municipality

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28. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' report note 6
Executive Council Members	Refer to note 18
Members of Key Management	Refer to note 17

There were related party transaction for 2024/25 financial year. Amount included in receivable from non-exchange regarding related parties

Acting Allowances

Mrs SM Letebele	317 654.14
Mr DA Maree	267 517.65
Mr AS Van Zyl	348 339.97
Mr MJ Mathibe	225 113.67
Overpayment of Directors	
Mr SJ Thomas	220 277.78
Mrs GPM Phoofolo	55 148.20
Mrs SM Letebele	55 148.20

Remuneration received by some of the directors exceeded the upper limits and the incorrect compensation of acting allowance.

Key managemet Acting Allowance	Opening balance	Repayment	Closing balance
Mr JP Reyneke	414 154	(414 154)	-
Mrs SM Letebele	414 154	(96 500)	317 654
Mr DA Maree	300 517	(33 000)	267 517
Mr AS Van Zyl	411 154	(62 815)	348 339
Mr MJ Mathibe	258 113	(33 000)	225 113
	1 798 092	(639 469)	1 158 623

Key management -Overpayment of Salary	Opening balance	Repayment	Closing Balance
Mr SJ Thomas	255 806	(35 529)	220 277
Mrs GPM Phoofolo	64 043	(8 895)	55 148
Mrs SM Letebele	64 043	(8 895)	55 148
	383 892	(53 319)	330 573

Compensation to accounting officer and other key management

Short-term employee benefits	596 758	-
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29. Prior-year adjustments

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

Statement of financial position

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2025

2024

29. Prior-year adjustments (continued)

2024

	Note	As previously reported	Correction of error	Restated
Receivables from non-exchange transactions	Error 1	2 159 590	536 493	2 696 083
Cash and cash equivalents	Error 2	126 332 245	5 364	126 337 609
Property, plant and equipment	Error 3	76 144 452	156 086	76 300 538
Payables from exchange transactions	Error 4	(15 473 549)	12 035 741	(3 437 808)
Employee benefit obligation	Error 4	(30 903 213)	(12 293 041)	(43 196 254)
Revaluation reserve	Error 5	(9 794 467)	(2 256 398)	(12 050 865)
Accumulated surplus	Error 6	(145 354 213)	1 815 755	(143 538 458)
		3 110 845	-	3 110 845

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Restated
Construction contracts - Mafube	Error 7	-	4 419 154	4 419 154
Interest received - investment	Error 2	11 039 650	5 364	11 045 014
Government grants & subsidies	Error 7	182 959 785	(4 419 154)	178 540 631
Employee related costs	Error 8	(123 808 486)	734 008	(123 074 478)
Depreciation and amortisation	Error 9	(9 616 291)	3 020 486	(6 595 805)
Impairment loss	Error 10	109 787	48 425	158 212
Construction contract expense	Error 11	-	(3 624 096)	(3 624 096)
Loss on salary overpayment	Error 8	-	(454 815)	(454 815)
Surplus for the year		60 684 445	(270 628)	60 413 817

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29. Prior-year adjustments (continued)			
Statement of changes in net assets			
	Note	As previously reported	Correction of error
Revaluation reserve			
Revaluation reserve realised		(2 517 003)	2 256 398
Accumulated Surplus			
	As previously reported	Correction of error	Restated
Surplus for the year	22 164 452	(829 015)	21 335 437
Prior year adjustment	-	711 271	711 271
	22 164 452	(117 744)	22 046 708
Note 28 Related Party Acting allowance			
	As previously reported	Correction of error	Restated
Mr DA Maree	-	300 517	300 517
Mr AS Van Zyl	-	411 154	411 154
Mr MJ Mathibe	-	258 113	258 113
	-	969 784	969 784
Note 28 Related Party Overpayment of salaries			
Mr SJ Thomas	-	255 806	255 806
Mrs GPM Phoofofo	-	64 043	64 043
Mrs SM Letebele	-	64 043	64 043
	-	383 892	383 892
Errors			
The following prior period errors adjustments occurred:			
Error 1			
An error occurred when calculating receivables from non-exchange (acting allowance) and that understated the total amount of receivables from exchange transaction. A correction was done accordingly resulting in the decrease of receivables from non-exchange transactions to the amount of (R536493) and the decrease of employee cost and payables from exchange with R279 193 and R257 300 respectively. Comparative figures have been restated as follows			
Statement of Financial Position			
Receivables from non-exchange transactions		-	536 493
Employee costs		-	(279 193)
Payables from exchange		-	(257 300)
		-	-

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29. Prior-year adjustments (continued)

Error 2

Cash and cash equivalents were understated. A correction was done accordingly resulting in the increase of cash and cash equivalent to the amount of (R5 364) and the increase of Accumulated surplus to the amount of (R 5 364). Comparative figures have been restated as follows

Statement of Financial Position

Cash and Cash equivalent	-	5 364
Accumulated Surplus	-	(5 364)
	-	-

Error 3

During the current financial year management identified new assets and were brought them in, building were depreciated over six years instead of fifty years and last taking out Mafube WIP out of assets. The net effect is the restated as follows

Statement of Financial Position

Property, plant and equipment	-	156 086
Accumulated Surplus	-	(156 086)
	-	-

Error 4

During the current financial year management embarked on a process of correcting classification of payable accounts by disclosing leave and bonuses under employee benefit. Comparative figures have been restated as follows

Statement of Financial Performance

Payable from exchange transactions	-	12 293 041
Employee benefit obligation	-	(12 293 041)
	-	-

Error 5

During the current financial year management identified errors on the revaluation reserve calculation, Comparative figures have been restated as follows

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29. Prior-year adjustments (continued)		
Statement of Financial Position		
Revaluation reserve	-	(2 256 398)
Accumulated Surplus	-	2 256 398
	-	-
Error 6		
Errors captured affected accumulated surplus as indicated. Comparative figures have been restated as follows		
Statement of Financial Position		
Accumulated Surplus	-	1 815 755
Receivables from non-exchange transactions	-	536 493
Cash and cash equivalents	-	5 364
Property, plant and equipment	-	156 086
Payables from exchange transactions	-	12 035 741
Employee benefit obligation	-	(12 293 041)
Revaluation reserve	-	(2 256 398)
	-	-
Error 7		
During the year infrastructure development construction contract revenue and expenditure was identified which was not recognised in the previous year. Comparative figures have been restated as follows		
Statement of Financial Performance		
Construction contract -Mafube	-	4 419 154
Govrnment Grants and subsidies	-	(4 419 154)
	-	-
Error 8		
During the current financial year management identified irregular expenditure that is disclosed under employee related costs and correction of error was performed. Comparative figures have been restated as follows.		
Statement of Financial Performance		
Employee related costs	-	1 028 397
Accumulated surplus	-	279 194
Loss on salary overpayment	-	(1 307 591)
	-	-
Error 9		
During the current financial year management embark on the process of componentising the building and it resulted in decrease in depreciation. Comparative figures have been restated as follows.		
Statement of Financial Performance		
Depreciation and amortisation	-	3 020 486
Accumulated Surplus	-	(3 020 486)
	-	-
Error 10		
During the current financial year management identified various errors on the asset register, which resulted from the previous financial years. Comparative figures have been restated as follows.		

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29. Prior-year adjustments (continued)

Statement of Financial Position

Impairment loss	-	48 425
Accumulated surplus	-	(48 425)
	-	-

Error 11

During the year infrastructure development construction contract revenue and expenditure was identified which was not recognised in the previous year. In addition, the costs incurred was incorrectly recognised as WIP. Comparative figures have been restated as follows.

Statement of Financial Performance

Construction contract expense	-	3 624 096
Work in progress	-	(3 624 096)
	-	-

Error 12

This due to the overpayment of salaries to acting in directors positions. The amount where disclosed as irregular in 2024 and employee cost was not reduded with the amount. Comparative figures have been restated as follows.

Statement of Financial Performance

Loss on salary overpayment	-	454 815
Employee related costs	-	(454 815)
	-	-

30. Risk management

Financial risk management

Liquidity risk

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

At 30 June 2025	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	2 856 582	-	-	-
Finance lease obligation	231 445	-	-	-
At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	3 437 808	-	-	-
Finance lease obligation	425 773	231 444	-	-

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30. Risk management (continued)

Credit risk

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

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

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

Financial instrument	2025	2024
Cash and Cash Equivalents	163 293 429	126 337 608
Receivables from exchange	352 226	3 103 428

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

31. Going concern

We draw attention to the fact that at 30 June 2025, the municipality conducted going concern assessment for the purpose of preparation of these financial statements. It is management's view that all factors relating to going concern assessment as covered in the report are sufficient and relevant to enable management to make an informed judgement with regard to preparation of the 2024/25 annual financial statements on a going concern basis.

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

32. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:

- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

The term of Audit and Performance committee came to an end on 31 July 2025. Council commenced the recruitment process for new committee. In the interim Council resolved to share services of Metsimaholo Local Municipality Audit Committee until the recruitment is finalised.

33. Unauthorised expenditure

Opening balance as previously reported	67 937 279	61 368 112
Add: Unauthorised expenditure - current	41 484 860	6 569 167
Less: Amount written off	(17 392 249)	-
Closing balance	92 029 890	67 937 279

The unauthorised expenditure incurred in the current financial year are still to be presented to council

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33. Unauthorised expenditure (continued)

Analysed as follows: non-cash

Depreciation and amortisation	-	6 569 167
Loss on disposal of property, plant and equipment	40 798 281	-
	40 798 281	6 569 167

Analysed as follows: cash

Employee related costs	686 579	-
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Unauthorised expenditure: Budget overspending – per municipal department:

Transport	-	6 575 245
Community and social development	686 579	-
Infrastructure	40 798 281	-
	41 484 860	6 575 245

34. Fruitless and wasteful expenditure

Opening balance as previously reported	5 822 238	5 766 980
Add: Fruitless and wasteful expenditure identified - current	8 000	55 258
Less: Amount written off - current	(31 800)	-
Closing balance	5 798 438	5 822 238

Fruitless and wasteful expenditure is presented inclusive of VAT

The fruitless and wasteful expenditure incurred in the current financial year are still to be presented to council

35. Irregular expenditure

Opening balance as previously reported	89 174 709	70 795 041
Add: Irregular expenditure - current	8 517 560	20 725 953
Add: Irregular expenditure - prior period	7 476 250	10 195 642
Less: Amount recovered - current	(298 449)	(1 792 092)
Less: Amount written off - current	(1 186 573)	-
Less: Amount written off - prior period	-	(10 749 835)
Closing balance	103 683 497	89 174 709

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2024

35. Irregular expenditure (continued)

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

Disciplinary steps taken/criminal proceedings

Contract running on month to month	1 584 188	-
Account but no contract	-	675 813
No SCM processes were followed	-	670 400
RRAMS - instances of non-compliance and control deficiencies identified in tender process	2 024 450	1 941 304
Procurement and contract management: Quotations - instances of non-compliance and control deficiencies identified	-	288 136
Deviations: Non-compliance identified on transactions that deviated from SCM process	-	1 226 668
Quotations - instances of non-compliance identified	-	111 334
Contract Management: instances of noncompliance and control deficiencies identified	-	406 083
Car allowance-Excessive car allowance	-	13 954 512
Senior Managers' remuneration exceed Upper limits	-	1 451 702
Salaries of previous directors	7 476 250	-
Salaries shift allowance	244 501	-
No attendance register	-	535 450
Contracted services	-	157 599
Delivery note attached	-	527 638
Pictures attached as proof of services rendered	-	1 415 850
Goods received in order stamp	-	49 325
No delivery note	-	6 752 849
Reports/statements attached	-	724 045
Service rendered	-	24 926

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35. Irregular expenditure (continued)		
Subsistence and travel claim	-	8 000
Non Tax compliance - quotes	237 620	-
Bid Split - quotes	677 620	-
Deviation Quotes	448 939	-
Deviations - competitive bidding	976 276	-
CIDB	2 323 966	-
	15 993 810	30 921 634

The full extent of the irregular expenditure is in the process of being determined

36. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1 407 000	1 336 944
Amount paid - current year	(1 407 000)	(1 336 944)
	-	-

Audit fees

Current year subscription / fee	5 829 865	5 321 732
Amount paid - current year	(5 829 865)	(5 321 732)
	-	-

PAYE and UIF

Current year subscription / fee	26 401 269	29 143 367
Amount paid - current year	(26 401 269)	(29 143 367)
	-	-

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Figures in Rand	2025	2024
36. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Pension and Medical Aid Deductions		
Current year subscription / fee	32 831 931	32 520 102
Amount paid - current year	(32 831 931)	(32 520 102)
	-	-

37. Deviation from supply chain management regulations

In terms of regulation 36 of Municipal Supply Chain Management Regulations, the Accounting Officer may dispense with the official procurement process established by the policy and procure any required goods or services through any convenient process, including ratification of minor technical breaches of procurement processes by an official or committee acting in terms of delegated powers or duties.

The information below provides details of categories of deviations approved by the Accounting Officer as provided for in terms of regulation 36.

Urgent	-	93 756
Other exceptional cases	2 430 131	1 275 915
	2 430 131	1 369 671

38. Budget differences

Differences between budget and actual amounts basis of preparation and presentation

1. Construction contract grant revenue - this due to incorrect classification of the the grant which was budgeted under government grants and subsidies

2 Other income - the under-collection on this line item was due to tender documents which was not sold as planned, rejected insurance claims

3 Investment revenue – the under-collection on this line item was due to delayed MIG funds, the funds was transferred to the municipality 3 months after the start of the financial year.

4 Government grants and subsidies – The difference of R324 137 is RRAMS grants that revised during the financial year

5 Employee related cost - R 15 300 693 saving on this line item was due to unfilled vacant positions which was budgeted for, however due to high employee related cost, management took a decision not to fill all vacant budgeted positions.

6 Remunerations of councillors – The underperformance on this line item was due to the remuneration of the speaker and other MMCs, the Speaker and other Member of Mayoral Committee receives portion of their salaries from their local municipalities and Fezile Dabi is paying portion of the salary as per the dictates of Upper limits.

7 Depreciation and amortization- The underperformance on this line item was due to transfer of Fezile Dabi stadium to Ngwathe Local Municipality and disposal of vehicle assets.

8 Impairment loss/Reversal of impairments - no budget provision made for impairments

9 Finance costs –The municipality had plan to resuscitate some vehicle which was earmarked for disposal and the plan did not materialised due to high repairs cost as per the market analysis conducted, hence the underperformance on this line item.

10 Repairs and maintenance - control measure put in place resulted in less vehicles maintenance

11 Inventory consumed - The major part of this line item is fuel, the saving on this line item was due to enforcement of strict internal control measures as far as fuel is concerned.

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38. Budget differences (continued)		
12 Contracted services – The under performance on this line items is due to MIG projects which were not correctly classified.		
13 Construction contract expenditure - correct classification of construction contract which was budgeted under contracted services.		
14 General expenses – management has discouraged spending on nice to have expenses and cost containment measure has been implemented.		
15 Loss on disposal of assets - no provision for loss on disposal of assetss initially made in the budget		
16 Actuarial gains/losses – no provision for actuarial gains initially made in the budget		
17 Receivables from exchange transactions – budget provision was made in the budget statement of financial position actual is not material.		
18 Receivables from non-exchange transactions – the difference is material due to salary control having positive balance at the end of the financial year..		
19 VAT Receivable – provisional budgeted was made and assessment from SARS was below the budgeted amount		
20 Cash and cash equivalents – it is more that budget due to not spending all Mafube MIG and cost containment caused some savings.		
21 Property, plant and equipment – the stadium was budgeted under PPE only to be transferrred during the year to Ngwathe Local Municipality causing material difference.		
22 Intangible assets – budget was more however report for the status of ICT infrastructure of the institution was prepared late hence no spending made		
23 Finance lease - no provision for finance lease initially made in the budget		
24 Payables from exchange transactions – it is more than the budget provision was made due to system error when calculatong the amount.		
25 Payables from non-exchange transactions – no provision for payables from non-exchange transactiione initially made in the budget		
26 Employee benefits obligation – the classification of leave and bonuses at year end led to under budgeting on this line.		
27 Unspent conditional grants receipts and payment – budget provision was made and the unspent is more due to less spending on MIG		
28 Revaluation reserve - an error occured when passing the revaluation reserve journal instead it took it to accumulated surplus		
29 Accumulated surplus / (deficit) – an error occured when passing the accumulated surplus journal instead it took it to revaluation reserve .		
30 Cash receipts from government grants – all grants were received as per budgeted amounts no material under/over collection.		
31 Sale of goods and services - no provision for sale of goods and service initially made in the budget		
32 Investment revenue – the major contribution factor to this increase in interest receipts was as a results of high cash flow in current account that was expected to generated interest, ends up earning less than it was anticipated.		
33 Recoveries/ Other income – actual is more than the budget because of unforeseen income for the fire service and air quality emission from local industries that are not complying'. Also the recovery of a guarantee from the attorneys.		

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38. Budget differences (continued)

34 Employee cost – year to date actual is less than the budgeted amount, due to mainly the fact that vacant post of Directors were filled later during the year

35 Payment to suppliers – Actual payments lower than initially anticipated due to late appointments of suppliers hence cash flow increased and interest received increased.

36 Finance charges — was initially under budgeted due to budgetary constraints hence the actual amount from actuarial report was higher than what was budgeted

37 Purchase of property, plant and equipment – actual expenditure less than the budgeted amount due to change in acquisitions plans for certain types of ICT Infrastructure required. Budget was more .however, report for the status of ICT infrastructure from independent professional advisor was prepared late hence no spending made.

38 Finance charges — was initially under budgeted due to budgetary constraints hence the actual amount from actuarial report was higher than what was budgeted

39 Net increase/ (decrease in cash and cash equivalents – insufficient budget provision made due to generally inadequate provision for anticipated in and out flow of cash

40 Cash and cash equivalents at the beginning of the year - insufficient budget provision made for amount.

Changes from the approved budget to the final budget

39. Segment information

General information

Identification of segments

The municipality does not have any separate identifiable segments, as the whole of the municipality is operated and reported as one. Fezile Dabi district municipality operates within the following towns: Sasolburg and Frankfort. Please refer to the statement of financial performance mentioned above for the revenue from exchange and non-exchange transactions and total expenditure. Refer to the statement of financial position for non-current assets.

40. Construction contracts income and expenditure

Construction contracts - revenue recognised	25 869 278	4 419 154
Construction contracts - expenses	(22 901 043)	(3 624 096)
	2 968 235	795 058

The construction contracts relates to the construction of infrastructure projects on behalf of Mafube local municipalities

41. Inventory consumed

Inventory consumed	1 470 402	2 433 205
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42. Loss on derecognition of assets and liabilities

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42. Loss on derecognition of assets and liabilities (continued)

Infrastructure	40 798 281	-
Property plant and equipment	-	2 581
	40 798 281	2 581

The significant loss on infrastructure assets is due to derecognition of the stadium. The Fezile Dabi stadium was transferred to Ngwathe Local Municipality.