Vhembe District Municipality
Annual Financial Statements
for the year ended June 30, 2025

General Information

Legal form of entity	District Municipality Category C
Nature of business and principal activities	Providing municipal services to communities in a sustainable manner, to promote social and economic development, and to promote a safe and healthy environment.
Grading of the municipality	Four (4)
Mayoral committee	
Executive Mayor	Councillor TF Nkondo
Speaker	Councillor TL Davhana
Chief Whip	Councillor NJ Mukwevho
Members of the Mayoral Committee	Councilor NCR Mathukha Councillor MG Chauke Councillor AM Mamedzi Councillor ADV. NA Mudunungu Councillor SM Sinyosi Councillor TK Mundalamo Councillor RG Machovani Councillor NS Munyai Councillor FJ Rikhotso Councillor AV Kotane
Accounting Officer	ZN Kutama
Registered office	Old Parliament Building Thohoyandou 0950
Postal address	Private Bag X5006 Thohoyandou 0950
Bankers	First National Bank
Auditors	Auditor General South Africa
Audit Committee	MS. F.S TSHIKHUDO (CIA)(CRMA)E-MBABCOMM(HONS)PGD: RISK MAN.PGD: ACC. SCIENCES MR. P. RAMBUDA CA(SA) BCOMM(HONS) DR. D. KONAR CA(SA) DOCTOR OF COMMERCE MASTER OF COMMERCE MASTER OF ACCOUNTING PAAG Certified Adv. E.N LAMBANI LLM (Adm. & Municipal Law) LLM (Property Law Law) LLB & BPROC

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Abbreviations used:

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

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and 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 annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

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

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6 - 101.

The annual financial statements set out on page 6- 101, which have been prepared on the going concern basis, were approved by the accounting officer on August 31, 2025 and were signed on its behalf by:

Kutama.

ZN Kutama
Accounting officer

Accounting Officer's Report

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

1. Review of activities

Main business and operations

Net surplus of the municipality was R 369,962,264 (2024: surplus R 394,682,114)

2. Going concern

We draw attention to the fact that at June 30, 2025, the municipality had an accumulated surplus (deficit) of R 6,818,402,583 and that the municipality's total assets exceed its liabilities by R 6,818,402,583.

The financial statements have been prepared on the going concern basis. However, the entity is experiencing significant financial challenges, including adoption of unfunded budget for the year 2025/26 financial year. These conditions indicate the existence of a significant material uncertainty that may cast significant doubt on the entity’s ability to continue as a going concern. Management is actively implementing measures to address this challenge, including the implementation of the Budget Funding Plan which was adopted by Council on the 21 October 2025. The Budget Funding Plan includes revenue enhancement strategies that are aimed at improving the municipality's collection rate by ensuring that the municipality accurately bills and collects on water services it provides. Additionally, the Budget Funding Plan incorporates measures that will reduce and contain expenditure; these measures include curbing reliance on the use of consultants and non-core expenditure. Despite these plans, the outcome remains uncertain.

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.

3. Subsequent events

After the reporting date, National Treasury issued a notice on 3 October 2025 to Vhembe District Municipality regarding non-compliance with Section 18 of the Municipal Finance Management Act (MFMA) due to the adoption of an unfunded budget for the 2025/26 MTREF. The letter warns that failure to address this matter may result in the invocation of Section 216(2) of the Constitution to stop the transfer of funds and possible charges of financial misconduct under Section 171 of the MFMA.

The municipality is required to:

Submit an updated budget funding plan with measurable targets within 14 days of receipt of the letter.

Align expenditure to realistic revenue collection levels and provide monthly progress reports via the GoMuni Portal.
Address unprocessed unauthorized, irregular, fruitless and wasteful (UIFW) expenditure through MPAC and Disciplinary Board processes.

Management is actively engaging with Provincial Treasury to implement corrective measures and believes these actions will mitigate the risk of financial sanctions.

4. Accounting policies

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

5. Corporate governance

The Council

The Council:

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;

Accounting Officer's Report

5. Corporate governance (continued)

Audit Committee

The audit committee was established in terms of section 166 of the MFMA . Ms. F.S Tshikhudo was the chairperson of the audit committee for the year under review.

National Treasury policy requires that municipalities should appoint other members of the municipality's audit committees who are not Councillor's of the municipality onto the audit committee of which the municipality has complied with..

Internal audit

In terms of section 165 of the Municipal Finance Management Act, each municipality and each municipal entity must have an internal audit unit of which it was incompliant with.

6. Bankers

The municipality has its primary bank account with First National Bank.

7. Auditors

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

Statement of Financial Position as at June 30, 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	3	32,477,831	203,624,599
Receivables from exchange transactions	4	38,640,523	65,110,338
Receivables from non-exchange transactions	5	1,524,629	1,501,114
VAT receivable	6	418,197,448	186,034,312
Cash and cash equivalents	7	99,496,023	513,349,821
		590,336,454	**969,620,184**
Non-Current Assets			
Property, plant and equipment	8	7,136,884,013	6,656,238,992
Intangible assets	9	3,819,911	5,292,481
		7,140,703,924	**6,661,531,473**
Total Assets		**7,731,040,378**	**7,631,151,657**
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	714,471,864	589,100,369
Taxes and transfers payable (non-exchange)	11	2,086,000	2,086,000
VAT payable	12	94,316,840	444,435,141
Consumer deposits	13	4,409,170	4,409,170
Unspent conditional grants and receipts	14	1,660,263	59,380,177
Provisions	15	87,784,956	74,759,768
		904,729,093	**1,174,170,625**
Non-Current Liabilities			
Provisions	15	7,908,702	8,540,710
Total Liabilities		**912,637,795**	**1,182,711,335**
Net Assets		**6,818,402,583**	**6,448,440,322**
Accumulated surplus		6,818,402,583	6,448,440,322
Total Net Assets		**6,818,402,583**	**6,448,440,322**

* See Note 43

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	16	507,490,610	281,990,141
Interest received - investment	17	37,769,216	48,030,627
Sales of goods and rendering of services	18	3,132,467	1,290,803
Operational revenue	19	-	2,531,223
Interest on receivables	20	121,901,611	101,897,841
Licences and permits	21	1,627	137
Inventories losses/write-downs	22	74,486	-
Total revenue from exchange transactions		**670,370,017**	**435,740,772**
Revenue from non-exchange transactions			
Taxation revenue			
Licences and Permits (Non-exchange)	23	310,344	356,242
Transfer revenue			
Government grants & subsidies	24	2,213,879,751	2,075,398,558
Total revenue from non-exchange transactions		**2,214,190,095**	**2,075,754,800**
Total revenue		**2,884,560,112**	**2,511,495,572**
Expenditure			
Employee related costs	25	(804,604,696)	(779,426,434)
Employee costs - Remuneration of councillors	26	(16,146,782)	(16,100,308)
Depreciation and amortisation	27	(193,058,966)	(164,177,587)
Debt Impairment	28	(537,616,600)	(364,688,862)
Contracted Services	29	(265,619,035)	(293,207,959)
Operational expenses	30	(226,421,861)	(239,502,894)
Inventory consumed	31	(456,460,849)	(224,093,302)
Impairment losses	32	(69,953,095)	(10,679,590)
Lease rentals on operating lease	33	(2,543,160)	(3,668,788)
Finance costs	34	-	(305,780)
Gain or loss on disposal of assets and liabilities	35	(1,020,501)	-
Total expenditure		**(2,573,445,545)**	**(2,095,851,504)**
Operating surplus / (deficit)		**311,114,567**	**415,644,068**
Impairment recovered	36	58,847,697	-
Surplus for the year		**369,962,264**	**415,644,068**

* See Note 43

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	5,998,258,449	5,998,258,449
Adjustments		
Correction of errors - refer to note 43	34,537,808	34,537,808
Balance at July 1, 2023 as restated*	**6,032,796,254**	**6,032,796,254**
Changes in net assets		
Surplus for the year	415,644,068	415,644,068
Total changes	415,644,068	415,644,068
Restated* Balance at July 1, 2024	**6,448,440,319**	**6,448,440,319**
Changes in net assets		
Surplus for the year	369,962,264	369,962,264
Total changes	369,962,264	369,962,264
Balance at June 30, 2025	**6,818,402,583**	**6,818,402,583**

Note(s)

* See Note 43

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Customers		87,233,752	580,986,440
Grants		2,156,136,322	2,097,043,302
Interest revenue		54,028,895	48,030,627
Other receipts		3,444,438	4,178,405
		2,300,843,407	2,730,238,774
Payments			
Employee costs		(808,358,298)	(790,493,312)
Suppliers		(1,232,811,967)	(854,300,553)
Finance costs		-	(305,780)
		(2,041,170,265)	(1,645,099,645)
Net cash flows from operating activities	37	**259,673,142**	**1,085,139,129**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(732,374,628)	(702,402,450)
Purchase of other intangible assets	9	-	(75,000)
Proceeds from VBS Investment	7	58,847,697	-
Net cash flows from investing activities		**(673,526,931)**	**(702,477,450)**
Net increase/(decrease) in cash and cash equivalents		**(413,853,789)**	**382,661,679**
Cash and cash equivalents at the beginning of the year		513,349,821	130,688,142
Cash and cash equivalents at the end of the year	7	**99,496,032**	**513,349,821**

* See Note 43

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods and rendering of services	1,087,666	224,031	**1,311,697**	3,132,467	**1,820,770**	This is due to the increase mainly on issuing of health certificates than expected in 2025 financial year as a result of the announcement made by the President of the republic that all operating spaza shops must be registered with their local authority.
Service charges	460,612,858	269,473,891	**730,086,749**	507,490,610	**(222,596,139)**	The significant variance is due to the meter Adjustment made in 2025, Debit and Credit notes processed affecting the service charges for prior years (2023 and 2024 financial year) resulting to correction of the prior year error adjustment made. Billing customers through actual reading than estimation 2025.
Interest on receivables	85,610,679	33,043,000	**118,653,679**	121,901,611	**3,247,932**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Licences and permits	300	25	**325**	1,627	**1,302**	This is due to the increase on issuing of the permits in 2025 financial year
Interest on investments	41,299,130	2,919,000	**44,218,130**	37,769,216	**(6,448,914)**	The full spending on conditional transfers resulting in non achievement of the budgeted interest received from our bank accounts.
Total revenue from exchange transactions	**588,610,633**	**305,659,947**	**894,270,580**	**670,295,531**	**(223,975,049)**	
Revenue from non-exchange transactions						
Taxation revenue						
Licences and Permits (Non-exchange)	399,061	(20,306)	**378,755**	310,344	**(68,411)**	This is due to the decrease in hiring of municipal tractors on ploughing mealiefields than anticipated in the 2025 financial year.
Transfer revenue						
Government grants & subsidies	2,165,213,441	75,314,746	**2,240,528,187**	2,213,879,751	**(26,648,436)**	
Total revenue from non-exchange transactions	**2,165,612,502**	**75,294,440**	**2,240,906,942**	**2,214,190,095**	**(26,716,847)**	
Total revenue	**2,754,223,135**	**380,954,387**	**3,135,177,522**	**2,884,485,626**	**(250,691,896)**	
Expenditure						
Employee related costs	(816,340,644)	8,218,050	**(808,122,594)**	(804,604,696)	**3,517,898**	
Employee costs - Remuneration of councillors	(19,834,196)	2,341,129	**(17,493,067)**	(16,146,782)	**1,346,285**	
Depreciation and amortisation	(219,356,451)	37,829,297	**(181,527,154)**	(193,058,966)	**(11,531,812)**	
Impairment losses	(9,819,211)	839,711	**(8,979,500)**	(69,953,095)	**(60,973,595)**	This is due to the fact that many projects were refurbished during the year wherein new projects replace old projects.

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Finance costs	(959)	-	**(959)**	-	**959**	
Lease rentals on operating lease	(3,465,217)	922,057	**(2,543,160)**	(2,543,160)	**-**	
Debt Impairment	(200,000,000)	-	**(200,000,000)**	(537,616,600)	**(337,616,600)**	This is as result of non-payment of services by municipal customers/ consumers, which has increase the municipality debt book to be considered for impairment.
Bad debts written off	(15,000,000)	-	**(15,000,000)**	-	**15,000,000**	There were no bad debts customers written off during the period under review.
Contracted Services	(374,217,925)	54,435,483	**(319,782,442)**	(265,619,035)	**54,163,407**	
Inventory consumed	(235,567,368)	730,000	**(234,837,368)**	(456,460,849)	**(221,623,481)**	Due to high water losses incurred by the municipality.
Operational expenses	(207,722,403)	(19,170,620)	**(226,893,023)**	(226,421,861)	**471,162**	
Total expenditure	**(2,101,324,374)**	**86,145,107**	**(2,015,179,267)**	**(2,572,425,044)**	**(557,245,777)**	
Operating surplus	**652,898,761**	**467,099,494**	**1,119,998,255**	**312,060,582**	**(807,937,673)**	
Loss on disposal of assets and liabilities	(180,790)	(839,711)	**(1,020,501)**	(1,020,501)	**-**	
Inventories losses/write-downs	-	-	**-**	74,486	**74,486**	The municipality uses weighted average method when issuing its stock, however the huge variance is due to the stock return made in 2025 financial year resulted to an increase to net-realisable value and reported as revenue.
	(180,790)	**(839,711)**	**(1,020,501)**	**(946,015)**	**74,486**	
Surplus before taxation	**652,717,971**	**466,259,783**	**1,118,977,754**	**311,114,567**	**(807,863,187)**	
Taxation	-	-	**-**	(58,847,697)	**(58,847,697)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**652,717,971**	**466,259,783**	**1,118,977,754**	**369,962,264**	**(749,015,490)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	27,387,764	(44,000)	**27,343,764**	32,477,831	**5,134,067**	Less inventories were used/ issued as expected per budget
VAT receivables / payables	190,225,973	-	**190,225,973**	418,197,448	**227,971,475**	The municipality paid more input vat from purchases which SARS has not yet refunded the municipality hence the increase in Vat receivables.
Receivables from non-exchange transactions	39,874,806	-	**39,874,806**	1,524,629	**(38,350,177)**	Due to reclassification of Musina Local Municipality recievables to receivables from exchange transactions
Receivables from exchange transactions	604,016,277	246,698,039	**850,714,316**	38,640,523	**(812,073,793)**	This is due to the increase in billing, non collection of revenue resulted to high debt impairment.
Cash and cash equivalents	465,099,917	510,436,121	**975,536,038**	99,496,023	**(876,040,015)**	This is due to the acquisition of PPE and increase on inventory consumed.
	1,326,604,737	**757,090,160**	**2,083,694,897**	**590,336,454**	**(1,493,358,443)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Non-Current Assets						
Property, plant and equipment	6,516,180,230	38,539,378	**6,554,719,608**	7,136,884,013	**582,164,405**	This is due to an increase on additionbal assets than anticipated on the secondary budgeting in 2024/2025 financial year.
Intangible assets	10,677,755	153,034	**10,830,789**	3,819,911	**(7,010,878)**	No purchases of intangible assets made during the year as anticipated (Budgeted)
	6,526,857,985	**38,692,412**	**6,565,550,397**	**7,140,703,924**	**575,153,527**	
Total Assets	**7,853,462,722**	**795,782,572**	**8,649,245,294**	**7,731,040,378**	**(918,204,916)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	678,068,132	9,722,968	**687,791,100**	714,471,858	**26,680,758**	
Taxes and transfers payable (non-exchange)	47,400,000	47,400,000	**94,800,000**	2,086,000	**(92,714,000)**	This is due to misalignment of the budget
VAT payable	69,091,929	-	**69,091,929**	94,316,840	**25,224,911**	This is due to an increase in billing resulted to an increase in output vat payable
Consumer deposits	41,416,471	-	**41,416,471**	4,409,170	**(37,007,301)**	Misclassifcation of budget between consumer deposit and taxes and transfers payables
Unspent conditional grants and receipts	37,911,641	(20,000,000)	**17,911,641**	1,660,263	**(16,251,378)**	This is due to an increased in the conditions met to reduce the unspent conditional grants during 2024/2025 than anticipated on the secondary budget

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Provisions	70,768,293	-	**70,768,293**	87,784,956	**17,016,663**	Is increase due to annual leave provision as aresult of increased annual leave days accrued at year end
	944,656,466	**37,122,968**	**981,779,434**	**904,729,087**	**(77,050,347)**	
Non-Current Liabilities						
Provisions	7,498,755	-	**7,498,755**	7,908,702	**409,947**	
Total Liabilities	**952,155,221**	**37,122,968**	**989,278,189**	**912,637,789**	**(76,640,400)**	
Net Assets	**6,901,307,501**	**758,659,604**	**7,659,967,105**	**6,818,402,589**	**(841,564,516)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	6,901,307,501	758,659,604	**7,659,967,105**	6,818,402,583	**(841,564,522)**	

The municipality performed a mid-year assessment in terms of section 72 of the MFMA where the municipality assessed the spending of the municipality against budged spending and also revenue generated against the budgeted revenue.

In the light of the financial assessment and forecast for the past six month as outlined in the report, annual budget be ADJUSTED interms of section 28 of MFMA and departments be allowed to review their SDBIPs indicators and targets aligning them with the resources that
are available after the Mid-Year Organisational Performance Assessment and budget adjustment processes.

The assessment with reasons for budget adjustment have been noted in the section 72 mid-year assessment report which has been published in the municipal website.

Figures in Rand	Note(s)	2025	2024

1. Significant accounting polices

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

1.1 Basis of preparation

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

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

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 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 judgemental 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 judgments include:

Trade and other 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 judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

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

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

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

Value in use of cash generating assets.

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

Value in use of non- cash generating assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependant on the availability of data and the nature of the impairment.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Effective interest rate

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

Allowance for doubtful debts

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

Useful lives of waste and water network and other assets

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

1.5 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.

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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:

1.5 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	65 years
Plant and machinery	Straight-line	5-21 years
Furniture and fixtures	Straight-line	3-26 years
Transport assets	Straight-line	4-40 years
Office equipment	Straight-line	2-30 years
Computer equipment	Straight-line	2-12 years
Infrastructure	Straight-line	5-80 years
Community assets	Straight-line	30 years
Other property, plant and equipment	Straight-line	3-27 years

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

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

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

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

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

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

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

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

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

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

1.6 Intangible assets

An asset is identifiable if it either:

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

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

Significant Accounting Policies

1.6 Intangible assets (continued)

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

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

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

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

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

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

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

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

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

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, other	Straight-line	3-20 years

1.7 Separate financial statements

Consolidated financial statements are the financial statements of the economic entity in which the assets, liabilities, net assets, revenue, expenses and cash flows of the entity as a controlling entity, and its controlled entities, are presented as those of a single economic entity.

The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor’s share of the investee’s net assets. The investor’s surplus or deficit includes its share of the investee’s surplus or deficit and the investor’s net assets includes its share of changes in the investee’s net assets that have not been recognised in the investee’s surplus or deficit.

An investment entity is an entity that obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services, that has the purpose of investing funds solely for returns from capital appreciation, investment revenue, and which measures and evaluates the performance of substantially all of its investments on a fair value basis.

Separate financial statements are those presented by the entity, in which the entity could elect to account for its investments in controlled entities, joint ventures and associates either at cost, in accordance with the GRAP Standard on Financial Instruments or using the equity method as described in the accounting policies on Investments in Associates and Joint Ventures.

1.7 Separate financial statements (continued)

In the entity's separate financial statements, investments in controlled entities, associates and joint ventures are carried at cost;

In the entity's separate financial statements, investments in controlled entities are carried at cost;

In the entity's separate financial statements, investments in associates are carried at cost;

In the entity's separate financial statements, investments in joint ventures are carried at cost.

Separate financial statements are prepared in accordance with all applicable accounting policies, except:
- Similar investments in controlled entities are accounted for at cost;
- Joint ventures are accounted for at cost;
- Associates are accounted for at cost.

The entity as a controlling entity, which is not itself an investment entity, measures its investment in a controlled investment entity in accordance with the above, in its separate financial statements.

When the entity as controlling entity ceases to be an investment entity, or becomes an investment entity, it accounts for the change from the date when the change in status occurred, as follows:
- When the entity ceases to be an investment entity, the entity accounts for an investment in a controlled entity in accordance with the above. The date of the change of status is the deemed acquisition date. The fair value of the controlled entity at the deemed acquisition date represents the transferred deemed consideration when accounting for the investment as above.
- When the entity becomes an investment entity, it accounts for an investment in a controlled entity at fair value. The difference between the previous carrying amount of the controlled entity and its fair value at the date of the change of status is recognised as a gain or loss in surplus or deficit. The cumulative amount of any gain or loss previously recognised directly in net assets in respect of those controlled entities is treated as if the investment entity had disposed of those controlled entities at the date of change in status.

When the entity elects to measure its investments in associates or joint ventures at fair value, it also accounts for those investments in the same way in its separate financial statements.

Where the entity as controllong entity is required to measure its investment in a controlled entity at fair value, it also accounts for that investment in the same way in its separate financial statements.

Dividends or similar distributions from a controlled entity, a joint venture or an associate are recognised in the separate financial statements of the entity when the entity’s right to receive the dividend or similar distribution is established. The dividend or similar distribution is recognised in surplus or deficit unless the entity elects to use the equity method, in which case the dividend or similar distribution is recognised as a reduction from the carrying amount of the investment.

When a controlling entity reorganises the structure of its economic entity by establishing a new entity as its controlling entity in a manner that satisfies the following criteria:
- The new controlling entity obtains control of the original controlling entity either (a) by issuing equity instruments in exchange for existing equity instruments of the original controlling entity or (b) by some other mechanism which results in the new controlling entity having a controlling ownership interest in the original controlling entity;
- The assets and liabilities of the new economic entity and the original economic entity are the same immediately before and after the reorganisation; and
- The owners of the original controlling entity before the reorganisation have the same absolute and relative interests in the net assets of the original economic entity and the new economic entity immediately before and after the reorganisation;

and the new controlling entity accounts for its investment in the original controlling entity at cost in its separate financial statements, the new controlling entity measures cost at the carrying amount of its share of the net asset items shown in the separate financial statements of the original controlling entity at the date of the reorganisation

1.8 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.

1.8 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

A financial asset is:

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

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

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

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

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

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

1.8 Financial instruments (continued)

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

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

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

Significant Accounting Policies

1.8 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
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	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
Payable from exchange transactions	Financial liability measured at amortised cost

1.8 Financial instruments (continued)

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity 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.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value]. The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities
The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

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

1.8 Financial instruments (continued)
Financial assets measured at amortised cost:

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. The carrying amount of the asset is reduced directly or 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 directly OR 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.

Financial assets measured at cost:

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.
The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset 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 asset; and
    - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

1.8 Financial instruments (continued)

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Offsetting

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

1.9 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.

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

Initial 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.

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:
- impairment losses; and
- amounts derecognised.

Impairment losses

1.9 Statutory receivables (continued)

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.

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.

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.

1.10 Leases

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

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

Finance leases - lessor

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

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

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the municipality's 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.

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

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.

1.11 Inventories

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

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

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

Significant Accounting Policies

1.11 Inventories (continued)

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

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

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

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

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

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

1.12 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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

1.12 Impairment of cash-generating assets (continued)

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

Discount rate

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

1.12 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

Redesignation

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

1.13 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.14 Employee benefits

Identification

Employee benefits

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

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

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

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

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

Classification of plans

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

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

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

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

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

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

Defined benefit cost

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

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

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

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

1.14 Employee benefits (continued)

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

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

Short-term employee benefits

Recognition and measurement

All short-term employee benefits

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

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

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

Bonus, incentive and performance related payments

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

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

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

Post-employment benefits: Defined contribution plans

Recognition and measurement

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

(a) as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, 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

(b) as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset. When contributions to a defined contribution plan are not expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service, they are be discounted using the discount rate as specified.

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Recognition and measurement

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

Actuarial assumptions: Discount rate

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

Actuarial assumptions: Salaries, benefits and medical costs

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

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

(b) any estimated future salary increases that affect the benefits payable;

(c) the effect of any limit on the employer’s share of the cost of the future benefits;

(d) contributions from employees or third parties that reduce the ultimate cost to the entity of those benefits; and

(e) estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:

(i) those changes were enacted before the end of the reporting period; or

(ii) historical data, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

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

Past service cost and gains and losses on settlement

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

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

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

Past service cost

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

(a) when the plan amendment or curtailment occurs; and

Significant Accounting Policies

1.14 Employee benefits (continued)

(b) when the entity recognises related restructuring costs or termination benefits.

Gains and losses on settlement

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

Recognition and measurement: Plan assets

Fair value of plan assets

The fair value of any plan assets is deducted from the present value of the defined benefit obligation in determining the deficit or surplus.

Reimbursements

When, and only when, it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the entity:

(a) Recognises its right to reimbursement as a separate asset. The entity measures the asset at fair value.

(b) Disaggregate and recognise changes in the fair value of its right to reimbursement in the same way as for changes in the fair value of plan assets. The components of defined benefit cost recognised as below (see section on Components of defined benefit cost), may be recognised net of amounts relating to changes in the carrying amount of the right to reimbursement.

Components of defined benefit cost

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

(a) service cost;

(b) net interest on the net defined benefit liability (asset); and

(c) remeasurements of the net defined benefit liability (asset).

Current service cost

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

Net interest on the net defined benefit liability (asset)

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

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

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

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

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

1.14 Employee benefits (continued)

Remeasurements of the net defined benefit liability (asset)

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

(a) actuarial gains and losses;

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

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

Other long-term employee benefits

Recognition and measurement

For other long-term employee benefits, the entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

(a) service cost;

(b) net interest on the net defined benefit liability (asset); and

(c) remeasurements of the net defined benefit liability (asset).

Termination benefits

Recognition

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

Measurement

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

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

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

1.15 Provisions and contingencies

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

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

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

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

1.15 Provisions and contingencies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.15 Provisions and contingencies (continued)

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

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

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

1.16 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the
outflow of resources.
Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:
-approved and contracted commitments;
-where the expenditure has been approved and the contract has been awarded at the reporting date; and
-where disclosure is required by a specific standard of GRAP.

1.17 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.

1.17 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

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

Interest, royalties and dividends

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

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

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

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

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

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

1.18 Revenue from non-exchange transactions

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

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

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

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

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.

1.18 Revenue from non-exchange transactions (continued)

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

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

Recognition

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

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

Measurement

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

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.

1.19 Comparative figures

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

1.20 Unauthorised expenditure

Unauthorised expenditure is defined in section 1 of MFMA as follows:"unauthorised expenditure", in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes-

(a) overspending of the total amount appropriated in the municipality's approved budget;

(b) overspending of the total amount appropriated for a vote in the approved budget;

(c) expenditure from a vote unrelated to the department or functional area covered by the vote;

(d) expenditure of money appropriated for a specific purposes, otherwise than for that specific purpose;

(e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation;or

(f) a grant by the municipality otherwise than in accordance with this Act.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of he expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and wasteful expenditure

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

1.21 Fruitless and wasteful expenditure (continued)

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Irregular expenditure

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

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

Irregular expenditure is defined in section 1 of the MFMA as follows:

"irregular expenditure", in relation to a municipality or municipal entity, means
—
(a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170

(b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;

(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or

(d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements. Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.23 Segment reporting

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

Significant Accounting Policies

1.23 Segment reporting (continued)

Based on the definition above, the district municipality functions are structured per department based on service delivery objectives. Each department performs its responsibilities per determined objective and individual indicators are set to measure performance of service delivery objectives. The reporting of performance is not done per geographic location of the communities serviced, consolidated budget vs actual is reported in the financial statement to evaluate performance of the municipality. Performance reporting is done per designed service delivery objectives.

The Departments are centralised to provide service delivery function to all the geographical areas within the district per Local Municipality namely Musina, Makhado, Thulamela and Collins Chabane, on implementation of infrastructure requirements of the municipality. Based on how the budget of the District Municipality is determined annually the from all the Local Municipality & Communities consultation on their needs through the integrated development plan processes. This information is then used to allocate resources available to implement these needs. Resources are not allocated based on how the unit has performed or the activity within the unit has performed but based on the need's priorities and the available funds at the time that the District Municipality holds.

District Municipal revenue, expenditure and assets are not reviewed as per geographical area, these are presented as a consolidated figure. The service provided to communities are the same for all Local Municipalities, therefore the level of information of each Local Municipality within the municipal jurisdiction may not be relevant for decision making purposes, as such reporting of segments is deemed not applicable.

1.24 Expenditure

Expenses are decrease in economic benefits or service potential during the reporting period in the form of outflows or incurrences of liabilities that results in a decrease in net assets, other than those relating to capital distributions from net assets.

Expenses are recognized as an expense when it is incurred and measured at cost excluding VAT.

1.25 Budget information

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

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

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

The approved budget covers the fiscal period from 7/1/2024 to 6/30/2025.

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

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

1.26 Related parties

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

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

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

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

1.26 Related parties (continued)

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

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

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

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

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

1.27 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).

1.28 Value-added tax

Revenue, expenses and assets are recognised net of the amounts of value added tax. Value added tax is accounted for using the payment basis.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

The report on the Value added tax in the Annual Financial Statements is accounted for using the accrual basis.

1.29 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management’s best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

Notes to the Annual Financial Statements

Figures in Rand		2025	2024

2. New standards and interpretations

2.1 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2025 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (as revised): Financial Instruments	April 1, 2025	Unable to reliably estimate the impact

3. Inventories

		2025	2024
Maintenance materials		29,648,378	23,896,986
Consumable stores		1,949,472	4,945,949
Water for distribution		879,981	174,781,664
		32,477,831	**203,624,599**

Inventory pledged as security

The municipality has no inventories pledged as security for liabilities.

Water for distribution

		2025	2024
Opening balance		174,781,664	123,316,507
System input volume		924,047,060	722,508,193
Authorised consumption		(243,037,624)	(90,075,185)
Water losses	38	(854,911,119)	(580,967,851)
Closing balance		**879,981**	**174,781,664**

4. Receivables from exchange transactions

	2025	2024
Gross balances		
Water and Waste Water	2,705,569,948	2,112,729,057
Debtor - Musina Local Municipality	30,068,977	31,120,594
	2,735,638,925	**2,143,849,651**
Less: Allowance for impairment		
Water and Waste Water	(2,696,998,402)	(2,078,739,313)
Net balance		
Water and Waste Water	8,571,546	33,989,744
Debtor - Musina Local Municipality	30,068,977	31,120,594
	38,640,523	**65,110,338**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

4. Receivables from exchange transactions (continued)

Water		
Current	54,260,118	35,273,164
30 days	52,440,450	114,635,760
60 days	76,051,673	48,029,074
90 days	67,440,790	46,297,545
120 days	60,219,861	25,840,893
150 days	49,855,572	17,136,026
180 days	48,908,076	16,323,303
210 days	52,315,587	15,722,229
240 days	56,544,297	17,562,223
270 days	53,752,894	17,660,557
300 days	93,179,181	26,673,089
330 days	64,590,754	14,397,265
360 days	57,098,045	19,766,945
390+ days	1,918,912,650	1,697,410,984
Debt impairment	(2,696,998,402)	(2,078,739,313)
	8,571,546	**33,989,744**

Reconciliation of allowance for impairment

Balance at beginning of the year	(2,078,739,313)	(1,714,050,450)
Contributions to allowance	(618,259,089)	(364,688,863)
	(2,696,998,402)	**(2,078,739,313)**

Net amount of Trade and other receivables from exchange transactions after set off against payable from exchange transactions

Gross amount of Receivabkes from Musina Local Municipality before offsetting	448,618,552	407,515,789
Gross amount set off	(418,549,575)	(376,395,195)
	30,068,977	**31,120,594**

Vhembe District Municipality and Musina Local Municipality agreed to offset both amounts receivable and payable to each municipality for existing and future balances and disclose the net amount receivable or payable to each respective municipality in term of GRAP 104 paragraph 92 to 100.

5. Receivables from non-exchange transactions

DWS RBIG	1,524,628	1,501,113
Other receivables	28,386	28,386
Impairments for Debtors	(28,385)	(28,385)
	1,524,629	**1,501,114**

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	28,385	28,385

Non-current assets	-	-
Current assets	1,524,629	1,501,114
	1,524,629	**1,501,114**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. VAT receivable

VAT Control	208,136,955	-
VAT Input Accrual	210,060,493	186,034,312
	418,197,448	**186,034,312**

VAT receivable from or payable to SARS is not a financial instrument, and should be treated as a statutory receivable or payable. The amount of VAT receivable from or payable to SARS is calculated as the net amount of output VAT collected and input VAT paid. As the amount due from or to SARS is already a net amount, there is no separate recognition of a receivable or payable.

The VAT accrual account does not represent amounts to be received or paid, but rather amounts that are associated with transactions that are yet to be settled. There is no money to be received or paid to SARS for these amounts as yet. As there is no transaction to “settle” with a specific counterparty at this point, the requirements for set off are inappropriate. As a result, separate presentation of the VAT accrual “debit” and “credit” may be more appropriate.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	99,496,023	513,349,821

Investment in VBS

The municipality had an investment with VBS Mutual Bank. The municipality has not withdrawn all of the money invested prior to VBS being placed under curatorship on 11 March 2018 amounting R 317 382 956. The amount was fully impaired in the 2017/2018 financial year. In the 2021/22 financial year the municipality received an amount of R22 million and also in the 2024/25 financial year the municipality received an amount of R58 million from the curator.

Investment in VBS	295,235,974	295,235,974
Proceeds received from VBS curator	(58,847,697)	-
Impairment provision	(236,388,277)	(295,235,974)
Net Balance	**-**	**-**

Impairment provision recon

Opening balance	(295,235,974)	(295,235,974)
Reversal of impairment	58,847,697	-
	(236,388,277)	**(295,235,974)**

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2025	**June 30, 2024**	**June 30, 2023**	**June 30, 2025**	**June 30, 2024**	**June 30, 2023**
FNB BANK - Current account (main) - 62021931458	46,205,126	435,437,439	90,990,926	46,211,689	425,404,712	92,513,850
FNB BANK - Thulamela water - 62370167233	11,330,148	61,505,737	21,654,902	10,006,317	60,272,300	20,141,248
FNB BANK - Makhado water - 62387689668	40,274,124	24,937,608	15,131,978	39,997,924	24,666,778	14,913,898
NB BANK - Mutale water - 62407577131	3,182,068	2,925,341	2,656,330	3,176,710	2,925,159	2,662,957
FNB BANK - Call Account - 62036334803	378,248	355,813	273,975	378,248	355,813	333,309
Total	**101,369,714**	**525,161,938**	**130,708,111**	**99,770,888**	**513,624,762**	**130,565,262**

Notes to the Annual Financial Statements

Figures in Rand

8. 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	17,870,000	-	17,870,000	17,870,000	-	17,870,000
Buildings	122,647,885	(59,056,632)	63,591,253	122,647,885	(54,945,031)	67,702,854
Plant and machinery	32,988,885	(7,675,991)	25,312,894	24,316,836	(10,429,057)	13,887,779
Furniture and fixtures	17,755,700	(11,073,380)	6,682,320	19,045,358	(12,418,278)	6,627,080
Transport assets	150,360,010	(68,148,447)	82,211,563	151,165,181	(76,017,804)	75,147,377
Computer equipment	26,650,327	(11,164,947)	15,485,380	14,092,804	(9,433,536)	4,659,268
Infrastructure	4,723,372,030	(1,320,564,140)	3,402,807,890	4,430,808,991	(1,208,427,958)	3,222,381,033
Community assets	27,528,835	(8,155,194)	19,373,641	27,528,835	(7,452,590)	20,076,245
Other property, plant and equipment	28,988,189	(24,495,066)	4,493,123	31,114,330	(25,667,190)	5,447,140
Leased assets	-	(2)	(2)	-	(2)	(2)
Work in progress	3,501,779,123	(2,723,172)	3,499,055,951	3,225,163,390	(2,723,172)	3,222,440,218
Total	**8,649,940,984**	**(1,513,056,971)**	**7,136,884,013**	**8,063,753,610**	**(1,407,514,618)**	**6,656,238,992**

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	17,870,000	-	-	-	-	-	17,870,000
Buildings	67,702,854	-	-	-	(4,111,601)	-	63,591,253
Plant and machinery	13,887,779	12,893,639	(292,294)	-	(1,176,230)	-	25,312,894
Furniture and fixtures	6,627,080	2,056,576	(60,064)	-	(1,941,272)	-	6,682,320
Transport assets	75,147,377	18,723,754	(567,439)	-	(11,092,129)	-	82,211,563
Computer equipment	4,659,268	13,334,405	-	-	(2,508,293)	-	15,485,380
Infrastructure	3,222,381,033	71,778,576	-	346,845,067	(168,243,691)	(69,953,095)	3,402,807,890
Community assets	20,076,245	-	-	-	(702,604)	-	19,373,641
Other property, plant and equipment	5,447,140	957,260	(100,704)	-	(1,810,573)	-	4,493,123
Leased Assets	(2)	-	-	-	-	-	(2)
Work in progress	3,222,440,218	623,460,800	-	(346,845,067)	-	-	3,499,055,951
	6,656,238,992	**743,205,010**	**(1,020,501)**	**-**	**(191,586,393)**	**(69,953,095)**	**7,136,884,013**

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	17,870,000	-	-	-	-	17,870,000
Buildings	71,825,720	-	-	(4,122,866)	-	67,702,854
Plant and machinery	11,014,034	3,719,778	-	(846,033)	-	13,887,779
Furniture and fixtures	5,143,490	2,944,460	-	(1,460,689)	(181)	6,627,080
Transport assets	55,973,424	27,779,192	-	(8,605,239)	-	75,147,377
Computer equipment	4,301,620	1,134,531	-	(776,883)	-	4,659,268
Infrastructure	2,792,546,159	-	582,257,690	(144,466,702)	(7,956,114)	3,222,381,033
Community assets	20,780,775	-	-	(704,530)	-	20,076,245
Other property, plant and equipment	5,358,517	1,814,716	-	(1,725,970)	(123)	5,447,140
Leased Assets	(2)	-	-	-	-	(2)
Work in progress	3,151,990,211	655,430,869	(582,257,690)	-	(2,723,172)	3,222,440,218
	6,136,803,948	**692,823,546**	**-**	**(162,708,912)**	**(10,679,590)**	**6,656,238,992**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

8. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	3,151,981,690	36,590,850	33,867,679	3,222,440,219
Additions/capital expenditure	623,460,800	-	-	623,460,800
Transferred to completed items	(346,845,067)	-	-	(346,845,067)
	3,428,597,423	**36,590,850**	**33,867,679**	**3,499,055,952**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	3,115,399,360	2,723,172	33,867,679	3,151,990,211
Additions/capital expenditure	618,840,020	36,590,850	-	655,430,870
Impairment	-	(2,723,172)	-	(2,723,172)
Transferred to completed items	(582,257,690)	-	-	(582,257,690)
	3,151,981,690	**36,590,850**	**33,867,679**	**3,222,440,219**

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		
Maintenance of equipment	113,490,156	128,663,464
Maintenance of unspecified assets	12,895,502	8,755,804
Maintenance of buildings and facilities	8,850,677	3,240,164
	135,236,335	**140,659,432**

Notes to the Annual Financial Statements

Figures in Rand		2025	2024

8. Property, plant and equipment (continued)

Projects with significant delays / Stalled projects

Land and Buildings			
Increasing the capacity of vondo WTW & upgrade of water related infrastructurencreasing the capacity of vondo WTW & upgrade of water related infrastructure		-	304,940,433
Upgrading the Vondo WTW & Related Bulk I infrastructure in the area: Phase2		-	16,150,077
Pump Main from Vondo WTW to reservoirs R3A and R3B			
Upgrading of pumps and construction of a new bulk line service reservoirs at Mutoti village within Vhembe District Municipality		-	18,228,022
Malamulele West Regional Water Scheme- Phase 3 - Dididi, Mulenzhe, Tambaulate and Tshitomboni	Slow performance by contractors	193,101,729	41,266,057
Malamulele West Regional Water Scheme- Phase 2B -Mukhomi, Xigamani, Xihosana, Dumela and Gumbani		-	49,686,680
Nandoni RWS: Construction of Bulk Pipeline from Vuwani to Middle Letaba System (Disaster Project)	Delay in the manufacturing of other components Process to repair damage of the bulk pipeline	262,704,300	6,712,899
Vuwani to vyeboom and Construction of reservoir(Makhado)	The contractor is struggling to purchase materials because of cashflow challenges	328,267,673	55,304,741
Damani Regional Water Scheme :pipeline P1,P2,P3		-	33,326,101
Mutshedzi Regional Water Scheme		-	138,827,136
Mashau and surrounding villages BWS & Ret.	Dispute of land between VDM and community member	310,622,196	45,158,948
Infrastructure Assets			
Makhado West Bulk Water supply Stage 3	DWS Construction North delayed procuring the service for pressure testing and disinfection. Delay due to leaking scour valves chambers. Contractor experienced lack of diesel on site. Testing delayed due to insufficient water supply from Nandoni.	288,841,802	239,726,838

Notes to the Annual Financial Statements

Figures in Rand		2025	2024

8. Property, plant and equipment (continued)

Xikundu Mhinga Bulk Water Supply	The contractor was not paid for work done since November 2024 and he is experiencing financial challenge hence no progress. Project not budgeted this financial year due to lack of own funding.	16,826,330	16,826,330
Xikundu/Mhinga water reticulation project	Pending approval of variation Order	82,331,864	-
Thohoyandou Unit C Ext Water Supply		-	-
		-	-

9. 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	13,622,739	(9,802,828)	3,819,911	13,622,738	(8,330,257)	5,292,481

Reconciliation of intangible assets - 2025

	Opening balance	**Amortisation**	**Total**
Computer software, other	5,292,481	(1,472,570)	3,819,911

Reconciliation of intangible assets - 2024

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software, other	6,686,160	75,000	(1,468,679)	5,292,481

Figures in Rand	2025	2024

10. Payables from exchange transactions

Trade payables	321,208,718	197,993,670
Payments received in advanced	47,538,611	50,332,215
Retention	220,696,379	209,865,998
Accrued bonus	16,633,116	15,002,338
Accrued expense	31,973,829	29,820,911
Other payables	4,137,520	1,652,710
Unallocated deposits	26,750,327	27,670,566
Department of Water and Sanitation	467	467
Deferred revenue from water connections	10,732,896	10,361,494
Mopani District Municipality	34,800,001	46,400,000
	714,471,864	**589,100,369**

Net amountof Other Financial liabilities (Musina Local Municipality) set off against Receivables from exchange transactions

Gross amount payable to Musina Local Municipality before offsetting	449,670,169	407,515,789
Gross amount set off	(449,670,169)	(407,515,789)
	-	-

Vhembe District Municipality and Musina Local Municipality agreed to offset both amounts receivable and payable to each municipality for existing and future balances and disclose the net amount receivable or payable to each respective municipality in term of GRAP 104 paragraph 92 to 100.

Current and Non-current portion of Trade and other payables from exchange transactions

Payables from exchange transactions current portion	714,471,858	589,100,370
	714,471,858	**589,100,370**

Vhembe District Municipality has agreed to pay R3 866 666.67 to Mopani District Municipality as and when Vhembe District Municipality receive equitable share until the capital sum of R58 000 000 is paid in full. interest will be frozen for the period of settlement and will be written off after full capital amount is paid.

11. Transfers payable (non-exchange)

Transfers payable	2,086,000	2,086,000

The amount relates to Disaster Relied Grant which VDM received during 2019/20 financial year for COVID 19 purposes which ended up not being used. An application for roll over of the grant was not approved by National treasury. Since the Grant was not approved National treasury has not yet withdrawn the amount of R2 086 000.

12. VAT payable

VAT Control	-	338,159,899
VAT Output Accrual	94,316,840	106,275,242
	94,316,840	**444,435,141**

Both the VAT accrual account and the VAT control account are statutory arrangements. However, the nature of the liabilities are different – the VAT accrual represents VAT still to be collected or to be paid in cash, while the VAT control represents the liability to SARS.

13. Consumer deposits

Water	4,409,170	4,409,170

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	-	57,119,852
Water Services Infrastructure Grant	-	2,260,325
Financial Management Grant	580,697	-
Expanded Public Works Programme Integrated Grant	(1)	-
Rural Road Asset Management Systems Grant	1,079,547	-
Infrastructure Skills Development Grant	20	-
	1,660,263	**59,380,177**

Movement during the year

Balance at the beginning of the year	59,380,177	41,416,471
Additions during the year	668,166,000	692,512,000
Income recognition during the year	(719,993,914)	(674,318,347)
Set off by National Treasury	(5,892,000)	(229,947)
	1,660,263	**59,380,177**

15. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	Utilised during the year	Total
Leave provision	73,542,135	22,310,354	(11,183,537)	84,668,952
Performance bonus	91,138	-	-	91,138
Long service award	9,667,205	3,524,072	(2,257,709)	10,933,568
	83,300,478	**25,834,426**	**(13,441,246)**	**95,693,658**

Reconciliation of provisions - 2024

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Leave provision	68,019,970	9,988,414	(4,466,249)	-	-	73,542,135
Performance bonus	91,138	-	-	-	-	91,138
Long service award	10,155,940	8,629,403	(12,267,456)	861,549	2,287,769	9,667,205
	78,267,048	**18,617,817**	**(16,733,705)**	**861,549**	**2,287,769**	**83,300,478**

	2025	2024
Non-current liabilities	7,908,702	8,540,710
Current liabilities	87,784,956	74,759,768
	95,693,658	**83,300,478**

Leave provision

Employee entitlement to annual leave is recognised when it accrues. A provision is made on the estimated liability for annual leave as a result of services rendered by employees up on the amount of the obligations. Provisions at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it no longer probable that an outflow of resources embodying economics benefits or services potential will be required to settle the obligation.

Performance Bonus provision

The provision relate to performance bonuses that were provided for in prior years based on performance agreements for which it is still probable that there will be economic outflows for the municipality as at current financial year end.

Long Service Award provisions

Benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. The leave days awarded have been converted to a percentage of annual salary to the next interval by allowing for future growth. The key assumptions used are the discount rate of 9.76%, CPI of 4.96%, salary increase rate of 5.96% which gave us a net discount rate of 3.59%, average retirement age of 63, withdrawal rates and ill health and other early termination rates were determined according to age groups.

16. Service charges

	2025	2024
Water and Waste Water billing	502,340,345	276,103,635
Pre-paid water sales	3,797,924	3,472,572
Water connections	852,225	2,056,405
Waste management facility disposal	500,116	357,529
	507,490,610	**281,990,141**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

17. Interest on Investments

Interest revenue		
Bank accounts	37,769,216	47,269,102
Interest earned from SARS	-	761,525
	37,769,216	**48,030,627**

18. Sales of Goods and Rendering of Services

Clearance Certificates	2,636,332	662,710
Fire Services	373,783	378,462
Tender Documents	108,893	247,000
Recycling of Waste	13,459	2,631
	3,132,467	**1,290,803**

19. Operational revenue

Breakages and Losses Recovered	-	2,531,223

20. Interest on Receivables

Interest on Receivables	121,901,611	101,897,841

21. Licences and permits

Health Certificates	1,627	137

22. Inventories losses / write-downs

Inventories losses / write-downs	74,486	-

23. Licences and permits (non-exchange)

Market Porters	310,344	356,242

Figures in Rand	2025	2024

24. Government grants & subsidies

Operating grants

Equitable share	1,474,623,001	1,385,786,000
Municipal Infrastructure Grant	27,709,568	23,275,590
Water Services Infrastructure Grant	15,347,965	-
Expanded public works programme grant	5,114,001	6,393,947
Rural Road Asset Management Systems Grant	2,063,459	2,845,002
Financial management grant	2,419,298	3,000,000
Infrastructure Skills Development Grant	4,799,980	3,500,000
	1,532,077,272	**1,424,800,539**

Capital grants

Municipal Infrastructure Grant	579,282,713	522,895,262
Water services infrastructure grant	83,257,036	112,408,495
National Departmental Agencies: Banking SETA	4,939,420	4,358,498
Regional bulk infrastructure grant	14,323,310	10,935,764
	681,802,479	**650,598,019**
	2,213,879,751	**2,075,398,558**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	734,317,330	685,254,060
Unconditional grants received	1,479,562,421	1,390,144,498
	2,213,879,751	**2,075,398,558**

Municipal Infrastructure Grant

Balance unspent at beginning of year	57,119,852	23,517,704
Current-year receipts	553,504,000	579,773,000
Conditions met - transferred to revenue	(606,992,177)	(546,170,852)
Offset by national treasury	(3,631,675)	-
	-	**57,119,852**

Conditions still to be met - remain liabilities (see note 14).

Municipal Infrastructure Grant is used for the provision of capital finance for the eradication of basic municipal infrastructure backlogs for poor households and social infrastructure servicing the poor and provide finding for the development of asset management plans for infrastructure servicing the poor.

Water Services Infrastructure Grant

Balance unspent at beginning of year	2,260,325	17,668,820
Current-year receipts	98,605,000	97,000,000
Conditions met - transferred to revenue	(98,605,000)	(112,408,495)
Offset by national treasury	(2,260,325)	-
	-	**2,260,325**

Conditions still to be met - remain liabilities (see note 14).

Water Service Infrastructure Grant facilitates the planning and implementation of various water and sanitation projects to accelerate backlog reduction and enhance the sustainability of services.

Financial Management Grant

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

24. Government grants & subsidies (continued)

Current-year receipts	3,000,000	3,000,000
Conditions met - transferred to revenue	(2,419,303)	(3,000,000)
	580,697	**-**

Conditions still to be met - remain liabilities (see note 14).

Local Government Finance Management Grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management act.

Expanded Public Works Programme

Balance unspent at beginning of year	-	229,947
Current-year receipts	5,114,000	6,394,000
Conditions met - transferred to revenue	(5,114,001)	(6,394,000)
Offset by National Treasury	-	(229,947)
	(1)	**-**

Conditions still to be met - remain liabilities (see note 14).

Expanded Public Works Programme is used to expand work creation efforts through the use of labour-intensive delivery methods..

Rural Road Asset Management Systems Grant

Current-year receipts	3,143,000	2,845,000
Conditions met - transferred to revenue	(2,063,453)	(2,845,000)
	1,079,547	**-**

Conditions still to be met - remain liabilities (see note 14).

Rural Roads Asset Management Systems Grant assists the district municipalities to set-up rural roads and asset management systems and collect road, bridges and traffic data on municipal road networks

Infrastructure Skills Development Grant

Current-year receipts	4,800,000	3,500,000
Conditions met - transferred to revenue	(4,799,980)	(3,500,000)
	20	**-**

Conditions still to be met - remain liabilities (see note 14).

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

25. Employee related costs

Basic salary	502,242,153	477,292,928
Pension	87,007,635	81,255,723
Overtime	59,125,651	77,668,044
Bonus	39,646,617	36,318,666
Car allowance	43,199,906	41,366,623
Medical aid	28,542,249	24,866,501
Travel, motor car, accommodation, subsistence and other allowances	1,035,913	438,814
Housing benefits and allowances	5,843,843	6,260,895
Standby Allowance	1,526,105	1,406,170
Leave pay provision charge	22,248,408	10,069,314
Long-service awards	3,524,072	11,778,722
UIF	3,191,786	3,243,927
Cellular Allowances	377,800	300,001
Social Contributions:Bargaining Council	169,064	172,163
Acting allowances	13,240	-
Uniform and protective clothing	-	84,926
	797,694,442	**772,523,417**

Remuneration of municipal manager

Basic salary	1,043,967	1,025,729
Contributions to UIF, Medical and Pension Funds	184,253	159,359
Car Allowance	498,165	439,382
Bonus	-	26,031
Accommodation Travel and Incidental	-	3,819
Cellphone allowance	30,000	30,000
	1,756,385	**1,684,320**

Remuneration of chief finance officer

Basic salary	644,923	854,066
Contributions to UIF, Medical and Pension Funds	115,197	150,380
Car Allowance	254,836	338,907
Bonus	67,923	65,753
Accommodation Travel and Incidental	778	1,214
Cellular allowance	36,000	24,000
Leave Pay	61,946	-
	1,181,603	**1,434,320**

Remuneration of General Manager Technical Services

Basic salary	857,116	854,066
Car Allowance	267,964	230,735
Contributions to UIF, Medical and Pension Funds	240,174	223,489
Accommodation Travel and Incidental	480	981
Bonus	71,671	63,838
	1,437,405	**1,373,109**

Remuneration of General Manager Economic And Development Planning

Basic salary	152,528	48,870
Contributions to UIF, Medical and Pension Funds	37,942	-
Car Allowance	54,796	-
Accommodation Travel and Incidental	248	-
Cellular Allowance	6,000	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

25. Employee related costs (continued)

	251,514	**48,870**

Remuneration of General Manager Corporate Services

Basic salary	457,585	591,053
Contributions to UIF, Medical and Pension Funds	83,959	115,036
Car Allowance	259,712	176,727
Leave pay	-	37,874
Bonus	-	54,790
Cellphone allowance	18,000	-
Accommodation Travel and Incidental	1,748	-
	821,004	**975,480**

Remuneration of General Manager Community Services

Basic salary	857,116	854,066
Contributions to UIF, Medical and Pension Funds	186,748	173,607
Housing Benefits	3,856	1,780
Bonus	74,433	53,198
Car Allowance	340,190	304,267
	1,462,343	**1,386,918**

26. Remuneration of councillors

Councillors	9,091,174	7,942,264
Mayoral Committee Members	4,664,247	5,564,419
Executive Mayor	1,045,998	956,402
Speaker	482,408	875,940
Chief Whip	862,955	761,283
	16,146,782	**16,100,308**

27. Depreciation and amortisation

Property, plant and equipment	191,586,395	162,708,909
Intangible assets	1,472,571	1,468,678
	193,058,966	**164,177,587**

28. Debt impairment

Contributions to debt impairment provision	537,616,600	364,688,862

29. Contracted services

Outsourced Services		
Business and Advisory	13,909,224	13,563,850
Personnel and Labour	38,836,384	40,990,945
Administrative and Support Staff	1,293,361	5,293,999
Catering Services	3,975,730	4,343,644
Professional Staff	2,780,839	288,000
Transport Services	468,970	640,597

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

29. Contracted services (continued)

Consultants and Professional Services		
Legal Cost	32,473,940	46,109,368
Business and Advisory	16,261,886	32,732,761
Laboratory Services	4,874,837	2,018,807
Infrastructure and Planning	360,701	255,335
Contractors		
Maintenance of Equipment	113,490,156	128,663,464
Maintenance of Unspecified Assets	12,895,502	8,755,804
Maintenance of Buildings and Facilities	8,850,677	3,240,164
Sewerage Services	15,146,828	4,759,256
Sports and Recreation	-	1,551,965
	265,619,035	**293,207,959**

30. Operational expenses

Assessment rates & municipal charges	105,466,584	101,295,724
Fuel and oil	14,415,734	19,247,458
License	1,363,641	2,838,304
Subscriptions and membership fees	8,943,307	8,291,691
Auditors remuneration	8,545,338	7,747,930
Telephone and fax	8,089,608	9,010,805
Insurance	4,782,402	3,759,345
Skills Development Fund Levy	6,590,546	6,518,850
Mayors Bursary Fund	2,164,436	2,778,601
Accommodation	3,704,388	3,989,769
IT expenses	3,795,583	2,012,798
Protective clothing	3,196,276	5,678,897
Advertising	3,406,101	5,132,362
Achievements and Awards	955,731	1,487,561
Travel - local	2,390,667	2,371,394
Bank charges	439,044	349,026
Hire Charges	340,377	528,851
Transport and freight	442,770	520,990
Conferences and seminars	1,608,267	1,283,384
Printing and stationery	45,212	412,807
Entertainment	41,693	32,444
Assets less than the Capitalisation Threshold	9,000,188	12,382,281
Copy Right Fees	31,020	8,700
Postage and courier	6,965	10,820
Water related services expenditure	36,655,983	41,812,102
	226,421,861	**239,502,894**

31. Inventory consumed

Water consumed	434,816,676	192,534,629
Consumable stores	14,164,796	25,698,962
Materials and supplies	7,479,377	5,859,711
	456,460,849	**224,093,302**

32. Impairment losses

Impairments		
Property, plant and equipment	69,953,095	10,679,590

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

33. Lease rentals on operating lease

Premises		
Contractual amounts	226,248	2,163,039
Machinery and Equipment		
Contractual amounts	2,316,912	1,505,749
	2,543,160	**3,668,788**

34. Finance costs

Trade and other payables	-	305,780

35. Gain or loss on disposal of assets and liabilities

Gain or loss on disposal of assets and liabilities	(1,020,501)	-

36. Impairment recovered

The municipality recovered R58 847 697 of the remaining balance from VBS curator during the financial year. The balance of R295 235 974 was fully impaired during the 2023/24 financial year.

37. Cash generated from operations

Surplus	369,962,264	415,644,068
Adjustments for:		
Depreciation and amortisation	193,058,966	164,177,587
Gain on sale of assets and liabilities	1,020,501	-
Impairment recovered	(58,847,697)	-
Impairment deficit	69,953,095	10,679,590
Debt impairment	537,616,600	364,688,862
Movement in provisions	12,393,180	5,033,430
Inventory losses or write-downs	(74,486)	-
Changes in working capital:		
Inventories	171,221,254	(53,550,958)
VAT receivables / payables	(501,638,945)	517,901,199
Receivables from exchange receivables	(594,582,878)	(320,802,741)
Receivables from non-exchange transactions	(23,515)	3,681,038
Payables from exchange transactions	117,334,717	(40,276,652)
Unspent conditional grants and receipts	(57,719,914)	17,963,706
	259,673,142	**1,085,139,129**

38. Water losses

Water losses

Real losses: Leakage on transmission and distribution mains	854,911,119	580,967,852

		Number 2024		
Opening Units	33,245,853	31,328,181	174,781,664	123,316,508
Units purchased	181,516,503	137,430,898	924,047,060	722,508,193
Units sold	(47,741,442)	(14,864,909)	(243,037,624)	(90,075,185)
Closing Units	(172,860)	(33,245,853)	(879,981)	(174,781,664)
Total	-	-	**854,911,119**	**580,967,852**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

39. Contingent liabilities

Capstain Trading 215 CC	608,660	608,660
Gettysburg Community Property Association	17,375,599	17,375,599
Mmbudzeni Given mavhunga	1,350,000	1,350,000
Luvhengo LV OBO Minors	490,000	490,000
Tinyiko Manganyi OBO Manganyi Andile	4,100,000	4,100,000
Tshwane Trading	595,650	595,650
K. T. Ntsikazi	-	3,708,956
Department of Water and Sanitation (DWS)	929,353,925	929,353,925
Stan South Financial and Investment Services cc	11,644,558	11,644,558
Mukheli Livhuwani Priscilla OBO Wavavhudi Mukheli	500,000	500,000
Risimati Christopher Mabasa	35,708	35,708
Lepelle Northern Water	-	14,066,508
Johan Van Der Horst	514,158	514,158
Tshavhungwe Tshambiluni Godfrey	780,000	780,000
Phuluwa Thinashaka Reuben	3,560,000	3,560,000
Molozi Trust	703,756	703,756
Joyce and Tiny Sibongile Madala	3,500,000	3,500,000
Nndwakhulu Victor Ramabulana	4,730,000	4,730,000
Kurima JV Projects	1,034,335	1,034,335
Sharon Pipeline	2,488,975	2,488,975
TELKOM SOC Limited	1,630,870	1,630,870
Belta Services Pity (Ltd)	5,139,559	5,139,559
MLK Engineering	8,060,655	8,060,655
Maname Air Conditioning and Refrigeration	3,000,000	-
BMK Electrome chanical (Pity) Ltd	21,729,228	-
H Schoeman Investment CC	83,204	-
H Schoeman Investment CC	6,533,333	-
H Schoeman Investment CC	6,533,333	-
Lepelle Northern Water	22,038,778	-
	1,058,114,284	**1,015,971,872**

1. CAPSTAN TRADING 215 CC
Capstain Trading is litigating against the Municipality and is disputing the validity of a cession that is purported to have been signed between the Capstan as the cedar and the third party. On the strength of the cession agreement the Municipality paid the third party an amount of R608 660 (2024: R608 660). The Municipality is defending the case. The3tfadsv plaintiff has since made an application for a set-down to be heard on the 5th of May 2023, in the High Court in Thohoyandou.

2. GETRUSBURG COMMUNITY PROPERTY ASSOCIATION
The Association is suing the Makhado Municipality for R17 375 599 (2024: R17 375 599) for drawing borehole water from its premises without consent. Makhado Municipality has joined VDM as a Water Services Authority. The Municipality is defending the case.

3. MMBUDZENI GIVEN MAVHUNGA
Mbudzeni Given Mavhunga is alleging that he fell into a ditch that was not covered and he has sustained some injuries. He is therefore suing the Municipality an amount of R1 350 000 (2024: R1 350 000) for negligence. The Municipality is defending the matter.

4. LUVHENGO LV OBO MINORS
Ms Luvhengo Lydia Vhonani has instituted action against the Municipality in that the biological father of her two minor children has passed away due to the negligence of the Vhembe District Municipality. Ms Luvhengo is suing for R490 000 (2024: R490 000). The alleged biological father was killed when a water tank fell on him. The Municipality is defending the case.

5. TINYIKO MANGANYI OBO MANGANYI ANDILE
Tinyiko has instituted a claim against the municipality alleging that there were bodily injuries sustained due negligence by the municipality. She is suing the municipality for an amount of R4 100 000 (2024: R4 100 000).

6. TSWANE TRADING
Konani has instituted a claim against the Municipality as they alleged that they have suffered damages as a result of the municipality failing to comply with the training agreement that was concluded. The claim amount is. R595 650 (2024: R595 650)

39. Contingent liabilities (continued)

8. K.T NSIKAZI.COM
Nsikazi is litigating against the municipality as they allege that they had leased the municipality IT hardware materials which upon expiry of the contract were never returned to them. They are claiming an amount of (2024: R3 708 956) being the value of items in possession of the municipality. The municipality has settled the case during 2024/25 financial year.

9. Minister of Water and Sanitation
The Department of Water and Sanitation is suing the Municipality for R923 202 894 and R6 150 998 and 33 (929 353 925) for water that has not been paid by the District as per received summonses. The Municipality is however, defending the case as it cannot agree with the figure as it was based on estimation. It should however be noted that in 2016 Vhembe District Municipality was owing the Department an amount of R307 083 113 (Three hundred and seven million, Eighty-three thousands, One hundred and twelve rands, and sixty-seven cents) as per the summonses served by A Solwandle Attorneys, the Department of Water and Sanitation's attorney of record.

The Municipality is defending the matter and has so far filed a Notice of Objection and on 22 August 2023, the matter will be heard in Polokwane High Court.

10. STAN SOUTH FINANCIAL AND INVESTMENT SERVICES CC.
Stan South Financial and Investment Services are claiming for the work done. They are claiming R11 644 558 (2024: R11 644 558). The Municipality is defending the case.

11. MUKHELI LIVHUWANI OBO MINOR.

The plaintiff in the matter is Mukheli Livhuwani Priscilla on behalf of the minor child Mukheli Wavhudi who resides at Stand Number 916, Tshifulanani Village, Lwamondo. Through her attorney of record, issued summonses on the 08th of November 2022 through the sheriff of the court for damages against Vhembe District Municipality on behalf of a minor child. The child apparently fell in a ditch due to negligence on the part of the owners of the building/complex around the FNB, in the Metropolitan Centre in the Thohoyandou CBD. The summonses was hand-delivered to the defendant on the 14th of November 2022. The plaintiff is claiming damages to the tune of R 500 000

12. RISIMATI CHRISTOPHER MABASA
Risimati Christopher Mabasa has instituted a claim against the Municipality in that his vehicle was involved in an accident that in which he claims that it was caused by the vehicle of the Municipality claiming R35 108 (2024: R35 108). The Municipality is defending the matter.

13. Lepelle Northern Water Board
During August 2023 Vhembe District Municipality initiated the engagement with Lepelle Northern Water concerning the service level agreement between the 2 institutions which was in place however the service level agreement for 2023/2024 was invalid which resulted in renewal/revision of the service level agreement. Those engagement were occurring while Lepelle Northern Water was servicing the communities on behalf of the Vhembe District Municipality however the invoices were not processed at its initial receipt as Vhembe District Municipality was still waiting for the matter to be concluded to authenticate the validity of the service level agreement.

14. JOHAN VAN DER HORST
Johan Van der Horst is litigating against the municipality as he alleges that he has lost his house due to fire as a result of negligence by municipality fire officials and their non-response on this particular case. He is claiming an amount of R514 158 (2024: R514 158) as the value of the burnt house, furniture and clothing. The municipality is defending the case.

15. TSHAVHUNGWE TSHAMBILUNI GODFREY
Vhembe District Municipality has received summons from Tshavhungwe Tshimbiluni Godfrey claiming R780 000 (2024: R780 000) for moving and reburial of the graves and the remains found in the Davhana Traditional area, compensation for a portion occupied by water lines and for damages in respect of pain and emotional suffering. The Municipality is defending the matter.

16. PHULUWA THINASHAKA REUBEN
Phuluwa Thinashaka Reuben is claiming that he sent summons to the Municipality claiming an amount of R3 560 000 (2024: R3 560 000). The municipality is defending the matter.

39. Contingent liabilities (continued)

17. MOLOZI TRUST
Molozi Trust is claiming that there is an agreement that the Vhembe District Municipality will pay for the servitude that is in the name of the trust. They are requesting payment of R703 756 (2024: R 703 756).

18. JOYCE AND TINY SIBONGILE MADALA
The applicants are claiming R3 500 000 (2024: R3 500 000) for emotional shock in that there has been a sewer blockage causing leaks in their house. The Municipality is defending the matter.

19. NNDWAKHULU VICTOR RAMABULANA
The applicant is alleging that he fell into the ditch and sustained a fracture on his leg and he is now claiming R4 730 000 (2024: R1 000 000). The Municipality is defending the matter.

20. KURIMA JV PROJECTS CC
The company is claiming an amount of R1 034 335 (2024: R1 034 335) for the work done. The Municipality is defending the matter.

21. SHARON PIPELINE SPECIALISTS
Sharon pipeline is litigating against the municipality as they are alleging that they have provided services and has not been paid. Sharon is suing the municipality for an amount of R2 488 975.22. The municipality is defending the case. The case is still pending

22. TELKOM SOC
TELKOM is claiming the amount of R1 630 870 as an amount for service rendered. Vhembe is disputing the facts and therefore defending the matter.

23. BELTA SERVICES Pity (LTD)
Belta is claiming about R5 000 000-00 for services rendered. Summonses was issued and not defended. The plaintiff then proceeded and applied for a set-down and VDM did not respond. The plaintiff then applied for default judgment which was granted. The plaintiff then served the Municipality with a writ of execution. VDM lodged an application to stay the writ and also rescission of judgment. The plaintiff responded by an answering affidavit which on the 18th January 2024, VDM's attorney of record resolved that it will file a replying affidavit as a means to respond to the allegations as contained in the plaintiff's answering affidavit. On the 25th of April 2024 a consultation happened at Duma Nokwe Chambers in Sandton at 14h00. The purpose of the consultation was to prepare the heads of argument in order to have a set-down date as the pleadings have already closed.

24. MLK Engineering
MLK Engineering is claiming an amount of R8 060 655.04 for the work done. The Municipality has since rejected during negotiations to pay after doing inspection in loco and verification of some of the invoices. A consultation was held in Groenkloof, Pretoria on the 13th of March 2024, and the following people were in attendance:

Advocate Makuya UB, Senior Counsel of Tshiredo Attorneys
Phuluwa P from Technical Services
Matshili Muofhe from Technical Services
Tshiredo Jeff of Tshiredo Attorneys
Matsea Masala of Tshiredo Attorneys
Advocate Muavha NP from VDM Legal services.

It was agreed in that meeting that since new issues emerged that led to contradicting statements, Vhembe should go back and seek solace with the matter before they consult with the Municipality's attorney of record. It was emphasized that Vhembe team should not delay the meeting as the matter was urgent so as to give the municipality's attorney of record time to file the necessary application. It was also emphasized in that meeting that if Vhembe is ready to settle the matter out of court, it is at liberty to do so.

Consultation
The consultation was held on the 25th of February 2025. It was concluded that VDM will defend the matter in court since it was subjected to default judgement and therefore, it went to court.

39. Contingent liabilities (continued)

Court
Thohoyandou High Court of South Africa dismissed the default judgement against Vhembe District Municipality and therefore, the execution was stopped and now, VDM is waiting for the MLK's attorneys to respond.

25. Maname Air Conditioning and Refrigeration
Maname Air Conditioning and Refrigeration Company is claiming the amount of R3 000 000.00 as an amount for service rendered but it is failing to provide proof that indeed it performed the alleged services, Vhembe is disputing the facts and therefore defending the matter.

26. BMK ELECTROMECHANICAL (PYT) LTD
BMK Electromechanical has submitted a claim for services rendered to Vhembe District Municipality in the amount of R21 729 228.43. They were allegedly granted warrant of execution by the High Court of South Africa which they used to dock the amount of R21 729 228.43 from Municipal's account, Vhembe District Municipality is disputing the facts and therefore defending the matter.

27. H SCHOEMAN INVESTMENTS CC
H Schoeman Investments CC submitted a claim for damages to Vhembe District Municipality in the amount of R83 203.50, contending that Vhembe District Municipality damaged their "dam-wall". Vhembe District Municipality is disputing the facts and therefore defending the matter.

28. H SCHOEMAN INVESTMENTS CC
H Schoeman Investments CC instituted a case against Vhembe District Municipality contending that they suffered a financial loss, espousing that the bulged sewer pipe resulted in them not getting enough water for irrigation of the lucerne. They submitted a claim for damages to Vhembe District Municipality in the amount of R6 533 333.33, Vhembe District Municipality is responding to allegations and therefore defending the case.

29. H SCHOEMAN INVESTMENT CC
H Schoeman Investments CC instituted a case from the same course of action [SUPRA], expounding that the leakage in the sewer pipe killed Fauna and Flora, Vhembe District Municipality was again cited as the second respondent on this matter and therefore, Vhembe District Municipality is defending the matter.

Consultation and Inspection in Loco of the two above-mentioned H Schoeman Investments CC cases were held concurrently on the following dates: 17th & 28th of March and 3rd of April of 2025. The following attendees were present:

Makhuvha Attorneys
Adv. Maluleke from Makhuvha Attorneys
Adv. Muavha Nndavheleseni from VDM Legal Services
Adv. Raphunga David from VDM Legal Services
Muofhe Matshili from VDM Technical Services Manager
Mudau Terence from VDM Legal Services Intern

In the consultations it was noted that maintenance of the bulged sewer-pipe must be prioritised and to have a meeting with the technical GM together with MM. Final Agreement was to file an affidavit, letter of instruction to the legal service provider, notice to oppose and issue an amendment for the plea.

Inspection in loco was conducted and Vhembe District Municipality learned that maintenance team is busy and there's progress made, after inspection in loco, Vhembe drew an inference that it will write a legal opinion to the Municipal Manager.
Consultation was held at VHEMBE DISTRICT MUNICIPALITY 0n the 5th of May 2025 in the office of the GM Technical Services; it was held around 11:00 and the following attendees were present:

Makhuvha Attorneys
Adv. Maluleke from Makhuvha Attorneys
Technical Services GM: Witsman Maluleke
Adv. Raphunga from VDM Legal Services Manager
Mudau Terence from VDM Legal Services Intern

The consultation focused on urgent maintenance of the bulged sewer-pipe to avoid legal costs and criminal charges; Technical Services GM emphasised to use term contractors from a panel to avoid price escalations.

39. Contingent liabilities (continued)

On the 26th of May 2025, a consultation was held, the following attendees were present:

Makhuvha Attorneys
Adv. Maluleke from Makhuvha Attorneys
Adv. Muavha Nndavheleseni from VDM Legal Services
Mudau Terence from VDM Legal Services Intern
Together with 6 attorneys of Adv. Maluleke

Technical Services must maintain the bulged sewer-pipe as instructed by the attorneys of record; they are dragging their feet since they were instructed a long time ago. Statutorily it is Vhembe's obligation to maintain the sewer pipe.Technical services will appoint contractors to perform sewer pipe maintenance urgently.

Adv. Maluleke and Makhuvha attorneys will call for roundtable with Schoeman's legal representatives.Discovery Affidavit will be sent the next day.

On the 4th of July 2025, a consultation was held, the following attendees were present:

Makhuvha Attorneys
Adv. Maluleke from Makhuvha Attorneys
Adv. Raphunga DD from VDM Legal Services
Adv. Muavha Nndavheleseni from VDM Legal Services
Mudau Terence from VDM Legal Services Intern
Together with 6 attorneys of Adv. Maluleke

Vhembe together with the legal team is considering settling two out of three legal cases involving land and monetary claims. They propose offering the opposing party 2 million rand as compensation for land, with hope that this will lead to withdrawing the other two cases. They plan to write an "without prejudice" letter to initiate a roundtable conference to discuss settlement, the team (Vhembe and legal service providers) agrees that if settlement negotiations fail, they will proceed with the case on its merits. They are preparing to respond to a series of specific questions about property entry, wall demolition, and flood damage, drafting answers collaboratively during the meeting. The whole overall strategy is to find an amicable settlement that minimizes legal costs and potential long-term litigation.

On the 21st of July 2025, a consultation was held, the following attendees were present:

Makhuvha Attorneys
Adv. Maluleke from Makhuvha Attorneys

Erwee Attorneys, Legal Representatives of H Schoeman Investments CC
Adv. Raphunga DD from VDM Legal Services
Adv. Muavha Nndavheleseni from VDM Legal Services
Mudau Terence from VDM Legal Services Intern

Vhembe and legal team plan to settle the Magistrate's Court matter this week, which is a small case. For the larger High Court matter involving damages (around 6 million), they are considering:

-keeping the land donation separate from the settlement
-potentially valuing the land at around 2 million
-Resolving the litigation without direct payments

They agreed to:
-get precise measurements of the land being donated
-have a follow-up meeting in mid-August (15-22nd)
-involve the town planner to finalize land details
-aim to complete the land acquisition process faster than potential court litigation (which could take 2-3 years)

The land donation includes:
-additional space for the graveyard
-space for a sewage plant
-potentially doubling the current area

Notes to the Annual Financial Statements

39. Contingent liabilities (continued)

The overall goal is to settle the legal matters amicably and acquire land for municipal purposes efficiently.

30. COLBERT MUGIVHISA
Colbert Mugivhisa has closed and barricaded the entrance of the site where the Municipality is busy with construction of a water reservoir at Mashau Village. He is claiming that the Municipality is constructing on his land without consent.

31. LEPELLE NORTHERN WATER
Vhembe District Municipality is indebted to Lepelle Northern Water for water services rendered as per the Service Level Agreement signed between the parties, to the amount of R125 563 369.01 (One Hundred and Twenty Five Million Five Hundred and Sixty Three Thousand Three Hundred and Sixty Nine Rand and One Cent) inclusive of R22 038 778.08 (Twenty Two Million Thirty Eight Thousand Seven Hundred and Seventy Eight Rand and Eight cents) in accumulated interest. and the Service Level Agreement demanded of the parties to amend it, and Vhembe initiated the process of amending the Service Level Agreement as early as August 2023, but the Addendum was only signed on the 27th June 2024.

Vhembe notes that the principal debt is inclusive of R22 038 778.08 (Twenty Two Million Thirty Eight Thousand Seven Hundred and Seventy Eight Rand and Eight cents) the interest due as a result of late singing of SLA is R11 535 284.65. The Municipality is however disputing the interests part of it due to the late signing of the agreement.

32. MOPANI DISTRICT MUNICIPALITY WATER
Mopani District Municipality is alleging that Vhembe District Municipality is owing an amount of R57 million with regard to a water debt. The validity and the accuracy of these invoices are currently under dispute and VDM has not recognized a provisions for this amount as the condition(s) to recognize the provision are not met in terms of GRAP19.21 where a reliable estimate of the amount cannot be made. Moreover, the infrastructure(s) and/or reservoir(s) are not the within Vhembe District Municipality jurisdiction which makes it impractical for Vhembe District Municipality to arrive at a reasonable estimate taking into account that Mopani District Municipality cannot provide reasonable assurance on the obligation(s) presented to Vhembe District Municipality. Due to the uncertainty regarding the outcome and final amount payable, the liability has not been recognized in the financial statement. The Municipality will recognize the liability when the obligation can be measured reliably in accordance with GRAP 19. The possibility of any outflow in the settlement is remote as per GRAP19 101(b).

40. Contingent assets

ESSOR INSURANCE
The Vhembe District Municipality is suing Essor as our insurance as they don’t want to pay insurance money for the work that was not finished by the contractor. The case is still pending

Figures in Rand	2025	2024

41. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	859,242,344	694,209,253
Total capital commitments		
Already contracted for but not provided for	859,242,344	694,209,253

Authorised operational expenditure

Already contracted for but not provided for		
• Purchase & installation 3600 smart meters & all accessories to malamulele town	10,259,916	13,030,635
• Supply of trucks and tractors	-	21,532,317
• Repairs and maintenance	2,958,124	21,012,502
• Refurbishment of Albasin purification plant floc-clarifier No.1	-	6,968,140
• GIS Strategy implementation over a period of 36 months	1,624,955	4,996,381
• Refurbish 9 boreholes ,100kl concrete reservoir & pump station at Kutama Sinthumule & surrounding villages and also install 2x 10000l plastic tanks	-	9,623,200
• Modification of pipeline from borehole H 17-0017	-	6,716,000
• Procurement of landline telephone rental services for a period of five years	4,875,025	8,647,323
• Supply and Delivery of Protective clothing for EPWP Participants	109,193	-
• Server Vitalisation Maintenance and Backup for the period of 36 months	1,827,120	1,827,120
• Repair 2 burst pipe at Gaba inside the huge valley and Miluwani unit C	-	6,299,882
• Compliance Management system for local government	500,000	1,000,000
• REPAIR OF 12 000 BTU AIR CONDITIONER SPECIAL PROGRAMME-NETSHILAPHALA K	171,300	-
• Appointment of term contract for compilation of fixed assets	5,327,183	10,660,366
• Renewal of network security cyberoam and upgrade cr series to XG series	77,625	77,625
• Furbishment of Booster pump stations in Mulima	5,905,424	5,905,423
• Transport	21,500	-
• Supply and installation of air-blower , back- wash pump and drive motor at Abasin filter-track	-	5,845,416
• Purchase, delivery, installation of 110 bulk meters with valves, 148 outlet ballvalves and commissioning to reservoirs, water treatment works and bulk boreholes(Re-advert)	-	5,602,835
• Upgrade, unblocking of 2.8KM sewer pipeline, waterproofing of one(1) pond and de-bushing of three (3) other ponds at Vleifontein waste water treatment works	-	5,355,717
• Test, energize and construct mainlines to the two reservoirs for three boreholes at Phaphazela village	-	4,520,908
• Supply and installation of 3x MPB 6 stage pumps , 2x DRDVbareshaft pump at Xikundu water works	-	4,361,950
• Drilling, sitting, equiping and construction of pump house for two boreholes and connecting them to the steel reservoir at Tshikonelo village	-	4,239,608
• Supply, install and repairs of 3xpumps, rewiring of 2 panels, 7x contractors, overloads relay and bearing at Mutale raw & clear water	-	3,979,446
• Development of boreholes at Luvhalan	-	3,900,664
• REGISTRATION FEE IRO MR NETSHISAULU NSP AND MR TSHIVHASE VP WHO WILL B 9TH BIENNIAL CONFERENCE 2024	25,700	-
• Electrify Ndouvhada and Smokey boreholes through Makhado Local Municipality	-	3,656,050
• Development of borehole at Tshikuwi	-	3,279,829
• Construct the reticulation system, bypass pipeline for rising main and concrete borehole house, sitting, drilling, testing , equipping and energising of the additional borehole, supply and install 120 000L UPVC tanks and erect a 6M high steel stand at Madobi village.	11,731,636	-
• Replacement of Main Valve at Mowkop Reservoir and part of Reticulation in Makhado Town	9,905,625	-
• Purchase and delivery of various Borehole Diesel Engines	1,791,000	-
• Replace sewer outfall pipe for Nance field	7,351,964	-

Figures in Rand	2025	2024
41. Commitments (continued)		
• Emergency for drilling of boreholes at Eltivillas	6,898,977	-
• Pumping line of 110mm upvc 3 x chlorine dosing system,7m security fence for boreholes with razor wire,control valves and protection 3 x non return valves at Makhado	6,807,499	-
• Drilling Boreholes at Waterpoort (Ward 9) Khunda Village and Construction of Pipeline & Connect Street Pipelines	5,766,100	-
• Request to Refurbish Vondo Regional Water Purification Plant	5,603,099	-
• Purchase Water Treatment Chemicals	538,200	-
• Upgrading of sewer at Matswale and extension 14 in Musina township	4,906,964	-
• Repair and replacement of the following items: Mechanical screen in phase 2,3x primary settling tanks in both phases, 1xsecondary settling tanks and chlorine house	4,800,000	-
• Urgent request to drill 9 boreholes at Limpopo river in Musina	4,597,000	-
• Development of two boreholes and rehabilitation at Mapapila village	4,535,278	-
• Repair of malfunctions at Waterval WWTW	4,518,580	-
• Supply,install,repairs and replacement of valves at Makhado albasin water pipeline	4,493,642	-
• Repair of various plant equipment that are out of order at rietflei wastewater treatment works	4,291,357	-
• Request for Bulk Pipeline from Vuwani to Middle Letaba System-Repair work on damaged Bulk Pipeline Nkuna Kraal Repairs	4,191,793	-
• Rehabilitation of Mutale Raw Water Booster Pump Station	3,974,458	-
• Testing, equipping, rising main construction of 3.1KM 110MM class	3,722,572	-
• Testing, equipping, rising main construction of 3.1KM 110MM class	3,276,031	-
• Development of water and sanitation infrastructure maintenance plan	2,932,500	-
• Refurbish the booster pump station next to premier hotel	2,571,796	-
• Appointment of service provider to conduct annual sewer reticulation system inspection at Malamulele, waterval, musina, nancifield abd biaba wwtw	2,400,000	-
• Repair a leak & replacement of a non-return valve.	2,381,705	-
• Development of fraud and corruption hotline for a period of 36 months	620,272	1,133,226
• Replacement of faulty IMVA transformation at Malamulele west water works	-	3,162,989
• Request for the appointment of service provider to apply water use authorisation licence (wul) for campell wwtw	1,798,502	-
• Appointment of service provider to dispose-off waste chemicals	1,775,889	-
• Implementation of Virtual Private Network for the period of 36 months	4,567,800	7,993,650
• Renovation Of Post Office	1,608,453	-
• ICT Strategy Development and Implementation services for Vhembe District Municipality.	1,577,747	-
• Repair Burst Pipe which occurred at Khumbe in the middle of the river	925,993	-
• Supply and delivery of tractor implements	355,000	-
• Advertisement	28,932	-
• Upgrading of sewer line at Shayandima Industria	-	3,327,867
• Sitting, testing and equipping of borehole for water supply at Olifantshoek villa	-	2,500,000
• Equip borehole at Malonga under Vuwani satelite	-	1,761,145
• Equip borehole at Bungeni under Hlanganani Satelite'	-	1,999,965
• Siting, drilling and equipping of borehole at Songozwi village	1,779,800	1,779,800
• Appointment of service provider to conduct annual sewer reticulation system inspection at Thohoyandou and rietvlei WWTW	-	1,759,396
• Procurement of structural fire fighting uniform (re-advert)	-	1,616,837
• Appointment of service provider to apply water use authorisation licence for Malamulele WWWTW, Waterval WWTW, Makhado WWTW and BIABA Ponds	1,599,535	1,599,535
• Construct a dedicated line in Tshikhudini and installation of valve in manholes at Lufule2	-	1,574,065
• Develop a new borehole at Tshifudi Dimani and supply line at Tshifudi Munangwe	1,483,500	1,483,500
• Sitting and drilling (Re-drill) of new borehole at Slanger village	-	1,454,578
• Supply and Delivery of fire fighting uniform (re-advert)	-	1,407,140
• Sitting, drilling, testing and equiping of borehole for water supply at Wayeni village	-	1,340,083
• Appointment of service provider to develop and review process Audit at water and wastewater treatment works	-	1,293,750

Figures in Rand	2025	2024

41. Commitments (continued)

	2025	2024
• Appointment of service provider to conduct sludge management plan	-	1,242,000
• Supply and install 1.1 KM X 90MM UPVC pipe class 9 at VYEBOOM VILLAGE	-	1,106,796
• Accommodation and Meals	2,302	-
• Procurement for instalation of tracking devices on vhembe district municipality	-	1,096,690
• Procurement for completion of drill tower and access to the road (paving)	154,738	843,025
• Repair and replace three valve at Makhado town LTT corner Kruger & RHU street	-	828,861
• Supply and installation of pump at Mowkop booster pump station	-	727,950
• Supply, Delivery and installation of high mast light at Vhembe District Disaster Management Centre (re-advert)	-	560,000
• Provision and erection of concrete palisade fence at Makhado Fire station	285,787	285,787
• Purchase of Environmental Health Practitioners Personal Protective Clothing	-	156,500
• Design for tractor shelter	-	130,750
• Rocurement of migration of users to exchange online	-	43,125
• 1x 4 Big latern Banners	-	28,500
• Procurement of 148 magnetic tags	-	15,643
• Procurement of A4 Photos	-	10,400
	166,235,091	**207,302,890**

	2025	2024
Total operational commitments		
Already contracted for but not provided for	166,235,091	207,302,890

Total commitments

	2025	2024
Total commitments		
Authorised capital expenditure	859,242,344	694,209,253
Authorised operational expenditure	166,235,091	207,302,890
	1,025,477,435	**901,512,143**

Operating leases - as lessee (expense)

	2025	2024
Minimum lease payments due		
- within one year	5,152,979	2,591,005
- in second to fifth year inclusive	5,941,192	-
	11,094,171	**2,591,005**

42. Related parties

Relationships

Accounting Officer	Refer to accounting officers' report note Kutama ZN- Municipal Manager
Members of key management	Thangavhuelelo M- Chief Financial Officer (Contracted ended 15 March 2025)
	Mukoma NM - General Manager Community Services
	Maluleke W - General Manager Technical Services
	Maganya H - General Manager Econimic Planning
	Maputla TMD - General Manager Corporate Services
Executive Mayor	Councillor TF Nkondo
Speaker	Councillor TL Davhana
Chief Whip	Councillor NJ Mukwevho
Members of Mayoral Committee	Councilor NCR Mathukha Councillor MG Chauke Councillor AM Mamedzi Councillor ADV. NA Mudunungu Councillor SM Sinyosi Councillor TK Mundalamo Councillor RG Machovani Councillor NS Munyai Councillor FJ Rikhotso Councillor AV Kotane

42. Related parties (continued)

Other Councillors

1. Councillor FM Begwa
2. Councillor FT Dau
3. Councillor TR Matidza
4. Councillor AJ Davhana
5. Councillor HG Mabudu
6. Councillor MC Mabunda
7. Councillor E Madzunya
8. Councillor NG Mahosi
9. Councillor TN Makumbane
10. Councillor M Makwala
11. Councillor MRT Marole
12. Councillor GD Masangu
13. Councillor ML Mathalise
14. Councillor TT Matshomo
15. Councillor C Mhangwani
16. Councillor MJ Mpashe
17. Councillor S Muavha
18. Councillor ET Muedi
19. Councillor TS Pandelani
20. Councillor AJ Mukhaha
21. Councillor R Mukhuba
22. Councillor M Mukosi
23. Councillor S Hlungwani
24. Councillor M Mulaudzi
25. Councillor HP Mulovhedzi
26. Councillor M Muligwe
27. Councillor K Nemaranzhe
28. Councillor SFL Ndhlovu
29. Councillor TP Matodzi (resigned 8 October 2024)
30. Councillor R Rabambukwa
31. Councillor RG Ramabulana
32. Councillor LR Rambuwani
33. Councillor TP Rivombo
34.Councillor KR Muthubi
35. Councillor JN Simangwe
36. Councillor PF Mashimbye
37. Councillor AS Tshifhango
38. Councillor NJ Mukwevho
39. Councillor MA Mavhumbe
40. Councillor MS Machethe
41. Councillor MS Matamela
42. Councillor TW Mphaho (resigned 10 July 2024)
43. Councillor H Mtileni
44. Councillor RP Mundalamo
45. Councillor RG Nkanyane
46. Councillor AE Nekhunguni
47. Councillor MO Netshisaulu
48. Councillor K Tshisikule
49. Councillor AE Tshitangano

42. Related parties (continued)

Remuneration of management

Management class: Senior management

2025

Name	Acting allowance	Basic salary	Contributions to UIF, Medical and Pension Funds	Car allowance	Bonus	Leave pay	Cellphone allowance	Accommodati on travel and incidental	Total
Municipal Manager	-	1,043,967	184,253	498,165	-	-	30,000	-	1,756,385
General Manager Community Services	-	857,116	186,216	340,190	74,433	-	-	3,856	1,461,811
Chief Financial Officer	-	644,923	115,197	254,836	67,923	61,946	36,000	778	1,181,603
General Manager Corporate Services	-	457,585	92,443	251,229	-	-	18,000	1,748	821,005
General Manager Economic and Development Planning	-	152,528	38,473	54,796	-	-	6,000	248	252,045
General Manager Technical Services	-	857,116	240,174	267,964	71,671	-	-	480	1,437,405
Acting General Manager Economic Development and Planning - SS Daswa	4,036	-	-	-	-	-	-	-	4,036
Acting General Manager Corporate services -MP Netshimbupfe	2,018	-	-	-	-	-	-	-	2,018
Acting General Manager Economic Development and Planning - NC Mapholi	4,036	-	-	-	-	-	-	-	4,036
Acting General Manager Corporate services - TK Mphaphuli	1,009	-	-	-	-	-	-	-	1,009
Acting Chief Financial Officer -LE Mbulaheni	2,141	-	-	-	-	-	-	-	2,141
	13,240	**4,013,235**	**856,756**	**1,667,180**	**214,027**	**61,946**	**90,000**	**7,110**	**6,923,494**

42. Related parties (continued)

2024

Name	Acting allowance	Basic salary	Contributions to UIF, Medical and Pension Funds	Car allowance	Bonus	Housing allowance	Cellphone allowance	Accommodation travel and incidental	Total
Municipal Manager	-	1,025,729	159,359	439,382	26,031	-	30,000	3,819	1,684,320
General Manager Corporate Services	-	591,053	115,036	163,659	54,790	37,874	-	-	962,412
Chief Financial Officer	-	854,066	150,380	338,907	65,753	-	24,000	1,214	1,434,320
General Manager Technical Services	-	854,066	223,489	230,735	63,838	-	-	981	1,373,109
General Manager Economic and Development Planning	-	48,870	-	-	-	-	-	-	48,870
General Manager Community Services	-	854,066	188,675	304,267	53,198	-	-	1,780	1,401,986
Acting General Manager Economic Development and Planning - SS Daswa	1,009	-	-	-	-	-	-	-	1,009
Acting General Manager Economic Development and Planning - NC Mapholi	2,018	-	-	-	-	-	-	-	2,018
Acting General Manager Corporate services - TK Mphaphuli	1,009	-	-	-	-	-	-	-	1,009
Acting General Manager Corporate services - TG Muofhe	1,393	-	-	-	-	-	-	-	1,393
	5,429	**4,227,850**	**836,939**	**1,476,950**	**263,610**	**37,874**	**54,000**	**7,794**	**6,910,446**

42. Related parties (continued)

Management class: Councillors

2025

Name	Basic salary	Cellphone allowance	Travelling allowance	Total
Executive Mayor	1,035,198	10,800	-	1,045,998
Speaker	480,968	-	1,440	482,408
Chiefwhip	594,499	43,200	225,256	862,955
Other Councillors	5,984,667	620,182	2,486,325	9,091,174
Mayoral committee members	3,118,994	194,400	1,350,853	4,664,247
	11,214,326	**868,582**	**4,063,874**	**16,146,782**

2024

Name	Basic salary	Cellphone allowance	Travelling allowance	Total
Executive Mayor	911,402	4,500	-	956,402
Speaker	833,447	42,493	-	875,940
Chiefwhip	534,761	42,356	184,166	761,283
Other Councillors	5,105,788	629,200	2,207,276	7,942,264
Mayoral committee members	3,582,251	309,099	1,673,069	5,564,419
	10,967,649	**1,027,648**	**4,064,511**	**16,100,308**

42. Related parties (continued)

Mayoral Committee members

2025

Name	Basic salary	Cellphone allowance	Travel allowance	Total
CHAUKE M.G	341,838	-	175,443	517,281
MUNYAI N.S	332,708	-	141,603	474,311
MATHUKHA N.R	595,348	43,200	326,970	965,518
MUNDALAMO T	331,778	43,200	102,354	477,332
MACHOVANI R.G	331,778	43,200	102,354	477,332
SINYOSI S.M	179,185	14,400	99,971	293,556
KOTANE A.V	282,433	10,800	87,564	380,797
FJ RIKHOTSO	179,185	14,400	72,436	266,021
MUDUNUNGU N.A	193,467	-	77,857	271,324
MAMEDZI A.M	351,275	25,200	164,300	540,775
	3,118,995	**194,400**	**1,350,852**	**4,664,247**

2024

Name	Basic salary	Cellphone allowance	Travel allowance	Total
CHAUKE M.G	326,210	-	186,261	512,471
MUNYAI N.S	193,031	-	109,822	302,853
MATHUKHA N.R	564,564	42,200	298,786	905,550
MUKWEVHO N.J	531,761	43,450	270,031	845,242
MUNDALAMO T	315,133	45,000	99,350	459,483
MACHOVANI R.G'	315,133	45,000	99,350	459,483
SINYOSI S.M	316,040	43,450	159,943	519,433
KOTANE A.V	283,705	45,000	90,268	418,973
BILA T.J	303,491	-	195,229	498,720
MUDUNUNGU N.A	144,949	-	45,322	190,271
MAMEDZI A.M	272,512	45,000	134,428	451,940
	3,566,529	**309,100**	**1,688,790**	**5,564,419**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

43. 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

2024

	As previously reported	Correction of error	Re-classification	Restated
Inventories	190,698,654	12,925,945	-	203,624,599
Receivables from exchange transactions	33,989,744	-	31,120,594	65,110,338
Receivables from non exchange transactions	35,585,133	(2,963,425)	(31,120,594)	1,501,114
VAT receivable	-	-	186,034,312	186,034,312
Cash and cash equivalents	513,349,819	-	-	513,349,819
Property, plant and equipment	6,661,654,459	(5,415,467)	-	6,656,238,992
Intangible assets	5,061,795	230,686	-	5,292,481
Payables from exchange transactions	(626,258,957)	37,158,588	-	(589,100,369)
Taxes and transfers payables (non -exchange)	(2,086,000)	-	-	(2,086,000)
Consumer deposits	(4,409,170)	-	-	(4,409,170)
VAT payable	(271,964,259)	13,563,430	(186,034,312)	(444,435,141)
Unspent conditional grants	(59,380,177)	-	-	(59,380,177)
Provisions - Current portion	(74,759,768)	-	-	(74,759,768)
Provisions -Non current portion	(8,540,710)	-	-	(8,540,710)
Accumulated surplus	(6,392,940,563)	(55,499,757)	-	(6,448,440,320)
	-	-	-	-

2023

		As previously reported	Correction of error	Re-classification	Restated
Inventories		150,073,641	-	-	150,073,641
Receivables from exchange transactions	4	74,303,806	-	34,692,654	108,996,460
Receivables from non exchange transactions	5	39,874,806	-	(34,692,654)	5,182,152
VAT receivable	6	253,551,591	5,948,779	-	259,500,370
Cash and cash equivalents	7	130,668,142	-	-	130,668,142
Property, plant and equipment	9	6,140,579,986	(3,545,352)	-	6,137,034,634
Intangible assets	10	6,455,473	-	-	6,455,473
Payables from exchange transactions	11	(671,090,306)	32,134,381	-	(638,955,925)
Taxes and transfers payables (non -exchange)		(2,086,000)	-	-	(2,086,000)
Consumer deposits	13	(4,409,170)	-	-	(4,409,170)
Unspent conditional grants	15	(41,416,471)	-	-	(41,416,471)
Provisions - Current portion	15	(70,768,293)	-	-	(70,768,293)
Provisions -Non current portion		(7,498,755)	-	-	(7,498,755)
Accumulated surplus		(5,998,238,450)	(34,537,808)	-	(6,032,776,258)
		-	-	-	-

Statement of financial performance

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

43. Prior-year adjustments (continued)

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges	16	344,516,366	(62,526,225)	-	281,990,141
Sale of goods and rendering of services		1,290,803	-	-	1,290,803
Interest on investments	17	48,030,627	-	-	48,030,627
Interest on receivables	18	106,232,338	(4,334,497)	-	101,897,841
Licences and permits	19	137	-	-	137
Operational revenue		2,531,223	-	-	2,531,223
Government grants and subsidies	20	2,078,361,983	(2,963,425)	-	2,075,398,558
Licences and Permits (Non-exchange)	21	356,242	-	-	356,242
Employee related costs	25	(779,426,434)	-	-	(779,426,434)
Remuneration of councilors	26	(16,100,308)	-	-	(16,100,308)
Depreciation and amortisation	27	(164,177,587)	-	-	(164,177,587)
Impairment loss	32	(10,679,590)	-	-	(10,679,590)
Debt impairment		(439,819,561)	75,130,699	-	(364,688,862)
Contracted services	34	(291,178,161)	2,729,458	(4,759,256)	(293,207,959)
Operational costs	33	(244,557,806)	-	5,054,912	(239,502,894)
Inventory consumed		(236,723,590)	12,925,944	(295,656)	(224,093,302)
Lease rentals on operating lease	29	(3,668,788)	-	-	(3,668,788)
Finance costs		(305,780)	-	-	(305,780)
Surplus for the year		**394,682,114**	**20,961,954**	**-**	**415,644,068**

Cash flow statement

2024

		As previously reported	Correction of error	Restated
Cash flow from operating activities				
Rendering of services		581,048,728	(62,288)	580,986,440
Grants		2,096,325,689	717,613	2,097,043,302
Interest on investment		48,030,627	-	48,030,627
Other receipts		4,178,404	-	4,178,404
Employee related costs		(790,493,312)	-	(790,493,312)
Suppliers		(861,584,704)	7,284,151	(854,300,553)
Finance costs		(305,780)	-	(305,780)
		1,077,199,652	**7,939,476**	**1,085,139,128**
Cash flow from investing activities				
Purchase of property, plant and equipment	(694,462,975)	-	(7,939,475)	(702,402,450)
Intangible assets	(75,000)	-	-	(75,000)
	(694,537,975)	**-**	**(7,939,475)**	**(702,477,450)**

Figures in Rand	2025	2024

43. Prior-year adjustments (continued)

43.1 Service charges

Meter Adjustments
The municipality have been billing meters both on estimates and actual reading, where a meter has been billed on estimate and the latest actual is available the customer accounts are adjusted for over or under statement due to estimates. The meter adjustments are effected from the last actual the municipality previously billed.

The municipality obtained the latest actual consumption in the 2024/25 financial year for accounts which were previously charged on an estimated consumption and adjusted service charges. The adjustments resulted to correction of error in the 2023/24 financial year as follows:

For 2022/24 financial year the meter adjustment resulted to a decrease in *Service charges by R65 638 222*, decrease in Output VAT accrual by R8 634 151 and decrease in Trade and other receivables by R74 272 373. This indicates that the estimated consumption previously used overstated service charges, VAT out accrual and Trade and other receivables in the 2023/24 financial year.

Debit notes adjustments
The municipality processed debit notes during the 2024/25 financial year to correct prior periods billing. The debit notes processed resulted in prior period correction as follows:

For 2023/24 debit notes resulted to an increase in Trade and other receivables from exchange transactions by R11 248 760, increase in *Service charges by R9 757 492*, increase in Output VAT accrual by R1 463 624 and increase on Interest on receivables by R27 645.

Credit Notes Adjustments
The municipality processed credit notes during 2024/25 financial year to correct prior period billing. The credit notes processed during the year resulted in prior period correction as follows:

For 2023/24 credit notes resulted to a decrease in Trade and other receivables from exchange transactions by R18 036 576, decrease in *Service charges by R 11 890 812*, decrease in Output VAT accrual by R1 783 622 and decrease on Interest on receivables by R4 362 142.

Cut-off adjustment
During the financial year the municipality obtained actual readings for meter which were previously not billed in the prior years and the billing of those meters amounted to a total of R42 165 989 exclusive of VAT, this resulted in an overstatement of Service charges in the current year as the billing included consumption of prior years. The municipality then developed a methodology to allocate consumption to prior financial years and bill that consumption in those respective years using the tariffs applicable in those respective years to ensure that current year service charges are not overstated. The adjustment resulted to the following impact in the prior years:

For comparative year (2023/24) Services charges increased by R5 245 319, this increase also resulted to an increase in Output VAT accrual by R684 172 and increase in Trade receivables from exchange transactions by R5 929 491.

For 2022/23 and prior years’ Accumulated surplus increased by R33 120 981, this resulted to an increase also in Output VAT accrual by R4 320 128 and an increase in Trade receivables from exchange transactions by R37 441 109. This indicates that current year Service charges were overstated by R38 366 300 as a results of meters which were not previously billed.

The above corrections indicates that Service charges were overstated by R62 526 225 in the 2023/24 financial year.

43. Prior-year adjustments (continued)

43.2 Receivables from exchange transactions (Gross amount)

Meter Adjustments
The municipality have been billing meters both on estimates and actual reading, where a meter has been billed on estimate and the latest actual is available the customer accounts are adjusted for over or over statement due to estimates. The meter adjustments are effected from the last actual the municipality previously billed.

The municipality obtained the latest actual consumption in the 2024/25 financial year for accounts which were previously charged on an estimated consumption and adjusted service charges. The adjustments resulted to correction of error both in the 2023/24 and 2022/23 financial years as follows:

-For 2022/24 financial year the meter adjustment resulted to a decrease in Service charges by R65 638 222, decrease in Output VAT accrual by R8 634 151 and decrease in *Trade and other receivables by R74 272 373*. This indicates that the estimated consumption previously used overstated service charges, VAT out accrual and Trade and other receivables in the 2023/24 financial year.

-For 2022/23 and prior financial years the meter adjustment resulted in a decrease in accumulated surplus by R90 267 244, decrease in Output VAT accrual by R15 523 071 and *Trade and other receivables by R105 790 315*. This indicates that the estimated consumption previously used overstated accumulated surplus, VAT output accrual and Trade and other receivables during the 2021/22 and prior financial years.

Debit notes adjustments
The municipality processed debit notes during the 2024/25 financial year to correct prior periods billing. The debit notes processed resulted in prior period correction as follows:

-For 2023/24 debit notes resulted to an increase in *Trade and other receivables from exchange transactions by R11 248 760*, increase in Service charges by R9 757 492, increase in Output VAT accrual by R1 463 624 and increase on Interest on receivables by R27 645.

-For 2022/23 and prior financial years the debit notes resulted to an increase in *Trade and other receivables from exchange transactions by R28 032 565*, increase in Accumulated surplus by R24 342 455 and increase in Output VAT accrual by R3 690 100.

Credit Notes Adjustments
The municipality processed credit notes during 2024/25 financial year to correct prior period billing. The credit notes processed during the year resulted in prior period correction as follows:

-For 2023/24 credit notes resulted to a decrease in *Trade and other receivables from exchange transactions by R18 036 576*, decrease in Service charges by R 11 890 812, decrease in Output VAT accrual by R1 783 622 and decrease on Interest on receivables by R4 362 142..

-For 2022/23 and prior financial years the credit notes resulted to a decrease in *Trade and other receivables from exchange transactions by R25 140 880*, decrease in Accumulated surplus by R22 513 494 and decrease in Output VAT accrual by R2 627 380.

Cut-off adjustment
During the financial year the municipality obtained actual readings for meter which were previously not billed in the prior years and the billing of those meters amounted to a total of R47 665 901 inclusive of VAT, this resulted in an overstatement of Trade and other receivables from exchange transactions in the current year as the billing included consumption of prior years. The municipality then developed a methodology to allocate consumption to prior financial years and bill that consumption in those respective years using the tariffs applicable in those respective years to ensure that current year receivables from exchange transactions are not overstated. The adjustment resulted to the following impact in the prior years:

For comparative year (2023/24) Trade receivables from exchange transactions increased by R5 929 491.

For 2022/23 and prior years’ increase in Trade receivables from exchange transactions year Service charges were overstated by R38 366 300. This indicates that current year trade receivable from exchange transactions were overstated by R43 370 600 as a results of meters which were not previously billed.

43. Prior-year adjustments (continued)

The above corrections indicates that Gross Trade and other receivables from exchange receivables was overstated by R140 588 220 in the 2023/24 financial year, therefore Gross receivables from exchange transactions are restated to R2 112 729 056 and the disclosed age analysis have also been restated after taking into account the adjustments.

Figures in Rand	2025	2024

43. Prior-year adjustments (continued)

43.3 VAT Receivables / (Payables)

Meter Adjustments
The municipality have been billing meters both on estimates and actual reading, where a meter has been billed on estimate and the latest actual is available the customer accounts are adjusted for over or over statement due to estimates. The meter adjustments are effected from the last actual the municipality previously billed.

The municipality obtained the latest actual consumption in the 2024/25 financial year for accounts which were previously charged on an estimated consumption and adjusted service charges. The adjustments resulted to correction of error both in the 2023/24 and 2022/23 financial years as follows:

-For 2022/24 financial year the meter adjustment resulted to a decrease in Service charges by R65 638 222, decrease in *Output VAT accrual by R8 634 151* and decrease in Trade and other receivables by R74 272 373. This indicates that the estimated consumption previously used overstated service charges, VAT out accrual and Trade and other receivables in the 2023/24 financial year.

-For 2022/23 and prior financial years the meter adjustment resulted in a decrease in accumulated surplus by R90 267 244, decrease in *Output VAT accrual by R15 523 071* and Trade and other receivables by R105 790 315. This indicates that the estimated consumption previously used overstated accumulated surplus, VAT output accrual and Trade and other receivables during the 2021/22 and prior financial years.

Debit notes adjustments
The municipality processed debit notes during the 2024/25 financial year to correct prior periods billing. The debit notes processed resulted in prior period correction as follows:

-For 2023/24 debit notes resulted to an increase in Trade and other receivables from exchange transactions by R11 248 760, increase in Service charges by R9 757 492, increase in *Output VAT accrual by R1 463 624* and increase on Interest on receivables by R27 645.

-For 2022/23 and prior financial years the debit notes resulted to an increase in Trade and other receivables from exchange transactions by R28 032 565, increase in Accumulated surplus by R24 342 455 and increase in *Output VAT accrual by R3 690 100.*

Credit Notes Adjustments
The municipality processed credit notes during 2024/25 financial year to correct prior period billing. The credit notes processed during the year resulted in prior period correction as follows:

-For 2023/24 credit notes resulted to a decrease in Trade and other receivables from exchange transactions by R18 036 576, decrease in Service charges by R 11 890 812, decrease in *Output VAT accrual by R1 783 622* and decrease on Interest on receivables by R4 362 142.

-For 2022/23 and prior financial years the credit notes resulted to a decrease in Trade and other receivables from exchange transactions by R25 140 880, decrease in Accumulated surplus by R22 513 494 and decrease in *Output VAT accrual by R2 627 380*.

43. Prior-year adjustments (continued)

Invoice Credit Notes
The municipality processed credit notes on invoices previously processed in the prior financial year either because the invoice was processed incorrectly or the invoice should have not been processed. the reversal of those invoices resulted in the prior period error as follows:

The invoice credit notes processed resulted in a decrease in Payables from exchange transactions by R5 024 196, a decrease in Contracted services by R2 729 439, and decrease in Property, plant and equipment by R1 639 427 and a decrease in *Input VAT accrual by R655 330*.

Cut-off adjustment
During the financial year the municipality obtained actual readings for meter which were previously not billed in the prior years and the billing of those meters amounted to a total of R47 665 901 inclusive of VAT, this resulted in an overstatement of Trade and other receivables from exchange transactions in the current year as the billing included consumption of prior years. The municipality then developed a methodology to allocate consumption to prior financial years and bill that consumption in those respective years using the tariffs applicable in those respective years to ensure that current year receivables from exchange transactions are not overstated. The adjustment resulted to the following impact in the VAT output accrual:

For comparative year (2023/24) VAT output accrual increased by R684 172 and for 2022/23 and prior years' VAT output accrual increased by R4 320 128.

This indicates that current year VAT output accrual was overstated by R5 004 300 as a results of meters which were not previously billed.

Retention adjustments
The municipality review the retention register as at 30 June 2024, to confirm whether the municipality is still liable for all the retention disclosed in the register, the municipality obtained final completion certificates of completed projects by 30 June 2024 which indicates the final 5% of retention paid or claimed per project per contractor and confirmed that the register included retention's which have been paid or claimed which amounted to R12 166 050 inclusive of VAT. The municipality also noted that retention still include retention of contractor whose contract was terminated in 2018 and the retention amounted to R19 968 330 inclusive of VAT. The adjustment resulted in a decrease in the prior year VAT Receivable or Payable by R4 191 441.

The above corrections indicates that VAT receivable / payables were overstated by an amount of R5 948 779 in the prior financial year.

43. Prior-year adjustments (continued)

43.4 Interest on Receivables

Debit notes adjustments
The municipality processed debit notes during the 2024/25 financial year to correct prior periods billing. The debit notes processed resulted in prior period correction as follows:

-For 2023/24 debit notes resulted to an increase in Trade and other receivables from exchange transactions by R11 248 760, increase in Service charges by R9 757 492, increase in Output VAT accrual by R1 463 624 and increase on *Interest on receivables by R27 645*.

Credit Notes Adjustments
The municipality processed credit notes during 2024/25 financial year to correct prior period billing. The credit notes processed during the year resulted in prior period correction as follows:

-For 2023/24 credit notes resulted to a decrease in Trade and other receivables from exchange transactions by R18 036 576, decrease in Service charges by R 11 890 812, decrease in Output VAT accrual by R1 783 622 and decrease on *Interest on receivables by R4 362 142.*

The above corrections indicates that interest on receivables was overstated by R4 334 497 in the prior year.

43.5 Property, plant and equipment and intangible assets

Invoice Credit Notes
The municipality processed credit notes on invoices previously processed in the prior financial year either because the invoice was processed incorrectly or the invoice should have not been processed. the reversal of those invoices resulted in the prior period error as follows:

The invoice credit notes processed resulted in a decrease in Payables from exchange transactions by R5 024 196, a decrease in Contracted services by R2 729 439, and decrease in *Property, plant and equipment by R1 639 427* and a decrease in Input VAT accrual by R655 330.

Prior Period Adjustments (PPE)
In accordance with GRAP 3 (Accounting Policies, Changes in Accounting Estimates and Errors), the following prior period errors were identified and corrected retrospectively in the financial statements. Comparative information for the 2022/2023 and 2023/2024 financial years has been restated accordingly.

1. Intangible Assets
The accumulated depreciation on intangible assets was understated by R230,680.18 in the 2022/2023 financial year. This error has been corrected by restating accumulated depreciation and reducing the carrying amount of intangible assets. The effect of the correction reduced the accumulated surplus in the comparative year.

2. Other Property, Plant and Equipment
The accumulated depreciation on other property, plant and equipment was understated by R556,745.56 in the 2022/2023 financial year. This has been corrected by increasing accumulated depreciation and reducing the carrying amount of property, plant and equipment. The effect of the correction reduced the accumulated surplus in the comparative year.

3. Motor Vehicles
The cost of motor vehicles was overstated by R1,072,664.72, with a corresponding overstatement in accumulated depreciation. Although the net carrying amount was unaffected, a journal was passed to correct the misstatement in cost and accumulated depreciation. This adjustment had no effect on the accumulated surplus.

4. Work-in-Progress (Consulting Costs)
An amount of R3,219,292.72 was incorrectly classified as Work-in-Progress (WIP) in the 2023/2024 financial year. The balance related to consulting costs for outsourced software and should have been expensed. The error has been corrected by restating the 2023/2024 comparative figures: decreasing WIP (assets) and increasing consulting expenses. This correction reduced the accumulated surplus for the 2023/2024 year. No adjustment has been made to the 2024/2025 expense figures, as the correction was accounted for in the comparative period.

The above corrections indicates that Property, plant and equipment was overstated by an amount of R5 415 467 in the prior year. and Intangible assets were under stated by R230 686**.**

43. Prior-year adjustments (continued)

43.6 Payables from exchange transactions

Trade payables
The municipality processed credit notes on invoices previously processed in the prior financial year either because the invoice was processed incorrectly or the invoice should have not been processed. the reversal of those invoices resulted in the prior period error as follows:

The invoice credit notes processed resulted in a decrease in *Payables from exchange transactions by R5 024 196*, a decrease in Contracted services by R2 729 439, and decrease in Property, plant and equipment by R1 639 427 and a decrease in Input VAT accrual by R655 330.

Retention's
The municipality review the retention register as at 30 June 2024, to confirm whether the municipality is still liable for all the retention disclosed in the register, the municipality obtained final completion certificates of completed projects by 30 June 2024 which indicates the final 5% of retention paid or claimed per project per contractor and confirmed that the register included retention's which have been paid or claimed which amounted to R12 166 050. The municipality also noted that retention still include retention of contractor whose contract was terminated in 2018 and the retention amounted to R19 968 330. Based on the above retention was overstated by R32 134 380, the municipality adjusted retention by reducing it by R32 134 380. The adjustment resulted to the following impact in the prior year:

Trade and other payables decreased by R32 134 380, VAT Receivables / Payables decreased by R4 191 441 and accumulated surplus decreased by R27 942 939.

The above corrections indicates that Payables from exchange transactions was overstated by an amount of R37 158 588 in the prior year.

43.7 Accumulated surplus

Notes to the Annual Financial Statements

43. Prior-year adjustments (continued)

Meter Adjustments
The municipality have been billing meters both on estimates and actual reading, where a meter has been billed on estimate and the latest actual is available the customer accounts are adjusted for over or over statement due to estimates. The meter adjustments are effected from the last actual the municipality previously billed.

The municipality obtained the latest actual consumption in the 2024/25 financial year for accounts which were previously charged on an estimated consumption and adjusted service charges. The adjustments resulted to correction of error in the 2022/23 financial years as follows:

-For 2022/23 and prior financial years the meter adjustment resulted in a decrease in *Accumulated surplus by R90 267 244*, decrease in Output VAT accrual by R15 523 071 and Trade and other receivables by R105 790 315. This indicates that the estimated consumption previously used overstated accumulated surplus, VAT output accrual and Trade and other receivables during the 2021/22 and prior financial years.

Debit notes adjustments
The municipality processed debit notes during the 2024/25 financial year to correct prior periods billing. The debit notes processed resulted in prior period correction as follows:

-For 2022/23 and prior financial years the debit notes resulted to an increase in Trade and other receivables from exchange transactions by R28 032 565, increase in *Accumulated surplus by R24 342 455* and increase in Output VAT accrual by R3 690 100.

Credit Notes Adjustments
The municipality processed credit notes during 2024/25 financial year to correct prior period billing. The credit notes processed during the year resulted in prior period correction as follows:

-For 2022/23 and prior financial years the credit notes resulted to a decrease in Trade and other receivables from exchange transactions by R25 140 880, decrease in *Accumulated surplus by R22 513 494* and decrease in Output VAT accrual by R2 627 380.

Retention adjustments
The municipality review the retention register as at 30 June 2024, to confirm whether the municipality is still liable for all the retention disclosed in the register, the municipality obtained final completion certificates of completed projects by 30 June 2024 which indicates the final 5% of retention paid or claimed per project per contractor and confirmed that the register included retention's which have been paid or claimed which amounted to R12 166 050 inclusive of VAT. The municipality also noted that retention still include retention of contractor whose contract was terminated in 2018 and the retention amounted to R19 968 330 inclusive of VAT. The adjustment resulted in a decrease in the prior year accumulated surplus by R27 942 939.

Debt impairment provision
Performed a correction on Provision of impairment to align with GRAP 104 and to take into account the correction of adjustments on revenue from exchange transactions in the 2022/23 financial year which had an effect on the Receivables from exchange transactions. Debt impairment has been adjusted down by R65 457 521 in the 2022/23 financial year. This adjustment indicates that Accumulated surplus is understated by R65 457 521.

The above corrections indicates that Accumulated surplus was understated by R34 537 808 in the 2022/23 financial year.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

43. Prior-year adjustments (continued)

43.8 Contracted services

Invoice Credit Notes
The municipality processed credit notes on invoices previously processed in the prior financial year either because the invoice was processed incorrectly or the invoice should have not been processed. the reversal of those invoices resulted in the prior period error as follows:

The invoice credit notes processed resulted in a decrease in Payables from exchange transactions by R5 024 196, a decrease in *Contracted services by R2 729 439*, and decrease in Property, plant and equipment by R1 639 427 and a decrease in Input VAT accrual by R655 330.

The above corrections indicates that Contracted services was overstated by an amount of R2 729 439 in the prior year.

Capital commitments

Opening balance	-	700,317,500
Adjustments made	-	(6,108,247)
Restated opening balance	**-**	**694,209,253**

The restatement is attributed to errors on capital expenditure and contractual amounts. The adjustments are made up as follows:
Projects not previously included amounted to R74 090 174 of commitment, Project which were incorrectly added amounted to R100 976 539 of commitment, project which were included by commitment was understated by R54 289 352 and projects which were previously included by commitment amount was overstated by R33 976 539.

The above adjustments resulted in an adjustment of commitment amounted to R6 108 247.

43.9 Receivables and Revenue from non-exchange transactions

Own funded professional fees amounting to R2 963 424 were previously accounted for as if they are funded by Regional Bulk Infrastructure Grant in the prior year and there were were also incorrectly recognised as revenue from RBIG in the prior year and also increased the receivable amount of RBIG from DWS.

The above error resulted in an overstatement of Receivables from non-exchange transactions (DWS RBIG) by R2 963 424 and an overstatement of Revenue from non-exchange transactions by R2 963 424 in the prior year.

Notes to the Annual Financial Statements

43. Prior-year adjustments (continued)

43.10 Debt impairment provision

The municipality performed a correction on Provision of impairment in align with GRAP 104 and to take into account the correction of adjustments on revenue from exchange transactions in the prior year which had an effect on the Receivables from exchange transactions.

Debt impairment has been adjusted down by R75 130 699 in the 2023/24 financial year and by R65 457 521 in the 2022/23 financial year.

The adjustment reduced Debt impairment loss in the Statement of Financial Performance in the 2023/24 financial year by R75 130 699 and Reduced Debt impairment provision in the Statement of Financial Position in the 2023/24 financial year by R140 588 220.

43.11 Receivables from exchange transactions (Net amount)

Gross Trade and other receivables from exchange receivables was overstated by R140 588 220 in the 2023/24 financial year as indicated above. Gross Receivables from exchange transactions was previously stated at R2 253 317 276 and have been reduced by R140 588 220 and now restated to R2 112 729 056 in the 2023/24 financial year.

Debt impairment provision in the Statement of Financial Position in the 2023/24 financial year by R140 588 220 as indicated above. Debt impairment provision was previously stated at R2 219 327 532 and after the adjustment have be restated to R2 078 739 312 in the 2023/24 financial year.

Therefore based on the above adjustment on Gross Receivables from exchange receivables and Debt impairment provision Net Receivables from exchange transactions have been restated R33 989 744 in the 2023/24 financial year.

Debt impairment loss

The municipality performed a correction on Provision of impairment in align with GRAP 104 and to take into account the correction of adjustments on revenue from exchange transactions in the prior year which had an effect on the Receivables from exchange transactions.

Debt impairment loss has been adjusted down by R75 130 699 in the 2023/24 financial year, this resulted to a restatement of Debt impairment loss from R439 819 561 to R364 688 862 in the Statement of Financial Performance.

Inventories - Water inventory, Inventory consumed and Water losses

The municipality have been billing meters both on estimates and actual reading, where a meter has been billed on estimate and the latest actual is available the customer accounts are adjusted for over or under statement due to estimates. The consumption which related to 2023/24 overstatement of billing amounted to 6 765 774 KL and also the municipality had incorrectly not included water billed by Musina Local Municipality in the 2023/24 financial year valuation of water inventory amounting to 2 507 044 KL. The Municipality also adjusted production costs in the 2023/24 financial year as indicated under Contracted services correction of error.

The above errors resulted in an understatement of Water inventory on hand, overstatement of Water losses and overstatement of system input volume in the 2023/24 financial year.

Water on hand was understated by R12 925 945, water losses were overstated by R51 495 880 and system input volume was overstated by R41 597 207

The above error also resulted to an overstatement of Water inventory consumed by R12 925 945.

43. Prior-year adjustments (continued)

Reclassifications

The following reclassifications adjustment occurred:

Operational costs

Sanitation expenditure amounting to R 4 759 256 which the municipality incurred while constructing VIP toilets for community through outsourced services was incorrectly classified under operation expenses in the 2023/24 financial year instead of contracted services. The municipality have reclassified the expenditure from operational expenses to contracted services. This reclassification resulted to a decrease in operational expenses by R4 759 256 in the 2023/24 financial year.

During the 2023/24 financial year the municipality incorrectly mapped or disclosed inventory consumed expenditure amounting to R295 656 under operational expenses. The municipality have corrected the incorrect classification on the disclosure. The correction resulted in a decrease in operational expenditure by R295 656 in the 2023/24 financial year.

The above reclassifications resulted in a decrease in operational expenses by R5 054 912 in the 2023/24 financial year.

Contracted services

Sanitation expenditure amounting to R 4 759 256 which the municipality incurred while constructing VIP toilets for community through outsourced services was incorrectly classified under operation expenses in the 2023/24 financial year instead of contracted services. The municipality have reclassified the expenditure from operational expenses to contracted services.This reclassification resulted to a an increase in Contracted services expenditure by R4 759 256 in the 2023/24 financial year.

Inventory consumed

During the 2023/24 financial year the municipality incorrectly mapped or disclosed inventory consumed expenditure amounting to R295 656 under operational expenses. The municipality have corrected the incorrect classification on the disclosure. The correction resulted in an increase in Inventory consumed expenditure by R295 656 in the 2023/24 financial year.

VAT receivable or (payable)

ASB fact sheet #11 states that VAT receivable from or payable to SARS is not a financial instrument, and should be treated as a statutory receivable or payable. The amount of VAT receivable from or payable to SARS is calculated as the net amount of output VAT collected and input VAT paid. As the amount due from or to SARS is already a net amount, there is no separate recognition of a receivable or payable.

The VAT accrual account does not represent amounts to be received or paid, but rather amounts that are associated with transactions that are yet to be settled. There is no money to be received or paid to SARS for these amounts as yet.
As there is no transaction to “settle” with a specific counterpart at this point, the requirements for set off are inappropriate.
As a result, separate presentation of the VAT accrual “debit” and “credit” may be more appropriate.

Based on the above the municipality have disclosed VAT control and VAT accrual separate in the annual financial statements from the 2023/24 financial year.

This separate disclosure resulted in an increase in VAT receivable from VAT accrual amounting to R79 759 070 and a decrease in VAT payable by R79 759 070.

Receivables from exchange transaction and from non-exchange transactions

Munsina Local Municipality receivable have been reclassified from Receivables from non-exchange transactions to Receivables from exchange transactions, the reclassification will decrease Receivables from non-exchange transactions by R31 120 594 (2023/24) and R34 692 654 (2022/23) and increase Receivables from exchange transactions by R31 120 594 (2023/24) and R34 692 654 (2022/23).

44. Change in estimate

Property, plant and equipment

In line with GRAP 17.61, the municipality conducted an annual review of the estimated useful lives of all classes of property, plant and equipment at 30 June 2025. As a result of this assessment, the remaining useful lives of certain assets were revised either upwards or downwards.

Assets with increased useful lives
The review identified several assets that remained in good operational condition, demonstrated stable performance, and showed no indications of significant deterioration. Their maintenance history and physical inspection confirmed that they were still capable of providing service potential for a longer period than previously estimated. The remaining useful lives of these assets were therefore increased.

Assets with reduced useful lives
Other assets exhibited signs of physical wear, reduced output capacity, structural deterioration, or ageing. These indicators reflected that such assets would not continue to render service over their previously estimated useful lives. Management therefore reduced their remaining useful lives to reflect their current condition and expected consumption pattern.

Impact of the change in estimate

- Infrastructure assets: reduction in depreciation expense of R3,320,047.

- Movable assets: reduction in depreciation expense of R618,981.

The total reduction in depreciation expense recognised in the Statement of Financial Performance for the year amounts to R3,939,028.

This adjustment has been accounted for prospectively, in accordance with GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors, and therefore does not affect prior periods.

45. Risk management

Liquidity risk

Liquidity risk is the risk that the municipality will encounter in raising funds to cover future commitments. The municipality manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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..

45. Risk management (continued)

Credit risk

Credit risk refers to the risk that a counterpart will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers.

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

Receivables from exchange transactions comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. Ongoing credit evaluations are performed on the financial condition of these receivables.The credit quality of receivables from exchange transactions is very poor as the municipality can only collect 0.21 times its receivables over a year as per receivable turnover ratio. Therefore municipality has issues with credit collection which is also evident from high receivables which are impaired at year end. Receivables from exchange transactions are presented net of the allowance for impairment.

Receivables from non-exchange transactions comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. Ongoing credit evaluations are performed on the financial condition of these receivables. Receivables from non - exchange transactions are presented net of the allowance for impairment.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of receivables. Receivables are provided for based on estimated irrecoverable amounts, determined by reference to a non-payment rate. In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by, "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

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

Payment to accounts of consumer debtors who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer.

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

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

Financial instrument	2025	2024
Cash and cash equivalents	85,749,090	513,349,821
Input VAT accrual	210,060,493	186,034,312
Output VAT accrual	(175,201,794)	(106,275,242)
Output VAT accrual on debt impairment	80,642,490	-
Receivables from exchange transactions	38,477,831	65,110,338
Receivables from non-exchange transactions	1,524,629	1,501,114
Payables from exchange transactions	(407,685,317)	(296,376,062)
Consumer deposits	(4,409,170)	(4,409,170)

There are no receivables that are past due and whose terms have been renegotiated during the 2024/25 financial year.

Market risk

Figures in Rand	2025	2024

45. Risk management (continued)

Interest rate risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterpart exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters. In the case of receivables whose accounts become in arrears, it is endeavoured to collect such accounts by, "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Long-term receivables and other debtors are individually evaluated annually at the reporting date for impairment.

46. Going concern

The financial statements have been prepared on the going concern basis. However, the entity is experiencing significant financial challenges, including adoption of unfunded budget for the year 2025/26 financial year. These conditions indicate the existence of a significant material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern. Management is actively implementing measures to address this challenge, including the implementation of the Budget Funding Plan which was adopted by Council on the 21 October 2025. The Budget Funding Plan includes revenue enhancement strategies that are aimed at improving the municipality's collection rate by ensuring that the municipality accurately bills and collects on water services it provides. Additionally, the Budget Funding Plan incorporates measures that will reduce and contain expenditure; these measures include curbing reliance on the use of consultants and non-core expenditure. Despite these plans, the outcome remains uncertain.

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.

47. Events after the reporting date

After the reporting date, National Treasury issued a notice on 3 October 2025 to Vhembe District Municipality regarding non-compliance with Section 18 of the Municipal Finance Management Act (MFMA) due to the adoption of an unfunded budget for the 2025/26 MTREF. The letter warns that failure to address this matter may result in the invocation of Section 216(2) of the Constitution to stop the transfer of funds and possible charges of financial misconduct under Section 171 of the MFMA.

The municipality is required to:

Submit an updated budget funding plan with measurable targets within 14 days of receipt of the letter.

Align expenditure to realistic revenue collection levels and provide monthly progress reports via the GoMuni Portal.
Address unprocessed unauthorized, irregular, fruitless and wasteful (UIFW) expenditure through MPAC and Disciplinary Board processes.
Management is actively engaging with Provincial Treasury to implement corrective measures and believes these actions will mitigate the risk of financial sanctions.

48. Unauthorised expenditure

	2025	2024
Opening balance as previously reported	-	222,594,309
Add: Unauthorised expenditure - current	631,132,103	-
Less: Amount authorised - current	-	(222,594,309)
Closing balance	**631,132,103**	**-**

Figures in Rand	2025	2024

48. Unauthorised expenditure (continued)

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

Non-cash	409,508,622	-
Cash	221,623,481	-
	631,132,103	**-**

Analysed as follows: non-cash

Depreciation and amortisation	60,973,595	-
Impairment losses	10,918,427	-
Debt Impairment	337,616,600	-
	409,508,622	**-**

Analysed as follows: cash

Inventory consumed	221,623,481	-

49. Fruitless and wasteful expenditure

Opening balance as previously reported	305,780	2,541,344
Add: Fruitless and wasteful expenditure identified - current	-	305,780
Less: Amount recovered - current	-	(2,541,344)
Closing balance	**305,780**	**305,780**

50. Irregular expenditure

Opening balance as previously reported	192,889	37,375
Add: Irregular expenditure - current	-	114,977,030
Add: Irregular expenditure - prior period	105,194,502	2,965,682
Less: Amount written off - current	(13,331,072)	(117,787,198)
Closing balance	**92,056,319**	**192,889**

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

Employees or relative employed by state or municipal that have interests in entities that made business with the municipality and other state employees have interest in VDM	-	1,365,220
Evaluation criteria not consistent with the Preferential Procurement Regulation	17,314,075	45,918,635
Non-compliance with Tax Matters	86,305,905	53,465,885
Supply Chain Management Process were not followed	1,767,408	14,227,290
	105,387,388	**114,977,030**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

51. Additional disclosure in terms of Municipal Finance Management Act

SALGA

Current year subscription / fee	8,802,388	8,116,062
Amount paid - current year	(8,802,388)	(8,116,062)
	-	-

Material losses

Opening balance as previously reported	1,811,409,295	1,230,441,443
Add: Losses identified - current period	854,911,119	580,967,852
	2,666,320,414	**1,811,409,295**

Audit fees

Current year subscription / fee	8,545,338	7,717,223
Amount paid - current year	(8,545,338)	(7,717,223)
	-	-

PAYE and UIF

Current year subscription / fee	129,490,865	127,518,745
Amount paid - current year	(129,490,865)	(127,518,745)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	55,836,760	51,977,279
Amount paid - current year	(55,836,760)	(51,977,279)
	-	-

VAT

VAT output payables and VAT input receivables are shown in note 6.

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

Deviations from Supply Chain Management Regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviations from the supply chain management policy needs to approved/condoned by the accounting officer and noted by council. The expenses incurred as listed hereunder have been approved by the accounting officer and noted by council.

Incident		
Repairs and maintenance	718,190	6,431,097
Advertising and Marketing	595,971	657,115
Trainning and Registration Fees	2,259,395	1,125,064
Professional Fees	396,106	727,406
Stationery	69,197	138,319
Entertainment	272,028	465,200
	4,310,887	**9,544,201**

52. Segment information

General information

52. Segment information (continued)

Identification of segments

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

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

Aggregated segments

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

Types of goods and/or services by segment

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

Reportable segment	**Goods and/or services**
Trading services	Provision of Water and Waste Water Management services
Community and Public safety	Community and social servicesCommunity and social services
Economic and Environmental	Planning and development
Governance and administration - not a reportable segment***	Provision of support services to the three reportable segments

Notes to the Annual Financial Statements

Figures in Rand

52. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Trading services	Community and Public safety	Economic and Environmental	Governance and administration - not a reportable segment***	Total
Revenue					
Revenue from non-exchange transactions	1,306,888,483	158,261,262	141,888,310	607,152,040	2,214,190,095
Revenue from exchange transactions	469,538,757	375,410	7,056,724	193,399,126	670,370,017
Total segment revenue	**1,776,427,240**	**158,636,672**	**148,945,034**	**800,551,166**	**2,884,560,112**
Entity's revenue					**2,884,560,112**
Expenditure					
Salaries and wages	426,308,069	140,486,375	20,012,897	233,944,137	820,751,478
Contracted Services	126,614,385	1,856,011	19,171,171	117,977,468	265,619,035
Inventory Consumed	448,702,001	279,472	-	7,479,376	456,460,849
Operational Cost	148,198,015	9,503,806	6,020,205	62,699,835	226,421,861
Depreciation and amortisation	21,215,133	-	148,204,791	23,639,042	193,058,966
Lease rentals on operating lease	-	-	-	2,543,160	2,543,160
Debt impairment	-	-	-	537,616,600	537,616,600
Impairment losses	-	-	-	69,953,095	69,953,095
Loss on disposal of assets	-	-	-	1,020,501	1,020,501
Total segment expenditure	**1,171,037,603**	**152,125,664**	**193,409,064**	**1,056,873,214**	**2,573,445,545**
Total segmental surplus/(deficit)	**605,389,637**	**6,511,008**	**(44,464,030)**	**(256,322,048)**	**311,114,567**
Impairment recovered					58,847,697
Total revenue reconciling items					58,847,697

52. Segment information (continued)

	Trading services	Community and Public safety	Economic and Environmental	Governance and administration - not a reportable segment***	Total
Assets					
Segment assets	1,145,443,780	816,353,217	7,659,143,246	(1,635,125,483)	7,985,814,760
Output VAT Received					(285,990,993)
Debtors with negative balances					31,216,610
Total assets as per Statement of financial Position					**7,731,040,377**
Liabilities					
Segment liabilities	155,221,543	1,957,218	528,294,157	(1,852,885,097)	(1,167,412,179)
Output VAT Received					285,990,993
Debtors with negative balances					(31,216,610)
Total liabilities as per Statement of financial Position					**(912,637,796)**

Governance and administration - not a reportable segment***

The governance and administration is not a reportable segment as defined however, the information pertaining to this function is presented to reconcile the; municipality's segment deficit / surplus with the amount reported in the statement of financial performance and the municipality's segment assets and liabilities with the balances in the statement of financial position.

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Information about geographical areas

52. Segment information (continued)

The municipality’s operations are in the Limpopo Province.

The municipality has four local municipalities which it currently service and operate on, however there is no available reportable information on the following :
- Revenues from non-exchange transactions and external revenues from exchange transactions attributed to the wards
- Total expenditure attributed to the local municipality
- Non-current assets attributed to local municipality

53. Accounting by principals and agents

The entity is a party to a principal-agent arrangement.

Details of the arrangement is as follows:

Vhembe District Municipality which is a water authority entered to a principal -agent agreement with Musina Local Municipality.

Vhembe District Municipality is a Principal and Musina Local municipality is an agent on the agreement.

Vhembe District Municipality which is a water authority entered to an agreement with Musina Local Municipality, where Musina Local Municipality bill and collect water and sanitation revenue on behalf of Vhembe District Municipality.

Musina Local Municipality collect water and sanitation revenue and hand it to Vhembe District Municipality and Vhembe District Municipality reimburse Musina Local Municipality all the costs incurred in billing and collecting water and sanitation revenue of behalf of Vhembe District Municipality.

Entity as principal

Fee paid

	2025	2024
Fee paid as compensation to the agent	6,165,414	5,516,097

Vhembe District also pay 15 % commission fee of amount collected to Musina Local Municipality for billing and collecting water and sanitation revenue on behalf of Vhembe District Municipality.

There were are no changes which occurred during the reporting period.