CAPRICORN DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025

General Information

Nature of business and principal activities	Municipality
Executive Mayor	Teffo MK
Speaker	Lehong KA (Elected 7 August 2024)
Chief Whip	Matsemela LP (Elected 29 July 2024)
Members of the Mayoral Committee	Mahlatji MS (Strategic Executive Management Services)
	Makhura MH (Sports, Arts and Culture)
	Mamabolo CM (Local Economic Development)
	Masoga MC (Development Planning and Environmental Management Portfolio Committee)
	Mohale MM (Infrastructure Services)
	Rahlana ME (Community Services)
	Ramokolo MM (Finance)
	Selamolela MS (Corporate Services)
Chairperson of Committees	Lebese MJ (Community Services)
	Machaba MJ (Sport, Arts & Culture)
	Mampuru MT (SEMS)
	Masemola SG (Infrastructure Services)
	Masoga PS (Committee of Chairpersons)
	Masubelele JA (Ethics, Rules and Integrity)
	Mothata ML (Municipal Public Accounts)
	Phukubye D (Corporate Services)
	Ralefatane MJ (Development Planning and Environmental Management)
	Themane MD (Geographical Names)
	Tshoshi MM (Finance) (Resigned: 31 March 2025)
Members	Botha HA
	Chula MI
	Clarke SE
	Dikgale SJ
	Joubert J
	Hiine PJ
	Kekana MS
	Lebese MG
	Lehong MV
	Mahladisa MJ
	Mailula KE
	Malatji MK
	Malebana TG
	Maleka PI
	Malema R
	Mamadi E
	Masekwameng MR
	Matonzi T
	Mocke B
	Mogale KK

General Information

	Mogoboya ML Mokome MS Molokomme MM Mphahlele MJ Morokolo MD Moshoeu PE Mothiba TP Motolla MO Murwa TPK Ngwasheng PA Ntjana MI Phogole ML Ramaphoko MM Takalo ME
Grading of local authority	Category C - Grade 5
Acting Chief Financial Officer (ACFO)	Simon Shokane (12 February 2025 - 30 June 2025) Mariétte Venter (01 July 2024 - 11 February 2025)
Accounting Officer	Ramakuntwane Selepe
Business address	41 Biccard Street Polokwane 0699
Postal address	Private Bag X4100 Polokwane 0700
Bankers	First National Bank (Primary account)
Auditors	Auditor General of South Africa
Contact details	015 294 1000
Email address	info@cdm.org.za

Contents

Abbreviations used:

EPWP	Expanded Public Works Programme
FNB	First National Bank
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act, No. 56 of 2003
MIG	Municipal Infrastructure Grant
mSCOA	Municipal Standard Chart of Accounts
PAYE	Pay-As-You-Earn
SALGA	South Africa Local Government Association
UIF	Unemployment insurance fund
VAT	Value Added Tax
WSIG	Water Services Infrastructure Grant

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 judgements and estimates.

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

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

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

The municipality is wholly dependent on National Government 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 set out on pages 7 to 104, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2025 and were signed on its behalf by:

Ramakuntwane Selepe
Municipal Manager

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in local government and operates only in South Africa.

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

Net surplus of the municipality was R 468 887 939 (2024: surplus R 491 743 872).

2. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of R 5 071 056 360 and that the municipality's total assets exceed its liabilities by R 5 071 056 360.

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

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

4. Accounting policies

The annual financial statements is prepared in accordance with the the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury, including any interpretations of such Statements issued by the Accounting Practices Board.

5. Accounting Officer

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

Name	Nationality
Ramakuntwane Selepe	South African

6. Corporate governance

General

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

Audit and risk committee

For the first 6 months and 17 days of the current financial year the chairperson of the audit committee was Mr. Stanley Ace Butana Ngobeni. For the remaining months it was Ms. Mashamaite Peterlia Ramutsheli (appointed on 24 January 2025 as the Acting Chairperson), who is an independent audit committee member. The committee met 9 times during the financial year to review matters necessary to fulfil its role.

The following independent member joined the Audit committee on 24 April 2025:
- Ms. Mashamaite Petrolia Ramutsheli (Chairperson)
- Mr. Ambani Tshikovhi (member)
- Mr. Thilivhali Archibald Ramawa (member)
- Mr Karabo Modipane (Chairperson of the ICT Steering Committee)

Accounting Officer's Report

6. Corporate governance (continued)

Internal audit

The municipality has its own internal audit department that reports to the Municipal Manager. This is in compliance with the Municipal Finance Management Act, 2003.

7. Bankers

The primary bank account is with First National Bank.

8. Auditors

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

The annual financial statements set out on pages 7 to 104, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2025 and were signed on its behalf by:

Ramakuntwane Selepe
Municipal Manager

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	3	10 958 646	11 872 739
Receivables from exchange transactions	4	33 505 669	20 503 214
Receivables from non-exchange transactions	5	4 779 372	3 597 678
VAT receivable	6	29 975 346	31 943 290
Prepayments	7	5 102 451	4 966 269
Consumer debtors	8	51 776 841	61 249 739
Cash and cash equivalents	9	661 150 261	580 733 232
		797 248 586	**714 866 161**
Non-Current Assets			
Property, plant and equipment	10	4 663 637 681	4 270 941 207
Intangible assets	12	1 263 588	2 141 961
Heritage assets	13	32 000	70 716
		4 664 933 269	**4 273 153 884**
Total Assets		**5 462 181 855**	**4 988 020 045**
Liabilities			
Current Liabilities			
Finance lease obligation	15	869 972	593 178
Operating lease liability	16	196 493	123 340
Payables from exchange transactions	17	203 728 577	212 081 255
Employee benefit obligation	18	85 824 244	82 757 708
		290 619 286	**295 555 481**
Non-Current Liabilities			
Finance lease obligation	15	908 209	1 285 141
Employee benefit obligation	18	99 598 000	89 011 000
		100 506 209	**90 296 141**
Total Liabilities		**391 125 495**	**385 851 622**
Net Assets		**5 071 056 360**	**4 602 168 423**
Accumulated surplus		5 071 056 360	4 602 168 423
Total Net Assets		**5 071 056 360**	**4 602 168 423**

* See Note 51

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Water and sanitation	20	88 285 730	78 861 143
Recoveries		19 672	-
Other income	22	349 116	1 239 103
Interest received	23	124 862 302	112 541 169
Actuarial gain	24	5 793 552	5 421 206
Total revenue from exchange transactions		**219 310 372**	**198 062 621**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	25	1 260 578 130	1 239 058 275
Public contributions and donations	26	154 854	1 912 089
Total revenue from non-exchange transactions		**1 260 732 984**	**1 240 970 364**
Total revenue	27	**1 480 043 356**	**1 439 032 985**
Expenditure			
Employee related costs	28	(385 492 768)	(366 472 252)
Remuneration of councillors	29	(16 887 527)	(17 236 269)
Depreciation and amortisation	30	(93 389 841)	(82 355 004)
Impairment losses	31	(15 004 522)	(17 208 294)
Finance costs	32	(239 703)	(58 657)
Lease rentals on operating lease	33	(6 805 641)	(7 526 086)
Debt Impairment	34	(95 846 938)	(102 585 318)
Bad debts written off	35	(1 200)	(17 500)
Commission	36	(11 134 840)	(5 298 390)
Inventories consumed	37	(82 860 348)	(70 790 810)
Contracted Services	38	(100 489 253)	(98 933 779)
Disposal/write-off of assets	39	(10 414 059)	(9 657 485)
Inventories losses	40	(27 347 077)	(26 650 640)
Derecognition of assets	41	(2 665 185)	-
General expenses	42	(120 282 657)	(112 185 985)
Auditors remuneration	43	(4 921 482)	(4 769 948)
Repairs and maintenance	44	(37 372 376)	(25 542 696)
Total expenditure		**(1 011 155 417)**	**(947 289 113)**
Surplus for the year		**468 887 939**	**491 743 872**

* See Note 51

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	4 012 122 031	4 012 122 031
Adjustments		
Prior year adjustments 51	98 302 520	98 302 520
Balance at 01 July 2023 as restated*	**4 110 424 551**	**4 110 424 551**
Changes in net assets		
Surplus for the year	491 743 872	491 743 872
Total changes	491 743 872	491 743 872
Restated* Balance at 01 July 2024	**4 602 168 421**	**4 602 168 421**
Changes in net assets		
Surplus for the year	468 887 939	468 887 939
Total changes	468 887 939	468 887 939
Balance at 30 June 2025	**5 071 056 360**	**5 071 056 360**

* See Note 51

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		40 567 605	37 100 817
Grants		1 260 578 132	1 239 058 275
Interest income		72 254 880	63 643 971
		1 373 400 617	1 339 803 063
Payments			
Employee costs and Councillors remuneration		(383 216 792)	(367 865 213)
Suppliers		(409 826 531)	(330 726 455)
Finance costs		(239 703)	(58 657)
		(793 283 026)	(698 650 325)
Net cash flows from operating activities	45	**580 117 591**	**641 152 738**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(500 091 505)	(556 243 148)
Proceeds from sale of property, plant and equipment	10	491 081	1 795 862
Purchase of other intangible assets	12	-	(676 840)
Net cash flows from investing activities		**(499 600 424)**	**(555 124 126)**
Cash flows from financing activities			
Finance lease payments		(100 138)	1 004 173
Net increase/(decrease) in cash and cash equivalents		**80 417 029**	**87 032 785**
Cash and cash equivalents at the beginning of the year		580 733 232	493 700 447
Cash and cash equivalents at the end of the year	9	**661 150 261**	**580 733 232**

* See Note 51

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 note 58
Statement of Financial Performance						
Revenue from exchange transactions						
Water and sanitation	89 276 000	(41 720 000)	**47 556 000**	88 285 730	**40 729 730**	(86)%
Recoveries	-	-	**-**	19 672	**19 672**	100%
Other income	449 000	(400 000)	**49 000**	349 116	**300 116**	612%
Interest received	88 289 000	6 993 000	**95 282 000**	124 862 302	**29 580 302**	31%
Total revenue from exchange transactions	**178 014 000**	**(35 127 000)**	**142 887 000**	**213 516 820**	**70 629 820**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	1 193 715 000	66 315 000	**1 260 030 000**	1 260 578 130	**548 130**	-%
Public contributions and donations	-	-	**-**	154 854	**154 854**	100%
Total revenue from non-exchange transactions	**1 193 715 000**	**66 315 000**	**1 260 030 000**	**1 260 732 984**	**702 984**	
Total revenue	**1 371 729 000**	**31 188 000**	**1 402 917 000**	**1 474 249 804**	**71 332 804**	
Expenditure						
Employee related costs	(469 233 000)	12 475 000	**(456 758 000)**	(385 492 768)	**71 265 232**	(16)%
Remuneration of councillors	(20 538 000)	1 000 000	**(19 538 000)**	(16 887 527)	**2 650 473**	(14)%
Depreciation and amortisation	(86 447 000)	(1 600 000)	**(88 047 000)**	(93 389 841)	**(5 342 841)**	6%
Impairment loss	(23 152 000)	4 615 000	**(18 537 000)**	(15 004 522)	**3 532 478**	(19)%
Finance costs	(470 000)	-	**(470 000)**	(239 703)	**230 297**	(49)%
Lease rentals on operating lease	(13 137 000)	1 181 000	**(11 956 000)**	(6 805 641)	**5 150 359**	(43)%
Debt Impairment	(62 458 000)	(33 115 000)	**(95 573 000)**	(95 846 938)	**(273 938)**	-%
Bad debts written off	-	-	**-**	(1 200)	**(1 200)**	100%
Commission	(25 051 000)	13 500 000	**(11 551 000)**	(11 134 840)	**416 160**	(4)%
Inventories consumed	(102 108 000)	(6 860 000)	**(108 968 000)**	(82 860 348)	**26 107 652**	(24)%
Contracted Services	(106 999 000)	(19 744 000)	**(126 743 000)**	(100 489 253)	**26 253 747**	(21)%
Loss on disposal of assets	(9 743 000)	(2 000 000)	**(11 743 000)**	(10 414 059)	**1 328 941**	(11)%
General expenses	(146 958 000)	(255 000)	**(147 213 000)**	(120 282 657)	**26 930 343**	(18)%
Auditors remuneration	(5 543 000)	-	**(5 543 000)**	(4 921 482)	**621 518**	(11)%
Repairs and maintenance	(45 278 000)	(15 076 000)	**(60 354 000)**	(37 372 376)	**22 981 624**	(38)%
Total expenditure	**(1 117 115 000)**	**(45 879 000)**	**(1 162 994 000)**	**(981 143 155)**	**181 850 845**	
Operating surplus	**254 614 000**	**(14 691 000)**	**239 923 000**	**493 106 649**	**253 183 649**	
Actuarial gains/losses	(19 615 000)	-	**(19 615 000)**	5 793 552	**25 408 552**	(130)%
Inventories losses	(28 890 000)	-	**(28 890 000)**	(27 347 077)	**1 542 923**	(5)%
Derecognition of assets	-	(3 000 000)	**(3 000 000)**	(2 665 185)	**334 815**	(11)%
	(48 505 000)	**(3 000 000)**	**(51 505 000)**	**(24 218 710)**	**27 286 290**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**206 109 000**	**(17 691 000)**	**188 418 000**	**468 887 939**	**280 469 939**	

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 note 58
Statement of Financial Position						
Assets						
Current Assets						
Inventories	2 634 000	14 239 000	**16 873 000**	10 958 646	**(5 914 354)**	(35)%
Receivables from exchange transactions	18 600 000	20 500 000	**39 100 000**	33 505 669	**(5 594 331)**	(14)%
Receivables from non-exchange transactions	4 760 000	(300 000)	**4 460 000**	4 779 372	**319 372**	7%
VAT receivable	28 351 000	(1 938 000)	**26 413 000**	29 975 346	**3 562 346**	13%
Prepayments	5 200 000	(520 000)	**4 680 000**	5 102 451	**422 451**	9%
Consumer debtors	55 649 000	7 151 000	**62 800 000**	51 776 841	**(11 023 159)**	(18)%
Cash and cash equivalents	407 532 000	40 442 000	**447 974 000**	661 150 261	**213 176 261**	48%
	522 726 000	**79 574 000**	**602 300 000**	**797 248 586**	**194 948 586**	
Non-Current Assets						
Property, plant and equipment	4 445 209 000	107 838 000	**4 553 047 000**	4 663 637 681	**110 590 681**	2%
Intangible assets	2 905 000	(1 387 000)	**1 518 000**	1 263 588	**(254 412)**	(17)%
Heritage assets	71 000	-	**71 000**	32 000	**(39 000)**	(55)%
	4 448 185 000	**106 451 000**	**4 554 636 000**	**4 664 933 269**	**110 297 269**	
Total Assets	**4 970 911 000**	**186 025 000**	**5 156 936 000**	**5 462 181 855**	**305 245 855**	
Liabilities						
Current Liabilities						
Finance lease obligation	18 000	417 000	**435 000**	869 972	**434 972**	100%
Operating lease liability	-	182 000	**182 000**	196 493	**14 493**	8%
Payables from exchange transactions	193 177 000	193 402 000	**386 579 000**	203 728 577	**(182 850 423)**	(47)%
VAT payable	-	(8 189 000)	**(8 189 000)**	-	**8 189 000**	(100)%
Employee benefit obligation	60 194 000	(4 578 000)	**55 616 000**	85 824 244	**30 208 244**	54%
	253 389 000	**181 234 000**	**434 623 000**	**290 619 286**	**(144 003 714)**	
Non-Current Liabilities						
Finance lease obligation	-	815 000	**815 000**	908 209	**93 209**	11%
Employee benefit obligation	120 143 000	3 866 000	**124 009 000**	99 598 000	**(24 411 000)**	(20)%
	120 143 000	**4 681 000**	**124 824 000**	**100 506 209**	**(24 317 791)**	
Total Liabilities	**373 532 000**	**185 915 000**	**559 447 000**	**391 125 495**	**(168 321 505)**	
Net Assets	**4 597 379 000**	**110 000**	**4 597 489 000**	**5 071 056 360**	**473 567 360**	
Accumulated surplus	4 597 379 000	110 000	**4 597 489 000**	5 071 056 360	**473 567 360**	

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

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 note 58
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	167 478 000	(136 700 000)	**30 778 000**	40 567 605	**9 789 605**	32%
Grants	1 193 715 000	66 315 000	**1 260 030 000**	1 260 578 132	**548 132**	-%
Interest income	63 289 000	-	**63 289 000**	72 254 880	**8 965 880**	14%
	1 424 482 000	**(70 385 000)**	**1 354 097 000**	**1 373 400 617**	**19 303 617**	
Payments						
Employee costs	(963 735 000)	(11 305 000)	**(975 040 000)**	(383 216 792)	**591 823 208**	(61)%
Suppliers	(440 000 000)	-	**(440 000 000)**	(409 826 531)	**30 173 469**	(7)%
Finance costs	(470 000)	470 000	**-**	(239 703)	**(239 703)**	100%
	(1 404 205 000)	**(10 835 000)**	**(1 415 040 000)**	**(793 283 026)**	**621 756 974**	
Net cash flows from operating activities	**20 277 000**	**(81 220 000)**	**(60 943 000)**	**580 117 591**	**641 060 591**	
Cash flows from investing activiti						
Purchase of property, plant and equipment	(376 295 000)	(97 575 000)	**(473 870 000)**	(500 091 505)	**(26 221 505)**	6%
Proceeds from sale of property, plant and equipment	-	-	**-**	491 081	**491 081**	100%
Net cash flows from investing activities	**(376 295 000)**	**(97 575 000)**	**(473 870 000)**	**(499 600 424)**	**(25 730 424)**	
Cash flows from financing activities						
Finance lease	(90 000)	(10 000)	**(100 000)**	(100 138)	**(138)**	-%
Net increase/(decrease) in cash and cash equivalents	(356 108 000)	(178 805 000)	**(534 913 000)**	80 417 029	**615 330 029**	
Cash and cash equivalents at the beginning of the year	528 640 000	52 093 000	**580 733 000**	580 733 232	**232**	
Cash and cash equivalents at the end of the year	**172 532 000**	**(126 712 000)**	**45 820 000**	**661 150 261**	**615 330 261**	

Significant Accounting Policies

1. Significant accounting policies

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

1.1 Basis of preparation

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

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

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

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

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

1.5 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 judgment 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.

In the process of applying its accounting policies, and in preparing the annual financial statements, management is required to make various judgements, including estimates and assumptions, that may affect the determination of the reporting framework, affect amounts represented in the annual financial statements and as well as related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

- Useful lives and residual values of property, plant, and equipment.
- Present value of defined benefit obligation.
- Provision for doubtful debts.
- Impairment of assets.

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

- Provision for long-term service award and medical aid benefits.
- Deferred revenue

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

Trade receivables

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

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.

Fair value estimation

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

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

Useful lives of waste and water network and other assets

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

Post-retirement benefits

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

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

Other key assumptions for post-retirement obligations are based on current market conditions. Additional information is disclosed in Note 18.

Effective interest rate

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

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

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

Accounting by principals and agent

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

Additional information is disclosed in Note 59.

Impairment of statutory receivables

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

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

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

Materiality

Applying materiality is pervasive to the preparation of financial statements. Materiality is a key consideration in deciding how to apply the Standards of GRAP when preparing the financial statements. Information is material if its omission or misstatement has the potential to influence the decisions of users or affect the discharge of accountability by the entity.

Applying materiality in the preparation of annual financial statements requires the entity to make key assessments and decisions. Key assessments and decisions made in considering materiality, are as follows:

- Identification of users and their information needs
- Assessing information based on nature and size, by developing qualitative considerations and quantitative thresholds
- Application of materiality in preparing the financial statements:
  - Developing accounting policies
  - Deciding what information to disclose
  - Deciding how to present information
  - Assessing omissions, misstatements and errors

The assessments and decisions are considered throughout the financial reporting cycle, and not only when annual financial statements are prepared.

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Machinery and equipment	Straight-line	8-20
Furniture and fixtures	Straight-line	8-20
Motor vehicles	Straight-line	7-20
Office equipment	Straight-line	1-10
IT equipment	Straight-line	8-23
Computer software	Straight-line	8-11
Community buildings	Straight-line	10-55
Community (Security)	Straight-line	3-10
Copiers and communication equipment	Straight-line	3-6
Leased assets	Straight-line	3-6
Emergency equipment	Straight-line	5-8
Other equipment	Straight-line	3-6
Wastewater network	Straight-line	15-50
Water network	Straight-line	15-55
Water reservoir	Straight-line	30-55

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.

Significant Accounting Policies

1.6 Property, plant and equipment (continued)

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 municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 44).

The municipality discloses relevant information relating to assets under construction in the notes to the financial statements (see note 10).

Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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.

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

Subsequent measurement - cost

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Depreciation

Property, plant and equipment is depreciated on the straight-line basis over their expected useful lives to their estimated residual value. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Derecognition

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.

1.6 Property, plant and equipment (continued)

Work-in-progress

Construction work in progress is recognised at cost and transferred to asset upon completion. Construction work in progress is not depreciable until after it is transferred to completed assets.

1.7 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.

Initial recognition

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.

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.

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

Internally generated goodwill is not recognised as an intangible asset.

Item	Depreciation method	Average useful life
Computer software	Straight-line	8-11

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

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

Subsequent measurement - cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Significant Accounting Policies

1.7 Intangible assets (continued)

Amortisation and impairment

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.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date.

Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

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

Website cost

The municipality has a website designed for internal and external access. The municipality is at the operating stage which comprises maintaining and enhancing applications, infrastructure, graphical design and the content of the file. The municipality incurs internally generated costs on the operation of the website and the costs are therefore expensed.

1.8 Heritage assets

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

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

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 44).

Significant Accounting Policies

1.8 Heritage assets (continued)

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

Impairment

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

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

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

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

1.9 Financial instruments

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

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

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.

1.9 Financial instruments (continued)

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 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.

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.

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:
- combined instruments that are designated at fair value.

Significant Accounting Policies

1.9 Financial instruments (continued)

Classification

The municipality 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 cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at cost
VAT Input Accrual [on Payables]	Financial asset measured at cost

The municipality 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
Finance lease obligation	Financial liability measured at amortised cost
Operating lease liability	Financial liability measured at cost
Payables from exchange transactions	Financial liability measured at cost
Deferred income	Financial liability measured at cost
VAT Output Accrual [on Receivables]	Financial liability measured at cost

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.

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.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal operating considerations.

1.9 Financial instruments (continued)

Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

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 uncollectability of financial assets

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

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.

Significant Accounting Policies

1.9 Financial instruments (continued)

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 recognises 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 as a surplus or deficit in the statement of financial performance.

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 continues 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.

Significant Accounting Policies

1.9 Financial instruments (continued)

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 as a surplus or deficit in the statement of financial performance. 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).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in the statement of financial performance.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in the statement of financial performance.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

Trade and other receivables are initially designated at fair value. Short-term receivables with no stated interest rate is to be measured at the original invoice amount if the effect of discounting is immaterial.

Trade payables are categorised as financial liabilities held at fair value. Short-term payables with no stated interest rate is to be measured at the original invoice amount if the effect of discounting is immaterial.

Cash and cash equivalents includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cashflow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Prepaid expenses and advances are recognised in the statement of financial position when the payments are made and recognised in the statement of financial performance as and when the goods/services are received or the funds are utilised.

1.10 Statutory receivables

Identification

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

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

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

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

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

Significant Accounting Policies

1.10 Statutory receivables (continued)

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

Accrued interest

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

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

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.

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

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

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

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

Significant Accounting Policies

1.10 Statutory receivables (continued)

Derecognition

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

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

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

1.11 Leases

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

Finance leases - lessee

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

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

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

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

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method.

Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

Significant Accounting Policies

1.11 Leases (continued)

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.12 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

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.

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.

Initial recognition

Inventories assets in the form of materials or supplies to be consumed or distributed in the rendering of service. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

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

Consumable inventory is valued using the weighted average cost whilst water inventory is valued using the weighted average cost method.

Significant Accounting Policies

1.12 Inventories (continued)

Subsequent measurement

Inventories, consisting of consumable stores and raw materials, are valued at the weighted average cost, unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose.

The amount of any reversal of any write-down of inventories arising from an increase in weighted average cost or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.13 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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

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

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

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

1.14 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.

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:

Significant Accounting Policies

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

1.15 Employee benefits (continued)

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.

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 benefit plans

Recognition and measurement

The entity determines the net defined benefit liability 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.

Accounting for the constructive obligation

The entity accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits.

Statement of financial position

The entity recognises the net defined benefit liability in the statement of financial position. When the entity has a surplus in a defined benefit plan, it measures the net defined benefit asset at the lower of:
a) the surplus in the defined benefit plan; and
b) the asset ceiling, determined using the discount rate specified. Any adjustments arising from the limit is recognised in surplus or deficit.

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

Actuarial valuation method

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

1.15 Employee benefits (continued)

Attributing benefit to periods of service

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the entity attributes benefit to periods of service under the plan’s benefit formula. However, if an employee’s service in later years will lead to a materially higher level of benefit than in earlier years, the entity attributes benefit on a straight-line basis from:
a) the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
b) the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

Actuarial assumptions: Mortality

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

Actuarial assumptions: Discount rate

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

Actuarial assumptions: Salaries, benefits and medical costs

The entity measures its defined benefit obligations on a basis that reflects:
a) the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the end of the reporting period;
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.

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 and
c) remeasurements of the net defined benefit liability.

Significant Accounting Policies

1.15 Employee benefits (continued)

Current service cost

The municipality determines current service cost using actuarial assumptions determined at the start of the reporting period.

However, if the municipality remeasures the net defined benefit liability 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 in accordance with the section on Past service cost gains and losses on settlement (part b).

Interest on the net defined benefit liability

The municipality determines interest on the net defined benefit liability by multiplying the net defined benefit liability by the discount rate specified.

To determine interest, the municipality uses the net defined benefit liability and the discount rate determined at the start of the reporting period. However, if the entity remeasures the net defined benefit liability 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 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 during the period resulting from contributions or benefit payments.

Remeasurements of the net defined benefit liability

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 and

Presentation

Components of defined benefit cost

The entity recognises service cost, net interest on the net defined benefit liability and remeasurements in surplus or deficit.

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 and
c) remeasurements of the net defined benefit liability.

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.

1.15 Employee benefits (continued)

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.

Long service bonus

Employees qualify for additional leave for various period of uninterrupted service in accordance with SALGBC condition of service. The long term service award measured in accordance with GRAP 25 through an actuarial valuation.

Accumulated leave days

Accumulated leave benefit accrues to employees unto maximum of 48 leave days. The benefits are paid in the events of death, disability, retrenchment or/and retirement. Employees who have leave days in excess of the 48 days for periods, before the conditions of service came to effect, are measured in accordance with GRAP 25 through an actuarial valuation.

1.16 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.

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.

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.

Significant Accounting Policies

1.16 Provisions and contingencies (continued)

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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 48.

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.

1.17 Commitments

A commitment arises when a decision is made to incur a liability e.g. purchase order, delivery schedules or contract for construction of infrastructure assets. Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

The commitments are not recognised as a liability in the statement of financial position but are disclosed in the notes to the financial statements. Commitments are disclosed including value added tax.

Disclosures are required in respect of unrecognised contractual commitments.

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

- Contracts should be non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and

- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.18 Revenue from exchange transactions

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

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

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

Measurement

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

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

1.18 Revenue from exchange transactions (continued)

Sale of goods

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

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

Rendering of services

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

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

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

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

Deferred income

Deferred revenue is recognized as earned revenue on the statement of financial performance when the service (water) is delivered to the consumer.

A liability is recorded on the statement of financial position until the service (water) is used.

Interest

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

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

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

1.19 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.

Significant Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

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

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

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

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

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

Recognition

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

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

Measurement

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

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

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

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

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

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

Significant Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

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

1.20 Investment income

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

1.21 Accounting by principals and agents

Identification

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

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

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

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

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

The municipality has a binding agreement with Lepelle-Nkumpi, Blouberg and Molemole local municipalities. These local municipalities are water services providers and shall account for the revenue collected as commission earned from the agency services.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Significant Accounting Policies

1.21 Accounting by principals and agents (continued)

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgment in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

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

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

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

The local municipalities will retain 30 percent of cash collected from water and sanitation services, for the duration of the contract.

The municipality shall account for 100 percent of revenue billed from water and sanitation services for the duration of the contract. As well as being liable to pay the local municipalities 30 percent commission on cash collected.

1.22 Comparative figures

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

1.23 Unauthorised expenditure

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

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

1.24 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. The identified fruitless and wasteful expenditure is disclosed in the note to the annual financial statements in the year that it is incurred.

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

1.25 Irregular expenditure

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

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

1.26 Fines, Penalties and Forfeits

The surplus arising from the fines, penalties and forfeits is accounted for as revenue in the statement of financial performance.

1.27 Segment information

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

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

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity’s financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment’s surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment’s assets and segment’s liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment’s surplus or deficit, the segment’s assets or the segment’s liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment’s surplus or deficit, the segment’s assets or the segment’s liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity’s financial statements.

1.28 Distribution loss

Distribution losses are losses that result from differences between purchases and consumption's both billed and estimated.

Distribution losses is calculated as a percentage between water purchases and usage by consumer. The percentage is then used to calculate the Rand value of the loss.

Distribution loss is accounted for as an expense in the statement of financial performance.

1.29 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisation's (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 2024/07/01 to 2025/06/30.

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

1.29 Budget information (continued)

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Material variances are variance of more than 10% and explained in note 58.

Comparative information is not required.

1.30 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.

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

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

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

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

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

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

1.31 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

1.32 Change in accounting policy, accounting estimates and prior period errors

Change in accounting estimate

Change in accounting estimate is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities.

1.32 Change in accounting policy, accounting estimates and prior period errors (continued)

Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors. Any changes to the relevant financial items (associated with assets and liabilities) are made prospectively.

Change in accounting policy

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an municipality in preparing and presenting financial statements. Any changes to these policies arising from new or amended GRAP standards will be applied either retrospectively or prospectively if transitional provisions exists.

Prior period errors

Prior period errors are omissions from, and misstatements in, the municipality’s financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that;

- was available when financial statements for those periods were authorised for issue; and
- could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

A prior period error is corrected by retrospective restatement, except to the extent that it is impracticable to determine the period-specific or cumulative effect of the error.

When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the entity shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable (which may be the current period).

When it is impracticable to determine the cumulative effect, at the beginning of the current period, of an error on all prior periods, the entity shall restate the comparative information to correct the error prospectively from the earliest date practicable.

1.33 Living and non-living resources

Living resources are those resources that undergo biological transformation.

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted.

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

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

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Useful life is the period over which an asset is expected to be available for use by an municipality, or the number of production or similar units expected to be obtained from the asset by an municipality.

Recognition

Non-living resources, other than land, are not recognised as assets. Required information are disclosed in the notes to the annual financial statements.

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

1.33 Living and non-living resources (continued)

Measurement at recognition

A living resource that qualifies for recognition as an asset is measured at its cost.

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

The cost of a living resource comprises its purchase price, including import duties and non-refundable purchase taxes, and any costs directly attributable to bringing the living resource to the location and condition necessary for it to be capable of operating in the manner intended by management.

1.34 Value added tax

VAT is accounted for on an accrual basis in the annual financial statements and the municipality is registered for on the cash basis refer to note 6. The current VAT percentage is 15%.

VAT Receivable and VAT Payable are exchange transactions. VAT Receivable and VAT Payable are statutory arrangements. The VAT control amount was determined by using the VAT 201 reconciliation. SARS refunds the municipality frequently and from that the VAT receivable amount is not impaired.

1.35 Commission expense

The municipalities will pay the locals 30 percent commission on all cash collected for water and sanitation..

Figures in Rand		2025	2024

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality did not adopted any new standards and interpretations that are effective for the current financial year and that are relevant to its operations.

2.2 Standards and Interpretations early adopted

The municipality did not early adopt any standards and interpretations.

2.3 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation	Effective date: Years beginning on or after	Expected impact
• GRAP 2023 Improvements to the Standards of GRAP 2023	01 April 2099	Not expected to impact results but may result in additional disclosure
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	01 April 2099	Not expected to impact results but may result in additional disclosure
• GRAP 103 (amended): Heritage Assets	01 April 2099	Not expected to impact results but may result in additional disclosure
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Not expected to impact results but may result in additional disclosure

2.4 Standards and interpretations not yet effective or relevant

No standards and interpretations were published that are mandatory for the municipality's accounting periods beginning on or after 01 July 2025 or later periods.

3. Inventories

		2025	2024
Consumable stores		1 072 045	1 117 504
Maintenance materials		9 520 818	10 392 761
Water for distribution		365 783	362 474
		10 958 646	**11 872 739**

Inventory pledged as security

No inventory was pledged as security.

Water for distribution

		2025	2024
Opening balance		362 474	352 062
System input volume		94 530 440	90 240 565
Authorised consumption		(67 202 593)	(63 579 513)
Water losses	37	(27 324 538)	(26 650 640)
Closing balance		**365 783**	**362 474**

4. Receivables from exchange transactions

	2025	2024
Trade debtors	33 505 669	20 503 214

No receivables from non-exchange transactions were pledged as security.

Figures in Rand	2025	2024

4. Receivables from exchange transactions (continued)

None of the financial assets that are fully performing have been renegotiated in the last year.

Receivables from exchange transactions above are as follows:

Lepelle Nkumpi Local Municipality	31 647 244	17 056 391
Blouberg Local Municipality	1 065 188	951 351
Molemole Local Municipality	793 237	756 357
Other debtors	-	1 739 115
	33 505 669	**20 503 214**

5. Receivables from non-exchange transactions

Sundry debtors	4 779 372	3 597 678

No receivables from non-exchange transactions were pledged as security.

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

Opening balance	-	581 416
Provision for impairment	-	118 917
Amounts written off as uncollectible	-	(700 333)
	-	-

No receivables from exchange transactions were impaired for the 2024/25 financial year.

6. VAT receivable

VAT Control (statutory receivable)	9 320 459	13 336 780
VAT Input Accrual [on Payables]	8 866 680	10 311 173
VAT Output Accrual [on Receivables]	11 788 207	8 295 337
	29 975 346	**31 943 290**

VAT Receivable and VAT Payable are exchange transactions.

Statutory receivables

Transaction(s) arising from statute

VAT Receivable and VAT Payable are statutory arrangements

Determination of transaction amount

The VAT control amount was determined by using the VAT 201 reconciliation.

SARS refunds the municipality frequently and from that the VAT receivable amount is not impaired. SARS refunded the municipality R 9 004 290 on 19 July 2025 for June 2025.

VAT Output Accrual [on Receivables]

VAT Output Accrual [on Receivables]	(49 683 785)	(39 727 903)
VAT on Provision for doubtful debt impairment	61 471 992	48 023 240
	11 788 207	**8 295 337**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

7. Prepayments

Prepaid expenses	5 102 451	4 966 269

2025

- Advance payments made to SALGA for 2025/2026 for membership fees.
- Rental payments to East and West Investment and Karibana Traders.

2024

- Advance payments made to SALGA for 2024/2025 for membership fees.
- Rental payments to East and West Investment and Karibana Traders.

Prepaid expenses include the following:		
Opening balance	4 966 269	4 477 826
Amount expensed	(4 966 269)	(4 477 826)
SALGA	4 568 994	4 398 616
East and west Investment (Rental of office space)	449 607	491 423
Karibana Traders (Rental of storage space)	83 850	76 230
	5 102 451	**4 966 269**

8. Consumer debtors

Gross balances		
Water and sanitation	952 639 674	859 005 480
Less: Allowance for impairment		
Water and sanitation	(900 862 833)	(797 755 741)
Net balance		
Water and sanitation	51 776 841	61 249 739

Water and sanitation		
Current (0 -30 days)	10 017 942	9 896 644
31 - 60 days	6 294 347	6 630 104
61 - 90 days	3 155 106	4 160 734
91 - 120 days	2 138 269	2 648 025
> 121 days	30 171 177	37 914 232
	51 776 841	**61 249 739**

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	9 302 026	11 035 650
31 - 60 days	8 204 674	10 978 404
61 - 90 days	8 261 032	11 700 089
91 - 120 days	8 378 964	11 266 248
> 121 days	874 005 494	773 647 389
	908 152 190	818 627 780
Less: Allowance for impairment	(870 722 978)	(768 446 687)
	37 429 212	**50 181 093**

Figures in Rand	2025	2024
8. Consumer debtors (continued)		
Industrial/ commercial		
Current (0 -30 days)	802 948	746 010
31 - 60 days	1 002 442	696 054
61 - 90 days	348 846	610 463
91 - 120 days	286 644	599 357
> 121 days	33 940 904	33 340 206
	36 381 784	35 992 090
Less: Allowance for impairment	(29 447 814)	(29 309 055)
	6 933 970	**6 683 035**
National and provincial government		
Current (0 -30 days)	1 247 827	739 200
31 - 60 days	1 077 405	61 450
61 - 90 days	340 238	104 692
91 - 120 days	318 298	103 262
> 121 days	5 121 933	3 377 007
	8 105 701	4 385 611
Less: Allowance for impairment	(692 042)	-
	7 413 659	**4 385 611**
Total		
Current (0 -30 days)	11 352 801	12 520 860
31 - 60 days	10 284 521	11 735 908
61 - 90 days	8 950 116	12 415 244
91 - 120 days	8 983 906	11 968 867
> 121 days	913 068 331	810 364 602
	952 639 675	859 005 481
Less: Allowance for impairment	(900 862 834)	(797 755 742)
	51 776 841	**61 249 739**
Less: Allowance for impairment		
Current (0 -30 days)	(1 334 859)	(2 624 218)
31 - 60 days	(3 990 174)	(5 105 804)
61 - 90 days	(5 795 010)	(8 254 510)
91 - 120 days	(6 845 638)	(9 320 842)
> 121 days	(882 897 152)	(772 450 367)
	(900 862 833)	**(797 755 741)**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(797 755 741)	(683 521 923)
Contributions to allowance	(95 846 938)	(102 585 318)
Debt impairment written off against allowance	7 116 887	3 602 543
VAT on impairment	(14 377 041)	(15 251 043)
	(900 862 833)	**(797 755 741)**

Consumer debtors pledged as security

No consumer debtors were pledged as security.

Consumer debtors impaired

As of 30 June 2025, consumer debtors of R 952 639 674 (2024: R 859 005 480) were impaired and provided for.

The amount of the provision was R (900 862 833) as of 30 June 2025 (2024: R (797 755 741)).

Figures in Rand	2025	2024

9. Cash and cash equivalents

Cash and cash equivalents consist of:

	2025	2024
Cash on hand	30 914	30 914
Bank balances	1 611 526	6 895 991
Short-term deposits	659 507 821	573 806 327
	661 150 261	**580 733 232**

Summary of investments held

	2025	2024
FNB: Call account	297 403	297 326
ABSA	359 606 916	159 698 849
Nedbank	-	90 441 680
Standard bank	299 603 502	323 368 472
	659 507 821	**573 806 327**

Cash and cash equivalents pledged as collateral

No cash and cash equivalents were pledged as collateral.

The municipality had the following bank account

First National Bank	**Bank statement balances**		**Cash book balances**	
	30 June 2025	**30 June 2024**	**30 June 2025**	**30 June 2024**
Current Account: 620-055-56339	1 611 526	16 953 276	1 611 526	6 895 99

Guarantees

	2025	2024
FNB: Call account	297 403	297 326

As at 30 June 2025, included in the FNB: Call account was a Eskom guarantee amounting to R 294 600 plus interest of R 2 803 (2024: R 2 726).

10. Property, plant and equipment

	2025			2024		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	13 187 500	-	13 187 500	13 187 500	-	13 187 500
Machinery and equipment	33 143 052	(15 572 967)	17 570 085	30 879 588	(13 403 125)	17 476 463
Furniture and fixtures	17 168 723	(9 706 474)	7 462 249	16 336 851	(8 835 316)	7 501 535
Motor vehicles	94 966 341	(41 441 601)	53 524 740	86 174 485	(36 322 817)	49 851 668
IT equipment	20 620 452	(11 038 441)	9 582 011	19 039 732	(9 649 289)	9 390 443
Infrastructure	3 518 553 005	(915 158 102)	2 603 394 903	3 270 369 510	(837 662 312)	2 432 707 198
Community buildings	176 938 665	(46 569 992)	130 368 673	167 094 394	(42 483 353)	124 611 041
Work-in-progress	1 826 858 586	-	1 826 858 586	1 614 352 724	-	1 614 352 724
Leased assets	2 601 210	(912 276)	1 688 934	1 970 613	(107 978)	1 862 635
Total	**5 704 037 534**	**(1 040 399 853)**	**4 663 637 681**	**5 219 405 397**	**(948 464 190)**	**4 270 941 207**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfers received	Transfers	Donations received	Derecognition	Depreciation	Impairment loss	Total
Land	13 187 500	-	-	-	-	-	-	-	-	13 187 500
Machinery and equipment	17 476 463	2 288 464	(14 001)	-	-	-	-	(2 180 841)	-	17 570 085
Furniture and fixtures	7 501 535	973 596	(36 605)	-	-	21 544	-	(997 821)	-	7 462 249
Motor vehicles	49 851 668	9 312 160	(481 994)	-	-	-	-	(5 157 094)	-	53 524 740
IT equipment	9 390 443	1 634 698	(91 219)	-	-	133 310	-	(1 485 221)	-	9 582 011
Infrastructure	2 432 707 198	91 715 625	(10 281 320)	182 018 761	-	-	-	(77 944 993)	(14 820 368)	2 603 394 903
Community buildings	124 611 041	1 240 000	-	8 604 271	-	-	-	(3 941 201)	(145 438)	130 368 673
Work-in-progress	1 614 352 724	405 794 079	-	-	(190 623 032)	-	(2 665 185)	-	-	1 826 858 586
Leased assets	1 862 635	630 596	-	-	-	-	-	(804 297)	-	1 688 934
	4 270 941 207	**513 589 218**	**(10 905 139)**	**190 623 032**	**(190 623 032)**	**154 854**	**(2 665 185)**	**(92 511 468)**	**(14 965 806)**	**4 663 637 681**

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers received	Transfers	Donations received	Derecognition	Depreciation	Impairment loss	Total
Land	13 187 500	-	-	-	-	-	-	-	-	13 187 500
Machinery and equipment	14 825 501	4 165 463	(73 672)	316 915	-	450 292	-	(2 208 036)	-	17 476 463
Furniture and fixtures	6 963 905	2 035 213	(383 252)	-	-	-	-	(1 114 331)	-	7 501 535
Motor vehicles	45 653 285	9 052 060	(1 514 229)	-	-	1 461 797	-	(4 801 245)	-	49 851 668
IT equipment	10 260 920	864 837	(241 482)	-	-	-	-	(1 493 832)	-	9 390 443
Infrastructure	2 241 720 633	106 674 107	(9 240 716)	174 095 031	-	-	-	(66 995 695)	(13 546 162)	2 432 707 198
Community buildings	119 179 945	295 923	-	9 075 995	-	-	-	(3 732 890)	(207 932)	124 611 041
Work-in-progress	1 342 442 839	458 852 026	-	-	(183 487 941)	-	-	-	(3 454 200)	1 614 352 724
Leased assets	816 515	1 970 614	-	-	-	-	-	(924 494)	-	1 862 635
	3 795 051 043	**583 910 243**	**(11 453 351)**	**183 487 941**	**(183 487 941)**	**1 912 089**	**-**	**(81 270 523)**	**(17 208 294)**	**4 270 941 207**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

10. Property, plant and equipment (continued)

Pledged as security

No assets were pledged as security.

Assets subject to finance lease (Net carrying amount)		
Leased assets	1 688 934	1 862 635

Property, plant and equipment taking longer to complete than expected

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Infrastructure	285 725 706	280 354 637

The district relies mainly on groundwater for potable water supply. The district has been championing forward planning for infrastructure projects and to achieve this, projects planning activities/milestones takes time before a project can be considered feasible for implementation due to the magnitude of the regional water schemes, and to ensure sustainability and efficiency of water resource to meet current and future water demand of the area.

Ground water development and exploration of well fields/aquifers place a critical role during planning of water supply projects.

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

	2025	2024
Mapatjakeng, Madoana, Overdyke, Zebediela South (Molapo, Magatle)WS, Mathabatha/Tongwane BWS, Scheiding and Marowe WS, Fatima, MapontoWS, Sekhwama WS, Brussels and KwaringWS	43 508 542	36 824 133

- Projects are being implemented according to working packages that are aligned to the availability of the MIG funding as per the budget.
- The implementation approach is based on avoiding over committing the MIG allocation and eventually having projects stagnant during construction phases.
- The municipality has embarked on intensive planning for regional water schemes in the district to secure water source, conduct geotechnical studies, topographical surveys and designs in order to be able engage sector departments for implementation funding as the projects are implementation ready.
- The planning is completed and the project is implementation ready. Letters have been written to sector departments requesting for additional funding in order for the project to go into implementation phase.
- Sekhung ,Vergelegen, Springfield was removed from non-movement since it has incurred expenditure in 2024/2025.

Kwaring Water Supply	-	4 940 433

- Balance moved to Mapatjakeng, Madoana, Overdyke, Zebediela South (Molapo, Magatle)WS, Mathabatha/Tongwane BWS, Scheiding and Marowe WS, Fatima, MapontoWS, Sekhwama WS.

Lebowakgomo RWS Zone A-P (Industrial, MEC Residence)	4 259 350	4 259 350

- Technical report stage.

Figures in Rand	2025	2024
10. Property, plant and equipment (continued)		
Alldays Oxidation Ponds	701 442	701 442
• Sanitation project assessment and feasibility study report completed. Acquisition for purchasing of land being investigated.		
Senwabarwana Oxidation Ponds	6 318 127	6 318 127
• Sanitation project assessment, feasibility study report and designs completed. EIA in progress.		
Flora, Ga-Kobe and Ga-Rammutla	2 771 705	4 406 467
• 3 Project for WSIG at planning stage in year 2023.		
• (Ga-Kobe) has been removed from non-movements projects since it has incurred expenditure in 2024/2025.		
	57 559 166	**57 449 952**

Carrying value of property, plant and equipment where construction has been halted either during the current or previous reporting period(s)

Construction stage:

	2025	2024
Mankgodi A & B, Pax Village, Pax and Brana Package plant	-	34 061 104
• Projects are operational.		
Groethoek RWS Ledwaba Matome Makotse	1 488 125	1 488 125
• Geohydrological report completed.		
Ga-kibi(Royston), Zebediela (Khureng, Mehlareng, Malatane), Bosehla & Rakgwatha, Mphahlele RWS Maijane/Sefalaolo and Thalahane, Groothoek RWS Mogoto, Groethoek Regional Water Scheme: Makgopong and Mafefe RWS, Mahlatjane and Mankele	150 375 953	107 119 970
• Projects are being implemented according to working packages that are aligned to the availability of the MIG funding as per the budget.		
• The implementation approach is based on avoiding over committing the MIG allocation and eventually having projects stagnant during construction phases.		
• The municipality has embarked on intensive planning for regional water schemes in the district to secure water source, conduct geotechnical studies, topographical surveys and designs in order to be able engage sector departments for implementation funding as the projects are implementation ready.		
• The planning is completed and the project is implementation ready. Letters have been written to sector departments requesting for additional funding in order for the project to go into implementation phase.		
• Maribana WS was removed from non-movements since it has incurred expenditure in 2024/25.		
Groothoek RWS Mogoto, Groethoek Regional Water Scheme: Makgopong and Mafefe RWS, Mahlatjane and Mankele	-	45 135 189
• Cost transferred to Ga-kibi(Royston), Zebediela (Khureng, Mehlareng, Malatane), Bosehla & Rakgwatha, Mphahlele RWS Maijane/Sefalaolo and Thalahane,		
Alldays BWS	5 748 472	5 748 472
• Technical report developed. Acquisition for purchasing of land being investigated.		

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
10. Property, plant and equipment (continued)		
Sefene	-	29 351 825
• Project in construction phase.		
Sekonye	13 681 874	-
• Phase one completed and not functional.		
• Awaiting for additional funding for constructing phase two package plant.		
WSIG Driekoppies and WSIG Silvermine	14 846 865	-
• Phase 1 completed,		
• Project not functional due to poor quality water,		
• Phase two to be implemented in the 2025/2026 to treat water.		
Milbank Village WS	42 025 251	-
• Projects completed,		
• Awaiting for Eskom to energise.		
	228 166 540	**222 904 685**

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Total
Opening balance	1 610 038 491	4 314 233	1 614 352 724
Additions/capital expenditure	403 780 350	2 013 730	405 794 080
Derecognitions	(2 665 186)	-	(2 665 186)
Transferred to completed items	(190 623 033)	-	(190 623 033)
	1 820 530 622	**6 327 963**	**1 826 858 585**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	1 340 099 404	2 343 435	1 342 442 839
Additions/capital expenditure	456 564 311	2 287 713	458 852 024
Impairment	(3 454 200)	-	(3 454 200)
Transferred to completed items	(183 171 024)	(316 915)	(183 487 939)
	1 610 038 491	**4 314 233**	**1 614 352 724**

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

	2025	2024
Repairs and maintenance	37 372 376	25 542 696

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

11. Change in estimate

Property, plant and equipment

Depreciable assets

During the year, the useful life of property, plant and equipment had been re-estimated at the beginning of the current period to reflect the actual pattern of service potential derived from the assets.

The effect on the current and future periods will be a decrease in the depreciation charge of R 449 680.69 in the current period and an equal increase in the depreciation charge of R 449 680.69 over the remaining period/s.

Consumer debtors

Government debt was impaired for the first time in 2024/25 for an amount of R 692 042.

12. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	4 966 548	(3 702 960)	1 263 588	6 040 350	(3 898 389)	2 141 961

Reconciliation of intangible assets - 2025

	Opening balance	Additions	Amortisation	Total
Computer software	2 141 961	-	(878 373)	1 263 588

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software	2 549 602	676 840	(1 084 481)	2 141 961

Pledged as security

No intangible assets were pledged as security.

13. Heritage assets

	2025			2024		
	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
Mayoral chain	70 716	(38 716)	32 000	70 716	-	70 716

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

13. Heritage assets (continued)

Reconciliation of heritage assets 2025

	Opening balance	Impairment losses	Total
Mayoral chain	70 716	(38 716)	32 000

Reconciliation of heritage assets 2024

	Opening balance	Impairment losses	Total
Mayoral chain	70 716	-	70 716

Age and/or condition of heritage assets

The following information relating to age and/or condition of heritage assets is provided for better appreciation:

- The mayoral chain was procured in the 2021/2022 financial year.

Heritage assets borrowed from other entities

No Heritage assets were borrowed from other entities.

Heritage assets on loan to other entities

No heritage assets were loaned to other entities.

Pledged as security

No heritage assets were pledged as security.

Revaluations

Art collections

Heritage assets are carried at cost less accumulated impairment. The mayoral chain was valued in the 2024/2025 financial year and impaired. Valuer details are as follows:

Paul George Myson

Date of valuation is 30 June 2025.

An remote inspection of the asset was conducted, the purpose of which was to:

- Verify the existence of the asset
- Verify asset specification and technical data
- Verify asset age, condition and status
- Photograph of asset

Basis of value

A valuation of the Heritage Assets in the collection of the municipality was done to comply with GRAP 103. The valuation was undertaken using fair value based on comparatives sold or for sale in an active market.

13. Heritage assets (continued)

The sales comparison approach to value

A procedure to conclude an opinion of value for an object by comparing it with similar objects that have been sold or are for sale in the relevant marketplace by making adjustments to prices based on marketplace conditions and the objects characteristics of value.

The fair value for the purpose of the valuation undertaken by the municipality is defined as “Comparable”. The situation would be “arms’ length” with no undue pressure on purchaser or seller, and, in this definition, it is assumed that the transaction is based on cash or a cash equivalent consideration. Favourable or unfavourable terms of sale are bound to affect market prices in a normal trading environment, as would the source of the market – local or imported, wholesale or retail, direct or via an agent, boutique or budget store, or on-line or at an auction, etc.

In the determination of the fair value of fine arts, antiques and collectable's, influences such as market climate, sensitivity to exchange rate variances and sales history play an important role. As these factors are subjective, the determination of values is to a large degree based on judgment from experts like ourselves and applies to the date of valuation.

Thus, it is expected that assessments of values made by different parties may differ from time to time, where no absolute value exists. Bearing in mind what is set out above, it is our opinion that the values assigned to the assets as per the schedule are fair and reasonable, thus fulfilling the requirements of all parties concerned.

Maintenance of heritage assets

No maintenance cost were spend on the mayoral chain.

14. Non-living resources

Entity as custodian

The nature of the entity's custodial responsibility, including the legislation or similar means that establishes the custodial responsibility over the resources, are as follows:

The municipality is responsible for the provision of water in terms of section 84(1)(b) of Municipal Structures Act 117 of 1998. The municipality provide water services through water bought from Lepelle Northern Water as well as water from own drilled boreholes.

Nature and types of non-living resources for which the entity is responsible

Water not yet extracted from the boreholes.

Liabilities and/or contingent liabilities that arise from the non-living resources

No liabilities and/or contingent liabilities that arise from the non-living resources.

15. Finance lease obligation

	2025	2024
Minimum lease payments due		
- within one year	1 033 045	782 610
- in second to fifth year inclusive	965 218	1 434 785
	1 998 263	2 217 395
less: future finance charges	(220 082)	(339 076)
Present value of minimum lease payments	**1 778 181**	**1 878 319**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

15. Finance lease obligation (continued)

Present value of minimum lease payments due

	2025	2024
- within one year	869 971	593 178
- in second to fifth year inclusive	908 210	1 285 141
	1 778 181	**1 878 319**

	2025	2024
Non-current liabilities	908 209	1 285 141
Current liabilities	869 972	593 178
	1 778 181	**1 878 319**

It is municipality policy to lease information technology equipment under a finance lease.

The average lease term is 3 years and the average effective borrowing rate is 11.75% (2024: 11.75%).

Interest rates are fixed at the contract date. All leases have fixed repayments and include additional charges for contingent rent based on a percentage of sales.

	2025	2024
Contingent rents	869 995	642 640

Market risk

The carrying amounts of finance lease liabilities are denominated in Rand.

The fair value of finance lease liabilities approximates their carrying amounts.

16. Operating lease liability

	2025	2024
Current liabilities	196 493	123 340

Mangkweng storage space

The municipality is renting storage space. The contract commenced on 01 January 2023 for a period of 3 years and will expire on 31 December 2025.

Public works office space

The municipality is renting office space. The contract commenced on 01 September 2024 for a period of 5 years and will expire on 31 August 2029.

Joubert street office space

The municipality is renting office space. The contract commenced on 01 February 2025 for a period of 3 years and will expire on 31 January 2028.

17. Payables from exchange transactions

	2025	2024
Trade payables	37 019 569	62 945 711
Payments received in advanced	1 428 869	1 013 413
Good received notes	1 012 169	1 766 234
Retention	154 216 269	140 718 557
Agency fees	10 051 701	5 637 340
	203 728 577	**212 081 255**

Figures in Rand	2025	2024

18. Employee benefit obligations

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

Carrying value		
Post retirement medical aid obligation	97 174 000	87 253 000
Long service award obligation	24 902 000	23 629 000
Leave day obligation	44 484 924	40 836 593
Performance bonus	6 962 000	8 292 584
13th Cheque accrual	6 348 789	5 958 320
Salary related accruals	5 550 531	5 799 211
	185 422 244	**171 768 708**

Current liabilities	85 824 244	82 757 708
Non-current liabilities	99 598 000	89 011 000
	185 422 244	**171 768 708**

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

Current service cost	**7 011 000**	**6 109 000**
- Post retirement medical aid obligation	5 154 000	4 866 000
- Long service award obligation	1 857 000	1 243 000
Interest cost	**14 860 000**	**13 223 000**
- Post retirement medical aid obligation	12 390 000	10 932 000
- Long service award obligation	2 470 000	2 291 000
	21 871 000	**19 332 000**

Calculation of actuarial (gains)/losses

Post retirement medical aid obligation	(6 132 395)	(10 187 244)
Long service award obligation	338 843	4 766 038
	(5 793 552)	**(5 421 206)**

Key assumptions used

Valuation method

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

Valuation of assets

As at the valuation date, the employee benefit obligation of the municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. Therefore no assets were considered as part of the valuation.

Valuation assumptions

In estimating the liability for employee benefit obligations a number of assumptions are required. GRAP 25 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 25 and in discussion with the actuary.

APN 301 states that the assumptions should be realistic and mutually compatible. The difference between the assumptions drives the valuation and it is very important to monitor how this difference changes from one valuation to the next.

18. Employee benefit obligations (continued)

Financial variables

The two most important financial variables used in the valuation are the discount- and medical aid inflation rates.

Values for these variables	2025 Assumed valuation value	2024 Assumed valuation value
Discount Rate	Yield curve	Yield curve
CPI (Consumer Price Inflation)	Differences between nominal and yield curves	Differences between nominal and yield curves
Medical Aid Contribution Inflation	CPI+1%	CPI+1%
Net Effective Discount Rate	Yield curve based**	Yield curve based**

Discount rate

GRAP 25 defines the determination of the discount rate assumption to be used as follows:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds.

Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, a municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

The nominal and real zero curves as at **30 June 2025** as supplied by the JSE was used to determine the discount rates and CPI assumptions.

** The Net Effective Discount Rate is different for each relevant time period of the yield curves' various durations and therefore the Net Effective Discount Rate is based on the relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Salary Inflation for each relevant time period.

Average retirement age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

Normal retirement age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Notes to the Annual Financial Statements

18. Employee benefit obligations (continued)

Decrements

A table setting out the assumed rates of withdrawal from service is set out below:

Age band	Withdrawal rate males	Withdrawal rate females
20 - 24	16%	24%
25 - 29	12%	18%
30 - 34	10%	15%
35 - 39	8%	10%
40 - 44	6%	6%
45 - 49	4%	4%
50 - 54	2%	2%
55 - 59	1%	1%
60 +	0%	0%

Mortality rate

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

GRAP 25

GRAP 25 deals with the recognition of the cost of employee benefits, on an accruals basis, in municipal accounts.

18.1 Post retirement medical aid obligation

ZAQ Consultants and Actuaries have performed an actuarial valuation of the liability in respect of the post-employment medical aid benefits. The valuation considered all in service employees, retired employees and their dependants who participate in the medical aid arrangements and are entitled to a post employment medical aid subsidy.

The liability amounts are calculated in accordance with GRAP 25 and the related actuarial practice guidance note (APN 301) of the Actuarial Society of South Africa.

The effective date used for the purposes of this valuation is **30 June 2025** (herein after referred to as the “valuation date”).

The previous valuation was conducted by ZAQ Consultants and Actuaries as at **30 June 2024**.

The valuation is only an estimate of the cost of providing post-employment medical aid benefits. The actual cost to the municipality will be dependent on future levels of assumed variables such as medical aid inflation. The impact of deviations between actual experience and the assumptions made can be found in the sensitivity analysis section.

Movement in the post retirement medical aid liability	2025	2024
Opening balance as at 1 July	87 253 000	82 814 000
Interest cost	12 390 000	10 932 000
Current service cost	5 154 000	4 866 000
Actual employer benefit payments	(1 490 605)	(1 171 756)
Actuarial (gains)/losses	(6 132 395)	(10 187 244)
	97 174 000	**87 253 000**

	2025	2024
Current portion of liability	18 317 000	17 544 000
Non-current portion of liability	78 857 000	69 709 000
	97 174 000	**87 253 000**

18. Employee benefit obligations (continued)

Membership data

Number of members entitled to receive post-employment medical aid subsidies from the municipality:

Number of members entitled to receive post-employment medical aid subsidies from the municipality	2025 valuation	2024 valuation
Current members (in-service)	460	445
Continuation members (pensioners)	26	19
	486	**464**

The figures below reflect the total value of the accrued contractual liability of the municipality in respect of post-employment medical aid benefits offered to employees.

The accrued liability is split between the current employees and continuation members (pensioners).

Accrued contractual liability	2025 valuation	2024 valuation
Current members (in-service)	82 102 000	75 739 000
Continuation members (pensioners)	15 072 000	11 514 000
	97 174 000	**87 253 000**

Related costs

Interest cost

The interest cost represents the accrual of interest on the accrued liability, allowing for benefit payments, over the corresponding year. This arises because the post-employment medical aid scheme contributions are one year closer to payment. This item should be accounted for in the Statement of Financial Performance according to GRAP 25.

Current cost

The current service cost reflects the additional liability that is expected to accrue in respect of in service members' service over the corresponding year. This item should be accounted for in the Statement of Financial Performance according to GRAP 25.

Past service cost

There are no past service costs to reflect.

Interest and service costs	2025 valuation to be used in the 2026 actuarial gains/loss calculation	2024 valuation to be used in the 2025 actuarial gains/loss calculation
Interest cost	12 794 000	12 390 000
Current service cost	5 523 000	5 154 000
	18 317 000	**17 544 000**

18. Employee benefit obligations (continued)

Valuation method

Post-employment medical aid obligation

The expected value of each employee and their spouse's future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the present date of valuation (calculation). Mortality, retirements and withdrawals from service is set out below. The accrued liability is determined on the basis that each employee's medical aid benefit accrues uniformly over the working life of an employee up until retirement.

Further it is assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. It was assumed that 100% of all active members on medical aid will remain on medical aid until they retire. It was also assumed that all active members will remain on the same medical aid option at retirement.

Medical aid inflation

The medical aid contribution inflation rate was set with reference to the past relationship between the (yield curve based) discount rate for each relevant time period and the (yield curve based) medical aid contribution inflation for each relevant time period.

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would outstrip general inflation by 1% per annum over the foreseeable future.

Spouses and dependents

It was assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that **90%** of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be **five** years younger than their male spouses at retirement and vice versa.

Medical aid scheme arrangements

The municipality offers employees and continuation members (pensioners) the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical aid scheme.

Contribution rate structure

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

Subsidy arrangements

The municipality has agreed to subsidise the medical aid contributions of retired members in the following way:

- The municipality will subsidise a percentage of the medical scheme contributions of retired staff members and their dependants.
- Existing continuation members will continue to receive a 70% subsidy.
- A subsidy cap of R 5 971,15 has been applied for the 1 July 2025 to 30 June 2026 financial year. The subsidy cap is expected to increase with 100% of CPI. This has not been applied in previous years but will be applied in upcoming valuations.

Discount rate

The implied duration of the liability for this valuation is **17.27** years. It is however important to note that this is solely for indicative purposes as the entire yield curve was used to obtain the financial variables.

Figures in Rand	2025	2024

18. Employee benefit obligations (continued)

Financial Variable	Assumed value 30 June 2025	Assumed value 30 June 2024
Discount rate	12.91%	13.88%
CPI (Consumer Price Inflation)	7.37%	8.24%
Normal Salary Increase Rate	8.37%	9.24%
Net Effective Discount Rate	4.19%	4.25%

Detailed results

On the basis of the information and the actuarial assumptions used, the value of the municipality's liability for future subsidies of medical aid contributions has been calculated as at the valuation date and is summarised below.

The section below compares the figures between the valuation dates and summarises the primary reasons for the changes in the liabilities since the last valuation. Changes to current membership (in-service membership) as at the valuation dates.

Active employees (in-service)	Male	Female	Total
Number of active employees	256	204	460
Subsidy weighted average age	47.9	46.1	47.1
Subsidy weighted average past service	13.5	13.9	13.7
Average monthly subsidy	R4 340	R4 400	R4 360

The table below provides a summary of details for continuation members:

Continuation members (pensioners)	Male	Female	Total
Number of continuation members	16	10	26
Subsidy weighted average age	67.0	70.8	68.5
Average monthly subsidy	R4 520	R4 690	R4 590

Comparison with the preceding valuation

The section below compares the figures between the valuation dates and summarises the primary reasons for the changes in the liabilities since the last valuation.

Changes to current membership (in-service membership) as at the **valuation dates**:

Active employees (in-service)	2025 valuation	2024 valuation	% Change
Number of active employees	460	445	3.4%
Proportion male	56%	56%	(0.9)%
Subsidy weighted average age	47.1	47.3	(0.4)%
Subsidy weighted average past service	13.70	14.41	(4.9)%
Average monthly subsidy	R4 360	R4 610	(5.4)%

18. Employee benefit obligations (continued)

Changes to continuation membership (pensioners' membership) as at the **valuation dates:**

Continuation members (pensioners)	2025 valuation	2024 valuation	% Change
Number of active employees	26	19	36.8%
Proportion male	62%	63%	(2.6)%
Subsidy weighted average age	68.50	70.20	(2.4)%
Average monthly subsidy	R4 590	R4 980	(7.8)%

Sensitivity analysis

The valuation is only an estimate of the cost of providing post-employment medical aid benefits. The actual cost to the municipality will be dependent on actual future levels of assumed variables. In order to illustrate the sensitivity of the results to changes in certain key variables, the liabilities have been recalculated using the following assumptions:

- 20% increase/decrease in the assumed level of mortality;
- 1% increase/decrease in the medical aid inflation.
- 1% increase/decrease in the discount rate

Mortality rate

The effect of higher and lower mortality rates by increasing and decreasing the mortality rates by 20% is illustrated below.

	-20% Mortality rate	Valuation assumption	+20% Mortality rate
Total accrued liability	104 142 000	-	91 244 000
Interest cost	13 722 000	12 794 000	12 004 000
Current service cost	5 953 000	5 523 000	5 154 000

Medical aid inflation

The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees.

The effect of a 1% p.a. change in the medical aid inflation assumption was tested and is as follows:

	-1% Medical aid inflation	Valuation assumption	+1% Medical aid inflation
Total accrued liability	90 657 000	-	102 129 000
Interest cost	11 921 000	12 794 000	13 456 000
Current service cost	5 039 000	5 523 000	5 857 000

Discount rate

The value of the liability is directly dependent on the level of the discount rate used to discount the future expected cashflow's. If the discount rate is higher the present value of the liability will be lower and vice versa.

The effect of a 1% p.a. change in the discount rate assumption was tested and is as follows:

Notes to the Annual Financial Statements

18. Employee benefit obligations (continued)

	-1% Discount rate	Valuation assumption	+1% Discount rate
Total accrued liability	112 727 000	-	84 553 000
Interest cost	14 874 000	12 794 000	11 107 000
Current service cost	6 629 000	5 523 000	4 646 000

Actuarial loss/(gain)

The figures for **30 June 2024** were taken from the previous valuation report. However, the main reasons for the actuarial gain can be attributed to the following factors:

1. **Changes in economic variables** – the nominal and real yield curves as at **30 June 2025** was used to calculate the discount rates used in the valuation. There were various changes in interest rates since the previous valuation. This resulted in an overall **decrease** in liability of **R 269 000**.

2. **Changes in subsidy cap applied** – No subsidy cap was included in the previous valuation. This has now been included after confirmation from the Municipality that a subsidy cap applies to the members' subsidies. This resulted in an overall **decrease** in liability of around **R 19 495 000**.

3. **Change in retirement age** – We have used an average retirement age of 63 for this valuation, which is lower than the 65 years normal retirement age applied in the previous valuation. This is more accurate as it implicitly allows for ill-health and early retirements. This resulted in an overall **increase** in the liability of **R 19 031 000**.

4. **Membership changes and other experience items** – Membership and other demographic changes were different to what was expected in the previous valuation. Despite an increase in membership, the average subsidy amongst in-service and continuation members did not increase as expected. There were also changes in the medical schemes amongst members, and the marriage statuses changed too. This, along with other smaller assumptions, resulted in a **decrease** in liability of around **R 5 399 395**.

A comparison of the actuarial gain over the last two years is found below.

Actuarial gain (Remeasurements)	30 June 2025	30 June 2024
From changes in financial assumptions	269 000	1 897 000
From changes in demographic assumptions	5 399 395	8 290 244
Other	464 000	-
	6 132 395	**10 187 244**

GRAP 25 Compliance tables

Assuming that the post-employment medical aid obligation policy stays the same and that the actuarial assumptions are borne out in practice them municipality's unfunded accrued liability and future service cost can be projected as follows:

Changes in the value of the obligation	2025 valuation as at 30 June 2025	Year 1 following the valuation date	Year 2 following the valuation date	Year 3 following the valuation date
PV of the obligation as at 30 June 2024	87 253 000	97 174 000	113 740 000	133 161 000
Current service cost	5 154 000	5 523 000	6 236 000	7 041 000
Interest cost	12 390 000	12 794 000	14 975 000	17 540 000
Benefits paid	(1 490 605)	(1 751 000)	(1 790 000)	(1 719 000)
Actuarial loss/(gain)	(6 132 395)	-	-	-
PV of the obligation as at 30 June 2025	**97 174 000**	**113 740 000**	**133 161 000**	**156 023 000**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

18. Employee benefit obligations (continued)

Amounts recognised in the annual financial statements	2025 valuation as at 30 June 2025	Year 1 following the valuation date	Year 2 following the valuation date	Year 3 following the valuation date
Liability recognised in the Statement of Financial Position	97 174 000	113 740 000	133 161 000	156 023 000
Current service cost in the Statement of Financial Performance	5 154 000	5 523 000	6 236 000	7 041 000
Interest cost in the Statement of Financial Performance	12 390 000	12 794 000	14 975 000	17 540 000
Actuarial gain recognised	(6 132 395)	-	-	-

Maturity analysis

	Within one year from valuation date	Between 1 and 5 years from valuation date	Longer than 5 years from valuation date	Total
Liability value	1 623 251	4 049 254	147 828 197	**153 500 702**

18.2 Long service award obligation

The municipality provides long-service awards to its permanent employees. The benefit of long-service awards is provided in the form of annual leave and a gift to a certain monetary value.

ZAQ Consultants and Actuaries have performed an actuarial valuation of the liability in respect of the long service awards.The primary purpose of this valuation is to enable the municipality to comply with the requirements of GRAP 25. The liability amounts are calculated in accordance with GRAP 25 and can therefore be used in the compilation of the Annual Financial Statements of the municipality.

The effective date used for the purposes of this valuation is **30 June 2025** (herein after referred to as the “valuation date”).

The previous valuation was conducted by ZAQ Consultants and Actuaries as at **30 June 2024**.

The accumulated defined benefit obligation in respect of the long-service awards are provided, based on calculations of independent actuaries, using methods and assumptions consistent with GRAP 25 (Employee Benefits).

Movement in the long-service award obligation		
Liability as at 1 July 2024	23 629 000	18 388 000
Current service cost	1 857 000	1 243 000
Interest cost	2 470 000	2 291 000
Reductions (Outflow of Economic Benefits)	(3 392 843)	(3 059 038)
Actuarial loss/(gain)	338 843	4 766 038
	24 902 000	**23 629 000**

Current portion of liability	4 161 000	4 327 000
Non-current portion of liability	20 741 000	19 302 000
	24 902 000	**23 629 000**

18. Employee benefit obligations (continued)

Membership data

Number of members entitled to receive long service leave awards were:

Gender	Number of active employees	Salary weighted average age (years)	Weighted average past service (years)
Male	289	49.01	15.38
Female	214	46.42	14.57
	503	**47.85**	**15.02**

<u>Related cost</u>

Interest cost

The interest cost represents the accrual of interest on the accrued liability, allowing for benefit payments, over the corresponding year. This arises because the post-employment medical aid scheme contributions are one year closer to payment. This item should be accounted for in the Statement of Financial Performance according to GRAP 25.

Current cost

The current service cost reflects the additional liability that is expected to accrue in respect of in service members' service over the corresponding year. This item should be accounted for in the Statement of Financial Performance according to GRAP 25.

Interest and service costs	2025 valuation to be used in the 2026 actuarial gains/loss calculation	2024 valuation to be used in the 2025 actuarial gains/loss calculation
Interest cost	2 250 000	2 470 000
Current service cost	1 911 000	1 857 000
	4 161 000	**4 327 000**

*The current valuation represents Interest and service costs for the following financial year. The figures for the current financial year were therefore calculated during the previous valuation and obtained from the previous year's Actuarial Report.

Past service cost

There is no past service costs to reflect

<u>Valuation inputs</u>

Long service awards obligation

Long service 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 awarded leave days have been converted into a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth. The table below contains a summary of the benefit policy.

18. Employee benefit obligations (continued)

Completed years of service	Total long service benefit award as % of annual salary	Formula used to calculate total long service benefit award
5	2%	(5/250)* Annual Salary
10	6%	(10/250)* Annual Salary
15	10%	(25/250)* Annual Salary
20, 25, 30, 35, 40 and 45	14%	(35/250)* Annual Salary

The calculated award values are then discounted at the assumed discount interest rate to the date of calculation. There was allowance made for mortality, retirements and withdrawals from service.

The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable. Further it is assumed that the current policy for awarding long service awards remains unchanged in the future.

Normal salary inflation rate

The underlying future rate of consumer price index inflation (CPI inflation) was derived from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. The assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on **1 July 2024** of 5.01%. The next salary increase was assumed to take place on **1 July 2025**.

Promotional salary increase rates

In addition to the normal salary inflation rate, the following promotional salary increases for each age band was considered:

Age band	Promotional increase %
20 - 24	5%
25 - 29	4%
30 - 34	3%
35 - 39	2%
40 - 44	1%
45 and over	0

Discount rate

Although the yield curve was used for our discount rates and the corresponding inflation rates, the discount rate and CPI that corresponds to the implied duration of our liability is shown. The implied duration of the liability for this valuation is 5.99 years. It is however important to note that this is solely for indicative purposes as we use the entire yield curve to obtain the financial variables.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

18. Employee benefit obligations (continued)

Financial variable	Assumed value 30 June 2025	Assumed value 30 June 2024
Discount rate	9.28%	10.67%
CPI (Consumer Price Inflation)	4.10%	5.50%
Normal Salary Increase Rate	5.10%	6.50%
Net Effective Discount Rate	3.97%	3.91%

Detailed results

On the basis of the information and the actuarial assumptions used, the value of the municipality's obligation for future long service awards has been calculated as at the valuation date and is summarised below.

The sections below compares the figures between the valuation dates and summarises the primary reasons for the changes in the obligation since the last valuation.

Eligible male employees	Number of employees	Average annual salary R	Salary weighted average past service (years)	Average accrued liability R
20 - 29	2	169 132	0.84	1 201
30 - 39	57	365 758	6.91	31 308
40 - 49	83	435 858	12.25	62 187
50 - 59	110	404 003	18.30	46 651
60 +	37	342 387	28.35	10 986
Total	**289**	**396 095**	**15.38**	**43 206**

Eligible female employees	Number of employees	Average annual salary R	Salary weighted average past service (years)	Average accrued liability R
20 - 29	4	245 285	1.76	3 092
30 - 39	37	404 018	7.91	37 979
40 - 49	101	463 637	13.25	71 254
50 - 59	62	424 664	19.07	58 100
60 +	10	346 104	30.58	19 911
Total	**214**	**432 464**	**14.57**	**58 016**

18. Employee benefit obligations (continued)

Total eligible employees	Number of employees	Average annual salary R	Salary weighted average past service (years)	Average accrued liability R
20 - 29	6	219 901	1.52	2 462
30 - 39	94	380 818	7.32	33 934
40 - 49	184	451 106	12.82	67 164
50 - 59	172	411 451	18.59	50 778
60 +	47	343 178	28.83	12 885
Total	**503**	**411 568**	**15.02**	**49 507**

Sensitivity Analysis

The valuation is only an estimate of the cost of providing Long service leave award benefits. The actual cost will be dependent on actual future levels of assumed variables and the demographic profile of the membership.

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

- 20% increase/decrease in the assumed level of withdrawal rates;
- 1% increase/decrease in the normal salary cost inflation;
- 1% increase/decrease in the discount rates;
- 1 year increase/decrease in the average retirement age

Withdrawal rate

Deviations from the assumed level of withdrawal experience of the eligible employees will have a large impact on the actual cost to the municipality. If the actual rates of withdrawal turn out to be higher than the rates assumed in the valuation basis, then the cost to the Municipality in the form of benefits will reduce and vice versa.

The effect of higher and lower mortality rates by increasing and decreasing the mortality rates by 20% is illustrated below:

	-20% withdrawal rate	Valuation assumption	+20% withdrawal rate
Total accrued liability	25 746 000	24 902 000	24 108 000
Current service cost	2 001 000	1 911 000	1 829 000
Interest cost	2 332 000	2 250 000	2 250 000

Normal salary inflation

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future employees.

The effect of a 1% p.a. change in the normal salary inflation assumption is as follows:

	-1% Normal salary inflation	Valuation assumption	+1% Normal salary inflation
Total accrued liability	23 563 000	24 902 000	26 355 000
Current service cost	1 793 000	1 911 000	2 040 000
Interest cost	2 120 000	2 250 000	2 390 000

Figures in Rand	2025	2024

18. Employee benefit obligations (continued)

Discount rate

The value of the liability is directly dependent on the level of the discount rate used to discount the future expected cashflow's. If the discount rate is higher the present value of the liability will be lower and vice versa. The effect of a 1% p.a. change in the discount rate assumption was tested and the effect is as follows:

	-1% Discount rate	Valuation assumption	+1% Discount rate
Total accrued liability	26 308 000	24 902 000	23 625 000
Current service cost	2 036 000	1 911 000	1 799 000
Interest cost	2 129 000	2 250 000	2 355 000

Average retirement age

The liability value is directly influenced by the assumption about the average retirement age of members as this determines the length these benefits are paid out to members. The effect of a one-year increase and decrease in the assumed average retirement age was tested and the effect is as follows:

	-1 year Average retirement age	Valuation assumption	+1 year Average retirement age
Total accrued liability	23 246 000	24 902 000	26 092 000
Current service cost	1 814 000	1 911 000	1 975 000
Interest cost	2 092 000	2 250 000	2 363 000

Actuarial loss/(gain)

The main reasons for the actuarial gain can be attributed to the following factors:

- **Changes in economic variables** – The nominal and real zero curves as at **30 June 2025** was used as supplied by the JSE to determine the discount rates and CPI assumptions at each relevant time period. As a result, the interest rates, bond yields and inflation figures changed significantly. This resulted in a **decrease** in the liability of around **R 112 000.**

- **Membership and other experience items** – Membership and other demographic changes were different to what was expected as at the previous valuation, which included an increase in the total membership. The net effect of this and other smaller changes resulted in an **increase** in liability of around **R 450 843**.

Actuarial gain (Remeasurements)	30 June 2025	30 June 2024
From changes in financial assumptions	(112 000)	(339 000)
From changes in demographic assumptions	450 843	1 248 038
Other	-	3 857 000
	338 843	**4 766 038**

18. Employee benefit obligations (continued)

GRAP 25 Compliance tables

If assumed that the long service award obligation policy of the municipality remains unchanged over the next 36 months, a projection of the municipality's unfunded accrued obligation and future service cost can be seen as follows:

Changes in the value of the obligation	2025 valuation as at 30 June 2025	Year 1 following the valuation date	Year 2 following the valuation date	Year 3 following the valuation date
PV of the obligation as at 30 June 2024	23 629 000	24 902 000	25 328 000	27 962 217
Current service cost	1 857 000	1 911 000	2 026 426	2 156 458
Interest cost	2 470 000	2 250 000	2 361 791	2 413 845
Benefits paid	(3 392 843)	(3 735 000)	(1 754 000)	(6 030 000)
Actuarial loss/(gain)	338 843	-	-	-
PV of the obligation as at 30 June 2025	**24 902 000**	**25 328 000**	**27 962 217**	**26 502 520**

Amounts recognised in the annual financial statements	2025 valuation as at 30 June 2025	Year 1 following the valuation date	Year 2 following the valuation date	Year 3 following the valuation date
Liability recognised in the Statement of Financial Position	24 902 000	25 328 000	27 962 217	26 502 520
Current service cost in the Statement of Financial Performance	1 857 000	1 911 000	2 026 426	2 156 458
Interest cost in the Statement of Financial Performance	2 470 000	2 250 000	2 361 791	2 413 845
Actuarial loss/(gain) recognised	338 843	-	-	-

Maturity analysis

	Within one year from valuation date	Between 1 and 5 years from valuation date	Longer than 5 years from valuation date	Total
Liability value	3 462 504	12 138 689	22 223 942	**37 825 135**

18.3 Leave day obligation

There is no standard actuarial formula that prescribes the way in which the accrued leave days balance should be broken down between short-term and long-term components. The municipality will follow an approach that is consistent with its past experience.

The municipality, in recognition of services rendered, grants its employees 24 working days leave per year. This leave granted is cumulative up to a limit of 48 working days.

18. Employee benefit obligations (continued)

No discounting is applied to the calculation of the annual leave obligation. The obligation is based on the estimated **30 June 2025** salaries after allowing for an estimated salary increase of **5.1%**. The provision is split between that which is expected to be taken within 12 months of the valuation date (short-term portion) and that which will be taken after **30 June 2026** (long-term portion).

In order to calculate the short-term and long-term components of the accrued leave days provisional liability it was assumed that:

- Employees reaching the expected retirement age of 63 over the coming year would cash in their accrued leave days balances in full;
- Employees resigning from service would cash-in their accrued leave days balances in full; and
- Other employees that remain in service would take their full 24 leave days in the coming year and hence keep their accrued leave balance unchanged.

Movement in the leave day obligation

	2025	2024
Obligation as at 1 July 2024	40 836 593	41 410 612
Benefits paid	(3 160 884)	(3 992 697)
Net accrued leave days over the years	6 809 215	3 418 678
	44 484 924	**40 836 593**

	2025	2024
Current portion of liability	44 484 924	40 836 593

Membership data

Number of members entitled to receive leave days were:

Gender	Number of active employees	Salary weighted average age (years)	Weighted average past service (years)
Male	296	48.38	14.93
Female	220	45.67	14.31
	516	**47.17**	**14.65**

Valuation inputs

It was assumed that all employees will take up leave to avoid the forfeiture of leave days. Leave days accrue up to 48 days per financial year. Employees that resign or retire over the coming year will have their leave balance cashed on resignation/retirement.

It was assumed 250 working days per year for the purpose of calculating the value of the accrued benefit. The current portion of the accrued leave also takes into account withdrawals from service over the next 12 months.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

18. Employee benefit obligations (continued)

18.4 Performance bonus

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

Short-term employee benefits include items such as bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service.

Performance bonus is paid in line with the municipalities performance management system.

18.5 Reconciliation of all employee benefit obligations

30 June 2025	Opening balance	Additions	Utilised during the year	Total
Post retirement medical aid obligation	87 253 000	11 411 605	(1 490 605)	97 174 000
Long service award obligation	23 629 000	4 665 843	(3 392 843)	24 902 000
Leave day obligation	40 836 593	6 809 215	(3 160 884)	44 484 924
Performance bonus	8 292 584	3 910 997	(5 241 581)	6 962 000
13th Cheque accrual	5 958 320	6 348 788	(5 958 319)	6 348 789
Salary related accruals	5 799 211	8 174 096	(8 422 776)	5 550 531
Total	**171 768 708**	**41 320 544**	**(27 667 008)**	**185 422 244**

30 June 2024	Opening balance	Additions	Utilised during the year	Total
Post retirement medical aid obligation	82 814 000	5 610 756	(1 171 756)	87 253 000
Long service award obligation	18 388 000	8 300 038	(3 059 038)	23 629 000
Leave day obligation	41 410 612	3 418 678	(3 992 697)	40 836 593
Performance bonus	6 562 000	8 275 000	(6 544 416)	8 292 584
13th Cheque accrual	5 830 656	5 970 536	(5 842 872)	5 958 320
Salary related accruals	5 512 415	5 952 847	(5 666 051)	5 799 211
Total	**160 517 683**	**37 527 855**	**(26 276 830)**	**171 768 708**

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Movement during the year		
Additions during the year	1 260 578 130	1 239 058 275
Income recognition during the year	(1 260 578 130)	(1 239 058 275)
	-	-

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

Figures in Rand	2025	2024

19. Unspent conditional grants and receipts (continued)

See note 25 for reconciliation of grants from National/Provincial Government.

These amounts are invested until utilised.

20. Service charges

	2025	2024
Sale of water	75 168 157	66 288 747
Sewerage and sanitation charges	13 117 573	12 572 396
	88 285 730	**78 861 143**

21. Recoveries

	2025	2024
Debt impairment recovered	19 672	-

22. Other income

	2025	2024
Other income	349 116	314 321
Insurance refunds	-	924 782
	349 116	**1 239 103**

Other income for the year ended 30 June 2025, included insurance refunds amounting to R - (2024: R 924 782).

23. Interest received

	2025	2024
Interest on investments	72 254 880	63 637 465
Interest charged on trade and other receivables	52 607 422	48 897 198
SARS interest received	-	6 506
	124 862 302	**112 541 169**

24. Actuarial gain

	2025	2024
Actuarial gain	5 793 552	5 421 206

25. Government grants & subsidies

	2025	2024
Operating grants		
Equitable share	814 002 000	777 252 000
Financial Management Grant	1 000 000	1 000 000
LG Seta	994 429	668 275
Rural Roads Asset Management Grant	2 718 000	2 601 000
Expanded Public Works Programme Integrated Grant	2 773 000	3 118 000
Municipal Infrastructure Grant	8 564 000	4 459 801
Water Services Infrastructure Grant	8 696 000	8 696 000
	838 747 429	**797 795 076**
Capital grants		
Municipal Infrastructure Grant	274 999 000	304 934 199
Water Services Infrastructure Grant	126 302 000	136 329 000
Regional Bulk Infrastructure Grant	20 529 701	-
	421 830 701	**441 263 199**
	1 260 578 130	**1 239 058 275**

Figures in Rand	2025	2024

25. Government grants & subsidies (continued)

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	446 576 130	461 806 275
Unconditional grants received	814 002 000	777 252 000
	1 260 578 130	**1 239 058 275**

Equitable Share

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

Financial Management Grant		
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 000 000)	(1 000 000)
	-	-

LG Seta Grant		
Current-year receipts	994 429	668 275
Conditions met - transferred to revenue	(994 429)	(668 275)
	-	-

Rural Roads Asset Management Grant		
Current-year receipts	2 718 000	2 601 000
Conditions met - transferred to revenue	(2 718 000)	(2 601 000)
	-	-

Expanded Public Works Programme Integrated Grant		
Current-year receipts	2 773 000	3 118 000
Conditions met - transferred to revenue	(2 773 000)	(3 118 000)
	-	-

Municipal Infrastructure Grant		
Current-year receipts	283 563 000	309 394 000
Conditions met - transferred to revenue	(283 563 000)	(309 394 000)
	-	-

Water Services Infrastructure Grant		
Current-year receipts	134 998 000	145 025 000
Conditions met - transferred to revenue	(134 998 000)	(145 025 000)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

25. Government grants & subsidies (continued)

Regional Bulk Infrastructure Grant

Current-year receipts	20 529 701	-
Conditions met - transferred to revenue	(20 529 701)	-
	-	-

It was the first year that the municipality received the Regional Bulk Infrastructure Grant.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

26. Public contributions and donations

Public contributions and donations	154 854	1 912 089

Details of donations received

Computer equipment	133 310	-
Office equipment	21 544	-
Vehicles	-	1 461 797
Fire and rescue equipment	-	450 292
	154 854	**1 912 089**

27. Revenue

Water and sanitation	88 285 730	78 861 143
Recoveries	19 672	-
Other income	349 116	1 239 103
Interest received	124 862 302	112 541 169
Government grants & subsidies	1 260 578 130	1 239 058 275
Public contributions and donations	154 854	1 912 089
	1 474 249 804	**1 433 611 779**

The amount included in revenue arising from exchanges of goods or services are as follows:

Water and sanitation	88 285 730	78 861 143
Recoveries	19 672	-
Other income	349 116	1 239 103
Interest received	124 862 302	112 541 169
	213 516 820	**192 641 415**

The amount included in revenue arising from non-exchange transactions is as follows:

Government grants & subsidies	1 260 578 130	1 239 058 275
Public contributions and donations	154 854	1 912 089
	1 260 732 984	**1 240 970 364**

Figures in Rand	2025	2024

28. Employee related costs

	2025	2024
Basic salaries	215 488 911	202 937 382
Performance bonus	3 910 996	8 275 000
Medical aid - company contributions	19 263 010	17 515 045
UIF	1 148 680	1 109 742
Leave pay obligation	6 809 216	3 418 679
Overtime payments	31 105 983	29 766 472
13th Cheques	16 660 329	15 619 958
Car allowance	20 658 851	21 083 061
Housing benefits	2 443 943	2 031 100
Bargaining council levies	71 219	70 337
Pension	40 707 065	38 504 793
Employee benefit: Current cost	7 011 000	6 109 000
Employee benefit: Interest cost	14 860 000	13 223 000
	380 139 203	**359 663 569**

Remuneration: Municipal Manager

	2025	2024
Annual remuneration	1 514 772	1 469 100
Contributions to UIF, medical and pension fund	231 188	222 037
Phone allowance	30 000	30 000
Car allowance	168 000	168 000
	1 943 960	**1 889 137**

Performance bonus of R 34 949 (2024: R 40 323) was paid from the performance bonus provision.

Remuneration: Chief Finance Officer

	2025	2024
Annual remuneration	35 642	154 363
Contributions to UIF, medical and pension fund	-	19 657
Phone allowance	-	3 161
Car allowance	-	41 693
	35 642	**218 874**

Remuneration: Executive Manager Development, Economic and Planning Management Services

	2025	2024
Annual remuneration	982 411	420 492
Contributions to UIF, medical and pension fund	243 270	101 580
Phone allowance	24 000	12 000
Car allowance	144 000	63 000
	1 393 681	**597 072**

Remuneration: Executive Manager Strategic Support Services

	2025	2024
Annual remuneration	125 418	80 913
Contributions to UIF, medical and pension fund	10 595	-
Phone allowance	2 000	-
Car Allowance	23 738	-
	161 751	**80 913**

Figures in Rand	2025	2024

28. Employee related costs (continued)

Remuneration: Executive Manager: Corporate services

Annual remuneration (including acting allowances)	43 817	684 553
Contributions to UIF, medical and pension fund	347	162 715
Phone allowance	-	20 000
Car allowance	-	150 000
	44 164	**1 017 268**

Remuneration: Executive Manager Community Services

Annual remuneration	1 102 575	1 004 263
Contributions to UIF, medical and pension fund	270 871	240 198
Phone allowance	24 000	24 000
Car allowance	240 000	200 000
	1 637 446	**1 468 461**

Performance bonus of R 29 370 (2024: R 29 221) was paid from the performance bonus provision.

Remuneration: Executive Manager Infrastructure Services

Annual remuneration	136 213	1 130 871
Contributions to UIF, medical and pension fund	708	142 087
Phone allowance	-	24 000
Car allowance	-	240 000
	136 921	**1 536 958**

Performance bonus of R 20 979 (2024: R 34 378) was paid from the performance bonus provision.

Total employee costs	**385 492 768**	**366 472 252**

Acting allowances paid

Municipal Manager	-	9 029
Chief Finance Officer	35 642	70 390
Development, Economic and Planning Management Services	-	33 380
Strategic Support Services	64 798	80 912
Corporate Services	-	38 277
Technical Services	66 626	-
	167 066	**231 988**

29. Remuneration of councillors

Executive Major	1 248 133	1 223 954
Chief Whip	637 326	846 003
Speaker	458 457	576 011
Section 79 Committee Chairperson	910 811	894 354
Mayoral Committee Members	5 013 930	5 113 219
Other councillors	8 618 870	8 582 728
	16 887 527	**17 236 269**

29. Remuneration of councillors (continued)

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Executive Mayor has two full-time bodyguards. The Executive Mayor has use of a Council owned vehicle for official duties.

The Speaker has the use of separate Council owned vehicles for official duties.

Additional information

The salaries, allowances and benefits of political office-bearers and councillors of the municipality are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa read with the Remuneration of Public Office Bearers Act (Act 20 of 1998 and the Minister of Department of Cooperative Governance determination in accordance with this Act.

Section 124(1)(a) require that the notes to the annual financial statements of a municipality must include particulars of the salaries, allowances and benefits of political office-bearers and councillors of the municipality, whether financial or in kind, including a statement by the accounting officer whether or not those salaries, allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution.

30. Depreciation and amortisation

Property, plant and equipment	92 511 468	81 270 523
Intangible assets	878 373	1 084 481
	93 389 841	**82 355 004**

31. Impairment loss

Property, plant and equipment	14 965 806	17 208 294
Heritage assets	38 716	-
	15 004 522	**17 208 294**

The main classes of assets affected by impairment losses are:
1. Community infrastructure
2. Water infrastructure
3. Sanitation infrastructure

The main events and circumstances that led to the recognition of these impairment losses are as follows:
1. There is evidence of obsolesce and physical damage;
2. There is a decoration of the economic performance of these assets;
3. The 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 (such as through inadequate maintenance).

32. Finance costs

Finance leases	239 703	58 657

Total interest expense is calculated using the effective interest rate on financial instruments and not at fair value through surplus amounting to R 239 703 (2024: R 58 657).

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

33. Lease rentals on operating lease

Premises		
Contractual amounts	5 731 927	5 864 725
Equipment		
Contractual amounts	1 073 714	1 661 361
	6 805 641	**7 526 086**

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.

Mangkweng storage space

The municipality is renting storage space. The contract commenced on 01 January 2023 for a period of 3 years and will expire on 31 December 2025.

Public works office space

The municipality is renting office space. The contract commenced on 01 September 2024 for a period of 5 years and will expire on 31 August 2029.

Joubert street office space

The municipality is renting office space. The contract commenced on 01 February 2025 for a period of 3 years and will expire on 31 January 2028.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	5 341 563	1 609 107
- in second to fifth year inclusive	8 885 285	503 118
	14 226 848	**2 112 225**

34. Debt impairment

Debt impairment	95 846 938	102 585 318

35. Bad debts written-off

Bad debts written-off	1 200	17 500

36. Commission

Local municipalities	8 740 609	4 902 035
Pre-paid agency	1 415 365	396 355
Debt collection agency	978 866	-
	11 134 840	**5 298 390**

Commission expenses paid to the local municipalities relating to the principle agent arrangement is disclosed in note 59.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

37. Inventories consumed

Water	67 202 593	63 579 513
Maintenance materials	11 899 824	5 050 365
Consumables	3 757 931	2 160 932
	82 860 348	**70 790 810**

Water losses in kilolitre

Opening units	35 308	37 137
Units purchased	7 916 352	8 240 069
Units sold	(1 491 285)	(1 889 535)
Free water*	(4 140 035)	(3 907 350)
Water losses	(2 289 690)	(2 445 013)
Closing units	**30 650**	**35 308**

*This free water relates to the amount of a 'basic' level of water supply, that is, a level sufficient to promote healthy living, comes from international practices and norms that recommend 25 litres per person per day. This amounts to about 6 000 litres per household per month for a household of 8 people. The volume of 6 000 litres per month was therefore set as the target for a 'basic' level for all households in South Africa using 8 as an average number of people per household. The municipality will continue providing basic access to water and to extend meter installation where the infrastructure supports and permits.

Water loss percentage

Loss	28.9 %	29.7 %

38. Contracted services

Outsourced Services		
Administrative and Support Staff	195 000	-
Alien Vegetation Control	849 803	925 593
Business and Advisory	941 715	51 658
Catering Services	1 976	1 546
Call Centre	156 774	405 675
Cleaning Services	527 993	550 145
Clearing and Grass Cutting Services	-	225 870
Fire Services	79 088	39 800
Personnel and Labour	119 713	52 007
Professional Staff	4 485 117	3 565 024
Smart meter management	2 073 866	4 800 313
Security Services	40 505 668	25 062 370
Sewerage Services	4 309 931	-
	54 246 644	**35 680 001**
Consultants and Professional Services		
Business and Advisory	4 167 541	5 666 239
Laboratory Services	9 837 738	10 589 157
Legal Cost	15 020 605	22 369 363
	29 025 884	**38 624 759**
Contractors		
Catering Services	2 801 118	2 299 245
Employee Wellness	816 943	749 995
Fire Protection	45 155	221 627
Pest Control and Fumigation	73 586	16 438
Sewerage Services	13 221 463	21 241 714
Sports and Recreation	258 460	100 000
	17 216 725	**24 629 019**
	100 489 253	**98 933 779**

Figures in Rand	2025	2024

39. Loss on disposal of assets

	2025	2024
Property, plant and equipment	10 414 059	9 657 485

40. Inventory losses

	2025	2024
Consumables	22 539	-
Water	27 324 538	26 650 640
	27 347 077	**26 650 640**

Consumable losses relates to consumables that were stolen during 2025.

41. Derecognition of assets

	2025	2024
Derecognition of assets	2 665 185	-

Work-in-progress assets were derecognised.

42. General expenses

	2025	2024
Advertising	1 519 068	1 333 691
Assessment rates & municipal charges	1 855 131	1 947 269
Bank charges	112 997	124 849
Bursaries	708 993	663 952
Community development and training	127 750	128 100
Conferences and seminars	5 127 851	3 229 891
Free basic water	48 878 921	41 192 965
Insurance	1 369 034	2 943 462
IT expenses	8 332 315	7 895 547
Postage and courier	2 710	547
Printing and stationery	1 642 609	1 491 186
Protective clothing	1 490 562	1 644 794
Skills development levy	3 127 800	3 003 022
Subscriptions and membership fees	4 781 493	4 239 451
Telephone and fax	974 917	1 109 633
Vehicle running cost	22 657 441	22 856 609
Travel - local	15 877 074	16 743 671
Workmans compensation fund	1 695 991	1 637 346
	120 282 657	**112 185 985**

43. Auditors remuneration

	2025	2024
Auditors remuneration	4 921 482	4 769 948

44. Repairs and maintenance

	2025	2024
Non-infrastructure	9 572 864	8 959 321
Infrastructure	27 799 512	16 583 375
	37 372 376	**25 542 696**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

45. Cash generated from operations

	2025	2024
Surplus	468 887 939	491 743 872
Adjustments for:		
Depreciation and amortisation	93 389 841	82 355 004
Loss on disposal of assets	10 414 059	9 657 485
Derecognition of assets	2 665 185	-
Impairments	15 004 522	17 208 294
Debt impairment	95 846 938	102 585 318
Bad debts written off	1 200	17 500
Movement in operating lease liability	73 153	(135 060)
Commission	8 740 609	4 902 035
Inventories consumed	82 860 348	70 790 810
Inventories losses/write-downs	27 347 077	26 650 640
Movement on actuarial valuation	(5 793 552)	(5 421 206)
Performance bonus raised	3 910 997	8 275 000
Prepayments	4 966 269	4 477 826
Non-cash employee benefits	21 871 000	19 332 000
Interest charged on trade and other receivables	(52 607 422)	(48 897 198)
Service charges	(70 977 460)	(75 380 790)
Public contributions and donations	(154 854)	(1 912 089)
Changes in working capital:		
Inventories	(109 293 331)	(101 888 187)
Trade and other receivables	27 992 997	37 347 631
Prepayments	(5 102 451)	(4 966 269)
Payables from exchange transactions	(33 306 979)	16 173 820
Employee benefit obligation	(6 618 494)	(11 763 698)
	580 117 591	**641 152 738**

46. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	-	33 505 669	33 505 669
Receivables from non-exchange transactions	-	4 779 372	-	4 779 372
Consumer debtors	-	51 776 841	-	51 776 841
Cash and cash equivalents	-	-	661 150 261	661 150 261
VAT Input Accrual [on Payables]	-	-	8 866 680	8 866 680
VAT Output Accrual [on Receivables]	-	-	11 788 207	11 788 207
	-	**56 556 213**	**715 310 817**	**771 867 030**

Financial liabilities	At fair value	At amortised cost	At cost	Total
Finance lease obligation	1 778 181	-	-	1 778 181
Operating lease liability	-	-	196 493	196 493
Payables from exchange transactions	-	-	203 728 577	203 728 577
	1 778 181	**-**	**203 925 070**	**205 703 251**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

46. Financial instruments disclosure (continued)

2024

Financial assets	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	-	20 503 214	20 503 214
Receivables from non-exchange transactions	-	3 597 678	-	3 597 678
Consumer debtors	-	61 249 739	-	61 249 739
Cash and cash equivalents	-	-	580 733 232	580 733 232
VAT Input Accrual [on Payables]	-	-	10 311 173	10 311 173
VAT Input Accrual [on Payables]	-	-	8 295 337	8 295 337
	-	**64 847 417**	**619 842 956**	**684 690 373**

Financial liabilities	At fair value	At amortised cost	At cost	Total
Finance lease obligation	1 878 319	-	-	1 878 319
Operating lease liability	-	-	123 340	123 340
Payables from exchange transactions	-	-	212 081 255	212 081 255
	1 878 319	**-**	**212 204 595**	**214 082 914**

Financial instruments in Statement of financial performance

2025

Impairment loss	At fair value	At amortised cost	At cost	Total
Debt impairment	-	95 846 938	-	95 846 938

2024

Impairment loss	At fair value	At amortised cost	At cost	Total
Debt impairment	-	102 585 318	-	102 585 318

47. Commitments

Authorised capital expenditure

Already contracted for but not provided for

	2025	2024
• Property, plant and equipment	710 266 131	434 898 305
This expenditure will be financed from:		
Conditional grants	704 335 804	430 283 141
Own funding	5 930 327	4 615 164

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

47. Commitments (continued)

	710 266 131	**434 898 305**
Authorised operational expenditure		
Already contracted for but not provided for		
• Infrastructure	5 518 111	5 382 324
• Non-infrastructure	23 036 201	22 403 231
	28 554 312	**27 785 555**
This expenditure will be financed from:		
Conditional grants	5 518 111	5 382 324
Own funding	23 036 201	22 403 231
	28 554 312	**27 785 555**
Total commitments		
Total commitments		
Authorised capital expenditure	710 266 131	434 898 305
Authorised operational expenditure	28 554 312	27 785 555
	738 820 443	**462 683 860**

This committed expenditure relates to plant and equipment and will be financed by grants and internally generated funds.

48. Contingencies

The Municipality has a contingent liability of R 22 534 864 (2024: R 28 489 372) due to it being sued by service providers. See below the claim for damages:

Royal Haskoning • Summons issued against the Municipality in terms of a contract for provision of project management services. CDM is awaiting the trail date.	11 472 232	11 472 232
Dirk Jacobus Floris Venter • Mr. Venter issued summons in the High Court against Capricorn District Municipality, Polokwane Local Municipality and Department of Public Works, alleging that he suffered damages as a result of a motor vehicle accident that he was involved in, which was caused by negligent action or omission of the mentioned organs of state. • CDM is awaiting a trail date.	3 500 000	5 500 000
Mgababa Travel Agency • The municipality appointed the plaintiff for the provision of security services. It is alleged that the plaintiff rendered services and submitted an invoice as outlined in the Service Level Agreement which the municipality refused to pay. • The municipality is awaiting a new trial date.	1 057 140	1 057 140
Marce Project • The Municipality brought an application to court seeking an order against Marce Projects and Best Said Properties respectively: i. That Marce Projects (Pty) Ltd must hand over to CDM designs for TT Cholo Fire Station project.	3 505 492	2 250 000
Leshilo Mmamodi • The plaintiff alleges that he fell into an unprotected hole dug by the employees or contractors of the municipality. • The municipality is awaiting a new trial date.	3 000 000	8 210 000
	22 534 864	**28 489 372**

48. Contingencies (continued)

Guarantee
Guarantee held by Eskom for the supply of electricity to Lebowakgomo sewage plant amounting to R294 600 on FNB account and interest as disclosed in the cash equivalents.

The Guarantor reserves the right to withdraw from the guarantee upon providing 3 (three) months notice in writing of its intention. The guarantee is neither negotiable or transferable and is limited to the payment of money only.

The following are contingent liabilities whose values are not yet ascertainable:

Matome Chidi
Chidi launched an application in May 2020 against CDM, seeking a relief of a declaratory order in that the municipality failed to provide the applicant with enough clean water at Dipatene Village is unconstitutional and violate his constitutional rights. And further that the municipality be interdicted to provide potable water and sanitation to the village.

The municipality is waiting for the court to allocate a trial date.

49. Related parties

Relationships

Relationships	Refer to note 18 & 28
Employee benefit obligations	Refer to the accounting officers' report note 5 and refer to note 28
Members of key management	Refer to note 28
Remuneration of councillors	Refer to note 29
Contributions to organised local government	Refer to note 57

Related party: Close Family Member

Mrs Phumudzo Montsha is part of the management personnel of CDM and she is a close family member of Mr Montsha MC, who is the managing director of PZ Holdings Pty Ltd that is appointed as CDM service provider on the 23 December 2024 for period of three years.

Purchases from related parties	2025	2024
PZ Holdings Pty Ltd (Rates Basis)	1 344 781	-

Remuneration of management

Management class: Councillors

2025

	Allowance	Cell phone allowance	Motor vehicle allowance	Medial aid benefits	Pension	Total
Executive Mayor	788 964	47 004	285 444	17 280	109 441	1 248 133
Chief Whip	528 753	33 380	-	-	75 193	637 326
Speaker	458 457	-	-	-	-	458 457
Section 79 committee chairperson	574 690	47 004	207 803	-	81 314	910 811
Mayoral Committee	3 373 410	237 863	975 760	51 840	375 057	5 013 930
Other Councillors	5 916 038	856 918	1 362 716	62 642	420 556	8 618 870
	11 640 312	**1 222 169**	**2 831 723**	**131 762**	**1 061 561**	**16 887 527**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

49. Related parties (continued)

2024

	Allowance	Cell phone allowance	Motor vehicle allowance	Medial aid benefits	Pension	Total
Executive Mayor	773 532	49 608	277 285	17 280	106 248	1 223 953
Chief Whip	535 306	45 691	190 473	-	74 533	846 003
Speaker	371 503	-	137 090	15 840	51 578	576 011
Section 79 committee chairperson	563 892	49 608	201 864	-	78 990	894 354
Mayoral Committee	3 472 942	276 420	947 873	51 840	364 145	5 113 220
Other Councillors	5 883 607	901 007	1 326 941	67 273	403 900	8 582 728
	11 600 782	**1 322 334**	**3 081 526**	**152 233**	**1 079 394**	**17 236 269**

Refer to Remuneration of councillors note 29.

50. Comparative figures

Certain comparative figures have been reclassified. The effects of the reclassification are disclosed in note 51.

51. 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

2023

	Note	As previously reported	Prior-year adjustment	Re-classification	Restated
Changes in net assets		4 012 121 939	98 302 520	-	4 110 424 459
Restatement of opening net assets					
Reversal of duplicated goods received notes					548 043
Derecognition of assets					(128 434)
Restating of agency fees					97 882 911
					98 302 520

2024

	Note	As previously reported	Prior-year adjustment	Re-classification	Restated
Receivables from exchange transactions	4	14 865 874	5 637 340	-	20 503 214
VAT receivable	6	34 602 369	(2 659 078)	-	31 943 291
Property, plant and equipment	10	4 227 196 897	43 744 310	-	4 270 941 207
Payables from exchange transactions	17	(346 108 761)	122 269 975	11 757 531	(212 081 255)
Employee benefit obligations	18	(160 011 177)	-	(11 757 531)	(171 768 708)
Current portion of employee benefit obligations	18	(54 311 655)	-	(28 446 053)	(82 757 708)
Non-current portion of employee benefit obligations	18	(117 457 053)	-	28 446 053	(89 011 000)
		3 598 776 494	**168 992 547**	**-**	**3 767 769 041**

51. Prior-year adjustments (continued)

Statement of financial performance

2024

	Note	As previously reported	Prior-year adjustment	Re-classification	Restated
Inventories consumed	37	(102 502 236)	31 711 426	-	(70 790 810)
Commission	36	(37 679 752)	32 381 362	-	(5 298 390)
General expenses	42	(112 221 551)	35 566	-	(112 185 985)
Depreciation and amortisation	30	(80 411 388)	(1 943 616)	-	(82 355 004)
Contracted services	38	(107 435 474)	8 501 695	-	(98 933 779)
Repairs and maintenance	44	(25 546 194)	3 498	-	(25 542 696)
Surplus for the year		**(465 796 595)**	**70 689 931**	**-**	**(395 106 664)**

Cash flow statement

2024

	Note	As previously reported	Prior-year adjustment	Re-classification	Restated
Cash flow from operating activities					
Sale of goods and services			4 719 455	32 381 362	37 100 817
Suppliers			(316 177 264)	(14 549 191)	(330 726 455)
			(311 457 809)	**17 832 171**	**(293 625 638)**
Cash flow from investing activities					
Purchase of property, plant and equipment			(538 410 976)	(17 832 172)	(556 243 148)

Disclosure

	Note	As previously reported	Prior-year adjustment	Re-classification	Restated
Financial assets	46	666 083 863	18 606 510	-	684 690 373
Commitments	47	219 835 963	242 847 897	-	462 683 860
		885 919 826	**261 454 407**	**-**	**1 147 374 233**

Prior-year adjustments

The following prior-year adjustments occurred:

Receivables from exchange transactions

Cash collected by local municipalities were restated with R 5 637 340 to reflect 100% of the collection due to the municipality and not 70% as in prior years. The corresponding impact was on commission expenses.

VAT receivable

VAT receivable was restated with R 2 659 078 due to the restatement of commission expense in 2024. The corresponding impact was on Payables from exchange transactions.

51. Prior-year adjustments (continued)

Property, plant and equipment

Property, plant and equipment was restated with R 43 744 310.
R 6 374 352 relates to a capital invoice of 2024. The corresponding impact was on Payables from exchange transactions.

R 39 274 333 relates to prepaid meters that were capitalised. The corresponding impact was from inventories consumed.

Payables from exchange transactions

Payables from exchange transactions were restated with R 122 269 975 to account for the following:

Agency Fees Payable was restated to reflect 30% of cash collected with no accrual on billing.	127 286 017
Duplicate good receive notes reversed.	1 525 806
Trade and Other Payable Exchange was restated to accrue for an invoice that was due in 2024.	(6 541 848)
	122 269 975

Inventories consumed

Inventories consumed was restated with R 31 711 426.

R 551 846 related to duplicate goods received notes that were reversed for operation and maintenance materials. The corresponding impact was on payables from exchange transactions.

R 31 159 580 related to prepaid meters that were capitalised. The corresponding impact was on property, plant and equipment.

Commission

Commission expense was restated with R 32 381 362 to account only for 30% of commission on cash collections. The corresponding impact was on Trade and other payables.

General expenses

General expense was restated with R 35 566 to reverse duplicate goods received notes. The corresponding impact was on Trade and other payables.

Depreciation and amortisation

Depreciation was restated with R 1 943 616 to account for additions in 2024. The corresponding impact was on property, plant and equipment.

Contracted services

Contracted services were restated with R 8 501 695.

R35 556 to reverse duplicate goods received notes. The corresponding impact was on Trade and other payables.

R 8 466 139 to capitalised the installation cost of the pre-paid meters.

Repairs and maintenance

Repairs and maintenance was restated with R 3 498 to reverse duplicate goods received notes. The corresponding impact was on Trade and other payables.

Commitments

51. Prior-year adjustments (continued)

Commitments for consultants appointment on rate basis were restated with to include consultants R (242 847 897) that were erroneously included in the 2023/24 financial year.

Financial assets

Financial assets were restated to include VAT Accruals of R 18 606 510.

Cashflow statement

Sale of goods and services

Sale of goods and services were restated with R 32 381 362 to consider not cashflow items relating to consumer debtors.

Payments to suppliers

Payments to suppliers were restated with R (14 549 191).

R 53 823 523 to consider the change in agency fees and commission expense and non-cashflow items relating to retention.

R 39 274 332 of inventory consumed was capitalised as property, plant and equipment.

Purchase of property, plant and equipment

Purchase of property, plant and equipment was restated with R (17 832 172).

R 21 442 160 to consider non cashflow items relating to retention that was capitalised in work-in-progress.

R 39 274 332 of inventory consumed was capitalised as property, plant and equipment.

Reclassifications

The following reclassifications adjustment occurred:

Employee benefit obligation

Employee benefit obligation was reclassified with R 5 799 211 for salary accruals and R 5 958 320 for 13th cheque accruals. The corresponding impact was on Trade and other payables with R 11 757 531.

Non-current portion of leave obligations of R 28 446 053 was re-classified as current leave obligation.

52. Risk management

Financial risk management

The municipality’s activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Figures in Rand	2025	2024

52. **Risk management (continued)**

Liquidity risk

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.

Cash flow forecasts are prepared monthly and being monitored.

At 30 June 2025

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Finance lease obligation	869 972	-	-
Operating lease liability	196 493	-	-
Payables from exchange transactions	203 728 577	-	-

At 30 June 2024

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Finance lease obligation	593 178	-	-
Operating lease liability	123 340	-	-
Payables from exchange transactions	212 081 255	-	-

Credit risk

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

Trade receivables comprise of water related consumers.

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

Financial instrument	2025	2024
Receivables from exchange transactions	33 505 669	20 503 214
Receivables from non-exchange transactions	4 779 372	3 597 678
Consumer debtors	51 776 841	61 249 739
Cash and cash equivalents	661 150 261	580 733 232
Prepayments	5 102 451	4 966 269

Market risk

Interest rate risk

The municipality's interest rate risk arises from short-term investments with major banks.

53. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of R 5 071 056 360 and that the municipality's total liabilities are exceed by its assets with R 5 071 056 360.

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.

54. Events after the reporting date

Management is not aware of any events arising after the balance sheet date that provide evidence of conditions that existed at the existed at the Statement of Financial Position date.

55. Fruitless and wasteful expenditure

	2025	2024
Opening balance as previously reported	773 410	4 784 573
Add: Fruitless and wasteful expenditure identified - current	255 023	63 654
Less: Amount written off - prior period	-	(4 074 817)
Closing balance	**1 028 433**	**773 410**

Fruitless and wasteful expenditure is presented inclusive of VAT.

Details of fruitless and wasteful expenditure

Description	Actions taken	2025	2024
Duplicate vehicle registration certificates requested.	In the process of being investigated by the Financial Misconduct Board	-	63 654
Overpayment of leave	In the process of being investigated by the Financial Misconduct Board	44 036	-
Duplicate flight payment for an employee	In the process of being investigated by the Financial Misconduct Board	7 266	-
Interest paid on Eskom invoices	In the process of being investigated by the Financial Misconduct Board	203 721	-
		255 023	**63 654**

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R - (2024: R 4 074 817) from the total fruitless and wasteful expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

Figures in Rand	2025	2024

56. Irregular expenditure

	2025	2024
Opening balance as previously reported	5 746 779	192 415 975
Add: Irregular expenditure - current	10 341 372	214 514 246
Less: Amount condoned - current	-	(208 957 784)
Less: Amount condoned - prior period	-	(192 225 658)
Closing balance	**16 088 151**	**5 746 779**

Details of irregular expenditure

Description	Action taken		
Non-compliance with Supply Chain Regulations MFMA (112)(ah)(ii)	Council resolved to write R -208 957 784 off. (SC 02/2024-2025/5.1)	-	214 514 246
Non-compliance with Reg. 12 (2) – More than three officials attended the same conference.	In the process of being investigated by the Financial Misconduct Board	6 999	-
Non-compliance to Municipal Supply Chain Management regulation 23	To be reported to the Financial Misconduct Board	10 334 373	-
		10 341 372	**214 514 246**

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R - (2024: R 401 183 442 from the total irregular expenditure amount.

57. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

	2025	2024
Current year subscription / fee	5 659 704	5 485 440
Amount paid - current year	(5 659 704)	(5 485 440)
	-	**-**

Contributions to organised local government

	2025	2024
Opening balance	4 398 616	3 955 698
Current year subscription / fee	(4 398 616)	(3 955 698)
Amount paid - current year	4 568 994	4 398 616
	4 568 994	**4 398 616**

2025
The amount of R 4 568 994 was paid in advance as a result of discounts given for early payment.

2024
The amount of R 4 398 616 was paid in advance as a result of discounts given for early payment.

Figures in Rand	2025	2024

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

PAYE and UIF

Current year subscription / fee	69 731 994	66 657 900
Amount paid - current year	(69 731 994)	(66 657 900)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	61 912 772	57 251 466
Amount paid - current year	(61 912 772)	(57 251 466)
	-	-

VAT Receivable

VAT Control	9 320 459	13 336 780
VAT Input Accrual [on Payables]	8 866 680	10 311 173
VAT Output Accrual [on Receivables]	11 788 207	8 295 337
	29 975 346	**31 943 290**

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.

Councillors' arrear consumer accounts

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

30 June 2025	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor Mollo MI	-	-	-

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor Mollo MI	1 332	-	1 332

Deviations from supply chain management regulations

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

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

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

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

Sole Provider		
Adapt IT (Pty) Ld (Caseware licence renewal)	140 958	131 736
Africa Travel Indaba	-	34 021
Consolidated African Technologies (License renewal)	108 682	-
Hamilton Hydraulic Service	-	45 483
LRMG:Orglus Software	-	13 089
National Fire Codes (Licensing and use of the national fire protection association fire codes of practice)	20 803	-
National Fire Protection Association	-	94 746
National Laboratory Association (Sanas accredited proficiency testing scheme)	23 515	22 678
SABS Commercial (SOC) Ltd (SANAS Accredited Proficiency testing scheme)	45 975	43 210
Sensory Solutions	-	15 730
South African National Standard (Licensing and use of the South African National Standards (SANS) code of practice)	39 168	38 944
The Rescue Tool Guys Pty Ltd	-	12 811
Zutari (Licensing and maintenance of disaster management software for a period of 36 months)	1 539 432	-
Impractical to follow normal SCM processes		
Arms for Africa (Purchase of firearms)	81 270	-
KPMG (Forensic investigation)	456 069	-
Pax College and Ratanang Special school (matric educational enrichment camps)	293 000	200 000
Phatlaphadima (Build Boys Camp)	10 000	-
Reed Venue Management (2024 World Travel Market)	78 548	73 385
Training for councillors and officials	-	1 579 591
	2 837 420	**2 305 424**

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

The following deviations were made on a rate basis:

- Radio, television broadcast, general building maintenance and print media.
- Training's for councillors and officials.
- Protea Electronic Pty (Ltd) (repair of a faulty portable gas analysers licence.
- PZ Holdings Pty Ltd (related party note 49)

Investments as at the end of the financial year

The entity had the following investments as at the end of the financial year.

Summary of all investments	2025	2024
FNB: Call account	297 403	297 326
ABSA	359 606 916	159 698 849
Nedbank	-	90 441 680
Standard bank	299 603 502	323 368 472
	659 507 821	**573 806 327**

58. Budget differences

Material differences between budget and actual amounts

The comparison of the Municipality's actual financial performance with that budgeted is set out in the statement of comparison of budget and actual amounts. The budget is approved on an accrual basis using a classification based on the nature of expenses. The approved budget covers the period from 01 July 2024 to 30 June 2025. The budget and accounting basis are the same.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters and adjustment budgets that were approved on 23 February 2024 and 26 March 2024.

Variances of 10% or more are explained below:

Statement of Financial Performance

Income	Variance	Reason for variance
Water and sanitation	(86)%	Conventional billing higher than what budgeted for.
Recoveries	100%	Bad debts recovered not budged for.
Other income	612%	Municipal health services received.
Interest received	31%	Interest on consumer debtors not budged for.
Public contributions and donations	100%	Donations not budgeted for.

58. Budget differences (continued)

Expenditure	Variance	Reason for variance
Employee related costs	(16)%	Vacancies not filled.
Remuneration of councillors	(14)%	Upper limits for 2025 not yet gazetted.
Depreciation and amortisation	6%	n/a
Impairment loss	(19)%	Asset impairment less than what budgeted for.
Finance costs	(49)%	Finance costs on finance lease over budged for.
Lease rentals on operating lease	(43)%	Leases ended.
Bad debts written off	100%	Bad debts written off not budgeted for.
Commission	(4)%	n/a
Inventories consumed	(24)%	Pre-paid meters were capitalised
Contracted Services	(21)%	Savings on contractor services.
Loss on disposal of assets	(11)%	Savings on the loss of disposal of assets.
General expenses	(18)%	Savings on general expenses.
Auditors remuneration	(11)%	Savings on auditors fees.
Repairs and maintenance	(38)%	Operational repairs and maintenance moved to capital items.
Actuarial gains/losses	(130)%	A loss was budgeted for and not a gain.
Inventories losses	(5)%	n/a

Figures in Rand	2025	2024

58. Budget differences (continued)

Statement of Financial Position

Assets	Variance	Reason for variance
Inventories	(35)%	Increase in water stock levels due to water loss reduction.
Receivables from exchange transactions	(14)%	Increase in collection of outstanding debtors.
Receivables from non-exchange transactions	7%	n/a.
VAT receivable	13%	Outstanding VAT receivable less than budged for.
Prepayments	9%	n/a
Consumer debtors	(18)%	Increase in impairment.
Cash and cash equivalents	48%	Savings from expenditure.
Property, plant and equipment	2%	n/a
Intangible assets	(17)%	Intangible assets procured less than budged for.
Heritage assets	(55)%	Impairment of asset.

Current Liabilities	Variance	Reason for variance
Finance lease obligation	100%	New finance lease entered into.
Operating lease liability	8%	Operating lease liability not budgeted for.
Payables from exchange transactions	(47)%	Agency fees restated for 30% cash collection.
VAT payable	(100)%	VAT payable accounted for under VAT receivable.
Employee benefit obligation	54%	Non-current leave obligation was classified as current.

Non-Current Liabilities	Variance	Reason for variance
Finance lease obligation	11%	New finance lease entered into.
Employee benefit obligation	(20)%	Non-current leave obligation was classified as current.

58. Budget differences (continued)

Cash flow statement

Operating activities	Variance	Reason for variance
Sale of goods and services	32%	VAT refunds part of budgeted cashflow's.
Interest income	14%	Available funds invested for longer periods
Employee costs	(61)%	Vacancies not filled.
Suppliers	(7)%	
Finance costs	100%	Finance lease expired.

Investing activities	Variance	Reason for variance
Purchase of property, plant and equipment	6%	n/a
Proceeds from sale of property, plant and equipment	100%	Proceeds not budgeted for.

59. Accounting by principals and agents

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

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

Capricorn District Municipality is the Principal in arrangements with its three local municipalities who sell water on behalf of the district. The local municipalities earn 30% commission on revenue collected. The following information is disclosed as per GRAP 109.

Entity as principal

Resources (including assets and liabilities) of the entity under the custodianship of the agent

There are no resources under the custodianship of the agents, nor have they been recognised as such. As at year-end the amount received on behalf of the municipality which is still in the custody of the local municipalities have been disclosed as receivables from non-exchange in the Statement of Financial Performance.

Commission expense

	2025	2024
Local municipalities		
Lepelle-Nkumpi local municipality	8 255 802	4 449 493
Blouberg local municipality	277 875	248 179
Molemole local municipality	206 932	204 363
	8 740 609	**4 902 035**
Pre-paid water agent		
Ontec	1 415 365	396 355

Pre-paid agent

The municipality is a party to a principal-agent arrangement with Ontec, wherein the municipality acts as the principal for the sale of pre-paid water.

59. Accounting by principals and agents (continued)

No resources held at Ontec is owned by the municipality. All resources that are utilised by Ontec in support of the function is owned by Ontec. Consequently, there will be no cost implication in the event of termination of the arrangement.

Cost implications for the entity if the principal-agent arrangement is terminated

The municipality will not incur any cost if the contractual arrangement is terminated in future.

60. Segment information

General information

Identification of segments

The municipality is organised and reports to Council on the basis of functional areas.

The segments were organised around the type of service delivered. Management uses these same segments for determining strategic objectives.

The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Types of goods and/or services by segment

These reportable segments are set out below:

Reportable segment	Goods and/or services
Executive and Council	General goods and/or services
Finance and Administration	General goods and/or services
Community services	Community protection
Planning and development	Strategic planning
Infrastructure	Construction services

60. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Executive and Council	Finance and Administration	Community services	Planning and development	Infrastructure	Total
Revenue						
Revenue from non-exchange transactions	78 168 000	323 177 430	105 185 854	37 507 000	716 694 700	1 260 732 984
Revenue from exchange transactions	-	88 654 518	-	-	-	88 654 518
Interest received from investments	-	72 254 880	-	-	-	72 254 880
Interest charged on trade and other receivables	-	52 607 422	-	-	-	52 607 422
Fair value adjustments	-	5 793 552	-	-	-	5 793 552
Total segment revenue	**78 168 000**	**542 487 802**	**105 185 854**	**37 507 000**	**716 694 700**	**1 480 043 356**
Expenditure						
Segment expenses	58 158 220	328 597 819	88 360 484	34 647 970	259 148 784	768 913 277
Depreciation and amortisation	-	15 444 848	-	-	77 944 993	93 389 841
Loss on disposal of assets	-	132 740	-	-	10 281 319	10 414 059
Impairment losses	-	96 031 092	-	-	14 820 368	110 851 460
Interest expense	-	239 703	-	-	-	239 703
Water loss	-	22 539	-	-	27 324 538	27 347 077
Total segment expenditure	**58 158 220**	**440 468 741**	**88 360 484**	**34 647 970**	**389 520 002**	**1 011 155 417**
Total segmental surplus	**20 009 780**	**102 019 061**	**16 825 370**	**2 859 030**	**327 174 698**	**468 887 939**
Assets						
Segment assets	-	916 598 365	-	-	4 545 583 490	5 462 181 855
Total assets as per Statement of financial Position						**5 462 181 855**
Liabilities						
Segment liabilities	-	391 125 495	-	-	-	391 125 495
Total liabilities as per Statement of financial Position						**391 125 495**

Notes to the Annual Financial Statements

Figures in Rand

60. Segment information (continued)

2024

	Executive and Council	Finance and Administration	Community services	Planning and development	Infrastructure	Total
Revenue						
Revenue from non-exchange transactions	62 592 000	333 015 073	99 075 291	34 022 000	712 266 000	1 240 970 364
Revenue from exchange transactions	-	80 106 752	-	-	-	80 106 752
Interest received from investments	-	63 637 465	-	-	-	63 637 465
Interest charged on trade and other receivables	-	48 897 198	-	-	-	48 897 198
Fair value adjustments	-	5 421 206	-	-	-	5 421 206
Total segment revenue	**62 592 000**	**531 077 694**	**99 075 291**	**34 022 000**	**712 266 000**	**1 439 032 985**
Expenditure						
Segment expenses	58 441 772	295 125 205	83 692 958	32 557 744	238 956 036	708 773 715
Depreciation and amortisation	-	15 359 309	-	-	66 995 695	82 355 004
Loss on disposal of assets	-	416 768	-	-	9 240 717	9 657 485
Impairment losses	-	102 793 250	-	-	17 000 362	119 793 612
Interest expense	-	58 657	-	-	-	58 657
Water loss	-	-	-	-	26 650 640	26 650 640
Total segment expenditure	**58 441 772**	**413 753 189**	**83 692 958**	**32 557 744**	**358 843 450**	**947 289 113**
Total segmental surplus	**4 150 228**	**117 324 505**	**15 382 333**	**1 464 256**	**353 422 550**	**491 743 872**
Assets						
Segment assets	-	911 158 763	403 580	-	4 076 457 704	4 988 020 047
Total assets as per Statement of financial Position						**4 988 020 047**
Liabilities						
Segment liabilities	-	385 851 622	-	-	-	385 851 622
Total liabilities as per Statement of financial Position						**385 851 622**

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

Measurement of segment surplus or deficit, assets and liabilities

Figures in Rand	2025	2024

60. Segment information (continued)

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

The municipality’s operations are in the Limpopo Province.