Dr. Beyers Naudé

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# ANNUAL FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 30 JUNE 2025

# AUDITED

## INDEX

The reports and statements set out below comprise the annual financial statements presented to the council:



| | |
|---|---|
| **ASB** | Accounting Standards Board |
| **MPAC** | Municipal Public Accounts Committee |
| **PAYE** | Pay As You Earn |
| **SALGA** | South African Local Government Association |
| **GRAP** | Generally Recognised Accounting Practice |
| **SARS** | South African Revenue Services |
| **SDL** | Skills Development Levy |
| **IAS** | International Accounting Standards |
| **UIF** | Unemployment Insurance Fund |
| **VAT** | Value Added Tax |
| **MFMA** | Municipal Finance Management Act |
| **MIG** | Municipal Infrastructure Grant (Previously CMIP) |
| **mSCOA** | Municipal Standard Chart of Accounts |

# Dr Beyers Naude Local Municipality
(Registration number: EC101)
Annual Financial Statements for the year ended 30 June 2025

## GENERAL INFORMATION

| | | |
|---|---|---|
| **Legal form of entity** | The entity functions as a Local Municipality established under par 151 of the Constitution of the Republic of South Africa 1996, as amended. | |
| **Nature of business and activities** | The provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment. | |
| **Mayoral committee** | | |
| Mayor | Cllr W.J Safers | |
| Speaker | Cllr C.W Felix | |
| Executive Committee | Cllr W.J Safers | Cllr K.E Kekana |
| | Cllr E.A Ruiters | Cllr E.L Loock |
| Councillors | Cllr A Arries | Cllr D.J Bezuidenhout |
| | Cllr I.J Bolligelo | Cllr H Booysen |
| | Cllr I.J Van Zyl | Cllr M Deysel |
| | Cllr Y.D Frazenburg | Cllr X.M Galada |
| | Cllr K Hendricks | Cllr N.A.V Jacobs |
| | Cllr J.D Lomberg | Cllr A Mfundisi-Koeberg |
| | Cllr A.S Nofemele | Cllr T.L.A Plaatjies |
| | Cllr T.R Spogter | Cllr R.L Smith |
| | Cllr A.R Van Heerden | Cllr J.J Arries * |
| | Cllr J.J Williams | |

* Partial year

| | |
|---|---|
| **Grading of local authority** | Grade Three (3) |
| **Accounting Officer** | Dr. E.M Rankwana |
| **Chief Financial Officer** | Mr J. Joubert |
| **Registered office** | P.O. Box 71<br>Graaff Reinet<br>6280 |
| **Business address** | 12 - 14 Caledon Street<br>Graaff Reinet<br>6280 |
| **Auditors** | Auditor General of South Africa (AGSA) - East London<br>69 Frere Road<br>Vincent<br>East London |
| **Primary banker** | Standard Bank |

## 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.

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

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

I have reviewed the municipality’s cash flow forecast for the year to 30 June 2025 and, in the light this review and the current financial position, I am satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The councillors are remunerated within the upper limits of the framework envisaged in Section 219 of the Constitution, as required by the MFMA, section 124(1)(a).

The annual financial statements set out on pages 5 to 86, which have been prepared on the going concern basis, were approved by the accounting officer on 31 AUGUST 2025 and were signed by me:

Dr E.M RANKWANA
ACCOUNTING OFFICER
31 AUGUST 2025

# DR BEYERS NAUDE MUNICIPALITY
(Registration number: EC101)
Annual Financial Statements for the year ended 30 June 2025

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2025

| Figures in Rand | Notes | 2025 | 2024 Restated* |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| VAT Accrual Receivable | **3** | 100 192 303 | 76 300 396 |
| Inventories | **4** | 9 808 262 | 8 603 235 |
| Other Receivables | **5** | 1 563 394 | 4 586 215 |
| Statutory Receivables from Non-Exchange Transactions | **6** | 11 388 857 | 6 165 164 |
| Receivables from Exchange Transactions | **7** | 22 541 297 | 29 961 795 |
| Cash and Cash Equivalents | **8** | 27 808 885 | 9 366 017 |
| | | **173 302 998** | **134 982 821** |
| **Non-Current Assets** | | | |
| Investment Property | **9** | 26 777 924 | 26 649 290 |
| Property, Plant and Equipment | **10** | 1 041 269 981 | 1 072 126 725 |
| Intangible Assets | **11** | 5 | 5 |
| Heritage Assets | **12** | 11 097 670 | 11 097 670 |
| | | **1 079 145 579** | **1 109 873 689** |
| **Total Assets** | | **1 252 448 578** | **1 244 856 511** |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| VAT Accrual Payable | **3** | 1 168 693 | 1 971 677 |
| Other financial liabilities | **13** | - | 1 049 339 |
| Payables from Exchange Transactions | **14** | 521 257 128 | 348 005 030 |
| Payables from Non-exchange Transactions | **15** | 2 783 931 | 4 325 470 |
| Municipal Debt Relief financial liabilities | **16** | 398 279 010 | 126 316 271 |
| Consumer Deposits | **17** | 4 298 665 | 3 939 947 |
| Unspent Conditional Grants and Receipts | **18** | 15 875 706 | 6 410 000 |
| Employee benefit obligation | **20** | 4 118 059 | 3 444 075 |
| | | **947 781 192** | **495 461 809** |
| **Non-Current Liabilities** | | | |
| Municipal Debt Relief financial liabilities | **16** | - | 214 870 699 |
| Provisions | **19** | 40 003 900 | 34 213 650 |
| Employee benefit obligation | **20** | 58 362 129 | 52 238 786 |
| | | **98 366 029** | **301 323 135** |
| **Total Liabilities** | | **1 046 147 221** | **796 784 944** |
| **Net Assets** | | **206 301 357** | **448 071 567** |
| **Accumulated Surplus** | | **206 301 357** | **448 071 567** |

# DR BEYERS NAUDE MUNICIPALITY

(Registration number: EC101)
Annual Financial Statements for the year ended 30 June 2025

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2025

| Figures in Rand | Notes | 2025 | 2024 Restated* |
|---|---|---|---|
| **REVENUE** | | | |
| **Revenue from Exchange Transactions** | | | |
| Service charges | **21** | 302 237 738 | 280 976 202 |
| Agency services | **22** | 2 137 352 | 2 027 534 |
| Interest earned | **23** | 24 896 793 | 17 818 078 |
| Interest earned - Investments | **23** | 1 116 830 | 1 102 203 |
| Rental of facilities and equipment | **24** | 758 100 | 969 552 |
| Other revenue | **25** | 7 451 384 | 4 332 812 |
| Licences and permits | **26** | 883 602 | 743 429 |
| Gains on disposal of assets | **40** | - | 2 001 227 |
| | | **339 481 798** | **309 971 037** |
| **Revenue from Non-exchange Transactions** | | | |
| **Taxation revenue** | | | |
| Property Rates | **27** | 55 272 750 | 45 517 792 |
| **Transfer revenue** | | | |
| Fines, penalties and forfeits | **28** | 21 609 643 | 1 303 700 |
| Government grants and subsidies | **29** | 195 111 587 | 196 885 959 |
| Public contributions and donations | **30** | 2 043 771 | 148 423 773 |
| | | **274 037 750** | **392 131 225** |
| **Total Revenue** | | **613 519 548** | **702 102 262** |
| **EXPENDITURE** | | | |
| Employee related costs | **31** | (204 333 133) | (185 389 630) |
| Remuneration of councillors | **32** | (10 094 816) | (9 949 338) |
| Debt impairment | **33** | (132 976 544) | (101 266 668) |
| Depreciation and amortisation | **34** | (54 373 919) | (58 042 536) |
| Impairment loss | **35** | (2 432 038) | (241 985) |
| Finance cost | **36** | (104 355 432) | (83 100 828) |
| Bulk purchases | **37** | (156 478 171) | (134 568 958) |
| Operational Cost | **38** | (76 858 028) | (68 249 926) |
| Contracted Services | **39** | (91 411 853) | (71 612 910) |
| Operating Leases | **41** | (13 916 884) | (13 813 038) |
| Loss on disposal of assets | **40** | (8 673 244) | - |
| **Total Expenditure** | | **(855 904 062)** | **(726 235 817)** |
| **Deficit before actuarial gains** | | **(242 384 514)** | **(24 133 556)** |
| Actuarial (losses)/gains | **42** | 614 304 | (2 111 755) |
| **DEFICIT FOR THE YEAR** | | **(241 770 210)** | **(26 245 311)** |

# DR BEYERS NAUDE MUNICIPALITY

(Registration number: EC101)
Annual Financial Statements for the year ended 30 June 2025

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2025

| Figures in Rand | **Accumulated Surplus** | **Total of Net Assets** |
|---|---|---|
| **Opening balance as previously reported** | 452 004 005 | 452 004 005 |
| Adjustments for correction of errors | | |
| Property, Plant and Equipment | (876 484) | (876 484) |
| VAT Payables Accrual | 23 161 190 | 23 161 190 |
| Payables from Exchange Transactions | 28 166 | 28 166 |
| **Balance at 01 July 2023 as restated*** | **474 316 877** | **474 316 877** |
| Changes in net assets | | |
| Deficit for the year | (26 245 311) | (26 245 311) |
| **Balance at 01 July 2024 as restated*** | **448 071 567** | **448 071 567** |
| Changes in net assets | | |
| Deficit for the year | (241 770 210) | (241 770 210) |
| **Balance at 30 June 2025** | **206 301 357** | **206 301 357** |

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2025

| Figures in Rand | Note | 2025 | 2024 Restated* |
| --- | --- | --- | --- |
| **Cash flow from operating activities** | | | |
| **Receipts** | | | |
| Rates and services | | 259 427 057 | 221 120 901 |
| Government grants and subsidies | | 204 577 293 | 203 295 959 |
| Interest received | | 26 013 623 | 18 920 281 |
| | | **490 017 973** | **443 337 141** |
| **Payments** | | | |
| Employee cost | | (237 700 798) | (192 987 237) |
| Suppliers | | (156 068 182) | (153 266 014) |
| Interest paid | | (40 831 599) | (53 492 235) |
| | | **(434 600 579)** | **(399 745 486)** |
| **Net cash flow from operating activities** | **43** | **55 417 394** | **43 591 655** |
| **Cash flow from investing activities** | | | |
| Purchase of property, plant and equipment | **10** | (38 261 956) | (50 714 569) |
| Proceeds from sale of property, plant and equipment | | 2 358 991 | 17 141 717 |
| **Net cash flow from investing activities** | | **(35 902 965)** | **(33 572 852)** |
| **Cash flow from financing activities** | | | |
| Payment of other financial liabilities | | (1 071 561) | (12 858 720) |
| **Net cash flow from financing activities** | | **(1 071 561)** | **(12 858 720)** |
| **Net increase/(decrease) in cash and cash equivalents** | | **18 442 868** | **(2 839 917)** |
| Cash and cash equivalents at the beginning of the year | | 9 366 017 | 12 205 934 |
| **Cash and cash equivalents at the end of the year** | **8** | **27 808 885** | **9 366 017** |

# DR BEYERS NAUDE MUNICIPALITY
(Registration number: EC101)
Annual Financial Statements for the year ended 30 June 2025

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2025**

**Budget on cash basis**

| Figures in rand | Approved budget | Adjustments | Final budget | Actual amounts on comparable basis | Variance between final and approved | % | Ref |
|---|---|---|---|---|---|---|---|
| **Statement of financial performance** | | | | | | | |
| **Revenue from Exchange Transactions** | | | | | | | |
| Service charges | 310 904 546 | 99 | 310 904 645 | 302 237 738 | 8 666 907 | 3% | **N1** |
| Agency services | 5 382 017 | - | 5 382 017 | 2 137 352 | 3 244 665 | 60% | **N2** |
| Interest earned | 20 050 401 | 3 | 20 050 404 | 24 896 793 | (4 846 389) | -24% | **N3** |
| Interest earned - Investments | 1 196 173 | 0 | 1 196 173 | 1 116 830 | 79 343 | 7% | **N4** |
| Rental of facilities & equipment | 2 126 639 | 1 | 2 126 640 | 758 100 | 1 368 540 | 64% | **N5** |
| Other revenue | 3 404 226 | 16 395 | 3 420 621 | 7 451 384 | (4 030 763) | -118% | **N6** |
| Licences and permits | 1 422 814 | - | 1 422 814 | 883 602 | 539 212 | 38% | **N7** |
| | **344 486 816** | **16 498** | **344 503 314** | **339 481 798** | **5 021 516** | | |
| **Revenue from Non-exchange Transactions** | | | | | | | |
| **Taxation revenue** | | | | | | | |
| Property Rates | 51 760 613 | 37 | 51 760 650 | 55 272 750 | (3 512 100) | -7% | **N9** |
| **Transfer revenue** | | | | | | | |
| Fines, penalties and forfeits | 90 015 | 3 121 540 | 3 211 555 | 21 609 643 | (18 398 088) | -573% | **N10** |
| Government grants and subsidie | 215 846 121 | 8 870 704 | 224 716 825 | 195 111 587 | 29 605 238 | 13% | **N11** |
| Public contributions and donatio | 2 238 225 | - | 2 238 225 | 2 043 771 | 194 454 | 9% | **N12** |
| | **269 934 974** | **11 992 281** | **281 927 255** | **274 037 750** | **7 889 505** | | |
| **Total Revenue** | 614 421 790 | 12 008 779 | 626 430 569 | 613 519 548 | 12 911 021 | | |
| **EXPENDITURE** | | | | | | | |
| Employee related costs | 193 812 347 | 850 030 | 194 662 377 | 204 333 133 | (9 670 756) | -5% | **N13** |
| Remuneration of councillors | 10 255 299 | 3 | 10 255 302 | 10 094 816 | 160 486 | 2% | **N14** |
| Debt impairment | 13 797 748 | 6 591 877 | 20 389 625 | 132 976 544 | (112 586 919) | -552% | **N15** |
| Depreciation and amortisation | 64 573 373 | - | 64 573 373 | 54 373 919 | 10 199 454 | 16% | **N16** |
| Impairment losses | - | - | - | 2 432 038 | (2 432 038) | 0% | **N17** |
| Finance cost | - | 30 571 586 | 30 571 586 | 104 355 432 | (73 783 846) | -241% | **N18** |
| Bulk purchases | 120 106 560 | 22 563 951 | 142 670 511 | 156 478 171 | (13 807 660) | -10% | **N19** |
| Contracted Services | 38 034 779 | 53 228 393 | 91 263 172 | 91 411 853 | (148 681) | 0% | **N20** |
| Operational Cost | 92 669 213 | 808 434 | 93 477 647 | 76 858 028 | 16 619 619 | 18% | **N21** |
| Operating Leases | 12 241 817 | 1 | 12 241 818 | 13 916 884 | (1 675 066) | -14% | **N22** |
| Gains/(Loss) on disposal of asse | (5 271 495) | - | (5 271 495) | 8 673 244 | (13 944 739) | 265% | **N8** |
| **Total Expenditure** | **540 219 641** | **114 614 275** | **654 833 916** | **855 904 062** | **(201 070 146)** | | |
| **Operating deficit** | 74 202 149 | (102 605 496) | (28 403 347) | (242 384 514) | 213 981 167 | | |

## DR BEYERS NAUDE MUNICIPALITY

(Registration number: EC101)
Annual Financial Statements for the year ended 30 June 2025

### STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2025

**Budget on cash basis**

| Figures in rand | Approved budget | Adjustments | Final budget | Actual amounts on comparable basis | Variance between final and approved | % | |
|---|---|---|---|---|---|---|---|
| **Statement of financial position** | | | | | | | |
| **Current Assets** | | | | | | | |
| VAT Accrual Receivable | 64 338 401 | 15 600 575 | 79 938 976 | 100 192 303 | (20 253 327) | -25% | **N23** |
| Inventories | 23 996 178 | (14 141 580) | 9 854 598 | 9 808 262 | 46 336 | 0% | |
| Other Receivables | (1 309 196) | 1 983 010 | 673 814 | 1 563 394 | (889 580) | -132% | **N24** |
| Statutory Receivables from Non- | 52 962 629 | (13 201 873) | 39 760 756 | 11 388 857 | 28 371 899 | 71% | **N25** |
| Receivables from Exchange Tra | 57 790 322 | (43 317 141) | 14 473 181 | 22 541 297 | (8 068 116) | -56% | **N26** |
| Cash and Cash Equivalents | 66 062 885 | (103 628 386) | (37 565 501) | 27 808 885 | (65 374 386) | 174% | **N27** |
| | **263 841 219** | **(156 705 395)** | **107 135 824** | **173 302 998** | **(66 167 174)** | | |
| **Non Current Assets** | | | | | | | |
| Investment Property | 25 230 214 | 811 187 | 26 041 401 | 26 777 924 | (736 523) | -3% | |
| Property, Plant and Equipment | 1 084 895 523 | (7 462 386) | 1 077 433 137 | 1 041 269 981 | 36 163 156 | 3% | |
| Intangible Assets | 450 601 | - | 450 601 | 5 | 450 596 | 100% | **N28** |
| Heritage Assets | 11 097 671 | - | 11 097 671 | 11 097 670 | 1 | 0% | |
| | **1 121 674 009** | **(6 651 199)** | **1 115 022 810** | **1 079 145 579** | **35 877 231** | | |
| **TOTAL ASSETS** | **1 385 515 228** | **(163 356 594)** | **1 222 158 634** | **1 252 448 578** | **(30 289 944)** | | |
| **Current Liabilities** | | | | | | | |
| VAT Accrual Payable | 34 218 916 | 9 850 836 | 44 069 752 | 1 168 693 | 42 901 059 | 97% | **N29** |
| Payables from Exchange Transa | 638 714 269 | (168 680 282) | 470 033 987 | 521 257 128 | (51 223 141) | -11% | **N30** |
| Payables from Non-exchange Tr | 13 268 825 | 6 410 001 | 19 678 826 | 2 783 931 | 16 894 895 | 86% | **N31** |
| Long term Trade Payables | - | - | - | 398 279 010 | (398 279 010) | 100% | **N36** |
| Consumer Deposits | 3 934 819 | (1 183 149) | 2 751 670 | 4 298 665 | (1 546 995) | -56% | **N32** |
| Unspent Conditional Grants | - | - | - | 15 875 706 | (15 875 706) | 100% | **N33** |
| Employee benefit obligation | 13 225 218 | (1 766 329) | 11 458 889 | 4 118 059 | 7 340 830 | 64% | **N37** |
| **Total Current Liabilities** | **703 362 047** | **(155 368 923)** | **547 993 124** | **947 781 192** | **(399 788 068)** | | |
| **Non Current Liabilities** | | | | | | | |
| Borrowings | 7 754 648 | (6 705 308) | 1 049 340 | - | 1 049 340 | 100% | **N35** |
| Long term Trade Payables | - | 214 870 699 | 214 870 699 | - | 214 870 699 | 100% | **N36** |
| Provisions | 41 406 793 | 7 431 956 | 48 838 749 | 40 003 900 | 8 834 849 | 18% | **N34** |
| Employee benefit obligation | 28 252 644 | 7 951 228 | 36 203 872 | 58 362 129 | (22 158 257) | -61% | **N37** |
| **Total Non Current Liabilities** | **77 414 085** | **223 548 575** | **300 962 660** | **98 366 029** | **202 596 631** | | |
| **TOTAL LIABILITIES** | **780 776 132** | **68 179 652** | **848 955 784** | **1 046 147 221** | **(197 191 437)** | | |
| **NET ASSETS** | 604 739 096 | (231 536 246) | 373 202 850 | 206 301 357 | 166 901 493 | | |

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2025**

**Financial Performance**

| | |
|---|---|
| **N1** | Actual is in line with budget and variance lower than 10% |
| **N2** | Many other agencies are being utilized for renewal of licences resulting in lower agency fees |
| **N3** | Significant growth in receivables due low collection rate, resulting in higher than anticipated interest revenue |
| **N4** | Actual is in line with budget and variance lower than 10% |
| **N5** | Certain community halls not operational and resulting in lower revenue than anticipated |
| **N6** | Unallocated deposits not yet claimed or allocated increasing revenue for the year |
| **N7** | Closure of DLTC for upgrades and Introduction of computerised learners licence tests which resulted in applicants using alternative testing centres |
| **N8** | PPE items being replaced with the new projects for current year. Verification identification of scrappings. Vandalism and theft volatile to budget forecasts |
| **N9** | New valuation roll implemented resulting in higher than anticipated revenue |
| **N10** | New speed camera system setup during the year not budgeted for |
| **N11** | Unspent allocations contributing to higher under performed grants income. Some grants are claimed back based on spending |
| **N12** | Lower write-off of debt by the Auditor General |
| **N13** | Growth applicable to notch increments higher than anticipated and implementation of job evaluation outcomes |
| **N14** | Actual is in line with budget and variance lower than 10%. Remuneration is in line with the upper limits regulation |
| **N15** | Signficant increase of debtors during the financial year due to free basic services (IGG) review process. Fines accrual significant due to speed cameras |
| **N16** | Higher than anticipated increases in impairment and disposal of PPE |
| **N17** | Very difficult to budget for impairment on assets |
| **N18** | Estimated interest severely affected by non payment of creditors within legislated 30 days period due to severe cashflow constraints |
| **N19** | Anticipated SSEG program growing slower than expected |
| **N20** | Actual is in line with budget and variance lower than 10%. |
| **N21** | Reallocation of expenditure to other financial statement line items |
| **N22** | Additional expenditure due to increased leased items |

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2025**

**Financial Position**

| | |
|---|---|
| **N23** | Non payment of Eskom which resulted in higher than anticipated VAT receivables |
| **N24** | Reduction in other receivables less than anticipated |
| **N25** | High debt impairment for property rates |
| **N26** | Growth in receivables from exchange much higher than anticipated. Poor payment of eskom areas |
| **N27** | Unspent grants funds held for roll over |
| **N28** | Higher budgeted balance than anticipated |
| **N29** | VAT accrual was restated in current year for provision for doubtful debts. Budget was approved prior to the restatement |
| **N30** | Higher budgeted balance than anticipated. Eskom payment conditions not met resulting in additional interest |
| **N31** | Unallocated deposits balance was reduced significantly due to investigations and follow ups |
| **N32** | Improved forecasting required for consumer deposits |
| **N33** | Unspent grants were not anticipated at budget time |
| **N34** | Slower growth in the liability to rehabilitate the landfill sites |
| **N35** | Settlement of the security deposit with no new deposit raised |
| **N36** | Municipal debt relief liability now reflected back at the original amount since the conditions for write-off was not met |
| **N37** | Employee benefit obligation are expert calculation which are difficult to forecast. |

## 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

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 (No. 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.

The accounting policies applied are consistent with those used to present the previous year’s financial statements, unless explicitly stated otherwise.The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

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

### 1.1 Presentation currency

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

### 1.2 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.

### 1.3 Budget information

Budget information is in accordance with GRAP 1 and 24, has been provided in the Statement of comparison of budget and actual amounts.

### 1.4 Comparative figures

When the presentation or classification of items in the financial statements is amended, prior year comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior years.

The nature and reasons for the reclassifications and restatements are disclosed in note 43 to the financial statements.

### 1.5 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

### 1.6 Significant judgements and sources of estimation uncertainty

The use of judgement, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements, estimates and assumptions affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require material adjustment to the carrying amount of the relevant asset or liability in future period.

#### Judgements

In the process of applying these accounting policies, management has made the following judgement that may have a significant effect on the amounts recognised in the annual financial statements.

#### Estimates

Estimates are informed by historical experience, information currently available to management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates that are not due to errors are processed in the period of the review and applied prospectively.

In the process of applying the entity's accounting policies, the following estimates were made:

#### Receivables

The municipality assesses its receivables from 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 based on the grading of category of debtors according to their payment history. An accumulation of arrear balances is an indicator of debtor delinquency. Such debtors are provided for as they are considered to be impaired due to uncertainty surrounding the recoverability of the outstanding amounts.

#### Provisions

Provisions are measured as the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amount that will be required in future to settle the provision, management considers the weighted average probability of the potential outcomes of the provisions raised. This measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes. Management then assigns a weighting factor to each of these outcomes based on the probability that the outcome will materialise in future. The factor is then applied to each of the potential outcomes and the factored outcomes are then added together to arrive at the weighted average value of the provisions. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

### 1.6 Significant judgements and sources of estimation uncertainty (continued)

#### Pension and other post-retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate, future salary increase, mortality rates and future medical increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

#### Effective interest rate

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

#### Allowance for doubtful debts

The measurement of receivables is derived after consideration of the allowance for doubtul debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles, so that the effect of any impairment on a group of receivables would not differ materially from the impairment, that would have been determined had each debtor been assessed for impairment on an individual basis. The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance the estimates are made about probability of recovery of the debtors based on their past payment history and risk profile.

#### Provision for rehabilitation of refuse landfill sites

The municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the size/ extent of the land to be rehabilitated, the rehabiliation cost per square meter, the monitoring cost per square meter, and the rehabilitation period. Current costs are projected using the average rate of inflation over the remaining period until rehabilitation, and the discounted to their present value using an appropriate discount rate, representing the time value of money.

#### Depreciation and amortisation

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's current condition, expected condition at the end of the period of use, its current use, expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating the useful life and residual value, management considers the impact of technology and minimum service requirements of the assets.

#### Inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir.

The value of water inventory is calculated by considering the quantity of water in the pipes and is estimated based on the dimensions/ measurements of the pipes and the average cost per kilolitre.

### 1.7 Investment property

**Initial recognition**

Investment property is property held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

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

**Subsequent Measurement - Cost Model**

Subsequent to the initial recognition, investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

**Depreciation**

Depreciation recognised on investment property is determined with reference to the useful lives and residual values of the underlying items. Depreciation is provided to write down cost, less estimated residual value by equal instalments over the useful life of the property.

The useful lives of items of investment property have been assessed as follows:

| Item | Depreciation method | Average useful life |
|---|---|---|
| Items useful life: | | |
| Land | None | Indefinite |
| Buildings | Straight line | 30 - 100 years |

Land is not depreciated as it is considered to have an indefinite useful life.

### 1.7 Investment property (continued)

#### Impairments

The entity tests for impairment where there is an indication that the 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 investment property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

#### Derecognition

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or services potential are expected from its disposal gains or losses arising from the retirement or disposal of investment property is the difference between net disposal proceeds and the carrying amount of the asset and is recognised in the statement of financial performance in the period of retirement or disposal.

### 1.8 Property, plant and equipment

#### 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 period.

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

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

Property, plant and equipment is initially measured at cost.

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

Where an asset is acquired through a non-exchange transaction, it's 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.

**1.8 Property, plant and equipment (continued)**

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.

Major spare parts and stand-by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand-by equipment which can only be used in connection with an items of property, plant and equipment are accounted for as property, plant and equipment.

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

**Subsequent measurement - Cost model**

Subsequent to initial recognition, property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land, which is not depreciated as it is deemed to have an indefinite useful life. Where the municipality replaces part of an asset, it derecognises that part of the asset being replaced and capitalises the new component.

**Depreciation**

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. Components that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciable amount is determined after taking into account an asset's residual value.

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

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

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

| Item | Depreciation method | Average useful life |
|---|---|---|
| Land | None | Indefinite |
| Buildings | Straight line | 30 - 100 years |
| Infrastructure | | |
| Roads, sidewalks, stormwater | Straight line | 25 - 100 years |
| Water supply and reticulation | Straight line | 20 - 100 years |
| Electricity | Straight line | 10 - 80 years |
| Sewerage mains and purification | Straight line | 10 - 80 years |
| Landfill sites | Straight line | 10 - 60 years |
| Community | | |
| Recreational facilities | Straight line | 20 - 50 years |
| Museums and art galleries | Straight line | 20 - 50 years |
| Security measures | Straight line | 5 -15 years |
| Cemetries | Straight line | 25 - 30 years |
| Community halls | Straight line | 30 - 100 years |
| Transport assets | | |
| Specialised vehicles | Straight line | 10 - 30 years |
| Other vehicles | Straight line | 7 - 20 years |
| Other property, plant and equipment | | |
| Office equipment | Straight line | 3 - 15 years |
| Furniture and fittings | Straight line | 7 - 20 years |
| Bins and Containers | Straight line | 5 - 15 years |
| Specialized plant and equiment | Straight line | 10 - 15 years |
| Other plant and equiment | Straight line | 2 - 5 years |
| Airports | Straight line | 15 years |
| Computer equipments | Straight line | 3 - 7 years |

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

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

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

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

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

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.

#### Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed 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 item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

#### Library books

Library books are held to provide a service to the community. The books are fully depreciated in the year of acquisition due its individual and aggregate immaterial value. Library books are expected to be used over more than one reporting period and are therefore classified as property, plant and equipment. A register of the library books is maintained by the municipality. Using the principles in GRAP 1 and GRAP 3, the number of books on hand at year-end are disclosed as narrative in the note on property, plant and equipment.

### 1.9 Intangible assets

#### Initial recognition

An Intangible asset is an identifiable non-monetary asset without physical existence. An intangible asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

### 1.9 Intangible assets (continued)

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

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

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

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

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

### Subsequent measurement - Cost model

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

### Amortization

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 still subject to an annual impairment test.

Amortisation of an intangible asset with a finite life asset begins when it is available for use,i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Amortisation ceases at the date that the asset is derecognised.

Amortisation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the intangible assets. The amortisation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset. The residual value of an intangible asset with a finite useful life is considered to be zero.

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

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

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

### 1.9 Intangible assets (continued)

Internally generated goodwill is not recognised as an intangible asset.

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

| Item | Depreciation method | Average useful life |
|---|---|---|
| Computer software, other | Straight line | 3 - 5 years |

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (Note 11).

#### Derecognition

Intangible assets are derecognised when the asset is disposed 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.

### 1.10 Financial instruments

#### Initial recognition

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.

Financial instruments (financial assets and financial liabilities) are recognised on the Municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

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

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

Credit risk is the risk that one party to a financial instrument will cause a financial loss for 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.

**1.10 Financial instruments (continued)**

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

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

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

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

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

### 1.10 Financial instruments (continued)

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

### 1.11 Inventories

#### Initial recognition

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably.

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.

#### Subsequent measurement

Subsequently inventories are measured at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and net realisable value.

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

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

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

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs. The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

### 1.12 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

### 1.12 Employee benefits (continued)

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

**Defined contribution plans**

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

**Defined Benefit plans**

Post Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

### 1.13 Provisions and contingencies

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

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

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

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

### 1.13 Provisions and contingencies (continued)

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

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

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

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

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

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

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 54.

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.

### 1.13 Provisions and contingencies (continued)

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

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

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

### 1.14 Revenue from exchange transactions

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

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

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

#### Measurement

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

### 1.14 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.

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

### 1.15 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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.

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.

### 1.15 Revenue from non-exchange transactions (continued)

**Measurement**

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

**Rates, including collection charges and penalties interest**

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

**Traffic Fines**

Revenue from the issuing of fines 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.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

**Government grants**

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

### 1.15 Revenue from non-exchange transactions (continued)

#### Government grants (continued)

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

#### Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

### 1.16 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.17 Unauthorised expenditure

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003).

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

### 1.18 Fruitless and wasteful expenditure

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

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

### 1.19 Irregular expenditure

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in Surplus or Deficit in the period it occurred and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

### 1.20 Related parties

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

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

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

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

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

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

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management 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.

### 1.21 Heritage assets

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.

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. The following classes of heritage assets exists:

- Antique/Art/Jewelry
- Historical buildings
- Monuments

#### Initial 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.

A heritage asset that qualifies for recognition as an asset shall be measured at its 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

The municipality applies the cost model to all classes of heritage assets. After recognition as an asset, a class of heritage assets is carried at cost less any accumulated impairment losses.

#### Impairment

A heritage asset shall not be depreciated but an entity shall assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the entity shall estimate the recoverable amount or the recoverable service amount of the heritage asset.

Compensation from third parties for heritage assets that have been impaired, lost or given up, shall be included in surplus or deficit when the compensation becomes receivable.

#### Transfers

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 carrying amount of a heritage asset shall be derecognised: (a) on disposal (including disposal through a non-exchange transaction); or (b) 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).

### 1.22 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 municipality has the following major categories under the ambit of statutory receivables:
- Property Rates debtors
- Traffic fine debtors

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 rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

#### Recognition

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

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

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

### 1.22 Statutory receivables (continued)

**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.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments.
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

### 1.22 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/rewards of ownership of the receivable;
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the 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.

### 1.23 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.24 Leases

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

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

#### 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.

### 1.24 Leases (continued)

**Operating leases - lessor (continued)**

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 the 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.

### 1.25 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.

### 1.26 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.

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

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

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

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

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

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

### Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

### Identification

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

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

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

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

#### Value in use

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

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

#### Cash-generating units

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

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

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2025**

### 1.27 Value added Tax (VAT)

The municipality is registered with the South Afrcan Revenue Service (SARS) for Value Added Tax on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

The municipality is registered to declare VAT transactions on the cash basis to SARS. The municipality is liable to account for VAT at the standard rate (15%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or is out of scope for VAT purposes. The municipality accounts for VAT on a monthly basis and VAT is settled between the VAT vendor and SARS, based on the cash collected by the municipality and the cash paid by the municipality.

VAT Payable to/Receivable from SARS:

The non-exchange transaction is the transaction concluded between the person or entity imposing the tax (national government) and the consumer of goods and services in the South African economy. The municipality is responsible to collect taxes from its consumers for the goods and services provided who becomes a deemed debtor to the national government when collecting and remitting VAT. Consequently, VAT due to the national government by the entity (VAT vendor) results in a deemed debtor-creditor relationship and is an exchange transaction.

VAT Accrual:

In accordance with GRAP, the municipality recognises transactions on an accrual basis of accounting. Therefore, the transaction between the municipality and customer includes the provision of goods or services in cash or credit; and the levying and/or collection of VAT by the municipality from the customer.

Similarly, the transaction between the municipality and the supplier includes the supply of goods or services in cash or credit; and the obligation to recognise VAT by the supplier to the municipality from the customer.

The VAT accrual accounts therefore does not represent amounts to be received or paid to SARS, but rather amounts that are associated with transactions that are yet to be settled. As a result, the accrual transactions are considered to be contractual in nature, and therefore do not meet the definition of a statutory arrangement. As there is no transaction to “settle” with a specific counterparty at this point, the municipality considers the offsetting of the amounts as inappropriate, and has separately disclosed these transactions in the notes to the annual financial statements.

Input VAT Accrual represents amounts that are yet to be claimed from SARS, subject to settlement of the outstanding creditors. This therefore shall be disclosed as a receivable from exchange transaction in accordance with

Output VAT Accrual represents amounts that are yet to be paid to SARS, subject to collection from outstanding debtors of the municipality. This shall be accounted for as a trade and other payables in accordance with GRAP 19.

### 1.28 Investment income

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

### 1.29 Consumer deposits

Consumer deposits are disclosed as a current liability and carried at amortised cost which is the amount at which the liability is measured at initial recognition minus principal repayments.

Consumer deposits are levied in line with council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

### 1.30 Contingent liabilities and assets

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

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

### 1.31 Living and Non-living resources

Living resources are those resources, other than Biological Assets that form part of an agricultural activity, that undergo biological transformation.

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted. Non-living resources, other than land, are not recognised as assets in the financial statements of the Municipality.

The municipality does not have any living resources

The municipality extracts water from various boreholes across the municipality to sustain the demand. The Nqweba dam that is a natural resource has been experiencing severe pressure and has been dry for long periods. However the only water source subject to our control is the boreholes as the Nqweba dam is the ownership of the department of water and sanitation as it was handed to for major maintenance to be performed.

For each borehole the municipality has a water use licence that stipulates the abstraction rate. No rehabilitation is done, the idea is to manage the abstraction to prevent the borehole from drying up.

### 1.32 Segment reporting

The segments were organised based on the type and nature of service delivered by the Municipality. These services are delivered in various municipal departments, which for reporting purposes are allocated to a standardised functional area (guided by mSCOA regulations). Budgets are prepared for each functional area and the budget versus actual amounts are reported on a monthly basis. Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (if any).

The Municipality has assessed that assets and liabilities associated with each segment is not used by management for decision making purposes, and neither is it being reported on. Assets and liabilities are utilised by management to assess key financial indicators for the Municipality as a whole. Accordingly, the assets and liabilities per segment is not required to be disclosed.

Management does monitor performance geographically but does not at present have reliable separate financial information for decision making purposes. Processes have been put in place to generate this information at a transaction level and in the most cost effective manner.

### 1.33 Principal-Agent Arrangement

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).

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 the 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.

The Municipality is a principal when, in relation to transactions with third parties, all three of the following criteria are present:

- It has the power to determine the significant terms and conditions of the transaction.
- It has the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is exposed to variability in the results of the transaction.

Where the Municipality acts as a principal, it recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirement of the relevant Standards of GRAP

The Municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of other Standards of GRAP

## 2. NEW STANDARDS AND INTERPRETATIONS

### 2.1 Standards and interpretations effective and adopted in the current year

There are no new or amended pronouncements that are effective for financial periods commencing on or after 1 April 2024.

### 2.2 Standards and interpretations issued, but not yet effective

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

-  GRAP 1: Presentation of Financial Statements
-  GRAP 103 Heritage assets
-  GRAP 105, 106, 107 Transfers of Functions and Mergers

All the other listed standards as listed above will only be effective when a date is announced by the Minister of Finance.

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

| | 2025<br>R | 2024<br>Restated*<br>R |
|---|---|---|

## 3. VAT ACCRUAL RECEIVABLE / (PAYABLE)

| | | |
|---|---|---|
| VAT Accrual Receivable | 100 192 303 | 76 300 396 |
| VAT Accrual (Payable) | (1 168 693) | (1 971 677) |
| Output VAT accrual | 42 597 630 | 34 982 200 |
| Provision for doubtful debt impairment | (41 428 937) | (33 010 523) |

The prior year VAT Receivable / (Payables) balance has been restated. Refer to prior period errors note for information.

VAT accrual input and output are not off-set. In terms of GRAP 104; an entity can only offset a financial asset and financial liability if, and only if, it has a legally enforceable right to set off the recognised amounts. The input and output tax is still at accrual stage arising from invoices from suppliers and bills raised to debtors, they don't represent amounts due from or due to SARS.

## 4. INVENTORIES

| | | |
|---|---|---|
| Consumable stores | 9 592 784 | 8 387 756 |
| Water | 215 479 | 215 479 |
| | **9 808 262** | **8 603 235** |

Consumable stores are held for own use and measured at the lower of Cost and Current Replacement Cost. Water inventory is held for distribution and measured at the lower of Cost and Net Realisable value.. No write downs of Inventory to Net Realisable Value were required.

Inventory to the value of R266,681 (2024: R6,510) was written up during the year.
No Inventories have been pledged as collateral for liabilities of the municipality.

**Reconciliation of consumable stores**

| | | |
|---|---|---|
| Opening balance | 8 387 756 | 3 488 123 |
| Acquisitions/Purchases | 6 317 921 | 10 201 407 |
| Inventory consumed | (5 193 824) | (5 315 206) |
| Write-downs | 266 681 | 6 510 |
| Adjustments | (185 750) | 6 922 |
| Closing balance | **9 592 784** | **8 387 756** |

**Reconciliation of Water inventory**

| | 2025 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | Volume | Unit value | Total | Volume | Unit value | Total |
| Opening Balance | 21 680 | | 215 479 | 35 836 | | 215 418 |
| Water production | 4 568 437 | 25,49 | 116 447 968 | 4 839 029 | 24,25 | 117 360 372 |
| Water Sold | (2 214 595) | 25,49 | (56 449 304) | (2 654 068) | 24,25 | (64 368 783) |
| Non-revenue water | (2 353 842) | 25,49 | (59 998 664) | (2 199 117) | 24,25 | (53 334 903) |
| Average unit rate adjust | | | | | | 343 375 |
| | **21 680** | | **215 479** | **21 680** | | **215 479** |

## 5. OTHER RECEIVABLES

| | | |
|---|---|---|
| Sundry deposits | 510 900 | 510 900 |
| Sundry debtors | 1 052 494 | 4 075 315 |
| | **1 563 394** | **4 586 215** |

The prior year Other Receivable balance has been restated. Refer to prior period errors note for information.

| | 2025<br>R | 2024<br>Restated*<br>R |
|---|---|---|

## 6. STATUTORY RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

| | | |
|---|---|---|
| **Gross balances** | | |
| Rates | 54 137 524 | 42 657 079 |
| Traffic fines accrual | 20 548 848 | 2 359 273 |
| | **74 686 372** | **45 016 352** |
| **Less: Allowance for impairment** | | |
| Rates | (47 898 128) | (37 795 615) |
| Traffic fines accrual | (15 399 386) | (1 055 573) |
| | **(63 297 514)** | **(38 851 188)** |
| **Net Balance** | **11 388 857** | **6 165 164** |
| **Ageing - Property rates receivables** | | |
| Current (0-30 days) | 888 949 | 1 860 209 |
| 31 - 60 days | 1 110 823 | 892 445 |
| 61 - 90 days | 957 027 | 762 027 |
| 91 - 120 days | 932 030 | 990 968 |
| 121 days + | 50 248 694 | 38 151 430 |
| | **54 137 524** | **42 657 079** |
| **Summary of debtors by customer classification - Property rates receivables** | | |
| **Residential** | | |
| Current (0-30 days) | 1 418 718 | 1 263 701 |
| 31 - 60 days | 704 137 | 478 443 |
| 61 - 90 days | 614 637 | 412 294 |
| 91 - 120 days | 570 578 | 418 596 |
| 121 days + | 22 187 943 | 17 032 163 |
| | **25 496 012** | **19 605 197** |
| **Industrial/commercial** | | |
| Current (0-30 days) | 794 252 | 660 388 |
| 31 - 60 days | 378 234 | 396 986 |
| 61 - 90 days | 330 824 | 336 088 |
| 91 - 120 days | 352 900 | 561 765 |
| 121 days + | 21 699 593 | 18 507 151 |
| | **23 555 804** | **20 462 378** |
| **National and provincial government** | | |
| Current (0-30 days) | (1 324 021) | (63 880) |
| 31 - 60 days | 28 452 | 17 016 |
| 61 - 90 days | 11 566 | 13 645 |
| 91 - 120 days | 8 553 | 10 606 |
| 121 days + | 6 361 157 | 2 612 116 |
| | **5 085 707** | **2 589 503** |
| **Total - Property rates receivables** | | |
| Current (0-30 days) | 888 949 | 1 860 209 |
| 31 - 60 days | 1 110 823 | 892 445 |
| 61 - 90 days | 957 027 | 762 027 |
| 91 - 120 days | 932 030 | 990 967 |
| 121 days + | 50 248 694 | 38 151 430 |
| Less: Impairment | (47 898 128) | (37 795 615) |
| | **6 239 395** | **4 861 463** |

| | 2025<br>R | 2024<br>Restated*<br>R |
|---|---|---|

## 6. STATUTORY RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)

**Total debtors past due but not impaired**

| | 2025 | 2024 |
|---|---|---|
| 61 - 90 days | 32 477 | 138 152 |
| 91 - 120 days | 18 240 | 102 160 |
| 121 days + | 6 459 543 | 3 155 351 |

**Reconciliation of allowance for impairment**

| | 2025 | 2024 |
|---|---|---|
| Balance at beginning of the year | (38 851 188) | (34 032 074) |
| Bad debts written off against allowance | 726 341 | 754 988 |
| Current year's impairment | (25 172 667) | (5 574 102) |
| | **(63 297 514)** | **(38 851 188)** |

Impairment of Statutory receivables are assessing based on indicators that exist at each reporting date. These include but not limited to payment history and the customers overall profile.

## 7. RECEIVABLES FROM EXCHANGE TRANSACTIONS

| | 2025 | 2024 |
|---|---|---|
| **Gross balances** | | |
| Electricity | 22 146 163 | 22 690 421 |
| Water | 133 447 789 | 110 791 998 |
| Sewerage | 121 063 839 | 85 624 506 |
| Refuse | 104 672 326 | 82 880 255 |
| Housing | 157 608 | 159 719 |
| Sundry | 6 414 199 | 6 407 681 |
| | **387 901 924** | **308 554 580** |
| **Less: Allowance for impairment** | | |
| Electricity | (11 201 945) | (8 481 178) |
| Water | (128 184 800) | (102 673 697) |
| Sewerage | (117 429 564) | (81 321 484) |
| Refuse | (102 922 651) | (80 517 777) |
| Housing | (157 086) | (159 155) |
| Sundry | (5 464 582) | (5 439 494) |
| | **(365 360 627)** | **(278 592 785)** |
| **Net balance** | | |
| Electricity | 10 944 218 | 14 209 243 |
| Water | 5 262 989 | 8 118 301 |
| Sewerage | 3 634 274 | 4 303 022 |
| Refuse | 1 749 676 | 2 362 478 |
| Housing | 522 | 564 |
| Sundry | 949 617 | 968 187 |
| | **22 541 297** | **29 961 795** |

| | 2025<br>R | 2024<br>Restated*<br>R |
|---|---|---|
| **7. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)** | | |
| **Electricity** | | |
| Current (0-30 days) | 9 384 485 | 10 798 960 |
| 31 - 60 days | 1 590 632 | 1 587 748 |
| 61 - 90 days | 784 715 | 894 249 |
| 91 - 120 days | 557 254 | 741 829 |
| 121 days + | 9 829 077 | 8 667 635 |
| | **22 146 163** | **22 690 421** |
| **Water** | | |
| Current (0-30 days) | 8 105 596 | 11 447 619 |
| 31 - 60 days | 4 002 729 | 4 632 616 |
| 61 - 90 days | 3 741 067 | 4 464 821 |
| 91 - 120 days | 3 906 874 | 3 973 389 |
| 121 days + | 113 691 523 | 86 273 553 |
| | **133 447 789** | **110 791 998** |
| **Sewerage** | | |
| Current (0-30 days) | 5 242 013 | 5 310 117 |
| 31 - 60 days | 4 432 964 | 4 028 032 |
| 61 - 90 days | 4 235 232 | 3 731 000 |
| 91 - 120 days | 4 014 377 | 3 018 932 |
| 121 days + | 103 139 252 | 69 536 425 |
| | **121 063 839** | **85 624 506** |
| **Refuse** | | |
| Current (0-30 days) | 3 055 563 | 3 130 120 |
| 31 - 60 days | 2 781 350 | 2 537 252 |
| 61 - 90 days | 2 665 498 | 2 369 275 |
| 91 - 120 days | 2 578 205 | 1 954 925 |
| 121 days + | 93 591 711 | 72 888 683 |
| | **104 672 326** | **82 880 255** |
| **Housing rental** | | |
| Current (0-30 days) | 1 | - |
| 31 - 60 days | 10 | 1 |
| 61 - 90 days | 1 | 1 |
| 91 - 120 days | 39 | 1 |
| 121 days + | 157 557 | 159 716 |
| | **157 608** | **159 719** |
| **Sundry** | | |
| Current (0-30 days) | 115 864 | 142 887 |
| 31 - 60 days | 99 400 | 94 235 |
| 61 - 90 days | 86 354 | 102 066 |
| 91 - 120 days | 85 708 | 135 997 |
| 121 days + | 6 026 872 | 5 932 497 |
| | **6 414 199** | **6 407 681** |

| | 2025<br>R | 2024<br>Restated*<br>R |
|---|---|---|

### 7. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

**Summary of debtors by customer classification**

| | 2025 R | 2024 Restated* R |
|---|---|---|
| **Residential** | | |
| Current (0-30 days) | 20 501 587 | 25 435 716 |
| 31 - 60 days | 10 717 207 | 11 070 558 |
| 61 - 90 days | 10 307 233 | 10 413 325 |
| 91 - 120 days | 10 357 534 | 8 671 539 |
| 121 days + | 302 710 772 | 223 216 709 |
| | **354 594 333** | **278 807 845** |
| **Industrial/commercial** | | |
| Current (0-30 days) | 5 266 978 | 7 130 197 |
| 31 - 60 days | 854 896 | 1 121 201 |
| 61 - 90 days | 641 767 | 642 447 |
| 91 - 120 days | 460 759 | 729 501 |
| 121 days + | 17 600 271 | 15 493 944 |
| | **24 824 671** | **25 117 290** |
| **National and provincial government** | | |
| Current (0-30 days) | 134 958 | (1 736 208) |
| 31 - 60 days | 1 334 982 | 688 125 |
| 61 - 90 days | 563 866 | 505 639 |
| 91 - 120 days | 324 164 | 424 034 |
| 121 days + | 6 124 949 | 4 747 856 |
| | **8 482 919** | **4 629 446** |
| **Total** | | |
| Current (0-30 days) | 25 903 523 | 30 829 704 |
| 31 - 60 days | 12 907 085 | 12 879 884 |
| 61 - 90 days | 11 512 866 | 11 561 411 |
| 91 - 120 days | 11 142 457 | 9 825 074 |
| 121 days + | 326 435 992 | 243 458 509 |
| Less: Impairment | (365 360 627) | (278 592 784) |
| | **22 541 297** | **29 961 797** |
| Impairment: | (365 360 627) | (278 592 784) |

**Total debtors past due but not impaired**

| | 2025 R | 2024 Restated* R |
|---|---|---|
| 61 - 90 days | 686 744 | 1 510 060 |
| 91 - 120 days | 367 391 | 1 000 209 |
| 121 days + | 7 557 998 | 7 355 597 |

**Reconciliation of allowance for impairment**

| | 2025 R | 2024 Restated* R |
|---|---|---|
| Balance at beginning of the year | (278 592 784) | (194 746 307) |
| Bad debts written off against allowance | 29 454 448 | 21 695 422 |
| Current year's impairment | (116 222 290) | (105 541 899) |
| | **(365 360 627)** | **(278 592 784)** |

The prior year Receivables from exchange transactions balance has been restated. Refer to prior period errors note for information

| | 2025<br>R | 2024<br>Restated*<br>R |
|---|---|---|

## 8. CASH AND CASH EQUIVALENTS

**Cash and cash equivalents consist of:**

| | 2025 | 2024 |
|---|---|---|
| Cash on hand | 4 305 | 4 305 |
| Bank Accounts | 6 421 853 | 800 137 |
| Current Investments | 21 382 727 | 8 561 575 |
| **Total Bank, Cash and Cash Equivalents** | **27 808 885** | **9 366 017** |

**The municipality had the following bank accounts**

| Account number / description | Bank statement balances 30 June 2025 | Bank statement balances 30 June 2024 | Cash book balances 30 June 2025 | Cash book balances 30 June 2024 |
|---|---|---|---|---|
| ABSA - Cheque Account - 4053623514 | 179 638 | 64 681 | - | - |
| Standard Bank - Cheque - Primary | 5 990 426 | 607 992 | 6 311 886 | 690 948 |
| Standard Bank - Cheque - 0332104206 | 53 330 | 109 189 | 109 966 | 109 189 |
| ABSA Investments - 9257114251 | 35 098 | 32 402 | 35 098 | 32 402 |
| Standard bank - FMG Call account - /002 | 20 160 498 | 7 446 916 | 20 160 498 | 7 446 916 |
| Standard bank - FMG Call account - /003 | 3 413 | 3 269 | 3 413 | 3 269 |
| Standard bank - FMG Call account - /004 | 25 313 | 8 917 | 25 313 | 8 917 |
| Standard bank - FMG Call account - /006 | 1 158 407 | 1 070 071 | 1 158 407 | 1 070 071 |
| | **27 606 122** | **9 343 437** | **27 804 580** | **9 361 712** |

## 9. INVESTMENT PROPERTY

| | 2025 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation | Carrying value | Cost / Valuation | Accumulated depreciation | Carrying value |
| Investment property | 28 478 366 | (1 700 443) | 26 777 924 | 28 308 367 | (1 659 077) | 26 649 290 |

**Reconciliation of investment property - 2025**

| | Opening balance | Additions | Depreciation | Total |
|---|---|---|---|---|
| Land | 26 261 728 | 170 000 | - | 26 431 728 |
| Buildings | 387 562 | - | (41 366) | 346 196 |
| | **26 649 290** | 170 000 | **(41 366)** | **26 777 924** |

**Reconciliation of investment property - 2024**

| | Opening balance | Additions | Depreciation | Total |
|---|---|---|---|---|
| Land | 26 261 728 | - | - | 26 261 728 |
| Buildings | 428 928 | - | (41 366) | 387 562 |
| | **26 690 656** | - | **(41 366)** | **26 649 290** |

The prior year Investment Property balance has been restated. Refer to prior period errors note for information

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.

All of the municipality's investment property is held under freehold interest and no investment property has been pledged as security for any liabilities of the municipality. There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal. There are no contractual obligations on investment property.

| | 2025 | 2024 Restated* |
|---|---|---|
| | R | R |

## 10. PROPERTY, PLANT AND EQUIPMENT

| | 2025 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation and impairment | Carrying value | Cost / Valuation | Accumulated depreciation and impairment | Carrying value |
| Land | 121 712 259 | - | 121 712 259 | 121 783 156 | - | 121 783 156 |
| Buildings | 56 137 499 | (24 752 488) | 31 385 011 | 56 355 291 | (23 105 131) | 33 250 160 |
| Infrastructure | 1 265 001 870 | (450 325 727) | 814 676 143 | 1 253 384 199 | (413 599 954) | 839 784 245 |
| Community | 42 680 357 | (8 511 530) | 34 168 827 | 42 717 400 | (7 002 648) | 35 714 752 |
| Work-in-progress | 6 058 028 | - | 6 058 028 | 8 210 845 | - | 8 210 845 |
| Landfill sites | 14 883 918 | (4 598 717) | 10 285 201 | 14 883 918 | (4 213 389) | 10 670 528 |
| Transport assets | 33 980 127 | (15 490 192) | 18 489 935 | 31 443 203 | (13 294 031) | 18 149 172 |
| Other assets | 15 749 973 | (11 255 395) | 4 494 578 | 14 569 617 | (10 005 751) | 4 563 866 |
| **Total** | **1 556 204 029** | **(514 934 048)** | **1 041 269 981** | **1 543 347 630** | **(471 220 905)** | **1 072 126 725** |

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

| | Opening balance | Additions | Disposals | Additions through transfers from WIP | Depreciation and Impairment | Total |
|---|---|---|---|---|---|---|
| Land | 121 783 156 | - | (70 898) | - | - | 121 712 259 |
| Buildings | 33 250 160 | - | (63 288) | - | (1 801 861) | 31 385 011 |
| Infrastructure | 839 784 245 | 31 178 879 | (10 688 124) | 3 792 006 | (49 390 862) | 814 676 143 |
| Community | 35 714 752 | - | - | - | (1 545 925) | 34 168 827 |
| Work-in-progress | 8 210 845 | 1 639 189 | - | (3 792 006) | - | 6 058 028 |
| Landfill sites | 10 670 528 | - | - | - | (385 328) | 10 285 201 |
| Transport assets | 18 149 172 | 2 917 319 | (194 738) | - | (2 381 818) | 18 489 935 |
| Other assets | 4 563 866 | 1 204 696 | (15 187) | - | (1 258 798) | 4 494 578 |
| | **1 072 126 725** | **36 940 083** | **(11 032 235)** | **-** | **(56 764 591)** | **1 041 269 981** |

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

| | Opening balance | Additions | Disposals | Additions through transfers from WIP | Depreciation and Impairment | Total |
|---|---|---|---|---|---|---|
| Land | 121 909 535 | - | (126 379) | - | - | 121 783 156 |
| Buildings | 32 748 954 | 3 030 185 | (170 932) | - | (2 358 047) | 33 250 160 |
| Infrastructure | 782 817 729 | 45 210 414 | (7 438 662) | 69 834 139 | (50 639 375) | 839 784 245 |
| Community | 24 064 132 | 2 086 938 | (14 547) | 10 848 864 | (1 270 635) | 35 714 752 |
| Work-in-progress | 87 735 665 | 1 765 338 | - | (81 290 158) | - | 8 210 845 |
| Landfill sites | 11 221 509 | - | - | - | (550 981) | 10 670 528 |
| Transport assets | 11 330 600 | 9 208 485 | (171 778) | - | (2 218 135) | 18 149 172 |
| Other assets | 11 510 332 | 870 553 | (7 218 192) | 607 155 | (1 205 982) | 4 563 866 |
| | **1 083 338 456** | **62 171 913** | **(15 140 490)** | **-** | **(58 243 155)** | **1 072 126 725** |

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

| | 2025 | 2024 Restated* |
|---|---|---|
| | R | R |

### 10. PROPERTY, PLANT AND EQUIPMENT (Continued)

The municipality only transfers ownership or otherwise disposes of capital assets after the council, in a meeting open to the public, has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.

Impairment Losses on Property, Plant and Equipment to the amount of R2 432 038 (2024: R241 987) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 35

The municipality has 12 libraries within the geographical area. The library books controlled on behalf of the Province are all individually and in aggregate immaterial and most of the books are not in a good condition. The cost of the library books is recorded in asset listings but are depreciated in full in the year of acquisition. The recording in the asset listings is necessary in order that control can be exercised over the books.

No assets were pledged as security for liabilities

The municipality has various assets that are fully depreciated which are still in use. These assets are immaterial in value (averaging R105 per item) and will be replaced once funding is made available.

The prior year Property, plant and equipment balance has been restated. Refer to prior period errors note for information

**Effect of changes in accounting estimates**

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

| | Depreciation 2024/2025 | Depreciation 2023/2024 | Change in depreciation 2025 |
|---|---|---|---|
| Infrastructure assets | 2 561 998 | 7 301 305 | 4 739 306 |
| **Total change in estimate for useful life of property, plant and equipment** | | | **4 739 306** |

The nature of the adjustment relates to a change in the remaining useful life, based on the annual review of the useful lives of assets in operation. The effect relating to future periods is not disclosed, as it is impracticable to do so. (GRAP 3.42)

**Work in Progress balances**

The following work in progress balances are included in PPE. No depreciation charge is recognized against these amounts.

| | | |
|---|---|---|
| Infrastructure Assets | 5 847 670 | 7 637 879 |
| Community Assets | 210 358 | 426 195 |
| Landfill Sites | - | 146 771 |
| | **6 058 028** | **8 210 845** |

**Work in Progress projects taking a significant longer period to complete**

The following projects (included in work-in-progress) is taking a significant longer period to complete:

| Project | Carrying value | Reason for delays |
|---|---|---|
| Installation bulk water&sewerage infrastructure | 501 975 | The planned settlement was halted due to financial constraints and lack of developers to develop the infrastructure. The Project to continue in 2025/2026. |
| Electricity standby transformers | 336 120 | The delay was due to the municipailty awaiting grant funding approval. Project approved for additional funding and to continue in the 2025/26 financial year. |

| | 2025 | 2024 Restated* |
|---|---|---|
| | R | R |

## 11. INTANGIBLE ASSETS

| | 2025 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Computer software | 362 563 | (362 558) | 5 | 362 563 | (362 558) | 5 |

**Reconciliation of intangible assets - 2025**

| | Opening balance | Amortization | Total |
|---|---|---|---|
| Computer software | 5 | - | 5 |
| | **5** | **-** | **5** |

**Reconciliation of intangible assets - 2024**

| | Opening balance | Amortization | Total |
|---|---|---|---|
| Computer software | 5 | - | 5 |
| | **5** | **-** | **5** |

| | 2025 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated impairment losses | Carrying value | Cost / Valuation | Accumulated impairment losses | Carrying value |
| Historical buildings | 2 768 000 | - | 2 768 000 | 2 768 000 | - | 2 768 000 |
| Antique/Art/Jewelry | 1 215 950 | - | 1 215 950 | 1 215 950 | - | 1 215 950 |
| Monuments | 7 113 720 | - | 7 113 720 | 7 113 720 | - | 7 113 720 |
| **Total Heritage Assets** | **11 097 670** | **-** | **11 097 670** | **11 097 670** | **-** | **11 097 670** |

**Reconciliation of heritage assets - 2025**

| | Opening balance | Total |
|---|---|---|
| Historical buildings | 2 768 000 | 2 768 000 |
| Antique/Art/Jewelry | 1 215 950 | 1 215 950 |
| Monuments | 7 113 720 | 7 113 720 |
| | **11 097 670** | **11 097 670** |

**Reconciliation of heritage assets - 2024**

| | Opening balance | Total |
|---|---|---|
| Historical buildings | 2 768 000 | 2 768 000 |
| Antique/Art/Jewelry | 1 215 950 | 1 215 950 |
| Monuments | 7 113 720 | 7 113 720 |
| | **11 097 670** | **11 097 670** |

No heritage assets have been pledged as collateral for liabilities of the municipality.

| | 2025<br>R | 2024<br>Restated*<br>R |
|---|---|---|

## 13. OTHER FINANCIAL LIABILITIES

| | | |
|---|---|---|
| **At amortised cost** | | |
| Performance security deposit- Utilities world | - | 1 049 339 |
| **Total other financial liabilities** | **-** | **1 049 339** |

Security deposit settled in July 2024 with final payment made. No new security deposit was received with the new tender awarded for prepaid vending services.

| | | |
|---|---|---|
| **Current liabilities** | | |
| At amortised cost | - | 1 049 339 |

## 14. PAYABLES FROM EXCHANGE TRANSACTIONS

| | | |
|---|---|---|
| Trade payables and other accruals | 453 172 497 | 249 478 526 |
| Retentions | 1 837 988 | 4 008 889 |
| Leave pay accrual | 12 878 503 | 12 512 588 |
| Bonus accrual | 7 670 565 | 6 855 775 |
| Debtors with credit balances | 7 511 085 | 8 691 875 |
| Statutory and non-statutory deductions | 36 792 193 | 62 247 805 |
| VAT Control Payable (SARS) | 1 394 297 | 4 209 572 |
| **Total Payables** | **521 257 128** | **348 005 030** |

The prior year Payables from exchange transactions balance has been restated. Refer to prior period errors note for information

## 15. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

| | | |
|---|---|---|
| Unallocated receipts | 1 968 034 | 3 507 436 |
| Debtors with credit balances | 815 897 | 818 034 |
| **Total Payables** | **2 783 931** | **4 325 470** |

The prior year Payables from Non-exchange transactions balance has been restated. Refer to prior period errors note for information

## 16. MUNICIPAL DEBT RELIEF FINANCIAL LIABILITIES

| | | |
|---|---|---|
| **At fair value** | 398 279 010 | 341 186 970 |

**Description**

| | | |
|---|---|---|
| **Non-current liabilities** | | |
| At amortised cost | - | 214 870 699 |
| **Current liabilities** | | |
| At amortised cost | 398 279 010 | 126 316 271 |

| | 2025 | 2024 Restated* |
|---|---|---|
| | R | R |

### 16. MUNICIPAL DEBT RELIEF FINANCIAL LIABILITIES (Continued)

The municipality was approved to participate in the Municipal Debt Relief programme effective 1 December 2023 where debt on 1 April 2023 will be written off over 3 years provided certain conditions are met. The Municipal Debt Relief arrangement changes the substance of the liability to a repayment arrangement. In line with the accounting guidelines of the Office of the Accountant General, this arrangement has a “concessionary element” in that no interest will be charged over the period of the arrangement. This liability, like all others, is recognised at fair value on initial recognition.

Although the municipality was not eliminated from the program explicitly, the conditions were not met and accordingly the municipality did not qualify for write-off as per agreement. The full unwinding of interest meant to be spread over 3 years has been written back to the original gross value. The municipality awaits final decision of National Treasury for the program.

### 17. CONSUMER DEPOSITS

| | 2025 | 2024 |
|---|---|---|
| Electricity | 2 897 410 | 2 587 888 |
| Water | 1 375 725 | 1 326 528 |
| Other sundry deposits | 25 531 | 25 531 |
| | **4 298 665** | **3 939 947** |

No interest accrues on consumer deposits as Dr Beyers Naude Local Municipality is not a deposit taking entity in terms of the banking Act.

Consumer Deposits are paid by consumers on application for new water and electricity connections.  The deposits are repaid

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.

### 18. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

| | 2025 | 2024 |
|---|---|---|
| **Total Unspent Conditional Grants** | **15 875 706** | **6 410 000** |

**Movement during the year**

| | 2025 | 2024 |
|---|---|---|
| Balance at the beginning of the year | 6 410 000 | - |
| Conditional grants Additions during the year | 68 054 000 | 81 775 135 |
| Conditional grants Income recognition during the year | (58 588 294) | (75 365 135) |
| Balance at the end of the year | **15 875 706** | **6 410 000** |

See note 29 for reconciliation of grants from National/Provincial Government.

### 19. PROVISIONS

| **Reconciliation of provisions - 2025** | **Opening balance** | **Additions** | **Total** |
|---|---|---|---|
| Rehabilitation of landfill sites | 34 213 650 | 5 790 250 | 40 003 900 |
| **Total Provisions** | **34 213 650** | **5 790 250** | **40 003 900** |

| | 2025 | 2024 Restated* |
|---|---|---|
| | R | R |

## 19. PROVISIONS (Continued)

| Reconciliation of provisions - 2024 | Opening balance | Additions | Total |
|---|---|---|---|
| Legal proceedings | 1 872 820 | (1 872 820) | - |
| Rehabilitation of landfill sites | 28 359 000 | 5 854 650 | 34 213 650 |
| **Total Provisions** | **30 231 820** | **3 981 830** | **34 213 650** |

| | | |
|---|---|---|
| Non-current liabilities | 40 003 900 | 34 213 650 |
| Current liabilities | - | - |
| | **40 003 900** | **34 213 650** |

**Rehabilitation of landfill sites**

The movement of the provision for rehabilitation of landfill sites is attributable to the unwinding of the present value obligation

The obligation for the environmental rehabilitation results from the onus imposed by the Environmental Conservation Act no.73 of 1989 to rehabilitate landfill sites after use. Some of the sites are expected to be closed in 2041, after which rehabilitation will take place over the course of the next 20 years after which the site is expected to be fully rehabilitated. The following assumption were used when calculating the provision for landfill Site rehabilitation: - The CPIX was used to adjust the cost as it is the only determining factor year on year.

The landfill sites are nearing the end of their useful lives, the ground and ground water on the entire site are thus considered to be contaminated and not just the portion in use, i.e. the provision provides for the cost of rehabilitating the entire site and not just the portion used up to financial year end. The entire site would need to be rehabilitated due to waste distributed across the entire site over the years since opening thereof. Thus, as provided in GRAP 19 where it states that the provision should only be raised to the extent that the costs would need to be incurred, it is considered that the full cost of rehabilitation would need to be incurred to rehabilitate the sites.

The following are the landfill sites of the municipality:

| Sites | Remaining useful life |
|---|---|
| Jansenville | 1 years remaining |
| Klipplaat | 4 years remaining |
| Steytlerville | 6 years remaining |
| Willowmore | 4 years remaining |
| Rietbron | 3 years remaining |
| Aberdeen | 16 years remaining |
| Graaff-Reinet | 11 years remaining |
| Nieu-Bethesda | 1 year remaining |

## 20. EMPLOYEE BENEFIT OBLIGATIONS

| | | |
|---|---|---|
| Post Retirement Medical Benefits | (49 194 034) | (42 993 953) |
| Long Service Awards | (13 286 154) | (12 688 908) |
| | **(62 480 188)** | **(55 682 861)** |

| | | |
|---|---|---|
| Non-current liabilities | (58 362 129) | (52 238 786) |
| Current liabilities | (4 118 059) | (3 444 075) |
| | **(62 480 188)** | **(55 682 861)** |

| | 2025<br>R | 2024<br>Restated*<br>R |
|---|---|---|

## 20. EMPLOYEE BENEFIT OBLIGATIONS (Continued)

**Changes in the present value of the employee benefit obligation are as follows:**

| | 2025 R | 2024 Restated* R |
|---|---|---|
| Opening balance | (55 682 861) | (47 886 566) |
| Benefits paid | 2 506 753 | 2 478 937 |
| Net expense recognised in the statement of financial performance | (9 304 080) | (10 275 232) |
| Balance at end of Year | **(62 480 188)** | **(55 682 861)** |

**Net expense recognised in the statement of financial performance**

| | 2025 R | 2024 Restated* R |
|---|---|---|
| Current service cost | (3 508 813) | (2 548 694) |
| Interest cost | (6 409 571) | (5 614 783) |
| Actuarial (losses)/gains | 614 304 | (2 111 755) |
| | **(9 304 080)** | **(10 275 232)** |

### 20.1 POST RETIREMENT MEDICAL BENEFITS

| | 2025 R | 2024 Restated* R |
|---|---|---|
| The movement in Post Retirement Medical Benefits are reconciled as follows: | | |
| Opening balance | (42 993 952) | (35 024 954) |
| Contribution during the year | | |
| Current Service Cost | (2 150 117) | (1 489 630) |
| Interest Cost | (5 254 594) | (4 388 654) |
| Benefits paid | 1 478 824 | 1 261 212 |
| Actuarial (losses)/gains | (274 194) | (3 351 926) |
| Closing balance | **(49 194 033)** | **(42 993 952)** |
| Current portion | 2 230 556 | 1 387 645 |
| Net change in the Accrued Liability over the financial year ending 30 June 2025 | **(6 200 081)** | **(7 968 998)** |

The defined benefit obligation is unfunded, and therefore no disclosures are made relating to plan assets and the effect of the asset ceiling.

**Last Valuation and Actuarial Valuation Method**

The obligation in respect of medical care contributions for retirement benefits is valued every year by independent qualified actuaries. The last actuarial valuation was performed on 30 June 2025 by One Pangaea expertise & solutions using the Projected Unit Credit Method.

**Characteristics of defined benefit plans and risks associated with them**

The municipality provides post employment medical benefits as follows:

- Eligible employees will receive a post-employment subsidy of 70% of the contribution payable should they be a member of a medical scheme at retirement.
- Continuation members and their eligible dependants receive a 70% subsidy
- Upon a member's death-in-retirement, surviving dependants are entitled to continue to receive the same subsidy.

| | 2025 | 2024 Restated* |
|---|---|---|
| | R | R |

## 20. EMPLOYEE BENEFIT OBLIGATIONS (Continued)

### 20.1 POST RETIREMENT MEDICAL BENEFITS (Continued)

**Characteristics of defined benefit plans and risks associated with them (Continued)**

Notable benefit plan risks faced by the Municipality can be summarised as follows:
- Longevity Risk: The risk that eligible individuals live longer than assumed i.e. their benefits are payable for longer than expected.
-Operational Risk: This is the risk emanating from inadequate, ineffective or failed internal processes, people or systems. If the data quality is compromised, any calculated values based on that data will be affected.
- Economic Risk: The valuation of the post-employment medical subsidies liability is sensitive to the discount rate used, which is influenced by the broader economic conditions and market interest rates. Any changes to these macroeconomic factors will affect the valuation of the municipality's accrued liability.
- Medical Aid Inflation Risk: Any increases in excess of the CPI+1.5% assumption would lead to increases in accrued liability beyond that predicted by our valuation.

**Key assumptions used**

**Assumptions used at the reporting date:**

| | 2025 | 2024 |
|---|---|---|
| Discount Rate used | 12,32% | 12,42% |
| Health Care Cost Inflation Rate | 7,78% | 8,40% |
| Net Discount Rate used | 4,21% | 3,71% |

The PA 90-1 post-retirement mortality table used for pensioners and SA85-90 (Normal) for active employees.

Proportion married for active employees 60% of married and 90% of single in-service members and for pensioners the actual marital status is used.

Average age of Continuation pensioners at 30 June 2025 was 72.52, with an average employer monthly contribution of R4,157,09.

Number of active employees: 234

Average age of active employees as at 30 June 2025 was 45.34, with an average employer monthly contribution of R2,967.55.

**Sensitivity Analysis - Defined Benefit Obligation at year-end**

The Defined Benefit Obligation are based on a number of assumptions as indicated above. The extent to which the actual Defined Benefit Obligation faced in the future by the Municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made. The assumption which tends to have the greatest impact on the results is the medical aid contribution inflation rate relative to the discount rate. The impact of the aforementioned and the other significant assumptions are disclosed below:

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

| | Decrease: | | Valuation | Increase: | |
|---|---|---|---|---|---|
| | % Change | Valuation | basis | Valuation | % Change |
| Accrued liability | -14,13% | 42 244 905 | 49 194 033 | 56 065 295 | 13,97% |
| Current service cost | -20,41% | 1 656 649 | 2 081 585 | 2 487 662 | 19,51% |
| Interest cost | -14,44% | 5 068 089 | 5 923 629 | 6 769 580 | 14,28% |

| | 2025 | 2024 Restated* |
|---|---|---|
| | R | R |

## 20. EMPLOYEE BENEFIT OBLIGATIONS (Continued)

### 20.1 POST RETIREMENT MEDICAL BENEFITS (Continued)

**Sensitivity Analysis - Defined Benefit Obligation at year-end (Continued)**

The effect of a 1% movement in the assumed rate of discount rate is as follows:

| | Decrease: | | Valuation | Increase: | |
|---|---|---|---|---|---|
| | % Change | Valuation | basis | Valuation | % Change |
| Accrued liability | 13,17% | 55 671 755 | 49 194 033 | 42 624 373 | -13,35% |
| Current service cost | 17,62% | 2 448 357 | 2 081 585 | 1 687 813 | -18,92% |
| Interest cost | 4,26% | 6 176 164 | 5 923 629 | 5 529 294 | -6,66% |

The effect of a 10% reduction in the continuation of medical aid by active members:

| | Decrease: | | Valuation |
|---|---|---|---|
| | % Change | Valuation | basis |
| Accrued liability | -7,90% | 45 306 950 | 49 194 033 |
| Current service cost | -14,83% | 1 772 821 | 2 081 585 |
| Interest cost | -8,08% | 5 444 714 | 5 923 629 |

Reducing the continuation percentage reduces the active members who are in receipt of medical aid subsidies upon retirement. This reduces the size of the accrued liability

The effect of a 20% adjustment in the mortality assumption (PA (90)-2) is as follows:

| | Decrease: | | Valuation |
|---|---|---|---|
| | % Change | Valuation | basis |
| Accrued liability | 3,77% | 51 049 971 | 49 194 033 |
| Current service cost | 2,57% | 2 135 025 | 2 081 585 |
| Interest cost | 4,04% | 6 163 005 | 5 923 629 |

PA(90)-2 (PA(90) with a two-year age adjustment) means that, to each beneficiary we assigned a mortality rate of an individual two year younger than that beneficiary, ie lighter mortality implying that the individual lives longer than expected in the valuation basis.

### 20.2 LONG SERVICE AWARDS

The movement in Long Service Awards are reconciled as follows:

| | 2025 | 2024 |
|---|---|---|
| Opening balance | (12 688 908) | (12 861 612) |
| Contribution during the year | | |
| Current Service Cost | (1 358 696) | (1 059 064) |
| Interest Cost | (1 154 977) | (1 226 129) |
| Benefits paid | 1 027 929 | 1 217 725 |
| Actuarial (losses)/gains | 888 498 | 1 240 172 |
| Closing balance | **(13 286 154)** | **(12 688 908)** |
| Current portion | 1 887 503 | 2 056 430 |
| Net change in the Accrued Liability over the financial year ending 30 June 2025 | **(597 246)** | **172 704** |

The defined benefit obligation is unfunded, and therefore no disclosures are made relating to plan assets and the effect of the asset ceiling.

| | 2025 | 2024 Restated* |
|---|---|---|
| | R | R |

## 20. EMPLOYEE BENEFIT OBLIGATIONS (Continued)

### 20.2 LONG SERVICE AWARDS (Continued)

**Last Valuation and Actuarial Valuation Method**

The obligation in respect of long service awards is valued every year by independent qualified actuaries. The last actuarial valuation was performed on 30 June 2025 by One Pangaea expertise & solutions using the Projected Unit Credit Method.

**Characteristics of defined benefit plans and risks associated with them**

The municipality provides a long service award benefits as follows:
- The Municipality offers employees Long Service Awards for every five years of Service completed
- The provision is an estimate of the amounts likely to be paid based on an actuarial valuation performed at the reporting date.
- The Municipality does not pay any pro-rata Long Service Awards.

Notable benefit plan risks faced by the Municipality can be summarised as follows:
- Mortality Risk: As employees live longer and work for longer periods, the legislature's liability for these awards increases.
- Operational Risk: This is the risk emanating from inadequate, ineffective or failed internal processes, people or systems. If the data quality is compromised, any calculated values based on that data will be affected.
- Economic Risk: The valuation of the long service awards liability is sensitive to the discount rate used, which is influenced by the broader economic conditions and market interest rates. Any changes to these macroeconomic factors will affect the valuation of the municipality’s accrued liability.
- Regulatory/Legislative Risk: The risk that changes to legislation with respect to long service awards may change the accrued liability for the Municipality

**Key assumptions used**

| | 2025 | 2024 |
|---|---|---|
| 1. Salary increase rate | 4,42% | 5,48% |
| 2. The mortality rate | SA 85 - 90 | SA 85 - 90 |
| 3. Normal retirement age | 65 | 65 |
| 4. Assumed retirement age | 62 | 62 |
| 5. CPI rate | 3,42% | 4,48% |
| 6. Discount rate used | 8,97% | 9,90% |
| 7. Net Discount rate used | 4,35% | 4,19% |

The Defined-Benefit Obligation are based on a number of assumptions as indicated above. The extent to which the actual Defined-Benefit Obligation faced in the future by the Municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made. The assumption which tends to have the greatest impact on the results is the medical aid contribution inflation rate relative to the discount rate. The impact of the aforementioned and the other significant assumptions are disclosed below:

**Sensitivity Analysis - Defined Benefit Obligation at year-end**

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

| | Decrease: | | Valuation | Increase: | |
|---|---|---|---|---|---|
| | % Change | Valuation | basis | Valuation | % Change |
| Accrued liability | -5,22% | 12 592 101 | 13 286 154 | 14 041 435 | 5,68% |
| Current service cost | -5,41% | 1 151 521 | 1 217 358 | 1 289 233 | 5,90% |
| Interest cost | -5,60% | 1 044 872 | 1 106 809 | 1 174 237 | 6,09% |

| | 2025 | 2024 Restated* |
|---|---|---|
| | R | R |

## 20. EMPLOYEE BENEFIT OBLIGATIONS (Continued)

### 20.2 LONG SERVICE AWARDS (Continued)

**Sensitivity Analysis - Defined Benefit Obligation at year-end (Continued)**

The effect of a 1% movement in the assumed rate of discount rate is as follows:

| | Decrease: | | Valuation | Increase: | |
|---|---|---|---|---|---|
| | % Change | Valuation | basis | Valuation | % Change |
| Accrued liability | 5,49% | 14 015 601 | 13 286 154 | 12 625 725 | -4,97% |
| Current service cost | 5,70% | 1 286 770 | 1 217 358 | 1 154 706 | -5,15% |
| Interest cost | -5,92% | 1 041 244 | 1 106 809 | 1 164 724 | 5,23% |

The effect of a 2 year adjustment in the average retirement age is as follows:

| | Decrease: | | Valuation | Increase: | |
|---|---|---|---|---|---|
| | % Change | Valuation | basis | Valuation | % Change |
| Accrued liability | -8,11% | 12 209 054 | 13 286 154 | 14 454 431 | 8,79% |
| Current service cost | -6,33% | 1 140 353 | 1 217 358 | 1 294 499 | 6,34% |
| Interest cost | -8,51% | 1 012 655 | 1 106 809 | 1 211 574 | 9,47% |

The effect of a 50% decrease in the withdrawal rate is as follows:

| | Decrease: | | Valuation |
|---|---|---|---|
| | % Change | Valuation | basis |
| Accrued liability | 11,10% | 14 761 255 | 13 286 154 |
| Current service cost | 12,78% | 1 372 904 | 1 217 358 |
| Interest cost | 11,92% | 1 238 713 | 1 106 809 |

Decreasing the withdrawal rate increases the number of employees who remain employed until their forthcoming milestones. This increases the accrued liability.

## 21. SERVICE CHARGES

| | 2025 | 2024 |
|---|---|---|
| Sale of Electricity | 158 467 158 | 147 440 283 |
| Sale of Water | 56 561 345 | 51 714 816 |
| Sewerage and Sanitation Charges | 55 957 090 | 52 123 931 |
| Refuse Removal | 31 252 145 | 29 697 172 |
| | **302 237 738** | **280 976 202** |

## 22. AGENCY SERVICES

| | 2025 | 2024 |
|---|---|---|
| **eNatis commission** | **2 137 352** | **2 027 534** |

The municipality is part of a principal-agent arrangements with the department of roads and transport to act as agent on their behalf where the municipalities collect the fees due from motor vehicle owners and simultaneously issue the new licences on behalf of the provincial government.

## 23. INTEREST EARNED

| | 2025 | 2024 |
|---|---|---|
| **Outstanding Debtors:** | | |
| Outstanding Billing Debtors | **24 896 793** | **17 818 078** |
| | | |
| **External Investments:** | | |
| Bank Account | 107 923 | 68 281 |
| Investments | 1 008 907 | 1 033 922 |
| | **1 116 830** | **1 102 203** |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2025**

| | 2025<br>R | 2024<br>Restated*<br>R |
|---|---|---|

## 24. RENTAL OF FACILITIES AND EQUIPMENT

| | | |
|---|---|---|
| **Premises** | | |
| Rental of Facilities and Equipment | **758 100** | **969 552** |

## 25. OTHER REVENUE

| | | |
|---|---|---|
| Administrative charge | 296 623 | 179 746 |
| Building plan fees | 401 451 | 324 074 |
| Commission received | 274 870 | 263 824 |
| Tender deposits | 53 282 | 32 499 |
| Connections - Electricity | 227 751 | 318 071 |
| Cost recoveries | 227 303 | 20 855 |
| Burial and cemetery fees | 124 735 | 95 890 |
| Insurance proceeds | 208 400 | 88 731 |
| Library fees | 2 849 | 9 050 |
| Unallocated deposits revenue | 3 256 718 | 158 578 |
| Valuation certificates | 329 922 | 301 288 |
| Eskom Wheeling revenue | 1 907 719 | 2 449 632 |
| Sundry income | 139 762 | 90 574 |
| | **7 451 384** | **4 332 812** |

## 26. LICENCES AND PERMITS

| | | |
|---|---|---|
| Licences and permits | **883 602** | **743 429** |

Included above are Drivers licence fees and learners licence fees.

## 27. PROPERTY RATES

| | | |
|---|---|---|
| **Rates received** | | |
| Residential | 24 386 183 | 16 364 758 |
| Commercial | 13 485 402 | 9 570 319 |
| State | 10 619 031 | 12 543 547 |
| Small holdings and farms | 6 782 134 | 7 039 168 |
| | **55 272 750** | **45 517 792** |

| | | |
|---|---|---|
| **Valuations** | | |
| Residential | 3 884 532 200 | 2 460 477 421 |
| Commercial | 993 672 800 | 672 876 600 |
| State | 638 443 200 | 790 664 260 |
| Municipal | 258 963 600 | 326 690 860 |
| Agricultural | 9 237 259 100 | 8 642 282 800 |
| Exempt | 296 691 800 | 279 053 810 |
| Industrial | 92 127 000 | 89 395 800 |
| Multiple | 36 845 000 | 18 955 100 |
| | **15 438 534 700** | **13 280 396 651** |

| | 2025<br>R | 2024<br>Restated*<br>R |
|---|---|---|

## 27. PROPERTY RATES (Continued)

The last valuation was done prior to 1 July 2024. This valuation roll is effective for the period 1 July 2024 to 30 June 2029.

The Dr Beyers Naude Local Municipality is established in terms of section 12 of the Local Government Municipal Structures Act of 199 (Act 117 of 1998), Government Gazette No.3717. Section 7 relating to the Valuation and Supplementary rolls states that the newly established municipality must continue to apply the valuation roll, supplementary roll, property rates policy, property rates By-laws and property rates tariffs that were in force in the former areas of the merging municipalities until it adopts a new general valuation roll in terms of section 30 of the Local Government Municipality Property Act, 2004 (Act 6 of 2004).

## 28. FINES, PENALTIES AND FORFEITS

| | 2025 | 2024 |
|---|---|---|
| Traffic fines | **21 609 643** | **1 303 700** |

## 29. GOVERNMENT GRANTS AND SUBSIDIES

| | 2025 | 2024 |
|---|---|---|
| **Operating grants** | | |
| Equitable Share | 121 571 000 | 114 382 000 |
| Sarah Baartman - fire grant | 2 600 000 | 2 097 570 |
| DSRAC Library Grant | 3 105 000 | 2 308 000 |
| EPWP integrated grant | 1 359 000 | 1 118 000 |
| EPWP DEDEAT | 2 332 000 | - |
| Finance management grant | 3 000 000 | 3 100 000 |
| Sarah Baartman District Municipality - Maintenance project | 2 200 000 | - |
| SETA Training Grant | 377 916 | 419 585 |
| Department of Transport - Paving project | 2 800 000 | - |
| Sarah Baartman - Tourism grant | - | 1 100 000 |
| Human settlements Grant | 178 376 | 95 670 |
| | **139 523 292** | **124 620 825** |
| **Capital grants** | | |
| Municipal infrastructure grant | 23 438 000 | 22 273 999 |
| Municipal Disaster Relief Grant | 6 951 165 | 3 675 000 |
| Water conservation and demand grant | 25 199 130 | 26 250 000 |
| Regional bulk infrastructure grant | - | 20 066 135 |
| | **55 588 294** | **72 265 134** |
| **Total Government Grants and Subsidies** | **195 111 587** | **196 885 959** |

**National: Equitable Share**

| | 2025 | 2024 |
|---|---|---|
| Current year receipts | 121 571 000 | 114 382 000 |
| Transferred to Revenue | (121 571 000) | (114 382 000) |

In terms of Section 227 of the Constitution, this grant is used to enable the municipality to provide basic services and perform functions allocated to it. The Equitable Share grant also provides funding for the municipality to deliver free basic services to poor households and subsidise the cost of administration and other core services for the municipality.

The prior year Government grants and subsidies balance has been restated. Refer to prior period errors note for information

**Municipal infrastructure grant - Conditional**

| | 2025 | 2024 |
|---|---|---|
| Current year receipts | 23 438 000 | 22 273 999 |
| Conditions met - transferred to Revenue | (23 438 000) | (22 273 999) |

| | 2025<br>R | 2024<br>Restated*<br>R |
|---|---|---|

## 29. GOVERNMENT GRANTS AND SUBSIDIES (Continued)

### Municipal infrastructure grant

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been withheld.

### DSRAC libraries grant

| | 2025 | 2024 |
|---|---|---|
| Current year receipts | 3 105 000 | 2 308 000 |
| Transferred to Revenue | (3 105 000) | (2 308 000) |

This grant was received from the Department of Sport, Recreation, Arts and Culture. This grant is used to support the maintenance of the library.

### Regional Bulk Infrastructure Grant - Conditional

| | 2025 | 2024 |
|---|---|---|
| Current year receipts | - | 20 066 135 |
| Conditions met - transferred to Revenue | - | (20 066 135) |

RBIG allocation is received from the department of water and sanitation to assist with drought alleviation in the municipality.

The grant is received in tranches based on the spending by the municipality. The grant is therefore a reimbursement. Due to timing differences in reporting periods, an amount was spent in the prior year and claimed but the receipt of the grant was only in the new year.

### SETA Training Grant

| | 2025 | 2024 |
|---|---|---|
| Current year receipts | 377 916 | 419 585 |
| Conditions met - transferred to Revenue | (377 916) | (419 585) |

SETA grant is a mandatory funding received from MICT SETA derived from the skills levy paid by the municipality

### Finance Management Grant - Conditional

| | 2025 | 2024 |
|---|---|---|
| Current year receipts | 3 000 000 | 3 100 000 |
| Conditions met - transferred to Revenue | (3 000 000) | (3 100 000) |

The municipality utilised the grant for the employment of Financial Interns, training in line with competencies and the compilation of annual financial statements, audit improvement and mSCOA implementations.

### Sarah Baartman district - Fire services Grant

| | 2025 | 2024 |
|---|---|---|
| Current year receipts | 2 600 000 | 2 097 570 |
| Transferred to Revenue | (2 600 000) | (2 097 570) |

Received from Sarah Baartman DM to part fund the municipality carrying out the district mandate for fire services.

### Expanded Public Works Programme Integrated Grant

| | 2025 | 2024 |
|---|---|---|
| Current year receipts | 1 359 000 | 1 118 000 |
| Transferred to Revenue | (1 359 000) | (1 118 000) |

This grant is used pay stipends for unemployed youths through the EPWP programme.

| | 2025<br>R | 2024<br>Restated*<br>R |
|---|---|---|

## 29. GOVERNMENT GRANTS AND SUBSIDIES (Continued)

### Sarah Baartman district - Clean up project

| | | |
|---|---|---|
| Current year receipts | - | 1 100 000 |
| Transferred to Revenue | - | (1 100 000) |

Received from Sarah Baartman DM to fund the municipality carrying out specific clean up campaign in community services

### Water service infrastructure grant - Conditional

| | | |
|---|---|---|
| Current year receipts | 25 200 000 | 26 250 000 |
| Transferred to Revenue | (25 199 130) | (26 250 000) |
| | **870** | **-** |

The water services infrastructure grant is allocated to the municipality to assist in drought relief.

### Municipal Disaster Relief Grant - Conditional Operational

| | | |
|---|---|---|
| Opening balance | 6 410 000 | - |
| Current year receipts | 16 416 000 | 10 085 000 |
| Transferred to Revenue | (6 951 165) | (3 675 000) |
| | **15 874 835** | **6 410 000** |

Grant received from the Department of Cooperative Governance & Traditional Affairs to counter the effects floods in the form of a municipal disaster relief grant

## 30. PUBLIC CONTRIBUTIONS AND DONATIONS

| | | |
|---|---|---|
| Eskom Municipal debt relief revenue | - | 133 241 239 |
| Donations-in-Kind | 170 000 | 12 680 549 |
| Auditor-General debt waive | 1 873 771 | 2 501 985 |
| **Public Contributions and Donations** | **2 043 771** | **148 423 773** |

The prior year Public contributions and donations balance has been restated. Refer to prior period errors note for information

## 31. EMPLOYEE RELATED COSTS

| | | |
|---|---|---|
| Basic Salaries and Wages | 139 754 793 | 126 669 684 |
| Bonus | 10 836 975 | 10 034 538 |
| Medical aid - company contributions | 9 439 317 | 8 332 332 |
| Unemployment insurance fund | 992 685 | 917 352 |
| Skills Development Levy | 1 751 579 | 1 573 385 |
| Pension fund contributions | 22 753 753 | 21 226 130 |
| Travel, Motor Car, Accommodation, Subsistence allowance | 4 260 605 | 3 884 765 |
| Overtime Payments | 12 039 300 | 10 353 056 |
| Housing Benefits and Allowances | 423 531 | 388 930 |
| Other allowances | 2 080 595 | 2 009 458 |
| | | - |
| **Total Employee Related Costs** | **204 333 133** | **185 389 630** |

The prior year Employeer related cost balance has been restated. Refer to prior period errors note for information

| | 2025<br>R | 2024<br>Restated*<br>R |
|---|---|---|

## 31. EMPLOYEE RELATED COSTS (Continued)

| | 2025 | 2024 |
|---|---|---|
| **Remuneration of Municipal Manager** | | |
| Annual Remuneration | 1 261 630 | 1 070 921 |
| Contributions to UIF, Medical and Pension Funds | 177 811 | 158 400 |
| Allowances | 290 067 | 262 420 |
| | **1 729 508** | **1 491 741** |
| **Remuneration of Chief Financial Officer** | | |
| Annual Remuneration | 1 134 593 | 1 009 838 |
| Contributions to UIF, Medical and Pension Funds | 16 276 | 14 439 |
| Allowances | 301 030 | 204 936 |
| | **1 451 899** | **1 229 214** |
| **Remuneration of Director - Corporate Services** | | |
| Annual Remuneration | 997 297 | 826 009 |
| Contributions to UIF, Medical and Pension Funds | 183 146 | 161 011 |
| Allowances | 271 030 | 245 436 |
| | **1 451 472** | **1 232 456** |
| **Remuneration of the Director - Planning and Engineering** | | |
| Annual Remuneration | 1 129 094 | 942 766 |
| Contributions to UIF, Medical and Pension Funds | 16 280 | 14 301 |
| Allowances | 307 030 | 278 436 |
| | **1 452 403** | **1 235 503** |
| **Remuneration of Acting Director - Community Services** | | |
| Annual Remuneration | 969 369 | 677 950 |
| Contributions to UIF, Medical and Pension Funds | 240 093 | 10 062 |
| Allowances | 177 269 | 177 187 |
| | **1 386 731** | **865 199** |

## 32. REMUNERATION OF COUNCILLORS

| | 2025 | 2024 |
|---|---|---|
| Councillor remuneration and allowances | 10 094 816 | 9 949 338 |
| | **10 094 816** | **9 949 338** |

| Councillor | Remuneration | Allowances | Total 2025 |
|---|---|---|---|
| Mayor - Cllr W.J Safers | 930 143 | 82 798 | 1 012 941 |
| Speaker - Cllr C.W Felix | 772 751 | 47 004 | 819 755 |
| Executive committee - Cllr K.E Kekana | 408 201 | 47 004 | 455 205 |
| Executive committee - Cllr E.L Loock | 381 662 | 73 543 | 455 205 |
| Executive committee - Cllr E.A Ruiters | 408 201 | 47 004 | 455 205 |
| MPAC chairperson - Cllr T.L.A Plaatjies | 305 975 | 47 004 | 352 979 |
| Cllr A Arries | 308 722 | 47 004 | 355 726 |
| Cllr J.J Arries * | 293 646 | 45 979 | 339 625 |
| Cllr D.J Bezuidenhout | 308 722 | 47 004 | 355 726 |
| Cllr I.J Bolligelo | 308 722 | 47 004 | 355 726 |
| Cllr H Booysen | 308 722 | 47 004 | 355 726 |
| Cllr M Deyzel | 308 722 | 43 200 | 351 922 |
| Cllr Y Frazenburg | 308 722 | 47 004 | 355 726 |
| Cllr X.N Galada | 308 722 | 47 004 | 355 726 |

| | 2025 | 2024 Restated* |
|---|---|---|
| | R | R |

### 32. REMUNERATION OF COUNCILLORS (Continued)

| Councillor | Remuneration | Allowances | Total 2025 |
|---|---|---|---|
| Cllr K Hendricks | 308 722 | 47 004 | 355 726 |
| Cllr N.A.V Jacobs | 308 722 | 47 004 | 355 726 |
| Cllr A Koeberg | 374 658 | 47 004 | 421 662 |
| Cllr J.D Lomberg | 308 722 | 47 004 | 355 726 |
| Cllr A.S Nofemele | 308 722 | 47 004 | 355 726 |
| Cllr R.L Smith | 308 722 | 47 004 | 355 726 |
| Cllr T.R Spogter | 403 147 | 47 004 | 450 151 |
| Cllr A.R Van Heerden | 308 722 | 47 004 | 355 726 |
| Cllr I.J Van Zyl | 308 722 | 47 004 | 355 726 |
| Cllr J.J Williams | 308 722 | 47 004 | 355 726 |
| | **8 909 215** | **1 185 601** | **10 094 816** |

* Served for portion of the year only

| Councillor | Remuneration | Allowances | Total 2024 |
|---|---|---|---|
| Mayor - Cllr W.J Safers | 961 828 | 46 353 | 1 008 181 |
| Speaker - Cllr C.W Felix | 771 014 | 46 353 | 817 367 |
| Executive committee - Cllr K.E Kekana | 402 450 | 46 353 | 448 803 |
| Executive committee - Cllr E.L Loock | 402 450 | 46 353 | 448 803 |
| Executive committee - Cllr E.A Ruiters | 402 450 | 46 353 | 448 803 |
| MPAC chairperson - Cllr T.L.A Plaatjies * | 372 983 | 46 353 | 419 336 |
| Cllr A Arries | 305 184 | 46 353 | 351 537 |
| Cllr D.J Bezuidenhout | 305 184 | 46 353 | 351 537 |
| Cllr I.J Bolligelo | 305 184 | 46 353 | 351 537 |
| Cllr H Booysen | 305 184 | 46 353 | 351 537 |
| Cllr M Deyzel | 305 184 | 42 600 | 347 784 |
| Cllr Y Frazenburg | 305 184 | 46 353 | 351 537 |
| Cllr X.N Galada | 295 863 | 46 353 | 342 216 |
| Cllr K Hendricks | 305 184 | 46 353 | 351 537 |
| Cllr N.A.V Jacobs | 305 184 | 46 353 | 351 537 |
| Cllr J.D Lomberg | 305 184 | 46 353 | 351 537 |
| Cllr A Mfundisi | 305 184 | 46 353 | 351 537 |
| Cllr A.S Nofemele | 305 184 | 46 353 | 351 537 |
| Cllr R.L Smith | 305 184 | 46 353 | 351 537 |
| Cllr T.R Spogter | 402 450 | 46 353 | 448 803 |
| Cllr A.R Van Heerden | 305 184 | 46 353 | 351 537 |
| Cllr I.J Van Zyl | 303 738 | 46 353 | 350 091 |
| Cllr G.J Wiehahn * | 256 733 | 42 436 | 299 169 |
| Cllr J.J Williams | 305 184 | 46 353 | 351 537 |
| | **8 844 536** | **1 104 802** | **9 949 338** |

The Remuneration of Councillors is based on the upper limit as per the Government Gazette.

No in-kind benefits have been received by council

| | 2025<br>R | 2024<br>Restated*<br>R |
|---|---|---|

## 33. DEBT IMPAIRMENT

| | | |
|---|---|---|
| Debt impairment | 111 214 169 | 88 665 591 |
| Bad debts written off | 30 180 788 | 22 450 410 |
| Movement in VAT included in debt impairment | (8 418 414) | (9 849 333) |
| | **132 976 544** | **101 266 668** |

Debt impairment is an assessment of the amounts that will not be recovered from the debtors, based on the municipality's policy.

The prior year Debt Impairment balance has been restated. Refer to prior period errors note for information.

## 34. DEPRECIATION AND AMORTISATION

| | | |
|---|---|---|
| Depreciation: Property, Plant and Equipment | 54 332 553 | 58 001 170 |
| Depreciation: Investment Property | 41 366 | 41 366 |
| **Total Depreciation and Amortisation** | **54 373 919** | **58 042 536** |

The prior year Depreciation and Amortisation balance has been restated. Refer to prior period errors note for information.

## 35. IMPAIRMENT LOSS

| | | |
|---|---|---|
| Property, plant and equipment | 2 432 038 | 241 985 |

## 36. FINANCE COST

| | | |
|---|---|---|
| Long service award | 1 154 977 | 1 226 129 |
| Post retirement medical benefit | 5 254 594 | 4 388 654 |
| Trade and other payables | 40 853 821 | 55 165 402 |
| Municipal Debt Relief | 57 092 041 | 22 320 643 |
| | **104 355 432** | **83 100 828** |

Finance cost for Long service and post retirement medical benefit disclosed separately for the net expense of employee benefits liabilities recognised in the statement of financial performance

## 37. BULK PURCHASES

| | | |
|---|---|---|
| Electricity | 156 478 171 | 134 568 958 |
| | **156 478 171** | **134 568 958** |

## 38. OPERATIONAL COST

| | | |
|---|---|---|
| Unwinding of provision of landfill sites obligation | 5 035 000 | 5 854 650 |
| Advertising, Publicity and Marketing | 185 743 | 187 101 |
| Audit Fees - External | 8 179 263 | 7 398 129 |
| Bank Charges | 555 015 | 764 598 |
| Cash Shortage | 209 | 7 110 |
| Chemicals | 8 020 616 | 5 893 766 |
| Commissions | 6 050 075 | 2 215 493 |
| Communication | (10 332) | 107 926 |
| Consumables | 15 153 071 | 11 882 951 |
| Cost recoveries | 39 315 | 79 006 |

| | 2025<br>R | 2024<br>Restated*<br>R |
|---|---|---|

## 38. OPERATIONAL COST (Continued)

| | | |
|---|---|---|
| Courier and Delivery Services | 811 021 | 916 095 |
| External Computer Services | 4 369 400 | 3 820 650 |
| Grants and Donations Made | 120 000 | 120 000 |
| Hire charges | 1 126 209 | 642 734 |
| Insurance underwriting | 951 057 | 2 121 072 |
| Inventories losses/write-downs | (266 681) | (6 510) |
| Levies | 441 115 | 476 835 |
| Motor vehicle expenses | 8 957 166 | 10 691 363 |
| Municipal service charges | 7 177 833 | 6 372 690 |
| Social clubs | 17 883 | - |
| Professional Bodies, Membership and Subscription | 2 200 280 | 2 066 434 |
| Remuneration to Ward Committees | 972 000 | 995 250 |
| Training and Seminars | 1 232 862 | 721 710 |
| Travel and subsistence | 3 933 373 | 2 871 218 |
| Uniform and Protective Clothing | 317 972 | 950 244 |
| Workmen's Compensation Fund | 1 288 562 | 1 099 411 |
| | **76 858 028** | **68 249 926** |

## 39. CONTRACTED SERVICES

| | | |
|---|---|---|
| Consultants and professional services | 5 160 602 | 4 465 362 |
| Outsourced services | 86 251 251 | 67 147 548 |
| | **91 411 853** | **71 612 910** |

### REPAIRS AND MAINTENANCE

Repairs and maintenance is removed as a line item from the statement of financial performance in line with GRAP and implementation of mSCOA as it does not reflect the nature of the expense. It is disclosed in various other expenditure line items as stated below:

The following expenditure relating to repairs and maintenance projects were identified by the municipality:

| | | |
|---|---|---|
| Contracted services | **18 073 711** | **6 590 032** |
| Outsourced service - Technical | 18 073 711 | 6 590 032 |
| | | |
| Operational cost | **8 601 856** | **9 422 668** |
| Consumables | 7 317 578 | 9 129 381 |
| IT maintenance | 77 943 | 293 286 |
| Hire charges | 772 880 | - |
| Motor vehicle expenses | 433 455 | - |
| | | |
| **Total** | **26 675 566** | **16 012 699** |

GRAP 17 requires disclosure of repairs and maintenance per asset class:

| | | |
|---|---|---|
| Buildings | 306 592 | 1 766 643 |
| Transport assets | 6 660 953 | 2 348 314 |
| Infrastructure assets | 18 159 460 | 11 330 694 |
| Community assets | 846 239 | 262 410 |
| Other assets | 702 323 | 304 639 |
| | **26 675 566** | **16 012 699** |

| | 2025<br>R | 2024<br>Restated*<br>R |
|---|---|---|

## 40. (GAINS)/LOSS ON DISPOSAL OF ASSETS

| | | |
|---|---|---|
| (Gains)/Loss on disposal of property, plant and equipment | 8 673 244 | (2 001 227) |

The municipality only transfers ownership or otherwise disposes of capital assets after the council, in a meeting open to the public, has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.

## 41. OPERATING LEASES

| | | |
|---|---|---|
| Furniture and Office Equipment | 5 471 271 | 4 875 223 |
| Transport Assets | 8 445 613 | 8 937 815 |
| | **13 916 884** | **13 813 038** |

Lease of voltage optimization System

The Municipality is a lessee as it has entered into operating leases for the use of voltage optimization equipment with Sky Metro Equipment (Pty) Ltd. These leases were negotiated for a three year term from 1 October 2021 to 30 September 2024, with no renewal clauses, purchase options or contingent rent or subleases. The lease payments do not carry any escalations per annum; therefore, the Municipality is required to straight line the lease payments.

The minimum lease payments due under the above lease are as follows: within one year: R0 (2024: R68 700) 2 – 5 years inclusive: R0 (2024: R0) over 5 years: R0 (2024: R0)

Lease of photocopiers

The Municipality is a lessee as it has entered into operating leases for the use of photocopiers and office equipment with Sky Metro Equipment (Pty) Ltd. These leases were negotiated for a two year term from 1 November 2022 to 30 October 2024, with no renewal clauses, purchase options or contingent rent or subleases. The lease payments do not carry any escalations per annum; therefore, the Municipality is required to straight line the lease payments.

The minimum lease payments due under the above lease are as follows: within one year: R907 023 (2024: R2 577 360) 2 – 5 years inclusive: R859 120 (2024: R859 120) over 5 years: R0 (2024: R0)

Lease of telephones system

The Municipality is a lessee as it has entered into operating leases for the use of telephones with Sky Metro. These leases were negotiated for a three year term from 1 November 2022 to 30 October 2025, with no renewal clauses, purchase options or contingent rent or subleases. The lease payments do not carry any escalations per annum; therefore, the Municipality is required to straight line the lease payments.

The minimum lease payments due under the above lease are as follows: within one year: R220 511 (2024: R661 534) and 2 – 5 years inclusive: R0 (2024: R220 511) over 5 years: R0 (2024: R0)

Lease of vehicles

The Municipality is a lessee as it has entered into operating leases for the use of vehicles with Sky Metro. These leases were negotiated for a three year term from 4 November 2023 to 30 October 2026, with no renewal clauses, purchase options or contingent rent or subleases. The lease payments do not carry any escalations per annum; therefore, the Municipality is required to straight line the lease payments.
The minimum lease payments due under the above lease are as follows: within one year: R8 276 184 (2024: R8 276 184) and 2 – 5 years inclusive: R2 758 728 (2024: R11 034 912)

At the Reporting Date the following minimum lease payments were payable under Non-cancellable operating leases for Property, Plant and Equipment, which are payable as follows:

| | | |
|---|---|---|
| Payable within 1 year | 9 403 718 | 11 583 778 |
| Payable within 2 to 5 years | 2 758 728 | 12 114 543 |
| | **12 162 446** | **23 698 321** |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2025**

| | 2025<br>R | 2024<br>Restated*<br>R |
|---|---|---|

### 42. ACTUARIAL (LOSSES) / GAINS

| | 2025 R | 2024 Restated* R |
|---|---|---|
| Actuarial (losses) / gains | 614 304 | (2 111 755) |
| | **614 304** | **(2 111 755)** |

### 43. CASH GENERATED BY OPERATIONS

| | 2025 R | 2024 Restated* R |
|---|---|---|
| Deficit for the Year | (241 770 210) | (26 245 311) |
| **Adjustment for:** | | |
| Depreciation and Amortisation | 54 373 919 | 58 042 536 |
| Losses / (Gains) on Disposal of Property, Plant and Equipment | 8 673 244 | (2 001 227) |
| Debt impairment | 132 976 544 | 101 266 668 |
| Finance cost Other financial liabilities | 22 221 | 1 673 167 |
| Employee benefit obligation - Current service cost | 3 508 813 | 2 548 694 |
| Employee benefit obligation - Current interest cost | 6 409 571 | 5 614 783 |
| Employee benefit obligation - Subsidies paid | (2 506 753) | (2 478 937) |
| Employee benefit obligation - Actuarial gains | (614 304) | 2 111 755 |
| Provision non cash movement - Unwinding | 5 790 250 | 3 981 830 |
| Public contributions and donations | (2 043 771) | (15 182 534) |
| Municipal Debt Relief Revenue | - | (133 241 239) |
| Municipal Debt Relief Finance cost | 57 092 040 | 22 320 643 |
| Impairment loss | 2 432 038 | 241 985 |
| **Operating surplus before working capital changes** | **24 343 602** | **18 652 813** |
| **Changes in working capital:** | | |
| Decrease/(Increase) in Inventories | (1 205 027) | (4 899 633) |
| Decrease/(Increase) in Receivables Exchange | (100 383 378) | (105 279 290) |
| Decrease/(Increase) in Statutory Receivables Non Exchange | (30 396 360) | (7 130 323) |
| Decrease/(Increase) in Other receivables | 3 022 821 | (3 527 904) |
| Increase/(Decrease) in Payables Exchange | 176 447 743 | 160 580 071 |
| Increase/(Decrease) in Payables Non Exchange | (1 541 539) | (1 950 653) |
| Decrease/(Increase) in VAT Accrual Receivable | (23 891 906) | (19 878 773) |
| Increase/(Decrease) in VAT Accrual Payable | (802 984) | 579 901 |
| Increase/(Decrease) in Unspent conditional grants Liability | 9 465 706 | 6 410 000 |
| Increase/(Decrease) in Consumer Deposits | 358 718 | 35 446 |
| **Cash generated by Operations** | **55 417 396** | **43 591 655** |

The cash flow statement and related cash generated by operations has been restated for the prior year disclosure

### 44. PRIOR PERIOD ERRORS

During the year the following errors were discovered in the prior year annual financial statements and the financial accounting system. These errors have been corrected restrospectively through restatements of prior year through journals in the financial accounting system and correcting the misrepresented prior year column on the annual financial statements.

| **STATEMENT OF FINANCIAL POSITION** | **Previously reported** | **Reclassified** | **Correction of error** | **Restated 2024** |
|---|---|---|---|---|
| **Current Assets** | | | | |
| VAT Accrual Receivable | 39 127 307 | 37 192 974 | (19 886) | 76 300 396 |
| Other receivables | 5 865 736 | (1 303 700) | 24 179 | 4 586 215 |
| Receivables from Non-exchange transactions | 4 861 464 | 1 303 700 | - | 6 165 164 |
| Receivables from Exchange transactions | 29 903 518 | - | 58 277 | 29 961 795 |
| Investment Property | 27 292 764 | (643 474) | - | 26 649 290 |
| Property, Plant and Equipment | 1 071 247 674 | 643 474 | 235 576 | 1 072 126 725 |

| | 2025 | 2024 Restated* |
|---|---|---|
| | R | R |

## 44. PRIOR PERIOD ERRORS (Continued)

| STATEMENT OF FINANCIAL POSITION | Previously reported | Reclassified | Correction of error | Restated 2024 |
|---|---|---|---|---|
| **Current Liabilities** | | | | |
| VAT Accrual Payable | - | 34 982 200 | (33 010 523) | 1 971 677 |
| Payables from Exchange Transactions | 345 532 010 | 2 210 774 | 262 246 | 348 005 030 |
| Payables from Non-exchange Transactions | 4 925 470 | - | (600 000) | 4 325 470 |
| **TOTAL ASSETS** | **1 207 365 390** | **37 192 974** | **298 147** | **1 244 856 511** |
| **TOTAL LIABILITIES** | **792 940 246** | **37 192 974** | **(33 348 277)** | **796 784 944** |
| **STATEMENT OF FINANCIAL PERFORMANCE** | | | | |
| **Revenue from Non-exchange Transactions** | | | | |
| Government grants and subsidies | 196 285 959 | - | 600 000 | 196 885 959 |
| Public contributions and donations | 148 345 000 | - | 78 773 | 148 423 773 |
| Gains on disposal of assets | 2 001 219 | - | 8 | 2 001 227 |
| **Expenditure** | | | | |
| Employee related costs | (185 178 029) | - | (211 601) | (185 389 630) |
| Remuneration of councillors | (9 973 517) | - | 24 179 | (9 949 338) |
| Debt impairment | (111 116 001) | - | 9 849 333 | (101 266 668) |
| Depreciation and amortisation | (59 075 815) | - | 1 033 279 | (58 042 536) |
| Operational Cost | (68 216 994) | - | (32 932) | (68 249 926) |
| Contracted Services | (71 605 423) | - | (7 487) | (71 612 910) |
| **ACCUMULATED SURPLUS adjustments** | | | | |
| Opening balance as previously reported | (452 004 005) | - | - | (452 004 005) |
| Prior period errors impacting opening balance: | | | | |
| Property, Plant and Equipment | | | 876 484 | 876 484 |
| VAT Payables Accrual | | | (23 161 190) | (23 161 190) |
| Payables from Exchange Transactions | | - | (28 166) | (28 166) |
| **Balance at 01 July 2023 as restated** | **(452 004 005)** | **-** | **(22 312 872)** | **(474 316 877)** |
| Deficit for the year | 37 578 863 | - | - | 37 578 863 |
| Prior period errors impacting deficit for the year: | | | | |
| Government grants and subsidies | | - | (600 000) | (600 000) |
| Public contributions and donations | | - | (78 773) | (78 773) |
| Gains on disposal of assets | | | (8) | (8) |
| Employee related costs | | - | 211 601 | 211 601 |
| Remuneration of councillors | | | (24 179) | (24 179) |
| Debt impairment | | - | (9 849 333) | (9 849 333) |
| Depreciation and amortization | | - | (1 033 279) | (1 033 279) |
| Operational cost | | - | 32 932 | 32 932 |
| Contracted Services | | - | 7 487 | 7 487 |
| **Balance at 01 July 2024 as restated** | **(414 425 142)** | **-** | **(33 646 424)** | **(448 071 566)** |
| **STATEMENT OF CASH FLOW STATEMENT** | | | | |
| **Cash flow from operating activities** | | | | |
| Rates and services | 220 021 953 | - | 1 098 948 | 221 120 901 |
| Government grants and subsidies | 202 695 959 | - | 600 000 | 203 295 959 |
| Public contributions and donations | 2 501 985 | - | (2 501 985) | - |
| Interest - investment | 1 102 203 | - | 17 818 078 | 18 920 281 |
| Employee cost | (193 069 693) | - | 82 456 | (192 987 237) |

| | 2025 | 2024 Restated* |
|---|---|---|
| | R | R |

## 44. PRIOR PERIOD ERRORS (Continued)

| STATEMENT OF CASH FLOW STATEMENT | Previously reported | Reclassified | Correction of error | Restated 2024 |
|---|---|---|---|---|
| Suppliers | (113 847 876) | - | (39 418 138) | (153 266 014) |
| Interest paid | (75 812 878) | - | 22 320 643 | (53 492 235) |
| **Net cash flow from operating activities** | **43 591 653** | **-** | **-** | **43 591 655** |
| **Cash flow from investing activities** | | | | |
| Purchase of property, plant and equipment | (50 715 527) | - | 959 | (50 714 569) |
| Proceeds from sale of property, plant and equipment | 17 142 676 | - | (959) | 17 141 717 |
| | **(33 572 851)** | **-** | **-** | **(33 572 852)** |

**DESCRIPTION OF ERRORS**

**VAT Receivables/Payables accrual**

- Appropriate accounting was performed in line with the Accounting Standards Board developed VAT fact sheet 11. This required a split between the VAT control and VAT accrual and further split of VAT accrual between the Input and Output accrual.
- The VAT output accrual required an adjustment for the impact of the provision for doubtful debts and the relevant VAT implications. The VAT was previously not adjusted for and the full movement of debt provision was recognised in the deficit.
- Debt impairment expense and Payables from Exchange is impact by this restatement

**Receivables from Exchange Transactions**

- A contract employee was not terminated on the system after the term expired which meant the employee was continously paid for work not done. The individual was requested to repay and an account was opened for him.
- Employee related costs expense is impacted by this restatement

**Other Receivables**

- The fines accrual balance was incorrectly disclosed as Other receivables but are arise by law and contravention by individual which makes it a Statutory receivables. This balance is therefore transferred from other to Statutory receivables.
- Statutory Receivables from Non-Exchange Transactions is impacted by this restatement

**Property, Plant and Equipment**

- An asset item was donated to the municipality by Sarah Baartman District Municipality but not accounted for in the correct financial year since information was not provided to the Assets department. Identified during physical verification that took place
- Public contributions and donations revenue and Depreciation expense is impacted by this restatement
- Certain buildings on the register was not appropriately componentized which has been corrected in the current year
- An item of Work in progress in the prior year was completed before 30/06/2024 resulting in error in classification
- Some land parcels classified as Investment property had changed their classification to owner use/service delivery. This reclassification is not relevant to the current but rather prior years. Transferred to Property, plant and equipment.
- The classification of Landfill sites was revisited with amounts being reclassified to Buildings and Infrastructure under PPE in order to align with GRAP 17 reporting of classes of assets.

**Payables from Non-Exchange Transactions**

- An amount received by the municipality for grants was unallocated and sitting as a payable. This amount relates to the Sarah Baartman Fire Grant and reallocated accordingly.
- Government grants and subsidies revenue is impacted by this restatement

**Payables from Exchange Transactions**

- Non-moving items were investigated and we noted that some items have been duplicated and old debt prescribed
- The Department of Water Affairs incorrectly charged Dr Beyers Naude Municipality for borehole fees which related to other municipalities. A credit note was issued and corrected accordingly
- Short payments to the "SALA pension fund" due to rates changes that took place during 2020/21. The company contribution is affected and the additional liability is being recognised
- VAT receivable accrual and employee related cost expense is impacted by this restatement

**Other prior period adjustments**

- The Cash flow and related notes were restated for prior years to improve the disclosure of information in line with GRAP 2
- Adjustment in terms of GRAP 109 was required to ensure adequate disclosure of principal-agent information

| | 2025<br>R | 2024<br>Restated*<br>R |
|---|---|---|

## 45. COMMITMENTS

**Authorised capital expenditure contracted for but not provided for**

| | | |
|---|---|---|
| **Total Capital Commitments** | **69 956 638** | **79 181 772** |

A significant portion (98%) of the committed expenditure relates Infrastructure and will be financed by Government Grants and own resources

| | | |
|---|---|---|
| This expenditure will be financed from: | | |
| Government Grants | 69 139 958 | 79 181 772 |
| Own Resources | 816 679 | - |
| | **69 956 638** | **79 181 772** |

## 46. UNAUTHORISED EXPENDITURE

| | | |
|---|---|---|
| **Reconciliation of Unauthorised Expenditure:** | | |
| Opening balance | 203 799 755 | 622 642 629 |
| Add: Unauthorised Expenditure current year | 201 952 041 | 98 023 159 |
| Less: Approved by Council or condoned | (203 799 755) | (516 866 033) |
| **Unauthorised Expenditure awaiting authorisation** | **201 952 041** | **203 799 755** |

The unauthorised expenditure additions are primarily related to the overspending of budget votes as defined in the MFMA:

| ***Budgeted votes exceeded:-*** | ***Amount*** | ***Status*** |
|---|---|---|
| *Vote 4 - CORPORATE SERVICES: COMM SERV* | *16 654 706* | *To be investigated and considered by council* |
| *Vote 5 - CORPORATE SERVICES: PROTECTION* | *16 326 210* | *To be investigated and considered by council* |
| *Vote 6 - FINANCIAL SERVICES* | *87 369 688* | *To be investigated and considered by council* |
| *Vote 7 - TECHNICAL SERVICES: ENGINEERING* | *76 280 956* | *To be investigated and considered by council* |
| *Vote 8 - TECHNICAL SERVICES: ELECTRICAL* | *5 320 481* | *To be investigated and considered by council* |
| | ***201 952 041*** | |

## 47. FRUITLESS AND WASTEFUL EXPENDITURE

| | | |
|---|---|---|
| **Reconciliation of Fruitless and Wasteful expenditure:** | | |
| Opening balance | 128 634 462 | 114 018 441 |
| Add: Fruitless and Wasteful Expenditure current year | 40 831 600 | 53 492 236 |
| Less: Written off by Council | (128 634 462) | (38 876 214) |
| **Fruitless and wasteful expenditure awaiting authorisation** | **40 831 600** | **128 634 462** |

| | | |
|---|---|---|
| **Details of Fruitless and Wasteful Expenditure** | | |
| Interest charged by CJ Bouwer | 16 842 | - |
| Interest charged by Amatola water board | 48 245 | 56 426 |
| Interest charged by Auditor General | 138 011 | 286 686 |
| Interest Charged by Eskom | 36 483 708 | 42 645 175 |
| SARS penalties and interest | 3 595 843 | 4 717 571 |
| Interest charged by the department of water and sanitation | 143 319 | 311 483 |
| Interest charged by MDL Electrical | 18 988 | - |
| Interest charged by Workmans compensation fund | 345 080 | 768 456 |
| Interest and Penalties charged by Pension Funds | - | 4 632 369 |
| Interest charged by Piet Viljoen Motors | 26 081 | 8 843 |
| Interest charged to LA Health | - | 62 908 |
| Interest charged by other | 15 483 | 2 318 |
| | **40 831 600** | **53 492 236** |

| | 2025<br>R | 2024<br>Restated*<br>R |
|---|---|---|

## 48. IRREGULAR EXPENDITURE

| | | |
|---|---|---|
| **Reconciliation of Irregular Expenditure:** | | |
| Opening balance | 168 819 902 | 465 058 814 |
| Add: Irregular Expenditure current year | 47 073 636 | 61 772 835 |
| Less: Written off by Council | (168 819 902) | (358 011 747) |
| **Irregular Expenditure awaiting authorisation** | **47 073 636** | **168 819 902** |

## 49. DEVIATION 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.

Goods and services to the value of R11 535 266 (2024 - R14 090 816) were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

| | | |
|---|---|---|
| **Incidents** | | |
| Deviations due to Emergency procurement | 2 713 265 | 4 461 467 |
| Deviations due to Sole supplier procurement | 1 204 247 | 491 066 |
| Deviations due to impracticality of following SCM processes | 7 617 754 | 9 138 283 |
| | 11 535 266 | 14 090 816 |

## 50. RELATED PARTIES

| | | |
|---|---|---|
| **Relationships** | | |
| Mayor | | Cllr W.J Safers |
| Speaker | | Cllr C.W Felix |
| Executive committee | | Cllr E.A Ruiters |
| Executive committee | | Cllr E.L Loock |
| Executive committee | | Cllr K.E Kekana |
| MPAC chairperson | | |
| Councillor | Cllr A Arries | Cllr T.R Spogter |
| Councillor | Cllr D.J Bezuidenhout | Cllr J.D Lomberg |
| Councillor | Cllr I.J Bolligelo | Cllr A Mfundisi-Koeberg |
| Councillor | Cllr H Booysen | Cllr A.S Nofemele |
| Councillor | Cllr I.J Van Zyl | Cllr T.L.A Plaatjies |
| Councillor | Cllr M Deysel | Cllr R.L Smith |
| Councillor | Cllr Y.D Frazenburg | Cllr A.R Van Heerden |
| Councillor | Cllr K Hendricks | Cllr J.J Arries * |
| Councillor | Cllr N.A.V Jacobs | Cllr J.J Williams |
| Councillor | Cllr X.M Galada | |
| Municipal manager | | Dr. E.M Rankwana |
| Director of engineering and planning | | B Arends |
| Chief financial officer | | J. Joubert |
| Director of Corporate Services | | Z. Kali |
| Acting Director of Community Services | | E. Abader |

| | 2025 | 2024 Restated* |
|---|---|---|
| | R | R |

### 50. RELATED PARTIES (Continued)

The mayor and councillors only received remuneration as set out in Note32. Rates and municipal services were in line with other customers, see note 6.

The Section 57 managers only received remuneration as set out in Note 31. Rates and municipal services were in line with other customers.

All councillors and employees have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over Council in making financial and operating decisions.

All related government entities transactions, including the district municipality, such as rates and municipal services were in line with government legislation.

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

The municipality did not have any transactions with related parties listed during the financial year.

### 51. PRINCIPAL-AGENT ARRANGEMENTS

The municipality is party to a principal-agent arrangement for the prepaid electricity sales. In terms of the arrangement the municipality is the principal and the agent is responsible for the prepaid vending sales and collection on our behalf. Utilities world (agent) was the prepaid vendor where the contract expired during the 2024/25 financial year and re-appointed following a fresh tender bid process. No significant change in the terms and conditions occured. No significant risk arises as the vendor is required to deposit the weekly cash to the municipality which remains enforced. A sudden termination of the contract would have major consequences for the municipality and community, the risk which is monitored weekly with the deposits.

| | 2025 | 2024 |
|---|---|---|
| Cash of the municipality that are under the custodianship of the agent | - | 1 786 361 |
| Fee paid as commission to the agent | 2 234 512 | 2 011 025 |

### 52. FINANCIAL INSTRUMENTS

#### *52.1 Classification*

The Municipality recognised the following financial instruments:

Financial Assets
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

| | 2025 | 2024 |
|---|---|---|
| Cash and Cash Equivalents | 27 808 885 | 9 366 017 |
| Receivables from Exchange transactions | 22 541 297 | 29 961 795 |
| Other receivables | 1 563 394 | 4 586 215 |
| **Total** | **51 913 576** | **43 914 027** |

Financial Liabilities
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

| | | 2025 | 2024 |
|---|---|---|---|
| Other financial liabilities | Amortized cost | - | 1 049 339 |
| Payables from exchange transactions | Amortized cost | 462 521 570 | 262 179 290 |
| Municipal Debt Relief financial liabilities | Fair value | 398 279 010 | 341 186 970 |
| **Total** | | **860 800 580** | **604 415 599** |

| | 2025 | 2024 Restated* |
|---|---|---|
| | R | R |

## 52. FINANCIAL INSTRUMENTS (Continued)

### 52.2 Risk management

**Liquidity risk**

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

The municipality aims to maintain flexibility in funding by keeping committed credit lines available. The municipality manages a budget which is updated regularly and reported to the municipal management and the council.

The table below analyses the municipalities financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| At 30 June 2025 | Maturity less than a year | Maturity more than a year | Total |
|---|---|---|---|
| Payables from exchange transactions | 462 521 570 | - | 462 521 570 |
| Municipal Debt Relief financial liabilities | 398 279 010 | - | 398 279 010 |

| At 30 June 2024 | Maturity less than a year | Maturity more than a year | Total |
|---|---|---|---|
| Payables from exchange transactions | 262 179 290 | - | 262 179 290 |
| Other financial liabilities | 1 049 339 | - | 1 049 339 |
| Municipal Debt Relief financial liabilities | 126 316 271 | 214 870 699 | 341 186 970 |

Liquidity risk is mainly concentrated on the trade and other payables balance.
The municipality does not have any collateral and /or credit enhancements that aid in the mitigation of the liquidity risks.

**Credit risk**

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

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

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

| Financial instrument | 2025 | 2024 |
|---|---|---|
| Cash and cash equivalents | 27 808 885 | 9 366 017 |
| Receivables from exchange transactions | 22 541 297 | 29 961 795 |

| | 2025 R | 2024 Restated* R |
|---|---|---|

## 52. FINANCIAL INSTRUMENTS (Continued)

### 52.2 Risk management (Continued)

**Market risk**

**Interest rate risk**

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Interest rate risk is managed by investing any surplus funds into high yield investments. The resultant interest earned is likely to offset interest paid, as both are linked to prime rates.

**Foreign currency risk**

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. The financial instruments of the Municipality is not directly exposed to any currency risk.

## 53. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

| **53.1 Contributions to organised local government - SALGA** | | |
|---|---|---|
| Opening Balance | 5 783 887 | 6 791 076 |
| Current year subscription/fee | 2 105 163 | 1 957 811 |
| Amount Paid - current year | (2 100 000) | (2 965 000) |
| **Balance Unpaid (included in Creditors)** | 5 789 050 | 5 783 887 |

| **53.2 Audit Fees** | | |
|---|---|---|
| Opening Balance | 1 461 447 | 2 203 073 |
| Current year Audit Fee | 9 406 152 | 8 470 548 |
| Credit note and adjustments | (1 856 372) | (2 590 597) |
| Amount Paid - current year | (7 243 283) | (6 621 576) |
| **Balance Unpaid (included in Creditors)** | 1 767 945 | 1 461 447 |

**53.3 VAT Control Payable**

The VAT Control (payable) balances are shown in Note 14. All VAT returns have been declared and submitted.

| **53.4 PAYE, Skills Development Levy and UIF** | | |
|---|---|---|
| Opening Balance | 43 730 687 | 39 379 499 |
| Current year Payroll Deductions | 32 110 187 | 27 978 875 |
| Amount Paid - current year | (61 097 805) | (30 355 062) |
| Adjustment | 3 031 521 | 6 727 374 |
| **Balance Unpaid (included in Creditors)** | **17 774 590** | **43 730 687** |

| **53.5 Pension and Medical Aid Deductions** | | |
|---|---|---|
| Opening Balance | 26 166 926 | 37 788 500 |
| Current year Payroll Deductions and Council Contributions | 49 771 434 | 41 936 339 |
| Amount Paid - current year | (59 197 697) | (54 894 690) |
| Adjustment | 65 603 | 1 336 777 |
| **Balance Unpaid (included in Creditors)** | **16 806 267** | **26 166 926** |

| | 2025 | 2024 Restated* |
|---|---|---|
| | R | R |

## 53. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)

### 53.6 Councillor's arrear Consumer Accounts

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

| | Outstanding up to 90 days | Outstanding more than 90 days | Total |
|---|---|---|---|
| **30 June 2025** | | | |
| Cllr E.L Loock | 3 332 | 53 | 3 385 |
| Cllr D Bezuidenhout | 7 814 | 8 112 | 15 926 |
| Cllr I Bolligelo | 2 031 | 30 274 | 32 305 |
| Cllr A Koeberg | - | 7 863 | 7 863 |
| Cllr Y Frazenburg | 4 422 | 59 047 | 63 470 |
| Cllr T.R Spogter | 2 550 | 4 471 | 7 021 |
| Cllr X Galada | 1 835 | 58 592 | 60 427 |
| Cllr K Hendricks | 1 936 | 1 652 | 3 588 |
| Cllr N Jacobs | 3 221 | 2 565 | 5 786 |
| Cllr J Lomberg | 2 895 | 13 034 | 15 929 |
| Cllr J.J Williams | 799 | 249 | 1 048 |
| Cllr A Arries | 1 936 | 43 410 | 45 346 |
| Cllr K Kekana | 2 334 | 25 117 | 27 451 |
| Cllr E Ruiters | 1 626 | 37 594 | 39 220 |
| Cllr R Smith | 2 545 | 28 165 | 30 710 |
| Cllr A Nofemele | 2 673 | 18 060 | 20 733 |
| | **41 949** | **338 259** | **380 208** |
| **30 June 2024** | | | |
| Cllr D Bezuidenhout | 6 589 | 8 589 | 15 178 |
| Cllr I Bolligelo | 1 905 | 20 390 | 22 296 |
| Cllr Y Frazenburg | 1 750 | 26 704 | 28 454 |
| Cllr X Galada | 1 830 | 49 063 | 50 893 |
| Cllr K Hendricks | 1 846 | 1 456 | 3 302 |
| Cllr N Jacobs | 3 076 | 3 382 | 6 458 |
| Cllr J Lomberg | 1 921 | 797 | 2 718 |
| Cllr J.J Williams | 681 | 5 135 | 5 816 |
| Cllr A Arries | 1 846 | 35 542 | 37 388 |
| Cllr K Kekana | 2 229 | 14 165 | 16 395 |
| Cllr E Ruiters | 1 550 | 28 765 | 30 315 |
| Cllr R Smith | 2 096 | 16 602 | 18 698 |
| Cllr A Nofemele | 4 336 | 6 145 | 10 481 |
| | **31 655** | **216 735** | **248 390** |

| | 2025<br>R | 2024<br>Restated*<br>R |
|---|---|---|

### 54. DISTRIBUTION LOSSES - ELECTRICITY

| | | |
|---|---|---|
| Electricity units (kWh) purchased from Eskom | 73 659 556 | 71 063 745 |
| Electricity units (kWh) sold to customers | (64 693 717) | (65 589 107) |
| | **8 965 838** | **5 474 638** |

Electricity losses occur due to inter alia, technical and non-technical losses. (Technical losses - Inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters/illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

Electricity losses for the financial year is 12,2% (2024 - 7,7%) of purchased electricity. The Rand value of the electricity losses for the period ending 30 June 2025 is R13 901 931 (2024 - R7 754 985)

### 55. DISTRIBUTION LOSSES - WATER

| | | |
|---|---|---|
| Balance at the beginning of the year in reservoirs and pipes | 21 680 | 35 836 |
| Water Units produced | 4 568 437 | 4 839 029 |
| Water Units sold | (2 214 595) | (2 654 068) |
| Balance at the end of the year in reservoirs and pipes | (21 680) | (21 680) |
| **Non revenue water** | **2 353 842** | **2 199 117** |

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

Water losses for the financial period amounted to 51,52% (2024 - 45,15%) of water produced. The Rand value of the water losses for the period ending 30 June 2025 is R59 998 664 (2024 - R53 334 903).

### 56. CONTINGENCIES

Contingencies arise from pending litigation on contractual disputes and damage claims. As the conclusion of the process is dependent on the setting of the dates by the respective courts, the timing of the economic outflow is therefore uncertain:

Harold Stephanus Kruger - Mr Kruger instituted a claim for damages suffered resulting from injuries caused after he allegedly fell into a ditch along a sidewalk.

Eskom - The Municipality is in dispute with Eskom for charging much higher tariffs than allowed and for years not reimbursing the Municipality for the utilization of it’s electrical network to supply Eskom customers in Municipal area. An amount was offered by Eskom however the municipality considers the amount to be much lower than the true amount which cannot be determined at this stage. The matter is outstanding.

Ilinge Labantu Training Institute CC - The plaintiff claims outstanding money for various training services rendered.

Bay Projects Coastal (Pty) Ltd - Served formal demand on Bay Projects for repayment of R1,269,768. Legal costs anticipated with uncertainty on the amount when it goes to trial

| | 2025 | 2024 Restated* |
|---|---|---|
| | R | R |

### 56. CONTINGENCIES (Continued)

Andries Oelofse - Mr Oelofse instituted legal action for damages resulting from injuries he suffered after allegedly falling on the pavement in Jansenville.

R Adams - The applicant is claiming for injuries and damages suffered resulting from her son who fell from an approximately 3 metre high pedestrian wall at Hope Street Graaff-Reinet.

SE Zaayman - Plaintiff is suing for damages resulting from a motor vehicle collision with a Mun vehicle driven by a Mun employee.

L Meshilinie - A bargaining council decision to reinstate an employee that was dismissed by the municipality may have financial implication for remuneration and benefits lost. An application to review the sanction is in progress.

SB Payne - The vehicle of the applicant collided with a municipal vehicle and claim was instituted against the municipality.

CP Boesak - Possible claim may be instituted for Clayton Boesak who was hospitalised for stadium gate that collapsed on him causing severe injuries

W Berrington - Former director lodged claim against the municipality for performance evaluations not yet paid out where the individual believes he qualified for 3 years.

**The table below summarises the potential financial impact of the law suits:**

| | 2025 | 2024 |
|---|---|---|
| Contingent Assets | | |
| Bay Projects Coastal (Pty) Ltd | 1 269 768 | 1 269 768 |
| | **1 269 768** | **1 269 768** |
| Contingent Liabilities | | |
| Ilinge Labantu Training Institute CC | 28 000 | 28 000 |
| Harold Stephanus Kruger | 400 000 | 400 000 |
| Andries Oelofse | 314 747 | 314 747 |
| CP Boesak | 10 000 000 | - |
| R Adams | 11 224 922 | 5 000 000 |
| SE Zaayman | 31 036 | 31 036 |
| SB Payne | 202 825 | 202 825 |
| W Berrington | 1 473 024 | - |
| | **23 674 554** | **5 976 608** |

### 57. EVENTS AFTER REPORTING DATE

No events occurred post year end that requires specific disclosure

| | 2025 | 2024 Restated* |
|---|---|---|
| | R | R |

## 58. GOING CONCERN

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

The current assets of the municipality of R173 302 998 (2024 - R134 982 821) are exceeded by the current liabilities of R947 781 192 (2024 - R495 461 809). The net current liabilities amounts to R774 478 194 (2024 - R360 478 988) and results in a current ratio of 0,18:1 (2024 - 0,27:1). The position casts some doubt on the ability to continue as a going concern.

The following material uncertainties of the financial statements are noted which casts significant doubt on the ability of the municipality's going concern status.

The municipality incurred a deficit of R241 770 210 during the 2025 financial year and is an increase in the deficit from the 2024 financial year of R26 245 311. This is mainly attributable to the municipal debt relief revenue in 2024.

The municipality faces severe financial challenges, primarily due to poor payment practices and excessive liabilities. It takes an average of 395 days to settle debts, with overdue payments making up 55.53% of budgeted expenditure. Its Debt/total borrowing ratio is 159%, significantly above the 45% norm, and current liabilities exceed next year's budget resources by 172%.

Additionally, the municipality's cash flow is compromised, with a liquidity ratio of only 0.03:1 against the required 1:1. Revenue collection is sluggish, with debtors taking 47 days to pay, and a 91% debtors’ impairment provision raises concerns about cash conversion.

Maintenance expenditures are critically low, at 2% against a recommended 8%, and distribution losses in electricity and water exceed acceptable limits. Ultimately, these issues point to ineffective financial management and a declining asset base, posing risks to the municipality's operational sustainability.

The municipality's sustainability as a going concern depends on key factors, primarily reliant on government grants for fulfilling its legislative duties. Ongoing efforts by the management to secure funding from national and provincial government, improved collection rates through updated credit control policies, and community engagement are critical. Additionally, cost containment strategies and collaboration with COGTA and MECs for local government and finance for support amid amalgamation challenges are necessary. The council has sanctioned a financial recovery and approved a budget funding plan, which is continuously monitored.

## 59. SEGMENT REPORTING

### General information

The segments were organised based on the type and nature of service delivered by the Municipality. These services are delivered in various municipal departments, which for reporting purposes are allocated to a standardised functional area (guided by mSCOA regulations). Budgets are prepared for each functional area and the budget versus actual amounts are reported on a monthly basis. Information reported about these segments is used by management as a basis for evaluating the segments’ performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

| | 2025 | 2024 Restated* |
|---|---|---|
| | R | R |

## 59. SEGMENT REPORTING (Continued)

The Municipality has several departments/functional areas and accordingly the segments were aggregated for reporting purposes as follow:

| Reportable segment | Goods and/or services delivered |
|---|---|
| Community and Social services | Community Halls, Cemeteries, Libraries, Parks and Sports fields |
| Energy sources | Electricity related services |
| Planning and Development | Town Planning, Economic Development, Corporate Planning / Project Management Unit |
| Public Safety | Traffic control, Animal pounds, Public Nuisances, Fencing, Licensing and Control of Animals |
| Waste Water Management | Sewerage, Sanitation, Storm Water Management and Public Toilets |
| Waste management | Solid Waste Removal, Landfill Sites, Recycling and Street Cleaning |
| Water Management | Water treatment and supply |

**Non-Reportable segment**
The reconciling items listed are items under the directorates that do not form part of the segments (not contributing directly to service delivery and revenue generation), namely:
- Executive and council
- Finance and administration
- Internal audit
- Sport and recreation

The Non-Reportable Segment is added to reconcile back to the Statement of Financial Position and the Statement of Financial Performance as required by GRAP 18.

**Reporting on segment assets and liabilities**

The Municipality has assessed that assets and liabilities associated with each segment is not used by management for decision making purposes, and neither is it being reported on. Assets and liabilities are utilised by management to assess key financial indicators for the Municipality as a whole. Accordingly, the assets and liabilities per segment is not required to be disclosed.

**Geographic Segment Reporting**

Although the Municipality operates in a number of geographical areas (i.e. wards), the geographical information is not considered relevant to management for decision-making. The goods and services provided to the community throughout the entire municipal area are based on similar tariffs and service standards. Therefore, the Municipality has assessed that it operates in a single geographical area.

The prior year notes were restated to align the disclosure with the new format.

## DR BEYERS NAUDE MUNICIPALITY
(Registration number: EC101)
Annual Financial Statements for the year ended 30 June 2025

**59. REPORTABLE SEGMENTS (Continued)**

Figures in Rand

| | 30 JUNE 2025 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Segment Revenue** | **Community and Social Services** | **Energy Sources** | **Planning and Development** | **Public Safety** | **Waste Water Management** | **Waste management** | **Water Management** | **Non-Reportable segments** | **TOTAL** |
| Service Charges | - | 158 467 158 | - | - | 55 957 090 | 31 252 145 | 56 561 345 | - | 302 237 738 |
| Income from agency services | - | - | - | 2 137 532 | - | - | - | (180) | 2 137 352 |
| Interest revenue | - | 1 496 795 | - | - | 8 572 137 | 6 182 065 | 4 938 206 | 3 707 590 | 24 896 793 |
| Interest revenue - Investments | - | - | - | - | - | - | - | 1 116 830 | 1 116 830 |
| Rental of facilities and equipment | 68 877 | - | - | - | - | - | 22 437 | 666 786 | 758 100 |
| Other Income | 127 583 | 2 327 183 | 467 407 | 24 535 | 73 943 | - | 41 869 | 4 388 864 | 7 451 384 |
| Licences and permits | - | - | - | 883 602 | - | - | - | - | 883 602 |
| Property rates | - | - | - | - | - | - | - | 55 272 750 | 55 272 750 |
| Fines | - | - | - | 21 609 643 | - | - | - | - | 21 609 643 |
| Government grants and subsidies | 3 105 000 | - | 2 529 085 | 24 867 915 | 2 200 000 | - | 32 150 294 | 130 259 292 | 195 111 587 |
| Public contributions and donations | - | - | - | - | - | - | - | 2 043 771 | 2 043 771 |
| **Total segment revenue** | **3 301 461** | **162 291 137** | **2 996 492** | **49 523 226** | **66 803 170** | **37 434 209** | **93 714 150** | **197 455 703** | **613 519 548** |

**59. REPORTABLE SEGMENTS (Continued)**

Figures in Rand

| | 30 JUNE 2025 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Segment Expenditure** | **Community and Social Services** | **Energy Sources** | **Planning and Development** | **Public Safety** | **Waste Water Management** | **Waste management** | **Water Management** | **Non-Reportable segments** | **TOTAL** |
| Employee related costs | 4 601 358 | 13 965 462 | 19 740 155 | 27 341 706 | 10 130 833 | 17 148 918 | 16 181 168 | 95 223 532 | 204 333 133 |
| Remuneration of councillors | - | - | - | - | - | - | - | 10 094 816 | 10 094 816 |
| Debt impairment | - | 2 531 997 | - | 14 343 813 | 42 310 894 | 26 801 917 | 36 159 069 | 10 828 854 | 132 976 544 |
| Depreciation and amortization | 176 393 | 2 874 006 | 135 646 | 7 779 661 | 13 278 371 | 300 495 | 26 631 997 | 3 197 350 | 54 373 919 |
| Impairment Losses | 147 367 | 29 537 | 164 486 | - | 519 254 | 552 702 | 893 673 | 125 019 | 2 432 038 |
| Finance cost | - | - | - | - | - | - | - | 104 355 432 | 104 355 432 |
| Bulk purchases | - | 156 478 171 | - | - | - | - | - | - | 156 478 171 |
| Operational cost | 383 491 | 8 483 404 | 1 606 116 | 8 172 264 | 8 749 965 | 7 903 512 | 12 368 873 | 29 190 403 | 76 858 028 |
| Contracted services | 412 876 | 4 639 823 | 291 228 | 4 555 918 | 44 309 400 | 5 085 723 | 12 782 708 | 19 334 177 | 91 411 853 |
| Operating leases | - | - | - | - | - | - | - | 13 916 884 | 13 916 884 |
| Loss on disposals of assets | - | - | - | - | - | - | - | 8 673 244 | 8 673 244 |
| Actuarial gains n losses | - | - | - | - | - | - | - | (614 304) | (614 304) |
| **Total segment expenditure** | **5 721 485** | **189 002 400** | **21 937 631** | **62 193 362** | **119 298 716** | **57 793 268** | **105 017 488** | **294 325 408** | **855 289 758** |
| **Surplus/(Deficit) for the year** | (2 420 024) | (26 711 263) | (18 941 139) | (12 670 136) | (52 495 546) | (20 359 059) | (11 303 338) | (96 869 705) | (241 770 209) |
| Capital expenditure | - | 710 156 | 258 942 | 229 188 | 10 176 353 | 2 572 932 | 17 062 761 | 5 920 112 | 36 930 444 |
| **Reconciling - Capital acquisitions** | **-** | **710 156** | **258 942** | **229 188** | **10 176 353** | **2 572 932** | **17 062 761** | **5 920 112** | **36 930 444** |

# DR BEYERS NAUDE MUNICIPALITY
(Registration number: EC101)
Annual Financial Statements for the year ended 30 June 2025

**59. REPORTABLE SEGMENTS (Continued)**

Figures in Rand

| | 30 JUNE 2024 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Segment Revenue** | **Community and Social Services** | **Energy Sources** | **Planning and Development** | **Public Safety** | **Waste Water Management** | **Waste management** | **Water Management** | **Non-Reportable segments** | **TOTAL** |
| Service Charges | - | 147 440 283 | - | - | 52 123 931 | 15 229 787 | 66 182 201 | - | 280 976 202 |
| Income from agency services | - | - | - | 2 027 534 | - | - | - | - | 2 027 534 |
| Interest revenue | - | 1 423 411 | - | - | 5 223 112 | 4 517 511 | 4 495 874 | 2 158 171 | 17 818 078 |
| Interest revenue - Investments | - | - | - | - | - | - | - | 1 102 203 | 1 102 203 |
| Rental of facilities and equipment | 80 884 | - | - | - | - | - | 22 437 | 866 231 | 969 552 |
| Other Income | 105 863 | 2 745 457 | 463 424 | 2 583 | 45 431 | - | 36 192 | 933 861 | 4 332 812 |
| Licences and permits | - | - | - | 743 429 | - | - | - | - | 743 429 |
| Gains/Loss on disposals of assets | - | - | - | - | - | - | - | 2 001 227 | 2 001 227 |
| | | | | | | | | | |
| Property rates | - | - | - | - | - | - | - | 45 517 792 | 45 517 792 |
| Fines | - | - | - | 1 303 700 | - | - | - | - | 1 303 700 |
| Government grants and subsidies | 2 308 000 | - | 2 404 534 | 2 097 571 | 1 100 000 | - | 49 991 134 | 138 984 719 | 196 885 959 |
| Public contributions and donations | - | 133 241 239 | 78 774 | - | - | - | - | 15 103 760 | 148 423 773 |
| **Total segment revenue** | **2 494 746** | **284 850 391** | **2 946 733** | **6 174 817** | **58 492 474** | **19 747 297** | **120 727 838** | **206 667 965** | **702 102 262** |

## DR BEYERS NAUDE MUNICIPALITY
(Registration number: EC101)
Annual Financial Statements for the year ended 30 June 2025

**59. REPORTABLE SEGMENTS (Continued)**

Figures in Rand

| | 30 JUNE 2024 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Segment Expenditure** | **Community and Social Services** | **Energy Sources** | **Planning and Development** | **Public Safety** | **Waste Water Management** | **Waste management** | **Water Management** | **Non-Reportable segments** | **TOTAL** |
| Employee related costs | 4 262 319 | 13 857 192 | 18 267 876 | 14 642 642 | 7 792 523 | 14 704 994 | 14 104 979 | 97 757 107 | 185 389 630 |
| Remuneration of councillors | - | - | - | - | - | - | - | 9 949 338 | 9 949 338 |
| Debt impairment | - | 659 309 | - | - | 34 883 299 | 22 986 613 | 37 006 620 | 5 730 827 | 101 266 668 |
| Depreciation and amortization | 188 453 | 3 070 500 | 53 358 | (94 379) | 14 186 204 | 321 040 | 28 495 479 | 11 821 883 | 58 042 536 |
| Impairment Losses | - | - | - | - | - | - | 241 985 | - | 241 985 |
| Finance cost | - | - | - | - | - | - | - | 83 100 828 | 83 100 828 |
| Bulk purchases | - | 134 568 958 | - | - | - | - | - | - | 134 568 958 |
| Operational cost | 769 567 | 6 690 357 | 1 688 054 | 1 837 929 | 7 662 123 | 9 305 719 | 9 445 689 | 30 850 488 | 68 249 926 |
| Contracted services | - | 3 954 538 | 235 788 | - | 34 710 338 | 3 885 179 | 11 717 769 | 17 109 299 | 71 612 910 |
| Operating leases | - | - | - | - | - | - | - | 13 813 038 | 13 813 038 |
| Actuarial gains n losses | - | - | - | - | - | - | - | 2 111 755 | 2 111 755 |
| **Total segment expenditure** | **5 220 339** | **162 800 853** | **20 245 075** | **16 386 191** | **99 234 487** | **51 203 544** | **101 012 520** | **272 244 562** | **728 347 572** |
| **Surplus/(Deficit) for the year** | (2 725 592) | 122 049 537 | (17 298 343) | (10 211 374) | (40 742 013) | (31 456 247) | 19 715 318 | (65 576 597) | (26 245 310) |
| Capital expenditure | - | 3 057 876 | 286 198 | - | - | 23 133 205 | 29 394 495 | 6 221 366 | 62 093 140 |
| **Reconciling - Capital acquisitions** | **-** | **3 057 876** | **286 198** | **-** | **-** | **23 133 205** | **29 394 495** | **6 221 366** | **62 093 140** |