LETSEMENG LOCAL MUNICIPALITY

(Demarcation code: FS161)

AUDITED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2025

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The reports and statements set out below comprise the audited annual financial statements presented to the Auditor General of South Africa:

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Abbreviations used:

AO	Accounting Officer
ASB	Accounting Standards Board
CIGFARO	Chartered Institute of Government Finance, Audit and Risk Officers
CFO	Chief Finance Officer
CLLR	Councilor
CPI	Consumer Price Index
CRC	Current Replacment Cost
DoRA	Division of Revenue Act
DTSL	Department of Transport, Safety and Liaison
DWS	Department of Water Affairs and Sanitation
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
GRAP	Generally Recognized Accounting Practice
GLCCM	General Landfill Closure Costing Model
HDF	Housing Development Fund
IAS	International Accounting Standards
IDP	Integrated Development Plan
IRD	Initial Rate of Deposition
IPSAS	International Public Sector Accounting Standards
INEP	Intergrated National Electrification Programme
LFG	Landfill Gas
LG SETA	Local Government Sector Education Training Programme
LSA	Long Service Awards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MLCCM	Municipal Landfill Closure Costing Model
MPAC	Municipal Public Account Committee
mSCOA	Municipal Standard Chart of Accounts
MSIG	Municipal Systems Improvement Grant
NERSA	National Energy Regulator of South Africa

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PAYE	Pay-As-You-Earn
PEMA	Post-Employment Medical Aid Subsidy Liability
PPP's	Public Private Partnerships
RDP	Reconstruction and Development Programme
SALGA	South African Local Government Association
SARS	South African Revenue Service
SA GAAP	South African Statements of Generally Accepted Accounting Practice
SDBIP	Service Delivery and Budget Implementation Plan
SDL	Skills Development Levy
SG	Surveyor-General
UIF	Unemployment Insurance Fund
VAT	Value Added Taxation
WCA	Workers Compensation Administration

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Relevant Legislation:
Constitution of the Republic of South Africa (Act no 108 of 1996)
Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)

General Information

Legal form of entity	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998).
Nature of business and principal activities	Letsemeng Local Municipality is local municipality performing functions as set out in the Constitution (Act no 105 of 1996). The municipality's operations are governed by the Local Government: Municipal Finance Management Act (MFMA) (Act 56 of 2003), Municipal Structures Act (Act 117 of 1998), Municipal Systems (Act 32 of 2000) and various other acts and regulations.
Grading of local authority	Category B as defined by the Municipal Structures Act (Act number 117 of 1998)
Accounting Officer	Miss ST Maneli Mr BC Mokomela (1 July 2024 to 31 October 2024)
Chief Finance Officer (CFO)	Mr. SJ Tooi (acting)
Postal address	Private Bag X3 Koffiefontein 9986
Bankers	First National Bank ABSA Bank
Auditors	Auditor-General of South Africa
Attorneys	Peyper Attorneys
Level of assurance	These unaudited annual financial statements will be audited in compliance with the applicable requirements of the Municipal Finance Management Act, No 56 of 2003.
Email address	letse@letsemeng.gov.za
Website	http://www.letsemeng.fs.gov.za/
Telephone number	053 330 0200

Members of the Municipal Council

Mayor	Cllr. RBI Mocwaledi
Speaker	Cllr. HX Mthukwane
Ward Councillors	Cllr. AN November
	Cllr. D Terblanche
	Cllr. II Ramohlabi
	Cllr. NJ Kumalo
	Cllr. KD Molusi
	Cllr. SD Lichaba
	Cllr. MR Lehare (Terminated 31 March 2025)
	Cllr. MA Lebaka
	Cllr. MM Potgieter
	Cllr. TV Nthapo
	Cllr. VK Stuurman
	Cllr. TR Masailane (New appointment effective 30 May 2025)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the audited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the audited 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 audited annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

The annual financial statements are 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 ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the municipality is very reliant on grants from National Treasury. Funding will be received from National Treasury as long as the municipality complies with all legislative requirements. The collection of outstanding consumer debtor accounts and effective service delivery is also a priority of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's management team ,external auditors and other oversight governance structures of Council.

The external auditors are responsible for independently reviewing and reporting on the municipality's audited annual financial statements.

Accounting Officer's Responsibilities and Approval

The accounting officer further certifies that the salaries, allowances and benefits of councillors and payments made to councillors for loss of office, if any, as disclosed in the notes of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Goverment's determination in accordance with this Act.

The audited annual financial statements set out on page 12 - 129, which have been prepared on the going concern basis, were approved by the accounting officer and signed by him.

Miss ST Maneli
Municipal Manager (Accounting Officer)
Letsemeng Local Municipality
31 August 2025

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in Letsemeng Local Municipality is performing functions as set out in the constitution of south africa (act 105 of 1996). and operates principally in South Africa.

The municipality is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the local government: Municipal Demarcation Act: 1998 and operates in South Africa

The municipality is a South African catagory B.

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

Net deficit of the municipality was R 137,260,064 (2024: deficit R68,765,287).

2. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of R 569,989,141 and that the municipality's total assets exceed its liabilities by R 569,989,141.

The audited 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 municipality still has the ability to levy services, rates and taxes and will continue to receive funding from government as evident from the Equitable Share allocations as published in terms of the Division of Revenue Act (Act No.9 of 2021).

3. Subsequent events

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

4. Accounting Officers' interest in contracts

The accounting officer does not have an interest in contracts awarded, either direct or indirect.

5. Accounting policies

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

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

6. Non-current assets

There were no significant changes in the nature of the non-current assets of the municipality during the year.

7. Accounting Officer

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

Name
Miss S Maneli

Accounting Officer's Report

8. Corporate governance

General

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

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King IV Report on Corporate Governance for South Africa of September 2009. The accounting officer discuss the responsibilities of management in this respect, at council meetings and monitor the municipality's compliance with the code on a quaterly basis.

The salient features of the municipality's adoption of the Code is outlined below:

Internal audit

The municipality has its own internal audit function. This is in compliance with the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

9. Bankers

The municipality's primary bank account is with First National Bank and the municipality will continue to bank with them in the new financial year.

10. Auditors

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

11. Public Private Partnership

The municipality did not enter into any Public Private Partnerships for the financial year under review, nor does it have any existing PPP's

12. Non-compliance with applicable legislation

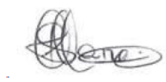
In terms of section 65 (2)(e) of the Municipal Finance Management Act (Act 56 of 2003), all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement. Due to cash flow constraints, the municipality, could not settle all money owing within the prescribed period.

Accounting Officer's Report

13. Municipal jurisdiction

Letsemeng Local Municipality have the following surrounding towns under its jurisdiction:

- Koffiefontein
- Jacobsdal
- Luckhoff
- Petrusburg
- Oppermansgronde



Miss ST Maneli
Municipal Manager (Accounting Officer)
Letsemeng Local Municipality
31 August 2025

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 *Restated**
Assets			
Current Assets			
Cash and cash equivalents	4	225,246	198,380
Inventories	5	1,430,382	1,578,548
Receivables from exchange transactions	6	5,526,150	6,805,132
Receivables from non-exchange transactions	7	1,541,582	1,829,463
VAT receivable	9	21,458,316	12,832,526
Total Current Assets		**30,181,676**	**23,244,049**
Non-Current Assets			
Other financial assets	12	288,318	288,318
Heritage assets		15,000	15,000
Investment property	10	156,501,920	152,535,984
Property, plant and equipment	11	916,155,048	953,921,722
Total Non-Current Assets		**1,072,960,286**	**1,106,761,024**
Total Assets		**1,103,141,962**	**1,130,005,073**
Liabilities			
Current Liabilities			
Consumer deposits	13	1,213,864	1,131,382
Employee benefit obligation	14	821,638	948,000
Payables from exchange transactions	15	420,003,813	307,558,570
Unspent conditional grants and receipts	17	20,709,273	27,102,559
Total Current Liabilities		**442,748,588**	**336,740,511**
Non-Current Liabilities			
Employee benefit obligation	14	9,608,282	9,340,000
Provisions	16	80,795,951	76,675,357
Total Non-Current Liabilities		**90,404,233**	**86,015,357**
Total Liabilities		**533,152,821**	**422,755,868**
Net Assets		**569,989,141**	**707,249,205**
Accumulated surplus		569,989,141	653,640,486
Total Net Assets		**569,989,141**	**653,640,486**

* See Note 44

Statement of Financial Performance for the year ended 30 June 2025

Figures in Rand	Note(s)	2025	2024 *Restated**
Revenue			
Revenue from exchange transactions			
Interest income	18	32,032,065	26,722,481
Operational revenue	19	748,822	582,245
Rental of facilities and equipment	21	1,053,626	975,684
Service charges	22	82,389,844	76,667,092
Dividends received	18	14,731	11,037
Total revenue from exchange transactions		**116,239,088**	**104,958,539**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	28,145,524	26,333,530
Interest income (Non-exchange transactions)	24	10,954,303	10,152,292
Transfer revenue			
Fines, Penalties and Forfeits	25	-	15,800
Government grants and subsidies	26	123,504,286	111,947,144
Public contributions and donations	27	3,380,166	6,096,639
Total revenue from non-exchange transactions		**165,984,279**	**154,545,405**
Total revenue		**282,223,367**	**259,503,944**
Expenditure			
Bulk purchases	28	(69,591,836)	(50,856,418)
Contracted services	29	(18,350,705)	(7,922,936)
Debt impairment	30	(110,307,420)	(85,091,249)
Depreciation and amortisation	31	(15,707,710)	(31,411,259)
Employee related costs	32	(73,290,715)	(78,605,868)
Finance costs	33	(52,813,565)	(26,083,748)
General expenses	34	(31,244,155)	(28,920,128)
Remuneration of councillors	36	(5,743,231)	(5,563,275)
Repairs and maintenance	35	(1,685,512)	(3,254,227)
Total expenditure		**(378,734,849)**	**(317,709,108)**
Operating deficit		**(96,511,482)**	**(58,205,164)**
Loss on disposal of assets and liabilities	11	(19,857,654)	(10,612,752)
Actuarial gains	14	1,264,163	(632,000)
Fair value adjustments	38	3,965,936	779,446
Reversal of impairments/(Impairment loss)	37	(25,297,752)	(97,330)
Inventories losses/write-downs		(1,481,738)	2,513
Landfill site expense	16	658,463	-
Deficit for the year		**(137,260,064)**	**(68,765,287)**

* See Note 44

Statement of Changes in Net Assets for the year ended 30 June 2025

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	627,652,932	627,652,932
Adjustments		
Prior year adjustments 44	94,752,841	94,752,841
Balance at 01 July 2023 as restated*	**722,405,773**	**722,405,773**
Changes in net assets		
Deficit for the year	(68,765,287)	(68,765,287)
Total changes	(68,765,287)	(68,765,287)
Opening balance as previously reported	653,640,486	653,640,486
Adjustments		
Prior year adjustments 44	53,608,719	53,608,719
Restated* Balance at 01 July 2024 as restated*	**707,249,205**	**707,249,205**
Changes in net assets		
Deficit for the year	(137,260,064)	(137,260,064)
Total changes	(137,260,064)	(137,260,064)
Balance at 30 June 2025	**569,989,141**	**569,989,141**

Note(s)

* See Note 44

Cash Flow Statement for the year ended 30 June 2025

Figures in Rand	Note(s)	2025	2024 *Restated**
Cash flows from operating activities			
Receipts			
Taxation		31,149,202	22,546,286
Sale of services		79,383,411	42,503,986
Grants		117,111,000	107,685,000
Interest income		682,864	439,541
		228,326,477	173,174,813
Payments			
Employee costs		(78,359,249)	(76,947,219)
Suppliers		(113,306,928)	(67,856,923)
Finance costs		(8,982,834)	(5,841,269)
		(200,649,011)	(150,645,411)
Net cash flows from operating activities	40	**27,677,466**	**22,529,402**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(27,665,331)	(22,684,858)
Net cash flows from investing activities		**(27,650,600)**	**(22,673,821)**
Net increase/(decrease) in cash and cash equivalents		**26,866**	**(144,419)**
Cash and cash equivalents at the beginning of the year		198,380	342,799
Cash and cash equivalents at the end of the year	4	**225,246**	**198,380**

* See Note 44

Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 2025

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Interest income (Exchange transactions)	14,169,694	88,174	**14,257,868**	32,032,065	**17,774,197**	Note 59.3
Other income	109,096	16,720	**125,816**	748,822	**623,006**	Note 59.2
Rental of facilities and equipment	549,676	170,400	**720,076**	1,053,626	**333,550**	Note 59.1
Service charges	93,970,657	(4,398,628)	**89,572,029**	82,389,844	**(7,182,185)**	
Dividends received	-	-	**-**	14,731	**14,731**	Note 59.5
Total revenue from exchange transactions	**108,799,123**	**(4,123,334)**	**104,675,789**	**116,239,088**	**11,563,299**	
Revenue from non-exchange transactions						
Taxation revenue						
Interest income (Non-exchange transactions)	8,178,203	-	**8,178,203**	10,954,303	**2,776,100**	Note 59.6
Property rates	28,755,189	-	**28,755,189**	28,145,524	**(609,665)**	
Transfer revenue						
Government grants and subsidies	98,362,002	-	**98,362,002**	123,504,286	**25,142,284**	Note 59.7
Public contributions and donations	-	-	**-**	3,380,166	**3,380,166**	Note 59.8
Total revenue from non-exchange transactions	**135,295,394**	**-**	**135,295,394**	**165,984,279**	**30,688,885**	
Total revenue	**244,094,517**	**(4,123,334)**	**239,971,183**	**282,223,367**	**42,252,184**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Expenditure						
Repairs and maintenance	-	-	**-**	(1,685,512)	**(1,685,512)**	Note 59.11
Bulk purchases	(39,862,000)	-	**(39,862,000)**	(69,591,836)	**(29,729,836)**	Note 59.15
Contracted services	(17,770,646)	1,544,263	**(16,226,383)**	(18,350,705)	**(2,124,322)**	Note 59.16
Debt impairment	(24,940,441)	-	**(24,940,441)**	(110,307,420)	**(85,366,979)**	Note 59.14
Depreciation and amortisation	(34,815,000)	-	**(34,815,000)**	(15,707,710)	**19,107,290**	Note 59.12
Employee related costs	(82,955,514)	900,000	**(82,055,514)**	(73,290,715)	**8,764,799**	Note 59.9
Finance costs	(10,000,000)	(4,000,000)	**(14,000,000)**	(52,813,565)	**(38,813,565)**	Note 59.13
General expenses	(28,088,926)	4,561,089	**(23,527,837)**	(31,244,155)	**(7,716,318)**	
Remuneration of councillors	(5,713,337)	700,000	**(5,013,337)**	(5,743,231)	**(729,894)**	Note 59.10
Total expenditure	**(244,145,864)**	**3,705,352**	**(240,440,512)**	**(378,734,849)**	**(138,294,337)**	
Operating deficit	**(51,347)**	**(417,982)**	**(469,329)**	**(96,511,482)**	**(96,042,153)**	
Transfer and subsidies	-	42,641,000	**42,641,000**	1,264,163	**(41,376,837)**	
Fair value adjustments	-	-	**-**	3,965,936	**3,965,936**	
Loss on disposal of assets and liabilities	-	(715,431)	**(715,431)**	(19,857,654)	**(19,142,223)**	
Actuarial gains/(losses)	-	-	**-**	658,463	**658,463**	
Impairment loss/ Reversal of impairments	-	-	**-**	(25,297,752)	**(25,297,752)**	
Inventories losses/write-downs	-	-	**-**	(1,481,738)	**(1,481,738)**	
	-	**41,925,569**	**41,925,569**	**(40,748,582)**	**(82,674,151)**	
Surplus/(deficit) for the year	**(51,347)**	**41,507,587**	**41,456,240**	**(137,260,064)**	**(178,716,304)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Cash and cash equivalents	31,446,840	(49,500,593)	**(18,053,753)**	225,246	**18,278,999**	Note 59.26
Inventories	7,667,572	5,276,520	**12,944,092**	1,430,382	**(11,513,710)**	Note 59.23
Receivables from exchange transactions	22,059,645	35,485,669	**57,545,314**	5,526,150	**(52,019,164)**	Note 59.24
Receivables from non-exchange transactions	32,138,995	8,178,203	**40,317,198**	1,541,582	**(38,775,616)**	Note 59.25
VAT receivable	15,564,000	(385,000)	**15,179,000**	21,458,316	**6,279,316**	
Total current assets	**108,877,052**	**(945,201)**	**107,931,851**	**30,181,676**	**(77,750,175)**	
Non-Current Assets						
Heritage assets	-	-	**-**	15,000	**15,000**	Note 59.29
Intangible assets	74,000	-	**74,000**	-	**(74,000)**	Note 59.28
Investment property	75,717,967	-	**75,717,967**	156,501,920	**80,783,953**	Note 59.27
Other financial assets	432,346	-	**432,346**	288,318	**(144,028)**	Note 59.30
Property, plant and equipment	856,360,026	(1,229,999)	**855,130,027**	916,155,048	**61,025,021**	
Total non-current assets	**932,584,339**	**(1,229,999)**	**931,354,340**	**1,072,960,286**	**141,605,946**	
Total Assets	**1,041,461,391**	**(2,175,200)**	**1,039,286,191**	**1,103,141,962**	**63,855,771**	
Liabilities						
Current Liabilities						
Consumer deposits	943,827	-	**943,827**	1,213,864	**270,037**	Note 59.32
Employee benefit obligation	2,523,426	-	**2,523,426**	821,638	**(1,701,788)**	Note 59.33
Payables from exchange transactions	268,284,890	2,250,138	**270,535,028**	420,003,811	**149,468,783**	Note 59.31
Unspent conditional grants and receipts	-	-	**-**	20,709,273	**20,709,273**	Note 59.34
Total current liabilities	**271,752,143**	**2,250,138**	**274,002,281**	**442,748,586**	**168,746,305**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Non-Current Liabilities						
Employee benefit obligation	2,523,426	-	**2,523,426**	9,608,282	**7,084,856**	Note 59.36
Provisions	14,242,863	-	**14,242,863**	80,795,951	**66,553,088**	Note 59.37
Total non-current liabilities	**16,766,289**	**-**	**16,766,289**	**90,404,233**	**73,637,944**	
Total Liabilities	**288,518,432**	**2,250,138**	**290,768,570**	**533,152,819**	**242,384,249**	
Net Assets	**752,942,959**	**(4,425,338)**	**748,517,621**	**569,989,143**	**(178,528,478)**	
Net Assets						
Accumulated surplus	752,942,959	(4,425,338)	**748,517,621**	569,989,141	**(178,528,480)**	Note 59.38

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget		
Cash Flow Statement					
Cash flows from operating activities					
Receipts					
Taxation	-	-	**-**	31,149,202	**31,149,202**
Sale of goods and services	105,603,396	(31,191,049)	**74,412,347**	79,383,411	**4,971,064**
Grants	141,003,002	-	**141,003,002**	117,111,000	**(23,892,002)**
Interest income	16,623,159	(16,295,535)	**327,624**	682,864	**355,240**
	263,229,557	**(47,486,584)**	**215,742,973**	**228,326,477**	**12,583,504**
Payments					
Employee costs	-	-	**-**	(78,359,249)	**(78,359,249)**
Suppliers	(179,078,757)	755,992	**(178,322,765)**	(113,292,197)	**65,030,568**
Finance costs	(10,000,000)	(4,000,000)	**(14,000,000)**	(8,982,834)	**5,017,166**
	(189,078,757)	**(3,244,008)**	**(192,322,765)**	**(200,634,280)**	**(8,311,515)**
Net cash flows from operating activities	**74,150,800**	**(50,730,592)**	**23,420,208**	**27,692,197**	**4,271,989**
Cash flows from investing activities					
Purchase of property, plant and equipment	(43,047,300)	1,229,999	**(41,817,301)**	(27,665,331)	**14,151,970**
Net increase/(decrease) in cash and cash equivalents	31,103,500	(49,500,593)	**(18,397,093)**	26,866	**18,423,959**
Cash and cash equivalents at the beginning of the year	343,335	-	**343,335**	198,380	**(144,955)**
Cash and cash equivalents at the end of the year	**31,446,835**	**(49,500,593)**	**(18,053,758)**	**225,246**	**18,279,004**

The accounting policies on pages 21 to 55 and the notes on pages 56 to 129 form an integral part of the audited annual financial statements.

Accounting Policies for the year ended 30 June 2025

Figures in Rand	Note(s)	2025	2024

1. Significant accounting polices

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

1.1 Basis of preparations

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

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

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

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

When the final accounts have been closed, any transaction that occurs in respect of a prior period, is considered by management individually and collectively for materiality and the annual financial statements are amended with transactions that are material in amount or by nature.

1.5 Significant judgements and sources of estimation uncertainty

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

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Trade receivables

Trade and other receivables are assessed for impairment at each reporting date in accordance with GRAP 104: Financial Instruments. Objective evidence of impairment exists when one or more events have occurred after initial recognition that have a measurable impact on the estimated future cash flows of a receivable. The municipality determines impairment using a consumer-level payment-rate approach. The payment rate is calculated as total payments received during the year divided by total billings for the same period. The resulting non-payment ratio (1 - payment rate) is applied to the consumer's outstanding balance to determine the expected credit loss.

Impairment losses represent the difference between the carrying amount of the receivable and the present value of expected future cash flows, discounted at the original effective interest rate. Movements in impairment are recognised in surplus or deficit. The calculation incorporates historical payment trends, current conditions, and forward-looking information available at the reporting date as required by GRAP 104.5.32. Any change in methodology or assumptions is treated as a change in accounting estimate in terms of GRAP 3.41–.42.

Allowance for slow moving, damaged and obsolete stock

Management's judgement is required when determining the write down of stock to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the inventory note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

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

Impairment testing

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

Provisions

Management's judgement is required when recognising and measuring provisions, contingent liabilities and contingent assets. Additional disclosure of these estimates of provisions are included in note 16.

Useful lives of infrastructure and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and Investment properties. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives. In the event that a depreciating asset is nearing the end of its useful life, the availability of budget to replace the asset is considered. If the asset is not budgeted to be replaced, the useful life is extended by one year. Depreciation is adjusted going forward.

1.5 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in note 14.

Effective interest rate

The municipality used the most relevant contractual risk rate applicable where relevant to each category of assets and liabilities to discount future cash flows. Where none exists the prime interest rate is used to discount future cash flows.

Allowance for impairment

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows.

Recognition and Derecognition of Land

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are as follow (IGRAP 18 par. 41):

- Land controlled by the municipality as a result of a past event and from which future economic benefit or service potential is expected to flow to the entity are recognised by the municipality. Control is evidenced by the municipality's ability to use, or direct others to use, the land and also by the right to direct access to the land and to restrict or deny access of others to the land.

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land. Key judgements made and assumptions applied to conclude that it does not control such land, are as follow (IGRAP 18 par. 41):

- Land not controlled by the municipality as a result of a past event and from which future economic benefit or service potential will not flow to the municipality. The municipality does not have the ability to use or direct others to use the land. The municipality does not have rights to direct access to the land and to restrict or deny access of others to the land. There are various housing scheme land where the municipality is still the legal owner per the deeds office, but where control and substantive rights were not transferred. These land are not recognised by the municipality.

Accounting by principals and agent

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

Additional information is disclosed in note 58.

1.5 Significant judgements and sources of estimation uncertainty (continued)

Segment reporting

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

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

The municipality does not disclose the geographical areas in which it operates as it is not relevant for decision-making purposes.

Measurement

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

Interest on exchange and non exchange assets

In applying GRAP 104, GRAP 9 and GRAP 23 interest earned should be split based on the nature of the source of revenue, i.e., exchange and non-exchange. The financial system calculates interest on total debt outstanding monthly (Total balance due less interest charged not settled). Therefor interest is billed on total due (capital only amount). Management therefor to comply with the split on exchange and non-exchange calculates the total debt outstanding per source of revenue and then uses that to split interest earned between exchange and non-exchange transactions.

1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) 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 fair value. 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.

1.6 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Revenue earned from rental of investment property is disclosed as part of rental of facilities and equipment and are thus not disclosed separately, as they are not material. Expenses in respect of investment property are disclosed as other expenditure and not disclosed separately as they are not material.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the audited annual financial statements (see note 10). Cost incurred to repair and maintain investment property comprises of goods and services and contracted services. These cost excludes labour cost.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the audited annual financial statements (see note 10). All investment property under construction which have exceeded the initial planned completion date by two years are considered to be taking a significantly longer period of time to complete than expected.

Derecognition

Items of investment property are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of asset.

The gain or loss arising from the derecognition of an item of investment property is included in surplus or deficit when the item is derecognised.

The gain or loss arising from the derecognition of an item of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset.

1.7 Property, plant and equipment

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

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

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

Accounting Policies

1.7 Property, plant and equipment (continued)

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

Property, plant and equipment are classified and accounted for in accordance with their nature, function and predominant use, in line with the requirements of GRAP 17.

Land, buildings, infrastructure assets and other classes of property, plant and equipment are recognised and accounted for separately, even where such assets are acquired, constructed or located together. Assets are assessed individually to determine whether they represent separate components or form an integral part of a larger asset or system.

Infrastructure assets are recognised where assets form part of an integrated system or network that supports municipal service delivery to the broader community and are depreciated over their estimated useful lives based on the consumption of service potential.

Assets that serve a specific building, facility or erf, and that do not form part of a municipal-wide system or network, are classified according to their functional relationship and predominant use, and not as infrastructure assets solely based on their physical location.

Where buildings or structures exist primarily to support or house specialised infrastructure operations, such assets are classified as components of the related infrastructure asset. The municipality applies componentisation to separately identify and depreciate material components with differing useful lives or consumption patterns.

The classification of property, plant and equipment is reviewed periodically to ensure consistent and fair presentation in accordance with the Standards of GRAP.

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

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

1.7 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life
Immovable assets		
- Land		Infinite
- Buildings	Straight-line	5 - 50 years
Infrastructure		
- Electricity Network	Straight-line	7 - 50 years
- Water supply network	Straight-line	5 - 50 years
- Roads network	Straight-line	8 - 50 years
- Sewerage and solid waste	Straight-line	5 - 50 years
- Stormwater	Straight-line	30 - 50 years
Community assets		
- Buildings	straight-line	5 - 50 years
- Recreational facilities	Straight-line	7 - 50 years
- Security measures	Straight-line	3 - 5 years
Other property, plant and equipment		
- Other equipment	Straight-line	2 - 10 years
- Fences and gates	Straight-line	15 - 25 years
- Paving	Straight-line	3 - 10 years
Movable assets		
- Plant and machinery	Straight-line	3 - 10 years
- Furniture and fittings	Straight-line	3 - 10 years
- Motor vehicles	Straight-line	3 - 7 years
- Heavy machinery and vehicles	Straight-line	3 - 10 years
- Office equipment	Straight-line	2 - 7 years
- Other equipment	Straight-line	3 - 10 years
- Leased assets (computer equipment, copies and cell phones)	Straight-line	2 - 3 years

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

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

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

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

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

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

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

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

1.7 Property, plant and equipment (continued)

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 11). The expenditure to repair and maintain property, plant and equipment comprises of goods and services and contracted services. These cost excludes labour cost.

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

1.8 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.9 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

1.9 Intangible assets (continued)

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

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

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

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	4 years

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

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

1.10 Heritage assets

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

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

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

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

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

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

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

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

Recoverable amount is the higher of a cash-generating asset’s net selling price and its value in use.

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.

Accounting Policies

1.10 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

Impairment

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

1.11 Financial instruments

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

interest of another entity.The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. A concessionary loan is a loan granted to or received by an entity on terms that are not market related. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position. A derivative is a financial instrument or other contract with all three of the following characteristics: Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying'). It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors. It is settled at a future date. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

- cash;

- a residual interest of another entity; or

- a contractual right to:

- receive cash or another financial asset from another entity; or

Accounting Policies

1.11 Financial instruments (continued)

- exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

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

deliver cash or another financial asset to another entity; or

exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions. 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 a class of such transfers) by the parties to the transaction as forming

- part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or

- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

An incremental cost is one that would not have been incurred if the entity had not acquired, issued or

- disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that: the entity designates at fair value at initial recognition; or are held for trading. Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

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

- derivatives;

- 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

1.11 Financial instruments (continued)

- instruments at cost.

Classification

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

Class Category

- Receivables from exchange transactions Financial asset measured at amortised cost

- Cash and cash equivalents Financial asset measured at amortised cost

- Other financial assets Financial asset measured at fair value

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

Class Category

- Other financial liabilities Financial liability measured at amortised cost

- Payables from exchange transactions Financial liability measured at amortised cost

- Consumer deposits Financial liability measured at amortised cost

- Unspent conditional grants Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument. The entity recognises financial assets using trade date accounting. Initial measurement of financial assets and financial liabilities The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value]. The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is: a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

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

-Financial instruments at fair value.

- Financial instruments at amortised cost.

- Financial instruments at cost.

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

Fair value measurement considerations

1.11 Financial instruments (continued)

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal operating considerations. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data. The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is: combined instrument that is required to be measured at fair value; or an investment in a residual interest that meets the requirements for reclassification. Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value. If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost. If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit. For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process. Impairment and uncollectibility of financial assets The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Financial assets measured at amortised cost: If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

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

Derecognition

Financial assets

1.11 Financial instruments (continued)

The entity derecognises financial assets using trade date accounting. The entity derecognises a financial asset only when: the contractual rights to the cash flows from the financial asset expire, are settled or waived; the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity

- derecognise the asset; and

- recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer. If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset. If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit. If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit. If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived. An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit. Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit. Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit. Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes. A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

Accounting Policies

1.12 Statutory receivables

Identification

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

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

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

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

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

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.

1.12 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.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

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

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

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

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

Derecognition

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

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

1.12 Statutory receivables (continued)

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.

1.13 Leases

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

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

Finance leases - lessee

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

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

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

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

The depreciation policy for depreciable leased assets is consistent with the normal depreciation policy for similar assets.

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.14 Inventories

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. 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.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing theinventories to their present location and condition. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventories are manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing, construction or production process.

Accounting Policies

1.14 Inventories (continued)

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. 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;

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

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

1.15 Construction contracts and receivables

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

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The municipality assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by surveys of work done.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.16 Cash and cash equivalents

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

Accounting Policies

1.17 Impairment of cash and non-cash-generating assets

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

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

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

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

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

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

- None of the assets are managed with the objective of generating positive cash flows are expected to be significantly higher than the cost of the asset; and

- Although certain services assets generate positive cash flows, these are used for cross subsidisation of services assets that generate negative cash flows.

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 ar expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

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 a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of non-cash-generating assets.

Identification

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

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

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

1.17 Impairment of cash and non-cash-generating assets (continued)

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Reversal of an impairment loss

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

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

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

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

Redesignation

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

1.18 Employee benefits

Employee benefits are all forms of consideration given by the municipality in exchange for service rendered by employees.

The municipality provides retirement benefits for its employees and councillors. Retirement benefits consist of defined contribution plans and defined-benefit plans.

Defined-contribution plans are post-employment benefit plans under which a municipality pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against the statement of financial performance in the year in which they become payable.

Defined-benefit plans are post-employment benefit plans other than defined-contribution plans. The defined-benefit funds are actuarially valued based on the projected unit credit method. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities. The contributions and lump sumpayments are charged against the statement of financial performance in the year in which they become payable.

Short-term employee benefits

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

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

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
• as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
• as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

The municipality provides long-service awards to eligible employees, after completion of every five years' service and the liability thereof is based on an actuarial valuation. The projected unit credit method has been used to value the obligation.

Actuarial gains and losses on the long-term incentives are fully accounted for in the statement of financial performance.

Post-employment benefits

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

The municipality provides post-retirement benefits by subsidising the medical healthcare contributions of certain retired staff. According to the rules of the medical aid funds with which the municipality is associated, a member on retirement is entitled to remain a continued member of such medical aid fund, and the municipality will continue to subsidise medical contributions in accordance with the provisions of the employee's employment contract.

The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past, or accrued and future in-service element. The liability is recognised at the fair value of the obligation, together with any adjustments required. The projected unit credit method has been used to value the obligation. Refer to note 14.

1.18 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:
• as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
• as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.18 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

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

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

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- actuarial gains and losses;
- past service cost; and
- the effect of any curtailments or settlements.

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

Accounting Policies

1.18 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

1.19 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.

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.

Accounting Policies

1.19 Provisions and contingencies (continued)

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.17 .

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

1.20 Commitments

Capital commitments disclosed in the annual financial statements represent the contractual balance committed to capital projects on reporting date that will incurred in the period subsequent to the specific reporting date. The municipality discloses capital commitments inclusive of VAT.

1.21 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.

1.21 Revenue from exchange transactions (continued)

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Pre-paid electricity sales are reconciled on a monthly basis and the sum of the monthly sales provides the total sales for the year. The financial year is divided in two seasons based on the application of tariffs with the seasons being summer (1 September – 31 May) and winter (1 June to 31 August). The deferred portion of revenue is accounted for by an adjustment for units not consumed at year end. This adjustment is based on the average consumption history, multiplied by the weighted average cost of units sold in June. Average consumption in units is determined per active prepaid meter using a trend analysis of historical consumer purchase data per meter for the months of May, June and July. The deferred portion of revenue is the amount by which the actual prepaid electricity sold for the month of June exceeds the average consumption calculated.

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 the proportion that costs incurred to date bear to the total estimated costs of the transaction.

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

Accounting Policies

1.21 Revenue from exchange transactions (continued)

Interest

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

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

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

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

1.22 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

Recognition

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

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

Accounting Policies

1.22 Revenue from non-exchange transactions (continued)

Measurement

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

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

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

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

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

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

Unconditional Grants

Equitable share allocations are recognised in revenue in the beginning of the financial year.

Conditional Grants

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

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

Accounting Policies

1.22 Revenue from non-exchange transactions (continued)

Availability charges

The municipality recognise revenue for charges billed to consumers for all vacant or undeveloped land that has been serviced. These properties are not connected to the municipal infrastructure, but can be reasonably be connected to the service.

Availability charges arise from the application of the approved tariff of charges and is recognised when the the asset recognition criteria is met.

Fines

Availability charges arise from the application of the approved tariff of charges and is recognised when the the asset recognition criteria is met.

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Assets arising from fines are initially measured at its fair value at the date of acquisition, which is the best estimate of the inflow of economic benefits. The probability of non-payment is not considered at initial recognition.

The non-payment of traffic fines is estimated at subsequent measurement with reference to historical data and payment trend analysis. An impairment loss is recognised in surplus and deficit.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

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

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality’s operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

Unallocated deposit

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the municipality’s bank account will be treated as revenue. This policy is in line with prescribed debt principles as enforced by the law.

1.23 Investment income

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

1.24 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.

Accounting Policies

1.24 Borrowing costs (continued)

Change in accounting policy due to amendments to GRAP 5 - Borrowing costs

The adoption of amendments to GRAP 5 - Borrowing costs resulted in a change in accounting policy during the current period. The effect of the change is that borrowing costs are now expensed when incurred, and this change is applied prospectively since 01/07/2017. The effective date of the amendments was 01/04/2020.

Borrowing costs, incurred both before and after the effective date of this amendment and related to qualifying assets for which the commencement date for capitalisation is prior to the effective date of this Standard, is recognised in accordance with the municipality's previous accounting policy.

Accounting Policies

1.25 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

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

1.26 Current year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period 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.

1.26 Current year comparatives (continued)

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 periods.

1.27 Comparative figures

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

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed. Where accounting errors 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.

1.28 Unauthorised expenditure

Unauthorised expenditure is defined as any expenditure incurred by a municipality not in accordance with section 15 or 11(3) of the MFMA, and includes an overspending of the total amount appropriated in the municipality’s approved budget, an overspending of the total amount appropriated for a vote in the approved budget, an expenditure from a vote unrelated to the department or functional area covered by the vote, an expenditure of money appropriated not in accordance for that specific purpose, a spending of an allocation not in accordance with any conditions of the allocation, or a grant made by the municipality not in accordance with the MFMA.

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.

1.29 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.

Fruitless and wasteful expenditure is disclosed inclusive of VAT.

1.30 Irregular expenditure

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

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure is disclosed inclusive of VAT.

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

Accounting Policies

1.30 Irregular expenditure (continued)

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

1.31 Use of estimates

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

1.32 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

Management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure.

1.33 Budget information

The approved budget covers the fiscal period from 01/07/2024 to 30/06/2025.

The approved budget is prepared on an accrual basis and presented in accordance with the GRAP reporting framework.

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

The annual financial statements and the budget are on the same accounting basis and for the same municipality and same period but not on the same classification basis therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements based on the prescribed budget schedules using tables B1, B4, B6 and B7.

1.34 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.

1.34 Related parties (continued)

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.

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

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

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

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

1.35 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.

1.36 Service concession arrangements: Entity as grantor

1.37 Bad debts written off

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. When a receivable is considered uncollectible, it is written off against the debt provision account. Subsequent recoveries of amounts previously written off are credited against the Statement of Financial Performance.

1.38 Value Added Tax

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

The Municipality is registered for VAT on the payment basis. Revenue, expenses and assets are recognised net of the amount of value added tax. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

1.39 Unspent Conditional Grants and Receipts

Unspent conditional grants and receipts are reflected on the Statement of Financial Position as a current liability. They represent unspent government grants, subsidies and contributions from the public. This liability always has to be backed by cash.

The following provisions are set for the creation and utilisation of this liability:

- The cash which backs up the liability is invested until it is utilised,
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.
- Whenever an asset is purchased out of the unspent conditional grant an amount equal to the cost price of the asset purchased is transferred from the unspent conditional grant into the Statement of Financial Performance as revenue.

Figures in Rand	2025	2024

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.
The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.
The most significant changes to the Standard affect:
- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the revisions is for financial periods beginning on or after 01 April 2025, as set by the Minister of Finance.
The entity expects to adopt the revisions for the first time during the next financial period.
The expected impact of the standard will have a significant way in how the entity calculates its estimated credit losses. The impact of the estimation of the loss itself should be limited, as a significant portion of the municipal debts are already impaired. For the remaining user departments, there are a direct recovery facility in place, which reduces the risk of non-payments. Although the impact on the estimated credit losses will be limited, additional disclosures will be required to ensure compliance with the new standard.

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 107 Mergers	01 April 2025	Unlikely there will be a material impact
• GRAP 106 Transfer of Functions Between Entities Not Under Common Control	01 April 2025	Unlikely there will be a material impact
• GRAP 105 Transfer of Functions Between Entities Under Common Control	01 April 2025	Unlikely there will be a material impact
• GRAP 2023 Improvements to the Standards of GRAP 2023	01 April 2025	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	01 April 2025	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	01 April 2025	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

3. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	Total
Cash and cash equivalents	225,246	225,246

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

3. Financial instruments disclosure (continued)

Receivables from exchange transactions	5,526,150	5,526,150
Other financial assets	288,318	288,318
	6,039,714	**6,039,714**

Financial liabilities

	At amortised cost	Total
Consumer deposits	1,213,864	1,213,864
Payables from exchange transactions	420,003,813	420,003,813
	421,217,677	**421,217,677**

Notes to the Audited Annual Financial Statements

3. Financial instruments disclosure (continued)

2024

Financial assets

	At amortised cost	Total
Cash and cash equivalents	198,380	198,380
Receivables from exchange transactions	6,805,132	6,805,132
Other financial assets	288,318	288,318
	7,291,830	**7,291,830**

Financial liabilities

	At amortised cost	Total
Consumer deposits	1,131,382	1,131,382
Payables from exchange transactions	307,558,570	307,558,570
	308,689,952	**308,689,952**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

4. Cash and cash equivalents

Cash and cash equivalents consist of:

	2025	2024
Bank balances	225,246	198,380
The total amount of undrawn facilities available for future operating activities and commitments	225,246	198,380
	225,246	**198,380**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
Current accounts						
First National Bank - Currentaccount - 527115689918	151,396	139,071	324,241	151,389	139,071	324,241
First National Bank - Callaccount - 62711355132	70	66	66	-	66	66
Short-term Investments						
Nedbank - Money Market - 03/7881110481/000003	21,086	19,527	18,008	21,086	-	18,008
First National Bank - MoneyMarket - 62847543528	144	136	136	-	136	136
ABSA Bank - Current account - 9358983129	52,770	34,415	884	52,771	884	884
Total	**225,466**	**193,215**	**343,335**	**225,246**	**140,157**	**343,335**

5. Inventories

	2025	2024
Consumables stores	1,413,607	1,561,673
Water	16,775	16,875
	1,430,382	**1,578,548**

Water for distribution

	2025	2024
Opening balance	16,875	17,690
Inventories adjustment / movement	(100)	(815)
Closing balance	**16,775**	**16,875**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

6. Receivables from exchange transactions

Gross balances		
Trade debtors	442,209	1,137,148
Consumer debtors - Electricity	20,465,937	17,273,737
Consumer debtors - Water	83,072,372	79,433,957
Consumer debtors - Waste water	64,616,955	63,404,092
Consumer debtors - Refuse	62,264,454	61,066,948
Consumer debtors - Interest	198,192,776	182,484,862
Consumer debtors - Rentals	1,323,819	1,349,269
Consumer debtors - Sundry	2,081,303	1,029,149
	432,459,825	**407,179,162**

Less: Allowance for impairment		
Consumer debtors - Electricity	(18,276,200)	(15,407,325)
Consumer debtors - Water	(82,508,831)	(78,810,825)
Consumer debtors - Waste water	(64,120,702)	(62,859,844)
Consumer debtors - Refuse	(61,823,567)	(60,568,052)
Consumer debtors - Interest	(196,909,352)	(180,805,363)
Consumer debtors - Rentals	(1,299,938)	(1,260,744)
Consumer debtors - Sundry	(1,995,085)	(661,877)
	(426,933,675)	**(400,374,030)**

Net balance		
Trade debtors	442,209	1,137,148
Consumer debtors - Electricity	2,189,737	1,866,412
Consumer debtors - Water	563,541	623,132
Consumer debtors - Waste water	496,253	544,248
Consumer debtors - Refuse	440,887	498,896
Consumer debtors - Interest	1,283,424	1,679,499
Consumer debtors - Rentals	23,881	88,525
Consumer debtors - Sundry	86,218	367,272
	5,526,150	**6,805,132**

Consumer debtors - Electricity		
Current (0 -30 days)	1,091,185	1,361,249
31 - 60 days	895,632	1,149,893
61 - 90 days	782,866	865,519
91 - 120 days	877,012	680,551
120+ Days	16,819,242	13,216,525
Impairment	(18,276,200)	(15,407,325)
	2,189,737	**1,866,412**

Consumer debtors - Water		
Current (0 -30 days)	1,961,507	1,619,406
31 - 60 days	1,681,800	1,668,394
61 - 90 days	1,612,627	1,734,776
91 - 120 days	1,649,841	1,533,564
120+ Days	76,166,596	72,877,818
Impairment	(82,508,831)	(78,810,825)
	563,541	**623,132**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

6. Receivables from exchange transactions (continued)

Consumer debtors - Waste water		
Current (0 -30 days)	1,467,441	1,096,759
31 - 60 days	1,123,810	1,047,148
61 - 90 days	1,132,223	1,030,994
91 - 120 days	1,100,924	1,017,801
120+ Days	59,792,557	59,211,391
Impairment	(64,120,702)	(62,859,844)
	496,253	**544,248**

Consumer debtors - Refuse		
Current (0 -30 days)	1,463,564	1,056,201
31 - 60 days	1,104,278	1,017,012
61 - 90 days	1,093,016	1,010,862
91 - 120 days	1,062,685	990,484
120+ Days	57,540,911	56,992,388
Impairment	(61,823,567)	(60,568,052)
	440,887	**498,896**

Consumer debtors - Interest		
Current (0 -30 days)	3,907,612	615,186
31 - 60 days	3,684,912	3,043,168
61 - 90 days	3,696,247	3,544,798
91 - 120 days	3,676,159	3,448,589
120+ Days	183,227,846	171,833,121
Impairment	(196,909,352)	(180,805,363)
	1,283,424	**1,679,499**

Consumer debtors - Rentals		
Current (0 -30 days)	36,690	27,322
31 - 60 days	20,007	22,813
61 - 90 days	16,796	23,022
91 - 120 days	16,335	20,521
120+ Days	1,233,991	1,255,591
Impairment	(1,299,938)	(1,260,744)
	23,881	**88,525**

Consumer debtors - Sundry		
Current (0 -30 days)	1,052,738	12,903
31 - 60 days	(61,474)	11,160
61 - 90 days	16,769	15,548
91 - 120 days	9,746	11,160
120+ Days	1,063,524	978,378
Impairment	(1,995,085)	(661,877)
	86,218	**367,272**

Figures in Rand	2025	2024

6. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

Residential / Consumers		
Current (0 -30 days)	10,980,737	5,789,025
31 - 60 days	8,448,965	7,959,588
61 - 90 days	8,350,544	8,225,518
91 - 120 days	8,392,702	7,702,670
120+ Days	395,844,668	376,371,314
	432,017,616	406,048,115
Less: Allowance for impairment	(426,933,676)	(400,374,028)
	5,083,940	**5,674,087**

Total		
Current (0 -30 days)	10,980,737	5,789,025
31 - 60 days	8,448,965	7,959,588
61 - 90 days	8,350,544	8,225,518
91 - 120 days	8,392,702	7,702,670
120+ Days	395,844,670	376,365,212
	432,017,616	406,048,115
Less: Allowance for impairment	(426,933,677)	(400,374,028)
	5,083,941	**5,667,985**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(400,374,028)	(339,875,173)
Contributions to allowance	(26,559,648)	(60,498,856)
	(426,933,676)	**(400,374,028)**

Receivables from exchange transactions pledged as security

No Trade and other receivables from exchange transactions were pledged as security.

Credit quality of trade and other receivables from exchange

The credit quality of trade and other receivables from exchange transactions that are neither past due nor due nor impaired can be assessed by reference to historical trends and other available information. Althought credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.

Fair value of receivables from exchange transactions		
Trade and other receivables from exchange	5,526,149	6,805,132

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

7. Receivables from non-exchange transactions

Gross balances		
Property rates	95,889,217	86,644,962
Less: Allowance for impairment		
Property rates	(94,347,635)	(84,815,499)
Net balance		
Property rates	1,541,582	1,829,463

Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Interest - non-exchange transactions	-	-
Government grants and subsidies	-	-
Property rates	1,541,582	1,829,463
	1,541,582	**1,829,463**

Total receivables from non-exchange transactions	**1,541,582**	**1,829,463**

Property rates		
Current (0 -30 days)	2,022,548	2,077,474
31 - 60 days	2,030,431	1,854,380
61 - 90 days	2,027,327	1,639,595
91 - 120 days	1,907,052	1,583,457
120+ Days	87,901,859	79,490,055
Impairment	(94,347,635)	(84,815,499)
	1,541,582	**1,829,462**

Figures in Rand	2025	2024

7. Receivables from non-exchange transactions (continued)

Summary of debtors by customer classification

Residential / Consumers		
Current (0 -30 days)	2,022,548	2,077,474
31 - 60 days	2,030,431	1,854,380
61 - 90 days	2,027,327	1,639,595
91 - 120 days	1,907,052	1,583,457
120+ Days	87,901,859	79,490,056
	95,889,217	86,644,962
Less: Allowance for impairment	(94,347,635)	(84,815,498)
	1,541,582	**1,829,464**

Total		
Current (0 -30 days)	2,022,548	2,077,474
31 - 60 days	2,030,431	1,854,380
61 - 90 days	2,027,327	1,639,595
91 - 120 days	1,907,052	1,583,457
120+ Days	87,901,859	79,490,055
	95,889,217	86,644,962
Less: Allowance for impairment	(94,347,635)	(84,815,497)
	1,541,582	**1,829,464**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(84,815,499)	(75,341,563)
Contributions to allowance	(9,532,136)	(9,473,936)
	(94,347,635)	**(84,815,499)**

Receivables from non-exchange transactions pledged as security

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

Credit quality of trade and other receivables from non-exchange

The credit quality of trade and other receivables from non-exchange transactions that are neither past due nor due nor impaired can be assessed by reference to historical trends and other available information. Althought credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.

Fair value of receivables from non-exchange transactions		
Trade and other receivables from non-exchange	1,541,582	1,829,463

Figures in Rand	2025	2024

8. Statutory receivables from non-exchange transactions

Statutory receivables included in the Statement of Financial Position under Receivables from non-exchange transactions

Property rates	95,889,217	86,644,962
	95,889,217	**86,644,962**

Reconciliation of provision for impairment for statutory receivables

Provision for impairment included under receivables from non-exchange transactions:

Property rates	(94,347,635)	(84,815,499)
	(94,347,635)	**(84,815,499)**

Factors the entity considered in assessing statutory receivables impaired

A payment ratio analysis report was drawn in order to establish the payment percentage per type of debtor. This payment percentage was used to impair these statutory receivables.

Statutory receivables general information

Transaction(s) arising from statute

Property rates related transactions arise in terms of the Municpal Property Rates Act, 6 of 2004, Municipal Finance Management Act, 56 of 2003, as well as the Property Rates Policy of the municipality approved by Council as part of the Budget Process.

Government grants related transactions arise in terms of the applicable annual Division of Revenue Act Bill as well as the relevant Provincial Gazette.

VAT transactions arise from the Value Added Tax Act 89 of 1991. VAT is an indirect tax on the consumption of goods and services in the economy. VAT is levied on all goods and services subject to certain exemptions, exceptions, deductions and adjustments provided for in the Value Added Tax Act 89 of 1991.

Determination of transaction amount

Property rates transaction amounts are determined in line with the Annual Tariff List of the municipality approved by Council as part of the Budget Process in terms of the Municipal Finance Management Act, 56 of 2003.

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

No impairment on VAT Receivable, balance expected to be fully recoverable.

9. VAT receivable

VAT Control	21,458,316	12,832,526

Only once payment is received from debtors or payments made to suppliers the VAT is paid over to or claimed from the South African Revenue Service (SARS).

9. VAT receivable (continued)

VAT meets the definition of a statutory receivable as per the accounting policy. For statutory receivable information regarding VAT refer to note 8.

VAT is (payable)/receivable on the cash basis.

Refer to note 45 for prior period corrections made to VAT

10. Investment property

	2025	2024
	Fair Value	**Fair Value**
Investment property	156,501,920	152,535,984
Total	**156,501,920**	**152,535,984**

Reconciliation of investment property - 2025

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	152,535,984	-	3,965,936	156,501,920
	152,535,984	**-**	**3,965,936**	**156,501,920**

Reconciliation of investment property - 2024

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	151,793,788		742,196	152,535,984
	151,793,788	**-**	**742,196**	**152,535,984**

Pledged as security

No investment properties has been pledged as security for liabilities.

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.

10. Investment property (continued)

Details of valuation

The effective date of the revaluations was 30 June 2025. Revaluations were performed by WRCON. Mr Pieter Hendrik Venter was the valuer at Letsemeng Local Municipality to perform the valuations. Mr Pieter Hendrik Venter is a registered Professional Associated Valuer with the SA Council for Valuers Profession, registration number 7428, a member of the SA Institute of Valuers and has the appropriate experience in performing valuation of investment properties.

The valuation for the land portion was based on adapted comparable sales and for the improvements there-on on replacement costs.

These assumptions are based on current market conditions.

Legal ownership

.16 The right to direct access to land, and to restrict or deny the access of others to land .20 In assessing whether the rights that have been granted to an entity in a binding arrangement result in control of the land, it is important to distinguish between substantive rights and protective rights. Only substantive rights are considered in assessing whether an entity controls land.

.18 Legal ownership refers to the owner being the registered title deed holder of the land. Legal ownership also arises where the land is transferred from the legal owner to another entity or party, through legislation or similar means. For example, when a change in ownership is recorded by way of an endorsement on the existing title deed, rather than a formal transfer or change in ownership reflected on the title deed. References to legal owner or legal ownership in this Interpretation include both situations.

.19 In the absence of an entity demonstrating that it has granted the right to direct access to and restrict or deny access of others to the land to another entity, the legal owner controls the land as it retains the right to direct access to land, and to restrict or deny the access of others to land. The legal owner is thus able to demonstrate both criteria in paragraph.

.21 Substantive rights grant the entity the ability to make decisions about, and benefit from, certain rights and assets, such as how to use the land to provide services, and when to dispose of the land, to whom and at what price. For the right to be substantive, the holder of the right must have the present ability to exercise that right.

The accounting for land is based on the rights that an entity is presently able to exercise in terms of its ownership of the land or other rights granted in terms of a binding arrangement.

Derecognise

The invasion of land may be an illegal act. Although the illegal occupants may have certain rights, these rights do not supersede or eliminate the entity’s currently exercisable rights in terms of its legal ownership of the land. Land ownership means that the entity has substantive rights to direct or restrict access to the economic benefits or service associated with the land. The fact that the entity may not execute these rights because of political, socio-economic or other factors, is irrelevant in establishing whether control exists for accounting purposes. An entity would need to assess if its ownership rights are subsequently changed through another legal action, such as the outcome of a court process such as the outcome of court case, court order, etc. The illegal occupation of land may indicate that an impairment loss should be recognised. An entity should apply the principles in either GRAP 21 or GRAP 26 when these occupations occur (and throughout their duration).

During previous financial periods it was noted that illegal occupation has taken place on properties owned by the entity. This has led to the subsequent loss of control in terms of iGRAP 18. These properties have subsequesntly seen an reduction in their current fair market value. In order to ensure accurate accounting, the properties's current fair market value has been ammended to Nil and placed on a control register till such time that the entity regains full control of the property.

Should the entity be able to resolve the illegal occupation on these properties an additional 2025: R 355 572 142 (2024: R 346 56 542) will be recognised as Investment property.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

10. Investment property (continued)

Notes to the Audited Annual Financial Statements

Figures in Rand

11. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Immovable assets						
Solid Waste Disposal	2,597,438	(1,923,562)	673,876	2,681,325	(1,669,990)	1,011,335
Landfill site asset	49,141,952	(18,784,990)	30,356,962	50,761,934	(16,783,510)	33,978,424
Buildings	46,988,224	(17,401,203)	29,587,021	47,173,045	(16,748,000)	30,425,045
Community	83,589,669	(43,471,473)	40,118,196	84,090,511	(32,609,160)	51,481,351
Water network	529,726,165	(188,631,225)	341,094,940	546,103,129	(180,868,365)	365,234,764
Land	47,400,812	-	47,400,812	47,400,812	-	47,400,812
Roads and Storm Water	378,980,475	(250,257,993)	128,722,482	379,376,900	(251,442,535)	127,934,365
Electricity	106,083,519	(36,422,689)	69,660,830	101,059,468	(34,641,863)	66,417,605
Work-in-Progress	65,452,090	-	65,452,090	49,216,376	-	49,216,376
Computer equipment	1,457,660	(1,007,735)	449,925	2,154,357	(1,544,730)	609,627
Furniture and fixtures	3,943,865	(3,042,847)	901,018	4,460,647	(3,688,407)	772,240
Motor vehicles	8,331,598	(2,695,326)	5,636,272	9,030,077	(1,876,073)	7,154,004
Machinery and equipment	2,045,035	(1,563,394)	481,641	2,245,532	(1,690,138)	555,394
Wastewater network	218,203,929	(62,584,946)	155,618,983	227,027,250	(55,296,870)	171,730,380
Total	**1,543,942,431**	**(627,787,383)**	**916,155,048**	**1,552,781,363**	**(598,859,641)**	**953,921,722**

Notes to the Audited Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Work in Progress - Additions	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
Sollid Waste Disposal	1,011,335	-	(50,645)	-	-	(86,872)	(199,942)	-	673,876
Landfill site asset	33,978,424	-	-	-	(1,619,982)	(2,001,480)	-	-	30,356,962
Buildings	30,425,045	-	(51,127)	-	-	(767,751)	(19,146)	-	29,587,021
Community	51,481,351	-	(178,476)	-	-	(1,661,935)	(9,527,603)	4,859	40,118,196
Water network	365,234,764	498,013	(11,572,699)	-	-	(5,367,147)	(7,698,840)	849	341,094,940
Land	47,400,812	-	-	-	-	-	-	-	47,400,812
Roads and Storm Water	127,934,365	-	(90,693)	-	-	880,212	(1,402)	-	128,722,482
Electricity	66,417,605	540,501	(376,736)	5,291,712	-	(2,206,299)	(6,802)	849	69,660,830
Work-in-Progress	49,216,376	21,527,426	-	(5,291,712)	-	-	-	-	65,452,090
IT equipment	609,627	198,457	(181,334)	-	-	(164,035)	(21,301)	8,511	449,925
Furniture and fixtures	772,240	205,225	(132,675)	-	-	87,469	(31,676)	435	901,018
Motor vehicles	7,154,004	1,593,221	(1,695,663)	-	-	(800,700)	(614,590)	-	5,636,272
Machinery and equipment	555,394	153,580	(82,335)	-	-	(150,602)	(12,454)	18,058	481,641
Wastewater network	171,730,380	-	(5,445,272)	-	-	(3,468,570)	(7,197,979)	424	155,618,983
	953,921,722	**24,716,423**	**(19,857,655)**	**-**	**(1,619,982)**	**(15,707,710)**	**(25,331,735)**	**33,985**	**916,155,048**

Notes to the Audited Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Work in Progress - Additions	Other changes, movements	Depreciation	Impairment loss	Total
Solid Waste Disposal	1,114,725	-	-	-	-	(103,390)	-	1,011,335
Bins and containers	37,515,324	-	-	-	(1,180,800)	(2,356,100)	-	33,978,424
Buildings	31,708,595	-	(259,640)	-	-	(1,023,910)	-	30,425,045
Community	57,175,969	-	(3,237,320)	-	-	(2,416,886)	(40,412)	51,481,351
Water network	379,113,244	-	(3,480,811)	-	-	(10,397,669)	-	365,234,764
Land	47,400,812	-	-	-	-	-	-	47,400,812
Roads and Storm Water	120,938,283	2,742,116	-	11,645,110	-	(7,391,144)	-	127,934,365
Electricity	69,842,527	-	(736,531)	-	-	(2,688,391)	-	66,417,605
Work-in-Progress	43,276,289	17,585,197	-	(11,645,110)	-	-	-	49,216,376
IT equipment	771,974	76,991	(4,536)	-	-	(226,292)	(8,510)	609,627
Furniture and fixtures	918,747	44,199	(32,821)	-	-	(155,395)	(2,490)	772,240
Motor vehicles	5,847,690	2,615,000	(886,270)	-	-	(422,416)	-	7,154,004
Machinery and equipment	707,933	88,900	(575)	-	-	(194,947)	(45,917)	555,394
Wastewater network	177,739,349	-	(1,974,250)	-	-	(4,034,719)	-	171,730,380
	974,071,461	**23,152,403**	**(10,612,754)**	**-**	**(1,180,800)**	**(31,411,259)**	**(97,329)**	**953,921,722**

Pledged as security

There are no property, plant and equipment pledged as security for overdraft facilities.

Infrastructure - Road network	7,043,750	-
Community	3,812,049	-
Landfill Site Asset	300,150	300,150
Electricity	23,105,502	25,164,090
Infrastructure - Wastewater network	11,371,014	3,932,519
Infrastructure - Water network	24,091,309	24,091,309
	69,723,773	**53,488,068**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

11. Property, plant and equipment (continued)

Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Infrastructure - Road network	7,043,750	-
Community	3,812,049	-
Landfill Site Asset	300,150	300,150
Electricity	23,105,502	25,164,090
Infrastructure - Wastewater network	11,371,014	3,932,519
Infrastructure - Water network	24,091,309	24,091,309
	69,723,773	**53,488,068**

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
None identified	-	-
	-	**-**

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
None identified	-	-
	-	**-**

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Total
Opening balance	53,488,068	-	53,488,068
Additions/capital expenditure	21,527,418	-	21,527,418
Transferred to completed items	(5,291,712)	-	(5,291,712)
	69,723,773	**-**	**69,723,774**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	47,547,977	-	47,547,977
Additions/capital expenditure	17,585,201	-	17,585,201
Transferred to completed items	(11,645,110)	-	(11,645,110)
	53,488,068	**-**	**53,488,068**

Figures in Rand	2025	2024

11. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Other property, plant and equipment	1,685,512	3,254,227

Refer to note 35 for repairs and maintenance

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.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

12. Other financial assets

Designated at fair value		
Unlisted shares	288,318	288,318

The municipality holds the following non-controlling interests:

Senwes Limited: 3 600 (2024: 3 600) shares
Senwesbel Limited: 4 990 (2024: 4 990) shares
OVK: Operational Shares: 4 000 (2024: 4 000) shares
OVK: Holding Shares: 4 000 (2024: 4 000) shares

Non-current assets		
Designated at fair value	288,318	288,318

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

13. Consumer deposits

Water and electricity	1,213,864	1,131,382
	1,213,864	**1,131,382**

No guarantees held in lieu of electricity and water deposits.

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding accounts.

No interest accrues on consumer deposits.

14. Employee benefit obligations

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

Non-current employee benefits		
Post-Retirement Medical Aid benefits	5,662,340	5,904,000
Long-service awards benefits	3,945,942	3,436,000
	9,608,282	**9,340,000**
Current employee benefits		
Post-Retirement Medical Aid benefits	307,678	294,000
Long-service awards benefits	513,960	654,000
	821,638	**948,000**
Total employee benefits		
Post-Retirement Medical Aid benefits	5,970,018	6,198,000
Long-service awards benefits	4,459,902	4,090,000
	10,429,920	**10,288,000**

Non-current liabilities	9,608,282	9,340,000
Current liabilities	821,638	948,000
	10,429,920	**10,288,000**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

14. Employee benefit obligations (continued)

Post employment health care benefits

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. The plan is treated as a defined benefit plan under GRAP 25. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2025 by D T Mureriwa of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

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

Continuation members (Retirees)	7	5
Total members	**7**	**5**

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas
LA Health
Key Health

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

In-service members (Employees)	-	-
In-service non-members (Employees)	-	-
Continuation members (Retirees)	5,970,018	6,198,000
Total liability	**5,970,018**	**6,198,000**

Non-current	5,662,340	5,904,000
Current	307,678	294,000
	5,970,018	**6,198,000**

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

Rates of interest		
Discount rate	12.42 %	12.28 %
Health care cost inflation rate	7.90 %	8.15 %
Net effective discount rate	4.19 %	3.82 %

Normal retirement age

The average retirement age for all active employees was assumed to be 62 years.

Figures in Rand	2025	2024

14. Employee benefit obligations (continued)

Amounts recognised in the statement of financial position

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

	2025	2024
Present value of unfunded obligations	**5,970,018**	**6,198,000**

Net expense recognised in the statement of financial performance

The amounts recognised in the statement of financial performance is as follows:		
Current service cost	325,000	-
Interest cost	763,000	144,000
Actuarial (gain) recognised in the year	(1,021,982)	5,118,452
	66,018	**5,262,452**

Movements in the present value of the defined benefit obligation		
Opening balance	6,198,000	1,225,000
Current service cost	325,000	-
Interest cost	763,000	144,000
Actual employer benefit payments	(294,000)	(289,452)
Actuarial (gain) recognised in the year	(1,021,982)	5,118,452
Present value of fund obligation at the end of the year	**5,970,018**	**6,198,000**

Amounts for the current and previous four periods are as follows:

Present value of unfunded defined benefit	
2025	5,970,018
2024	6,198,000
2023	1,225,000
2022	1,711,000
2021	2,056,000

Sensitivity analysis on Medical inflation rate

Assumption	Change	Total	% change
Service cost	1 %	532,753	22.63 %
Service cost	-1 %	357,076	-17.81 %
Interest cost	1 %	846,395	17.17 %
Interest cost	-1 %	622,535	-13.82 %

Sensitivity analysis on Discount rate

Assumption	Change	Total	% change
Service cost	1 %	524,213	-16.28 %
Service cost	-1 %	363,725	20.66 %
Interest cost	1 %	678,473	-6.08 %
Interest cost	-1 %	773,327	7.05 %

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

14. Employee benefit obligations (continued)

GRAP 25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.The methodology of setting the financial assumptions has been updated to be more duration-specific. At the previous valuation report, 30 June 2024 the duration of liabilities was 14.64 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2025 is 12.42% per annum, and the yield on inflation-linked bonds of a similar term was about 5.19% per annum. This implies an underlying expectation of inflation of 6.40% per annum ([1 + 12.42%-0.5%] / [1 + 5.19%] - 1). The 0.5% deduction is there to account for biases and market frictions that distort the clean nominal–real yield differential due to seasonal CPI lags in index-linked bonds, liquidity premiums, market segmentation and mismatching compounding projections that might be present in the market.We have assumed that healthcare cost inflation would exceed general inflation by 1.50% per annum, i.e. 7.90% per annum.However, it is the relative levels of the discount rate and healthcare cost inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 4.19% per annum ([1 + 12.42%] / [1 + 7.90%] - 1).

Mortality Rates

PA (90) - 1 with a 1% mortality improvement per annum from the year 2010.

Continuation of Membership

With the appointment of 1 Pangaea Expertise and Solutions Pty (Ltd) for the year ending 30 June 2025.

The table below summarises the accrued liabilities and the plan assets for the current period and the previous four periods:

Liability History	**30/06/2025**	**30/06/2024**	**30/06/2023**
Accrued Liability	(5,970,018)	(6,198,000)	(1,225,000)
Surplus / (Deficit)	**5,970,018**	**6,198,000**	**1,225,000**

The table below summarises the experience adjustments for the current and previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred:

Experience adjustment	**30/06/2025**	**30/06/2024**	**30/06/2023**
Liabilities: (Gain) / Loss	(1,021,982)	5,118,452	129,422
	(1,021,982)	**5,118,452**	**129,422**

Long-service awards benefits

The municipality operates a funded defined benefit plan for all its employees. Under the plan, a Long Service Award is payable after 10 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2025 by 1 Pangaea Expertise and Solutions Pty (Ltd). The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end 180 (2024: 179) employees were eligible for Long Services Awards.

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

	2025	2024
Discount rate	9.07 %	10.65 %
General Salary inflation	4.96 %	6.50 %
Net effective discount rate	3.91 %	3.90 %

Figures in Rand	2025	2024

14. Employee benefit obligations (continued)

The amounts recognised in the statement of financial position are as follow:		
Present value of unfunded obligations	4,459,902	4,090,000

Amounts recognised in the statement of financial performance

The amounts recognised in the statement of financial performance are as follow:		
Current service cost	426,000	386,000
Interest cost	448,000	376,000
Actuarial losses / (gains) recognised	(242,181)	69,000
Total expense included in employee related costs	**631,819**	**831,000**

Opening balance	4,090,000	3,448,000
Current service cost	426,000	386,000
Interest cost	448,000	376,000
Actual employer benefit payments	(261,917)	(189,000)
Actuarial loss/ (gain) recognised in the year	(242,181)	69,000
	4,459,902	**4,090,000**

Liability History	**30/06/2025**	**30/06/2024**	**30/06/2023**
Accrued Liability	(4,459,902)	(4,090,000)	(3,448,000)
Surplus / (Deficit)	**4,459,902**	**4,090,000**	**3,448,000**

The table below summarises the experience adjustments for the current and previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred:

Experience adjustment	**30/06/2025**	**30/06/2024**	**30/06/2023**
Liabilities: (Gain) / Loss	(242,181)	69,000	(347,689)
	242,181	**(69,000)**	**347,689**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

15. Payables from exchange transactions

Accrued leave pay	5,786,521	8,199,054
Accrued bonus	1,252,430	1,535,596
Debtors with credit balances	9,355,629	5,602,110
Employee related liabilities	814,961	7,195,221
Retention	4,482,569	3,275,428
Trade payables	398,311,703	281,751,161
	420,003,813	**307,558,570**

Fair value of trade and other payables

Trade payables	420,003,813	307,558,570
	420,003,813	**307,558,570**

The fair value of trade and other payables approximates their carrying amounts. Trade and other payables are normally settled on 30-day terms in accordance with the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice / statement. Thereafter interest is charged in accordance with the credit policies of the various individual creditors.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

16. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Change in provision	Finance cost	Total
Rehabilitation of landfill site	76,675,357	(2,278,446)	6,399,039	80,795,951
	76,675,357	**(2,278,446)**	**6,399,039**	**80,795,951**

Reconciliation of provisions - 2024

	Opening Balance	Change in provision	Finance cost	Total
Rehabilitation of landfill site	72,534,888	(1,180,800)	5,321,269	76,675,357
	72,534,888	**(1,180,800)**	**5,321,269**	**76,675,357**

	2025	2024
Non-current liabilities	80,795,951	76,675,357
	80,795,951	**76,675,357**

Environmental rehabilitation provision

The provision is made in terms of the municipality's licensing stipulations on the landfill waste sites.

Letsemeng Local Municipality consists of five (5) towns (Jacobsdal, Koffiefontein, Luckhoff, Oppermansgronde & Petrusburg). Koffiefontein is the central business district of Letsemeng Local Municipality. Landfill operations continue until all the available permitted airspace has been filled. Once this happens, the site close and capped with a layer of impermeable clay and a layer of the top soil. Grass and other suitable vegetation types are planted to stabilize the soil and improve the appearance. Environmental monitoring continues for a period of up to 30 years after the closure of the site. No appointment for the closure of the sites has been made, and therefore only rough estimates have been compiled without site visits with no detailed inspections or investigations. Basic information on the size and classification of each site was supplied.

Figures in Rand	2025	2024

16. Provisions (continued)

Key cost parametres:

The discount rate was deduced from the average of the Zero-Coupon Yield Curve (Nominal Bond) over the entire durations applicable in the future. The annualised long term discount rate at 30 June 2025 was 11.16% p.a. The consumer price inflation of 3.00% p.a. was obtained from the differential between the averages of the Nominal Bond Yield Curve and the Real Bond Yield Curve (Zero Yield Curves).

Consumer price inflation (C) 3.00% (2024: 5.10%)

Discount rate (D) 11.16% (2024: 12.40%)

Net discount rate 7.92% (2024: 6.94%)

	Opening balance	Change inprovision	Utilised during the year	Finance cost	Total
Jacobsdal	22,158,924	(658,463)	-	1,849,301	23,349,762
Koffiefontein	16,654,943	(494,909)	-	1,389,959	17,549,992
Luckhoff	13,507,656	(401,387)	-	1,127,299	14,233,568
Oppermansgronde	8,981,223	(266,881)	-	749,539	9,463,881
Petrusburg	15,372,612	(456,805)	-	1,282,941	16,198,748
	76,675,357	(2,278,446)	-	6,399,039	80,795,951

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Energy Efficiency Demand Side Management Grant	-	1,000,000
Municipal Infrastructure Grant	4,470,394	7,944,281
Water Services Infrastructure Grant	16,238,879	18,158,278
	20,709,273	**27,102,559**

Movement during the year

Balance at the beginning of the year	27,102,559	31,364,705
Additions during the year	42,543,001	31,079,999
Income recognition during the year	(33,342,287)	(31,072,986)
Transferred to Equitable share withheld	(15,594,000)	(4,269,159)
	20,709,273	**27,102,559**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions attached to government assistance that has been recognised.

Unfulfilled conditions attached to government assistance that has been recognised.

See reconciliation of grants from National/Provincial Government note 26 27

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

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

18. Interest income (Exchange transactions)

Dividend revenue		
Listed financial assets - Local	14,731	11,037
Interest income		
Bank accounts	668,133	428,534
Receivables from exchange transactions	31,363,932	26,293,947
	32,032,065	**26,722,481**
	32,046,796	**26,733,518**

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R 32 032 064.76 (2024: R 26 722 481.13).

19. Operational revenue

Administrative connection fees	106,810	159,751
Administrative Handling Fees	181,350	261,754
Building plans	46,541	4,092
Cemetry and Burial	68,584	66,068
Clearance certificates	215,131	54,010
Photocopies and faxes	32,803	26,930
Tender documents	97,603	9,640
	748,822	**582,245**

The amounts disclosed above for Operational revenue are in respect of services rendered, other than described in note: 21 and 22 which are billed to or paid for by the users of the services as required according to approved tariffs.

20. Other revenue

Other income - (rollup)	748,822	582,245

21. Rental of facilities and equipment

Premises		
Rental from fixed property	540,116	344,232
Venue hire	513,510	631,452
	1,053,626	**975,684**

22. Service charges

Sale of electricity - Conventional	35,244,409	35,053,453
Other service charges	-	4,034,310
Sale of water - Conventional	20,362,886	17,421,454
Sewerage and sanitation charges	13,581,703	10,412,198
Refuse removal	13,200,846	9,745,677
	82,389,844	**76,667,092**

The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to the approved tariffs.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

23. Property rates

Rates received

Property rates	28,145,524	26,333,530
	28,145,524	**26,333,530**

Valuations

Residential	1,111,368,000	836,845,000
State	132,885,000	93,390,000
Commercial properties	99,127,000	179,540,000
Municipal	28,106,000	22,330,000
Small holdings and farms	2,363,902,470	2,258,975,000
Other	331,585,000	219,348,000
	4,066,973,470	**3,610,428,000**

24. Interest income (Non-exchange transactions)

Receivables from non-exchange transactions	10,954,303	10,152,292
	10,954,303	**10,152,292**

25. Fines, Penalties and Forfeits

Law Enforcement Fines	-	15,800
	-	**15,800**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

26. Government grants and subsidies

Operating grants		
Equitable share	90,162,000	84,906,000
Financial Management Grant	3,000,000	3,000,000
	93,162,000	**87,906,000**
Capital grants		
Water Services Infrastructure Grant (WSIG)	8,556,679	11,104,426
Municipal Infrastructure Grant (MIG)	20,775,607	11,743,718
Expanded Public Works Programme Grant (EPWP)	1,010,000	665,000
Integrated National Electrification Programme	-	528,000
	30,342,286	**24,041,144**
	123,504,286	**111,947,144**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	33,342,286	27,041,145
Unconditional grants received	90,162,000	84,906,000
	123,504,286	**111,947,145**

Equitable Share

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

Municipal Infrastructure Grant

Balance unspent at beginning of year	7,944,281	9,280,023
Current-year receipts	25,246,000	19,688,000
Conditions met - transferred to revenue	(20,775,607)	(19,688,000)
Amount withheld from Equitable share	(7,944,281)	(1,335,742)
	4,470,394	**7,944,281**

Conditions still to be met - remain liabilities see note 17

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

26. Government grants and subsidies (continued)

Water Services Infrastructure Grant

Balance unspent at beginning of year	18,158,278	19,063,705
Current-year receipts	13,287,000	10,198,999
Conditions met - transferred to revenue	(8,556,679)	(11,104,426)
Amount withheld from Equitable share	(6,649,719)	-
	16,238,879	**18,158,278**

Conditions still to be met - remain liabilities see note 17

Balance unspent at beginning of year	-	2,933,417
Current-year receipts	-	528,000
Conditions met - transferred to revenue	-	(528,000)
Amount withheld from Equitable share	-	(2,933,417)
	-	**-**

Local Government Finacial Management Grant

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

Expanded Public Works Programme Integrated Grant

Current-year receipts	1,010,000	665,000
Conditions met - transferred to revenue	(1,010,000)	(665,000)
	-	**-**

Transformation and Development of Library Grant

Energy Efficiency Demand Side Management Grant

Balance unspent at beginning of year	1,000,000	1,000,000
Amount withheld from Equitable share	(1,000,000)	-
	-	**1,000,000**

Conditions still to be met - remain liabilities see note 17

27. Public contributions and donations

Property, plant and equipment	2,912	6,096,639
National Treasury assistance with audit fees	3,377,254	-
	3,380,166	**6,096,639**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

28. Bulk purchases

Electricity	62,289,683	42,700,241
Water	7,302,153	8,156,177
	69,591,836	**50,856,418**

29. Contracted services

Consultants and Professional Services		
Business and Advisory	5,394,721	3,379,026
Infrastructure and planning	-	37,901
Legal Cost	891,625	3,791,097
Contractors		
Catering Services	19,770	-
Electrical	7,116,680	-
Maintenance of Equipment	1,539,778	-
Maintenance of Unspecified Assets	3,221,353	94,876
Sewerage Services	166,778	470,096
Sports and Recreation	-	149,940
	18,350,705	**7,922,936**

30. Debt impairment

Consumer debtors	36,091,783	70,171,581
Bad debts written off	74,215,637	14,919,668
	110,307,420	**85,091,249**

31. Depreciation and amortisation

Property, plant and equipment	15,707,710	31,411,259

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

32. Employee related cost

Municipal staff costs

Acting allowances	3,378,838	5,482,806
Bargaining council contributions	28,725	24,152
Basic salaries and wages	41,802,894	45,663,070
Bonus	2,638,447	2,946,571
Car allowance	2,863,661	3,072,319
Employee benefit obligation	195,083	-
Housing allowances	235,216	189,013
Leave pay-outs	787,043	103,777
Leave pay provision charge	(2,412,533)	-
Long-service awards	261,917	77,482
Medical aid - company contributions	2,569,792	2,546,340
Overtime payments	8,324,544	7,782,459
Pension funds - council contributions	6,260,288	6,203,844
Skills development levy	638,264	360,452
Standby allowance	3,571,420	2,721,286
Telephone allowance	192,365	171,979
Travel allowances	1,552,853	949,932
UIF contributions	401,898	310,386
Total Employee related cost	**73,290,714**	**78,605,869**

Remuneration of Acting Chief Finance Officer - (Mr. SJ Tooi)

Basic Salary	914,592	711,460
Car allowance	199,512	197,932
Remote Allowance	44,715	-
Bonus	44,916	122,945
Travel allowance	12,206	-
Contribution to pension fund, UIF, SDL	80,329	110,415
Other Allowance	129,295	37,225
	1,425,565	**1,179,977**

Appointed for the period 01/07/2023 to 31/01/2024 and again 15/03/2024 until 30/06/2024.

Remuneration of Director Community Services - (Mr. KJ Motlhale)(Secondment)

Basic Salary	645,185	230,695
Cellphone allowance	8,400	3,600
Remote Allowance	25,990	10,559
Travel allowance	15,470	2,313
Contribution to pension fund, UIF, SDL	9,841	2,980
Termination Leave Paid Out	97,601	-
Other Allowance	55,625	-
	858,111	**250,146**

Mr. KJ Motlhale resigned on the 2025/01/31.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

32. Employee related cost (continued)

Remuneration of Acting Corporate Director - (Mr. SG Qwelane)

	2025	2024
Basic Salary	617,804	592,490
Acting Allowance	22,850	105,994
Cellphone allowance	6,805	6,805
Car Allowance	87,673	87,673
Bonus	51,596	49,374
Travel allowance	32,354	7,280
Contribution to pension fund, UIF, SDL	138,169	133,502
	957,251	**983,119**

Mr SG Qwelane started acting in March 2025.

Amounts for acting allowance is the only remuneration relating to Sec 56 employees. All other amounts relate to remuneration received for positions outside of Sec 56.

Remuneration of Acting Community Services Director - (Mr. IN Bonani)

	2025	2024
Basic Salary	575,357	551,782
Acting Allowance	25,591	118,507
Cellphone allowance	6,805	6,805
Car Allowance	87,673	87,673
Bonus	48,772	45,982
Travel allowance	12,764	-
Contribution to pension fund, UIF, SDL	167,072	150,698
	924,034	**961,446**

Amounts for acting allowance is the only remuneration relating to Sec 56 employees. All other amounts relate to remuneration received for positions outside of Sec 56.

Remuneration of the Director Technical and Engineering Services - (Mrs. P Morokolo)(Secondment)

	2025	2024
Basic Salary	645,185	230,695
Cellphone allowance	8,400	3,600
Remote Allowance	25,990	10,559
Travel allowance	44,154	15,751
Contribution to pension fund, UIF, SDL	9,841	2,980
Termination Leave Paid Out	97,601	-
Other Allowance	55,625	-
	886,794	**263,585**

The contract for Mrs. P Morokolo was ended on the 2025/01/31.

Remuneration of Acting Technical Director - (Miss. KL Seekoei)

	2025	2024
Basic Salary	575,357	-
Acting Allowance	26,341	-
Cellphone allowance	6,805	6,805
Car Allowance	87,673	-
Performance bonus	48,772	-
Travel allowance	43,049	-
	787,997	**6,805**

Miss. KL Seekoei acted for January and acted again from March 2025.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

32. Employee related cost (continued)

Amounts for acting allowance is the only remuneration relating to Sec 56 employees. All other amounts relate to remuneration received for positions outside of Sec 56.

33. Finance costs

Employee benefit obligation	1,211,000	1,013,000
Landfill site rehabilitation	6,399,039	5,321,269
Trade and other payables	45,203,526	19,749,479
	52,813,565	**26,083,748**

34. General expenses

Advertising	133,801	148,241
Auditors remuneration	6,874,420	5,057,175
Bank charges	680,269	586,946
Chemicals	3,706,479	982,336
Commission paid	978,503	1,214,321
Entertainment	378,684	236,766
General other expenditure	1,256,714	2,932,946
Fuel and oil	1,816,811	2,199,680
Hire	9,994,656	10,316,756
Insurance	2,607,855	2,763,661
Subscriptions and membership fees	-	908,689
Telephone and fax	1,127,250	798,361
Tourism development	301,668	288,236
Training	348,584	171,228
Travel - local	568,615	286,286
Uniforms	469,846	28,500
	31,244,155	**28,920,128**

35. Repairs and maintenance

Repairs and maintenance	1,685,512	3,254,227

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

36. Remuneration of councillors

Mayor	954,092	874,593
Councillors	4,789,139	4,688,682
	5,743,231	**5,563,275**

Mayor

Councillor remuneration	954,092	874,593

Councillors

Councillor remuneration	4,789,139	4,688,682

In-kind benefits

The Mayor and Speaker are full-time councillors. Each is provided with an office and secretarial support at the cost of the Council.

Additional information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

Refer to note 43 for details breakdown of remuneration of councillors under the related parties note.

37. Reversal of impairments/(Impairment loss)

Impairments		
Property, plant and equipment	(25,331,736)	(97,330)
An 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. Infrastructure assets - GRAP 26.(23) states: In assessing whether there is anyindication that an asset may be impaired, an entity shall consider, as a minimum, the following indications: (g) - Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected. Due to significant budget constraints, the municipality could not maintain the maintenance plan as required for the infrastructure assets. This lead to the value in use being lower than the economic value of the assets. Assets were therefore impaired to a condition grade lower based on physical assessment of these assets.		
	(25,331,736)	**(97,330)**

Figures in Rand	2025	2024

37. Reversal of impairments/(Impairment loss) (continued)

Reversal of impairments		
Property, plant and equipment	33,984	-
Repairs and additions to the network assets resulted in previous conditions of assets to improve, thus a reversal of impairments.		
Total impairment losses reversed / (recognised)	**(25,297,752)**	**(97,330)**

The main classes of assets affected by impairment losses are:

Buildings
Community
Infrastructure - Electrical network
Infrastructure - Roads network
Infrastructure - Wastewater network
Infrastructure - Road network
Infrastructure - Water network
Infrastructure - Electricity network
Computer equipment
Furniture and fixtures
Plant and machinery
The main classes of assets affected by reversals of impairment losses are:
Motor vehicles

The main events and circumstances that led to the recognition of these impairment losses are as follows:

Physical verification of movable and immovable assets was performed during the financial year, each assets condition was assessed and was graded accordingly. Should the asset be found to be in a very poor condition and not able to fulfill its service potential the asset was then impaired accordingly. Details of the verification condition assesments are recorded in the fixed asset register.

38. Fair value adjustments

Investment property	3,965,936	779,446
	3,965,936	**779,446**

39. Auditors' remuneration

Fees	6,874,420	5,057,175
	6,874,420	**5,057,175**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

40. Net cash flow generated from operating activities

Surplus/(deficit)	(137,260,064)	(68,765,287)
Adjustments for:		
Depreciation and amortisation	15,707,710	31,411,259
Gain on sale of assets and liabilities	19,857,654	2,666,655
Landfill site expense	(658,463)	-
Fair value adjustments	(3,965,936)	(1,259,220)
Impairment deficit	10,043,588	5,468,127
Debt impairment	88,092,972	-
Movements in retirement benefit assets and liabilities	141,920	1,913,000
Movements in provisions	4,120,594	4,140,469
Inventory losses or write-downs	(1,481,738)	2,513
Other non-cash items	(2,076,925)	(6,823,826)
Changes in working capital:		
Inventories	148,166	278,061
Receivables from exchange transactions	36,486,100	(6,651,627)
Consumer debtors	(122,561,211)	(85,091,249)
Other receivables from non-exchange transactions	48,541	(4,465,599)
Payables from exchange transactions	134,213,827	153,919,368
VAT	(6,868,465)	-
Unspent conditional grants and receipts	(6,393,286)	(4,262,145)
Consumer deposits	82,482	48,903
	27,677,466	**22,529,402**

41. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	46,050,034	15,400,881
	46,050,034	**15,400,881**

Total capital commitments		
Already contracted for but not provided for	46,050,034	15,400,881
	46,050,034	**15,400,881**

Total commitments

Total commitments		
Authorised capital expenditure	46,050,034	15,400,881

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc. This commitments are also presented inclusive of VAT.

Refer to note 45 for prior period corrections made to commitments.

Figures in Rand	2025	2024

42. Contingencies

Contingent liabilities

Below is a list of possible liability claims where the outcome was unknown at 30 June 2025 with the maximum unforeseen liability for the Municipality:

Syabonga Anele Trading/Letsemeng Local Municipality	500,000	500,000
Ducharme Consulting (Pty) Ltd/Letsemeng Local Municipality	200,000	200,000
Omphi NoBuhle Trading /Letsemeng Local Municipality	200,000	200,000
M Matsuane/ Letsemeng Local Municipality	150,000	150,000
Werner Diedericks/ Letsemeng Local Municipality	80,000	80,000
Veldman Mphatshehla /Letsemeng Local Municipality	500,000	500,000
Motlhomi obo Motlhomi / Letsemeng Local Municipality	200,000	200,000
Sebata Municipal Solutions / Letsemeng Local Municipality	500,000	500,000
Refilwe Civil & Plant Hire / Letsemeng Local Municipality	100,000	100,000
	2,430,000	**2,430,000**

Syabonga Anele Trading/Letsemeng Local Municipality (Pending)
Syabonga Anele Trading: Cancellation of service level agreement and claim the amount of R7 960 323.
Ducharme Consulting (Pty) Ltd/Letsemeng Local Municipality (Pending)
Ducharme Consulting (Pty) Ltd: The claimant was appointed by the municipality to prepare the 2017 annual financial statements. The amount billed exceeded the project amount and it is claimed that the additional costs incurred were due to requests from management. The matter is still pending with an amount of R208 568.39 and no resolution has been taken to date.
Omphi NoBuhle Trading /Letsemeng Local Municipality (Pending)
Omphi NoBuhle Trading: Claim in the amount of R662 892 based on loss of profits suffered due to cancellation of tender.
M Matsuane/ Letsemeng Local Municipality (Pending)
M Matsuane: Retrospective re-instatement.
Werner Diedericks/ Letsemeng Local Municipality (Pending)
Werner Diedericks: Summons were issued against the municipality in the amount of R59 306.
Veldman Mphatshehla /Letsemeng Local Municipality (Pending)
Veldman Mphatshehla: Claim in the amount of R1 184 634 of a child who got electrocuted by an electric pole in Ditlhake (Koffiefontein)
Motlhomi obo Motlhomi / Letsemeng Local Municipality (Pending)
Motlhomi obo Motlhomi: The child was electrocuted at one of the Farms in the area ofKoffiefontein, the farm is serviced by Eskom in terms of electricity supply, the maintenance and overall management of electricity supply is done by Eskom, Letsemeng is a second responded on this case due to the fact that this incident happened in the area of jurisdiction of Municipality
Sebata Municipal Solutions / Letsemeng Local Municipality (Pending)
Sebata Municipal Solutions: Sebata continued to provided services to the Municipality despite the fact that Municipality had appointed a service provide in line with Transversal Contract 25 of Municipal Standard Chart of Accounts, Sebata’s argument is that the services were not cancelled and such we are liable to pay for services rendered in 2017 financial year.
Refilwe Civil & Plant Hire / Letsemeng Local Municipality (Pending)
Refilwe Civil & Plant Hire: Municipality appointed Sotika Pty Ltd to refurbish Stadium inKoffiefontein, Refilwe was a cessionary to this contract. Municipality paid all the monies due from this contract to Sotika Pty Ltd and in terms of the contract, Sotika was supposed to pay Refilwe Plant hire but failed to do so, Refilwe is requesting the payment from Municipality as the right of this contact were partly ceded to them.

As at reporting date the municipality is uncertain of the amount and timing of the outflow of any resources regarding the above mentioned cases.The assessments above are based on the most recent legal advice as at 30 June 2025. None of these matters currently meet the recognition criteria for a provision under GRAP 19. The municipality does not expect material additional losses beyond those disclosed.

43. Related parties

Nature of related party relationships

Related party transactions

None of the members of the municipality's management have significant influence over the financial or operating policies of the municipality. No business transactions took place between the municipality and key management personnel and their close family members, unless specifically disclosed. All members of the municipality's management and their close family members receive and pay for services on the same terms and conditions as other ratepayers and residents. All transactions are at arm's length and no bad debt expenses have been recognised in respect of amounts owed by related parties.

Loans granted to related parties

In terms of the MFMA, the municipality may not grant loans to its councillors, management, staff and public with effect from 01 July 2004.

43. Related parties (continued)

Remuneration of Councillors and Management

Management class: Councillors

2025

Name	Councillor allowance	Allowances	Total
Mayor	-	-	-
Cllr. Miss RBI Mocwaledi	907,944	46,148	954,092
Speaker	-	-	-
Cllr. Mr HX Mthukwane	726,357	46,279	772,636
Executive committee members	-	-	-
Cllr. Mr NJ Kumalo - MPAC	368,743	46,279	415,022
Cllr. Mrs MM Potgieter	295,061	46,279	341,341
Cllr. Mr II Ramohlabi	379,887	84,979	464,866
Councillors	-	-	-
Cllr. Miss AN November	287,332	46,711	334,044
Cllr. Miss SD Lichaba	287,332	46,279	333,612
Cllr. Mr MA Lebaka	287,332	88,307	375,639
Cllr. Mr MR Lehare	239,343	38,445	277,789
Cllr. Mr TV Nthapo	340,992	98,811	439,802
Cllr. Mr VK Stuurman	287,332	51,457	338,789
Cllr. KD Molusi	287,333	46,279	333,613
Cllr. MM Terbalnce	287,332	46,279	333,612
Cllr. Mr TR Masailane	23,994	4,381	28,375
	5,006,315	**690,636**	**5,743,231**

Notes to the Audited Annual Financial Statements

43. Related parties (continued)

2024

Name	Councillor allowance	Allowances	Total
Mayor	-	-	-
Cllr. Miss RBI Mocwaledi	830,248	85,145	915,393
Speaker	-	-	-
Cllr. Mr HX Mthukwane	664,199	77,784	741,982
Executive committee members	-	-	-
Cllr. Mr NJ Kumalo	337,188	65,307	402,495
Cllr. Mrs MM Potgieter	262,744	59,986	322,730
Cllr. Mr II Ramohlabi	347,379	94,323	441,702
Councillors	-	-	-
Cllr. Miss AN November	262,744	59,986	322,730
Cllr. Miss SD Lichaba	262,744	59,986	322,730
Cllr. Mr MA Lebaka	262,744	114,129	376,873
Cllr. Mr MR Lehare	262,744	57,713	320,457
Cllr. Mr TV Nthapo	293,279	116,269	409,548
Cllr. Mr VK Stuurman	262,744	66,303	329,047
Cllr. KD Molusi	262,746	59,986	322,732
Cllr. MM Terbalnce	262,744	72,112	334,856
	4,574,246	**989,030**	**5,563,275**

Refer to note 36 for remuneration of councillors.

Refer to note 44 for prior-year adjustments.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

43. Related parties (continued)

Management class: Senior Managers

2025

Name	Basic salary	Allowances	Contributions to UIF,Medical and Pension Funds	Total
Chief Financial Officer - Mr. SJ Tooi	959,508	385,728	80,329	1,425,565
Technical and Engineering Services - Mrs. P Morokolo (Secondment)	645,185	231,769	9,841	886,794
Community Services - Mr. KJ Motlhale (Secondment)	645,185	203,086	9,841	858,111
Community Services (Acting) - Mr. IN Bonani	25,591	-	-	966,576
Corporate Services (Acting) - SG Qwelane	22,850	-	-	1,121,577
Technical and Engineering Services (Acting) - Miss KL Seekoei	26,341	-	-	1,051,232
	2,324,660	**820,583**	**100,011**	**6,309,856**

2024

Name	Basic salary	Allowances	Contributions to UIF,Medical and Pension Funds	Total
Chief Financial Officer - Mr. SJ Tooi	834,405	235,157	110,415	1,179,977
Technical and Engineering Services - Mrs. P Morokolo (Secondment)	230,695	29,910	2,980	263,585
Community Services - Mr. KJ Motlhale (Secondment)	230,695	16,472	2,980	250,146
Community Services (Acting) - Mr. IN Bonani	118,507	-	-	1,003,899
Corporate Services (Acting) - SG Qwelane	105,994	-	-	1,145,113
Technical and Engineering Services (Acting) - Miss KL Seekoei	-	-	-	984,623
	1,520,295	**281,539**	**116,375**	**4,827,343**

Refer to note 32 for employee related costs.

Refer to note 44 for prior-year adjustments.

44. Prior-year adjustments

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

Statement of financial position

2024

	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Assets						
Current Assets						
Inventories		1,578,548	-	-	-	1,578,548
Receivables from exchange transactions		31,664,678	(44,607,650)	-	19,748,104	6,805,132
Receivables from non-exchange transactions		52,977,588	(31,400,021)	-	(19,748,104)	1,829,463
VAT receivable		25,196,333	(12,363,807)	-	-	12,832,526
Cash and cash equivalents		198,380	-	-	-	198,380
Other receivables from exchange transactions		1,739,968	(1,739,968)	-	-	-
Non-current Assets						
Investment property		62,070,776	90,465,209	-	-	152,535,984
Property, plant and equipment		657,307,261	296,614,461	-	-	953,921,722
Other financial assets		288,318	-	-	-	288,318
Heritage assets		15,000	-	-	-	15,000
Intangible assets		58,982	(58,982)	-	-	-
Total Assets		**833,095,832**	**296,909,242**	**-**	**-**	**1,130,005,075**
Liabilities						
Current Liabilities						
Finance lease obligation - CL		318,052	(318,052)	-	-	-
Payables from exchange transactions		302,630,547	4,928,023	-	-	307,558,570
Consumer deposits		1,131,382	-	-	-	1,131,382
Employee benefit obligation - CL		1,360,000	(412,000)	-	-	948,000
Unspent conditional grants and receipts		27,102,559	-	-	-	27,102,559
Provisions - CL		(0)	-	-	-	-
Non-current Liabilities						
Finance lease obligation - NCL		300,264	(300,264)	-	-	-
Employee benefit obligation - NCL		8,382,000	958,000	-	-	9,340,000
Provisions - NCL		12,898,867	63,776,490	-	-	76,675,357
Total Liabilities		**354,123,672**	**68,632,197**	**-**	**-**	**422,755,869**
Total Net Assets		**478,972,160**	**228,277,046**	**-**	**-**	**707,249,206**
Accumulated surplus		653,640,486	53,608,719	-	-	707,249,205

44. Prior-year adjustments (continued)

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Service charges		72,632,781	-	-	4,034,310	76,667,091
Rental of facilities and equipment		975,684	-	-	-	975,684
Operational revenue		582,245	-	-	-	582,245
Interest income		26,722,481	(16,570,189)	-	-	10,152,292
		100,913,191	**(16,570,189)**	**-**	**4,034,310**	**88,377,312**
Property rates		26,333,530	-	-	-	26,333,530
Availability service charges		4,034,310	-	-	(4,034,310)	-
Government grants & subsidies		111,947,145	-	-	-	111,947,145
Public contributions and donations		5,429,165	667,474	-	-	6,096,639
Fines, Penalties and Forfeits		15,800	-	-	-	15,800
		147,759,950	**667,474**	**-**	**(4,034,310)**	**144,393,114**
Total Revenue		248,673,140	(15,902,715)	-	-	232,770,425
Employee related costs		(79,214,349)	608,480	-	-	(78,605,869)
Remuneration of councillors		(5,563,275)	-	-	-	(5,563,275)
Depreciation and amortisation		(37,020,496)	5,609,237	-	-	(31,411,259)
Finance costs		(22,770,445)	(3,313,303)	-	-	(26,083,748)
Debt Impairment		-	(85,091,249)	-	-	(85,091,249)
Bulk purchases		(49,344,554)	(1,511,864)	-	-	(50,856,418)
Contracted services		(6,789,150)	(1,133,786)	-	-	(7,922,936)
General Expenses		(29,877,511)	957,383	-	-	(28,920,128)
Repairs and maintenance		(2,509,439)	(744,788)	-	-	(3,254,227)
		(233,089,219)	(84,619,890)	-	-	(317,709,110)
Operating Surplus/ (Deficit)		15,583,921	(100,522,606)	-	-	(84,938,684)
Fair value adjustments		(18,851,266)	19,630,712	-	-	779,446
Reversal of impairments (Impairment loss)		(10,043,588)	9,946,258	-	-	(97,330)
Inventory gains		2,513	-	-	-	2,513
Actuarial gains/losses		(632,000)	-	-	-	(632,000)
Loss on disposal of assets		(4,567,599)	(6,045,153)	-	-	(10,612,752)
		(34,091,940)	23,531,817	-	-	(10,560,123)
Surplus / (Deficit) For The Year		**(18,508,019)**	**(76,990,788)**	**-**	**-**	**(95,498,807)**

44. Prior-year adjustments (continued)

Cash flow statement

2024

	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Cash flow from operating activities						
Taxation Revenue		-	22,546,286	-	-	22,546,286
Sale of goods and services		49,998,342	(7,494,356)	-	-	42,503,986
Grants		107,684,999	1	-	-	107,685,000
Interest income		428,534	11,007	-	-	439,541
Employee costs		(77,506,265)	559,046	-	-	(76,947,219)
Suppliers		(43,889,212)	(23,967,711)	-	-	(67,856,923)
Finance costs		(19,749,201)	13,907,932	-	-	(5,841,269)
Dividends Received		11,037	(11,037)	-	-	-
Other 10		-	-	-	-	-
Net cash from operating activities		**16,978,234**	**5,551,168**	**-**	**-**	**22,529,402**
Cash flow from investing activities						
Purchase of property, plant and equipment		(17,411,937)	(5,272,921)	-	-	(22,684,858)
Net cash from investing activities		**(17,411,937)**	**(5,272,921)**	**-**	**-**	**(22,684,858)**
Cash flow from financing activities						
Finance lease payments		288,211	(288,211)	-	-	-
Net cash from financing activities		**288,211**	**(288,211)**	**-**	**-**	**-**
Total cash movement for the year		**(145,492)**	**(9,964)**	**-**	**-**	**(155,456)**
Cash and cash equivalents at the beginning of the year		343,335	(536)	-	-	342,799

Errors

The following prior period errors were identified and corrected during the year:

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

44. Prior-year adjustments (continued)

Employee benefit obligation:

Management identified that the employee benefit obligation for the previous year were not processed to the financial system. The proposed journals as per the prior year audited AFS were not processed to the system.

Affected line items	
Finance costs	493,000
Accumulated surplus (deficit)	3,702,000
Actuarial gains/losses	(4,555,452)
Employee costs	360,452
	-

Landfill Site:

Management has appointed a new company that use 3d modelling to calculate the landfill rehabilitation provision, due to the change in methodology and the previous year landfill provision and asset was restated.

Affected line items	
Finance costs	5,321,269
Property, plant and equipment	33,978,424
Accumulated surplus (deficit)	20,776,701
Depreciation and amortisation	2,356,100
Provisions - NCL	(62,432,494)
	-

Consumer Debtors:

Impairment was recalculated as per GRAP 104.

Affected line items	
Payables from exchange transactions	(5,602,110)
Receivables from non-exchange transactions	37,818,723
Accumulated surplus (deficit)	193,499,556
Bad debts written off	70,171,581
Receivables from exchange transactions	(295,887,749)
	-

Investment property:

Discrepancies were noted during the consideration of the prior year register. Various issues raised by the AGSA were corrected with classification errors between Land and IP. Full spectrum of verifications was done which indicated ample amount of discrepencies which were corrected.

Affected line items	
Accumulated surplus (deficit)	(69,932,146)
Investment property	74,028,867
Public contributions and donations	(3,354,524)
Fair value adjustments	(742,196)
	(0)

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

44. Prior-year adjustments (continued)

Finance lease obligation:

Finance lease obligations consisted of monthly cell phone contracts where the municipality paid the premiums on behalf of the employees and then made the monthly deductions from their salaries. Based on this information, the finance leases were derecognised.

Affected line items	
Accumulated surplus (deficit)	(330,106)
Finance lease obligation - CL	255,461
Other financial liabilities - NCL	74,644
	(0)

Intangible assets:

Intangible assets comprised of SAGE computer software which is a subscription based software where an annual license fee is payable and can therefore not be seen as an intangible asset.

Affected line items	
Accumulated surplus (deficit)	98,433
Intangible assets	(98,433)
	-

Property, plant and equipment:

Work in progress was restated by revisiting the population due to ample amount of findings which were raised in the prior years. This consisted of correcting the calculation of WIP by including retentions withheld from contractors. Furthermore Land was restated in conjunction with IP due classification errors. Partial disposals were corrected, new found assets were accounted for as takeons and assets that were disposed for the in the prior year that were found in working conditions were corrected. Roads and stormwater overall was restated by recalculating the width and length as there were numerous errors identified during the reconstruction of the asset register whereby the unit rates and area of the roads did not agree to the cost values used. This in turn had an overall impact on the depreciation and impairment balances.

Affected line items	
Payables from exchange transactions	(6,247,854)
Finance costs	(2,008,244)
Receivables from non-exchange transactions	484,394
Property, plant and equipment	264,907,009
Accumulated surplus (deficit)	(247,194,936)
Gain or loss on disposal of assets and liabilities	6,045,153
Depreciation and amortisation	(7,965,337)
Impairment loss	(29,106,959)
Finance lease obligation - CL	62,591
Other financial liabilities - NCL	225,620
Intangible assets	1,564,339
Investment property	16,436,342
Provisions - NCL	(1,343,996)
Public contributions and donations	2,687,050
Fair value adjustments	272,186
General Expenses	1,182,643
	0

45. Comparative figures

Certain comparative figures have been reclassified.

The effects of the restatement are as follows:

Commitments *New information made available as well as the overall calculation correction of commitments.*	38,968,217	23,567,336	15,400,881

46. Change in estimate

Property, plant and equipment

Change in accounting estimates

According to the requirements of GRAP 3, specific disclosure is required when a change in accounting estimates takes place within the reporting period. As per section 41, “An entity shall disclose the nature and amount of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in future periods, except for the disclosure of the effect on future periods when it is impracticable to estimate that effect."

The following change in accounting estimates has taken place in the reporting period:

Residual value allocation to fixed assets

In previous financial periods a residual value of R0 was allocated to all fixed assets. Transitioning from a zero residual value to an evidence-based residual allocation improves compliance with GRAP 17, enhances financial accuracy, and promotes better asset lifecycle management.

As per the requirements of GRAP 3, the future effect of the change in estimation requires disclosure, if it is practical to do so. Since it’s unknown what assets will be acquired, impaired or disposed of in the following financial period, determining the future effect of the change in estimates is impractical at this time.

Restatement of the 2023 financial information is required to ensure proper comparability with year-on-year financial results. Furthermore, the correction of the opening carrying value of applicable fixed assets is necessary to accurate disclosure of the 2024 financial information.

Debtors impairment

In the current reporting period, the Municipality has refined the methodology used to calculate the debt impairment provision for Receivables from Exchange and non-Exchange Transactions. This refinement constitutes a change in accounting estimate in terms of GRAP 3 (paragraphs 34 to 35), as it results from the use of new and more precise information.

Nature of the Change:
In the prior year, the impairment provision was determined using a less granular approach based on grouped ageing categories and average payment ratios. In the current year, the entity has transitioned to a more detailed consumer-level payment-rate method. This new methodology utilises more reliable, detailed billing and collection data to calculate a non-payment ratio (1 – payment rate) for each consumer, which is then applied to the outstanding balance. This change enhances the accuracy of the estimated expected credit losses, aligning more closely with the requirements of GRAP 104: Financial Instruments
.
Effect on Financial Statements:
In accordance with paragraph 41 of GRAP 3, the effect of this change in accounting estimate is recognised prospectively. The effect of the change in the impairment methodology on the current period's Statement of Financial Performance is an increase in the impairment loss recognised in the surplus or deficit of R 3 001 722.

The Municipality is unable to reliably estimate the effect of this change in accounting estimate on future periods because the estimate is highly sensitive to volatile market inputs that cannot be reliably forecast. Accordingly, the disclosure of the effect on future periods is not made, in accordance with paragraph 40 of GRAP 3.

47. Risk management

Financial risk management

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

The municipality’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality’s financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality’s operating units. The accounting officer provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Treasury function reports periodically to the municipality’s finance committee, that monitors risks and policies implemented to mitigate risk exposures.

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.

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality’s short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the municipality’s financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position 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	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Trade and other payables	420,003,811	-	-	-

At 30 June 2024	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Trade and other payables	307,558,570	-	-	-

47. Risk management (continued)

Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur financial loss.

Potential concentrations of credit rate risk consist mainly of investments, loans and receivables, trade receivables, other receivables, short-term investment deposits and cash and cash equivalents.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction/ exposure limits, which are included in the municipality's Investment Policy.

Trade receivables comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these customers. Trade receivables are presented net of an allowance for impairment and where appropriate, credit limits are adjusted.

Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply.

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

Non-current Receivables and Other Receivables are collectively evaluated annually at reporting date for impairment or discounting. A report on the various categories of customers is drafted to substantiate such evaluation and subsequent impairment / discount, where applicable.

The municipality only deposits with major banks with high quality credit standing.

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

Financial instrument	2025	2024
Receivables from exchange transactions	5,526,149	6,805,132
Bank balances	225,246	198,380

The method for determining the credit quality of the different financial instruments is disclosed in their individual notes.

Consumer deposits and guarantees held in lieu of service accounts are disclosed in note 13.

Market risk

Interest rate risk

The municipality is exposed to interest rate risk due to the movements in long-term and short term interest rates.

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

The municipality's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings and finance leases are therefore usually at fixed rates.

This risk is managed on an ongoing basis.

47. Risk management (continued)

Price risk

The effect of any price risk in the foreseeable future is regarded as minimal given the fact that amounts receivable from the municipality's customers are levied in terms of the relevant statutes. It is not anticipated that given the nature of the municipality's business that changes in market prices will have a material impact on the trading results of the municipality.

There has been no change, since the previous financial year, to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

48. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus/(deficit) of R 569 849 050 and that the municipality's current liabilities exceed its current assets by R - 391 248 688. Net deficit for the year R - 115 941 841,(2024 R - 68 765 287)

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.

We draw attention to the fact that at 30 June 2024, a material uncertainty exists regarding the ability of the municipality to continue as a going concern. These factors are listed below:

1. Suppliers are not paid within the legislative 30 days.

2. The provisions for rehabilitation of landfill sites and employee benefit provisions are not cash backed.

3. Slow collection and low recoverability of outstanding consumer accounts.

4. Unfavourable financial ratios.

Even though the above uncertainties exist regarding the municipality's ability to continue as a going concern, the auditedannual 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 ability of the municipality to continue as a going concern is dependant on a number of factors. The most significant of these is that the Accounting Officer continues to procure funding for the ongoing operations of the municipality.

Furthermore the municipality has embarked on implementing strategies which will strengthen its ability to continue as a going concern. The most significant of these is that the municipality is currently implementing a system to enhance revenue collection and cash flow by improving on the debt recoverability.

The municipality still has the ability to levy rates and taxes and will continue to receive funding from government as evident from the Equitable Share allocation in terms of the Division of Revenue Act.

49. Events after the reporting date

The municipality have not identified any material category of non-adjusting events after the reporting date.

Figures in Rand	2025	2024

50. Unauthorised, Irregular and Fruitless and Wasteful Expenditure

Unauthorised expenditure	1,448,827,981	1,252,443,072
Irregular expenditure	635,243,940	628,077,136
Fruitless and wasteful expenditure	92,452,286	53,720,886
Closing balance	**2,176,524,207**	**1,934,241,094**

51. Unauthorised expenditure

Opening balance as previously reported	1,252,443,072	1,125,180,349
Add: Unauthorised expenditure - current	175,782,966	127,262,723
Conditional grant non compliance with DORA section 16(1)	20,601,943	-
Closing balance	**1,448,827,981**	**1,252,443,072**

Unauthorised expenditure is disclosed exclusive of VAT.

Non-cash	175,782,966	127,262,723
Cash	20,601,943	-
	196,384,909	**127,262,723**

Unauthorised expenditure: Budget overspending – per municipal department:

Vote 1 - Office of the mayor and speaker	-	-
Vote 2 - Office of the municipal manager	7,395,004	3,552,425
Vote 3 - Budget and treasury office	113,229,056	97,212,965
Vote 4 - Corporate services	2,033,228	976,726
Vote 5 - Technical and engineering services	53,125,678	25,520,608
Vote 6 - Properties, planning and development	-	-
	175,782,966	**127,262,723**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

52. Fruitless and wasteful expenditure

Opening balance as previously reported	53,720,886	44,280,957
Add: Fruitless and wasteful expenditure identified - current	38,731,400	24,346,762
Less: Amount written off - current	-	(14,906,833)
Closing balance	**92,452,286**	**53,720,886**

Fruitless and wasteful expenditure is presented inclusive of VAT

Details of fruitless and wasteful expenditure

Interest on overdue accounts	38,731,400	24,346,762

No write off's of amounts were proposed to council or approved by council for the prior period under review.

Amount recovered

Investigations will be conducted in the following financial reporting period to determine whether any amounts are recoverable or not.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

53. Irregular expenditure

Opening balance as previously reported	628,077,136	615,474,233
Add: Irregular Expenditure - current	7,166,804	12,602,903
Closing balance	**635,243,940**	**628,077,136**

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

Non-compliance with procurement regulations	7,166,804	12,602,903

Disciplinary steps taken/criminal proceedings

Based of the above, no disciplinary steps or criminal proceedings were taken during the reporting period under review.

54. Material Losses

Electricity distributed losses		
Units purchased (kWh)	38,312,369	39,400,166
Less: kWh sold	(29,753,706)	(35,053,952)
Percentage lost during distribution	22.34%	11.03%
Loss Amount	8,558,663	4,346,214
These losses are due to technical losses on the distribution system (transformers, cables, overhead lines), faulty meters, theft and vandalism.		

Water distributed losses		
Kilo litres purchased	4,000,336	4,332,015
Less: Kilo litres sold	(854,969)	(932,382)
Percentage lost during distribution	79.00%	78.00%
Loss Amount	3,147,367	3,399,633
These losses are due to defective meters, losses on water network (breakage in pipelines and pumps, leaking valves, etc.), evaporation, theft, vandalism and damages due to blind excavations.		

55. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	1,700,136	795,900
Current year subscription / fee	925,704	904,236
Amount paid - current year	(801,200)	-
	1,824,640	**1,700,136**

Audit fees

Opening balance	1,533,783	815,163
Current year subscription / fee	6,874,420	6,076,752
Amount paid - current year	(2,843,678)	(5,358,132)
Amount paid - previous years	(3,377,254)	-
	2,187,271	**1,533,783**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

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

PAYE and UIF

Opening balance	(498,171)	1,178,898
Current year subscription	12,758,553	11,550,290
Penalties & Interest	-	1,335,812
Amount paid - current year	(12,818,603)	(14,563,171)
	(558,221)	**(498,171)**

Medical Aid Deductions

Opening balance	2,847,073	6,545,972
Current year subscription / fee	7,300,422	5,378,286
Amount paid - current year	(7,596,266)	(9,077,185)
	2,551,229	**2,847,073**

Pension Fund Deductions

Opening balance	9,944,966	1,515,147
Current year subscription / fee	10,580,325	10,796,172
Amount paid - current year	(3,406,119)	(2,366,353)
	17,119,172	**9,944,966**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

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

Councillors' arrear consumer accounts

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

30 June 2025	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr. AN November	4,028	44,939	48,966
Cllr. HX Mthukwane	2,962	57,824	60,787
Cllr. MR Khumalo	1,731	73,211	74,942
Cllr. KD Molusi	1,937	58,887	60,824
Cllr. LE Ramohlabi	2,313	73,041	75,355
Cllr. MA Lebaka	1,714	14,745	16,459
Cllr. V Stuurman	1,574	72,953	74,527
Cllr. R Mocwaledi	(86,696)	87,285	590
Cllr. DN Potgieter	1,767	6,363	8,129
	(68,670)	**489,248**	**420,579**

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr. AN November	3,717	33,261	36,978
Cllr. HX Mthukwane	3,874	45,602	49,476
Cllr. J Khumalo	4,942	63,274	68,216
Cllr. KD Molusi	2,035	51,369	53,404
Cllr. LE Ramohlabi	3,166	13,469	16,635
Cllr. M Lehare	3,705	59,649	63,354
Cllr. MA Lebaka	2,186	9,138	11,324
Cllr. MM Potgieter-	3,724	-	3,724
Cllr. S Lichaba	3,735	24,283	28,018
Cllr. TV Nthapo	681	29,888	30,569
Cllr. V Stuurman	4,607	63,972	68,579
Cllr. Erfdeel Trust MM (Cllr Terblanche)	6,394	49,849	56,243
	42,766	**443,754**	**486,520**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2025	Highest outstanding amount	Aging (in days)
Cllr. AN November	42,754	180
Cllr. HX Mthukwane	54,897	180
Cllr. MR Khumalo	71,395	180
Cllr. KD Molusi	56,935	180
Cllr. LE Ramohlabi	70,014	180
Cllr. MA Lebaka	12,171	180
Cllr. JN Stuurman	71,308	180
Cllr. DN Potgieter	4,755	180
	384,229	**1,440**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

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

30 June 2024

	Highest outstanding amount	Aging (in days)
Cllr. AN November	8,004	180
Cllr. HX Mthukwane	22,926	180
Cllr. J Khumalo	42,736	180
Cllr. KD Molusi	59,939	180
Cllr. LE Ramohlabi	49,979	180
Cllr. M Lehare	11,787	180
Cllr. MA Lebaka	57,332	180
Cllr. MM Potgieter	7,399	180
Cllr. TV Nthapo	21,713	180
Cllr. JN Stuurman	29,268	180
Cllr. Erfdeel Trust MM (Cllr Terblanche)	60,837	180
	371,920	**1,980**

Non-compliance with the Municipal Finance Management Act

In terms of section 65 (2)(e) of the Municipal Finance Management Act (Act 56 of 2003), all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement. Due to cash flow constraints, the municipality, could not settle all money owing within the prescribed period.

In terms of section 126 (1)(a) of the Municipal Finance Management Act (Act 56 of 2003), the accounting officer of a municipality must prepare the annual financial statements within 2 months after the end of the financial year.

56. Deviation from supply chain management regulations

In terms of section 36 of the municipality SCM regulations, any deviations from SCM policy needs to be approved by the accounting officer and noted by Council. The awards listed below have been approved by the accounting officer and noted by Council.

All deviations considered by the accounting officer are processed in terms of the SCM regulations and the municipality's SCM policy. This process entails being assessed by the SCM Bid Adjudication Committee in terms of the stipulated criteria for emergency procurements and circumstances where it is impractical or not possible to follow the official procedure.

Deviation from, and ratification of minor breaches of, the procurement processes

In terms of section 36(2) of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the annual financial statements.

SCM paragraph reference		2025	2024
36 (1)(a) i	Dispense with the official procurement processes in an emergency	2,215,288	1,670,043
36 (1)(a) ii	Dispense with official procurement processes if such goods or services are produced or available from a single source or sole provider.	117,787	120,348
36 (1)(a) v	Dispense with official procurement processes in any other exceptional case where it is impractical or impossible to follow the official procurement processes.	1,880,166	170,933
		4,213,241	**1,961,323**

56. Deviation from supply chain management regulations (continued)

Details of Deviations

Description of Deviation	Supplier	Amount	Reason for Deviation
CBI Rentalfor the Speaker	KBK Civils	150,000	The Speaker's car was broken and it was taken for repairs for time being the municipality appointed KBK Civils and projects as an emergency so that the Speaker can attend to service delivery issues immediately.
Tools for Shack Erecting	Olebulao Trading	39,560	
Repairs and Maintenance of Mayors Car	Motus Garage	13,176	The Municipal refuse truck is out of service plan. The truck was due for service and UD Trucks was the only service provider found suitable to service the Refuse Truck, as they specialize In Service big trucks. We therefore did not get any other quotations
Car Rental for theSpeaker	KBK Civils	50,000	The.Speaker s car was broken and it was taken for repairs and for time being the municipaliy appoints KBK Civils and projects as an emergency so that th. Speaker can attend to service delivery issues immediately.
Buying of a Transformer	AV KEM	315,000	The 315MVA, 22kV/415V 3 Phase transformer in Petrusburg town CBD was exposed to wild fires it burnt and exploded. The matter was treated as emergency as to restore power to business and wate treatment plants as to keep uninterrupted power supply and water supply.
Buying of Plumbing Material	Bonani Enterprise	140,000	During December The Community of 252 sides in koffiefontein didn't have enough water due to low pressure and the municipality decided to procure plumbing material as an emergency so that community can have enough water in time .
Buying of electrical Material	Quardtech	135,327	The 315MVA, 22kV/415V 3 Phase transformer in Petrusburg town CBD was exposed to wild fires with the associated accessories, copper cables and circuit breakers. It was impossible to connect a transforme. without these accessories, henceforth it was treated emergency.
Buying of 2 Sump Pump	Kamoxoli General Trading	74,250	There was a sump pump fault at the highlift pump station of the Luckhoff, which resulted in flooding the pump stations. Due to the flooding of the pump station that pumps raw water to the Luckhoff rawwater dams cannot run and fill the dam supplying water to the Luckhoff Water Treatment Works forpublication, water supply will be affected and the community will not have water.

Figures in Rand		2025	2024

56. Deviation from supply chain management regulations (continued)

Buying of an airdacable 500 M SNE + Solid Comm Cu XLPE 600/100V	Motshidisi and Rachel	78,000	In Donkeihoek Community in koffiefontein town ,several Airdac cables were stolen in the same night and the Municipality can not afford to leave the community in the dark.The matter was considered a emergeincy since several customers wele affectedincluding block customer residents.
Buying of electñcal Material	Motshidisi and Rachel	36,000	Water treatment Canal in Luckhoff was vandalized and the circuit breaker broken ,some stolen .The matter was treated as emergency to keep continuous supply of clean drinking water .
Buying of electñcal Material	MASIEA CENTURY Masiea Century	88,000	The Koffiefontein Water Treatment work (Raw Water Canal) supplying transformer accessories were vandalized, cables vandalized and stolen. Hencefore the matter was treated as an emergency to keep an uninterrupted water supply in the community.
Buying of Transformer	Mbulelo Amahle Trading	160,000	The 100KVA, 11KV transformer supplying Chris Hani Park location was strike by lightning beyond repairable state.To urgently restore power to communities the matter was treated as an emergency.To keep uninterrupted power supply.
MFMPTraining	Manape	76,000	The Municipality wanted to take two Acting Directors for MFMP training and Manape was the only service providers available and with space durJng thattime .
Electrical Material	Phatsimo and Son	167,750	Severe infrastructure vandalism and theft left water pumps, schoolhostel and portion of town without power. Power had to be restored as a matter of urgency for businesses to operate and water processes to continue. (Koos Huis, West ofTown)
Accessories for Jet Blaster	C-PAC Pumps & Valves	119,736	The jetblaster accessories are broken due to the severity of the sewer mainline that are full of debris. Currently most of the sewer mainlines and manholes are full due to the raw sewer that has settled in the pipes and mainholes causing sewer spillages and a health hazard for communities, please see photos attached. The matter was treated as an emergency and C-PAC Pumps & Valves was the only supplier that could assist.
Supply & installation of a 200KW 1440rpms foot mounted electrical motor	Newgen Pumps & Valves(PTY)LTD	160,571	There was heavy rainfall, thunderstorm and bad weather in Oppermansgronde, which caused the motor of the Riet Canal Pump Station to burn and the pump station to flood. The pump station is flooded and the pump cannot function due to the burnt motor that must be replaced. Newgen Pumps & Valves(PTY)LTD was the only supplier that could assist.

Notes to the Audited Annual Financial Statements

Figures in Rand		2025	2024

56. Deviation from supply chain management regulations (continued)

Electrical and Mechanical Repairs and Maintenance of the Oppermansgronde high lit pump station	Bantsi Engineering	89,965	Repairs and Maintenance of the Oppermansgronde Highlift Pump station. The Pump station pumps water to the main reservoir of Oppermansgronde and it is constantly tripping with a faulty combination pump with specification: Foros MN150-160A 7.5Kw combination pump . Can this be treated as an emergency as it will impact our water supply to the community of Oppermansgronde in the long run.
Hydro Sewer Jet Machine for hire	Batloakoa Trading	572,700	
Other immaterial suppliers		1,747,206	
		4,213,241	

57. Segment information

General information

Identification of segments

The municipality is organised according to functions and reports on a monthly basis on their actuals. Decisions are made regularly regarding resources to be allocated to different functions. Segments are therefore identified as the different municipal functions as on Schedule B of the budget.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 seven key functional segments comprise of:

• Budget and Treasury

• Community Servces

• Corporate Services

• Technical Services

• Mayor's Office

• Municipal Manager

• Project Management Unit

Aggregated segments

The municipality's operations are in the Free State Province, its major geographical areas within the province areKoffiefontein, Jacobsdal, Luckhoff, Petrusburg and Oppermansgronde. Management has as per the GRAP standardsdecided to report on Letsemeng as a single geographical area.

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Financial Services	Providing other services to the community
Community Services	Administrative functions in human resources, legal services or compliance, communications and finance
Corporate Services	Governing the municipality
Planning & Infrastructure Servic	Administration and financial services
Political Office	Town planning and administration and providing basic services to the community such as water, electricity, sewerage and refuse.
Office Of Municipal Manager	The Municipal Manager, as the Head of Administration andthe Accounting Officer of the municipality.

Notes to the Audited Annual Financial Statements

Figures in Rand

57. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Community Services	Corporate Services	Financial Services	Office Of Municipal Manager	Planning & Infrastructure Servic	Political Office	Total
Revenue							
Revenue from exchange transactions							
Interest received - investment	(418,400)	-	(31,613,665)	-	-	-	(32,032,065)
Operational revenue	-	(97,603)	(651,218)	-	-	-	(748,821)
Rental of facilities and equipment	(53,845)	-	(999,781)	-	-	-	(1,053,626)
Service charges	-	-	(82,389,844)	-	-	-	(82,389,844)
Dividends received	-	-	(14,731)	-	-	-	(14,731)
Revenue from non-exchange transactions							
Government grants and subsidies	-	-	(120,504,286)	(3,000,000)	-	-	(123,504,286)
Interest - Taxation revenue	-	-	(10,954,303)	-	-	-	(10,954,303)
Property rates	-	-	(28,145,524)	-	-	-	(28,145,524)
Public contributions and donations	-	-	(3,380,166)	-	-	-	(3,380,166)
Total segment revenue	**(472,244)**	**(97,603)**	**(278,653,518)**	**(3,000,000)**	**-**	**-**	**(282,223,366)**
Total revenue							**(282,223,366)**
Expenditure							
Bulk purchases	-	-	7,302,153	-	62,289,683	-	69,591,836
Debt Impairment	-	-	110,307,420	-	-	-	110,307,420
Depreciation and amortisation	-	-	15,707,710	-	-	-	15,707,710
Employee costs	21,157,685	7,113,868	(7,107,538)	3,331,093	45,899,587	2,896,019	73,290,714
Finance costs	-	-	52,813,565	-	-	-	52,813,565
General	3,550,748	1,821,857	22,447,553	7,922,741	13,701,281	1,836,191	51,280,370
Remuneration of councillors	-	-	-	-	-	5,743,231	5,743,231
Total segment expenditure	**24,708,433**	**8,935,725**	**201,470,862**	**11,253,834**	**121,890,551**	**10,475,441**	**378,734,846**

Notes to the Audited Annual Financial Statements

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	Community Services	Corporate Services	Financial Services	Office Of Municipal Manager	Planning & Infrastructure Servic	Political Office	Total
57. Segment information (continued)							
Actuarial gains/losses	(1,264,163)	-	-	-	-	-	(1,264,163)
Fair value adjustments	(3,965,936)	-	-	-	-	-	(3,965,936)
Gain or loss on disposal of assets and liabilities	19,867,963	-	-	-	-	-	19,867,963
Impairment loss	25,297,752	-	-	-	-	-	25,297,752
Inventories losses/write-downs	1,481,738	-	-	-	-	-	1,481,738
Landfill site expense	(658,463)	-	-	-	-	-	(658,463)
	(1,264,163)	-	-	-	-	-	40,758,892
Deficit for the year							**(137,270,372)**
Assets							
Current assets							
Cash and cash equivalents	-	-	225,246	-	-	-	225,246
Inventories	-	-	1,430,382	-	-	-	1,430,382
Receivables from exchange transactions	-	1,244,205	(75,805,207)	-	80,087,150	-	5,526,149
Receivables from non-exchange transactions	-	-	1,541,582	-	-	-	1,541,582
VAT receivable	-	-	21,458,316	-	-	-	21,458,316
Non-current assets							
Heritage assets	15,000	-	-	-	-	-	15,000
Investment property	-	-	156,501,920	-	-	-	156,501,920
Other financial assets- NCA	-	-	288,318	-	-	-	288,318
Property, plant and equipment	(1,619,982)	(1,563,394)	840,477,148	(1,585,187)	76,502,599	3,943,865	916,155,048
Total segment assets	**(1,604,982)**	**(319,189)**	**946,117,706**	**(1,585,187)**	**156,589,749**	**3,943,865**	**1,103,141,961**
Total assets as per Statement of financial Position							**1,103,141,961**

Notes to the Audited Annual Financial Statements

Figures in Rand

57. Segment information (continued)

	Community Services	Corporate Services	Financial Services	Office Of Municipal Manager	Planning & Infrastructure Servic	Political Office	Total
Liabilities							
Current liabilities							
Payables from exchange transactions	-	-	(420,003,811)	-	-	-	(420,003,811)
Provisions- CL	-	-	(4,000,000)	-	4,000,000	-	-
Retirement benefit obligation	-	-	(821,638)	-	-	-	(821,638)
Unspent conditional grants and receipts	-	-	(21,621,714)	-	912,441	-	(20,709,273)
Consumer deposits	-	-	(1,213,864)	-	-	-	(1,213,864)
Non-current liabilities							
Employee benefit obligation	-	-	(9,608,282)	-	-	-	(9,608,282)
Provisions- NCL	-	-	(80,795,951)	-	-	-	(80,795,951)
Total segment liabilities	**-**	**-**	**(538,065,260)**	**-**	**4,912,441**	**-**	**(533,152,819)**
Total liabilities as per Statement of financial Position							**(533,152,819)**

Notes to the Audited Annual Financial Statements

Figures in Rand

57. Segment information (continued)

2024

	Community Services	Corporate Services	Financial Services	Office Of Municipal Manager	Planning & Infrastructure Servic	Political Office	Total
Revenue							
Revenue from exchange transactions							
Interest received - investment	(407,321)	-	(26,315,160)	-	-	-	(26,722,481)
Operational revenue	-	(9,640)	(572,605)	-	-	-	(582,245)
Rental of facilities and equipment	(32,639)	-	(943,045)	-	-	-	(975,684)
Service charges	-	-	(76,667,091)	-	-	-	(76,667,091)
Dividends received	-	-	(11,037)	-	-	-	(11,037)
Revenue from non-exchange transactions							
Fines, Penalties and Forfeits	-	-	(15,800)	-	-	-	(15,800)
Government grants and subsidies	-	-	(108,419,145)	(3,000,000)	(528,000)	-	(111,947,145)
Interest - Taxation revenue	-	-	(10,152,292)	-	-	-	(10,152,292)
Property rates	-	-	(26,333,530)	-	-	-	(26,333,530)
Public contributions and donations	-	-	(6,096,639)	-	-	-	(6,096,639)
Total segment revenue	**(439,960)**	**(9,640)**	**(255,526,343)**	**(3,000,000)**	**(528,000)**	**-**	**(259,503,944)**
Total revenue							**(259,503,944)**
Expenditure							
Bulk purchases	-	-	8,885,828	-	41,970,590	-	50,856,418
Debt Impairment	-	-	85,091,249	-	-	-	85,091,249
Depreciation and amortisation	-	-	31,411,259	-	-	-	31,411,259
Employee costs	17,314,046	8,952,125	13,759,462	3,818,907	32,325,954	2,435,375	78,605,869
Finance costs	-	-	26,083,748	-	-	-	26,083,748
General	1,403,032	3,535,061	10,097,653	6,516,759	16,275,505	2,269,279	40,097,289
Remuneration of councillors	-	-	-	-	-	5,563,275	5,563,275
Total segment expenditure	**18,717,078**	**12,487,187**	**175,329,199**	**10,335,666**	**90,572,050**	**10,267,929**	**317,709,107**

57. Segment information (continued)

	Community Services	Corporate Services	Financial Services	Office Of Municipal Manager	Planning & Infrastructure Servic	Political Office	Total
Actuarial gains/losses	632,000	-	-	-	-	-	632,000
Fair value adjustments	(779,446)	-	-	-	-	-	(779,446)
Gain or loss on disposal of assets and liabilities	10,612,752	-	-	-	-	-	10,612,752
Impairment loss	97,330	-	-	-	-	-	97,330
Inventories losses/write-downs	(2,513)	-	-	-	-	-	(2,513)
	10,560,123	-	-	-	-	-	10,560,123
Deficit for the year							**(68,765,286)**
Assets							
Current assets							
Cash and cash equivalents	-	-	198,380	-	-	-	198,380
Inventories	-	-	1,578,548	-	-	-	1,578,548
Receivables from exchange transactions	-	977,669	(63,151,571)	-	68,979,034	-	6,805,132
Receivables from non-exchange transactions	-	-	1,829,463	-	-	-	1,829,463
VAT receivable	-	-	12,832,526	-	-	-	12,832,526
Non-current assets							
Heritage assets	15,000	-	-	-	-	-	15,000
Investment property	-	-	152,535,984	-	-	-	152,535,984
Other financial assets- NCA	-	-	288,318	-	-	-	288,318
Property, plant and equipment	(1,180,800)	(1,690,138)	892,362,745	(1,534,051)	61,503,320	4,460,647	953,921,723
Total segment assets	**(1,165,800)**	**(712,469)**	**998,474,393**	**(1,534,051)**	**130,482,354**	**4,460,647**	**1,130,005,074**
Total assets as per Statement of financial Position							**1,130,005,074**

Notes to the Audited Annual Financial Statements

Figures in Rand

57. Segment information (continued)

	Community Services	Corporate Services	Financial Services	Office Of Municipal Manager	Planning & Infrastructure Servic	Political Office	Total
Liabilities							
Current liabilities	-	-	-	-	-	-	-
Payables from exchange transactions	-	-	(307,558,569)	-	-	-	(307,558,569)
Provisions- CL	-	-	(4,000,000)	-	4,000,000	-	-
Retirement benefit obligation	-	-	(948,000)	-	-	-	(948,000)
Unspent conditional grants and receipts	-	-	(28,015,000)	-	912,441	-	(27,102,559)
Consumer deposits	-	-	(1,131,382)	-	-	-	(1,131,382)
Non-current liabilities							
Employee benefit obligation	-	-	(9,340,000)	-	-	-	(9,340,000)
Provisions- NCL	-	-	(76,675,357)	-	-	-	(76,675,357)
Total segment liabilities	**-**	**-**	**(427,668,309)**	**-**	**4,912,441**	**-**	**(422,755,867)**
Total liabilities as per Statement of financial Position							**(422,755,867)**

Additional Narratives

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

58. Accounting by principals and agents

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

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

Principal	Home Grown	Prepaid electricity vendor	The municipality has a contractual arrangement with Home Grown in terms of which they act as an agent of the municipality byvending of prepaid electricity to municipal customers on which the service provider earns commission. The service contract commenced on 01 June 2025	The agent uses its infrastructure and systems to process the transactions on behalf of the municipality and to then pay over themonies collected to the municipality.The arrangement enables municipal customers to have convenient access to the agent's outlets and to also buy prepaidelectricity.
Principal	Syntell	Prepaid electricity vendor	The municipality has a contractual arrangement with Syntell in terms of which they act as an agent of the municipality byvending of prepaid electricity to municipal customers on which the service provider earns commission. The service contract expired on 30 May 2025	The agent uses its infrastructure and systems to process the transactions on behalf of the municipality and to then pay over themonies collected to the municipality.The arrangement enables municipal customers to have convenient access to the agent's outlets and to also buy prepaidelectricity.

	2025	2024
	-	-

Municipality as principal

Fee(s) paid as compensation to the agent

	2025	2024
Commission paid		
Fee paid as commission to the agent - prepaid electricity vending	(978,503)	(1,015,464)
Prepaid electricity sales	20,761,651	17,815,729

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated
There are no resource or cost implications for the municipality if the arrangements are terminated.

59. Budget differences

Material differences between budget and actual amounts

The budget has been prepared on the accrual basis of accounting in accordance with the prescripts of the Municipal budget regulations as well as MFMA budget circulars. In accordance with the Municipal budget regulations, the classification basis the municipality presents its budget is per economic as well as per functional classification (per Vote (Department) and GFS classification). It should be noted that minor budget differences between the basis the budget is prepared (accrual basis and prescripts of NT guidance) and actual financial results (accrual basis in accordance with GRAP) exists, mainly related to technical GRAP adjustments required. These differences are not material and as the basis of preparation is the same (accrual basis) no restatements have been made to the financial information compared to the budgeted amounts, but where found to be material is explained below:

Explanation of variances between approved and final budget amounts

The materiality framework of the municipality informs the determining base ranges. The framework outlines all principles and guiding practices to allow management to enforce a consistent application of the framework's guidelines. With regard to reporting, the understandability and transparency to users of the financial statements was a determining factor when deciding on the base %. The determining base was if the line item in the Statement of financial position or Statement of financial performance has more than a 10% deviation between the Final Budgeted amount and the Actual reported balance.

The variances identified in the Budget Statement is as follows:

Reference No.	Description	Explanation
Note 59.1	Rental of facilities and equipment	Budget amount was based on prior year rental rates.
Note 59.2	Other income	Substantially more tender documents, clearance certificates and building plans was issued during the period, than what was budgeted for.
Note 59.3	Interest income (Exchange transactions)	Outstanding debtors has increased in the current year more than was budgeted for
Note 59.4	Gains on disposal of assets	In the current financial period, assets where derecognised in line of accounting principles, which was not budgeted for.
Note 59.5	Dividends received	Dividends received was not part of the budget submitted to National Treasury as it is not an expected income.
Note 59.6	Interest income (Non-exchange transactions)	Improved revenue collection attempts over the prior period
Note 59.7	Government grants & subsidies	More Grants and subsidies received in the financial year, Equitable Shares and MIG
Note 59.8	Public contributions and donations	In the current period, National Treasury contributed towards outstanding Audit fees which was not budgeted for.
Note 59.9	Employee related costs	The budget amounted for employee cost was taking into account the current vacancies with the hope that some of the vacancies will be filled however that didn't happened as in the current year the was only 1 permanent person that was hired.
Note 59.10	Remuneration of councillors	Vacancies of council members resulted in a lower than budgeted expense. Fewer council meetings was held during the period, in relation to the prior year.
Note 59.11	Repairs and maintenance	No budget allocation for repairs and maintenance.

59. Budget differences (continued)

Note 59.12	Depreciation and amortisation	Condition assessment was done and verification of assets at year end resulting in more assets being assessed as poor that resulted increase of depreciation and amortisation for the year.
Note 59.13	Finance costs	Majority of Creditors charged interest to the municipality on outstanding amounts, Eskom charges on average R 2 million per month on outstanding amount, Municipality budgeted less on this item on assumption that creditors will agree not to charge interest on outstanding creditors
Note 59.14	Debt Impairment	Majority of customers not paying for services, resulting in increase in debt impairment, the total outstanding debtors are year end was over R 500 000 000 and 89% of this are households debtors that earn on average R 29 000 per annum, which is R 2400.00 per month, they therefore are not in the position to pay outstanding debtors
Note 59.15	Bulk purchases	The increase is mainly due to 12.7% In Eskom tariffs and 7% on Water tariff increase.
Note 59.16	Contracted Services	Spesific contracted services has reached the end of contract period, durigng the financial period leading to reduced expenditure in relation to the budget.
Note 59.17	Acturial Gains	New actuaries applying new methodoligies to calculate the relavant employee benefit obligations.
Note 59.18	Loss on disposal of assets	Condition asset and verification of assets at year end resulting in more assets being assessed as poor, these are the actual results at year end from the 100% assets verification
Note 59.19	Fair value adjustments	There is no budget for fair value adjustments
Note 59.20	Inventories losses/write-downs	Inventory used in the current financial year to deal with service delivery issues, the budgeted amount was overstated
Note 59.21	Actuarial gains/(losses)	Different actuaries used in the current financial year and their methodology and assumptions were different from the previous actuaries used.
Note 59.22	Impairment loss/ Reversal of impairments	Impairment loss is not budgeted for
Note 59.23	Inventories	Inventory used in the current financial year to deal with service delivery issues, the budgeted amount was overstated
Note 59.24	Receivables from exchange transactions	Budget did not take into account full debtors impairment calculation
Note 59.25	Receivables from non-exchange transactions	Budget did not take into account full debtors impairment calculation
Note 59.26	Cash and cash equivalents	The budgeted amount for cash and cash was overstated, however the closing balance in the 2023/2024 FY was R 198k, which is in line with the cash and cash equivalent as at 30 June 2025.

Figures in Rand		2025	2024

59. Budget differences (continued)

Note 59.27	Investment property	Revaluation of IP and identification and valuation of land in line with IGRAP 18, the AFS of 2023/2024 were used as a base to budget for IP
Note 59.28	Intangible assets	Intangible assets comprised of SAGE computer software which is a subscription based software where an annual licensefee is payable and can therefore not be seen as an intangible asset. Correction of prior period classification
Note 59.29	Heritage assets	No budget allocation for heritage assets
Note 59.30	Other financial assets	The allocated budget was overstated and not concidereing the movement of the other financial assets year on year.
Note 59.31	Payables from exchange transactions	The municipality has budgeted for payables from exchange transaction in was that they planned to pay most of their suppliers however that didn't happened, that's why the payables were less, the municipality still owns most of their suppliers
Note 59.32	Consumer deposits	Budget amount was based on prior year information however in the current year, more applications for prepaid meters was received than what was expected.
Note 59.33	Employee benefit obligation	Different actuaries used in the current financial year and their methodology and assumptions were different from the previous actuaries used.
Note 59.34	Unspent conditional grants and receipts	Unspent Grants were not budgeted as municipality anticipated spending all the grants allocated to it
Note 59.35	Provisions	The budgeted amount for provision in the current year was based on the previous expert for valuation of landfill as a result the actual provision amount was more than the budgeted amount.
Note 59.36	Employee benefit obligation	Different actuaries used in the current financial year and their methodology and assumptions were different from the previous actuaries used.
Note 59.37	Provisions	The budgeted amount for provision in the current year was based on the previous expert for valuation of landfill as a result the actual provision amount was more than the budgeted amount.
Note 59.38	Reserves	There is no budget for reserves