MASILONYANA LOCAL MUNICIPALITY

(Demarcation code: FS181)

AUDITED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2025

Index

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

Index

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
DBSA	Development Bank of South Africa
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

Index

MSIG	Municipal Systems Improvement Grant
NERSA	National Energy Regulator of South Africa
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

Index

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	Masilonyana 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.
Vision statement	A developmental municipality that provides sustainable and impactful services
Mission statement	To deliver quality driven service timeously. To ensure involvement of local community and stakeholders in municipal affairs in a structured manner. Strive to reflect in our operations the principles of batho pele
Grading of local authority	Category B as defined by the Municipal Structures Act (Act number 117 of 1998)
Accounting Officer	Mojalefa Matlole
Chief Finance Officer (CFO)	Amos Makoae
Registered office	47 Le Roux Street Theunissen 9410
Bankers	ABSA Bank
Auditors	Auditor General South Africa
Attorneys	PH Attorneys Motaung Attorneys Peyper Attorneys Tshangana Attorneys Nyapotse 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	info@masilonyana.co.za
Website	http://www.masilonyana.fs.gov.za
Telephone number	057 733 0106
Fax number	057 733 2217

Members of the Municipal Council

Mayor	Cllr. Dimakatso Elizabeth Modise
Speaker	Cllr. Nkone Stephen Makata
Ward Councillors	Cllr. Mosunane Samuel Letsie
	Cllr. Ben Phehlane
	Cllr. Mokone Tumelo Moroane
	Cllr. Brunhilde Gudrun Rossouw
	Cllr. Phuthi Samson Tlahadi
	Cllr. Thabiso Collin Tladi
	Cllr. Matshediso Zachariah Likoebe
	Cllr. Ndabazabantu Herman Kototsa
	Cllr. Mbulelo Goodwill Fosi
	Cllr. Kama Mabesa
	Cllr. Willem Potgieter
	Cllr. Marieta Visser
	Cllr. Brown. Sienah
	Cllr. Tshediso Molahloe
	Cllr. Ernest Putsoenyane
Proportional Representative Councillors	Cllr. Dimakatso Elizabeth Modise
	Cllr. Kama Mabesa
	Cllr. Marieta Visser
	Cllr Ernest Putsoenyane
	Cllr Dieketseng Xhalabile
	Cllr. Brunhilde Gudrun Rossouw
	Cllr. Willem Potgieter
	Cllr. Brown. Sienah
	Cllr. Tshediso Molahloe
	Cllr. Koloi Mokalolise

Council Committees

Executive Committee

Chairperson:	Cllr. Dimakatso Elizabeth Modise
Members:	Cllr. Phuthi Samson Tlahadi
	Cllr. Brunhilde Gudrun Rossouw
	Cllr. Ndabazabantu Herman Kototsa

Finance Committee

Chairperson:	Cllr. Phuthi Samson Tlahadi
Members:	Cllr. Thabiso Collin Tladi
	Cllr. Ernest Putsoenyane
	Cllr. Kama Mabesa

Socio-Economic Development Committee

Chairperson:	Cllr. Brunhilde Gudrun Rossouw
Members:	Cllr. Mosunane Samuel Letsie
	Cllr. Ben Phehlane
	Cllr. Brown. Sienah
	Cllr. Matshediso Zachariah Likoebe
	Cllr. Ndabazabantu Herman Kototsa

Members of the Municipal Council

Infrastructure Development Committee

Chairperson:	Cllr. Phuthi Samson Tlahadi
Members:	Cllr. Mbulelo Goodwill Fosi
	Cllr. Matshediso Zachariah Likoebe
	Cllr. Tshediso Molahloe
	Cllr. Willem Potgieter
	Cllr. Ernest Putsoenyane

Corporate Services Portfolio

Chairperson:	Cllr. Ndabazabantu Herman Kototsa
Members:	Cllr. Mokone Tumelo Moroane
	Cllr. Thabiso Collin Tladi
	Cllr. Koloi Mokalolise
	Cllr. Marieta Visser

Municipal Public Account Committee (MPAC)

Chairperson:	Cllr. Dieketseng Xhalabile
Members:	Cllr. Mbulelo Goodwill Fosi
	Cllr. Mokone Tumelo Moroane
	Cllr. Tshediso Molahloe

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the 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 he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the 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 - 119, which have been prepared on the going concern basis, were approved by the accounting officer and signed by him.

Mojalefa Matlole
Municipal Manager (Accounting Officer)

31 August 2025

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in performing functions as set out in the constitution (Act no 105 of 1996).

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 surplus of the municipality was 4 135 665 (2024: deficit 122 409 455).

2. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of 557 101 059 and that the municipality's total assets exceed its liabilities by 557 101 059.

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.

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. Accounting Officer

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

Name
Mojalefa Matlole

7. Bankers

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

8. Auditors

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

Accounting Officer's Report

9. 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

10. 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.

In terms of section 71 (1) of the Municipal Finance Management Act (Act 56 of 2003), the accounting officer of a municipality must by no later than 10 working days after the end of each month submit to the mayor of the municipality and the relevant provincial treasury a statement in the prescribed format on the state of the municipality's budget reflecting the following particulars for that month and for the financial year up to the end of that month. During the financial year, the municipality did not comply with the required legislation as reports were submitted late.

Mojalefa Matlole
Municipal Manager (Accounting Officer)

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	16 647 514	919 259
Inventories	5	1 129 623	74 560
Receivables from exchange transactions	6	20 056 652	14 772 792
Receivables from non-exchange transactions	7	9 621 122	11 476 683
VAT receivable	9	124 132 675	101 155 157
Total Current Assets		**171 587 586**	**128 398 451**
Non-Current Assets			
Investment property	10	178 439 987	181 322 807
Property, plant and equipment	11	971 333 970	939 756 749
Total Non-Current Assets		**1 149 773 957**	**1 121 079 556**
Total Assets		**1 321 361 543**	**1 249 478 007**
Liabilities			
Current Liabilities			
Consumer deposits	12	1 062 979	879 047
Employee benefit obligation	13	1 184 020	8 083 192
Payables from exchange transactions	14	692 698 390	624 232 173
Provisions	15	54 013 769	52 225 253
Unspent conditional grants and receipts	16	4 050 650	5 402 000
Total Current Liabilities		**753 009 808**	**690 821 665**
Non-Current Liabilities			
Employee benefit obligation	13	11 250 676	5 690 950
Total Liabilities		**764 260 484**	**696 512 615**
Net Assets		**557 101 059**	**552 965 392**
Accumulated surplus		557 101 059	552 965 392
Total Net Assets		**557 101 059**	**552 965 392**

* See Note 42

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	17	85 482 103	74 683 307
Operational revenue	19	491 819	315 562
Rental of facilities and equipment	20	810 384	705 007
Service charges	21	141 223 049	110 758 640
Total revenue from exchange transactions		**228 007 355**	**186 462 516**
Revenue from non-exchange transactions			
Taxation revenue			
Interest - Taxation revenue	18	15 518 130	13 857 352
Property rates	22	107 586 772	100 601 309
Transfer revenue			
Fines, Penalties and Forfeits	23	-	90 150
Government grants and subsidies	24	251 589 108	183 073 586
Eskom billing adjustment	26	-	13 908 270
Total revenue from non-exchange transactions		**374 694 010**	**311 530 667**
Total revenue		**602 701 365**	**497 993 183**
Expenditure			
Bulk purchases	25	(60 510 806)	(46 496 659)
Contracted services	27	(19 976 087)	(56 398 421)
Debt impairment	28	(286 537 489)	(241 540 642)
Depreciation and amortisation	29	(24 311 696)	(33 414 672)
Employee related costs	30	(150 031 028)	(119 529 788)
Finance costs	32	(28 907 034)	(31 965 580)
General expenses	33	(21 892 957)	(35 193 624)
Remuneration of councillors	34	(8 405 897)	(8 734 028)
Employee related expenses	31	8 046 922	137 770
Total expenditure		**(592 526 072)**	**(573 135 644)**
Operating surplus (deficit)		**10 175 293**	**(75 142 461)**
Loss on disposal of assets and liabilities	11	(5 895 641)	-
Actuarial gains	13	774 473	593 893
Fair value adjustments	36	4 714 393	902 104
Reversal of impairments/(Impairment loss)	35	1 450 231	(48 762 991)
Gain/(Loss) on derecognition of Investment property	10	(7 597 213)	-
Landfill provision finance charge		514 129	-
Surplus (deficit) for the year		**4 135 665**	**(122 409 455)**

* See Note 42

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	1 096 620 715	1 096 620 715
Adjustments		
Prior year adjustments 42	(421 245 868)	(421 245 868)
Balance at 01 July 2023 as restated*	**675 374 847**	**675 374 847**
Changes in net assets		
Deficit for the year	(122 409 455)	(122 409 455)
Total changes	(122 409 455)	(122 409 455)
Opening balance as previously reported	1 238 864 241	1 238 864 241
Adjustments		
Prior year adjustments 42	(685 898 847)	(685 898 847)
Restated* Balance at 01 July 2024 as restated*	**552 965 394**	**552 965 394**
Changes in net assets		
Deficit for the year	4 135 665	4 135 665
Total changes	4 135 665	4 135 665
Balance at 30 June 2025	**557 101 059**	**557 101 059**

Note(s)

* See Note 42

Cash Flow Statement for the year ended 30 June 2025

Figures in Rand	Note(s)	2025	2024 *Restated**
Cash flows from operating activities			
Receipts			
Consumers		39 213 902	28 808 536
Grants		250 237 758	167 374 586
		289 451 660	196 183 122
Payments			
Employee costs		(158 436 926)	(125 248 543)
Suppliers		(26 988 432)	(29 834 131)
Finance costs		(27 528 604)	(12 478 065)
		(212 953 962)	(167 560 739)
Net cash flows from operating activities	38	**76 497 698**	**28 622 383**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(60 769 443)	(28 562 211)
Net increase/(decrease) in cash and cash equivalents		**15 728 255**	**60 172**
Cash and cash equivalents at the beginning of the year		919 259	859 086
Cash and cash equivalents at the end of the year	4	**16 647 514**	**919 258**

* See Note 42

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

Budget on Cash Basis

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

Statement of Financial Performance

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
Revenue						
Revenue from exchange transactions						
Sale of goods	1 699 000	(885 000)	**814 000**	-	**(814 000)**	
Rendering of services	141 298 000	-	**141 298 000**	-	**(141 298 000)**	Variance in Annual Report
Interest received - investment	2 000 000	-	**2 000 000**	85 482 103	**83 482 103**	Variance in Annual Report
Other income - (rollup)	-	-	**-**	491 819	**491 819**	Note 56.3
Rental of facilities and equipment	105 000	-	**105 000**	810 384	**705 384**	Variance in Annual Report
Service charges	-	-	**-**	141 223 049	**141 223 049**	Variance in Annual Report
Total revenue from exchange transactions	**145 102 000**	**(885 000)**	**144 217 000**	**228 007 355**	**83 790 355**	
Revenue from non-exchange transactions						
Taxation revenue						
Interest - Taxation revenue	-	-	**-**	15 518 130	**15 518 130**	Note 56.7
Property rates	89 116 000	-	**89 116 000**	107 586 772	**18 470 772**	Variance in Annual Report
Transfer revenue						
Licences and Permits	-	98 000	**98 000**	-	**(98 000)**	
Government grants and subsidies	171 968 000	25 000 000	**196 968 000**	251 589 108	**54 621 108**	Variance in Annual Report
Total revenue from non-exchange transactions	**261 084 000**	**25 098 000**	**286 182 000**	**374 694 010**	**88 512 010**	
Total revenue	**406 186 000**	**24 213 000**	**430 399 000**	**602 701 365**	**172 302 365**	

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						
Bad debts written off	6 000 000	-	**6 000 000**	-	**(6 000 000)**	
Bulk purchases	31 739 000	-	**31 739 000**	(60 510 806)	**(92 249 806)**	Variance in Annual Report
Contracted services	46 083 000	(5 450 000)	**40 633 000**	(19 976 087)	**(60 609 087)**	Variance in Annual Report
Debt impairment	56 604 000	-	**56 604 000**	(286 537 489)	**(343 141 489)**	Variance in Annual Report
Depreciation and amortisation	43 834 000	500 000	**44 334 000**	(24 311 696)	**(68 645 696)**	
Employee related costs	162 328 000	-	**162 328 000**	(150 031 028)	**(312 359 028)**	Variance in Annual Report
Finance costs	2 609 000	-	**2 609 000**	(28 907 034)	**(31 516 034)**	Variance in Annual Report
General expenses	31 353 000	4 950 000	**36 303 000**	(13 846 035)	**(50 149 035)**	
Remuneration of councillors	7 796 000	-	**7 796 000**	(8 405 897)	**(16 201 897)**	Variance in Annual Report
Inventory consumed	24 707 000	-	**24 707 000**	-	**(24 707 000)**	
Transfers and Subsidies	103 731 000	-	**103 731 000**	-	**(103 731 000)**	
Total expenditure	**516 784 000**	**-**	**516 784 000**	**(592 526 072)**	**(1 109 310 072)**	
Operating surplus	**922 970 000**	**24 213 000**	**947 183 000**	**10 175 293**	**(937 007 707)**	
Actuarial gains	-	-	**-**	774 473	**774 473**	
Fair value adjustments	-	-	**-**	4 714 393	**4 714 393**	Note 56.16
Loss on disposal of assets and liabilities	-	-	**-**	(5 895 641)	**(5 895 641)**	Variance in Annual Report
Gain on foreign exchange	-	-	**-**	514 129	**514 129**	
Impairment loss/ Reversal of impairments	-	-	**-**	1 450 231	**1 450 231**	

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
Share of surpluses or deficits from associates or joint ventures accounted for using the equity method	-	-	**-**	(7 597 213)	**(7 597 213)**	
	-	**-**	**-**	**(6 039 628)**	**(6 039 628)**	
Surplus/(deficit) for the year	**922 970 000**	**24 213 000**	**947 183 000**	**4 135 665**	**(943 047 335)**	

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	25 270 000	-	**25 270 000**	16 647 514	**(8 622 486)**	Variance in Annual Report
Inventories	(12 446 000)	-	**(12 446 000)**	1 129 623	**13 575 623**	Variance in Annual Report
Receivables from exchange transactions	629 551 000	-	**629 551 000**	20 056 652	**(609 494 348)**	Variance in Annual Report
Receivables from non-exchange transactions	88 256 000	-	**88 256 000**	9 621 122	**(78 634 878)**	Variance in Annual Report
VAT receivable	35 724 000	-	**35 724 000**	-	**(35 724 000)**	
Total current assets	**766 355 000**	**-**	**766 355 000**	**47 454 911**	**(718 900 089)**	
Non-Current Assets						
Heritage assets	15 000	-	**15 000**	-	**(15 000)**	
Investment property	8 621 000	-	**8 621 000**	178 439 987	**169 818 987**	Variance in Annual Report
Other financial assets	86 000	-	**86 000**	-	**(86 000)**	
Property, plant and equipment	631 087 000	(4 500 000)	**626 587 000**	971 333 970	**344 746 970**	Variance in Annual Report
Total non-current assets	**639 809 000**	**(4 500 000)**	**635 309 000**	**1 149 773 957**	**514 464 957**	
Total Assets	**1 406 164 000**	**(4 500 000)**	**1 401 664 000**	**1 197 228 868**	**(204 435 132)**	

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
Liabilities						
Current Liabilities						
Bank overdraft	155 811 000	-	**155 811 000**	-	**(155 811 000)**	0
Consumer deposits	3 167 000	-	**3 167 000**	1 062 979	**(2 104 021)**	Variance in Annual Report
Employee benefit obligation	-	-	**-**	1 184 020	**1 184 020**	Note 56.25
Payables from exchange transactions	338 053 000	(12 683 000)	**325 370 000**	692 698 395	**367 328 395**	Variance in Annual Report
Provisions	-	-	**-**	54 013 769	**54 013 769**	Variance in Annual Report
Unspent conditional grants and receipts	-	-	**-**	4 050 650	**4 050 650**	Variance in Annual Report
VAT payable	73 046 000	-	**73 046 000**	-	**(73 046 000)**	
Total current liabilities	**570 077 000**	**(12 683 000)**	**557 394 000**	**753 009 813**	**195 615 813**	
Non-Current Liabilities						
Employee benefit obligation	-	-	**-**	11 250 676	**11 250 676**	Note 56.28
Provisions	23 930 000	-	**23 930 000**	-	**(23 930 000)**	
Total non-current liabilities	**23 930 000**	**-**	**23 930 000**	**11 250 676**	**(12 679 324)**	
Total Liabilities	**594 007 000**	**(12 683 000)**	**581 324 000**	**764 260 489**	**182 936 489**	
Net Assets	**812 157 000**	**8 183 000**	**820 340 000**	**432 968 379**	**(387 371 621)**	
Net Assets						
Accumulated surplus	**812 157 000**	**8 183 000**	**820 340 000**	**557 101 059**	**(263 238 941)**	Variance in Annual Report

Refer to note for budget difference deviations.

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget
Figures in Rand			

The accounting policies on pages 23 to 54 and the notes on page 55 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:

1.5 Significant judgements and sources of estimation uncertainty (continued)

Trade receivables

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

The impairment for trade receivables is calculated on a payment rate basis per consumer. The payment rate is calculated on the total payments received per consumer in the current year, and then divided by the total revenue billed per consumer for the current year. The percentage is then converted to a non payment ratio. The non payment ratio is then multiplied with the consumers total outstanding balance. The movement between a consumers yearly impairment balance are accounted through profit and loss in the statement of financial performance.

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 15.

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.

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 13.

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

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.

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.

In applying GRAP 18 Segment Reporting, management makes judgements with regard to the identification of reportable segments of the municipality in a manner consistent with the internal reporting provided to management.

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.

Comparative of actual information to budgeted information

The annual budget figures have been prepared in accordance with the Municipal Budget and Reporting Regulations, 2009. A comparative of actual to budged amounts are reported in a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the Statement giving motivations for over- or under spending online items where it is found to be material. The budgeted figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is prepared and approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2024 to 30 June 2025. In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the financial statements in determining whether a difference between the budgeted and actual amount is material.

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.

1.6 Investment property (continued)

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.

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.

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.

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.

Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

Property, plant and equipment are depreciated on the diminishing balance method over their expected useful lives to their estimated residual value.

1.7 Property, plant and equipment (continued)

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

Item	Depreciation method	Average useful life
Immovable assets		
Community facilities	Straight-line	5 - 100 years
Sport and recreation facilities	Straight-line	5 - 100 years
Electricity Network	Straight-line	10 - 60 years
Water supply network	Straight-line	10 - 100 years
Roads and stormwater network	Straight-line	5 - 100 years
Sanitation network	Straight-line	5 - 100 years
Housing	Straight-line	7 - 100 years
Operational buildings	Straight-line	5 - 100 years
Movable assets		
Computer equipment	Straight-line	5 years
Electrical equipment	Straight-line	5 years
Furniture and fittings	Straight-line	7 years
Leased assets - office equipment	Straight-line	3 - 5 years
Mechanical equipment	Straight-line	5 years
Office machines	Straight-line	5 years
Vehicles	Straight-line	6 - 10 years

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

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

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

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

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

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

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

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

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

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.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note). Cost incurred to repair and maintain heritage assets comprises of goods and services and contracted services. These costs excludes labour cost.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note). Heritage Assets under construction are carried at cost. All assets 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.

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Heritage assets are not depreciated, since their long economic life and high residual value means that any depreciation would be immaterial. Heritage assets are considered to have indefinite useful lives.

Impairment

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

Transfers

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

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

1.9 Heritage assets (continued)

Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback). The gain or loss arising from the disposal or retirement of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying value and is recognised in the statement of financial performance

1.10 Financial instruments

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

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.

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 municipality’s statement of financial position.

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

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

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

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

Accounting Policies

1.10 Financial instruments (continued)

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 municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

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

A financial asset is past due when a 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 municipality 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 municipality’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 municipality.

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

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

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

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

Accounting Policies

1.10 Financial instruments (continued)

Classification

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

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

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost
Consumer deposits	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.

1.10 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Fair value measurement considerations

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

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.

1.10 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

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

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

Accounting Policies

1.10 Financial instruments (continued)

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.

1.11 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.

1.11 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.

1.11 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.

1.12 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 municipality's incremental borrowing rate.

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

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

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.

1.13 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 the inventories 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

1.13 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 first-in, first-out (FIFO) 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.

Water Inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

1.14 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.

1.14 Construction contracts and receivables (continued)

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.

1.15 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.

1.16 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.

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

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.

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.

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

Reversal of an impairment loss

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

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

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

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.

1.17 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.

Accounting Policies

1.17 Employee benefits (continued)

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 13.

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.

Accounting Policies

1.17 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.

1.17 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.

1.18 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.

1.18 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 40.

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 1.16 .

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.

1.19 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.

1.20 Revenue from exchange transactions

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

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

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

Measurement

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

1.20 Revenue from exchange transactions (continued)

Sale of goods

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

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.

1.21 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.

1.21 Revenue from non-exchange transactions (continued)

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.

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.

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

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.

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.

Bequests

Bequests that satisfy the definition of an asset 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.

Gifts and donations, including goods in-kind

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

1.21 Revenue from non-exchange transactions (continued)

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.

1.22 Investment income

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

1.23 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.

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 2017/07/01. The effective date of the amendments was 2020/04/01.

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.

1.24 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.

Accounting Policies

1.24 Accounting by principals and agents (continued)

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.

1.25 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.

1.26 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.

Accounting Policies

1.27 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.

1.28 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 exclusive of VAT.

1.29 Consumer deposits

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

1.30 Offsetting

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

1.31 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.

1.32 Budget information

The approved budget covers the fiscal period from 2023/07/01 to 2024/06/30.

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.

Accounting Policies

1.32 Budget information (continued)

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.

1.33 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.

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.

1.34 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.

1.35 Change on accounting policies estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

The municipality identified and disclosed the impact of GRAP standards that have been issued but are not yet effective in accordance with the requirements of GRAP 3.

1.36 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.

- Where the VAT incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and

- Receivables and payables that are stated with the amount VAT included.

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.

1.37 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.

Notes to the Audited Annual Financial Statements for the year ended 30 June 2025

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:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 107 Mergers	01 April 2025	
• GRAP 106 Transfer of Functions Between Entities Not Under Common Control	01 April 2025	
• GRAP 105 Transfer of Functions Between Entities Under Common Control	01 April 2025	
• GRAP 2023 Improvements to the Standards of GRAP 2023	01 April 2025	
• 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	

3. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	Total
Cash and cash equivalents	16 647 514	16 647 514
Receivables from exchange transactions	20 056 654	20 056 654
	36 704 168	**36 704 168**

Financial liabilities

	At amortised cost	Total
Consumer deposits	1 062 979	1 062 979
Payables from exchange transactions	628 639 676	628 639 676
	629 702 655	**629 702 655**

3. Financial instruments disclosure (continued)

2024

Financial assets

	At amortised cost	Total
Cash and cash equivalents	919 259	919 259
Receivables from exchange transactions	14 772 792	14 772 792
	15 692 051	**15 692 051**

Financial liabilities

	At amortised cost	Total
Consumer deposits	879 047	879 047
Payables from exchange transactions	555 288 689	555 288 689
	556 167 736	**556 167 736**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	16 647 514	919 259
The total amount of undrawn facilities available for future operating activities and commitments	16 647 514	919 259
	16 647 514	**919 259**

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						
ABSA Bank - Primary Bank AccountAcc no: 4053517822	837 899	847 903	121 998	837 899	847 903	121 998
FNB Bank - Call AccountAcc no.: 63098976625	15 798 369	58 760	-	15 798 369	58 760	-
Short-term Investments						
Call Account 1 - 9061096643	423	423	423	423	423	423
Call Account 2 - 9336949175	1 187	1 131	1 073	1 187	1 131	1 073
Call Account 3 - 9101610864	1 276	1 216	1 154	1 276	1 216	1 154
Call Account 4 - 9336948399	1 238	1 180	1 120	1 238	1 180	1 120
Call Account 5 - 9336946240	1 105	3 333	3 162	1 105	3 333	3 162
Call Account 6 - 9336951235	1 951	1 859	3 156	1 951	1 859	3 156
Call Account 7 - 9361968881	444	0	722 765	444	-	722 765
Call Account 8 - 9336944298	2 437	2 323	3 153	2 437	2 323	3 153
Total	**16 646 328**	**918 128**	**858 005**	**16 646 329**	**918 128**	**858 004**

5. Inventories

Maintenance materials	1 045 575	-
Water for distribution	84 048	74 560
	1 129 623	**74 560**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

6. Receivables from exchange transactions

Gross balances		
Other debtors	30 854	(9 674)
Consumer debtors - Electricity	97 291 368	94 017 947
Consumer debtors - Water	526 318 334	463 415 459
Consumer debtors - Waste water	289 258 872	257 778 558
Consumer debtors - Refuse	169 069 099	151 004 055
Consumer debtors - Sundry	15 459 299	1 611 770
Consumer debtors - Interest	180 147 418	90 119 066
	1 277 575 244	**1 057 937 181**
Less: Allowance for impairment		
Other receivables - Overpayment of Salaries	-	-
Consumer debtors - Electricity	(96 226 972)	(92 987 991)
Consumer debtors - Water	(520 417 499)	(458 930 684)
Consumer debtors - Waste water	(285 846 475)	(255 265 390)
Consumer debtors - Refuse	(167 205 517)	(149 670 126)
Consumer debtors - Sundry	(15 359 386)	(1 555 003)
Consumer debtors - Interest	(172 462 743)	(84 755 195)
	(1 257 518 592)	**(1 043 164 389)**
Net balance		
Other debtors	30 854	(9 674)
Consumer debtors - Electricity	1 064 396	1 029 956
Consumer debtors - Water	5 900 835	4 484 775
Consumer debtors - Waste water	3 412 397	2 513 168
Consumer debtors - Refuse	1 863 582	1 333 929
Consumer debtors - Sundry	99 913	56 767
Consumer debtors - Interest	7 684 675	5 363 871
	20 056 652	**14 772 792**
Electricity		
Current (0 -30 days)	1 064 397	1 029 955
31 - 60 days	830 364	870 658
61 - 90 days	783 732	805 125
91 - 120 days	920 341	751 961
120+ Days	93 692 533	90 560 248
Impairment	(96 226 972)	(92 987 991)
	1 064 396	**1 029 956**
Water		
Current (0 -30 days)	5 900 836	4 484 775
31 - 60 days	5 851 435	4 015 124
61 - 90 days	5 839 812	3 999 273
91 - 120 days	6 712 110	3 952 654
120+ Days	502 014 141	446 963 633
Impairment	(520 417 499)	(458 930 684)
	5 900 835	**4 484 775**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

6. Receivables from exchange transactions (continued)

Waste water		
Current (0 -30 days)	3 412 397	2 513 168
31 - 60 days	3 371 489	2 477 870
61 - 90 days	3 236 766	2 456 755
91 - 120 days	3 678 768	2 449 310
120+ Days	275 559 453	247 881 455
Impairment	(285 846 475)	(255 265 390)
	3 412 397	**2 513 168**

Refuse		
Current (0 -30 days)	1 863 582	1 333 929
31 - 60 days	1 834 817	1 317 053
61 - 90 days	1 825 405	1 307 319
91 - 120 days	2 053 378	1 304 244
120+ Days	161 491 918	145 741 510
Impairment	(167 205 517)	(149 670 126)
	1 863 582	**1 333 929**

Sundry debtors		
Current (0 -30 days)	99 913	56 767
31 - 60 days	1 732 738	56 767
61 - 90 days	9 286 770	56 287
91 - 120 days	2 513 004	56 767
120+ Days	1 826 874	1 385 183
Impairment	(15 359 386)	(1 555 003)
	99 913	**56 767**

Interest		
Current (0 -30 days)	7 700 762	7 353 372
31 - 60 days	6 756 813	7 576 736
61 - 90 days	7 911 018	7 252 393
91 - 120 days	6 915 856	7 209 815
120+ Days	150 862 969	60 726 750
Impairment	(172 462 743)	(84 755 195)
	7 684 675	**5 363 871**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

6. Receivables from exchange transactions (continued)

Residential / Consumers		
Current (0 -30 days)	20 041 886	16 771 967
31 - 60 days	20 377 655	16 314 208
61 - 90 days	28 883 503	15 877 152
91 - 120 days	22 793 458	15 724 750
120+ Days	1 185 447 889	995 248 279
	1 277 544 391	1 059 936 356
Less: Allowance for impairment	(1 257 518 592)	(1 043 164 389)
	20 025 799	**16 771 967**

Total		
Current (0 -30 days)	20 041 886	16 771 967
31 - 60 days	20 377 655	16 314 208
61 - 90 days	28 883 503	15 877 152
91 - 120 days	22 793 458	15 724 750
120+ Days	1 185 447 889	995 248 279
	1 277 544 391	1 059 936 356
Less: Allowance for impairment	(1 257 518 592)	(1 043 164 389)
	20 025 798	**14 782 468**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(1 043 164 389)	(875 579 730)
Contributions to allowance	(214 354 203)	(167 584 660)
	(1 257 518 592)	**(1 043 164 389)**

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	20 056 654	14 772 792

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

7. Receivables from non-exchange transactions

	2025	2024
Gross balances		
Property rates	611 340 848	570 436 751
Interest on non exchange receivables	64 272 434	34 848 805
	675 613 282	**605 285 556**
Less: Allowance for impairment		
Property rates	(604 466 880)	(563 572 852)
Interest on non exchange receivables	(61 525 280)	(30 236 021)
	(665 992 160)	**(593 808 873)**
Net balance		
Property rates	6 873 968	6 863 899
Interest on non exchange receivables	2 747 154	4 612 784
	9 621 122	**11 476 683**
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Fines	-	-
Government grants and subsidies	-	-
Property rates	6 873 969	6 863 899
Other	2 747 155	4 612 784
	9 621 123	**11 476 683**
Total receivables from non-exchange transactions	**9 621 122**	**11 476 683**
Property rates		
Current (0 -30 days)	6 873 969	6 863 899
31 - 60 days	6 367 179	5 230 963
61 - 90 days	6 291 385	5 286 878
91 - 120 days	6 036 089	4 917 611
120+ Days	585 772 226	548 137 400
Impairment	(604 466 880)	(563 572 852)
	6 873 968	**6 863 899**
Interest on non exchange receivables		
Current (0 -30 days)	2 747 211	2 623 281
31 - 60 days	2 410 461	2 702 965
61 - 90 days	2 822 219	2 587 257
91 - 120 days	2 467 199	2 572 068
120+ Days	53 825 343	24 363 233
Impairment	(61 525 280)	(30 236 021)
	2 747 154	**4 612 784**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

7. Receivables from non-exchange transactions (continued)

Summary of debtors by customer classification

Residential / Consumers		
Current (0 -30 days)	9 621 180	9 487 180
31 - 60 days	8 777 641	7 933 928
61 - 90 days	9 113 604	7 874 135
91 - 120 days	8 503 289	7 489 679
120+ Days	639 597 571	570 511 130
	675 613 283	603 296 053
Less: Allowance for impairment	(665 992 159)	(593 808 873)
	9 621 124	**9 487 180**

Total		
Current (0 -30 days)	9 621 180	9 487 180
31 - 60 days	8 777 641	7 933 928
61 - 90 days	9 113 604	7 874 135
91 - 120 days	8 503 287	9 479 182
120+ Days	639 597 571	570 511 130
	675 613 283	603 296 053
Less: Allowance for impairment	(665 992 159)	(593 808 873)
	9 621 122	**11 476 683**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(593 808 873)	(518 398 463)
Contributions to allowance	(72 183 287)	(75 410 410)
	(665 992 159)	**(593 808 873)**

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	9 621 123	11 476 683

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

8. Statutory receivables

The municipality had the following statutory receivables where the Framework for the Preparation and Presentation of Financial Statements have been applied, for the initial recognition:

Statutory receivables included in the Statement of Financial Position under VAT Receivable

VAT (Payable) / Receivable	124 132 675	101 155 158
	124 132 675	**101 155 158**

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

Property rates	611 340 848	570 436 751
	611 340 848	**570 436 751**

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

Property rates	(604 466 880)	(563 572 852)
	(604 466 880)	**(563 572 852)**

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.

Traffic fines arise from the National Road Traffic Act 93 of 1996, National Road Traffic Regulations 2000, National Land Transport Act 5 of 2009 and Criminal Procedure Act 51 of 1971. Prosecutor performs prosecutorial functions in terms of a general delegation awarded by the National Prosecuting Authority and is subject to the control of theControl Prosecutor at the Magistrate's Court.

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.

Interest or other charges levied/charged

Interest or other charges levied on Property rates balances are 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."Interest" means a charge levied, on all arear accounts calculated at an interest rate which is one percent higher than the prime interest rate.

Traffic fines: Additional charges includes contempt of court fees/ warrant of arrest fee determined in terms of the Criminal Procedure Act.

8. Statutory receivables (continued)

The rates and interest charges are determined by the Value Added Tax Act 89 of 1991.

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

The basis used to assess Property Rates receivables is to look at the extent to which debtors on an individual basis defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend.

The basis used to assess Traffic fine receivables is to look at the extent to which debtors per group of fines (Municipal fines, Provincial fines) defaulted on payments already due and an assessment of their ability to make payments based on their historical trend.

Each individual Grant is assessed for collectability in line with the legislative prescripts or contract arrangements that relates to the specific grant.

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

Discount rate applied to the estimated future cash flows

The discount rate applied for all types of Statutory receivables mentioned above is based on the average rate of investments. This rate is seen as risk free as the amount to be paid in interest and capital amount is guaranteed by the Investment institution.

Figures in Rand	2025	2024

9. VAT receivable

VAT Input	134 126 148	110 243 345
VAT Output	(9 993 473)	(9 088 188)
	124 132 675	**101 155 157**

Notes to the Audited Annual Financial Statements

Figures in Rand

10. Investment property

	2025 Fair Value	2024 Fair Value
Investment property	178 439 987	181 322 807
Total	**178 439 987**	**181 322 807**

Reconciliation of investment property - 2025

	Opening balance	Disposals	Transfers from Zero Value Register	Fair value adjustments	Total
Investment property	181 322 807		(7 597 213)	4 714 393	178 439 987
	181 322 807		**(7 597 213)**	**4 714 393**	**178 439 987**

Reconciliation of investment property - 2024

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	180 420 703		902 104	181 322 807
	180 420 703		**902 104**	**181 322 807**

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 Municipex (Pty) Ltd. Mr P.H. Venter was the valuer at Municipex (Pty) Ltd to perform the valuations. Mr P.H. 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

10. Investment property (continued)

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).

The invasion of land constitutes an illegal act. Although illegal occupiers may acquire certain statutory or constitutional protections, such rights do not supersede or extinguish the entity's currently exercisable rights arising from its legal ownership of the land. Legal ownership confers substantive rights on the entity to direct, restrict, or restrict access to the economic benefits or service potential associated with the land.

The fact that the entity may be unable to exercise these rights due to political, socio-economic or other practical constraints does not negate the existence of control for accounting purposes. Control would only be affected where the entity's ownership rights are legally altered or extinguished through a formal legal process, such as the outcome of a court case, court order, or similar legal mechanism.

During the current financial period, it was identified that certain properties owned by the entity had become subject to illegal occupation. The illegal occupation represents an indicator of impairment and, accordingly, the entity assessed the affected properties for impairment in accordance with the principles of GRAP 21 or GRAP 26, as applicable.

Based on this assessment, it was concluded that the circumstances resulted in a loss of control over the affected properties as contemplated in iGRAP 18, together with a significant reduction in their current fair value. In order to ensure appropriate and prudently stated accounting treatment, the carrying amount of these properties was reduced to nil and the properties were transferred to a control register, pending the resolution of the illegal occupation and the restoration of full control by the entity.

Should the entity successfully resolve the illegal occupation and regain control over these properties, an amount of R244,347,722.83 will be recognised as investment property in the financial period in which control is re-established.

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 removal	7 903 232	(2 436 709)	5 466 523	8 132 603	(1 998 036)	6 134 567
Buildings	72 776 649	(37 352 332)	35 424 317	72 829 553	(35 931 236)	36 898 317
Community	151 816 906	(82 768 924)	69 047 982	148 878 522	(81 133 705)	67 744 817
Infrastructure - Electricity network	172 308 537	(57 113 405)	115 195 132	168 696 761	(55 658 559)	113 038 202
Infrastructure - Road network	317 484 503	(105 319 981)	212 164 522	315 764 340	(99 262 385)	216 501 955
Landfill site asset	23 993 576	(19 158 032)	4 835 544	25 968 822	(17 735 694)	8 233 128
Water network	294 120 646	(110 557 768)	183 562 878	315 860 944	(119 227 557)	196 633 387
Land	87 368 284	-	87 368 284	87 368 284	-	87 368 284
Infrastructure - Wastewater network	204 858 991	(76 086 803)	128 772 188	212 392 835	(84 971 984)	127 420 851
Work-in-Progress	120 146 897	-	120 146 897	73 712 906	-	73 712 906
Movable assets						
Computer equipment	6 831 046	(5 574 618)	1 256 428	6 646 588	(5 642 741)	1 003 847
Furniture and fixtures	5 746 191	(4 772 480)	973 711	5 676 720	(5 151 998)	524 722
Motor vehicles	31 769 599	(25 215 756)	6 553 843	30 628 399	(26 475 518)	4 152 881
Plant and machinery	3 242 820	(2 677 099)	565 721	3 135 020	(2 746 135)	388 885
Total	**1 500 367 877**	**(529 033 907)**	**971 333 970**	**1 475 692 297**	**(535 935 548)**	**939 756 749**

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Work in Progress - Additions	Transfers	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
Immovable assets										
Solid waste removal	6 134 567	-	(180 347)	-	-	-	(254 771)	(232 926)	-	5 466 523
Buildings	36 898 317	-	(33 128)	-	-	-	(1 875 470)	(68 819)	503 417	35 424 317
Community	67 744 817	-	(185 302)	4 071 392	-	-	(3 530 441)	(1 543 294)	2 490 810	69 047 982
Infrastructure - Electricity network	113 038 202	-	(775 623)	4 854 909	-	-	(3 251 304)	(239 626)	1 568 574	115 195 132
Infrastructure - Road network	216 501 955	-	(66 380)	1 881 092	-	-	(5 741 887)	(441 889)	31 631	212 164 522
Landfill site asset	8 233 128	-	-	-	-	(1 975 246)	(1 422 338)	-	-	4 835 544
Water network	196 633 387	-	(3 431 550)	-	-	-	(5 947 517)	(10 156 509)	6 465 067	183 562 878
Land	87 368 284	-	-	-	-	-	-	-	-	87 368 284
Wastewater network	127 420 851	-	(1 223 311)	3 565 262	-	-	(3 395 284)	(2 187 593)	4 592 263	128 772 188
Work-in-Progress	73 712 906	60 806 665	-	-	(14 372 674)	-	-	-	-	120 146 897
Movable assets										
IT equipment	1 003 847	184 457	-	-	-	-	65 163	(4 323)	7 284	1 256 428
Furniture and fixtures	524 722	69 471	-	-	-	-	379 230	(8 787)	9 075	973 711
Motor vehicles	4 152 881	1 141 200	-	-	-	-	614 868	-	644 894	6 553 843
Plant and machinery	388 885	107 800	-	-	-	-	48 055	(23 694)	44 675	565 721
	939 756 749	**62 309 593**	**(5 895 641)**	**14 372 655**	**(14 372 674)**	**(1 975 246)**	**(24 311 696)**	**(14 907 460)**	**16 357 690**	**971 333 970**

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	Work in Progress - Additions	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Immovable assets								
Solid waste removal	6 417 050	-	-	-	-	(282 483)	-	6 134 567
Buildings	39 224 783	-	-	-	-	(2 326 466)	-	36 898 317
Community	71 947 762	-	3 196 866	-	-	(4 431 570)	(2 968 241)	67 744 817
Infrastructure - Electricity network	117 978 974	841 727	893 100	-	-	(4 027 738)	(2 647 861)	113 038 202
Infrastructure - Road network	223 131 041	-	-	-	-	(6 308 764)	(320 322)	216 501 955
Landfill site asset	10 641 726	-	-	-	(804 269)	(1 604 329)	-	8 233 128
Water network	224 913 583	3 751 185	20 046	-	-	(7 760 195)	(24 291 232)	196 633 387
Land	87 368 284	-	-	-	-	-	-	87 368 284
Wastewater network	150 366 534	-	63 269	-	-	(4 487 864)	(18 521 088)	127 420 851
Work-in-Progress	55 540 896	22 513 891	-	(4 341 881)	-	-	-	73 712 906
Movable assets								
IT equipment	1 173 639	259 151	-	-	-	(428 943)	-	1 003 847
Furniture and fixtures	965 215	-	-	-	-	(440 493)	-	524 722
Motor vehicles	4 341 128	934 860	-	-	-	(1 123 107)	-	4 152 881
Plant and machinery	546 172	49 680	-	-	-	(192 720)	(14 247)	388 885
	994 556 787	**28 350 494**	**4 173 281**	**(4 341 881)**	**(804 269)**	**(33 414 672)**	**(48 762 991)**	**939 756 749**

Pledged as security

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

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		
Buildings	9 674 610	12 637 382
Infrastructure - Road network	8 813 689	299 852
Infrastructure - Electricity network	17 528 755	5 710 287
Infrastructure - Wastewater network	41 372 617	18 316 128
Infrastructure - Water network	42 757 226	36 749 258
	120 146 897	**73 712 906**

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Upgrading and Rehabilitation of Winburg WTW	25 188 602	25 188 602
Project on hold due to non-payment of work performed.		
Reinstatement of Fire Damaged Premises	5 129 754	5 129 754
[State the reasons for delay]		
	30 318 356	**30 318 356**

Notes to the Audited Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	73 712 906	-	-	73 712 906
Additions/capital expenditure	60 806 665	-	-	60 806 665
Transferred to completed items	(14 372 674)	-	-	(14 372 674)
	120 146 897	**-**	**-**	**120 146 897**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	55 540 896	-	-	55 540 896
Additions/capital expenditure	22 513 891	-	-	22 513 891
Transferred to completed items	(4 341 881)	-	-	(4 341 881)
	73 712 906	**-**	**-**	**73 712 906**

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		
Contracted services	12 110 902	23 673 379

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. Consumer deposits

Electricity	360 834	360 834
Consumer deposits	535 018	370 751
Housing rental	167 127	147 462
	1 062 979	**879 047**

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.

13. Employee benefit obligations

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

Non-current employee benefits		
Post-Retirement Medical Aid benefits	2 769 578	3 615 247
Long-service awards benefits	8 481 098	2 075 703
	11 250 676	**5 690 950**
Current employee benefits		
Post-Retirement Medical Aid benefits	487 389	618 555
Long-service awards benefits	696 631	7 464 637
	1 184 020	**8 083 192**
Total employee benefits		
Post-Retirement Medical Aid benefits	3 256 967	4 233 802
Long-service awards benefits	9 177 729	9 540 340
	12 434 696	**13 774 142**

Non-current liabilities	11 250 676	5 690 950
Current liabilities	1 184 020	8 083 192
	12 434 696	**13 774 142**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

13. 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:

	2025	2024
Continuation members (Retirees)	8	8
Total members	**8**	**8**

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

Key Health

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

	2025	2024
In-service members (Employees)	-	-
In-service non-members (Employees)	-	-
Continuation members (Retirees)	3 256 967	4 233 802
Total liability	**3 256 967**	**4 233 802**

	2025	2024
Non-current	2 769 578	3 615 247
Current	487 389	618 555
	3 256 967	**4 233 802**

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

Rates of interest	2025	2024
Discount rate	8.86 %	10.15 %
Health care cost inflation rate	4.86 %	6.18 %
Net effective discount rate	3.81 %	3.74 %

Normal retirement age

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

Figures in Rand	2025	2024

13. Employee benefit obligations (continued)

Amounts recognised in the statement of financial position

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

Present value of unfunded obligations	**3 256 967**	**4 233 802**

Net expense recognised in the statement of financial performance

The amounts recognised in the statement of financial performance is as follows:		
Current service cost	-	-
Interest cost	1 272 267	1 358 812
Actuarial (gain) recognised in the year	(774 473)	(593 893)
	497 794	**764 919**

Movements in the present value of the defined benefit obligation		
Opening balance	4 233 802	3 578 572
Current service cost	-	-
Interest cost	1 272 267	1 358 812
Actual employer benefit payments	-	-
Actuarial (gain) recognised in the year	(774 473)	(593 893)
Present value of fund obligation at the end of the year	**4 731 596**	**4 343 491**

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

Present value of unfunded defined benefit	
2025	4 731 596
2024	4 343 491
2023	3 578 572

Sensitivity analysis on Medical inflation rate

Assumption	Change	Total	% change
Accrued Liability	1 %	3 442 645	5.70 %
Accrued Liability	-1 %	3 085 288	-5.27 %
Interest cost	1 %	294 775	10.41 %
Interest cost	-1 %	259 525	-2.79 %

Sensitivity analysis on Discount rate

Assumption	Change	Total	% change
Accrued Liability	1 %	3 107 308	-4.60 %
Accrued Liability	-1 %	3 420 956	5.04 %
Interest cost	1 %	282 361	5.76 %
Interest cost	-1 %	249 743	-6.46 %

13. 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 4.88 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2025 is 8.86% per annum, and the yield on inflation-linked bonds of a similar term was about 4.83% per annum. This implies an underlying expectation of inflation of 3.36% per annum ([1 + 8.86%-0.5%] / [1 + 4.83%] - 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. 4.86% 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 3.81% per annum ([1 + 8.86%] / [1 + 4.86%] - 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	**2025/06/30**	**2024/06/30**	**2023/06/30**	**2022/06/30**	**2021/06/30**
Accrued Liability	(4 731 596)	4 343 491	(3 578 572)	-	-
Surplus / (Deficit)	**4 731 596**	**(4 343 491)**	**3 578 572**	**-**	**-**

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	**2025/06/30**	**2024/06/30**	**2023/06/30**	**2022/06/30**	**2021/06/30**
Liabilities: (Gain) / Loss	(774 473)	(593 893)	-	-	-
	(774 473)	**(593 893)**	**-**	**-**	**-**

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 439 (2024: 341) employees were eligible for Long Services Awards.

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

Discount rate	8.66 %	10.28 %
General Salary inflation	4.26 %	5.77 %
Net effective discount rate	4.22 %	4.26 %

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

13. Employee benefit obligations (continued)

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

	2025	2024
Present value of unfunded obligations	9 177 729	9 540 340

Amounts recognised in the statement of financial performance

The amounts recognised in the statement of financial performance are as follow:

	2025	2024
Current service cost	857 018	667 165
Interest cost	873 867	1 009 482
Actuarial losses / (gains) recognised	(17 793)	(1 383 962)
Total expense included in employee related costs	**1 713 092**	**292 685**

	2025	2024
Opening balance	9 540 340	9 568 421
Current service cost	857 018	667 165
Interest cost	873 867	1 009 482
Actual employer benefit payments	(2 075 703)	(320 766)
Actuarial loss/ (gain) recognised in the year	(17 793)	(1 383 962)
	9 177 729	**9 540 340**

Liability History	**2025/06/30**	**2024/06/30**	**2023/06/30**	**2022/06/30**	**2021/06/30**
Accrued Liability	(9 177 729)	(9 540 340)	(9 568 421)	-	-
Surplus / (Deficit)	**9 177 729**	**9 540 340**	**9 568 421**	**-**	**-**

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	**2025/06/30**	**2024/06/30**	**2023/06/30**	**2022/06/30**	**2021/06/30**
Liabilities: (Gain) / Loss	(17 793)	(1 383 962)	-	-	-
	17 793	**1 383 962**	**-**	**-**	**-**

14. Payables from exchange transactions

	2025	2024
Accrued leave pay	13 154 479	19 364 161
Retention	8 651 092	3 235 139
Payments received in advanced - Debtors in Credit	50 904 240	49 579 321
Trade payables	619 988 579	552 053 552
	692 698 390	**624 232 173**

Fair value of trade and other payables

	2025	2024
Trade payables	692 698 390	624 232 173
	692 698 390	**624 232 173**

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.

Refer to note 42 for prior period corrections made to Payables from exchange transactions.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

15. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Change in provision	Finance cost	Total
Rehabilitation of landfill site	52 225 253	(2 489 375)	4 277 891	54 013 769
	52 225 253	**(2 489 375)**	**4 277 891**	**54 013 769**

Reconciliation of provisions - 2024

	Opening Balance	Change in provision	Finance cost	Total
Rehabilitation of landfill site	49 405 089	(804 268)	3 624 432	52 225 253
	49 405 089	**(804 268)**	**3 624 432**	**52 225 253**

	2025	2024
Non-current liabilities	-	-
Current liabilities	54 013 769	52 225 253
	54 013 769	**52 225 253**

Environmental rehabilitation provision

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

Masilonyana Local Municipality consists of four (4) towns (Winburg, Theunissen, Brandfort, Kakamas & Verkeerdevlei). Theunissen is the central business district of Masilonyana 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.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

15. 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
Winburg	13 054 638	(1 517 095)	-	992 369	12 529 911
Theunissen	15 055 396	26 910	-	1 297 262	16 379 568
Brandfort	14 719 291	(729 252)	-	1 203 314	15 193 353
Verkeerdevlei	9 395 928	(269 938)	-	784 946	9 910 937
	52 225 253	(2 489 375)	-	4 277 891	54 013 769

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Disaster Relief Grant	-	2 600 000
Energy Efficiency Demand Side Management Grant	1 087 104	-
Expanded Public Works Programme Integrated Grant	-	817 000
Integrated National Electrification Programme	2 963 546	-
Local Government Finacial Management Grant	-	1 000 000
Water Services Infrastructure Grant	-	985 000
	4 050 650	**5 402 000**

Movement during the year

Balance at the beginning of the year	5 402 000	21 101 000
Additions during the year	8 193 340	27 864 586
Income recognition during the year	(9 544 691)	(43 563 586)
	4 050 649	**5 402 000**

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

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

See reconciliation of grants from National/Provincial Government note 24 and for public contributions note

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

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

17. Interest income (Exchange transactions)

Interest income		
Bank accounts	2 369 826	754 204
Receivables from exchange transactions	83 112 277	73 929 103
	85 482 103	**74 683 307**

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R 85 482 102.64 (2024: R 74 683 307.19).

18. Interest income (Non-exchange transactions)

Receivables from non-exchange transactions	15 518 130	13 857 352
	15 518 130	**13 857 352**

19. Operational revenue

Administrative connection fees	27 922	-
Building plans	25 564	43 765
Cemetry and Burial	288 857	156 097
Clearance certificates	114 322	102 233
Tender documents	19 172	-
Valuation services	15 982	13 467
	491 819	**315 562**

The amounts disclosed above for Operational revenue are in respect of services rendered, other than described in note: 20 and 21 which are billed to or paid for by the users of the services as required according to approved tariffs.

20. Rental of facilities and equipment

Premises		
Rental income	810 384	705 007
	810 384	**705 007**
	810 384	**705 007**

21. Service charges

Sale of electricity - Conventional	25 334 140	25 823 328
Sale of water - Conventional	58 218 807	44 540 682
Solid waste	22 219 113	13 043 215
Sewerage and sanitation charges	35 450 989	27 351 415
	141 223 049	**110 758 640**

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

22. Property rates

Rates received

Property rates	107 586 772	100 601 309
	107 586 772	**100 601 309**

Valuations

Residential	1 583 986 550	1 583 986 550
Business properties	510 985 250	510 985 250
Commercial properties	549 936 645	549 936 645
Municipal	86 809 400	86 809 400
Small holdings and farms	5 737 956 471	5 737 956 471
Goverment buildings	91 146 400	91 146 400
Public service infrastructure	196 772 455	196 772 455
Public benefit organisations	100 197 200	100 197 200
	8 857 790 371	**8 857 790 371**

Assessment Rates are levied on the value of land and improvements, which valuation is performed every five years. Interim valuations are processed on an annual basis to consider any changes in individual property values, due to amendments. The last general valuation came into effect on 1 July 2019.Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Municipal valuation threshold value

On qualifying residential properties, property owners will receive a rebate up to a maximum value of R120 000, which amount includes a value of R15 000 as per Section 17(1)(h) of the Local Government: All residential property with a market value of less than the amount as annually determined by the Municipality, are exempted from paying property rates. The maximum amount is determined as R20 000.The impermissible rates of R15 000 contemplated in terms of Section 17(1)(h) of the Act and the R5 000 is a council reduction. The remaining R100 000 is aimed primarily at alleviating poverty and forms an important part of the Municipality’s Indigent Policy.

Other rebates

Taking into account the effects of rates on PBO’s performing a specific public benefit activity and if registered in terms of the Income Tax Act, 1962 (No. 58 of 1962) for tax reduction because of those activities, Public Benefit Organisations may apply for the exemption of property rates. Any other exclusions or exemptions have been granted in accordance with the Local Government: Municipal Property Rates Act, No. 6, 2004.

23. Fines, Penalties and Forfeits

Law Enforcement Fines	-	90 150
	-	**90 150**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

24. Government grants and subsidies

Operating grants

Equitable share	198 761 416	158 510 000
Local Government Finacial Management Grant	2 600 000	1 650 000
Expanded Public Works Programme Integrated Grant	1 200 000	-
	202 561 416	**160 160 000**

Capital grants

Municipal Infrastructure Grant	11 074 758	12 292 586
Water Services Infrastructure Grant	21 224 000	10 592 000
Energy Efficiency Demand Side Management Grant	2 912 896	-
Integrated National Electrification Programme	11 319 454	-
Disaster Relief Grant	2 496 584	29 000
	49 027 692	**22 913 586**
	251 589 108	**183 073 586**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	52 827 691	24 563 586
Unconditional grants received	198 761 416	158 510 000
	251 589 107	**183 073 586**

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	-	21 100 000
Current-year receipts	11 074 758	(8 807 414)
Conditions met - transferred to revenue	(11 074 758)	(12 292 586)
	-	**-**

Conditions still to be met - remain liabilities see note 16

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

24. Government grants and subsidies (continued)

Water Services Infrastructure Grant

Balance unspent at beginning of year	985 000	-
Current-year receipts	20 239 000	11 577 000
Conditions met - transferred to revenue	(21 224 000)	(10 592 000)
	-	**985 000**

Conditions still to be met - remain liabilities see note 16

Intergrated National Electrification Programme Grant

Current-year receipts	14 283 000	-
Conditions met - transferred to revenue	(11 319 454)	-
	2 963 546	**-**

Local Government Finacial Management Grant

Balance unspent at beginning of year	1 000 000	1 000
Current-year receipts	1 600 000	2 649 000
Conditions met - transferred to revenue	(2 600 000)	(1 650 000)
	-	**1 000 000**

Conditions still to be met - remain liabilities see note 16

Expanded Public Works Programme Integrated Grant

Balance unspent at beginning of year	817 000	-
Current-year receipts	383 000	817 000
Conditions met - transferred to revenue	(1 200 000)	-
	-	**817 000**

Conditions still to be met - remain liabilities see note 16

Energy Efficiency Demand Side Management Grant

Current-year receipts	4 000 000	-
Conditions met - transferred to revenue	(2 912 896)	-
	1 087 104	**-**

Conditions still to be met - remain liabilities see note 16

25. Bulk purchases

Electricity - Eskom	51 353 326	38 903 138
Water	9 157 480	7 593 521
	60 510 806	**46 496 659**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

26. Eskom billing adjustment

Billing adjustment of Eskom	-	13 908 270
	-	**13 908 270**

27. Contracted services

Outsourced Services		
Catering Services	66 093	15 014
Burial Services	20 500	16 000
Professional Staff	-	1 295 500
Transport Services	-	5 016 587
Consultants and Professional Services		
Business and Advisory	3 496 442	10 636 947
Legal Cost	4 244 824	12 835 999
Contractors		
Catering Services	-	1 173
Electrical	-	1 959 261
Employee Wellness	14 100	-
Event Promoters	-	736
First Aid	-	947 326
Fire Services	21 036	-
Maintenance of Buildings and Facilities	394 492	4 640 662
Maintenance of Equipment	6 228 320	694 671
Maintenance of Unspecified Assets	5 488 090	18 338 045
Plants, Flowers and Other Decorations	2 190	500
	19 976 087	**56 398 421**

28. Debt impairment

Consumer debtors	286 537 489	241 540 642
	286 537 489	**241 540 642**

29. Depreciation and amortisation

Property, plant and equipment	24 311 696	33 414 672

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

30. Employee related cost

Senior Management Costs

Annual Remuneration	3 126 309	2 954 448
Car Allowance	414 000	462 000
Housing Allowance	51 805	870 774
	3 592 114	**4 287 222**

Municipal staff costs

Basic salaries and wages	107 674 370	87 406 013
Bonus	6 452 472	6 715 353
Car allowance	9 054 403	9 250 182
Defined contribution plans	190 087	-
Housing allowances	44 775	437 325
Long-service awards	420 630	386 721
Medical aid - company contributions	8 433 530	600
Non-pensionable allowances	10 117 081	5 455 269
Group life insurance	256 800	1 179 800
Overtime payments	3 794 766	8 698 525
Total for municipal staff	**146 438 914**	**119 529 788**
Total Employee related cost	**150 031 029**	**119 529 788**

Senior management costs breakdown

Remuneration of the Municipal Manager - Mr Mojalefa Matlole

Basic Salary	1 557 705	1 208 050
Contribution to pension fund, UIF, SDL	2 125	1 771
Other Allowance	15 659	12 081
	1 575 489	**1 221 902**

Remuneration of the Senior Manager Director Social and Community Services - Mrs M Sello

Basic Salary	412 505	601 096
Travel allowance	180 000	360 000
Contribution to pension fund, UIF, SDL	1 063	2 125
Other Allowance	54 045	105 851
	647 613	**1 069 072**

Remuneration of the Chief Financial Officer - Mr Amos Makoae

Basic Salary	770 375	365 550
Travel allowance	204 000	102 000
Contribution to pension fund, UIF, SDL	2 125	1 063
Other Allowance	9 419	4 527
	985 920	**473 140**

Remuneration of the Senior Manager Corporate Services - Mr Tsepiso Tsotetsi

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

30. Employee related cost (continued)

Basic Salary	817 200	377 550
Travel Allowance	180 000	90 000
Contribution to pension fund, UIF, SDL	2 125	1 061
Other Allowance	88 650	4 508
	1 087 976	**473 119**

Remuneration of the Senior Manager Director Technical Services - Mrs L Mokoteli

Basic Salary	33 517	402 202
Car Allowance	30 000	360 000
Contribution to pension fund, UIF, SDL	177	2 125
Other Allowance	23 805	285 662
	87 499	**1 049 989**

Remuneration of the Senior Manager Director Development and Planning Services - Mrs Mahlophe

Basic Salary	402 979	-
Cellphone allowance	5 000	-
Travel allowance	77 365	-
Contribution to pension fund, UIF, SDL & Medical aid	1 063	-
	486 407	**-**

Remuneration of the Senior Manager Director Technical Services - Mr Lehlekiso

Basic Salary	144 225	-
	144 225	**-**

Remuneration of the Senior Manager Director Technical Services - Mr Mosepele

Basic Salary	71 300	-
	71 300	**-**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

30. Employee related cost (continued)

Remuneration of the Senior Manager Director Technical Services - Me T Mthimkhulu

Basic Salary	62 497	-
Travel allowance	18 000	-
Contribution to pension fund, UIF, SDL	177	-
Other Allowance	769	-
	-	**-**

31. Employee related expenses

Leave Provision Expense	(6 209 682)	-
Employee Benefit Expense	(1 837 240)	(137 770)
	(8 046 922)	**(137 770)**

32. Finance costs

Employee benefit obligation	1 272 267	1 358 812
Trade and other payables	27 634 767	30 606 768
	28 907 034	**31 965 580**

33. General expenses

Advertising	4 799	-
Auditors remuneration	3 104 906	2 355 839
Consumables	3 926 586	9 410 583
Discount allowed	1 759 672	2 731 460
Entertainment	39 760	-
Fuel and oil	1 372 498	1 366 124
Hire	3 656 092	6 400 564
IT expenses	49 769	2 633 541
Levies	548 849	1 250 958
Municipal Services - Electricity & Water	1 234 752	4 096 421
Other expenses	5 170 710	2 538 659
Printing and stationery	477 147	451 316
Protective clothing	-	2 000
Subscriptions and membership fees	5 085	10 243
Telephone and fax	-	1 495 723
Travel - local	542 332	450 193
	21 892 957	**35 193 624**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

34. Remuneration of councillors

Remuneration of Mayor - Ms D Modise	1 028 783	1 005 951
Speaker	831 263	811 282
Councillors	6 545 851	6 916 849
	8 405 897	**8 734 082**

Remuneration of Mayor - Ms D Modise

Mayoral Allowance	750 886	737 166
Telephone allowance	43 200	42 200
Travel allowance	234 697	226 585
	1 028 783	**1 005 951**

Remuneration of other Councillors

Councillor remuneration	5 340 938	5 557 530
Telephone allowance	734 400	717 400
Travel allowance	-	41 366
Other allowance	40 576	-
	6 115 914	**6 316 296**

Remuneration of Speaker - Mr Makata

Councillor remuneration	785 527	769 081
Telephone allowance	43 200	42 200
Other allowance	2 536	-
	831 263	**811 282**

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 41 for details breakdown of remuneration of councillors under the related parties note.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

35. Reversal of impairments/(Impairment loss)

Impairments		
Property, plant and equipment 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. Land - IGRAP 18 indicates that land is recognised based on control. Control of land is evidenced by the following criteria: (a) legal ownership; and/or (b) the right to direct access to land, and to restrict or deny the access of others to land. During the prior year it was identified that control over land has been lost. The most significant part of this was rural development for housing. As the land was not yet transferred to the legal new owners name, the land was impaired.	(14 907 459)	(48 762 991)
	(14 907 459)	**(48 762 991)**
Reversal of impairments		
Property, plant and equipment Repairs and additions to the network assets resulted in previous conditions of assets to improve, thus a reversal of impairments.	16 357 690	-
Total impairment losses reversed / (recognised)	**1 450 231**	**(48 762 991)**

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:

Figures in Rand	2025	2024

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

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.

36. Fair value adjustments

	2025	2024
Investment property	4 714 393	902 104
	4 714 393	**902 104**

37. Auditors' remuneration

	2025	2024
Fees	3 104 906	2 355 839
	3 104 906	**2 355 839**

38. Net cash flow generated from operating activities

	2025	2024
Surplus/(deficit)	4 135 665	(122 409 455)
Adjustments for:		
Depreciation and amortisation	24 311 696	33 414 672
Gain on sale of assets and liabilities	13 492 854	-
Fair value adjustments	(4 714 393)	(902 104)
Impairment	(1 450 231)	48 762 991
Debt impairment	286 537 489	241 540 642
Movements in retirement benefit assets and liabilities	(1 339 446)	627 149
Movements in provisions	1 788 516	2 820 164
Landfill site movement	1 975 246	804 269
Changes in working capital:		
Inventories	(1 055 063)	(74 560)
Receivables from exchange transactions	(5 283 860)	77 368 791
Consumer debtors	(286 537 489)	(241 540 642)
Other receivables from non-exchange transactions	1 855 561	(134 447 155)
Payables from exchange transactions	66 926 088	161 204 165
VAT	(22 977 517)	(22 996 447)
Unspent conditional grants and receipts	(1 351 350)	(15 699 000)
Consumer deposits	183 932	148 903
	76 497 698	**28 622 383**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

39. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	30 590 048	67 111 120
	30 590 048	**67 111 120**

Total capital commitments		
Already contracted for but not provided for	30 590 048	67 111 120
	30 590 048	**67 111 120**

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 42 for prior period corrections made to commitments.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

40. 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:

Active cases of litigation against the municipality	97 575 838	110 394 861
	97 575 838	**110 394 861**

Active cases of litigation against the municipality (Pending)
Please refer to the attached annexure for further clarrification

As at reporting date the municipality is uncertain of the amount and timing of the outflow of any resources regarding the above mentioned cases.A register containing the information required by section 125 of the Municipal Finance Management Act is available for inspection as an annexure the financial statements.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

41. 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.

41. Related parties (continued)

Remuneration of Councillors and Management

Management class: Councillors

2025

Name	Councillor allowance	Allowances	Total
Mayor	-	-	-
Cllr. D Modise	750 886	277 897	1 028 783
Speaker	-	-	-
Cllr. S.N. Makata	785 527	46 576	832 103
Councillors	-	-	-
Cllr. P.S. Tlahadi	413 273	44 695	457 968
Cllr.B.G. Russouw	413 273	45 736	459 009
Cllr. M. Visser	313 794	45 736	359 530
Cllr. T.B. Molahlo	313 794	45 736	359 530
Cllr. K.E. Mokalolise	313 794	45 736	359 530
Cllr. W.A. Potgieter	313 794	45 736	359 530
Cllr. H.N. Kototsa	456 246	46 096	502 342
Cllr. D.P. Xhalabile	405 060	46 576	451 636
Cllr. M.T.W. Moroane	313 794	45 736	359 530
Cllr. M.S. Letsie	313 794	45 736	359 530
Cllr. T.C. Tladi	313 794	45 736	359 530
Cllr. M.Z. Likoebe	313 794	45 736	359 530
Cllr. L.B. Phehlane	313 794	45 736	359 530
Cllr. M.G. Fosi	313 960	45 736	359 696
Cllr. S.E. Putsoenyane	313 794	45 736	359 530
Cllr. S Brown	313 794	45 736	359 530
Cllr. S.P. Mabesa	313 794	45 736	359 530
	7 303 753	**1 055 568**	**8 405 897**

41. Related parties (continued)

2024

Name	Councillor allowance	Allowances	Total
Mayor	-	-	-
Cllr. D Modise	737 166	268 785	1 005 951
Speaker	-	-	-
Cllr. S.N. Makata	769 081	42 200	811 281
Councillors	-	-	-
Cllr. P.S. Tlahadi	403 796	42 200	445 996
Cllr.B.G. Russouw	403 796	42 200	445 996
Cllr. M. Visser	264 345	83 566	347 911
Cllr. T.B. Molahlo	305 710	42 200	347 910
Cllr. K.E. Mokalolise	300 975	42 200	343 175
Cllr. W.A. Potgieter	305 710	42 200	347 910
Cllr. H.N. Kototsa	403 196	42 200	445 396
Cllr. D.P. Xhalabile	420 493	42 200	462 693
Cllr. M.T.W. Moroane	305 710	42 200	347 910
Cllr. M.S. Letsie	305 710	42 200	347 910
Cllr. T.C. Tladi	305 710	42 200	347 910
Cllr. M.Z. Likoebe	311 828	42 200	354 028
Cllr. L.B. Phehlane	305 710	42 200	347 910
Cllr. M.G. Fosi	302 446	42 200	344 646
Cllr. S.E. Putsoenyane	305 710	42 200	347 910
Cllr. S Brown	300 975	42 200	343 175
Cllr. S.P. Mabesa	305 710	42 200	347 910
	7 063 777	**1 069 751**	**8 133 528**

Refer to note 34 for remuneration of councillors.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

41. Related parties (continued)

Management class: Senior Managers

2025

Name	Basic salary	Allowances	Contributions to UIF,Medical and Pension Funds	Total
Municipal Manager - Mr Mojalefa Matlole	959 508	385 728	2 125	1 575 489
Senior Manager Director Social and Community Services - Mrs M Sello	412 505	234 045	1 063	647 613
Chief Financial Officer - Mr Amos Makoae	645 185	213 419	2 125	985 919
Senior Manager Corporate Services - Mr Tsepiso Tsotetsi	25 591	-	-	1 087 975
Senior Manager Director Technical Services - Mrs L Mokoteli	22 850	-	-	87 499
Senior Manager Director Development and Planning Services - Mrs Mahlophe	26 341	-	-	486 042
Senior Manager Director Technical Services - Mr Lehlekiso	144 225	-	-	144 225
Senior Manager Director Technical Services - Mr Mosepele	71 300	-	-	71 300
Senior Manager Director Technical Services - Me T Mthimkhulu	62 497	18 769	177	81 443
	2 370 002	**851 961**	**5 490**	**5 167 505**

2024

Name	Basic salary	Allowances	Contributions to UIF,Medical and Pension Funds	Total
Municipal Manager - Mr Mojalefa Matlole	711 602	345 522	1 771	1 221 902
Senior Manager Director Social and Community Services - Mrs M Sello	601 096	465 851	2 125	1 069 072
Chief Financial Officer - Mr Amos Makoae	365 550	106 527	1 063	473 140
Senior Manager Corporate Services - Mr Tsepiso Tsotetsi	118 507	-	-	473 119
Senior Manager Director Technical Services - Mrs L Mokoteli	105 994	-	-	1 049 989
	1 902 749	**917 900**	**4 959**	**4 287 222**

Refer to note 30 for employee related costs.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

42. Prior-year adjustments

In the current financial period under review, management has determined that the amounts disclosed in the previous audited set of financial statements, was not accurate nor complete. The was substanciated by findings raised in the prior year audit report. Management has ensured that the information disclosed in the current period financial is more inline with recognised accounting standards. The comparison between the reported prior year amounts and the comparative amounts is not a viable comparison as the differences identified will not reflect a fair comparison. The disclosure below is based on the amounts substanciated by the financial records of the entity.

Statement of financial position

2023

	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Assets						
Current Assets						
Inventories		(280 860)	280 860	-	-	-
Receivables from exchange transactions		394 219 003	(302 077 421)	-	-	92 141 582
Receivables from non-exchange transactions		396 882 418	(519 852 890)	-	-	(122 970 472)
VAT receivable		-	78 158 711	-	-	78 158 711
Cash and cash equivalents		(99 942 049)	100 801 135	-	-	859 086
Non-current Assets						
Investment property		180 420 703	-	-	-	180 420 703
Property, plant and equipment		980 456 595	14 100 192	-	-	994 556 787
Other financial assets		85 806	(85 806)	-	-	-
Heritage assets		75 430	(75 430)	-	-	-
Total Assets		1 851 917 045	(628 750 649)	-	-	1 223 166 396
Liabilities						
Current Liabilities						
Payables from exchange transactions		449 052 840	14 355 483	-	-	463 408 322
Consumer deposits		778 948	(48 805)	-	-	730 143
Employee benefit obligation - CL		4 077 000	(3 272 065)	-	-	804 935
Unspent conditional grants and receipts		156 857 139	(135 756 139)	-	-	21 101 000
Provisions - CL		53 228 585	(3 823 496)	-	-	49 405 089
Non-current Liabilities						
Employee benefit obligation - NCL		-	12 342 058	-	-	12 342 058
Total Liabilities		663 994 513	(116 202 964)	-	-	547 791 548
Total Net Assets		1 187 922 533	(512 547 685)	-	-	675 374 848
Accumulated surplus		1 109 767 708	(434 392 861)	-	-	675 374 847

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

42. Prior-year adjustments (continued)

2024

	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Assets						
Current Assets						
Inventories		7 252 949	(7 178 389)	-	-	74 560
Receivables from exchange transactions		587 951 347	(573 178 555)	-	-	14 772 792
Receivables from non-exchange transactions		502 061 739	(490 585 056)	-	-	11 476 683
Cash and cash equivalents		133 467 918	(132 548 659)	-	-	919 259
Non-current Assets						
Investment property		181 322 807	-	-	-	181 322 807
Property, plant and equipment		925 701 271	14 055 479	-	-	939 756 749
Other financial assets		85 806	(85 806)	-	-	-
Heritage assets		75 430	(75 430)	-	-	-
Total Assets		**2 337 919 266**	**(1 189 596 417)**	**-**	**-**	**1 148 322 849**
Liabilities						
Current Liabilities						
Payables from exchange transactions		793 192 043	(168 959 872)	-	-	624 232 171
Consumer deposits		927 852	(48 805)	-	-	879 047
Employee benefit obligation - CL		4 077 000	4 006 192	-	-	8 083 192
Unspent conditional grants and receipts		174 425 631	(169 023 631)	-	-	5 402 000
Provisions - CL		56 048 749	(3 823 496)	-	-	52 225 253
Non-current Liabilities						
Employee benefit obligation - NCL		-	5 690 950	-	-	5 690 950
Total Liabilities		**1 028 671 274**	**(332 158 661)**	**-**	**-**	**696 512 613**
Total Net Assets		**1 309 247 992**	**(857 437 755)**	**-**	**-**	**451 810 237**
Accumulated surplus		1 252 638 383	(699 672 989)	-	-	552 965 394

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

42. 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		110 758 640	(0)	-	-	110 758 640
Rental of facilities and equipment		705 007	-	-	-	705 007
Operational revenue		315 562	-	-	-	315 562
Interest income		74 683 307	-	-	-	74 683 307
		186 462 517	**(0)**	**-**	**-**	**186 462 517**
Property rates		100 601 309	-	-	-	100 601 309
Taxation revenue - Interest income		13 857 352	-	-	-	13 857 352
Government grants & subsidies		236 434 627	(53 361 040)	-	-	183 073 586
Fines, Penalties and Forfeits		90 150	-	-	-	90 150
Eskom billing adjustment		-	13 908 270	-	-	13 908 270
		350 983 438	**(39 452 770)**	**-**	**-**	**311 530 668**
Total Revenue		537 445 955	(39 452 770)	-	-	497 993 185
Employee related costs		(119 529 788)	-	-	-	(119 529 788)
Remuneration of councillors		(8 734 027)	-	-	-	(8 734 027)
Depreciation and amortisation		(33 077 109)	(337 564)	-	-	(33 414 672)
Finance costs		(33 109 424)	1 143 844	-	-	(31 965 580)
Debt Impairment		-	(241 540 642)	-	-	(241 540 642)
Bulk purchases		(71 524 953)	25 028 294	-	-	(46 496 659)
Contracted services		(56 229 822)	(168 601)	-	-	(56 398 422)
General Expenses		(31 097 202)	(3 958 651)	-	-	(35 055 853)
		(353 302 325)	(219 833 319)	-	-	(573 135 644)
Operating Surplus/ (Deficit)		184 143 630	(259 286 089)	-	-	(75 142 459)
Fair value adjustments		902 104	-	-	-	902 104
Reversal of impairments (Impairment loss)		(45 451 514)	(3 311 477)	-	-	(48 762 991)
Actuarial gains/losses		-	593 893	-	-	593 893
		(44 549 411)	(2 717 584)	-	-	(47 266 994)
Surplus / (Deficit) For The Year		**139 594 219**	**(262 003 672)**	**-**	**-**	**(122 409 453)**

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

42. Prior-year adjustments (continued)

Property, plant and equipment:

PPE has been restated, The fixed asset register was not accounted for in the General ledger, additional transactions were also identified which has been corrected and capitalized against PPE

Affected line items	
Property, plant and equipment	591 748 056
Cash and cash equivalents	(56 606)
Receivables from non-exchange transactions	699 247
Provisions	2 820 164
Payables from exchange transactions	(9 165 321)
Accumulated surplus (deficit)	(586 045 433)
Depreciation, amortisation and impairments	2 044 711
Finance costs	(2 806 377)
General	761 559
	0

Receivables:

Receivables has been reworked, sub systems was reconciled and differences was identified, these transactions was corrected accordingly

Affected line items	
Receivables from exchange transactions	(1 146 680 864)
Receivables from non-exchange transactions	(490 285 332)
Payables from exchange transactions	(7 066)
Accumulated surplus (deficit)	1 395 432 620
Finance costs	464 243
General	241 076 399

DWA:

Reconciliation was not performed in the prior year and has been accounted for accordingly

Affected line items	
Inventories	(8 064 105)
Accumulated surplus (deficit)	530 296
General	7 533 809
	-

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

42. Prior-year adjustments (continued)

Payables:

Reconciliation was not performed in the prior year and has been accounted for accordingly

Affected line items	
Property, plant and equipment	(5 557)
General	5 557
	-

Landfill Site:

The landfill site was not accounted for in the General ledger and has been corrected accordingly

Affected line items	
Property, plant and equipment	8 233 128
Provisions	(48 569 276)
Accumulated surplus (deficit)	35 107 387
Depreciation, amortisation and impairments	1 604 329
Finance costs	3 624 432
	0

Inventory:

Inventory was not accounted for and corrected accordingly

Affected line items	
Inventories	74 560
General	(74 560)
	-

Eskom:

Reconciliation was not performed in the prior year and has been accounted for accordingly

Affected line items	
Receivables from non-exchange transactions	490 375
Payables from exchange transactions	45 728 244
Finance costs	(3 784 955)
General	(28 525 394)
Transfer revenue	(13 908 270)
	(0)

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

42. Prior-year adjustments (continued)

Cash and cash equivalents:

Prior year Bank reconciliations was not performed and has been accounted for accordingly

Affected line items	
Cash and cash equivalents	(181 593 689)
Unspent conditional grants and receipts	167 233 149
Payables from exchange transactions	137 235 327
Accumulated surplus (deficit)	(163 886 308)
Transfer revenue	41 011 522
	(0)

Grants:

Prior year grant reconciliations has been revisited and errors identified corrected accordingly

Affected line items	
Cash and cash equivalents	(2 629 000)
Payables from exchange transactions	2 629 000
	-

Still standing balances:

Balances were identified on the balance sheet with no movement for more than 3 financial years, these balances were written off

Affected line items	
Property, plant and equipment	(585 920 148)
Other financial assets	(144 433)
Cash and cash equivalents	51 789 263
Receivables from exchange transactions	573 502 309
Heritage assets	(75 430)
Inventories	811 156
Receivables from non-exchange transactions	156 275 421
Other financial liabilities	0
Employee benefit obligation	4 077 000
Provisions	49 572 609
Unspent conditional grants and receipts	14 140 000
Payables from exchange transactions	(7 411 507)
Accumulated surplus (deficit)	(256 616 239)
	-

43. 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.

Change in depreciation method from Straight line to reducing balance method

In previous financial periods the straight-line depreciation method was applied. Transitioning to the Reducing Balance Method aligns depreciation with actual asset usage patterns, enhancing compliance with GRAP 17 while improving financial sustainability and decision-making.

During the 2023/2024 financial year, the municipality changed the depreciation method for certain classes of property, plant and equipment from the straight-line method to the diminishing balance method, effective 01 July 2023. This change was made to better reflect the pattern of consumption of the assets’ future economic benefits or service potential.

In terms of GRAP 3, the change is accounted for as a change in accounting estimate, applied prospectively. The impact on the current year’s depreciation expense is an increase of R 1 397 362.85, with a similar estimated impact in future years. The change has no effect on prior periods.

The financial effect of the change of both estimations, on the net asset carrying value of fixed assets from 2024: R 1 116 624 521 (2023: R 1 162 626 663) to 2024: R 1 069 956 840 (2023: R 1 148 866 688).

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.

44. 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	692 698 394	-	-	-

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	624 232 171	-	-	-

44. 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	20 056 654	14 772 792
Bank balances	16 647 514	919 259

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 12.

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.

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.

Notes to the Audited Annual Financial Statements

45. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus/(deficit) of R 557 101 058 and that the municipality's current liabilities exceed its current assets by R -581 422 223

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.

Calculations

Current Assets

Total Assets

Current Liabilities

Total Liabilities

46. Events after the reporting date

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

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

47. Unauthorised, Irregular and Fruitless and Wasteful Expenditure

Unauthorised expenditure	48 671 483	-
Irregular expenditure	159 841 480	112 403 079
Fruitless and wasteful expenditure	46 771 782	31 111 063
Closing balance	**255 284 745**	**143 514 142**

48. Unauthorised expenditure

Add: Unauthorised expenditure - current	48 671 483	-

Unauthorised expenditure is disclosed exclusive of VAT.

Cash	48 671 483	-

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

49. Fruitless and wasteful expenditure

	2025	2024
Opening balance as previously reported	31 111 063	24 281 165
Add: Fruitless and wasteful expenditure identified - current	15 660 719	6 829 898
Closing balance	**46 771 782**	**31 111 063**

Fruitless and wasteful expenditure is presented inclusive of VAT

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings	2025	2024
Interest on overdue accounts		15 660 719	6 829 898

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

50. Irregular expenditure

Opening balance as previously reported	112 403 079	100 473 399
Add: Irregular Expenditure - current	47 438 401	11 929 680
Closing balance	**159 841 480**	**112 403 079**

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

	Disciplinary steps taken/criminal proceedings		
Procurement in contravention of the Municipal Supply Chain Regulations		47 438 401	11 929 680

51. Material Losses

Electricity distributed losses		
Units purchased (kWh)	16 609 178	12 582 435
Units lost during distribution (kWh)	6 643 671	2 842 878
Percentage lost during distribution	40%	23%
Loss Amount	20 462 054	8 755 870

These losses are due to technical losses on the distribution system (transformers, cables, overhead lines), faulty meters, theft and vandalism.

Water distributed losses		
Mega litres purchased	699 805	580 289
Mega litres lost during distribution	545 848	443 327
Percentage lost during distribution	78%	76%
Loss Amount	7 143 935	5 802 163

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.

52. Additional disclosure in terms of Municipal Finance Management Act

Material losses

Add: Losses identified - current period	27 605 989	14 558 033

Audit fees

Opening balance	141 583	-
Current year subscription / fee	6 810 048	2 141 583
Amount paid - current year	(600 000)	(2 000 000)
	6 351 631	**141 583**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

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

PAYE and UIF

Opening balance	32 203 914	-
Current year subscription	-	19 883 850
Current year subscription / fee - SDL	-	1 188 885
Amount paid - current year	-	11 131 178
	32 203 914	**32 203 914**

Pension and Medical Aid Deductions

Opening balance	(18 034 845)	-
Current year subscription / fee	23 657 859	-
Amount paid - current year	(23 657 859)	(18 034 845)
Amount paid - previous years	(1 910 627)	-
	(19 945 473)	**(18 034 845)**

VAT

South African Revenue Service	124 132 675	101 155 157
	124 132 675	**101 155 157**

VAT output payables and VAT input receivables are shown in note 11.9

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

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.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

53. 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	17 673	-
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.	7 287	-
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.	85 459	-
		110 419	**-**

54. Segment information

General information

Identification of segments

The five key functional segments comprise of:

• Community Services

• Corporate Services

• Financial Services

• Office Of Municipal Manager

• Planning & Infrastructure Services

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

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

Aggregated segments

The municipality operates throughout the Theunissen, Brandfort and Winburg. Segments have been aggregated based on the organisational structure as on the budget.

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
• Community Services	Providing other services to the community
• Corporate Services	Administrative functions in human resources, legal services or compliance, communications and finance
• Financial Services	Administration and financial services
• Office Of Municipal Manager	Administration and financial services
• Planning & Infrastructure Services	The Municipal Manager, as the Head of Administration andthe Accounting Officer of the municipality.

Notes to the Audited Annual Financial Statements

Figures in Rand

54. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	• Community Services	• Corporate Services	• Financial Services	• Office Of Municipal Manager	• Planning & Infrastructure Services	Total
Revenue						
Revenue from exchange transactions						
Interest received - investment	-	-	(85 482 103)	-	-	(85 482 103)
Operational revenue	(1 830)	-	(448 473)	-	(41 516)	(491 819)
Rental of facilities and equipment	-	-	(810 384)	-	-	(810 384)
Service charges	2 640 218	-	(141 765 078)	-	(2 098 189)	(141 223 049)
Revenue from non-exchange transactions						
Government grants & subsidies	-	-	(201 361 416)	-	(50 227 691)	(251 589 107)
Interest income	-	-	(15 518 130)	-	-	(15 518 130)
Property rates	-	-	(107 586 772)	-	-	(107 586 772)
Total segment revenue	**(1 830)**	**-**	**(552 972 356)**	**-**	**(52 367 396)**	**(602 701 364)**
Total revenue						**(602 701 364)**
Expenditure						
Bulk purchases	-	-	-	-	60 510 806	60 510 806
Debt Impairment	-	-	286 537 489	-	-	286 537 489
Depreciation and amortisation	-	-	24 311 696	-	-	24 311 696
Employee costs	36 401 757	12 640 751	22 834 129	27 261 614	44 683 096	143 821 347
Finance costs	-	-	27 528 604	-	106 163	27 634 767
General	1 982 747	9 394 375	11 404 804	1 065 585	18 021 533	41 869 044
Remuneration of councillors	7 783 285	-	-	622 612	-	8 405 897
Total segment expenditure	**46 167 789**	**22 035 126**	**372 616 722**	**28 949 810**	**123 321 599**	**593 091 046**

Notes to the Audited Annual Financial Statements

Figures in Rand

54. Segment information (continued)

	• Community Services	• Corporate Services	• Financial Services	• Office Of Municipal Manager	• Planning & Infrastructure Services	Total
Fair value adjustments						2 882 820
Gain or loss on disposal of assets and liabilities						5 895 641
Impairment loss						(1 450 231)
Landfill provision finance charge						(514 129)
						6 814 100
Surplus (deficit) for the year						**2 796 218**
Assets						
Current assets						
Cash and cash equivalents	-	-	16 647 514	-	-	16 647 514
Inventories	84 046	46 142	105 469	-	893 966	1 129 624
Receivables from exchange transactions	-	-	35 416 040	-	(15 359 386)	20 056 654
Receivables from non-exchange transactions	-	-	133 753 798	-	-	133 753 798
Non-current assets						
Investment property	-	-	178 439 987	-	-	178 439 987
Property, plant and equipment	31 769 599	61 471	857 193 993	(34 516)	82 343 422	971 333 970
Total segment assets	**31 853 645**	**107 613**	**1 221 556 802**	**(34 516)**	**67 878 002**	**1 321 361 547**
Total assets as per Statement of financial Position						**1 321 361 547**

Notes to the Audited Annual Financial Statements

Figures in Rand

54. Segment information (continued)

	• Community Services	• Corporate Services	• Financial Services	• Office Of Municipal Manager	• Planning & Infrastructure Services	Total
Liabilities						
Current liabilities						
Payables from exchange transactions	-	-	(692 698 394)	-	-	(692 698 394)
Provisions- CL	-	-	(54 013 769)	-	-	(54 013 769)
Unspent conditional grants and receipts	-	-	457 000	-	(4 507 651)	(4 050 651)
Consumer deposits	-	-	(1 062 979)	-	-	(1 062 979)
Non-current liabilities						
Total segment liabilities	**-**	**-**	**(747 318 142)**	**-**	**(4 507 651)**	**(751 825 793)**
Total liabilities as per Statement of financial Position						**(751 825 793)**

Notes to the Audited Annual Financial Statements

Figures in Rand

54. Segment information (continued)

2024

	• Community Services	• Corporate Services	• Financial Services	• Office Of Municipal Manager	• Planning & Infrastructure Services	Total
Revenue						
Revenue from exchange transactions						
Interest received - investment	-	-	(74 683 307)	-	-	(74 683 307)
Operational revenue	(579)	-	(273 467)	-	(41 516)	(315 562)
Rental of facilities and equipment	-	-	(705 007)	-	-	(705 007)
Service charges	4 406 625	-	(119 848 835)	-	4 683 570	(110 758 640)
Revenue from non-exchange transactions						
Fines, Penalties and Forfeits	-	-	(90 150)	-	-	(90 150)
Government grants and subsidies	-	-	(160 160 000)	-	(22 913 586)	(183 073 586)
Interest - Taxation revenue	-	-	(13 857 352)	-	-	(13 857 352)
Property rates	-	-	(100 601 309)	-	-	(100 601 309)
Eskom billing adjustment	-	-	(13 908 270)	-	-	(13 908 270)
Total segment revenue	**4 406 046**	**-**	**(484 127 698)**	**-**	**(18 271 533)**	**(497 993 183)**
Total revenue						**(497 993 183)**
Expenditure						
Bulk purchases	-	-	38 903 138	-	7 593 521	46 496 659
Debt Impairment	-	-	241 540 642	-	-	241 540 642
Depreciation and amortisation	-	-	33 414 672	-	-	33 414 672
Employee costs	-	-	110 007 217	417 728	9 104 843	119 529 788
Finance costs	-	-	12 478 064	-	18 128 703	30 606 768
General	5 004 088	20 518 110	21 975 266	8 285 266	35 809 316	91 592 046
Remuneration of councillors	7 664 277	-	-	1 069 751	-	8 734 027
Total segment expenditure	**12 668 364**	**20 518 110**	**458 319 000**	**9 772 744**	**70 636 384**	**571 914 602**

Notes to the Audited Annual Financial Statements

Figures in Rand

	• Community Services	• Corporate Services	• Financial Services	• Office Of Municipal Manager	• Planning & Infrastructure Services	Total
54. Segment information (continued)						
Disposal of assets						(902 104)
Impairment loss						48 762 991
						47 860 887
Surplus (deficit) for the year						**(121 782 306)**
Assets						
Current assets						
Cash and cash equivalents	-	-	919 259	-	-	919 259
Inventories	-	-	74 560	-	-	74 560
Receivables from exchange transactions	-	-	16 327 795	-	(1 555 003)	14 772 792
Receivables from non-exchange transactions	-	-	112 631 841	-	-	112 631 841
Non-current assets						
Intangible assets	-	-	181 322 807	-	-	181 322 807
Property, plant and equipment	30 628 399	-	887 796 808	(37 765)	21 369 307	939 756 749
Total segment assets	**30 628 399**	**-**	**1 199 073 069**	**(37 765)**	**19 814 304**	**1 249 478 008**
Total assets as per Statement of financial Position						**1 249 478 008**
Liabilities						
Current liabilities	-	-	-	-	-	-
Payables from exchange transactions	-	-	(624 232 171)	-	-	(624 232 171)
Provisions- CL	-	-	(52 225 253)	-	-	(52 225 253)
Unspent conditional grants and receipts	-	-	(2 802 000)	-	(2 600 000)	(5 402 000)
Consumer deposits	-	-	(879 047)	-	-	(879 047)
Non-current liabilities						
Total segment liabilities	**-**	**-**	**(680 138 471)**	**-**	**(2 600 000)**	**(682 738 471)**
Total liabilities as per Statement of financial Position						**(682 738 471)**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

55. BBBEE Performance

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.