TSWELOPELE LOCAL MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2025

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998) read with section 155(1) of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996).
Nature of business and principal activities	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 (Act no. 27 of 1998), providing municipal services and maintain the best interests of the local community mainly in the Tswelopele area.
Mayoral committee	
Executive Mayor	KR Phukuntsi
Councillors	MW Raseu (Speaker)
	JM Radienyane (EXCO member)
	EJ Pretorius (EXCO member)
	SH Gaebee (Chairperson Section 79 committee)
	MS Baleni
	MM Snyer
	TA Soaisa
	EG Pretorius
	MA Muller
	MJ Noosi
	WM Nkomo
	MC Mphatsoe
	KP Dial
	LE Verwey
	TS Shuping
	MJ Rabannye
	RA Potsanyane
	NS Twana (Deceased 17/01/2024)
Grading of local authority	2
Accounting Officer	MLE Leseane
Chief Finance Officer (CFO)	TJ Matyesini
Registered office	Civic Centre Bosman Street Bultfontein 9670
Postal address	P.O. Box 3 Bultfontein 9670
Bankers	ABSA Bank Limited Nedbank
Municipal demarcation code	FS183

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

Abbreviations used:

CRR	Capital Replacement Value
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of Executive Council
MFMA	Municipal Finance Management Act,2003 (Act no. 56 of 2003)
MIG	Municipal Infrastructure Grant (Previously CMIP)
mSCOA	Municipal Standard Chart of Accounts

Accounting Officer's Responsibilities and Approval

The accounting officers are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officers to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

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

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

The annual financial statements set out on page 4 - 94, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2025 and were signed on its behalf by:

SS Rabanye
Acting Accounting Officer

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	3	1 709 749	1 241 771
Other receivables from exchange transactions	4	4 090 373	6 729 336
Receivables from non-exchange transactions	5	21 409 323	25 997 651
VAT receivable	6	844 106	3 320 846
VAT accrual	6	19 651 142	17 631 201
Receivables from exchange transactions	7	31 168 412	28 588 330
Cash and cash equivalents	8	13 198 703	17 679 531
		92 071 808	**101 188 666**
Non-Current Assets			
Biological assets	9	946 300	805 000
Investment property	10	154 145 650	102 223 273
Property, plant and equipment	11	622 133 113	611 480 382
Other financial assets	12	1 629 742	1 629 742
Receivables from non-exchange transactions	13	11 394	95 434
Receivables from exchange and non-exchange transactions	13	79 802	649 023
		778 946 001	**716 882 854**
Total Assets		**871 017 809**	**818 071 520**
Liabilities			
Current Liabilities			
Other financial liabilities	14	4 848 586	7 100 025
Payables from exchange transactions	15	219 634 872	194 047 722
Consumer deposits	16	1 918 914	1 814 318
Employee benefit obligation	17	17 155 126	16 727 856
Unspent conditional grants and receipts	18	-	4 576 291
		243 557 498	**224 266 212**
Non-Current Liabilities			
Employee benefit obligation	17	7 493 509	8 184 486
Provisions	19	61 376 720	60 628 495
		68 870 229	**68 812 981**
Total Liabilities		**312 427 727**	**293 079 193**
Net Assets		**558 590 082**	**524 992 327**
Accumulated surplus		558 590 082	524 992 327
Total Net Assets		**558 590 082**	**524 992 327**

* See Note 51

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	87 268 965	71 131 148
Rental of facilities and equipment	21	1 878 749	1 918 648
Licences and permits	22	717 989	93 896
Operational revenue	23	7 554 537	1 469 256
Interest received - investment	24	3 564 222	3 244 454
Dividends received	24	162 154	141 015
Total revenue from exchange transactions		**101 146 616**	**77 998 417**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	35 997 790	32 243 757
Availability charges	26	482 851	427 375
Interest - property revenue	27	7 452 437	6 820 191
Transfer revenue			
Government grants and subsidies	28	162 736 715	164 010 859
Public contributions and donations	29	2 850 841	3 332 827
Fines and penalties	30	845 900	1 003 500
Debt forgiveness	31	2 227 629	13 311 262
Total revenue from non-exchange transactions		**212 594 163**	**221 149 771**
Total revenue		**313 740 779**	**299 148 188**
Expenditure			
Employee related costs	32	(100 084 461)	(92 615 889)
Remuneration of councillors	33	(7 255 687)	(6 993 153)
Community donations	34	-	(4 946 058)
Depreciation and amortisation	35	(26 502 465)	(25 429 582)
Finance costs	36	(20 660 123)	(21 575 869)
Lease rentals on operating lease		(626 885)	(215 046)
Debt impairment	37	(39 588 401)	(17 826 693)
Impairment of assets	38	(7 665 716)	(3 599 363)
Bulk purchases	39	(69 724 392)	(59 438 165)
Contracted services	40	(13 773 030)	(19 181 479)
General expenses	41	(44 806 608)	(55 882 687)
Total expenditure		**(330 687 768)**	**(307 703 984)**
Operating deficit		**(16 946 989)**	**(8 555 796)**
Loss on disposal of assets and liabilities	43	(2 141 083)	(3 378 084)
Fair value adjustments	42	51 922 377	777 834
Actuarial gains/losses	17	622 150	(1 757 015)
Gain on biological assets and agricultural produce	9	141 300	99 900
		50 544 744	**(4 257 365)**
Surplus (deficit) for the year		**33 597 755**	**(12 813 161)**

* See Note 51

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	534 020 566	534 020 566
Adjustments		
Prior year adjustments	3 784 922	3 784 922
Balance at 01 July 2023 as restated*	**537 805 488**	**537 805 488**
Changes in net assets		
Surplus for the year	(12 813 161)	(12 813 161)
Total changes	(12 813 161)	(12 813 161)
Balance at 01 July 2024	**524 992 327**	**524 992 327**
Changes in net assets		
Surplus for the year	33 597 755	33 597 755
Total changes	33 597 755	33 597 755
Balance at 30 June 2025	**558 590 082**	**558 590 082**

* See Note 51

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Property rates		25 180 961	25 858 193
Sale of goods and services		86 441 548	67 281 792
Grants		158 160 424	163 972 158
Interest income		7 335 539	4 521 156
Dividends received		162 154	141 015
VAT receipts		12 769 398	10 138 854
		290 050 024	271 913 168
Payments			
Employee costs		(107 906 251)	(98 943 134)
Suppliers		(134 611 228)	(111 498 908)
Finance costs		(1 268 503)	(306 937)
		(243 785 982)	(210 748 979)
Net cash flows from operating activities	44	**46 264 042**	**61 164 189**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(47 880 956)	(53 563 548)
Cash flows from financing activities			
Repayment of other financial liabilities		(2 863 914)	-
Finance lease payments		-	(401 853)
Net cash flows from financing activities		**(2 863 914)**	**(401 853)**
Net increase/(decrease) in cash and cash equivalents		**(4 480 828)**	**7 198 788**
Cash and cash equivalents at the beginning of the year		17 679 531	10 480 743
Cash and cash equivalents at the end of the year	8	**13 198 703**	**17 679 531**

The accounting policies on pages 11 to 44 and the notes on pages 45 to 99 form an integral part of the annual financial statements.

* See Note 51

Statement of Comparison of Budget and Actual Amounts

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						
Revenue						
Revenue from exchange transactions						
Service charges	113 364 000	(27 848 000)	**85 516 000**	87 751 816	**2 235 816**	
Rental of facilities and equipment	1 176 000	(56 000)	**1 120 000**	1 878 749	**758 749**	A1
Licences and permits	89 000	441 000	**530 000**	717 989	**187 989**	A2
Operational revenue	2 377 000	4 556 000	**6 933 000**	7 554 537	**621 537**	A3
Interest received - investment	2 382 000	818 000	**3 200 000**	3 564 222	**364 222**	A4
Dividends received	210 000	30 000	**240 000**	162 154	**(77 846)**	A5
Total revenue from exchange transactions	**119 598 000**	**(22 059 000)**	**97 539 000**	**101 629 467**	**4 090 467**	
Revenue from non-exchange transactions						
Property rates	34 887 000	(3 944 000)	**30 943 000**	35 997 790	**5 054 790**	A6
Interest - property revenue	22 150 000	-	**22 150 000**	7 452 437	**(14 697 563)**	A7
Government grants and subsidies	151 109 000	6 021 000	**157 130 000**	162 736 715	**5 606 715**	
Public contributions and donations	-	-	**-**	2 850 841	**2 850 841**	A8
Fines and penalties	933 000	133 000	**1 066 000**	845 900	**(220 100)**	A9
Debt forgiveness	-	-	**-**	2 227 629	**2 227 629**	A10
Total revenue from non-exchange transactions	**209 079 000**	**2 210 000**	**211 289 000**	**212 111 312**	**822 312**	
Total revenue	**328 677 000**	**(19 849 000)**	**308 828 000**	**313 740 779**	**4 912 779**	
Expenditure						
Employee related costs	(96 643 000)	3 258 000	**(93 385 000)**	(100 084 461)	**(6 699 461)**	
Remuneration of councillors	(6 896 000)	251 000	**(6 645 000)**	(7 255 687)	**(610 687)**	
Depreciation and amortisation	(20 000 000)	-	**(20 000 000)**	(26 502 465)	**(6 502 465)**	A11
Finance costs	(3 809 000)	(6 197 000)	**(10 006 000)**	(20 660 123)	**(10 654 123)**	A12
Lease rentals on operating lease	-	-	**-**	(626 885)	**(626 885)**	A13
Debt impairment	(13 000 000)	-	**(13 000 000)**	(39 588 401)	**(26 588 401)**	A14
Impairment of assets	-	-	**-**	(7 665 716)	**(7 665 716)**	A15
Bulk purchases	(42 338 000)	-	**(42 338 000)**	(69 724 392)	**(27 386 392)**	A16
Contracted services	(43 377 000)	(3 208 000)	**(46 585 000)**	(13 773 030)	**32 811 970**	A17
General expenses	(27 716 000)	(12 175 000)	**(39 891 000)**	(44 806 608)	**(4 915 608)**	A18
Total expenditure	**(253 779 000)**	**(18 071 000)**	**(271 850 000)**	**(330 687 768)**	**(58 837 768)**	
Operating deficit	**74 898 000**	**(37 920 000)**	**36 978 000**	**(16 946 989)**	**(53 924 989)**	
Loss on disposal of assets and liabilities	-	-	**-**	(2 141 083)	**(2 141 083)**	A19
Fair value adjustments	-	-	**-**	51 922 377	**51 922 377**	A20
Actuarial gains/losses	-	-	**-**	622 150	**622 150**	A21
Gain on biological assets	-	-	**-**	141 300	**141 300**	A22
	-	**-**	**-**	**50 544 744**	**50 544 744**	
Surplus before taxation	**74 898 000**	**(37 920 000)**	**36 978 000**	**33 597 755**	**(3 380 245)**	

Statement of Comparison of Budget and Actual Amounts

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 Position						
Assets						
Current Assets						
Inventories	2 446 000	108 000	**2 554 000**	1 709 749	**(844 251)**	B1
Other receivables from exchange transactions	3 173 000	-	**3 173 000**	4 090 373	**917 373**	B2
Receivables from non-exchange transactions	26 002 000	(3 817 000)	**22 185 000**	21 409 323	**(775 677)**	
Statutory receivables	-	-	**-**	844 106	**844 106**	
VAT accrual	6 885 000	-	**6 885 000**	19 651 142	**12 766 142**	B3
Receivables from exchange transactions	17 684 000	44 252 000	**61 936 000**	31 168 412	**(30 767 588)**	B4
Cash and cash equivalents	136 848 000	(61 579 000)	**75 269 000**	13 198 703	**(62 070 297)**	B5
	193 038 000	**(21 036 000)**	**172 002 000**	**92 071 808**	**(79 930 192)**	
Non-Current Assets						
Biological assets	705 000	-	**705 000**	946 300	**241 300**	B6
Investment property	102 571 000	-	**102 571 000**	154 145 650	**51 574 650**	B7
Property, plant and equipment	31 019 000	1 979 000	**32 998 000**	622 133 113	**589 135 113**	B8
Other financial assets	1 426 000	-	**1 426 000**	1 629 742	**203 742**	B9
Receivables from non-exchange transactions	-	-	**-**	11 394	**11 394**	B10
Receivables from exchange and non-exchange transactions	-	-	**-**	79 802	**79 802**	B10
	135 721 000	**1 979 000**	**137 700 000**	**778 946 001**	**641 246 001**	
Total Assets	**328 759 000**	**(19 057 000)**	**309 702 000**	**871 017 809**	**561 315 809**	
Liabilities						
Current Liabilities						
Other financial liabilities	2 769 000	-	**2 769 000**	4 848 586	**2 079 586**	B11
Payables from exchange transactions	98 182 000	18 863 000	**117 045 000**	219 634 872	**102 589 872**	B12
Consumer deposits	1 700 000	-	**1 700 000**	1 918 914	**218 914**	B13
Employee benefit obligation	863 000	-	**863 000**	17 155 126	**16 292 126**	B14
	103 514 000	**18 863 000**	**122 377 000**	**243 557 498**	**121 180 498**	
Non-Current Liabilities						
Other financial liabilities	6 146 000	-	**6 146 000**	-	**(6 146 000)**	B15
Employee benefit obligation	7 901 000	-	**7 901 000**	7 493 509	**(407 491)**	
Provisions	141 077 000	-	**141 077 000**	61 376 720	**(79 700 280)**	B16
	155 124 000	**-**	**155 124 000**	**68 870 229**	**(86 253 771)**	
Total Liabilities	**258 638 000**	**18 863 000**	**277 501 000**	**312 427 727**	**34 926 727**	
Net Assets	**70 121 000**	**(37 920 000)**	**32 201 000**	**558 590 082**	**526 389 082**	
Reserves						
Accumulated surplus	70 121 000	(37 920 000)	**32 201 000**	558 590 082	**526 389 082**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	47 930 000	-	**47 930 000**	25 180 961	**(22 749 039)**	C1
Sale of goods and services	145 429 000	259 000	**145 688 000**	86 441 548	**(59 246 452)**	C1
Grants	152 403 000	4 726 000	**157 129 000**	158 160 424	**1 031 424**	C1
Dividends received	-	-	**-**	162 154	**162 154**	C1
Interest income	2 592 000	848 000	**3 440 000**	7 335 539	**3 895 539**	C1
VAT receipts	-	-	**-**	12 769 398	**12 769 398**	
	348 354 000	**5 833 000**	**354 187 000**	**290 050 024**	**(64 136 976)**	
Payments						
Suppliers and employees	(218 386 000)	-	**(218 386 000)**	(243 522 636)	**(25 136 636)**	C1
Finance costs	(2 500 000)	-	**(2 500 000)**	(1 268 503)	**1 231 497**	C1
	(220 886 000)	**-**	**(220 886 000)**	**(244 791 139)**	**(23 905 139)**	
Net cash flows from operating activities	**127 468 000**	**5 833 000**	**133 301 000**	**45 258 885**	**(88 042 115)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(50 620 000)	-	**(50 620 000)**	(47 880 956)	**2 739 044**	C1
Cash flows from financing activities						
Net movement on other financial liabilities	-	-	**-**	(2 863 914)	**(2 863 914)**	C1
Net increase/(decrease) in cash and cash equivalents	76 848 000	5 833 000	**82 681 000**	(5 485 985)	**(88 166 985)**	C1
Cash and cash equivalents at the beginning of the year	60 000 000	(67 412 000)	**(7 412 000)**	17 679 531	**25 091 531**	
Cash and cash equivalents at the end of the year	**136 848 000**	**(61 579 000)**	**75 269 000**	**12 193 546**	**(63 075 454)**	

Accounting Policies

1. Presentation of Annual Financial Statements

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.

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

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.

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.

These estimates and underlying assumptions are reviewed on an ongoing basis. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

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

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

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

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 fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

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

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

The periodic unwinding of the discount rate is recognised in surplus or deficit as a finance cost as it occurs.

The municipality has an obligation to rehabilitate its landfill sites in terms of its licensing stipulations. Provision is made for this obligation based on the net present value of cost.

Useful lives of property, plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges of property, plant and equipment. This estimate is based on the pattern in which an assets' future economic benefits or service potential are expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives, and vice-versa.

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 17.

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

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

Allowance for doubtful debts

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

1.6 Biological assets

The entity recognises biological assets or agricultural produce when, and only when:
- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

A gain or loss arising on initial recognition of biological assets or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

1.7 Investment property

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

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

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

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

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

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

Accounting Policies

1.7 Investment property (continued)

Fair value

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

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

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

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

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.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

- All properties held to earn market related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment properties;
- Land held for currently undetermined future use. (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation) is classified as investment properties;
- A building that is owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases is classified as investment properties.
- A building that is vacant but is held to be leased out under one or more operating lease on a commercial basis to external parties is classified as investment properties.

The following assets do not fall in the ambit of investment properties and shall be classified as property, plant and equipment, inventory or non-current assets held for sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generated cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families; and
- Property held for strategic purposes or service delivery.

1.8 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.

Accounting Policies

1.8 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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 are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

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

Item	Depreciation method	Average useful life
Land		Indefinite
Infrastructure	Straight-line	2-100 years
Community assets	Straight-line	5-100 years
Other property, plant and equipment	Straight-line	3-100 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.

Accounting Policies

1.8 Property, plant and equipment (continued)

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

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

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

In accordance with standards of GRAP, the landfill sites and borrowing pits (included under community assets) is depreciated over their determined remaining useful lives.

1.9 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.

1.10 Financial instruments

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

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

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

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

Accounting Policies

1.10 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.10 Financial instruments (continued)

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

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

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

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

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

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

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

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

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligations	Financial liability measured at amortised cost
Other financial liabilities	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.

1.10 Financial instruments (continued)

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 first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

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

Subsequent measurement of financial assets and financial liabilities

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

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

All financial assets measured at amortised cost, or cost, are subject to an impairment review. The amortised cost of a financial asset of financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any differences between the initial amount and the maturity amount, minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability in the case of a financial asset.

The amortised cost of a financial asset of financial liability is measured at initial recognition minus principal repayments, plus of minus the cumulative amortisation.

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.

Short term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

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.

Accounting Policies

1.10 Financial instruments (continued)

Impairment and uncollectability of financial assets

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

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

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

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

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

1.10 Financial instruments (continued)

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

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

Financial liabilities

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

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

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

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

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. Statutory receivables can arise from both exchange and non-exchange transactions.

Recognition

Statutory receivables are recognised when the related revenue (exchange and non-exchange revenue) is recognised or when the receivable meets the definition of an asset.

Accounting Policies

1.11 Statutory receivables (continued)

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.

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.

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.

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

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

Derecognition

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

1.12 Leases

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

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

Finance leases - lessee

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

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

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

Accounting Policies

1.12 Leases (continued)

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

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.

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

Any contingent rents are recognised separately as revenue in the period in which they are incurred.

1.13 Inventories

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

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

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

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

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

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

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

The cost of inventories is assigned using the 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.

Accounting Policies

1.14 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

Designation

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

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

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

Identification

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

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

Value in use

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

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

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

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

Composition of estimates of future cash flows

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

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

Reversal of impairment loss

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

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

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

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

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

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

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

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

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

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

Redesignation

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

1.15 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

Accounting Policies

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

Designation

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

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

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

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Accounting Policies

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.16 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Accounting Policies

1.16 Employee benefits (continued)

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; 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 entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; 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 entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

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

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

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

Accounting Policies

1.16 Employee benefits (continued)

Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

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 recognises 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 recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- 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.

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 recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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 recognises past service cost as an expense in the reporting period in which the plan is amended.

1.16 Employee benefits (continued)

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

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

The municipality 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

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

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;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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.

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

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

Accounting Policies

1.16 Employee benefits (continued)

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

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.

Other post-retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits 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.

1.16 Employee benefits (continued)

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit 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 benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.17 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.

Accounting Policies

1.17 Provisions and contingencies (continued)

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 47.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Accounting Policies

1.17 Provisions and contingencies (continued)

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

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 considers 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 1.14 and 1.15.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:
- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

Accounting Policies

1.17 Provisions and contingencies (continued)

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.18 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.19 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

Accounting Policies

1.19 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest, royalties and dividends

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

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

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

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

1.20 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.

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

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

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Recognition

An inflow of resources from a non-exchange transaction recognised as revenue.

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Measurement

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

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

Taxes

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 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.

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.

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

Collection charges and penalties

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

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.

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

Them municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by the debtors.

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Conditional grants and receipts

Grants and transfers received or receivable are recognised as assets when the resources that have been transferred to the municipality meet the definition and criteria for recognition as assets.

A corresponding liability is recognised to the extent that the grant and transfer recognised as an asset, is subject to conditions that require that the municipality either consumes the future economic benefits or service potential of the asset as specified, or that in the event that the conditions are breached, the municipality returns such future economic benefits or service potential to the transferor.

The liability is transferred to revenue when the conditions attached to the grants and transfers are met.

Grants and transfers that are not subject to any conditions are recognised as revenue when the assets are initially recognised.

Interest earned on the investment of grants and transfers received is treated in accordance with the stipulations set out in the agreement for the receipt of the grant and transfer invested.

Gifts and donations, including goods in-kind

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

Services in-kind

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.

Concessionary loans received

A concessionary loan is a loan granted to or received by a property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

Interest

Interest is recognised, in surplus or deficit. Interest is calculated in accordance with the municipality’s credit control and debt collection policy. Interest is charged on all overdue property rates accounts older than 30 days at prime interest rate plus 1%.

1.21 Borrowing costs

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

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

1.22 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.

1.22 Accounting by principals and agents (continued)

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:
- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

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

Recognition

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

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

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

1.23 Discontinued operations

Discontinued operations is a component of the municipality that has been disposed of and:
- represents a distinguishable activity, group of activities or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controlled entity acquired exclusively with a view to resale.

A component of the municipality is the operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the municipality.

1.24 Comparative figures

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

Refer to notes for detail.

1.25 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.26 Fruitless and wasteful expenditure

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

1.27 Irregular expenditure

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

Irregular expenditure excludes unauthorised expenditure. It is subsequently accounted for as revenue in the statement of financial performance.

1.28 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

1.29 Budget information

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

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

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

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

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

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

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

1.30 Related parties

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

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

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

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

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

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

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

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

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

1.31 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Accounting Policies

1.31 Events after reporting date (continued)

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

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

1.32 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited / debited against the accumulated surplus / deficit.

Prior year adjustments, relating to income and expenditure are debited / credited against accumulated surplus / deficit when retrospective adjustments are made.

1.33 Value-Added Tax (VAT)

The municipality is registered with South African Revenue Services (SARS) for VAT on the payment basis, in accordance with section 15(2) of the VAT Act, 1991 (Act no. 89 of 1991).

1.34 Grants in aid

The municipality transfers money to individuals, organisations and other sections of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase of sale transaction;
- expect to be repaid; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

1.35 Operating expenditure

Expenses encompasses losses as well as those expenses that arise on the course of the operating activities of the municipality.

Expenses take the form of an outflow of depletion of assets such as cash and cash equivalents, inventory, property, plant and equipment.

Losses represent decreases in economic benefits or service potential. Losses are recognised net of the related revenue to reflect the substance of the transaction.

Expenses are recognised 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.

1.36 Donations made

Donations made shall be measured at fair value of the consideration paid or payable when the amount of the expenditure can be measured reliably.

Other grants and donations are recognised as expenditure when the payable meets the definition of a liability and satisfied the criteria for recognition as a liability.

If donations are made without conditions attached, expenditure is recognised immediately. If conditions are attached, an asset is recognised, which is reduced and expenditure recognised as the conditions are satisfied.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• The Application of Materiality to Financial Statements	01 April 2019	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

2.2 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 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

The main changes made were to amend the scope of financial instruments, classification and reclassification rules, recognition of interest and the impairment model and disclosure.

Revisions in the Standard requires the issuer of a guarantee or a loan commitment to be recognised at fair value when the entity becomes a party to the contract.

The classification of financial assets is based on (a) the entity's management model for managing the asset, and (b) the contractual cash flow characteristics of the asset. Reclassifications are permitted when there is a change in the management model.

Financial assets are measured at amortised cost when it consists solely of principal and interest payments. All other financial assets are measured at fair value unless it is measured at amortised cost or cost.

Changes were made to how interest revenue is recognised and calculated using the effective rate.

The financial assets of the municipality consist mainly of consumer debtors and cash and cash equivalents.

The changes relating to the interest recognition and impairment model may significantly impact the current approach and methods applied in measuring financial assets at amortised cost.

The current approach only requires an entity to recognise an impairment if there is evidence that a receivable is impaired. The new model is based on an expected credit loss and requires an entity to assess expected cash flows irrespective of whether there is evidence of a loss. It is expected that impairment of receivables may be impacted as a result of the model.

The expected amount is not yet determinable.

The municipality does not expect any significant changes as a result of the changes in the reclassification rules or measurement basis when the Standard becomes effective.

As the municipality is not issuing financial guarantee contracts or loan commitments, it is not expected that the changes in the scope will impact the entity.

The effective date of this Standard is for years beginning on or after 01 April 2025.

The impact of this standard is currently being assessed.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

3. Inventories

Water reserves	65 933	41 286
Fuel	882 878	304 828
Electrical	294 209	154 840
Mechanical	57 605	59 917
Water equipment	409 124	680 900
	1 709 749	**1 241 771**

Inventories recognised as an expense during the year		
Water reserves	7 758 239	6 743 880
Fuel	1 639 260	3 842 336
Electrical	87 794	76 585
Mechanical	84 080	117 154
Water equipment	438 738	284 858

Inventory pledged as security

No inventory was pledged as security during the current financial year.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

4. Other receivables from exchange transactions

Eskom deposits	2 042 073	1 858 456
Other receivables	2 048 300	4 870 880
	4 090 373	**6 729 336**

Gross balances		
Eskom deposits	2 042 072	1 858 456
Other receivables	4 031 303	6 781 353
	6 073 375	**8 639 809**
Less: Allowance for impairment		
Other receivables	(1 983 002)	(1 910 473)
Net balances		
Eskom deposits	2 042 072	1 858 456
Other receivables	2 048 301	4 870 880
	4 090 373	**6 729 336**

During the year, the Council adopted the council committee recommendations to write-off long outstanding debt that is considered not recoverable of an amount of R323,515 on 29 May 2025.

Impairment reconciliation - 2025	**Opening balance**	**Impairment raised**	**Impairment reversed / Bad debt written off**	**Total**
Other receivables	1 910 473	396 044	(323 515)	1 983 002

Impairment reconciliation - 2024	**Opening balance**	**Impairment raised**	**Impairment reversed / Bad debt written off**	**Total**
Other receivables	1 271 537	638 936	-	1 910 473

Ageing of impaired receivables by debt type - 2025	Current	31-60 days	61-90 days	91-120 days	120+ days	Total
Eskom deposits	2 042 072	-	-	-	-	2 042 072
Other receivables	274 104	1 026 910	-	-	2 730 289	4 031 303
Sub-total	2 316 176	1 026 910	-	-	2 730 289	6 073 375
Less: Allowance for impairment	-	-	-	-	(1 983 002)	(1 983 002)
	2 316 176	**1 026 910**	**-**	**-**	**747 287**	**4 090 373**

Ageing of impaired receivables by debt type - 2024	Current	31-60 days	61-90 days	91-120 days	120+ days	Total
Eskom deposits	1 858 456	-	-	-	-	1 858 456
Other receivables	3 889 299	955 506	-	-	1 936 548	6 781 353
Sub-total	5 747 755	955 506	-	-	1 936 548	8 639 809
Less: Allowance for impairment	-	-	-	-	(1 910 473)	(1 910 473)
	5 747 755	**955 506**	**-**	**-**	**26 075**	**6 729 336**

Receivables past due but not impaired - 2025	Current	31-60 days	61-90 days	91-120 days	120+ days	Total
Eskom deposits	2 042 073					2 042 073
Other receivables	274 104	1 026 910	-	-	747 286	2 048 300
	2 316 177	**1 026 910**	**-**	**-**	**747 286**	**4 090 373**

Receivables past due but not impaired - 2024	Current	31-60 days	61-90 days	91-120 days	120+ days	Total
Eskom deposits	1 858 456	-	-	-	-	1 858 456
Other receivables	3 889 299	955 506	-	-	26 075	4 870 880
	5 747 755	**955 506**	**-**	**-**	**26 075**	**6 729 336**

Figures in Rand	2025	2024

5. Receivables from non-exchange transactions

	2025	2024
Gross balances		
Property rates	89 807 929	76 452 376
Availability charges	1 021 653	795 592
Traffic fines	2 760 378	2 065 428
	93 589 960	**79 313 396**
Less: Allowance for impairment		
Property rates	(69 603 603)	(51 447 377)
Availability charges	(795 122)	(542 617)
Traffic fines	(1 781 912)	(1 325 751)
	(72 180 637)	**(53 315 745)**
Net balances		
Property rates	20 204 326	25 004 999
Availability charges	226 531	252 975
Traffic fines	978 466	739 677
	21 409 323	**25 997 651**

Impairment reconciliation - 2025	**Opening balance**	**Impairment raised**	**Impairment reversed / bad debt written off**	**Total**
Property rates	51 447 377	18 156 226	-	69 603 603
Availability charges	542 617	252 505	-	795 122
Traffic fines	1 325 751	456 161	-	1 781 912
	53 315 745	**18 864 892**	**-**	**72 180 637**

Impairment reconciliation - 2024	**Opening balance**	**Impairment raised**	**Impairment reversed / Bad debt written off**	**Total**
Property rates	44 337 488	7 109 889	-	51 447 377
Availability charges	859 923	-	(317 306)	542 617
Traffic fines	1 072 422	253 329	-	1 325 751
	46 269 833	**7 363 218**	**(317 306)**	**53 315 745**

5. Receivables from non-exchange transactions (continued)

Ageing of impaired receivables by debt type - 2025	**Current**	**31-60 days**	**61-90 days**	**91-120 days**	**120+ days**	**Total**
Property rates	3 382 749	1 029 012	4 608 141	947 275	79 840 752	89 807 929
Availability charges	70 269	23 536	22 201	20 632	885 015	1 021 653
Traffic fines	98 900	43 250	19 800	63 850	2 534 578	2 760 378
Sub-total	3 551 918	1 095 798	4 650 142	1 031 757	83 260 345	93 589 960
Less: Allowance for impairment	(1 927 768)	(806 822)	(2 592 084)	(775 944)	(66 078 019)	(72 180 637)
	1 624 150	**288 976**	**2 058 058**	**255 813**	**17 182 326**	**21 409 323**

Ageing of impaired receivables by customer group - 2025	**Current**	**31-60 days**	**61-90 days**	**91-120 days**	**120+ days**	**Total**
Residential	1 322 922	432 492	366 016	394 729	13 141 498	15 657 657
Business	1 784 970	634 066	4 255 632	609 373	67 778 960	75 063 001
National and provincial government	415 413	23 088	23 046	23 004	2 384 751	2 869 302
Sub-total	3 523 305	1 089 646	4 644 694	1 027 106	83 305 209	93 589 960
Less: Allowance for impairment	(1 927 768)	(806 822)	(2 592 084)	(775 944)	(66 078 019)	(72 180 637)
	1 595 537	**282 824**	**2 052 610**	**251 162**	**17 227 190**	**21 409 323**

Ageing of impaired receivables by debt type - 2024	**Current**	**31-60 days**	**61-90 days**	**91-120 days**	**120+ days**	**Total**
Property rates	1 741 592	1 143 449	972 696	914 778	71 679 862	76 452 377
Availability charges	36 765	23 819	20 025	17 959	697 024	795 592
Traffic fines	107 916	90 713	94 322	108 034	1 664 442	2 065 427
Sub-total	1 886 273	1 257 981	1 087 043	1 040 771	74 041 328	79 313 396
Less: Allowance for impairment	(833 547)	(752 115)	(700 278)	(682 734)	(50 347 071)	(53 315 745)
	1 052 726	**505 866**	**386 765**	**358 037**	**23 694 257**	**25 997 651**

Ageing of impaired receivables by customer group - 2024	**Current**	**31-60 days**	**61-90 days**	**91-120 days**	**120+ days**	**Total**
Residential	812 633	510 884	443 256	415 306	10 601 992	12 784 071
Business	947 031	678 786	641 571	624 589	61 164 625	64 056 602
National and provincial government	126 609	68 311	2 216	876	2 274 711	2 472 723
Sub-total	1 886 273	1 257 981	1 087 043	1 040 771	74 041 328	79 313 396
Less: Allowance for impairment	(833 547)	(752 115)	(700 278)	(682 734)	(50 347 071)	(53 315 745)
	1 052 726	**505 866**	**386 765**	**358 037**	**23 694 257**	**25 997 651**

Receivables past due but not impaired - 2025	**Current**	**31-60 days**	**61-90 days**	**91-120 days**	**120+ days**	**Total**
Property rates	1 528 285	253 414	2 039 146	207 743	16 175 738	20 204 326
Availability charges	28 612	6 153	5 448	4 652	181 666	226 531
Traffic fines	67 252	29 410	13 464	43 418	824 922	978 466
	1 624 149	**288 977**	**2 058 058**	**255 813**	**17 182 326**	**21 409 323**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Receivables from non-exchange transactions (continued)

Receivables past due but not impaired - 2024	Current	31-60 days	61-90 days	91-120 days	120+ days	Total
Property rates	979 629	452 193	334 285	300 223	22 938 669	25 004 999
Availability charges	21 214	10 060	7 132	5 873	208 697	252 976
Traffic fines	51 883	43 613	45 348	51 941	546 891	739 676
	1 052 726	**505 866**	**386 765**	**358 037**	**23 694 257**	**25 997 651**

Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Property rates	20 204 326	25 004 999
Traffic fines	978 466	739 677
	21 182 792	**25 744 676**

Property rates are charged based on the Municipal Rates Act, 2004 (Act no.6 of 2004) on all applicable properties under the demarcation of the municipality. The initial transactions is recorded as per GRAP 23. The receivable includes all fines, penalties as permitted by the relevant laws.

Traffic fines are charged in accordance with the National Road Traffic Act, 1996 (Act no. 93 of 1996) on road traffic offences as permitted by the legislation. The initial transaction is recorded as per GRAP 23. The receivable includes all fines, penalties as permitted by the relevant laws.

Figures in Rand	2025	2024

6. VAT

VAT receivable	844 106	3 320 846
VAT accrual	19 651 142	17 631 201
	20 495 248	**20 952 047**

VAT accrual is composed of:		
VAT receivable accrual	23 821 832	20 961 497
VAT payable accrual	(4 170 690)	(3 330 296)
	19 651 142	**17 631 201**

7. Receivables from exchange transactions

Gross balances		
Electricity	23 103 670	18 650 233
Water	21 118 948	18 620 738
Sewerage	30 957 555	27 462 752
Refuse	20 792 481	18 143 478
Other	10 081 661	8 848 710
	106 054 315	**91 725 911**
Less: Allowance for impairment		
Electricity	(11 241 960)	(9 920 451)
Water	(16 202 633)	(13 241 405)
Sewerage	(24 218 910)	(19 903 255)
Refuse	(16 356 241)	(13 100 220)
Other	(6 866 159)	(6 972 250)
	(74 885 903)	**(63 137 581)**
Net balance		
Electricity	11 861 710	8 729 782
Water	4 916 315	5 379 333
Sewerage	6 738 645	7 559 497
Refuse	4 436 240	5 043 258
Other	3 215 502	1 876 460
	31 168 412	**28 588 330**

Impairment reconciliation - 2025	**Opening balance**	**Impairment raised**	**Impairment reversed/ Bad debt written off**	**Total**
Electricity	9 920 452	1 321 508	-	11 241 960
Water	13 241 405	2 961 228	-	16 202 633
Sewerage	19 903 254	4 315 656	-	24 218 910
Refuse	13 100 220	3 256 021	-	16 356 241
Other	6 972 250	-	(106 091)	6 866 159
	63 137 581	**11 854 413**	**(106 091)**	**74 885 903**

7. Receivables from exchange transactions (continued)

Impairment reconciliation - 2024	Opening balance	Impairment raised	Impairment reversed/ Bad debt written off	Total
Electricity	9 732 142	188 310	-	9 920 452
Water	12 293 639	947 766	-	13 241 405
Sewerage	18 917 351	985 903	-	19 903 254
Refuse	12 582 597	517 623	-	13 100 220
Other	7 508 797	-	(536 547)	6 972 250
	61 034 526	**2 639 602**	**(536 547)**	**63 137 581**

Ageing of consumer debtors by type - 2025	Current	31-60 days	61-90 days	91-120 days	121+ days	Total
Electricity	8 738 992	1 985 030	1 238 000	791 532	10 350 116	23 103 670
Water	1 336 009	516 218	532 712	465 661	18 268 348	21 118 948
Sewerage	1 652 355	750 029	703 413	666 153	27 185 605	30 957 555
Refuse	961 710	431 085	418 082	415 278	18 566 326	20 792 481
Other	229 453	178 262	170 695	85 602	9 417 649	10 081 661
Sub-total	12 918 519	3 860 624	3 062 902	2 424 226	83 788 044	106 054 315
Less: Allowance for impairment	(5 235 123)	(1 948 288)	(1 796 829)	(1 684 823)	(64 220 840)	(74 885 903)
	7 683 396	**1 912 336**	**1 266 073**	**739 403**	**19 567 204**	**31 168 412**

Ageing of impairment consumer debtors by consumer group - 2025	Current	31-60 days	61-90 days	91-120 days	121+ days	Total
Residential	3 888 623	1 535 392	1 354 895	1 284 111	57 110 761	65 173 782
Business	7 426 138	2 022 170	1 388 475	797 279	25 231 378	36 865 440
National and provincial government	1 583 235	483 809	311 168	342 362	1 294 519	4 015 093
Sub-total	12 897 996	4 041 371	3 054 538	2 423 752	83 636 658	106 054 315
Less: Allowance of impairment	(5 235 123)	(1 948 288)	(1 796 829)	(1 684 823)	(64 220 840)	(74 885 903)
	7 662 873	**2 093 083**	**1 257 709**	**738 929**	**19 415 818**	**31 168 412**

Ageing of consumer debtors by type - 2024	Current	31-60 days	61-90 days	91-120 days	121+ days	Total
Electricity	3 789 945	1 530 007	971 395	792 046	11 566 840	18 650 233
Water	651 240	420 604	416 810	379 232	16 752 852	18 620 738
Sewerage	677 741	582 644	561 716	550 423	25 090 228	27 462 752
Refuse	388 796	322 879	308 482	301 061	16 822 260	18 143 478
Other	51 471	70 645	66 273	46 038	8 614 283	8 848 710
Sub-total	5 559 193	2 926 779	2 324 676	2 068 800	78 846 463	91 725 911
Less: Allowance of impairment	(2 259 858)	(1 701 752)	(1 458 008)	(1 369 626)	(56 348 337)	(63 137 581)
	3 299 335	**1 225 027**	**866 668**	**699 174**	**22 498 126**	**28 588 330**

Ageing of impairment consumer debtors by consumer group - 2024	Current	31-60 days	61-90 days	91-120 days	121+ days	Total
Residential	1 843 535	1 291 078	1 127 573	1 001 723	55 903 121	61 167 030
Business	2 908 713	1 123 820	738 258	670 900	18 386 359	23 828 050
National and provincial government	806 945	511 881	458 845	396 177	4 556 983	6 730 831
Sub-total	5 559 193	2 926 779	2 324 676	2 068 800	78 846 463	91 725 911
Less: Allowance for impairment	(2 259 858)	(1 701 752)	(1 458 008)	(1 369 626)	(56 348 337)	(63 137 581)
	3 299 335	**1 225 027**	**866 668**	**699 174**	**22 498 126**	**28 588 330**

7. Receivables from exchange transactions (continued)

Consumer debt past due but not impaired - 2025	Current	31-60 days	61-90 days	91-120 days	121+ days	Total
Electricity	6 148 482	1 307 521	724 006	355 397	3 326 304	11 861 710
Water	560 994	164 095	149 470	117 641	3 924 115	4 916 315
Sewerage	553 338	216 957	183 062	155 020	5 630 268	6 738 645
Refuse	266 623	94 362	86 061	83 866	3 905 328	4 436 240
Other	153 959	129 402	123 474	27 479	2 781 188	3 215 502
	7 683 396	**1 912 337**	**1 266 073**	**739 403**	**19 567 203**	**31 168 412**

Consumer debt past due but not impaired - 2024	Current	31-60 days	61-90 days	91-120 days	121+ days	Total
Electricity	2 542 311	771 823	447 852	331 139	4 636 657	8 729 782
Water	336 174	155 641	142 573	121 812	4 623 132	5 379 332
Sewerage	246 207	164 431	149 111	143 445	6 856 303	7 559 497
Refuse	152 167	97 583	87 399	83 618	4 622 491	5 043 258
Other	22 476	35 549	39 732	19 160	1 759 544	1 876 461
	3 299 335	**1 225 027**	**866 667**	**699 174**	**22 498 127**	**28 588 330**

Collection rate of consumer receivables (average days)

	2025	2024
Electricity	25,50	4,86
Water	103,24	68,53
Sewerage	137,55	54,30
Refuse	178,64	46,85
Other	239,54	(120,03)
	684,47	**54,51**

Consumer debtors pledged as security

No consumer debtors have been pledged as security.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

	2025	2024
Cash on hand	2 859	4 919
Bank balances	1 536 166	2 420 809
Short-term deposits	11 659 678	15 253 803
	13 198 703	**17 679 531**

Cash and cash equivalents pledged as collateral

	2025	2024
Total financial assets pledged as collateral for an Eskom electricity deposit for the waste water project in Phahameng	1 100 000	1 100 000
Limited cession to secure the guarantee of R1 100 000 over ABSA account 9108352550	1 520 000	1 520 000

8. Cash and cash equivalents (continued)

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
ABSA BANK - Cheque account - 8101422227	1 534 334	2 417 314	1 295 834	1 536 166	2 420 809	1 285 037
ABSA BANK - Money Market - 9108352550	8 849 309	15 237 429	8 003 463	8 849 259	15 237 429	8 003 464
ABSA BANK - Money Market - 9310197560	5 413	16 374	89 342	5 363	16 374	89 342
NEDBANK - Call deposit - 03/7662023052/9	2 805 056	-	1 097 981	2 805 056	-	1 097 981
Petty cash on hand	-	-	-	2 859	4 919	4 919
Total	**13 194 112**	**17 671 117**	**10 486 620**	**13 198 703**	**17 679 531**	**10 480 743**

Cash at banks earns interest at floating rates based on the daily bank deposit rates.

Short term deposits are made for varying periods, depending on the immediate cash requirements, earn interest at the respective short-term deposit rate.

The municipality has a fleet card facility of R 100 000 (2024: R 100 000).

9. Biological assets

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Biological assets	946 300	-	946 300	805 000	-	805 000

Reconciliation of biological assets - 2025

	Opening balance	Increase due to assets acquired through a non-exchange transaction	Decrease due to assets acquired through a non-exchange transaction	Gains or losses arising from changes in fair value	Total
Game	805 000	132 600	(12 400)	21 100	946 300

Reconciliation of biological assets - 2024

	Opening balance	Increase due to assets acquired through a non-exchange transaction	Decrease due to assets acquired through a non-exchange transaction	Gains or losses arising from changes in fair value	Total
Game	705 100	122 300	(40 400)	18 000	805 000

Figures in Rand	2025	2024

9. Biological assets (continued)

Non-financial information

Quantities of each biological asset	2025	2024
Blesbuck	182	137
Oryx	33	32
Impala	16	20
Red Hartebeest	9	10
Springbuck	175	150
Black Springbuck	10	13
Black Wildebeest	114	90
Ostrich	4	4
Horses	8	6
Zebra	19	19
Lechwe	4	4
	574	**485**

Pledged as security

No biological assets have been pledged as security.

Methods and assumptions used in determining fair value

The fair value of game was based on trends during various game auctions held, they are based on breeding groups and not on trophy or non-trophy animals.

10. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	154 145 650	-	154 145 650	102 223 273	-	102 223 273

Reconciliation of investment property - 2025

	Opening balance	Impairments	Fair value adjustments	Total
Investment property	102 223 273	-	51 922 377	154 145 650

Reconciliation of investment property - 2024

	Opening balance	Impairments	Fair value adjustments	Total
Investment property	102 570 632	(853 412)	506 053	102 223 273

Pledged as security

No investment properties have been pledged as security.

Details of valuation

The investment properties were valued in terms of the requirements of GRAP 16 and the details of the valuation is available for inspection at the registered office of the municipality. Properties were individually investigated to confirm classification as investment properties. Investment properties are identified under GRAP16.

10. Investment property (continued)

The following criteria was used to determine whether a property should be classified as an investment property:

- A building owned by the municipality and leased out to third parties under one or more operating leases.
- Land held for a current undeterminable future use.
- Property being constructed or developed for future use as investment property.

No restrictions exist unless the property is being leased out to third parties.

The municipality obtained a valuation report of its investment properties. The valuations were performed by an independent valuer, Mr Mabelane - Professional valuer registered with the South African Council for the Property Valuers Profession. Mr Mabelane is not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use as at 30 June 2025.

Presented below is a description of the methods and significant assumptions used to arrive at the value included in these financial statements:

- Comparable sales method. Comparable sales are recent property transactions of similar property that were sold in accordance with the definition of market value. Lightstone search engine, Property 24, Windeed search and SAPTG were utilised to determine the appropriate camparable sales, going rentals, vacancy rate and cap rates.
- Income method. In the income approach the value of an asset is determined by reference to the value of income, cashflow or cost savings generated by the asset.
- Depreciated replacement method.The value of the improvements is calculated by determining new replacement costs less depreciation. AECOM Construction Cost book was utilised for properties that do not exchange hands easily in the market to determine the replacement cost of such assets.
- Fair value method. The price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction, without deducting transaction costs.
- The valuation technique uitlised results in a measurement that is representative of the fair value of the investment property of the municipality.

Under construction and contractual commitments

No investment property was under construction or incurred towards contractual commitments during the financial year.

Repairs and maintenance

No repairs and maintenance expenditure was incurred in the running of these properties for the financial year.

Maintenance by condition, nature and type of expenditure - corrective maintenance is in place. Maintenance is done as reported on.

Rental revenue from investment property	1 878 749	1 918 648

Notes to the 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
Land	33 871 829	(110 602)	33 761 227	33 871 830	(110 603)	33 761 227
Infrastructure	798 946 978	(405 851 949)	393 095 029	772 730 377	(385 061 261)	387 669 116
Community	157 493 792	(101 654 969)	55 838 823	157 618 140	(96 107 227)	61 510 913
Other property, plant and equipment	38 614 701	(18 161 619)	20 453 082	29 285 037	(16 256 500)	13 028 537
Infrastructure - under construction	118 984 952	-	118 984 952	115 510 589	-	115 510 589
Total	**1 147 912 252**	**(525 779 139)**	**622 133 113**	**1 109 015 973**	**(497 535 591)**	**611 480 382**

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Transfers	Disposals	Community donations	Change in estimate for landfill site	Depreciation	Impairment loss	Total
Land	33 761 227	-	-	-	-	-	-	-	33 761 227
Infrastructure	387 669 116	246 216	39 304 631	(2 057 556)	-	(5 714 167)	(19 755 529)	(6 597 682)	393 095 029
Community	61 510 913	9 741	-	(29 962)	-	-	(4 583 835)	(1 068 034)	55 838 823
Other property, plant and equipment	13 028 537	9 641 214	-	(53 566)	-	-	(2 163 103)	-	20 453 082
Infrastructure - under construction	115 510 589	42 778 994	(39 304 631)	-	-	-	-	-	118 984 952
	611 480 382	**52 676 165**	**-**	**(2 141 084)**	**-**	**(5 714 167)**	**(26 502 467)**	**(7 665 716)**	**622 133 113**

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Transfers	Disposals	Community donations	Change in estimate for landfill site	Depreciation	Impairment loss	Total
Land	33 861 043	-	-	-	-	-	-	(99 816)	33 761 227
Infrastructure	393 188 196	498 135	18 473 619	(2 668 930)	3 332 827	(4 213 874)	(19 528 684)	(1 412 173)	387 669 116
Community	63 079 900	-	4 739 505	(609 518)	-	-	(4 551 273)	(1 147 701)	61 510 913
Other property, plant and equipment	11 636 141	2 927 918	-	(99 636)	-	-	(1 349 625)	(86 261)	13 028 537
Infrastructure - under construction	90 375 482	53 294 289	(23 213 124)	-	(4 946 058)	-	-	-	115 510 589
	592 140 762	**56 720 342**	**-**	**(3 378 084)**	**(1 613 231)**	**(4 213 874)**	**(25 429 582)**	**(2 745 951)**	**611 480 382**

Pledged as security

No property, plant and equipment has been pledged as security.

11. Property, plant and equipment (continued)

Reconciliation of work-in-progress - 2025

	Included within Infrastructure	Total
Opening balance	115 510 589	115 510 589
Additions/capital expenditure	42 778 994	42 778 994
Transferred to completed items	(39 304 631)	(39 304 631)
	118 984 952	**118 984 952**

Reconciliation of work-in-progress - 2024

	Included within Infrastructure	Total
Opening balance	90 375 482	90 375 482
Additions/capital expenditure	53 294 289	53 294 289
Expensed	(4 946 058)	(4 946 058)
Transferred to completed items	(23 213 124)	(23 213 124)
	115 510 589	**115 510 589**

Contractual commitments - 2025	**Infrastructure assets**	**Community**	**Total**
Commitments to construct or develop property, plant and equipment	28 142 093	1 766 952	29 909 045

Contractual commitments - 2024	**Infrastructure assets**	**Community infrastructure**	**Total**
Commitments to construct or develop property, plant and equipment	15 186 826	410 706	15 597 532

Reconciliation of (gain)/loss on disposal of assets and liabilities

	2025	2024
Cost price	8 065 716	25 453 492
Accumulated depreciation and impairment	(5 924 633)	(22 075 408)
	2 141 083	3 378 084
	2 141 083	**3 378 084**

Management is in the process of investigations of the assets disposals for consequence management

Expenditure incurred to repair and maintain property, plant and equipment

	2025	2024
Contracted services	-	3 478 261

Slow-moving projects

The municipality do not have any slow-moving projects as all ongoing project had movement and progress during the year.

Land

A register containing the information required by section 63 of the MFMA is available for inspection.

Figures in Rand	2025	2024

12. Other financial assets

Designated at fair value		
Unlisted shares	1 629 742	1 629 742

- 49 383 Senwes shares at R 19,20 per share (2024: R 19,20)
- 75 732 Senwesbel shares at R 9,00 per share (2024: R 9,00)

Non-current assets		
Designated at fair value	1 629 742	1 629 742

Financial assets at fair value

Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

Level 1		
Unlisted shares	1 629 742	1 629 742

13. Receivables from exchange and non-exchange transactions

The following receivables from exchange and non-exchange transactions were reclassified from current to non-current assets due to the consumers having payment arrangements with the municipality.

Consumer debtors - 2025	**Receivables from exchange transactions**	**Receivables from non-exchange transactions**	**Total**
Electricity	1 389	-	1 389
Water	18 703	-	18 703
Sewerage	23 429	-	23 429
Refuse	17 179	-	17 179
Other	19 102	-	19 102
Property rates	-	11 394	11 394
	79 802	**11 394**	**91 196**

13. Receivables from exchange and non-exchange transactions (continued)

Consumer debtors - 2024	Receivables from exchange transactions	Receivables from non-exchange transactions	Total
Electricity	214 370	-	214 370
Water	184 748	-	184 748
Sewerage	144 817	-	144 817
Refuse	105 088	-	105 088
Property rates	-	92 145	92 145
Availability charges	-	3 288	3 288
	649 023	**95 433**	**744 456**

Ageing of non-current consumer debtors - 2025	Current	31-60 days	61-90 days	91-120 days	121+ days	Total
Electricity	296	-	-	-	1 093	1 389
Water	3 089	1 568	1 524	488	12 034	18 703
Refuse	1 127	494	355	355	14 848	17 179
Sewerage	1 702	717	516	472	20 022	23 429
Other	19 102	-	-	-	-	19 102
Property rates	3 305	1 652	328	325	5 784	11 394
	28 621	**4 431**	**2 723**	**1 640**	**53 781**	**91 196**

Ageing of non-current consumer debtors - 2024	Current	31-60 days	61-90 days	91-120 days	121+ days	Total
Electricity	8 268	13 869	7 274	2 280	182 679	214 370
Water	8 418	7 299	9 113	4 501	155 417	184 748
Refuse	3 851	3 583	3 130	2 935	91 589	105 088
Sewerage	5 247	5 007	4 349	4 082	126 132	144 817
Property rates	14 253	11 698	8 657	7 900	49 637	92 145
Availability charges	60	60	60	60	3 048	3 288
	40 097	**41 516**	**32 583**	**21 758**	**608 502**	**744 456**

14. Other financial liabilities

	2025	2024
At amortised cost		
Annuity loans	4 848 586	7 100 025
The annuity loan comprises a Development Bank of Southern Africa (DBSA) loan. The endowments are made on a six-monthly basis. The loan was redeemable on the 31 December 2024. The loan carries interest at 11.9% per annum.		
Current liabilities		
At amortised cost	4 848 586	7 100 025

Defaults and breaches

A loan to DBSA with carrying amount of R 4 848 586 (2024: R 7 100 025) was in default as a result of not meeting capital repayment requirements as per the contractual arrangements. This was due to financial constraints. The terms of the loan payable were not re-negotiated.

Penalty interest is charged at the fixed rate plus 2% on amounts that are in arrears. The penalty interest is compounded on a six-monthly frequency.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

15. Payables from exchange transactions

Trade payables	207 395 857	179 042 259
Payments received in advance	548 946	592 739
Deposits received	3 639 859	2 650 436
Retention payables	7 081 500	5 654 878
Cash suspense account	968 710	6 107 410
	219 634 872	**194 047 722**

Trade payables

Trade payables consists of the following:

Eskom	175 484 789	151 909 461
Sandvet	27 837 554	20 692 166
Other suppliers	4 073 513	6 440 633
	207 395 856	**179 042 260**

Cash suspense

Unallocated deposits from the cash suspense account amounting to R 5 394 329 were approved for write-off by Council on 30 July 2024.

16. Consumer deposits

Electricity	1 480 330	1 389 547
Water	438 584	424 771
	1 918 914	**1 814 318**

Deposits are released on termination of the contract or when contract services are delivered.

17. Employee benefit obligations

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

Carrying value		
Present value of the post-employment medical aid liability	(4 047 620)	(4 876 944)
Present value of the long service awards liability	(4 540 113)	(4 788 997)
Leave accrual	(13 383 482)	(12 503 672)
Bonus accrual	(2 677 420)	(2 494 212)
Salary control	-	(248 517)
	(24 648 635)	**(24 912 342)**

Non-current liabilities	(7 493 509)	(8 184 486)
Current liabilities	(17 155 126)	(16 727 856)
	(24 648 635)	**(24 912 342)**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

17. Employee benefit obligations (continued)

Changes in the present value of the post-employment medical aid liability is as follows:

Opening balance	4 876 944	3 683 014
Interest cost	498 199	333 249
Benefits paid	(582 476)	(544 111)
Actuarial (gain)/loss	(745 047)	1 404 792
	4 047 620	**4 876 944**

Changes in the present value of the long service awards liability is as follows:

Opening balance	4 788 997	4 628 092
Current service cost	474 829	425 717
Interest cost	426 347	430 376
Benefits paid	(1 272 957)	(1 047 411)
Actuarial (gain)/loss	122 897	352 223
	4 540 113	**4 788 997**

Net expense recognised in the statement of financial performance:

Current service cost	(1 380 604)	(1 165 805)
Interest cost	924 546	763 625
Actuarial (gains) losses	(622 150)	1 757 015
	(1 078 208)	**1 354 835**

Key assumptions used:

Assumptions used at the reporting date:

Post-employment medical aid liability

Discount rate	10,26 %	10,78 %
Consumer price inflation (CPI)	4,72 %	5,57 %
Health care cost inflation	6,22 %	7,07 %
Net discount rate	3,81 %	3,46 %
Average age (years)	78,42	77,36
Average employer monthly contribution (R)	4 992,00	4 852,57

Long service awards liability

Discount rate	10,03 %	9,90 %
Consumer price inflation (CPI)	4,59 %	4,96 %
Salary increase rate	5,59 %	5,96 %
Net discount rate	4,20 %	3,72 %
Number of employees	235,00	233,00
Average annual salary	238 573,00	226 301,00
Average age (years)	47,79	47,20
Average past service (years)	12,71	12,20

The discount rate is determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2025 of 10.03% per annum. The yield of inflation-linked bonds of similar term is 4,72% per annum. This implies an underlying expectation of inflation of 4,59% per annum.

The valuation basis assumes that the salary inflation rate would exceed general inflation by 1% per annum, i.e. 5,59% per annum.

17. Employee benefit obligations (continued)
The effect of a 1% increase and decrease in the salary inflation rates is as follows:

Salary increase rate	**1% decrease (R)**	**30 June 2025 valuation basis**	**1% increase (R)**
Employer's accrued liability	4 202 258	4 540 113	4 735 317
Employer's current service cost	441 294	464 085	483 395
Employer's interest cost	452 383	482 892	500 858
	5 095 935	**5 487 090**	**5 719 570**

Post-employment medical aid liability

The discount rate is determined by using the Bond Zero Coupon Yield Curve as at 30 June 2025 of 10,26% per annum. The yield of inflation-linked bonds of a similar term is 5.30% per annum. This implies an underlying expectation of inflation of 4.72% per annum.

The valuation basis assumes that the healthcare cost inflation would exceed general inflation by 1.50% per annum, i.e. 6.22% per annum.

The valuation results are sensitive to changes in the underlying assumptions. The effect of a 1% increase and decrease in the health care cost inflation rate is as follows:

Health care cost inflation rate	**1% decrease (R)**	**30 June 2025 valuation basis**	**1% increase (R)**
Employer's accrued liability	3 803 450	4 047 619	4 315 450
Interest cost	363 488	388 416	415 772
	4 166 938	**4 436 035**	**4 731 222**

Leave accrual

The movement on the leave accrual consists of the following:

Balance at the beginning of the year	(12 503 672)	(10 788 667)
Contribution to provision	(879 811)	(1 715 005)
	(13 383 483)	**(12 503 672)**

The employees leave balances accrue to employees according to the collective agreement. The liability is based on the total amount of leave days due to employees at year-end and the the total remuneration package of the employee.

Bonus accrual

The movement on the bonus accrual consists of the following:

Balance at the beginning of the year	(2 494 212)	(2 091 056)
Contribution to provision	(183 208)	(403 156)
	(2 677 420)	**(2 494 212)**

Annual bonuses accrue to employees on an annual basis, based on the employee contract. These bonus accrual is an estimate of the amount due to employees at year end.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

17. Employee benefit obligations (continued)

Salary control

Salary control consists of the following amounts:

Directors' remuneration accrual - new gazette	-	(247 117)
Other	-	(1 400)
	-	**(248 517)**

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Low Voltage Grant	-	593 682
Water Services Infrastructure Grant	-	3 982 609
	-	**4 576 291**

See note 28 for reconciliation of grants from National/Provincial Government.

19. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Change in discount factor	Reduction due to re-measurement	Total
Environmental rehabilitation	60 628 495	6 462 392	(5 714 167)	61 376 720

Reconciliation of provisions - 2024

	Opening Balance	Change in discount factor	Reduction due to re-measurement	Total
Environmental rehabilitation	58 596 561	6 245 808	(4 213 874)	60 628 495

Environmental rehabilitation provision

The municipality has an obligation to rehabilitate the landfill sites in the Tswelopele municipality area. The landfill rehabilitation provision is intended for the rehabilitation of the two operational sites located in Bultfontein and Hoopstad and is evaluated at each year-end to reflect the best estimate at the reporting date. The valuation of the rehabilitation procedures and costs was performed by Masimba Mapfurira (Pr. Eng).

A reconciliation of the environmental rehabilitation provision for each site is provided below.

2025	**Bultfontein**	**Hoopstad**
Opening balance	33 266 573	27 361 924
Change in estimate	(2 717 342)	(2 996 827)
Interest	2 889 686	3 572 706
	33 438 917	**27 937 803**

There were no changes in the expected date for the rehabilitation of the Bultfontein and Hoopstad landfill site as they remained at 2035 and 2036 respectively. The change in estimate is caused by inflation, change in discount rates (linked to current bond rates) and an updated database of unit rates.

19. Provisions (continued)

It is assumed that the population growth of the town is correct and therefore the dumping rate will not significantly change over the useful life of the landfill sites. The current weighted average cost of borrowings for the municipality is 9.95% (2024: 10.66%) and this percentage was used as a discount factor for future rehabilitation costs.

Estimations used in the calculation of the provisions are as follows:

30 June 2025	Bultfontein	Hoopstad
Discount rate used	9,95 %	9,95 %
Annualised CPAP	4,55 %	4,55 %
Rehabilitation area (m2)	122 935	115 847
Rehabilitation cost excluding VAT	58 637 262	48 446 681
Unit costs (R/m2)	476,98	418,20

30 June 2024	**Bultfontein**	**Hoopstad**
Discount rate used	10,66 %	10,66 %
Annualised CPAP	5,92 %	5,92 %
Rehabilitation area (m2)	122 382	115 709
Rehabilitation cost excluding VAT	51 928 928	43 880 904
Unit costs (R/m2)	456,00	499,00

20. Service charges

	2025	2024
Sale of electricity	63 750 608	52 995 166
Sale of water	8 831 995	6 887 545
Sewerage and sanitation charges	9 273 852	7 204 340
Refuse removal	5 412 510	4 044 097
	87 268 965	**71 131 148**

The prepaid electricity is recognised on a cash basis.

GRAP 9 requires that revenue from prepaid electricity sales should be deferred and recognised on a consumption basis and the value of the units unused at year end should be recognised as deferred income, commencing on the date of purchase.

The municipality uses a prepaid electricity system that is incapable of recording the units used by consumers at a given point in time and therefore it is impractical to defer unused units at year end hence the cash basis has been used to recognise sales from prepaid electricity.

The municipality is still in the process of installing prepaid electricity meters and therefore until such a time that the installation is complete a historical trend of sales on consumers can be established, a reliable value of unused units can not be determined using a trend analysis or use of historical data approaches.

21. Rental of facilities and equipment

	2025	2024
Facilities and equipment		
Rental of facilities	1 834 434	1 913 078
Rental of equipment	44 315	5 570
	1 878 749	**1 918 648**

22. Licences and permits

	2025	2024
Licences and permits	717 989	93 896

Figures in Rand	2025	2024

23. Operational revenue

Insurance revenue	-	54 900
Commission received	402 755	373 097
Grave fees	463 958	449 514
Gravel sales	17 060	15 107
Special meter reading	1 732	1 325
Building plan fees	257 158	149 093
Connection fees	515 167	106 508
Sundry income	184 288	135 448
Meter tampering fees	-	15 342
Zoning application fees	17 228	4 481
Tender documentation	119 001	3 866
Recoveries	181 861	160 575
Write-off of unallocated deposits	5 394 329	-
	7 554 537	**1 469 256**

Unallocated deposits from the cash suspense account amounting to R 5 394 329 were approved for write-off by Council on 30 July 2024.

24. Investment revenue

Dividend revenue		
Unlisted financial assets	162 154	141 015
Interest revenue		
Bank	209 381	162 434
Short-term deposits	3 249 896	2 975 864
Other receivables (Eskom deposits)	104 945	106 156
Interest received - investments	**3 564 222**	**3 244 454**
Investment revenue	**3 726 376**	**3 385 469**

25. Property rates

Rates received

Property rates	35 997 790	32 243 757

Properties as per billing category		
Agricultural	16 412 603	15 116 830
Business	5 719 958	5 518 167
Government	5 043 490	4 786 585
Residential	8 821 739	6 822 175
	35 997 790	**32 243 757**

Property rates are determined using the market value of properties as per the valuation roll and tariff rates approved by Council.

Valuations of land and buildings is performed every 5 years. The last valuation came into effect on 1 July 2022. Supplementary valuations are conducted by the Valuer appointed by the municipality to take into account chnages on individual values due to alterations and subdivisions.

Interest is levied on property rates outstanding a month after due date at prime plus 1% per annum.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

26. Availability charges

Electricity	317 325	275 541
Sewerage	75 696	69 974
Water	89 830	81 860
	482 851	**427 375**

27. Interest from non-exchange receivables

Interest - property rates	7 452 437	6 820 191

28. Government grants and subsidies

Operating grants		
Equitable share	102 959 000	97 242 000
Expanded Public Works Programme Grant	1 935 000	1 150 000
Financial Management Grant	2 100 000	2 100 000
	106 994 000	**100 492 000**
Capital grants		
Municipal Infrastructure Grant	28 526 000	23 588 239
Low Voltage Grant	593 682	3 988 049
Regional Bulk Infrastructure Grant	5 183 424	10 875 158
Water Services Infrastructure	20 938 609	21 067 413
Department of Mineral Resources and Energy	-	4 000 000
Integrated National Electrification Programme	501 000	-
	55 742 715	**63 518 859**
	162 736 715	**164 010 859**

Equitable Share

The municipality received R102 959 000 as Equitable Share during the 2024/25 financial year as compared to the Gazette.

No amount was withheld in the current year.

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	4 012 745
Current-year receipts	28 526 000	19 575 494
Conditions met - transferred to revenue	(28 526 000)	(23 588 239)
	-	**-**

Conditions still to be met - remain liabilities (see note 18).

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions, and to provide for new, rehabilitation and upgrading of municipal infrastructure.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

28. Government grants and subsidies (continued)

Low Voltage Grant

Balance unspent at beginning of year	593 682	581 731
Current-year receipts	-	2 577 016
Conditions met - transferred to revenue	(593 682)	(3 988 049)
Current year receivable	-	1 422 984
	-	**593 682**

Conditions still to be met - remain liabilities (see note 18).

Moving of smart meters from inside the houses to the municipality's servitude.

Department of Mineral Resources and Energy

Current-year receipts	-	4 000 000
Conditions met - transferred to revenue	-	(4 000 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 18).

Energy effective oriented project. Retrofitting of old conventional lights to LED lights.

Integrated National Electrification Programme

Current-year receipts	501 000	-
Conditions met - transferred to revenue	(501 000)	-
	-	**-**

Conditions still to be met - remain liabilities (see note 18).

Energy effective oriented project. Electrification of residential area and upgrading of residential area and upgrading of electricity substations.

Regional Bulk Infrastructure Grant

Current-year receipts	5 183 424	9 513 798
Conditions met - transferred to revenue	(5 183 424)	(10 875 158)
Current year receivable	-	1 361 360
	-	**-**

Conditions still to be met - remain liabilities (see note 18).

To develop new, refurbish, upgrade and replace ageing bulk water and sanitation infrastructure of regional significance that connects water resources to infrastructure serving extensive areas across municipal boundaries of large regional bulk infrastructure serving numerous communities over a large area within a municipality; to implement bulk infrastructure with a potential of addressing water conservation and water demand management projects; to facilitate and contribute to the implementation of local water conservation and water demand management projects that will directly impact on bulk infrastructure requirements.

All the conditions of the grant were met and no funds were withheld.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

28. Government grants and subsidies (continued)

Finance Management Grant

Current-year receipts	2 100 000	2 100 000
Conditions met - transferred to revenue	(2 100 000)	(2 100 000)
	-	-

Conditions still to be met - remain liabilities (see note 18).

The grant is paid by National Treasury to municipalities to help with the implementation of the financial reforms required by the MFMA. The grant also pays for the cost of the financial management internship programme.

All the conditions of the grant were met and no funds were withheld.

Expanded Public Works Programme Grant

Current-year receipts	1 935 000	1 150 000
Conditions met - transferred to revenue	(1 935 000)	(1 150 000)
	-	-

Conditions still to be met - remain liabilities (see note 18).

To incentivise the municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas, in compliance with the EPWP guidelines.

All the conditions of the grant were met and no funds were withheld.

Water Services Infrastructure Grant

Balance unspent at beginning of year	3 982 609	20 516
Current-year receipts	16 956 000	25 029 506
Conditions met - transferred to revenue	(20 938 609)	(21 067 413)
	-	**3 982 609**

Conditions still to be met - remain liabilities (see note 18).

Facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and enhance the sustainability of services especially in rural municipalities; provide basic and intermittent water and sanitation supply that ensures provision of services of identified and prioritised communities, including spring protection and groundwater development; support municipalities in implementing water conservation and water demand management projects; support the close-out of the existing Bucket Eradication Programme intervention in formal residential areas; support drought relief projects in affected municipalities.

29. Public contributions and donations

Public contributions and donations	2 850 841	3 332 827

In the current year the municipality was awarded with a wheel loader and brush cutters for winning the Cleanest and greenest municipality competition by COGTA.

The 2024 donations relates to a paved road constructed by Department of Public Works and transferred to the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

30. Fines and penalties

Contractor penalties	-	144 000
Traffic fines	845 900	859 500
	845 900	**1 003 500**

31. Debt forgiveness

Provincial Treasury	2 227 629	985 516
Eskom interest reversed	-	12 325 746
	2 227 629	**13 311 262**

According to the Public Audit Act, 2004 (Act no. 25 of 2004) the municipality is only responsible for an audit fee from the offices of the Auditor-General of South Africa (AGSA) equal to 1% of their total expenditures per annum. The balance of the audit fees is payable by Treasury.

32. Employee related costs

Basic	61 502 330	56 372 599
Medical aid - company contributions	6 554 889	5 612 848
UIF	504 697	498 410
SDL	764 392	705 110
Leave pay provision charge	1 798 885	1 975 371
Defined contribution plans	9 673 990	8 848 180
Travel, motor car, accommodation, subsistence and other allowances	5 413 895	5 404 317
Overtime payments	4 938 017	4 796 349
Long-service awards	-	425 717
Pror-ata bonuses and bonus accrual	183 208	403 156
Housing benefits and allowances	773 678	614 874
Other short term costs	34 846	32 001
Cellphone allowance	191 600	175 030
Standby allowance	1 374 082	1 283 436
	93 708 509	**87 147 398**

Remuneration of Municipal Manager (MLE Leseane)

Annual Remuneration	1 007 152	251 788
Car Allowance	96 000	24 000
Bonus	83 929	20 982
Contributions to UIF, Medical and Pension Funds	183 413	45 853
Cellphone allowance	43 200	10 800
Other costs	66 789	21 655
	1 480 483	**375 078**

The Municipal Manager was placed on precautionary suspension effective 25 June 2025.

Director Corporate Services, Mr SS Rabanye was appointed to act in the position of Municipal Manager.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

32. Employee related costs (continued)

Remuneration of Chief Financial Officer (TJ Matyesini)

Annual Remuneration	760 941	761 938
Car Allowance	96 000	96 000
Bonus	63 412	65 898
Contributions to UIF, Medical and Pension Funds	204 973	202 089
Cellphone allowance	43 200	45 600
Other costs	55 247	75 268
	1 223 773	**1 246 793**

The Chief Financial Officer was placed on special leave on 25 June 2025.

The Manager Revenue and Budget, Mr SG Tsoleli was appointed to act in the position of the Chief Financial Officer.

Remuneration of Director Community Services (MJ Mahlanyane)

Annual Remuneration	749 083	749 261
Car Allowance	96 000	96 000
Bonus	62 424	64 651
Contributions to UIF, Medical and Pension Funds	218 120	215 715
Cellphone allowance	43 200	45 600
Other costs	54 831	74 867
	1 223 658	**1 246 094**

Remuneration of Director Corporate Services (SS Rabanye)

Annual Remuneration	792 370	827 125
Car Allowance	96 000	96 000
Bonus	65 965	68 571
Contributions to UIF, Medical and Pension Funds	171 291	133 930
Cellphone allowance	43 200	45 600
Other costs	55 048	183 386
	1 223 874	**1 354 612**

Remuneration of Director Technical Services (LS Malokase)

Annual Remuneration	824 536	948 462
Car Allowance	96 000	96 000
Bonus	68 278	79 039
Contributions to UIF, Medical and Pension Funds	136 812	2 125
Cellphone allowance	43 200	43 400
Other costs	55 339	76 887
	1 224 165	**1 245 913**

Total employee related costs

Annual Remuneration	93 708 509	87 147 398
Remuneration of Municipal Manager (MLE Leseane)	1 480 483	375 078
Remuneration of Chief Financial Officer (TJ Matyesini)	1 223 773	1 246 793
Remuneration of Director Community Services (MJ Mahlanyane)	1 223 658	1 246 094
Remuneration of Director Corporate Services (SS Rabanye)	1 223 874	1 354 612
Remuneration of Director Technical Services (LS Malokase)	1 224 165	1 245 913
	100 084 462	**92 615 888**

33. Remuneration of councillors

	2025	2024
Councillors remuneration	5 814 465	5 544 413
SDL	65 912	63 676
Medical aid contributions	214 152	198 137
Pension fund contributions	363 396	347 237
Cellphone and data allowance	797 762	839 690
	7 255 687	**6 993 153**

In-kind benefits

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

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution of the Republic of South Africa, 1996.

Government gazette No. 51407 for the determination of upper limits of salaries, allowances and benefits of different members of Municipal Councils was issued on 17 October 2024 affecting remuneration of Municipal Councils from 1 July 2023. In terms of the Government Gazette, before the salaries, allowance and benefits are paid, there must be a concurrence from the Member of the Executive Committee (MEC) responsible for local government giving effect to these salaries. Thereafter a council resolution must be obtained for the implementation of this gazette. The Council resolved on 31 October 2024 that the government gazette be implemented.

Government gazette No. 51419 for the determination of upper limits of salaries, allowances and benefits of different members of Municipal Councils was issued on 21 October 2024 affecting remuneration of Municipal Councils from 1 July 2024. The Council resolved on 27 November 2024 that the government gazette be implemented.

The remuneration of councillors for financial year ended 30 June 2025 detailed below included the backpay for the period of 1 July 2023 to 30 June 2024 paid in the financial period 2025.

2025	**Allowance**	**Cellphone allowance**	**Data allowance**	**SDL**	**Total**
Mayor - KR Phukuntsi	935 696	43 200	3 804	9 827	992 527
Speaker - MW Raseu	748 559	43 200	3 804	6 200	801 763
Part-time Exco member - JM Radienyane	391 498	43 200	3 804	3 495	441 997
Part-time Exco member - EJ Pretorius	391 498	43 200	3 804	4 385	442 887
Part-time Chairperson Sec 79 - SH Gaebee	380 014	43 200	3 804	4 270	431 288
Part-time councillor - MM Snyer	296 115	43 200	3 804	3 431	346 550
Part-time councillor - MS Baleni	296 115	43 200	3 804	2 803	345 922
Part-time councillor TA Soaisa	296 115	43 200	3 804	3 436	346 555
Part-time councillor - EG Pretorius	32 176	3 600	317	355	36 448
Part-time councillor - MA Muller	296 115	43 200	3 804	3 431	346 550
Part-time councillor - MJ Noosi	291 018	43 200	3 804	3 380	341 402
Part-time councillor - WM Nkomo	296 115	43 200	3 804	3 431	346 550
Part-time councillor - MC Mphatsoe	296 115	43 200	3 804	2 754	345 873
Part-time councillor - KP Dial	296 115	43 200	3 804	2 754	345 873
Part-time councillor - LE Verwey	255 940	38 400	3 381	2 977	300 698
Part-time councillor - TS Shuping	296 115	43 200	3 804	3 431	346 550
Part-time councillor - MJ Rabannye	296 115	43 200	3 804	2 754	345 873
Part-time councillor - RA Potsanyane	296 115	43 200	3 804	2 754	345 873
Part-time councillor - NS Twana	4 463	-	-	45	4 508
	6 392 012	**733 200**	**64 562**	**65 913**	**7 255 687**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

33. Remuneration of councillors (continued)

2024	Allowance	Cellphone allowance	Data allowance	SDL	Total
Mayor - KR Phukuntsi	893 346	45 600	4 008	9 430	952 384
Speaker - MW Raseu	714 677	45 600	4 008	5 963	770 248
Part-time Exco member - JM Radienyane	373 779	45 600	4 008	3 380	426 767
Part-time Exco member - EJ Pretorius	373 779	45 600	4 008	4 234	427 621
Part-time Chairperson Sec 79 - SH Gaebee	359 985	45 600	4 008	4 096	413 689
Part-time councillor - MM Snyer	282 712	45 600	4 008	3 323	335 643
Part-time councillor - MS Baleni	282 712	45 600	4 008	2 720	335 040
Part-time councillor TA Soaisa	282 712	45 600	4 008	3 350	335 670
Part-time councillor - EG Pretorius	282 712	45 600	4 008	3 323	335 643
Part-time councillor - MA Muller	282 712	45 600	4 008	3 323	335 643
Part-time councillor - MJ Noosi	102 814	16 452	1 268	1 205	121 739
Part-time councillor - WM Nkomo	282 712	45 600	4 008	3 323	335 643
Part-time councillor - MC Mphatsoe	285 541	45 600	4 008	2 746	337 895
Part-time councillor - KP Dial	282 712	45 600	4 008	2 704	335 024
Part-time councillor - TS Shuping	282 712	45 600	4 008	3 333	335 653
Part-time councillor - MJ Rabannye	282 712	45 600	4 008	2 676	334 996
Part-time councillor - RA Potsanyane	282 712	45 600	4 008	2 676	334 996
Part-time councillor - NS Twana	158 745	25 964	2 279	1 870	188 858
	6 089 786	**772 016**	**67 675**	**63 675**	**6 993 152**

34. Community donations

	2025	2024
Community donations	-	4 946 058

There were no community donations in the current year.

The donations in 2024 relate to a project of building 476 (2023: 837) toilet structures in the Bultfontein and Phahameng area (Extension 9) with the funding of the Municipal Infrastructure Grant.

35. Depreciation and amortisation

	2025	2024
Property, plant and equipment	26 502 465	25 429 582

36. Finance costs

	2025	2024
Non-current borrowings	612 475	853 508
Trade and other payables	12 660 710	13 686 960
Finance leases	-	25 968
Employee costs	924 546	763 625
Unwinding costs in provisions	6 462 392	6 245 808
	20 660 123	**21 575 869**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

37. Debt impairment

Debt impairment	39 588 401	17 826 693

Reconciliation of debt impairment

Actual bad debts written off - consumer debtors	10 159 443	6 471 699
Actual bad debts written off - other receivables	323 515	-
Increase in provision of doubtful debt - other receivables	480 780	825 248
Increase in provision of doubtful debt - consumer debtors	28 624 663	10 529 746
	39 588 401	**17 826 693**

38. Impairment of assets

Property, plant and equipment	7 665 716	3 599 363

Impairment losses are due to the changes in the condition of assets at year end.

39. Bulk purchases

Electricity	57 097 006	48 130 096
Water	7 758 239	6 743 880
Electricity (Indigent relief)	4 869 147	4 564 189
	69 724 392	**59 438 165**

Electricity losses

Units purchased	23 504 453	22 758 259
Units sold	(21 371 133)	(20 200 312)
Total loss	**2 133 320**	**2 557 947**

Rand value loss	5 624 196	5 922 649
Percentage loss	9,08 %	11,24 %

Water losses

Units purchased	4 302 805	3 943 986
Units sold	(3 675 252)	(3 545 853)
Total	**627 553**	**398 133**

Rand value loss	1 131 519	680 773
Percentage loss	14,58 %	10,09 %

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

40. Contracted services

Outsourced Services		
Security services	4 384 301	4 273 428
Consultants and Professional Services		
Business and advisory	7 955 455	7 729 753
Legal cost	651 981	2 023 063
Contractors		
Electrical	-	3 478 261
Maintenance - labour costs	780 217	1 375 319
Medical services	1 076	301 655
	13 773 030	**19 181 479**

Included under business and advisory		
Accounting services	372 295	2 661 476
Audit committee	167 293	189 224
Valuers and assessors	-	114 050
Prepaid electricity services	5 308 732	3 093 266
Other	2 107 135	1 671 737
	7 955 455	**7 729 753**

41. General expenses

Advertising	179 679	182 402
Auditors remuneration	6 426 751	6 042 496
Bank charges	185 089	237 307
Computer expenses	3 427 037	2 908 737
Entertainment	140 493	178 466
Fines and penalties	2 600	4 275
Hire charges	3 073 510	3 323 466
Insurance	985 132	637 898
Materials and supplies	7 448 029	11 888 343
Motor vehicle expenses	166 948	99 827
Fuel and oil	2 297 158	4 556 633
Protective clothing	978 713	854 040
Licence fees	29 108	19 435
Subscriptions and membership fees	977 765	899 498
Telephone and fax	711 246	660 369
Training	542 224	2 736 848
Travel - local	1 896 008	1 626 653
Transport costs	147 575	308 842
Operating grant expenditure	5 999 195	4 757 748
Remuneration of ward committees	512 500	503 000
Workmens Compensation Fund	574 858	520 680
Chemicals	7 862 073	12 454 450
Other expenses	242 917	481 274
	44 806 608	**55 882 687**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

42. Fair value adjustments

Investment property	51 922 377	506 053
Other financial assets		
• Share investments	-	271 781
	51 922 377	**777 834**

43. Loss on disposal of assets and liabilities

Property, plant and equipment	(2 141 083)	(3 378 084)
Infrastructure assets	2 057 556	2 668 931
Community assets	29 962	609 518
Other property, plant and equipment	53 565	99 636
	2 141 083	**3 378 085**

44. Cash generated from operations

Surplus (deficit)	33 597 755	(12 813 161)
Adjustments for:		
Depreciation and amortisation	26 502 465	25 429 582
Loss on sale of assets and liabilities	2 141 083	3 378 084
Public contributions and donations	(2 850 841)	(3 332 827)
Community donations	-	4 946 058
Debt forgiveness	(2 227 629)	(13 311 262)
Audit fees	2 227 629	985 515
Fair value adjustments	(51 922 377)	(777 834)
Finance costs - non current borrowings	612 475	879 476
Write off of unallocated deposits	(5 394 330)	-
Finance costs written off	-	12 325 746
Finance costs - trade payables	11 392 207	13 380 023
Debt impairment	39 588 401	17 826 693
Movements in retirement benefit assets and liabilities	(263 707)	3 555 363
Movements in provisions	6 462 392	6 245 808
Impairment of assets	7 665 716	3 599 363
Loss on biological assets and agricultural produce	(141 300)	(99 900)
Non-cash movement :Property, plant and equipment	(517 741)	(1 255 754)
Changes in working capital:		
Inventories	(467 978)	(769 501)
Other receivables from exchange transactions	1 834 668	(4 634 930)
Consumer debtors	(36 122 599)	(24 399 518)
Payables from exchange transactions	18 162 648	34 708 900
VAT	456 800	(4 814 121)
Consumer deposits	104 596	151 087
Unspent conditional grants and receipts	(4 576 291)	(38 701)
	46 264 042	**61 164 189**

45. Auditors' remuneration

Fees	6 426 751	6 042 496

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

46. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	29 909 045	15 597 532
Total capital commitments		
Already contracted for but not provided for	29 909 045	15 597 532

Total commitments

Total commitments		
Authorised capital expenditure	29 909 045	15 597 532

47. Contingencies

Contingent assets

	2025	2024
Senwes Limited The municipality is taking Senwes Limited to court for debt owing in respect of electricity charges which Senwes Limited is disputing the tariff used in billing.	2 533 393	1 994 063
	-	-
BP Dikoko The former Director Technical Services is taking the municipality to court over the appointment of the Director Technical Services position. The matter was dismissed with cost on 19 July 2024. Appealed by BP Dikoko and referred by Supreme Court of Appeal to High Court. The matter was struck from the roll on 7 May 2025. The municipalityl is making efforts to recover the legal costs.	489 392	364 237
I van Aardt Disciplinary hearing of employer/employee dispute over alleged act of negligence for incorrect Council minutes. The case was withdrawn on 30 April 2025.	-	140 790
NSM Civils & JN Waterworks The matter is relating to the contractor failing to deliver mechanical equipment for refurbishment of the Phahameng sewer pumpstation project.	270 551	182 516
	3 293 336	**2 681 606**

Figures in Rand	2025	2024

48. Related parties

Relationships

Related parties	Director: MA Muller (Councillor) • Mulcon Civils • Registration number: B2011100388 Director: TA Soaisa (Councillor) • Nettsecter Multi-Purpose • Registration number: C2011004875 • Lavida Co-operative Limited • Registration number: C2021013414
Members of key management	MLE Leseane (Accounting Officer) TJ Matyesini (Chief Financial Officer) MJ Mahlanyane (Director Community Services) SS Rabanye (Director Corporate Services) LS Malokase (Director Technical Services)

Related party transactions

	2025	2024
Service charges rendered to related parties (Councillors)		
Mayor: KR Phukuntsi	4 348	4 965
Part-time EXCO member: JM Radienyane	2 343	2 190
Part-time EXCO member: EJ Pretorius	-	2 088
Part-time Chairperson Section 79 committee: SH Gaebee	2 343	2 190
Part-time councillor: MM Snyer	8 652	8 086
Part-time councillor: MS Baleni	2 343	2 190
Part-time councillor: EG Pretorius	-	2 110
Part-time councillor: MA Muller	5 068	2 893
Part-time councillor: MJ Noosi	2 343	-
Part-time councillor: WM Nkomo	2 343	2 190
Part-time councillor: MC Mphatsoe	2 343	2 190
Part-time councillor: KP Dial	2 343	2 190
Part-time councillor: TS Shuping	2 343	2 190
Part-time councillor: MJ Rabannye	2 343	2 190
Part-time councillor: RA Potsanyane	2 343	2 190
Part-time councillor: NS Twana (deceased)	-	2 555
Property rates levied to related parties (Councillors)		
Part-time Chairperson Section 79 committee: SH Gaebee	275	257
Part-time councillor: MM Snyer	6 026	5 643
Part-time councillor: EG Pretorius	-	5 944
Part-time councillor: MA Muller	15 006	14 048
Part-time councillor: KP Dial	275	257
Part-time councillor: TS Shuping	1 265	1 184
Part-time councillor: MJ Rabannye	165	154
Part-time councillor: RA Potsanyane	-	154
Part-time councillor: NS Twana (deceased)	-	1 987
Service charges rendered to related parties (Key management)		
Director Community Services: MJ Mahlanyane	9 406	6 480
Director Corporate Services: SS Rabanye	2 343	2 190
Director Technical Services: LS Malokase	3 941	10 309
Property rates levied to related parties (Key management)		
Director Community Services: MJ Mahlanyane	5 556	5 198
Director Corporate Services: SS Rabanye	2 476	1 739

Remuneration of management

Management class: Councillors

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

48. Related parties (continued)

Refer to Note 33: Remuneration of councillors and Note 59: Additional disclosure in terms of the MFMA.

Management class: Executive management

Refer to Note 32: Employee related costs.

49. Accounting by principals and agents

The entity is a party to two principal-agent arrangements.

Agent in Principal-Agent

Tswelopele Local Municipality is the agent in the Principal-Agent arrangement with various personal insurance companies, unions and legal firms. The municipality deducts specified amounts from the salaries of municipal employees on behalf of the Principle in exchange for commission of 2,5% and 5%. No significant judgements are applied in determining that the municipality was the agent in the arrangement. There are no risks and benefits associated with the principal agent arrangement.

Compensation received from the agency activities		
Commission (payroll deductions)	402 754	371 823

The municipality was paid 2,5% and 5% commission by various personal insurance companies, unions and legal firms for acting as an agent on its behalf during the financial year.

Resources under custodianship

There are no resources under custodianship of the agent, nor have they been recognised as such. All resources provided to third party vendors are that of the agent and not the municipality. There is no direct resource or cost implications for the principal if the principal-agent arrangement is terminated, however this will directly impact on service delivery continuity and revenue generation negatively, due to the reduction in service points

Principal in Principal-Agent

The municipality is in a Principal-Agent arrangement with Cigicell. Cigicell undertakes pre-paid electricity sales through the use of third party vendors on behalf of Tswelopele Local Municipality in return for commission of 2,25%. No significant judgements were applied in determining if the municipality was the principal. There has been no significant changes in the terms and conditions of the arrangements during the reporting period. There are no risks and benefits associated with the principal agent arrangement.

Compensation incurred from principal activities		
Commission (Prepaid electricity services)	5 308 732	3 093 266

Tswelopele Local Municipality paid commission to Cigicell (Pty) Ltd for acting as a principal on its behalf during the financial year. Commission to Cigicell (Pty) Ltd is comprised of 2.25% of prepaid electricity sales, 30% of sales above baseline and fixed charges for meter readings.

Resources under custodianship

There are no resources under custodianship of the agent, nor have they been recognised as such. All resources provided to third party vendors are that of the agent and not the municipality. There is no direct resource or cost implications for the principal if the principal-agent arrangement is terminated, however this will directly impact on service delivery continuity and revenue generation negatively, due to the reduction in service points.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

50. Change in estimate

Property, plant and equipment

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

Infrastructure	101 113	1 653 990
Community	2 036	701 584
Other property, plant and equipment	(97 020)	1 404 612
	6 129	**3 760 186**

Provision

The change in estimate is caused by inflation, change in discount rates (linked to current bond rates) and an updated database of unit rates.

Environmental rehabilitation (provision)	5 714 167	4 213 874

Investment property

The municipality appointed a new valuer in the current financial year.

The new valuer utilised a different technique from the one previously used.

The change in technique was deemed necessary as the resulting measurement is more representative of the fair value of the investment properties.

The new valuer utilised the combination of comparable sales method, income method, depreciated replacement value method and the fair value method to fair value the investment property.

Due to the nature of fair value measurement, the effect of this change in valuation estimate on future periods cannot be reasonably estimated, in compliance with GRAP 3.

The change in estimate resulted in the prospective recognition of the fair value gain.

The impact of the change in valuation technique is as below:

Fair value adjustments	51 922 377	-

51. Prior period errors

Presented below are those items contained in the Statement of financial position and Statement of financial performance that have been affected by prior period errors:

Statement of financial position

2025	**Note**	**As previously reported**	**Correction of error**	**Reclassification**	**Restated**
VAT accrual	6	20 788 250	163 794	-	20 952 044
Property, plant and equipment	11	610 869 710	610 671	-	611 480 381
Payables from exchange transactions	15	(207 938 572)	(1 355 544)	15 246 401	(194 047 715)
Employee benefit obligations	17	(1 481 455)	-	(15 246 401)	(16 727 856)
Accumulated surplus: Opening balance		(538 126 938)	321 452	-	(537 805 486)
(Surplus) deficit for the year		12 553 532	259 627	-	12 813 159
		(103 335 473)	**-**	**-**	**(103 335 473)**

Statement of financial performance

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

51. Prior period errors (continued)

2025	Note	As previously reported	Correction of error	Reclassification	Restated
Fines, penalties and forfeits	30	(950 700)	(52 800)	-	(1 003 500)
	-				
Rental of facilities and equipment	21	(1 644 369)	(274 279)	-	(1 918 648)
	-				
Depreciation and amortisation	35	25 443 269	(13 687)	-	25 429 582
Employee related costs	32	92 336 697	279 190	-	92 615 887
	-				
Finance costs	36	21 528 945	46 924	-	21 575 869
	-				
Debt impairment	37	17 552 414	274 279	-	17 826 693
		154 266 256	**259 627**	**-**	**154 525 883**

Errors

The following prior period error adjustments occurred:

Property, plant and equipment

During the current year the following were identified that required a prior period adjustment to ensure the completeness and accuracy of the asset register. These adjustments were made retrospectively.

- An invoice of a contractor of R1,255,754 for work in progress was not capitalised and the VAT thereon not recognised.
- An amount of R52,800 was charged as penalty to a contractor for work-in-progress and not recognised as revenue and the equivalent understated the work-in-progress due to the amount having been offset on the contractor invoice.
- Retention paid out of R595,138 for a project was not recognised correctly against retention payable but was capitalised to the asset resulting in overstatement of property, plant and equipment.

The effect of the correction is as follows:

	2025	2024
Statement of financial position		
Increase/(decrease) in property, plant and equipment	610 671	610 671
Increase/(decrease) in VAT accrual	163 794	163 794
(Increase)/decrease in payables from exchange transactions	(660 616)	(660 616)
(Increase)/decrease in accumulated surplus: opening balance	(47 362)	(47 362)
(Surplus)/deficit for the year	(66 487)	-
Statement of financial performance		
(Increase)/decrease in fines, penalties and forfeits	-	(52 800)
Increase/(decrease) in depreciation	-	(13 687)
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

51. Prior period errors (continued)

Payables from exchange transactions

The trade payables from exchanges transactions balance was adjusted for the following errors:

The effect of the correction is as follows:
- The bonus provision of the prior year was adjusted for a calculation error. The political office staff was omitted in error in the calculation resulting in understatement of R134,702.
- Pension fund arrears amounting to R560,227 for an increase in company contributions not effected since April 2021.

These adjustments were made retrospectively.

The effect of the correction is as follows:

	2025	2024
Statement of financial position:		
(Increase)/decrease in payables from exchange transactions	(694 929)	(694 929)
(Increase)/decrease) in accumulated surplus: opening balance	368 815	368 815
(Surplus)/deficit for the year	326 114	-
Statement of financial performance		
Increase/(decrease) in employee related costs	-	279 190
Increase/(decrease) in finance costs	-	46 924
	-	**-**

Other receivables from exchange transactions

The rental escalations were not effected correctly on billing since the inception of the lease contract resulting in underbilling of rentals to a lessee.

These adjustments were made retrospectively.

The effect of the correction is as follows:

	2025	2024
Statement of financial position:		
Increase/(decrease) in Other receivables from exchange transactions	274 279	274 279
(Increase)/decrease in Allowance for impairment	(274 279)	(274 279)
Statement of financial performance		
(Increase)/decrease) in rental of facilities and equipment	-	(274 279)
Increase/(decrease) in debt impairment	-	274 279
	-	**-**

Reclassifications

The following were reclassified from Payables from exchange transactions to Employee benefit obligations disclosure note

	2025	2024
Statement of financial position:		
Leave accrual	(12 503 672)	(12 503 672)
Bonus accrual	(2 494 212)	(2 494 212)
Salary control	(248 517)	(248 517)
	(15 246 401)	**(15 246 401)**

51. Prior period errors (continued)

Notes to the financial statements

2025	Note	As previously reported	Correction of error	Reclassification	Restated
Contingent assets	47	3 754 188	(2 681 606)	-	1 072 582
Contingent liabilities	47	509 193	(509 193)	-	-
	-				
		4 263 381	**(3 190 799)**	**-**	**1 072 582**

Senwes Limited

The Senwes Limited contingent asset was restated for disclosure of legal costs incurred by the municipality towards the case. The disclosure in the previous year related to the debt owed by Senwes to the municipality and was not in line with the requirements of GRAP 19.The restatement amounts to R1,128,015.

BP Dikoko

The restatement relates to legal costs that the municipality incurred towards the case of the former Director Technical Services. The amount was not disclosed in the previous year contingent assets. The restatement amounts to R364,237

NSM Civils & JN Waterworks

The restatement relates to legal costs that the municipality incurred towards the case of the contractor for non delivery of mechanical equipment. The amount disclosed in the prior year was the value of the mechanical equipment and was therefore not in line with the requirements of GRAP 19. The restatement amounts to (R2,564,834).

Contingent liabilities

Senwes Limited and BP Dikoko amounts previously disclosed were removed as they did not meet the definition of contingent liabilities in terms of GRAP 19.

52. Comparative figures

Certain comparative figures have been reclassified.

53. Risk management

Liquidity risk

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

The 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
Borrowings	4 848 586	-	-	-
Trade and other payables	207 395 857	-	-	-

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	7 100 025	-	-	-
Trade and other payables	179 042 259	-	-	-

53. Risk management (continued)

Credit risk

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

Trade receivables comprise a widespread customer base. Based on the municipality's mandate and customer base, management does not evaluate credit risk relating to customers on an ongoing basis.

Due to the nature of operations of the municipality, the impact is that there will be a significant level of impairment due to non-payment of customers.

Market risk

Risk from biological assets

The municipality is exposed to financial risks arising from changes in the fair value prices of biological assets. Due to the market and nature of the municipality's biological assets, the market risk is not managed.

The fluctuations will cause a decrease or increase in the surplus or deficit of the municipality.

Interest rate risk

The loan contract between the municipality and the DBSA is at a fixed rate of 11,5% and therefore there is no risk of unanticipated fluctuations in this loan.

54. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	1 629 742	-	1 629 742
Trade and other receivables from exchange transactions	-	31 168 412	31 168 412
Other receivables from non-exchange transactions	-	4 090 373	4 090 373
Cash and cash equivalents	-	13 198 703	13 198 703
	1 629 742	**48 457 488**	**50 087 230**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	4 848 586	4 848 586
Trade and other payables from exchange transactions	219 634 871	219 634 871
Consumer deposits	1 918 914	1 918 914
	226 402 371	**226 402 371**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

54. Financial instruments disclosure (continued)

2024

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	1 629 742	-	1 629 742
Trade and other receivables from exchange transactions	-	28 588 330	28 588 330
Other receivables from non-exchange transactions	-	6 729 336	6 729 336
Cash and cash equivalents	-	17 679 531	17 679 531
	1 629 742	**52 997 197**	**54 626 939**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	7 100 025	7 100 025
Trade and other payables from exchange transactions	194 047 722	194 047 722
Consumer deposits	1 814 318	1 814 318
	202 962 065	**202 962 065**

55. Unauthorised expenditure

	2025	2024
Opening balance as previously reported	115 747 399	52 138 739
Add: Unauthorised expenditure - current	85 291 235	63 608 660
Less: Amount written off - prior period	(115 747 399)	-
Closing balance	**85 291 235**	**115 747 399**

Details of unauthorised expenditure

	2025	2024
Executive Council	2 256 591	4 988 119
Budget and Treasury	83 034 644	33 649 071
Electricity	-	8 041 916
Community Services	-	9 958 584
Waste Water management	-	301 162
Roads	-	2 947 959
Water	-	3 721 849
	85 291 235	**63 608 660**

The unauthorised expenditure has been disclosed exclusive of VAT.

During the year under review, after the council committee investigations, council adopted the council committee recommendation to write-off an amount of R3,165,890 relating to the financial period 2016/17 on 3 September 2024. On 25 June 2025, the council authorised an amount of R48,972,340 and R63,608,660 for the financial periods 2022/2023 and 2023/24.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

56. Fruitless and wasteful expenditure

Opening balance as previously reported	4 274 008	4 727 303
Add: Fruitless and wasteful expenditure identified - current	12 829 000	13 641 644
Less: Amount written off - current	(9 147 726)	(11 097 831)
Less: Amount written off - prior period	(1 539 336)	-
Less: Amount recovered - current	(67 591)	(1 609)
Less: Amount recovered - prior period	-	(2 995 499)
Closing balance	**6 348 355**	**4 274 008**

Details of fruitless and wasteful expenditure		
Eskom interest charges	9 104 186	11 086 760
Sandvet interest charges	3 349 456	2 476 907
Other suppliers	302 875	4 852
Audit fees interest	72 483	73 125
	12 829 000	**13 641 644**

During the year under review, after the council committee investigations, council adopted the council committee recommendation to write-off an amount of R1,539,336 on 3 September 2024 and R9,147,725 on 25 June 2025 from the total fruitless and wasteful expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

The recovery in the current year relates to penalties and interest reversed by SARS for a disputed VAT return.

57. Irregular expenditure

Opening balance as previously reported	115 592 077	89 345 943
Add: Irregular expenditure - current	33 076 630	57 579 340
Less: Amount recovered - prior period	(27 155)	-
Less: Amount written off - current	(15 252 712)	(24 706 441)
Less: Amount written off - prior period	(46 512 856)	(6 626 765)
Closing balance	**86 875 984**	**115 592 077**

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

Other	468 432	4 801 884
Non-compliance with SCM requirements	31 835 262	50 266 204
Tender payments exceeding contract amount	-	524 796
Adjustments-tenders, senior SCM Practitioner	439 035	1 986 457
Contract extension in excess of 15% (Circular 62)	333 901	-
	33 076 630	**57 579 341**

After council committee investigations, the Council resolved to write-off irregular expenditure incurred amounting to R30,143,252 on 3 September 2024; R18,817,604 on 29 May 2025 and R15,252,712 on 25 June 2025.

The irregular expenditure amounts are presented excluding VAT.

Figures in Rand	2025	2024

58. Deviation from supply chain management regulations

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

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

Details of deviations:		
Emergencies	860 289	748 038
Impractical/impossible	241 411	3 697 076
Single source - sole provider	462 666	-
Strip and quote	397 426	-
	1 961 792	**4 445 114**

59. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	73 351	82 064
Amount paid - current year	(73 351)	(82 064)
	-	**-**

Audit fees

Current year subscription / fee	7 463 246	7 021 985
Amount paid - current year	(7 448 998)	(7 021 985)
	14 248	**-**

PAYE and UIF

Current year subscription / fee	15 275 420	13 139 018
Amount paid - current year	(15 275 420)	(13 139 018)
	-	**-**

Pension and medical aid funds

Current year subscription / fee	27 195 670	24 536 660
Amount paid - current year	(27 195 670)	(24 536 660)
	-	**-**

VAT Accrual

VAT receivable	844 106	3 320 846
VAT accrual	19 651 142	17 631 201
	20 495 248	**20 952 047**

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

Councillors' arrear consumer accounts

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

30 June 2025	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mayor - KR Phukuntsi	942	-	942
Part-time EXCO member: JM Radienyane	225	-	225
Part-time Chairperson Section 79 committee: SH Gaebee	247	-	247
Part-time councillor: MM Snyer	1 331	-	1 331
Part-time councillor: MS Baleni	225	-	225
Part-time councillor: MA Muller	1 537	-	1 537
Part-time councillor: WM Nkomo	225	-	225
Part-time councillor: MC Mphantsoe	225	-	225
Part-time councillor: KP Dial	247	-	247
Part-time councillor: TS Shuping	330	-	330
Part-time councillor: MJ Rabannye	238	-	238
Part-time councillor: RA Potsanyane	225	-	225
Part-time councillor: NJ Noosi	225	-	225
	6 222	**-**	**6 222**

30 June 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mayor: KR Phukuntsi	1 520	664	2 184
Part-time EXCO member: JM Radienyane	210	-	210
Part-time Chairperson Section 79 committee: SH Gaebee	231	-	231
Part-time councillor: MM Snyer	1 244	-	1 244
Part-time councillor: MS Baleni	210	-	210
Part-time councillor: EG Pretorius	651	-	651
Part-time councillor: MA Muller	1 378	-	1 378
Part-time councillor: WM Nkomo	210	-	210
Part-time councillor: MC Mphantsoe	210	-	210
Part-time councillor: KP Dial	231	-	231
Part-time councillor: TS Shuping	308	-	308
Part-time councillor: MJ Rabannye	223	-	223
Part-time councillor: RA Potsanyane	210	-	210
	6 836	**664**	**7 500**

No Councillor had account outstanding for more than 90 days.

60. Budget differences

Material differences between budget and actual amounts

Variances of more than 10% between actual results and budgeted amounts are considered material and explanations for these variances are included below.

Statement of Financial Performance

A1 - Municipality realised revenue on rental contracts that were meant to expire during 2024/2025 financial year and recognised rental on underbilled property.

A2 - A compulsory business registration campaign introduced by the office of the president, with the deadline of February 2025, resulted in an increase in number of registered businesses in the municipality.

A3 - The municipality anticipated to generate more income from operational activities than anticipated. The actual amount includes a write off by council of unallocated deposist of R5,394,329 and thus the amount realised is less than the budget.

A4 - Interest rates were higher than anticipated during the course of the financial year, and some of the operating and capital grants allocation was invested for longer period.

A5 - The fair value of Senwes shares did not increase in the 2025 financial period (compared to an increase of 12% in 2024) leading to less dividends paid out than expected.

A6 - The municipality's initiatives to ensure completeness of property rates billing resulted in more revenue for the municipality.

A7 - The municipality anticipated to collect from its long outstanding debtors.
The municipal council took a resolution that the interest be written-off on the accounts that gets fully settled during the year, however, most of the agricultural clients did not take advantage of the offer, resulting in increasing interest billed.

A8 - Municipality did not budget for donations in the 2025 financial period

A9 - The municipality budgeted for fines on illegal connections (meter tempering) of which there were no illegal connections for the 2025 financial period
Implementation of pre-paid metering system led to reduction in number of electricity illegal connections.

A10 - This is revenue arising from debt forgiveness relating Auditor-General Debt that could not be budgeted for.

A11 - Depreciation calculation is difficult to estimate due to changes in useful life, additions and disposals during the year.

A12 - The municipality incurred more interest on the bulk service creditors (Eskom and Sandvet). Municipality anticipated a one-third debt write-off on the Eskom's debt amount ringfenced in the circular 124 debt-relief program which would also result in the reduction of interest.

A13 - The municipality's finance lease agreement ended 30 June 2024 and the lease of the printing machines was on month to month basis hence all payments are allocated to the operating lease.

A14 - The debt impairment amount is a factor of the outstanding receivables and are therefore difficult to estimate for budget purposes.

A15 - The impairment losses are a factor of the condition of assets at year end and are therefore difficult to estimate for budget purposes.

A16 - Eskom bulk electricity tariffs were only released later in the year after the municipal budgeting processes were completed.

A17 - This is due to the difference in alignment between the financial statements and the budget. The budget alignment is different from financial statements alignment. On the budget general expenses is aligned to contracted services and the alignment is vice versa on the financial statements.

A18 - Due to mSCOA alignment for contracted services, part of expenditure relating to contracted services was budgeted for under line item of general expenses.

Notes to the Annual Financial Statements

60. Budget differences (continued)

A19 - This is part of the year-end adjustments and thus not budgeted for.

A20 - Municipality does not have the basis to budget for Fair Value Adjustment which makes it difficult to estimate the amount to be budgeted for in the line item of Fair Value.

A21 - Municipality does not have the basis to budget for gain or loss on Actuarial which makes it difficult to estimate the amount to be budgeted for in the line item of actuarial gains and losses.

A22 - This is informed by the movement on year-end counts, and the municipality does not have the basis for budgeting for net movement of the biological assets.

Statement of Financial Position

B1 - Closing balance of inventories relates to the value of inventory-in-store at year-end, it was anticipated that the closing inventory will remain at higher levels due to inventory procurement trends.

B2 - The other receivables amount includes prepaid electricity and SALGA membership fees paid in advance which fluctuate and supplier credit balances which were not anticipated at year end.

B3 - Budget for VAT is an estimate of net movement between output and input VAT, and cannot be accurately projected.

B4 - The budget amount did not take the allowance for impairment into account.

B5 -The municipality anticipated to improve its cashflow significantly in the 2025 financial period through the efforts of the debt collector. However, the debt collector was only appointed towards year-end.

B6 - It was anticipated that the number of biological assets at year-end would not increase significantly.

B7 - The fair value adjustments were performed on open market basis and resulted in a significant fair value adjustment.

B8 - The municipality only budgeted for the additions to be made in the financial period and did not consider the opening balances of property, plant and equipment.

B9 -The municipality anticipated that the fair value of the Senwes shares to not increase.

B10 -The long term receivables are part of the receivables from exchange and non-exchange transactions explanations.

B11 -The budget did not split current portion from non-current portion.

B12 -The budget amount accounted for the debt relief write-off that was expected from Eskom.

B13 -The municipality received more consumer deposits that anticipated, Consumer deposits were expected to reduce due to the municipality's conversion to pre-paid electricity metering system.

B14 -The municipality used incremental budgeting for this line item, as termination benefits as well as other employee benefits are difficult to accurately estimate during budgeting.

B15 - The budget did not split current portion from non-current portion.

B16 - The municipality anticipated that the provision for the landfill site will be higher than it was valued at year end.

Cashflow Statement

C1 - All cashflow movements are informed by the movement in the Statement of Financial Position and Statement of Financial Performance.

61. Segment information

General information

61. Segment information (continued)

Identification of segments

The municipality is organised and reports to management on the basis of 11 main votes. Management uses these same segments for compilation of the Integrated Development Planning (IDP) and Service Delivery and Budget Implementation Plan (SDBIP), budget as well as monthly and quarterly reporting. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes. Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

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	Reportable segment	Goods and/or services
Vote 1	Executive and Council	Provides political leadership to the municipality for the generation of economic benefits and service potential
Vote 2	Budget and Treasury	Provides financial leadership to the municipality for the generation of economic benefits and service potential
Vote 3	Community and Social Services	Provides social services, public safety, public spaces, local economic development and housing to the municipality for the generation of economic benefits and service potential
Vote 4	Public Safety	Provides public safety to the municipality for the generation of economic benefits and service potential
Vote 5	Sport and Recreation	Provides sports fields to the municipality for the generation of economic benefits and service potential
Vote 6	Waste Management	Provides infrastructure for the provision of refuse removal to the municipality for the generation of economic benefits and service potential
Vote 7	Waste Water Management	Provides infrastructure for the provision of sanitation to the municipality for the generation of economic benefits and service potential
Vote 8	Road and Transport	Provides infrastructure for the provision roads to the municipality for the generation of economic benefits and service potential
Vote 9	Water	Provides infrastructure for the provision of water to the municipality for the generation of economic benefits and service potential
Vote 10	Electricity	Provides infrastructure for the provision of electricity to the municipality for the generation of economic benefits and service potential
Vote 11	Corporate Services	Provides legal and management services including Human Resources and Information Technology to the municipality for the generation of service potential

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Figures in Rand

61. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Budget and Treasury Office	Community and Social Services	Corporate Services	Electricity	Executive and Council	Road Transport	Sport and Recreation	Waste Management	Waste Water Management	Water	Total
Revenue											
Service charges	-	-	-	64 067 932	-	-	-	5 412 510	9 349 548	8 921 826	87 751 816
Rental of facilities and equipment	-	668 572	-	-	1 135 165	44 315	30 697	-	-	-	1 878 749
Licences and permits	-	717 989	-	-	-	-	-	-	-	-	717 989
Operational revenue	5 993 744	741 857	181 861	598 091	-	17 060	-	-	-	21 923	7 554 536
Interest received - investments	3 564 223	-	-	-	-	-	-	-	-	-	3 564 223
Dividend received	162 154	-	-	-	-	-	-	-	-	-	162 154
Property rates	35 997 790	-	-	-	-	-	-	-	-	-	35 997 790
Interest received - property revenue	7 452 437	-	-	-	-	-	-	-	-	-	7 452 437
Government grants and subsidies	2 100 000	-	-	2 094 682	98 434 000	28 526 000	-	-	3 570 000	28 012 033	162 736 715
Public contributions and donations	-	-	-	-	2 850 841	-	-	-	-	-	2 850 841
Fines and penalties	-	845 900	-	-	-	-	-	-	-	-	845 900
Debt forgiveness	2 227 629	-	-	-	-	-	-	-	-	-	2 227 629
Actuarial gain	622 150	-	-	-	-	-	-	-	-	-	622 150
Fair value adjustments	51 922 377	-	-	-	-	-	-	-	-	-	51 922 377
Gain on biological assets	-	141 300	-	-	-	-	-	-	-	-	141 300
Total segment revenue	**110 042 504**	**3 115 618**	**181 861**	**66 760 705**	**102 420 006**	**28 587 375**	**30 697**	**5 412 510**	**12 919 548**	**36 955 782**	**366 426 606**

61. Segment information (continued)

	Budget and Treasury Office	Community and Social Services	Corporate Services	Electricity	Executive and Council	Road Transport	Sport and Recreation	Waste Management	Waste Water Management	Water	Total
Expenditure											
Employee related costs	20 476 645	19 551 075	13 353 902	4 955 504	6 034 328	12 862 794	-	8 042 555	9 104 982	5 702 676	100 084 461
Remuneration of councillors	-	-	-	-	7 255 687	-	-	-	-	-	7 255 687
Depreciation and amortisation	-	4 583 835	-	2 056 298	3 793 936	4 406 652	-	-	5 961 780	5 699 964	26 502 465
Finance costs	13 585 256	-	-	-	6 462 392	-	-	-	612 475	-	20 660 123
Lease rentals	-	-	626 885	-	-	-	-	-	-	-	626 885
Debt impairment	23 581 749	456 161	-	1 197 339	-	-	-	4 432 353	6 058 722	3 862 077	39 588 401
Impairment of assets	-	-	-	-	-	7 665 716	-	-	-	-	7 665 716
Bulk purchases	-	-	-	61 966 153	-	-	-	-	-	7 758 239	69 724 392
Contracted services	7 856 610	109 035	653 057	156 151	4 455 089	43 402	-	12 895	359 395	127 396	13 773 030
General expenses	11 865 756	853 975	2 966 690	1 415 303	9 115 725	6 434 283	53 059	933 634	1 854 912	9 313 271	44 806 608
Loss on disposal of assets and liabilities	-	-	-	-	-	2 141 083	-	-	-	-	2 141 083
Total segment expenditure	**77 366 016**	**25 554 081**	**17 600 534**	**71 746 748**	**37 117 157**	**33 553 930**	**53 059**	**13 421 437**	**23 952 266**	**32 463 623**	**332 828 851**
Total segmental surplus/(deficit)	**32 676 488**	**(22 438 463)**	**(17 418 673)**	**(4 986 043)**	**65 302 849**	**(4 966 555)**	**(22 362)**	**(8 008 927)**	**(11 032 718)**	**4 492 159**	**33 597 755**

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

61. Segment information (continued)

2024

	Budget and Treasury Office	Community and Social Services	Corporate Services	Electricity	Executive Council	Road Transport	Sport and Recreation	Water Management	Waste Water Management	Water	Total
Revenue											
Service charges	-	-	-	53 270 708	-	-	-	4 044 097	7 274 314	6 969 405	71 558 524
Rental of facilities and equipment	-	933 080	-	-	927 740	5 570	52 258	-	-	-	1 918 648
Licences and permits	-	93 896	-	-	-	-	-	-	-	-	93 896
Operational revenue	495 868	603 148	160 575	167 771	-	15 107	-	-	-	26 788	1 469 257
Interest received - Investment	3 244 455	-	-	-	-	-	-	-	-	-	3 244 455
Dividends received	141 015	-	-	-	-	-	-	-	-	-	141 015
Property rates	32 243 757	-	-	-	-	-	-	-	-	-	32 243 757
Interest - property revenue	6 820 191	-	-	-	-	-	-	-	-	-	6 820 191
Government grants and subsidies	2 100 000	-	-	7 988 049	98 392 000	23 588 239	-	-	-	31 942 571	164 010 859
Public contributions and donations	-	-	-	-	-	3 332 827	-	-	-	-	3 332 827
Fines, penalties and forfeits	91 200	912 300	-	-	-	-	-	-	-	-	1 003 500
Debt forgiveness	13 311 262	-	-	-	-	-	-	-	-	-	13 311 262
Fair value adjustments	777 834	-	-	-	-	-	-	-	-	-	777 834
Gain on biological assets	-	99 900	-	-	-	-	-	-	-	-	99 900
Total segment revenue	**59 225 582**	**2 642 324**	**160 575**	**61 426 528**	**99 319 740**	**26 941 743**	**52 258**	**4 044 097**	**7 274 314**	**38 938 764**	**300 025 925**

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61. Segment information (continued)

	Budget and Treasury Office	Community and Social Services	Corporate Services	Electricity	Executive Council	Road Transport	Sport and Recreation	Water Management	Waste Water Management		Total
Expenditure											
Employee related costs	18 823 619	18 824 757	11 854 923	4 161 383	4 764 776	11 591 366	-	8 560 847	8 576 408	5 457 810	92 615 889
Remuneration of councillors	-	-	-	-	6 993 152	-	-	-	-	-	6 993 152
Community donations	-	-	-	-	-	-	-	-	4 946 058	-	4 946 058
Depreciation and amortisation	-	4 551 273	-	2 043 503	2 991 589	3 943 665	-	-	6 149 715	5 749 836	25 429 581
Finance costs	14 476 553	-	-	-	6 245 808	-	-	-	853 508	-	21 575 869
Lease rentals	-	-	215 046	-	-	-	-	-	-	-	215 046
Debt impairment	12 076 507	527 608	-	6 760	413 306	-	-	1 489 314	2 156 249	1 156 951	17 826 695
Impairment of assets	-	-	-	-	-	3 599 363	-	-	-	-	3 599 363
Bulk purchases	-	-	-	52 694 285	-	-	-	-	-	6 743 880	59 438 165
Contracted services	7 728 707	5 463	2 324 718	4 257 385	4 306 621	218 865	-	26 804	192 695	120 221	19 181 479
General expenses	11 145 155	1 062 454	4 631 594	2 593 126	7 591 243	8 122 466	65 712	1 204 942	3 576 059	15 889 939	55 882 690
Loss on disposal of assets and liabilities	-	-	-	-	-	3 378 084	-	-	-	-	3 378 084
Loss on biological assets	1 757 015	-	-	-	-	-	-	-	-	-	1 757 015
Total segment expenditure	**66 007 556**	**24 971 555**	**19 026 281**	**65 756 442**	**33 306 495**	**30 853 809**	**65 712**	**11 281 907**	**26 450 692**	**35 118 637**	**312 839 086**
Total segmental surplus/(deficit)	**(6 781 974)**	**(22 329 231)**	**(18 865 706)**	**(4 329 914)**	**66 013 245**	**(3 912 066)**	**(13 454)**	**(7 237 810)**	**(19 176 378)**	**3 820 127**	**(12 813 161)**
Total revenue reconciling items											-

61. Segment information (continued)

The operations, activities and mSCOA vote alignment of the municipality are not entirely independent to enable an effective process of identification of reportable segments in accordance with the requirements of GRAP 18.

Information about geographical areas

Tswelopele Local Municipality falls in the Lejweleputswa District area and is situated in the north western parts of the Free State and borders the North West Province to the north. The major towns that form part of the Tswelopele Local Municipality are Bultfontein/Phahameng and Hoopstad/Tikwana as well as their surrounding rural areas. Management has as per the GRAP standards decided to report on Tswelopele as a single geographical area.

Management is of the opinion that as per paragraph 32 of GRAP 18, the cost of developing geographical information would be excessive, secondly, that due to the nature of the municipality, the geographical area, although two towns are demarcated as a single municipal area in the same province and district municipality and it would therefore not be in the interest of the users of the financial statements to develop geographical information for reporting.

62. Events after the reporting date

After the Chief Financial Officer was placed on special leave on 25 June 2025, the Council at the meeting on 11 July 2025 resolved to place the Chief Financial Officer on precautionary suspension.

63. Going concern

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

We draw attention to the following indicators which indicate that an uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern:

- Current liabilities as a percentage of next years' budget resources are 105%.
- Trade payables for the current year is R207,395,856 compared to R179,042.260 in 2024.
- Retentions payable for the current year is R7,081,500 compared to R5,654,878 in 2024.
- Capital commitments already contracted for but not provided for the current financial year is R29,909,045 compared to R15,597,532 in 2024.
- The municipality's' current liabilities exceed its current assets by R151,485,689. This increased from 2024 when the net current liability position was R123,077,545.
- The municipality owed Eskom R175,484,789 (2024: R151,909,461).
- The municipality owed the waterboard, Sandvet, R27,837,354 (2023: R20,692,166).
- Creditor payment is 590 days.
- Debtor payment period is 147 days.
- 72% of old debtors are expected to be impaired.
- Debt to asset ratio is sitting at 0.36:1
- Creditors as a percentage of cash and cash equivalents is 1664%
- The DBSA loan was in arrears of R 4,848,586 inclusive of interest at year end.

63. Going concern (continued)

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 produce funding for the ongoing operations for the municipality.

Regardless of the negative indicators disclosed above, the following funding procured by the accounting officer will ensure ongoing operations of the municipality:

- At 30 June 2025, the municipality has an accumulated surplus/(deficit) of R558,590,082 and that the municipality's total assets exceed its liabilities by R558,590,082.
- Cash and cash equivalents are positive for 2025: R13,198,703 and 2024: R17,679,531.
- The surplus / (deficit) for the current year is R33,597,755 compared to a surplus / (deficit) of the prior year of (R12,813,161).
- R90,873,941 of the liabilities of the municipality is based on items that does not form part of the normal day-to-day activities of the municipality.
- Overall, the municipality's assets exceed the municipality's liabilities by R558,590,082.
- Council approved the budget for the 2025/26 to 2027/28 financial years. This three-year Medium-Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the budget was cash backed over the three-year period.
- The municipality's budget is subject to a very rigorous independent assessment procedures to assess its cash backing status before its ultimately approved by council.
- Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cashflow forecast supporting the budget.
- As the municipality has power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services.
- In March 2025, the municipality appointed a debt collector as part of its revenue enhancement program. This is to recover arrear amounts from clients and improve the revenue collection of the municipality.
- The municipality completed the project of installing pre-paid electricity meters on 30 June 2025. The municipality expects to realise the economic benefits of the projects in the succeeding years.
- The DoRA allocation for the grant to be received in the 2025/26 financial year equals R105,664,000.
- The municipality has a funding plan in place to service long outstanding debt and improve its financial position.