Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2025

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2025

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2025

GENERAL INFORMATION

Members of the Executive Mayoral Committee:

Councillor T J Tseki	Chairperson
Councillor SM Jacobs	MMC for Community Services
Councillor J Twala	MMC for Public Works and Rural Development
Councillor P M Van Wyk	MMC for Corporate Services
Councillor M E Sempe	MMC for Human Settlements
Councillor M D Makhathini	MMC for IDP, Performance Management and Monitoring
Councillor M A Mokwena	MMC for Special Programmes
Councillor J T Sibisi	MMC for Local Economic Development
Councillor SM Jacobs	MMC Finance (Acting)

Grade of Local Authority:

Grade 8

Auditor:

Auditor-General South Africa

Bankers:

ABSA Bank

Branch 502-233	Account number	4052898966

Registered Office:

Civic centre	PO Box 551	Telephone:	058-303 5732
Muller street	Bethlehem	Fax:	058-303 5076
Bethlehem	9700		

E-mail address:

info@dihlabeng.co.za

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Municipal Manager:

Mr Mohau Ntheli

Chief Financial Officer:

Mr Raymond Provis

Members of the Dihlabeng Local Municipality

Ward No:	Councillor
1	Cllr. J T Sibisi
2	Cllr. M M Twala
3	Cllr. P R Van Wyk
4	Cllr. L L Radebe
5	Cllr.s M Miya
6	Cllr. J Twala
7	Cllr. M D Makhathini
8	Cllr. V J Hadebe
9	Cllr. P A Maasdorp
10	Cllr.s I Laesecke
11	Cllr. M G Masangane
12	Cllr. M A Mokwena
13	Cllr. M S Mosia
14	Cllr. T J Tseki
15	Cllr. M E Sempe
16	Cllr. D L Sibisi
17	Cllr. M S Mokoena
18	Cllr. N E Mabizela
19	Cllr. T V Tsibela
20	Cllr. J J Nhlapo

Public Representatives Councillors

Cllr.s L U Makhalema	Cllr. E T Motloung
Cllr. N P Mofokeng	Cllr. M A Vilakazi
Cllr. T M Mofokeng	Cllr.s I L Rugheimer
Cllr. M M Mokotla	Cllr. S P Makoena
Cllr.s S M Jacobs	Cllr. D L Xaba
Cllr. N J Nhlapo	Cllr. M Vilakazi
Cllr. L V Mosala	Cllr.s M A Motaung

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Cllr. W H Theunissen
Cllr. H R Liebenburg
Cllr. A Wolmarans
Cllr. M R Lephoi
Cllr. N J Ngqubuka
Cllr. V M Maseko
Cllr. N J Nhlapo

Executive Mayor:

Councillor T J Tseki

Speaker:

Councillor N P Mofokeng

Members of the Audit Committee:

Mr Sibusiso Morare - Chairperson
Ms Palesa Rampai - Member
Mr J Lynch - Member
Mr L Tsimomola - Member

Chairperson of the Risk Committee

Mr L Mofokeng - Chairperson

Nature of the entity

The municipality is established in terms of Chapter 7 of the Constitution of the Republic of South Africa.

Relevant legislation

Constitution of the Republic of South Africa

Municipal Finance Management Act (Act no 56 of 2003)

Division of Revenue Act (Act No 5 of 2012)

The Income Tax Act (Act No 28 of 1997)

Value Added Tax Act (Act No 89 of 1991)

Municipal Structures Act (Act no 117 of 1998)

Municipal Systems Act (Act no32 of 2000)

Municipal Planning and Performance Management Regulations

Water Services Act (Act no 108 of 1997)

Housing Act (Act no 107 of 1997)

Municipal Property Rates Act (Act no 6 of 2004)

Electricity Act (Act no 41 of 1987)

Skills Development Levies Act (Act no 9 of 1999)

Employment Equity Act (Act no 55 of 1998)

Unemployment Insurance Act (Act no 30 of 1966)

Basic Conditions of Employment Act (Act no 75 of 1997)

Disaster Management Act (Act no 57 of 2002)

Municipal Electoral Act (Act no 27 of 2000)

Municipal Demarcation Act (Act no 27 of 1998)

Supply Chain Management Regulations, 2005

Collective Agreements

Infrastructure Grants

SALBC Leave Regulations

APPROVAL OF FINANCIAL STATEMENTS:

I am responsible for the preparation of these annual financial statements, which are set out on pages - 19 to 106 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in Note 31 and 32 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

30/06/25

Municipal Manager
Mohau Ntheli

Chief Financial Officer
Raymond Provis

ACCOUNTING OFFICER'S REPORT

1. INTRODUCTION

The 2024/25 financial year posed many challenges and obstacles which had to be addressed and accommodated by the limited financial and other resources.
The budget and the IDP are aligned with the vision and imperatives of national government, which are to address service delivery backlogs and the following strategic areas, were focussed on during the 2024/25 budget:

- The eradication of backlogs and investment in infrastructure for basic services and growth
- Economic growth and development that is shared and creates sustainable jobs
- Building safer, more secure and more sustainable communities
- The deepening of democracy
- Financial viability and management of resources
- A caring and effective government
- Institutional capacity and transformation

To budget for improved service delivery and then subsequently realising operational efficiency while it is also ensured that the deliverables are attained in a sustainable manner, has been a huge challenge during the 2024/25 financial year.
The challenge of addressing unlimited needs within the constraints of limited resources has necessitated a change in the way we do business to ensure that we stretch our resources to the maximum.

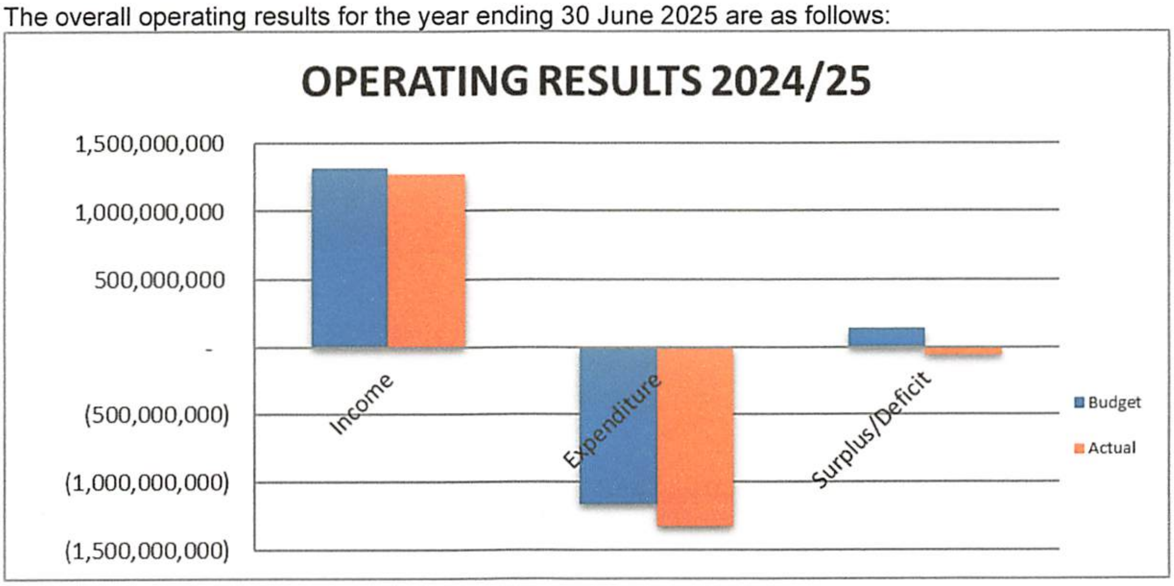
2. REVIEW OF OPERATING RESULTS

The 2024/25 budget of Dihlabeng Local Municipality was approved by Council in May 2024.

2.1 General

Details of the 2024/25 operating results and classification of revenue and expenditure are included in the Statement of Financial Performance. A graphical presentation of the operating results is shown in the graph below:

The overall operating results for the year ending 30 June 2025 are as follows:



Description	Original Budget 2024/25 R'000	Adjusted 2024/25 R'000	Variance Actual / Adjusted budget %	Actual 2024/25 R'000	Variance Actual 2025 / Actual 2024 %	Actual 2023/24 R'000
REVENUE						
Operating revenue for the year	1 314 190	1 314 190	-3.52%	1 267 995	18.87%	1 066 688
	1 314 190	1 314 190		1 267 995		1 066 688
EXPENDITURE						
Operating expenditure for the year	-1 169 095	-1 169 095	12.47%	-1 314 860	5.25%	-1 249 305
Fair Value adjustment				-11 549		147 527
Loss/Gain on disposal of assets				-1 384		3 198
Actuarial Gains/(Loss)				2 274		9 158
Donations received				1 463		
Debt relief received						101 524
Gain on biological assets				59		3 137
	1 169 095	1 169 095		1 323 997		984 760

The actual operating expenditure of the Municipality reflects an increase of 12.47% while the actual revenue of the Municipality has decreased by 3.52% in 2024/25 if compared to the budget for the year.

The largest increase on revenue from the budget to actual occurred on Government Grants 16%, and Interest received on consumer accounts 19%.

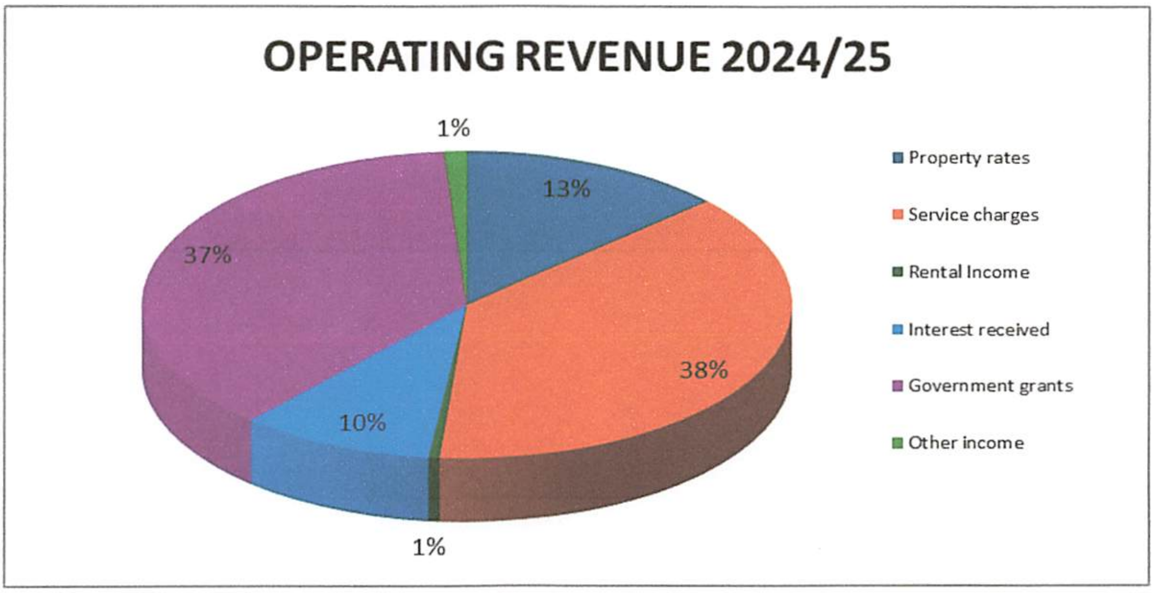
The largest increase on expenditure above the budgeted amount occurred on Debt impairment (125%) and Finance costs (289%).

However, management managed to increase the operating income in 2025 by 18.87% compared to the previous financial year and the operating expenses only increase by 5.25%.

Dihlabeng Local Municipality
Annual Financial Statements for the year ended 30 June 2025

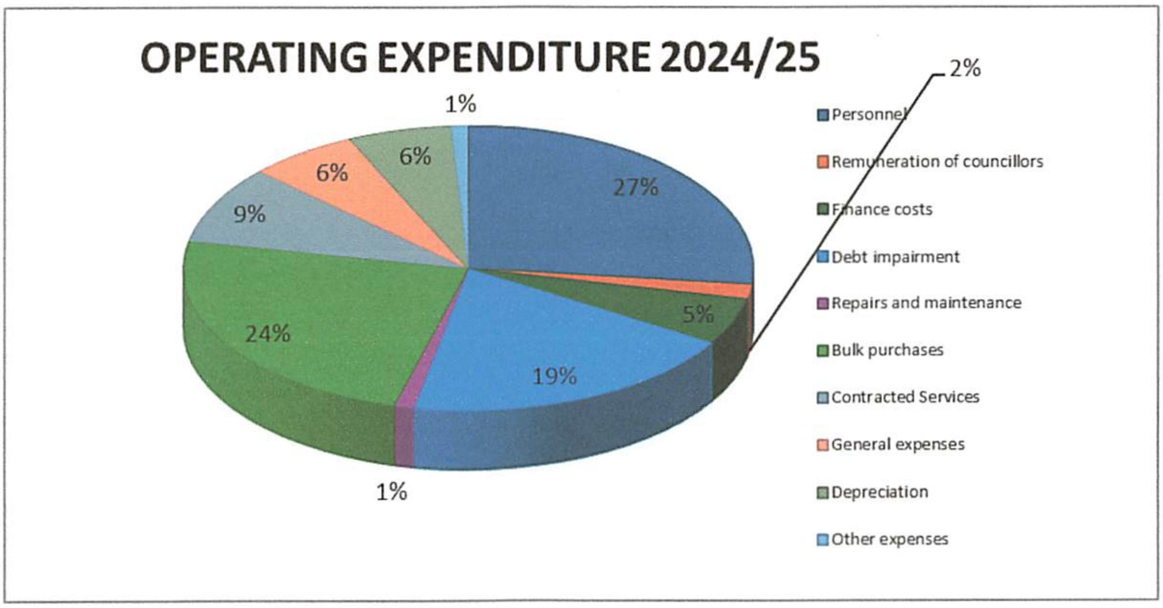
2.2 Operating Revenue

The following graph indicates a breakdown of the largest categories of revenue.



2.3 Operating expenditure

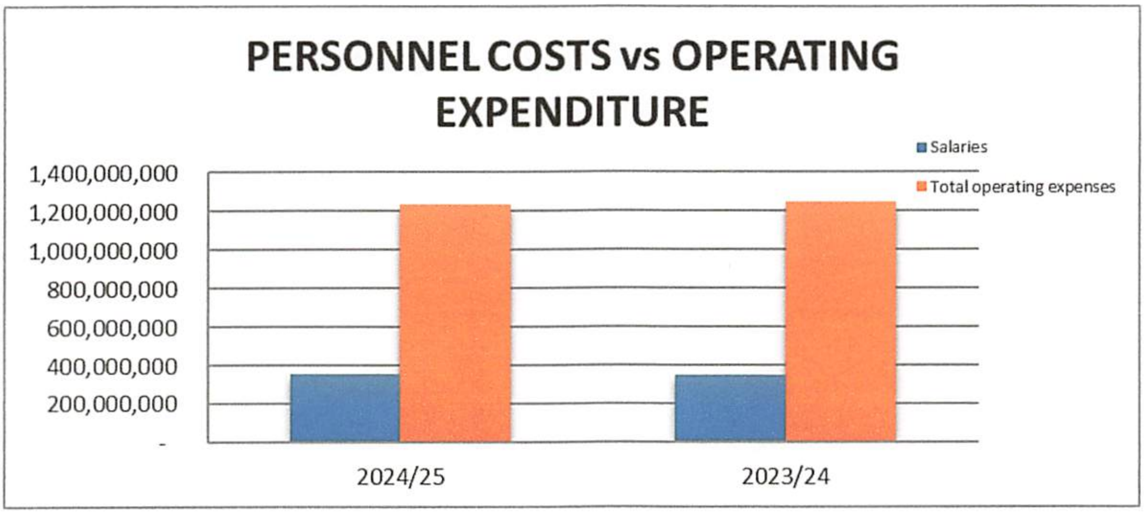
The graph below indicates the break down per main expenditure group.



Remuneration

The actual expenditure on remuneration expressed as a percentage of the total operating expenditure shows a decrease by 0.88% from 27.91% in 2023/24 to 27.03% in 2024/25. These figures have a large impact on the going concern capabilities of the municipality. The total remuneration cost and the allocation of individual items in a remuneration package differ from municipality to municipality for example; certain municipalities are more contract intensive whilst others might be more labour intensive. The target for remuneration as a percentage of expenditure is 30%.

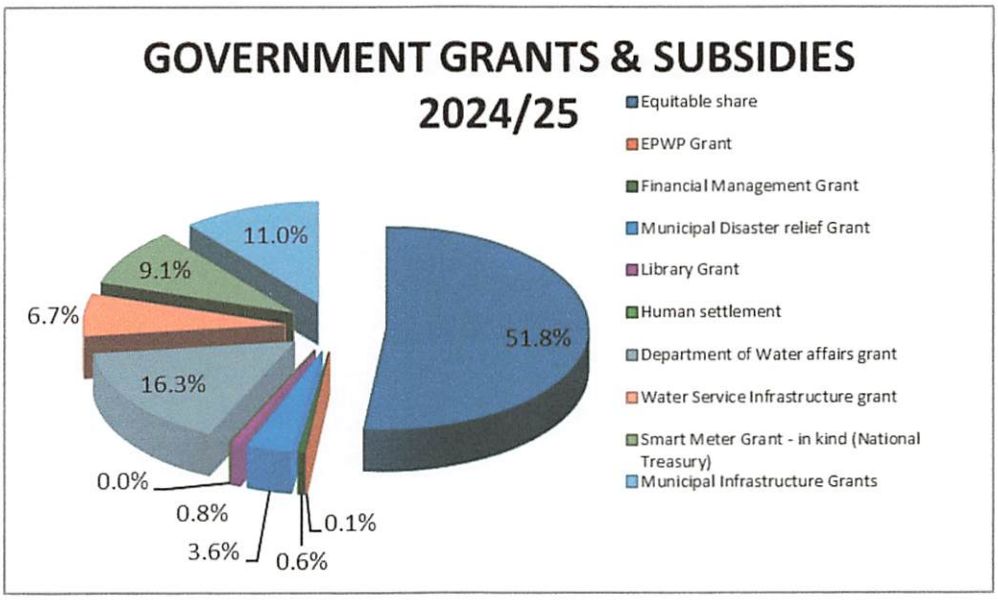
Description	2024/25 R'000	2023/24 R'000
Total operating expenditure	1 314 850	1 249 305
Total operating revenue	1 267 995	1 066 688
Employee remuneration	355 397	348 673
Ratio: % of total expenditure	27.03%	27.91%
Ratio: % of total revenue	28.03%	32.69%
% increase in remuneration	1.93%	1.90%



Government grants and subsidies

The following table and graph show the amounts received in terms of grants, contributions and subsidies from the Central Government and the Free State Provincial Government, which have been included in the total revenue:

Description	2024/25	2023/24
Equitable share	246 088 000	230 471 000
EPWP Grant	388 000	4 064 000
Financial Management Grant	2 700 000	2 750 000
Municipal Disaster Relief Grant	17 103 700	-
Library Grant	4 000 000	4 000 000
Human Settlement Grant	-	5 000 000
Department of Water affairs grant	77 467 885	32 979 974
Water Service Infrastructure grant	31 832 000	18 022 000
Smart Meter in Kind Grant National Treasury	43 445 665	-
Municipal Infrastructure Grant	52 161 546	31 726 454
	475 186 796	329 013 428



2.4 Operating statement analysis

The following differences occurred with regards to the operating results for the 2024/25 financial year. Please refer to pages 22 of the financial statements. All amounts are rounded to thousands.

Descriptions	Final Adjustment budget	Virements (i.t.o council approved policy)	Final budget	Actual outcomes	Variances	Actual outcome as % of final budget	Reasons for variances
Property rates	198 672	-	198 672	168 335	-30 337	-15%	Due to lower property rates billed for domestic properties than budgeted.
Services charges	558 387	10 000	568 387	484 286	-84 101	-15%	Due to decrease in utilization of water and electricity. Most of the consumers are using gas
Interest received from consumers	103 026	-	103 026	122 633	19 607	19%	Due to non-payment of debts by consumers
Government grants received	367 850	41 098	408 948	475 187	66 239	16%	Dora Allocation and Smart meter grant not budgeted
Other own revenue	35 157	-	35 157	21 350	-13 807	-39%	Increase due to actuarial gains on employee benefits
TOTAL REVENUE (Excluding capital transfers and contributions)	**1 263 092**	**51 098**	**1 314 190**	**1 271 791**	**-42 399**	-3%	

Descriptions	Final Adjustment budget	Virements (i.t.o council approved policy)	Final budget	Actual outcomes	Variances	Actual outcome as % of final budget	Reasons for variances
Employees cost	358 936	27	358 963	355 397	3 566	-1%	Within the budget
Remuneration of councilors	23 817	-	23 817	22 347	1 470	-6%	As per Council Gazette 51419 of 2024
Debt impairment	112 803	-	112 803	254 319	-141 516	125%	Due to non-payments by consumers and indigent not written off
Depreciation and asset impairment	74 039	-	74 039	78 265	-4 226	6%	Due to processing of actual depreciation on assets for the month as per the asset register
Finance charges	18 110	-	18 110	70 418	-52 308	289%	Under budget and Interest paid to Eskom and other creditors due to nonpayment within 30 days
Bulk purchases	302 826	-	302 826	294 831	7 995	-3%	Within the budget
Other expenditure	258 637	19 900	278 537	252 216	26 321	-9%	Within the budget
TOTAL EXPENDITURE	**1 149 168**	**19 927**	**1 169 095**	**1 327 793**	**-158 698**	14%	

2.5 Financial Position statement analysis

The following difference occurred with regards to the operating results for the 2024/25 financial year. Please refer to pages 18 to 23 of the financial statements. All amounts are rounded to thousands.

	Approved budget	Adjust-ments	Final budget	Actual amounts	Variances	Actual outcome as % of final budget	Reasons for variances
CURRENT ASSETS							
Other financial assets	2 519	-	2 519	1 883	636	-25%	
Inventories	117 508	-	117 508	141 736	-24 228	21%	Investment property transfer to land held for sale
Receivables from exchange transactions	-	-	-	189 177	-189 177		No budget
Receivables from non-exchange transactions	207 427	-	207 427	4 969	202 458	-98%	No budget
Statutory Receivables	356 235	-	356 235	-	356 235		
Consumer debtors	291 921	-	291 921	96 924	194 997	-67%	Increase in provision for impairment
Cash and cash equivalents	340 973	-	340 973	31 913	309 060	-91%	More money in the bank
NON CURRENT ASSETS							
Investment property	572 453	-	572 453	524 804	47 649	-8%	Property moved from the inventory
Property, plant and equipment	2 108 648	-	2 108 648	1 948 382	160 266	-8%	Capital projects not spent
Biological assets	-	-	-	8 976	-8 976		No budget
Heritage assets	48 660	-	48 660	64 450	-15 790	32%	Re valuation done in 2023
Intangible assets	929	-	929	7 935	-7 006	754%	New software as part of the smart meters
Other financial assets	-	-	-	813	-813		No Budget
CURRENT LIABILITES							
Other financial liabilities	5 966	-	5 966	-	5 966		No Actual amount
Long service awards	-	-	-	4 705	-4 705		No budget
Payables from exchange	198 746	-	198 746	733 072	-534 326	269%	Increase in creditors due to cashflow constraints
Consumer deposit	12 496	-	12 496	15 739	-3 243	26%	Under budgeting
Employee obligations	-	-	-	3 549	-3 549		As per report
Unspent Conditional Grants	101 106	-	101 106	6 549	94 557	-94%	Most Capital Grants spent during the year
Provisions	-	-	-	48 162	-48 162		No budget
Current Portion of long term - Eskom	-	-	-	486 464	-486 464		No Budget
Cashbook overdraft	391 233	-	391 233	-	391 233		
NON CURRENT LIABILITIES							
Employee benefit obligations	-	-	-	105 966	-105 966		No budget
Long service awards	-	-	-	16 764	-16 764		No budget
Other financial liabilities	12 063	-	12 063	-	12 063		No budget
Long term trade and other pay	-	-	-	209 863	-209 863		No Budget
Provisions	6 563	-	6 563	7 727	-1 164	18%	

3. DEBTORS

The following is an indication of the effectiveness of credit control measures, as well as the ability to convert debtors into cash:

Description	2024/25	2023/24
Income on Consumer debtors	782 071 693	726 401 755
Balance on 1 July	1 783 458 589	1 494 276 754
Balance on 30 June	1 924 904 440	1 783 458 588
Average balance	1 854 181 515	1 638 867 672
Days in the financial year	365	365
Turnover: Number of days	865	823
Turnover: Number of times (levies/average balance)	0.42	0.44

From the table, the number of days to recover increased from 823 to 865 in 2024/25. This high turnover has serious implications on the cash flow of the Municipality. A collection rate calculated on the total levies for a period compared to the total payments received during the same period is used to measure revenue recovery. The credit control by-law and the actions taken in terms of the by-law started producing better results. Measures have been put in place to recover the debts and the legal actions taken are starting to have an impact on the poor payment culture within our municipality. The increase in debtors has a serious impact on the going concern of the municipality.

4. CAPITAL EXPENDITURE AND FINANCING

The Municipality's original approved Capital Expenditure Budget for 2024/25 amounted to R187 749 000 and was accepted by National Treasury. Of these funds the MIG funding of R52 million was spent in the 2024/25 financial year, and no unspent grant on MIG for 2024/25. R78 million was spent from RBIG funding, R31 million from WISG, R1.8 million from Cemetery System Grant from CoGTA was not spend and R4.7 million of Municipal Disaster Relief Grant was unspent.

Conclusion:
When comparing the actual expenditure to the budgeted expenditure the financing source of capital projects plays an important role. The funding from own sources can largely influence the following aspects:

- The raising of loans
- The cash flow of the Municipality

5. ACCOUNTING RATIOS

5.1 Current asset ratio

This ratio mainly involves the financial resources used in the operating cycle of a local authority. Operating capital represents the surplus of current assets over current liabilities. This is a useful indicator when determining the ability to fund operating expenditure. This ratio measures the extent to which the current liabilities are covered by the current assets. A larger coverage means a lower risk since short-term debt can be paid out of short-term assets. The following table shows the calculation of the operating capital ratio:

Description	2024/25	2023/24
CURRENT ASSETS:		
Cash	31 913 107	55 829 896
Inventory	141 735 746	105 428 106
Consumer Debtors	96 924 447	90 319 267
Receivables from exchange transactions	189 177 664	157 439 983
Receivables from non-exchange transactions	-	-
Other financial assets	1 883 012	1 445 660
Other receivables from exchange transactions	4 968 874	5 524 152
Statutory receivables	-	2 382
Total	**466 602 850**	**415 989 446**
CURRENT LIABILITIES:		
Creditors	733 071 894	530 602 945
Employee Benefit Obligation	3 549 000	3 380 000
Unspent conditional grants and receipts	6 549 300	25 708 546
Other financial liabilities	-	7 432 485
Provisions	48 162 457	45 204 625
Consumer deposits	15 738 442	14 381 700
Overdrawn cash book balance	-	-
Long service awards	4 705 000	2 735 000
Current Portion of long term trade and other receivables	486 464 174	255 090 013
Total	**1 298 240 267**	**884 535 314**
Net Operating Capital	(831 637 417)	(468 545 868)
Current asset Ratio	0.36 : 1	0.47 : 1

This is due to the fact that the current liabilities increased by 47% whilst the current assets increased with 12%. The municipality has prioritised this part of its business to ensure the sustainability of the municipality.

The private sector sets a ratio of 2:1 as being acceptable, however a norm for local government is currently not available.

5.2 Quick asset ratio (Acid test)

This ratio is a more accurate test of a local authority's ability to settle its short-term debt. When calculating this ratio, only assets that can be converted into cash are taken into account. Since material and stock are for the local authority's own use and are not for sale, they are not included in the calculations. The private sector sets a ratio of 1:1 as being acceptable. The figures that follow reflect the Municipality's quick asset ratio for the following years:

DESCRIPTION	2024/25	2023/24
Current assets	466 602 850	415 989 446
Less: Inventory	141 735 746	105 428 106
Total	324 867 104	310 561 340
Current Liabilities	1 298 240 267	884 535 314
Quick asset ratio	0.25: 1	0.35:1

The ratio decreased due to increase in the current liabilities (Eskom debt relief programme), serious attention will be required to increase the ratio even further in this area to ensure the going concern of the municipality.

5.3 Solvability

In this ratio, the total assets are compared to the total liabilities, and it shows the ability of the Municipality to meet its obligations in the long term. A ratio of less than one is an indication of insolvency. The following table shows the calculation of the solvency ratio:

DESCRIPTION	2024/25	2023/24
TOTAL ASSETS:		
Current assets	466 602 850	415 989 446
Non-current assets	2 555 360 393	2 466 774 591
Total	3 021 963 243	2 882 764 037
TOTAL LIABILITIES:		
Current liabilities	1 298 240 267	884 535 314
Plus: Long-term loans	-	-
Non-current provisions	7 726 984	6 050 080
Total	1 305 967 251	890 585 394
Solvability Ratio	2.31:1	3.24:1

The total assets of the Municipality increased by 4.74% in the current financial year while the total liabilities increased with 46% resulting in a decrease in the solvability ratio as stated above. Non-current assets increased with 3.57% while external loans decreased with 100%.

5.4 Total debt to total revenue ratio

According to credit rating companies, the benchmark for local government is a ratio of less than 50%. The ratio increased from 108% to 129% in 2023/24. The total debt increased with 13% and decrease of 4% in total revenue.

DESCRIPTION	2024/25	2023/24
Total debt	1 635 676 405	1 443 359 740
Total revenue	1 271 791 178	1 331 232 155
Ratio	129%	108%

5.5 Cashbook balance plus short-term loans to total operating revenue

DESCRIPTION	2024/25	2023/24
Short term debt	-	7 432 485
Total revenue	1 271 791 178	1 331 232 155
Ratio	0%	0.56%

According to credit rating companies, the benchmark is a ratio of less than 5

5.6 Cash to interest coverage

This ratio indicates to what extent a local authority can generate sufficient cash from its normal activities to cover its external interest liabilities. If the ratio is less than 1:1, it may indicate future cash flow problems. The ratio for the past two financial years is as follows:

DESCRIPTION	2024/25	2023/24
Cash generated from operations (Nett cash flow)	153 148 005	124 544 414
Interest paid on external loans	70 418 448	104 763 184
Ratio	2.17:1	1.19:1

5.7 Net debtors to total annual operating revenue

DESCRIPTIONS	2024/25	2023/24
Annual operating revenue	1 271 791 178	1 331 232 155
Debtors (excluding provision for bad debt)	1 924 904 440	1 783 458 589
Percentage	151%	134%

This ratio had increased by 17%. It is still clear that the debt collection process of the municipality has problems and still needs to be improved even more.

6. CHALLENGES EXPERIENCED DURING 2024/25

6.1 GOING CONCERN ISSUES

The going concern of the municipality remains an issue that management needs to address; the following areas are of concern:

- The government subsidies equate to 37% of our income. The situation decreased by 1% from the 2023/24 financial year. This means that there is still reliance by the municipality on government grants.

- We draw attention to the fact that at 30 June 2025, the municipality had a loss of R56,001,492 (2024 : R81,927,495 profit) and that the municipality's current liabilities exceed its current assets by R831,637,417 (2024 : R468,545,868). In addition, the municipality owed Eskom R1,249,252,672 (2024 : R1,101,383,148) (subject to debt relief - refer to next paragraph), Free State Fleet Management Trading Entity R62,684,617 (2024 : R62,684,617), the Department of Water Affairs R116,425,215 (2024 : R83,131,607) (subject to debt relief - refer to next paragraph) and the Department of Labour R33,198,566 (2024 : R31,373,804 at 30 June 2025 which is long overdue.
- The municipality has applied for debt relief from National Treasury with regards to the outstanding Eskom account of R843,710,217. The debt relief was approved on the 19th of December 2023. According to the agreement, the municipality must pay the current Eskom account for the next three financial years, then Eskom will write-off the debt over the next three municipal financial years. One of the requirements for the approval of the debt relief is that the municipality must prepare a funding plan. The funding plan is intended to address the fact that if the municipality's 2023/24 Medium Term Revenue and Expenditure Framework (MTREF) does not comply with the MFMA Circular No. 124 (A funded MTREF). A funding plan has been developed, and the municipality is in the process of implementing the plan. The funding plan highlights various areas of improving revenue, increasing debt collection and decreasing expenditure.
- The municipality has applied for debt relief from Department of Water Affairs with regards to the outstanding water account of R116,425,215. The debt relief was approved on the 26th of August 2025. Details of the agreement is not yet available, but it will be on the same basis as the agreement with Eskom.
- 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.

6.2 IMPLEMENTATION OF ACCOUNTING STANDARDS

The Municipality had to comply with the accounting framework as set out in paragraph 1 of the Accounting policies as contained in the Annual Financial Statements of 2024/25. This accounting framework was determined in Directive 5 issued by the Accounting Standards Board on 31 March 2009.

7. APPRECIATION

I am grateful to the Executive Mayor, Members of the Mayoral Committee, Councillors, and office of the Municipal Manager, CFO, Directors, Managers and Staff members. A special word of appreciation to everybody for the months of hard work, sacrifices and concentrated efforts during the financial year to enable my office to finalise and submit the annual financial statements within the prescribed period.

30/06/25

MOHAU NTHELI
MUNICIPAL MANAGER

Audit and Performance Committee Report

We are pleased to present our report for the financial year ended 30 June 2025.

Audit and performance committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year the following number of meetings were held.

Name of member	Number of meetings attended for the year ended 2024/25
Mr. Morare S (Appointed 23 June 2025)	0
Mr. Tshimomola R	0
Mr. Lynch J	0
Ms. Rampai T	0
Mr. Mofokeng S	0

The appointment of the Committee

The committee was fully appointed by the Council in the last quarter of the 2024/25 financial year, the committee started operating after the end of 2024/25 financial year.

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the Local Government: Municipal Finance Management Act 56 of 2003.

The committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein and in line with Local Government MFMA section 166.

Evaluation of annual financial statements for 2024/25

The audit committee has:

- reviewed and discussed the draft annual financial statements to be included in the annual report, and the Accounting Officer Reports.
- reviewed changes in accounting policies and practices.
- reviewed significant adjustments resulting from the draft AFS for 2024/25

Evaluation of annual performance report for 2024/25

The audit committee has:

- reviewed and discussed the draft annual performance report to be included in the annual report and the Accounting Officer.

Internal audit

The municipality has an internal audit function which is partially operating

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Chairperson: On behalf of Audit and Performance Committee

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	3	141,735,746	105,428,106
Other financial assets	4	1,883,012	1,445,660
Receivables from exchange transactions	5	189,177,664	157,439,983
Receivables from non-exchange transactions	6	4,968,874	5,524,152
Other statutory receivables	14	-	2,382
Consumer debtors from exchange transactions	7	65,111,695	76,925,215
Consumer debtors from non-exchange transactions	7	31,812,752	13,394,052
Cash and cash equivalents	8	31,913,107	55,829,896
		466,602,850	**415,989,446**
Non-Current Assets			
Biological assets that form part of an agricultural activity	9	8,976,162	8,917,311
Investment property	10	524,803,911	572,402,741
Property, plant and equipment	11	1,948,382,002	1,818,841,219
Intangible assets	12	7,934,639	1,431,083
Heritage assets	13	64,450,000	64,450,000
Other financial assets	4	813,679	732,237
		2,555,360,393	**2,466,774,591**
Total Assets		**3,021,963,243**	**2,882,764,037**
Liabilities			
Current Liabilities			
Other financial liabilities	16	-	7,432,485
Payables from exchange transactions	18	733,071,894	530,602,945
Consumer deposits	19	15,738,442	14,381,700
Employee benefit obligation	21	3,549,000	3,380,000
Unspent conditional grants and receipts	17	6,549,300	25,708,546
Provisions	20	48,162,457	45,204,625
Long service leave award	22	4,705,000	2,735,000
Current portion of long term trade and other payables	23	486,464,174	255,090,013
		1,298,240,267	**884,535,314**
Non-Current Liabilities			
Employee benefit obligation	21	105,966,000	94,116,000
Provisions	20	7,726,984	6,050,080
Long service leave award	22	16,764,000	17,421,000
Long term trade and other payables	23	209,863,185	441,237,346
		340,320,169	**558,824,426**
Total Liabilities		**1,638,560,436**	**1,443,359,740**
Net Assets		**1,383,402,807**	**1,439,404,297**
Reserves			
Revaluation reserve	15	15,790,000	15,790,000
Accumulated surplus		1,367,612,807	1,423,614,297
Total Net Assets		**1,383,402,807**	**1,439,404,297**

* See Note 52 & 51

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	25	484,285,936	447,123,078
Rendering of services		2,945,516	2,384,419
Rental of facilities and equipment	26	6,817,978	6,278,149
Interest on consumer accounts	27	102,197,397	99,699,089
Licences and permits		158,841	243,704
Other income	28	4,383,031	6,354,373
Interest received - investment	29	2,637,177	1,397,182
Gain or loss on disposal of assets and liabilities		-	3,198,265
Fair value adjustments	43	-	143,920
Actuarial gains/losses		2,274,467	9,158,193
Gains or losses on biological assets and agriculture	42	58,851	3,137,416
Dividends or similar distributions received	29	15,557	13,435
Total revenue from exchange transactions		**605,774,751**	**579,131,223**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	30	168,334,983	154,135,351
Interest - Taxation consumer debtors	27	20,435,399	19,166,088
Transfer revenue			
Government grants & subsidies	33	475,186,796	329,013,428
Donations received		1,463,107	-
Fines, Penalties and Forfeits		596,142	879,649
Debt Relief received		-	101,523,557
Fair value adjustment on long term liability		-	147,382,858
Total revenue from non-exchange transactions		**666,016,427**	**752,100,931**
Total revenue	24	**1,271,791,178**	**1,331,232,154**
Expenditure			
Employee related costs	34	(355,396,770)	(348,672,614)
Employee costs - Remuneration of councillors	35	(22,346,975)	(22,146,376)
Depreciation and amortisation	36	(78,264,694)	(74,859,305)
Finance costs	37	(70,418,448)	(104,763,184)
Debt Impairment	38	(256,309,561)	(261,306,691)
Bulk purchases	39	(317,725,811)	(266,733,568)
Contracted Services	40	(117,177,967)	(80,629,953)
Repairs and maintenance		(14,965,872)	(7,328,217)
Gain or loss on disposal of assets and liabilities		(1,384,304)	-
Fair value adjustments	43	(11,548,562)	-
General expenses	41	(82,253,706)	(82,864,748)
Total expenditure		**(1,327,792,670)**	**(1,249,304,656)**
(Deficit) surplus for the year		**(56,001,492)**	**81,927,498**

* See Note 52 & 51

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	15,790,000	1,200,962,648	1,216,752,648
Adjustments			
Correction of errors 51	-	140,724,151	140,724,151
Balance at 01 July 2023 as restated*	**15,790,000**	**1,341,686,799**	**1,357,476,799**
Changes in net assets			
Surplus for the year	-	81,927,498	81,927,498
Total changes	-	81,927,498	81,927,498
Opening balance as previously reported	15,790,000	1,282,890,148	1,298,680,148
Adjustments			
Correction of errors 51	-	140,724,151	140,724,151
Restated* Balance at 01 July 2024 as restated*	**15,790,000**	**1,423,614,299**	**1,439,404,299**
Changes in net assets			
Surplus for the year	-	(56,001,492)	(56,001,492)
Total changes	-	(56,001,492)	(56,001,492)
Balance at 30 June 2025	**15,790,000**	**1,367,612,807**	**1,383,402,807**

* See Note 52 & 51

Disclosure

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		486,696,928	426,501,813
Grants		409,081,885	324,721,974
Interest income		48,045,525	9,650,266
Dividends or similar distributions received		15,557	13,435
		943,839,895	760,887,488
Payments			
Employee costs		(378,510,354)	(375,838,725)
Suppliers		(358,836,475)	(171,382,280)
Finance costs		(53,345,061)	(89,122,069)
		(790,691,890)	(636,343,074)
Net cash flows from operating activities	46	**153,148,005**	**124,544,414**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(169,236,753)	(80,663,274)
Proceeds from sale of property, plant and equipment	11	85,696	3,198,265
Net cash flows from investing activities		**(169,151,057)**	**(77,465,009)**
Cash flows from financing activities			
Repayment of other financial liabilities		(7,913,737)	(7,459,371)
Net cash flows from financing activities		**(7,913,737)**	**(7,459,371)**
Net increase/(decrease) in cash and cash equivalents		**(23,916,789)**	**39,620,034**
Cash and cash equivalents at the beginning of the year		55,829,896	16,209,862
Cash and cash equivalents at the end of the year	8	**31,913,107**	**55,829,896**

* See Note 52 & 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	558,387,000	10,000,000	**568,387,000**	484,285,936	**(84,101,064)**	Refer Note 61
Rendering of services	4,088,000	-	**4,088,000**	2,945,516	**(1,142,484)**	
Rental of facilities and equipment	7,142,000	-	**7,142,000**	6,817,978	**(324,022)**	
Interest: Consumer debtors from exchange	86,979,000	-	**86,979,000**	102,197,397	**15,218,397**	Refer Note 61
Licences and permits	85,000	-	**85,000**	158,841	**73,841**	
Other income	2,335,000	-	**2,335,000**	4,383,031	**2,048,031**	
Interest received - investment	413,000	-	**413,000**	2,637,177	**2,224,177**	
Dividends or similar distributions received	30,000	-	**30,000**	15,557	**(14,443)**	
Total revenue from exchange transactions	**659,459,000**	**10,000,000**	**669,459,000**	**603,441,433**	**(66,017,567)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	198,672,000	-	**198,672,000**	168,334,983	**(30,337,017)**	Refer Note 61
Interest - Taxation revenue	16,047,000	-	**16,047,000**	20,435,399	**4,388,399**	
Transfer revenue						
Government grants & subsidies	367,850,000	41,098,000	**408,948,000**	475,186,796	**66,238,796**	Refer Note 61
Donations received	-	-	-	1,463,107	**1,463,107**	
Fines, Penalties and Forfeits	2,093,000	-	**2,093,000**	596,142	**(1,496,858)**	
Other non-exchange revenue	18,971,000	-	**18,971,000**	-	**(18,971,000)**	Refer Note 61
Total revenue from non-exchange transactions	**603,633,000**	**41,098,000**	**644,731,000**	**666,016,427**	**21,285,427**	
Total revenue	**1,263,092,000**	**51,098,000**	**1,314,190,000**	**1,269,457,860**	**(44,732,140)**	
Expenditure						
Personnel	(358,936,000)	(27,000)	**(358,963,000)**	(355,396,770)	**3,566,230**	
Remuneration of councillors	(23,817,000)	-	**(23,817,000)**	(22,346,975)	**1,470,025**	
Depreciation and amortisation	(74,039,000)	-	**(74,039,000)**	(78,264,694)	**(4,225,694)**	
Finance costs	(18,110,000)	-	**(18,110,000)**	(70,418,448)	**(52,308,448)**	Refer Note 61
Debt Impairment	(112,803,000)	-	**(112,803,000)**	(254,318,905)	**(141,515,905)**	Refer Note 61
Bad debts written off	(2,577,000)	-	**(2,577,000)**	(1,990,656)	**586,344**	
Bulk purchases - Electricity	(302,826,000)	-	**(302,826,000)**	(294,830,806)	**7,995,194**	
Contracted Services	(153,403,000)	(17,854,000)	**(171,257,000)**	(110,927,386)	**60,329,614**	Refer Note 61
Transfers and Subsidies	(119,000)	(80,000)	**(199,000)**	-	**199,000**	
Operational costs	(75,081,000)	2,315,000	**(72,766,000)**	(94,042,927)	**(21,276,927)**	Refer Note 61
Inventory consumed	(27,457,000)	(4,281,000)	**(31,738,000)**	(32,322,237)	**(584,237)**	
Total expenditure	**(1,149,168,000)**	**(19,927,000)**	**(1,169,095,000)**	**(1,314,859,804)**	**(145,764,804)**	
Operating deficit	**113,924,000**	**31,171,000**	**145,095,000**	**(45,401,944)**	**(190,496,944)**	
Loss on disposal of assets and liabilities	-	-	-	(1,384,304)	**(1,384,304)**	

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
Fair value adjustments	-	-	-	(11,548,562)	(11,548,562)	
Actuarial gains/losses	-	-	-	2,274,467	2,274,467	
Gain on biological assets and agricultural produce	-	-	-	58,851	58,851	
	-	-	-	**(10,599,548)**	**(10,599,548)**	
Deficit before taxation	**113,924,000**	**31,171,000**	**145,095,000**	**(56,001,492)**	**(201,096,492)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**113,924,000**	**31,171,000**	**145,095,000**	**(56,001,492)**	**(201,096,492)**	

Dihlabeng Local Municipality
Annual Financial Statements for the year ended 30 June 2025

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	117,508,000	-	**117,508,000**	141,735,746	**24,227,746**	
Other financial assets	2,519,000	-	**2,519,000**	1,883,012	**(635,988)**	
Receivables from exchange transactions	-	-	-	185,344,930	**185,344,930**	
Receivables from non-exchange transactions	-	-	-	9,379,456	**9,379,456**	
VAT receivable	356,235,000	-	**356,235,000**	-	**(356,235,000)**	
Consumer debtors from exchange	291,921,000	-	**291,921,000**	65,111,694	**(226,809,306)**	
Consumer debtors from non-exchange transactions	207,427,000	-	**207,427,000**	31,812,752	**(175,614,248)**	
Cash and cash equivalents	340,974,000	-	**340,974,000**	31,913,006	**(309,060,994)**	
	1,316,584,000	**-**	**1,316,584,000**	**467,180,596**	**(849,403,404)**	
Non-Current Assets						
Biological assets that form part of an agricultural activity	-	-	-	8,976,162	**8,976,162**	
Investment property	572,453,000	-	**572,453,000**	524,803,911	**(47,649,089)**	
Property, plant and equipment	2,108,648,000	-	**2,108,648,000**	1,948,382,002	**(160,265,998)**	
Intangible assets	929,000	350,000	**1,279,000**	7,934,639	**6,655,639**	
Heritage assets	48,660,000	-	**48,660,000**	64,450,000	**15,790,000**	
Other financial assets	-	-	-	813,679	**813,679**	
	2,730,690,000	**350,000**	**2,731,040,000**	**2,555,360,393**	**(175,679,607)**	
Total Assets	**4,047,274,000**	**350,000**	**4,047,624,000**	**3,022,540,989**	**(1,025,083,011)**	
Liabilities						
Current Liabilities						
Other financial liabilities	5,966,000	-	**5,966,000**	-	**(5,966,000)**	
Payables from exchange transactions	198,746,000	-	**198,746,000**	733,071,894	**534,325,894**	
VAT payable	391,233,000	-	**391,233,000**	-	**(391,233,000)**	
Consumer deposits	12,496,000	-	**12,496,000**	15,738,442	**3,242,442**	
Unspent conditional grants and receipts	101,106,000	-	**101,106,000**	6,549,300	**(94,556,700)**	
Provisions	-	-	-	41,597,445	**41,597,445**	
Current portion of long term trade and other payables	-	-	-	486,464,174	**486,464,174**	
	709,547,000	**-**	**709,547,000**	**1,283,421,255**	**573,874,255**	
Non-Current Liabilities						
Other financial liabilities	12,063,000	-	**12,063,000**	-	**(12,063,000)**	
Employee benefit obligation	-	-	-	109,515,000	**109,515,000**	
Provisions	6,563,000	-	**6,563,000**	14,291,996	**7,728,996**	
Long service leave award	-	-	-	21,469,000	**21,469,000**	
Long term trade and other payables	-	-	-	209,863,185	**209,863,185**	

Dihlabeng Local Municipality
Annual Financial Statements for the year ended 30 June 2025

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
	18,626,000	**-**	**18,626,000**	**355,139,181**	**336,513,181**	
Total Liabilities	**728,173,000**	**-**	**728,173,000**	**1,638,560,436**	**910,387,436**	
Net Assets	**3,319,101,000**	**350,000**	**3,319,451,000**	**1,383,980,553**	**(1,935,470,447)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	2,400,000	-	**2,400,000**	15,790,000	**13,390,000**	
Accumulated surplus	3,316,701,000	350,000	**3,317,051,000**	1,367,612,807	**(1,949,438,193)**	
Total Net Assets	**3,319,101,000**	**350,000**	**3,319,451,000**	**1,383,402,807**	**(1,936,048,193)**	

1. Significant accounting polices

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

1.1 Basis of preparation

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

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

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

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

1.5 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experiences and other factors that are considered too reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

1.5 Significant judgements and sources of estimation uncertainty (continued)

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

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

Fair value estimation

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

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. 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 20 - Provisions.

Useful lives of waste and water network and other assets

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

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 21.

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.

The credit balances are excluded specifically from the provision. The payments done on the accounts and indigent status is used as basis for the calculations. The VAT portion is also taken out to the VAT provision account. Interest is added to the overdue outstanding balance on a monthly basis.

1.6 Biological assets that form part of an agricultural activity

The entity recognises biological assets that form part of an agricultural activity 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 that form part of an agricultural activity 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 that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets that form part of an agricultural activity 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.

Biological assets are derecognised when the Municipality disposes thereof or when it is no longer probable that future economic benefits or service potential will be generated from the biological asset. Any gain or loss that arises at the point of derecognition is recognised in the Statement of Financial performance at the point of derecognition.

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

1.7 Investment property (continued)

- sale in the ordinary course of operations.

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.

Initial recognition:

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.

Where the classification of an investment property is based on management's judgement, the following criteria have been applied to distinguish investment properties from owner-occupied property or property held for resale:

- 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 a currently undetermined future use;
- A building owned (or held by under a finance lease) and leased out under one or more operating leases;
- Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held;
- A building that is vacant but is held to be leased out under one or more operating leases;
- Property that is being constructed or developed for future use as investment property.

Subsequent measurement – Fair value model

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

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

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

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

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

Derecognition/Disposal

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.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value [or carrying amount if cost model is used] at the date of change in use. If owner-occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Significant Accounting Policies

1.7 Investment property (continued)

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.

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.

Initial recognition and measurement:

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

Subsequent measurement – cost model:

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

Depreciation:

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

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

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

1.8 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life
Buildings	Straight-line	5 - 50 years
Plant and equipment	Straight-line	2 - 37 years
Furniture and fixtures	Straight-line	5 - 22 years
Motor vehicles	Straight-line	5 - 22 years
Office equipment	Straight-line	5 - 22 years
IT Infrastructure equipment	Straight-line	5 - 22 years
Infrastructure - Electrical	Straight-line	5 - 50 years
Infrastructure - Roads	Straight-line	7 - 80 years
Infrastructure - Sewer	Straight-line	5 - 50 years
Infrastructure - Water	Straight-line	5 - 100 years
Infrastructure - Solid Waste	Straight-line	5 - 50 years
Other assets	Straight-line	5 - 22 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.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use.

Derecognition:

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

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

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 disclosure.

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).

1.9 Intangible assets

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.10 Heritage assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

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

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

1.10 Heritage assets (continued)

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

Land and buildings that qualify as Heritage assets, but of which a significant portion of that land and buildings is held for use in the production or supply of goods or services or for administrative purposes, are recognised as property, plant and equipment, rather than heritage assets.

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

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

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

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

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

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

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

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

Recognition

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

Initial measurement

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

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired. The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

1.10 Heritage assets (continued)

Subsequent measurement

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

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

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

Transfers

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

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

Derecognition

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

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

1.11 Financial instruments

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

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

1.11 Financial instruments (continued)

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

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

A financial asset is:
- cash and cash equivalents;
- deposits;
- rescaivables:
- 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.

Consumer deposits are current financial liabilities and they are recorded in accordance with trade and other payables.

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

Long term trade and other payables are financial liabilities.

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;

1.11 Financial instruments (continued)

- 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 as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other receivables from exchange transactions	Financial asset measured at amortised cost and cost
Other receivables from non-exchange transactions	Financial asset measured at amortised cost
Consumer debtors from exchange and non-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
Trade and other payable from exchange transactions	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost

Initial measurement:

The municipality recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument. The entity recognises financial assets using trade date accounting. The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.11 Financial instruments (continued)
Subsequent measurement of financial assets and financial liabilities

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

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

All financial instruments measured at amortised cost and cost, are subject to an impairment review.

Impairment of financial instruments:

Receivables and provision for impairment:

Receivables are classified as financial assets at amortised cost, and are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method. For amounts due from receivable carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant at the end of each reporting period. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in surplus or deficit. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a previous write-off is later recovered, the recovery is recognised in the surplus or deficit. The present value of the estimated future cash flows is discounted at the original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the original effective interest rate.

Payables and long term liabilities:

Financial liabilities consist of payables and long term liabilities. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

Cash and cash equivalents:

Cash and Cash Equivalents are initially measured at fair value. Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost. Non-Current Investments Investments which include fixed deposits invested in registered commercial banks, are stated at amortised cost. Gains and losses For financial assets and financial liabilities measured at amortised 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.

1.11 Financial instruments (continued)
Fair value measurement:

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, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

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

Derecognition:

Financial assets:

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. 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. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

Financial liabilities:

A financial liability (or a part of a financial liability) is derecognised 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. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

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.

Offsetting of financial instruments:

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.

1.12 Statutory receivables

Identification

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

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

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

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

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

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

1.12 Statutory receivables (continued)

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

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

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

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

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

Derecognition

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

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

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

1.13 Tax

VAT

The entity accounts for VAT on the accrual basis, and is liable for VAT on the payment basis. The entity is liable to account for VAT at the standard rate in terms of section 7(1)(a) of the Value Added Tax Act, (Act 89 of 1991) in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11 of the VAT Act, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The entity accounts for VAT on a monthly basis.

1.14 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.

1.14 Leases (continued)

Finance leases - lessee

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

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

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

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

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.

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.

In the evant that lease incentives are received to enter into operation leases, such incentives are recongnised as a liability. The aggregate benefit of incentives is recongnised as a reduction of rental expenses on a straight-line basis, except where another systematic basis is more representative of the time pattern in whi h economic benefits from the leased asset are consumed.

1.15 Inventories

Inventories which consist of raw materials, work in progress, consumables and finished goods 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.

1.15 Inventories (continued)

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.

Redundant and slow moving inventory are identified and written down to their estimated net realisable values estimated by management. Inventories are written down according to their age, condition and utility. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventory arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventory recognised as an expense in the period in which the reversal occurs.

Water Inventory

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

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

1.16 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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

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

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

Bank overdrafts which are repayable on demand forms an integral part of the entity's cash management activities, and as such are included as a component of cash and cash equivalents. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are carried at amortised cost.

1.17 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.. A commercial return means that the return charged by the entity is commensurate with the risk associated with holding the asset and the asset is intended to generate positive cash inflows. All other assets are classified as non-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.

1.17 Impairment of cash-generating assets (continued)

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.

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.

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.

1.17 Impairment of cash-generating assets (continued)

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.

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.

Redesignation

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

1.18 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.

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

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.

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.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

1.18 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.

1.19 Employee benefits

Identification

Employee benefits

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

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

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.

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

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment 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 an offer of benefits in exchange for the termination of employment.

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.

Short-term employee benefits

Recognition and measurement

All 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
- As an expense, unless another Standard of GRAP requires or permits the inclusion of the benefits in the cost of an asset

1.19 Employee benefits (continued)

Short-term paid absences

The entity recognises the expected cost of short-term employee benefits in the form of paid absences as follows:

(a) in the case of accumulating paid absences, when the employees render service that increases their entitlement to future paid absences; and

(b) in the case of non-accumulating paid absences, when the absences occur.

The entity measures the expected cost of accumulating paid absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

Bonus, incentive and performance related payments

The entity recognises the expected cost of bonus, incentive and performance related payments when, and only when:

(a) the entity has a present legal or constructive obligation to make such payments as a result of past events; and

(b) a reliable estimate of the obligation can be made. A present obligation exists when, and only when, the entity has no realistic alternative but to make the payments.

Post-employment benefits

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.

Multi-employer plans and/or State plans

The entity classifies a multi-employer plan and/or state plan 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). If the entity participates in a multi-employer defined benefit plan, the entity:

(a) accounts 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; and

(b) disclose the information required. When sufficient information is not available to use defined benefit accounting for multi-employer defined benefit plan, the entity: (a) accounts for the plan as if it were a defined contribution plan; and (b) disclose the information required.

In determining when to recognise, and how to measure, a liability relating to the wind-up of a multi-employer defined benefit plan, or the entity's withdrawal from a multi-employer defined benefit plan, the entity applies the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets (GRAP 19).

Post-employment benefits: Defined contribution plans

Recognition and measurement

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:

(a) as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, 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

1.19 Employee benefits (continued)

(b) as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset. When contributions to a defined contribution plan are not expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service, they are be discounted using the discount rate as specified.

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.

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.

Recognition and measurement

The entity determines the net defined benefit liability (asset) with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

Past service cost and gains and losses on settlement

When determining past service cost, or a gain or loss on settlement, the entity remeasures the net defined benefit liability (asset) using the current fair value of plan assets and current actuarial assumptions (including current market interest rates and other current market prices), reflecting:

(a) the benefits offered under the plan and the plan assets before the plan amendment, curtailment or settlement; and

(b) the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement.

Past service cost

The entity recognises past service cost as an expense at the earlier of the following dates:

(a) when the plan amendment or curtailment occurs; and

(b) when the entity recognises related restructuring costs or termination benefits.

Gains and losses on settlement

The entity recognises a gain or loss on the settlement of a defined benefit plan when the settlement occurs.

1.19 Employee benefits (continued)

Recognition and measurement: Plan assets

Components of defined benefit cost

The entity recognises the components of defined benefit cost in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset, as follows:

(a) service cost;

(b) net interest on the net defined benefit liability (asset); and

(c) remeasurements of the net defined benefit liability (asset).

Current service cost

The entity determines current service cost using actuarial assumptions determined at the start of the reporting period. However, if the entity remeasures the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement, it determines current service cost for the remainder of the reporting period after the plan amendment, curtailment or settlement using the actuarial assumptions used to remeasure the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement (part b).

Net interest on the net defined benefit liability (asset)

The entity determines net interest on the net defined benefit liability (asset) by multiplying the net defined benefit liability (asset) by the discount rate specified.

To determine net interest, the entity uses the net defined benefit liability (asset) and the discount rate determined at the start of the reporting period. However, if the entity remeasures the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement, the entity determines net interest for the remainder of the reporting period after the plan amendment, curtailment or settlement using:

(a) the net defined benefit liability (asset) determined in accordance with the section on Past service cost gains and losses on settlement (part b); and

(b) the discount rate used to remeasure the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement (part b).

In applying this, the entity also takes into account any changes in the net defined benefit liability (asset) during the period resulting from contributions or benefit payments.

Other long-term employee benefits

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 on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

Recognition and measurement

For other long-term employee benefits, the entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

(a) service cost;

(b) net interest on the net defined benefit liability (asset); and

(c) remeasurements of the net defined benefit liability (asset).

1.19 Employee benefits (continued)

Long service award

Recognition

A long service award is granted to municipal employees after the completion of fixed periods of continuous service with the municipality.

Measurement

The said reward comprises a certain number of accumulated vacation leave days and a fixed percentage of his or her basic salary applicable at the time the award become due.

The provision represents an estimate of the award to which employees in the service of the municipality at 30 June 2022 may become entitled to in future, based on actuarial valuation at that date.

1.20 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 49. A brief description of the nature of each class of contingent liability should be provided and where possible:

- an estimate of it's financial effect,
- an indication of the uncertainties relating to the amount or timing of any outflow; and
- the possibility of any reimbursements.

Significant Accounting Policies

1.20 Provisions and contingencies (continued)
Environmental Rehabilitation Provisions:
Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

1.21 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.

1.22 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.

1.22 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 charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Unbilled consumption at year-end (used before year-end, but only billed after year-end), based on the actual consumption billed in the next financial year.

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale.

Unclaimed deposits older than three (3) years are recognised as revenue.

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.

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

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.

Significant Accounting Policies

1.23 Revenue from non-exchange transactions

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

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

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

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

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. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the Municipality is entitled to collect. Subsequent to initial recognition and measurement, the Municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate.

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

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.

Interest written off as part of the municipal debt relief program are considered to be income from non-exchange transactions.

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

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

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

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

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

Unconditional grants: Equitable share allocations are recognised in revenue at the start of the financial year.

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

Significant Accounting Policies

1.23 Revenue from non-exchange transactions (continued)

Services received in kind: Services in kind are recognised at its fair value when it is significant to the operations and/or service delivery objectives and when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably. If the services in-kind are not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, only the nature and type of services in-kind received during the reporting period is disclosed.

Recognition

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

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

Measurement

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

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

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

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

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.

Government grants and unspent conditional grants

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised. To qualify as a conditional grant, the conditions of the grant must be clearly stipulated including:

- The required outputs and outcomes; and
- That any unspent portion must be repaid to the grantor.

1.24 Investment income

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

Significant Accounting Policies

1.25 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.

1.26 Comparative figures

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

1.27 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.

1.28 Fruitless and wasteful expenditure

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

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

1.29 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170
(b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, at; requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act or
(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
(d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law,
but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

National Treasury MFMA Circular No 68 of June 2019 which was issued and updated on 13 October 2021 in terms of sections 76(1) to 76(4) of the MFMA requires the following:

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

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

1.29 Irregular expenditure (continued)

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.30 Revaluation reserve

The surplus arising from the revaluation of heritage assets is credited to a non-distributable reserve. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.31 Segment information

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

General Information:

Identification of segments

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

The Corporate Services, Office of the Municipal Manager, Political Office, Financial Services and Local Economic Development directorates are the governance and administration units of the municipality. However, they are not reportable segments; their results are reported as non-reportable segments to reconcile the results of the reportable segments to the total revenue and expenses of the municipality for the year under review.

Segments were identified based on the Municipal Finance Management Act, section 71 monthly budget statements, which executive management and Council review to make strategic decisions and monitor segment performance. The disclosure of information about segments in the budget statements is organised around the type of service delivered, in a standardised format, and is considered appropriate for external reporting purposes to achieve the objectives of GRAP 18.

Segments are aggregated for reporting purposes where management consider the economic characteristics and nature of services as sufficiently similar to warrant aggregation. The components of each aggregated segment is explained under the description of segment operations.

Reportable segments are identified based on activities of the municipality that generate economic benefits or service potential, including internal services that contribute to achieving the municipality's objectives without necessarily generating net cash inflows.

Management does monitor performance geographically, but does not at present have reliable separate financial information for decision making purpose. Procedure will be put in place to generate this information at a transactional level and in the most cost effective manner.

The inter-departmental transactions is transactions between the different departments within the municipality and are accounted for using the normal accounting policies used by the municipality.

A measure of assets and liabilities for each reportable segment has not been presented as these amounts are not regularly provided to management. The only measure of asset information that is regularly provided to management is the additions to non-current assets. Accordingly, additions to non-current assets is the only asset measure presented for the reportable segments.

1.32 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 a accrual basis and presented by functional classification linked to performance outcome objectives.

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

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.

1.33 Related parties

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

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 ventures).

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.

1.34 Events after reporting date

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

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

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

1.34 Events after reporting date (continued)

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

1.35 Living and non-living resources

Living resources are those resources that undergo biological transformation.

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

Agricultural activity is the management by an municipality of the biological transformation and harvest of biological assets for:

(a) sale;

(b) distribution at no charge or for a nominal charge; or

(c) conversion into agriculture produce or into additional biological assets for sale or distribution at no charge or for a nominal charge.

A bearer plant is a living plant that:

(a) is used in the production or supply of agricultural produce;

(b) is expected to bear produce for more than one period; and

(c) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Biological transformation (for purposes of this Standard) comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a living resource.

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

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

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

Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

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.

Group of resources means a grouping of living or non-living resources of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

The residual value of an asset is the estimated amount that an municipality would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

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

Recognition

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

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

1.35 Living and non-living resources (continued)

Where the municipality is required in terms of legislation or similar means to manage a living resource, but it does not meet the definition of an asset because control of the resource cannot be demonstrated, relevant information are disclosed in the notes to the annual financial statements.

Where the municipality holds a living resource that meets the definition of an asset, but which does not meet the recognition criteria, relevant information are disclosed in the notes to the annual financial statements. When the information about the cost or fair value of the living resource becomes available, the municipality recognise, from that date, the living resource and apply the measurement principles.

Measurement at recognition

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

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

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

Measurement after recognition

Revaluation model

After recognition as an asset, a group of living resources, whose fair value can be measured reliably, are carried at a revalued amount, which is its fair value at the date of the revaluation less any accumulated depreciation and accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

If a living resource is revalued, the entire group of living resources to which that resource belongs, are revalued.

If the carrying amount of a living resource is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same living resource previously recognised in surplus or deficit.

If the carrying amount of a living resource is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that living resource. The decrease recognised directly in net assets reduces the amount accumulated in net assets under the heading revaluation surplus.

If the fair value of a living resource can no longer be determined because market-determined prices or values are not available and alternative estimates of fair value are determined to be clearly unreliable, the carrying amount of the living resource is its revalued amount as at the date of the last revaluation by reference to market-determined prices or values that were determined based on alternative estimates, less any subsequent depreciation and subsequent impairment losses. The municipality measures the living resource using the cost model until the fair value of the living resource becomes available. The municipality measures from that date the living resource at its fair value.

Depreciation

Living resources are depreciated and the depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset, where appropriate.

The depreciable amount of a living resource is allocated on a systematic basis over its useful life.

The municipality assesses at each reporting date whether there is any indication that the entity's expectations about the residual value and the useful life of a living resource 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(s) is accounted for as a change in an accounting estimate.

In assessing whether there is any indication that the expected useful life of the living resource has changed, the municipality considers the following indications:

1.35 Living and non-living resources (continued)

(a) The use of the living resource has changed, because of the following:
- The municipality has changed the manner in which The living resource is used.
- The municipality has made a decision to dispose of the living resource in a future reporting period(s) such that this decision changes the expected period over which the living resource will be used.
- Legislation, government policy or similar means have been amended or implemented during the reporting period that have, or will, change the use of the living resource.
- The living resource was idle or retired from use during the reporting period.

(b) The living resource is approaching the end of its previously expected useful life.

(c) There is evidence that the condition of the living resource improved or declined based on assessments undertaken during the reporting period.

(d) The living resource is assessed as being impaired.

In assessing whether there is any indication that the expected residual value of the living resource has changed, the municipality considers whether there has been any change in the expected timing of disposal of the living resource, as well as any relevant indicators as noted above.

The depreciation method used reflects the pattern in which the future economic benefits or service potential of the living resource is expected to be consumed by the entity.

The depreciation method applied to a living resource 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 living resource, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

Item	Depreciation method	Average useful life

Impairment

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

Compensation from third parties for living resources that have been impaired, lost or given up, is included in surplus or deficit when the compensation becomes receivable.

Transfers

Transfers from living resources are made when the particular asset no longer meets the definition of a living resource and/or is no longer within the scope of this accounting policy.

Transfers to living resources are made when the asset meets the definition of a living resource.

Derecognition

The carrying amount of a living resource is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a living resource is included in surplus or deficit when the item is derecognised.

Figures in Rand	2025	2024

2. New standards and interpretations

2.1 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2025 or later periods but are not relevant to its operations:

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

3. Inventories

	2025	2024
Land held for sale	140,962,085	104,090,055
Consumable stores	-	437,496
Water for distribution	233,371	226,455
Water chemicals	540,290	674,100
	141,735,746	**105,428,106**

	2025	2024
Inventories recognised as an expense during the year	32,322,237	33,647,917

This includes the following items from Contracted services - Chemicals and General expenses - Fuel and oil and Consumables.

4. Other financial assets

	2025	2024
Designated at fair value		
Listed shares 4 169 shares in Sanlam @ R88.67 (2024 : R80.92)	369,665	337,355
Unlisted shares 8 662 shares in Oos Vrystaat Kaap Operations Ltd @ R27.32 (2024 : R24.25) 9 016 shares in Oos Vrystaat Kaap Holdings Ltd @ R23.00 (2024 : R20.50)	444,014	394,882
Sanlam short term deposit The short term deposit at Sanlam is fixed and matures at a future date.	1,544,403	1,220,078
ABSA short term deposit The short term deposit at ABSA is fixed and matures at a future date.	338,609	225,582
	2,696,691	**2,177,897**

	2025	2024
Non-current assets		
Designated at fair value	813,679	732,237
Current assets		
Designated at fair value	1,883,012	1,445,660

5. Receivables from exchange transactions

	2025	2024
Unbilled consumption to trade debtors	16,903,703	14,776,759
Pre-paid electricity from third party vendors	3,038,066	3,484,839
Input VAT accrual on creditors	161,728,066	136,883,111
Prepaid expenses	6,480,000	1,631,880
Sale of property debtors	745,524	663,394
VAT control - receivable from SARS	282,305	-
	189,177,664	**157,439,983**

Figures in Rand	2025	2024

6. Receivables from non-exchange transactions

Government grants and subsidies	4,420,584	920,584
Post office deposits	100,000	100,000
Other receivables from non-exchange revenue	4,858,871	4,503,568
Provision for impairment on non-exchange receivables	(4,410,581)	-
	4,968,874	**5,524,152**

7. Consumer debtors

Gross balances		
Consumer debtors from non-exchange transactions		
Rates	292,320,252	264,481,077
Consumer debtors from exchange transactions		
Electricity	105,968,870	95,493,445
Water	569,639,258	544,987,977
Sewerage	380,113,909	352,788,709
Refuse	492,751,906	451,746,824
Rental, advertising and sundry charges	84,110,245	73,960,557
	1,924,904,440	**1,783,458,589**

Less: Allowance for impairment		
Consumer debtors from non-exchange transactions		
Rates	(260,507,499)	(251,087,026)
Consumer debtors from exchange transactions		
Electricity	(72,940,736)	(90,657,393)
Water	(556,536,146)	(517,388,282)
Sewerage	(369,381,030)	(334,922,513)
Refuse	(486,071,646)	(428,869,118)
Rental, advertising and sundry charges	(82,542,936)	(70,214,990)
	(1,827,979,993)	**(1,693,139,322)**

Net balance		
Consumer debtors from non-exchange transactions		
Rates	31,812,753	13,394,051
Consumer debtors from exchange transactions		
Electricity	33,028,134	4,836,052
Water	13,103,112	27,599,695
Sewerage	10,732,879	17,866,196
Refuse	6,680,260	22,877,706
Rental, advertising and sundry charges	1,567,309	3,745,567
	96,924,447	**90,319,267**

Rates		
Current (0 -30 days)	12,600,593	11,680,685
31 - 60 days	6,890,678	5,916,533
61 - 90 days	5,830,028	5,040,385
91 - 120 days	5,157,939	4,714,148
121 - 365 days	51,134,888	51,698,551
> 365 days	210,706,125	185,430,777
Less: Debt impairment	(260,507,498)	(251,087,028)
	31,812,753	**13,394,051**

Figures in Rand	2025	2024

7. Receivables from exchange transactions (continued)

Electricity

	2025	2024
Current (0 -30 days)	14,716,019	16,366,961
31 - 60 days	4,251,233	3,543,780
61 - 90 days	3,163,030	2,448,755
91 - 120 days	2,377,315	1,985,818
121 - 365 days	21,468,791	19,516,349
> 365 days	59,992,482	51,631,781
Less: Debt impairment	(72,940,736)	(90,657,392)
	33,028,134	**4,836,052**

Water

	2025	2024
Current (0 -30 days)	10,026,516	10,309,892
31 - 60 days	8,343,703	8,328,795
61 - 90 days	8,438,583	8,724,894
91 - 120 days	7,939,518	8,004,470
121 - 365 days	68,081,545	65,585,018
> 365 days	466,809,393	444,034,908
Less: Debt impairment	(556,536,146)	(517,388,282)
	13,103,112	**27,599,695**

Sewerage

	2025	2024
Current (0 -30 days)	6,956,900	7,219,291
31 - 60 days	5,776,376	5,802,978
61 - 90 days	5,416,787	5,489,666
91 - 120 days	5,298,611	5,355,734
121 - 365 days	46,828,472	46,314,148
> 365 days	309,836,763	282,606,890
Less: Debt impairment	(369,381,030)	(334,922,511)
	10,732,879	**17,866,196**

Refuse

	2025	2024
Current (0 -30 days)	8,278,630	8,079,414
31 - 60 days	7,444,121	7,085,441
61 - 90 days	7,219,628	6,857,995
91 - 120 days	7,154,004	6,749,587
121 - 365 days	63,250,096	59,337,327
> 365 days	399,405,426	363,637,060
Less: Debt impairment	(486,071,645)	(428,869,118)
	6,680,260	**22,877,706**

Rental, advertising and sundry charges

	2025	2024
Current (0 -30 days)	4,576,291	1,216,640
31 - 60 days	950,210	967,734
61 - 90 days	867,787	800,265
91 - 120 days	839,424	762,127
121 - 365 days	7,961,259	7,289,488
> 365 days	68,915,275	62,924,303
Less: Debt impairment	(82,542,937)	(70,214,990)
	1,567,309	**3,745,567**

Figures in Rand	2025	2024

7. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	52,397,160	50,279,864
31 - 60 days	30,492,963	28,040,760
61 - 90 days	28,275,187	26,067,589
91 - 120 days	26,358,492	24,663,943
121 - 365 days	232,679,599	214,276,629
> 365 days	1,429,672,807	1,301,030,144
	1,799,876,208	1,644,358,929
Less: Allowance for impairment	(1,727,968,756)	(1,564,307,397)
	71,907,452	**80,051,532**

National and provincial government		
Current (0 -30 days)	3,764,203	4,592,854
31 - 60 days	3,206,732	3,604,502
61 - 90 days	2,743,079	3,294,370
91 - 120 days	2,436,683	2,907,941
121 - 365 days	26,115,685	35,464,252
> 365 days	86,761,848	89,235,574
	125,028,230	139,099,493
Less: Allowance for impairment	(100,011,236)	(128,831,925)
	25,016,994	**10,267,568**

Total		
Current (0 -30 days)	89,861,058	54,872,883
31 - 60 days	31,018,266	31,645,262
61 - 90 days	28,795,174	29,361,959
91 - 120 days	28,393,694	27,571,884
121 - 365 days	254,742,544	249,740,882
> 365 days	1,492,093,703	1,390,265,718
	1,924,904,439	1,783,458,588
Less: Allowance for impairment	(1,827,979,992)	(1,693,139,321)
	96,924,447	**90,319,267**

Less: Allowance for impairment		
Current (0 -30 days)	(31,004,972)	(12,103,252)
31 - 60 days	(24,155,661)	(13,765,759)
61 - 90 days	(23,628,051)	(15,897,628)
91 - 120 days	(22,859,281)	(18,541,800)
121 - 365 days	(209,897,372)	(242,565,166)
> 365 days	(1,516,434,656)	(1,390,265,717)
	(1,827,979,993)	**(1,693,139,322)**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(1,693,139,323)	(1,416,698,382)
Contributions to allowance	(254,309,245)	(276,440,940)
Debt impairment written off against allowance	119,468,575	-
	(1,827,979,993)	**(1,693,139,322)**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

7. Receivables from exchange transactions (continued)

Statutory receivables general information

Included in the receivables at 30 June 2025, is statutory receivables of R8,239,293 (2024 : R6,724,347).

Rates:

Transaction(s) arising from statute

The Municipal Propertiy Rates Act (Act 6 of 2004) gives rise to this transactions.

Determination of transaction amount

Rates are charged according to the municipal tariff policy and interest is charged at prime plus 1%.

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

The collection rate per ward per service is used to calculate the impairment.

Reconciliation of provision for impairment

Relating specifically to Statutory Receivables		
Opening balance	251,087,027	207,217,721
Provision for impairment	9,420,472	43,869,306
	260,507,499	**251,087,027**

Receivables impaired

Relating specifically to Statutory Receivables

As of 30 June 2025, statutory receivables of R260,507,499 (2024: R251,087,027) were impaired and provided for.

The amount of the provision was R9,420,472 30 June 2025 (2024: R43,869,306).

Consumer debtors impaired

As of 30 June 2025, consumer debtors of R1,827,979,993 (2024: R1,693,139,323) were impaired and provided for.

The amount of the provision was R254,309,245 as of 30 June 2025 (2024: R276,440,940).

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	281,569	263,248
Bank balances	31,631,538	55,566,648
	31,913,107	**55,829,896**

Figures in Rand	2025	2024

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 (Primary) - 405-289-8966	3,898,310	6,504,174	15,415,597	3,921,165	10,644,325	15,736,774
ABSA Bank - Cheque account (Project) - 100-001-0223	27,759,707	44,947,422	180,991	27,702,972	44,922,302	155,871
ABSA Bank - Cheque account - 40-8862-1820	7,400	122	64,897	7,400	22	64,897
Total	**31,665,417**	**51,451,718**	**15,661,485**	**31,631,537**	**55,566,649**	**15,957,542**

9. Biological assets that form part of an agricultural activity

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Game stock	8,976,162	-	8,976,162	8,917,311	-	8,917,311

Reconciliation of biological assets that form part of an agricultural activity - 2025

	Opening balance	Gains or losses arising from changes in fair value	Total
Game stock	8,917,311	58,851	8,976,162

Reconciliation of biological assets that form part of an agricultural activity - 2024

	Opening balance	Gains or losses arising from changes in fair value	Total
Game stock	5,779,895	3,137,416	8,917,311

Non-financial information

Quantities of each biological asset

	2025	2024
Game stock	2,648	2,789

A foot based count were performed by the Community Service department and the rangers from Golden Gate National Park on 27 June 2025 and the actual numbers counted were used. The field rangers from Golden Gate Highlands National Park assists the municipality in managing the Wolhuterskop Private Nature Reserve by giving a report indicating which animals should be removed and / or culled during the next financial year.

The game stock are all kept at Wolhuterskop Nature reserve and are open to the public to visit at an entry fee per vehicle.

Pledged as security

No biological assets were pledged as security.

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	524,803,911	-	524,803,911	572,402,741	-	572,402,741

Reconciliation of investment property - 2025

	Opening balance	Disposals / Written-off	Transfers to inventory	Fair value adjustments	Total
Investment property	572,402,741	(1,470,000)	(34,174,500)	(11,954,330)	524,803,911

Reconciliation of investment property - 2024

	Opening balance	Disposals /	Transfers to inventory	Fair value adjustments	Total
Investment property	576,253,541	-	(3,850,800)	-	572,402,741

Pledged as security

No investment property were pledged as security.

Re-classification of Investment property to inventory

A council resolution was taken to put various land available for purchase via tender process. Refer to tender DTP002/2025.

Details of property

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

Details of valuation

The effective date of the revaluations was 01 July 2024. Revaluations were performed by an independent valuer, Mr Arthur Lelosa (Professional Valuer), of Manna Holdings (Pty) Ltd as part of the valuation roll update of the municipality. Manna Holdings are 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.

These assumptions are based on current market conditions.

Amounts recognised in surplus or deficit

	2025	2024
Rental revenue from Investment property	2,105,664	1,935,231
From Investment property that generated rental revenue		
Repairs and maintenance	-	-

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
Community assets and buildings	362,666,350	(198,794,876)	163,871,474	362,312,217	(188,650,956)	173,661,261
Furniture and fittings	11,002,848	(9,151,659)	1,851,189	10,716,505	(8,238,030)	2,478,475
Infrastructure - Electrical	403,005,835	(179,026,549)	223,979,286	356,286,946	(171,000,966)	185,285,980
Infrastructure - Roads	1,090,905,815	(697,822,658)	393,083,157	1,060,253,202	(674,253,130)	386,000,072
Infrastructure - Sewer	500,261,296	(235,642,868)	264,618,428	495,841,902	(227,856,228)	267,985,674
Infrastructure - Solid waste	5,509,630	(1,777,565)	3,732,065	5,509,630	(1,686,577)	3,823,053
Infrastructure - Storm water	106,544,664	(52,111,744)	54,432,920	103,886,118	(50,638,115)	53,248,003
Infrastructure - Water	851,314,561	(244,857,237)	606,457,324	736,000,310	(232,686,689)	503,313,621
Land owned	208,256,831	-	208,256,831	210,954,361	-	210,954,361
Motor vehicles	55,763,907	(37,213,780)	18,550,127	49,112,054	(31,190,997)	17,921,057
Office equipment	18,555,797	(13,449,826)	5,105,971	17,505,998	(11,150,326)	6,355,672
Plant and equipment	12,972,782	(10,459,552)	2,513,230	12,474,042	(9,426,610)	3,047,432
Railways	48,921,029	(46,991,029)	1,930,000	48,921,029	(44,154,471)	4,766,558
Total	**3,675,681,345**	**(1,727,299,343)**	**1,948,382,002**	**3,469,774,314**	**(1,650,933,095)**	**1,818,841,219**

Notes to the Annual Financial Statements

Figures in Rand

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Transfer to inventory	Depreciation	Total
Community assets and buildings	173,661,261	354,134	-	(10,143,921)	163,871,474
Furniture and fittings	2,478,475	286,343	-	(913,629)	1,851,189
Infrastructure - Electrical	185,285,980	46,718,889	-	(8,025,583)	223,979,286
Infrastructure - Roads	386,000,072	30,652,615	-	(23,569,530)	393,083,157
Infrastructure - Sewer	267,985,674	4,419,394	-	(7,786,640)	264,618,428
Infrastructure - Solid waste	3,823,053	-	-	(90,988)	3,732,065
Infrastructure - Storm water	53,248,003	2,658,546	-	(1,473,629)	54,432,920
Infrastructure - Water	503,313,621	115,314,251	-	(12,170,548)	606,457,324
Land owned	210,954,361	-	(2,697,530)	-	208,256,831
Motor vehicles	17,921,057	6,651,854	-	(6,022,784)	18,550,127
Office equipment	6,355,672	1,049,800	-	(2,299,501)	5,105,971
Plant and equipment	3,047,432	498,738	-	(1,032,940)	2,513,230
Railways	4,766,558	-	-	(2,836,558)	1,930,000
	1,818,841,219	**208,604,564**	**(2,697,530)**	**(76,366,251)**	**1,948,382,002**

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Depreciation	Total
Community assets and buildings	177,420,563	6,089,862	(9,849,164)	173,661,261
Furniture and fittings	3,303,753	207,828	(1,033,106)	2,478,475
Infrastructure - Electrical	177,907,960	14,051,050	(6,673,030)	185,285,980
Infrastructure - Roads	401,211,305	8,123,664	(23,334,897)	386,000,072
Infrastructure - Sewer	275,831,100	-	(7,845,426)	267,985,674
Infrastructure - Solid waste	3,914,040	-	(90,987)	3,823,053
Infrastructure - Storm water	54,645,499	-	(1,397,496)	53,248,003
Infrastructure - Water	464,860,354	50,508,359	(12,055,092)	503,313,621
Land owned	210,954,361	-	-	210,954,361
Motor vehicles	17,703,784	5,783,030	(5,565,757)	17,921,057
Office equipment	7,574,240	1,144,162	(2,362,730)	6,355,672
Plant and equipment	3,501,007	674,376	(1,127,951)	3,047,432
Railways	7,603,116	-	(2,836,558)	4,766,558
	1,806,431,082	**86,582,331**	**(74,172,194)**	**1,818,841,219**

Pledged as security

No items of property, plant and equipment were pledged as security.

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

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
2.2 Ml Reservoir in Fouriesburg Currently awaiting funding for this project to be completed	5,074,231	5,074,231
Container Park in Bethlehem Current dispute with the contractor regarding work done and investigation into the payments done.	3,525,503	3,525,503
	8,599,734	**8,599,734**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

Reconciliation of Work-in-Progress 2025

	Opening balance	Additions	Completed	Closing Balance
Community buildings	8,541,808	-	-	8,541,808
Infrastructure - Electrical	57,732,764	14,360,101	-	72,092,865
Infrastructure - Roads	-	21,012,608	-	21,012,608
Infrastructure - Sewer	9,461,978	-	-	9,461,978
Infrastructure - Solid waste	1,589,576	-	-	1,589,576
Infrastructure - Water	146,050,256	114,412,894	-	260,463,150
	223,376,382	**149,785,603**	**-**	**373,161,985**

Reconciliation of Work-in-Progress 2024

	Opening balance	Additions	Completed	Closing balance
Community buildings	9,957,438	6,042,162	(7,457,792)	8,541,808
Infrastructure - Electrical	44,836,205	14,051,049	(1,154,490)	57,732,764
Infrastructure - Roads	15,471,796	8,123,662	(23,595,458)	-
Infrastructure - Sewer	9,461,978	32,872,586	(32,872,586)	9,461,978
Infrastructure - Solid waste	1,566,576	23,000	-	1,589,576
Infrastructure - Water	95,541,896	50,508,360	-	146,050,256
	176,835,889	**111,620,819**	**(65,080,326)**	**223,376,382**

Expenditure incurred to repair and maintain property, plant and equipment

	2025	2024
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Repairs and maintenance of Infrastructure assets	13,688,066	5,089,872
Repairs and maintenance of other assets	1,277,809	2,238,347
	14,965,875	**7,328,219**

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

12. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	14,307,253	(6,372,614)	7,934,639	5,905,253	(4,474,170)	1,431,083

Reconciliation of intangible assets - 2025

	Opening balance	Additions	Amortisation	Total
Computer software, other	1,431,083	8,402,000	(1,898,444)	7,934,639

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software, other	2,118,195	(687,112)	1,431,083

Pledged as security

No intangible assets were pledged as security.

13. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	64,450,000	-	64,450,000	64,450,000	-	64,450,000

Reconciliation of heritage assets 2025

	Opening balance	Total
Historical buildings	64,450,000	64,450,000

Reconciliation of heritage assets 2024

	Opening balance	Total
Historical buildings	64,450,000	64,450,000

Valuation of heritage assets

Valuations were performed by an independent valuer, Mr Athur Lelosa, from the firm Manna Holdings (Pty) Ltd, who holds a recognised and relevant qualification, during May 2023. A certificate to this extent was received from the above-mentioned valuator. The depreciated replacement cost method were used during the valuations.

Pledged as security

No heritage assets were pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

Revaluations

Historical buildings

The effective date of the revaluation was 31/05/2023. Revaluations were performed by independent valuer, Mr Athur Lelosa, from the firm Manna Holdings (Pty) Ltd, who holds a recognised and relevant qualification, during May 2023.

A certificate to this extent was received from the above-mentioned valuator. The depreciated replacement cost method were used during the valuations.

The revaluation surplus relating to the heritage asset is as follows:

Opening balance	15,790,000	15,790,000

Expenditure incurred to repair and maintain heritage assets

Expenditure incurred to repair and maintain heritage assets included in Statement of Financial Performance

Repairs and maintenance	-	-

14. Statutory receivables

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

Unpaid traffic fines	64,589,407	64,448,507
Provision for traffic fines not recoverable	(64,589,407)	(64,446,125)
	-	**2,382**
Current assets	-	2,382

Statutory receivables general information

Transaction(s) arising from statute

Traffic fines arises from fines revenue in accordance with Section 341 of the Criminal procedure Act (Act 51 of 1977) and National Traffic Act (Act 93 of 1996).

Determination of transaction amount

The fines amount are determined in accordance with the Administrative Adjudication of Road Traffic Offences Act, 1998.

Interest or other charges levied/charged

The Administrative Adjudication of Road Traffic Offences Act determines rates and no interest or other levies are charged.

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

The collection rate of the outstanding traffic fines balance as a whole is considered based on past collection experiences, thereafter discounting is considered in terms of materiality.

Statutory receivables past due but not impaired

All traffic fines are impaired based on expected collection of these fines which is very low.

Figures in Rand	2025	2024

Statutory receivables impaired

As of 30 June 2025, Statutory receivables from traffic fines of R143,282 (2024: R679,467) were impaired and provided for.

The amount of the unpaid traffic fine provision was R64,446,125 as of 30 June 2025 (2024: R64,446,125).

The ageing of these traffic fines is as follows:

0 to 6 months	193,550	377,000
Over 6 months	64,395,857	64,071,507

Reconciliation of provision for impairment for statutory receivables

Opening balance	(64,446,125)	(63,766,658)
Provision for impairment	(143,282)	(679,467)
	(64,589,407)	**(64,446,125)**

15. Revaluation reserve

Opening balance	15,790,000	15,790,000

Heritage assets were revalued by an independent valuer, Mr Athur Lelosa, from the firm Manna Holdings (Pty) Ltd, who holds a recognised and relevant qualification, during May 2023. A certificate to this extent was received from the above-mentioned valuator. The depreciated replacement cost method were used during the valuations.

16. Other financial liabilities

At amortised cost		
Development Bank of South Africa (DBSA)	-	7,432,485

Current liabilities		
At amortised cost	-	7,432,485

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Cemetery systems Grant (COGTA)	1,800,000	-
Municipal Infrastructure Grant (MIG)	-	7,605,546
Municipal Disaster Response Grant (MDRG)	4,749,300	16,853,000
National Development Electrification Grant (INEP)	-	1,250,000
	6,549,300	**25,708,546**

Movement during the year

Balance at the beginning of the year	25,708,546	29,079,416
Additions during the year	6,800,000	26,629,130
Income recognition during the year	(25,959,246)	(30,000,000)
	6,549,300	**25,708,546**

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

See note 33 for reconciliation of grants from National/Provincial Government.

Figures in Rand	2025	2024

18. Payables from exchange transactions

Trade payables	647,748,550	456,802,750
Trade receivables with credit balances	27,698,742	23,498,461
Deposits on land sales	215,767	215,767
Deposits received	246,421	229,100
Sundry creditors	20,597,361	21,770,672
Salary related creditors	908,506	5,307,906
Accrued bonus	6,853,917	6,870,196
Retention on projects	22,110,911	8,764,866
VAT control - payable to SARS	-	1,846,680
Output VAT accrual on consumer debtors	137,324,183	131,352,225
Output VAT accrual - Provision for doubtful debt impairment	(130,632,464)	(126,055,678)
	733,071,894	**530,602,945**

19. Consumer deposits

Water and electricity	15,671,977	14,328,616
Sundry	66,465	53,084
	15,738,442	**14,381,700**

20. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	11,874,861	2,417,135	-	14,291,996
Leave provision	39,379,844	2,217,601	-	41,597,445
	51,254,705	**4,634,736**	**-**	**55,889,441**

Reconciliation of provisions - 2024

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	11,888,608	-	(13,747)	11,874,861
Leave provision	37,622,835	1,757,009	-	39,379,844
	49,511,443	**1,757,009**	**(13,747)**	**51,254,705**

Non-current liabilities	7,726,984	6,050,080
Current liabilities	48,162,457	45,204,625
	55,889,441	**51,254,705**

Leave provision

All leave that will be payble at year-end to the employees are included in the calculation and the current Basic Conditions of Employment Act (BCEA) rates are used for the first 21 days and the remainder at the current salary rate.

The timing of any payment is uncertain, as employees are only allowed to encash their accumulated leave on resignation. Sec 57 managers are allowed to encash their leave during their service term.

Environmental rehabilitation provision

Bethlehem Dumping site:

The new dumping site in Bethlehem became operational on 1 December 2010 as the old dumping site was closed. On a monthly basis the site is filled with approximately 6,200 cubic meters of cover material, garden waste, industrial waste and building rubble. The landfill site was originally assessed by Metsi Metseng Geological & Environmental Services and based on the assessment, the provision for the rehabilitation and the closure of the landfill site was calculated over a period of 20 years. The landfill site was assessed by EnviroMatrix (Pty) Ltd and due to the decrease in the amount of waste (due to recycling) the lifespan was increase to 30 years (2024 : 30 years).

The following key assumptions were made that can impact considerably on the calculations of the provision if they change:

- provision was made for the disposal of 2 985 100 cubic meters waste what will fill an area of 115 600 square metres x 18 meters high over a lifespan of 30 years
- an average disposal tempo of 150 cubic meters/day over the remaining 16 years lifespan was used for the cost calculations
- an annual inflationary increase of 6.4% (2024 : 6.0%) was used of the projected costs

Mashaeng Dumping Site:

The site was developed in 1992 with a lifespan of approximately 30 years. On a monthly basis, the site is filled with approximately 210 cubic meters of cover material, garden waste, industrial waste and building rubble. The landfill site was assessed by EnviroMatrix (Pty) Ltd and based on the assessment, the provision for the rehabilitation and the closure of the landfill site will have an estimated lifespan of 2 years.

The following key assumptions were made that can impact considerably on the calculations of the provision if they change:

- provision was made for the disposal of 55 270 cubic meters waste that will fill the area within the remaining lifespan of 1 year
- an average disposal tempo of 7 cubic meters per day over the 1 year lifespan was used for the cost calculations
- an annual inflationary increase of 6.4% (2024 : 6.0%) was used of the projected costs
- This site needs to be closed in the near future and the municipality is in the process of establishing a new site and obtaining the necessary licences.

General for both sites:

Proper management of the site will increase the number of years of operation and will ensure that environmental compliance is adhered to. The timing of the cashflow is uncertain.

An assessment was done on 6 August 2025 by the firm EnviroMatrix (Pty) Ltd to estimate the total closure cost of the current dumping sites in accordance with it's licence agreements.

21. Employee benefit obligations

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

	2025	2024
Carrying value		
Present value of the defined benefit obligation	109,515,000	97,496,000
Non-current liabilities	105,966,000	94,116,000
Current liabilities	3,549,000	3,380,000
	109,515,000	**97,496,000**

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

	2025	2024
Opening balance	97,496,000	93,918,000
Service cost	4,049,000	4,068,000
Interest cost	12,126,000	11,576,000
Remeasurements	(1,207,919)	(9,334,193)
Contributions by employer	(2,948,081)	(2,731,807)
	109,515,000	**97,496,000**

Figures in Rand	2025	2024

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

Service cost	4,049,000	4,068,000
- Current service cost	4,049,000	4,068,000
Net interest on the net defined benefit liability (asset)	12,126,000	11,576,000
Remeasurements of the net defined benefit liability (asset)	(1,207,919)	(9,334,193)
- Actuarial gains and losses arising from:	(1,207,919)	(9,334,193)
- Changes in financial assumptions	4,626,081	(2,603,193)
- Subsidy inflation increases differ from assumed	1,042,000	657,000
- Change in membership profile	(6,876,000)	(7,388,000)
	14,967,081	**6,309,807**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.30 %	12.65 %
Health care cost inflation	7.10 %	8.07 %
Maximum subsidy inflation rates	4.70 %	5.68 %
Net-of-health-care-cost-inflation discount rate	3.90 %	4.24 %
Net-of-maximum-subsidy-inflation discount rate	6.30 %	6.60 %

The post retirement medical aid liability is valued on a generally accepted actuarial valuation method. The liability was calculated on a member-by-member basis, taking into account the liabilities arising in respect of principal members and their spouses as well as current employees that are eligible for this scheme. Ages are calculated as per age on 30 June 2025.

The projected unit credit method was used as prescribed by IAS 19 and GRAP 25. This method is based on the approximation that the post-retirement benefit is notionally built up over the employees' working life.

The actuarial valuation of the PRMA (post-retirement medical aid) liability involves the following:
- the projection of future post-retirement medical contribution subsidy cash flows, taking into account the probabilities of survival, withdrawal, ill-health retirement, early retirement and death in service
- the medical contribution subsidies arising in respect of adult dependents of employees
- increasing the projected subsidy cashflows in line with expected long-term contribution escalation
- discounting these cashflows in order to express the PRMA liability in current Rand terms

The basis on which the discount rate has been determined is as follow:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Defined contribution plans

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose. All councillors and employees belong to three defined benefit retirement funds.

The municipality is under no obligation to cover any unfunded benefits.

Figures in Rand	2025	2024

22. Long service leave award

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

	2025	2024
Carrying value		
Present value of the defined benefit obligation	21,469,000	20,156,000
Non-current liabilities	16,764,000	17,421,000
Current liabilities	4,705,000	2,735,000
	21,469,000	**20,156,000**

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

	2025	2024
Opening balance	20,156,000	18,210,000
Service cost	1,624,000	1,610,000
Interest cost	2,049,000	1,911,000
Remeasurements	(1,066,548)	176,000
Expected benefits vesting	(1,293,452)	(1,751,000)
	21,469,000	**20,156,000**

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

	2025	2024
Service cost	1,624,000	1,610,000
- Current service cost	1,624,000	1,610,000
Net interest on the net defined benefit liability (asset)	2,049,000	1,911,000
Remeasurements of the net defined benefit liability (asset)	(1,066,548)	176,000
- Actuarial gains and losses arising from:	(1,066,548)	176,000
- Changes in financial assumptions	156,000	(115,000)
- Earnings increase higher than assumed	(287,000)	(140,000)
- Change in employee profile	(935,548)	431,000
	2,606,452	**3,697,000**

Key assumptions used

Assumptions used at the reporting date:

	2025	2024
Discount rates used	9.30 %	10.89 %
CPI inflation rate	3.50 %	5.19 %
General earnings inflation rate	4.50 %	6.19 %
Net discount rate	4.60 %	4.42 %

The Municipality offers employees Long Service Award (LSA) for every five years of service completed, from five years of service to 45 years of service, inclusive. In the month that each "Completed Service" milestone is reached, the employee is granted an LSA. Working days awarded are valued at 1/250th of annual earnings per day. The Municipality does not pay any pro-rata LSA.

The projected unit credit method was used as prescribed by IAS 19 and GRAP 25. This method is based on the expected value of each employee's LSA and is projected to the next interval by allowing for future salary growth.

The actuarial valuation of the Long Service leave liability involves the following:

- long service benefits are awarded in the form of leave days and a percentage of salary
- the calculated award values are then discounted at the assumed discount interest rate to the date of the calculations
- mortality, retirements and withdrawals from service are also taken into account
- the liability is determined on the basis that each employee's long service benefits accrues uniformly over the working life of an employee up to the end of the interval at which the benefits becomes payable
- the current policy for awarding long service awards remains unchanged in the future

Figures in Rand	2025	2024

23. Long term trade and other payables

Eskom Debt Relief - Non-current portion	209,863,185	441,237,346
	209,863,185	**441,237,346**
Eskom Debt Relief - Current portion	486,464,174	255,090,013
	486,464,174	**255,090,013**

The municipality has applied for debt relief from National Treasury in terms of Circular 124 of the MFMA with regards to the outstanding Eskom account. The debt relief was approved on the 19th of December 2023, effective from 1 December 2023. According to the agreement, the municipality must pay the current Eskom account for the next three financial years, then Eskom will write-off the debt (R843,710,217) over the next three municipal financial years. Eskom will also not charge any interest on the amount outstanding as at 31 March 2023. The municipality must keep the current account up to date from December 2023 and then Eskom will write-off one third each year over a 3 year period

Management used a discount rate of 10.25% to account for the fair value of this long term debt.

24. Revenue

Dividends received	15,557	13,435
Fines, penalties and forfeits	596,142	879,649
Government grants & subsidies	475,186,796	329,013,428
Interest received on consumer accounts	122,632,796	118,865,177
Interest received on investment	2,637,177	1,397,182
Donations received	1,463,107	-
Licences and permits	158,841	243,704
Other income	4,383,031	6,354,373
Gain on biological assets	58,851	3,137,416
Actuarial gains	2,274,467	9,158,193
Gain on disposal of assets	-	3,198,265
Debt relief received	-	101,523,557
Fair value adjustments on long term trade payables	-	147,382,858
Property rates	168,334,983	154,135,351
Fair value adjustment	-	143,920
Rendering of services	2,945,516	2,384,419
Rental of facilities and equipment	6,817,978	6,278,149
Service charges	484,285,936	447,123,078
	1,271,791,178	**1,331,232,154**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Dividends received	15,557	13,435
Interest received on consumer accounts	102,197,397	99,699,089
Interest received on investment	2,637,177	1,397,182
Licences and permits	158,841	243,704
Other income	4,383,031	6,354,373
Gains on biological assets	58,851	3,137,416
Gain on disposal of assets	-	3,198,265
Actuarial gains	2,274,467	9,158,193
Rendering of services	2,945,516	2,384,419
Rental of facilities and equipment	6,817,978	6,278,149
Fair value adjustment	-	143,920
Service charges	484,285,936	447,123,078
	605,774,751	**579,131,223**

Figures in Rand	2025	2024
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Interest received on consumer accounts	20,435,399	19,166,088
Property rates	168,334,983	154,135,351
Transfer revenue		
Donations received	1,463,107	-
Fines, penalties and forfeits	596,142	879,649
Government grants & subsidies	475,186,796	329,013,428
Debt relief received	-	101,523,557
Fair value adjustments on long term trade payable	-	147,382,858
	666,016,427	**752,100,931**

25. Service charges

Sale of electricity	280,543,604	252,581,341
Sale of water	78,011,252	74,316,197
Sewerage and sanitation charges	60,455,578	59,513,285
Refuse removal	65,275,502	60,712,255
	484,285,936	**447,123,078**

26. Rental of facilities and equipment

Premises		
Premises	6,817,978	6,278,149

27. Interest received on consumer accounts

Revenue from non exchange transactions:		
Property rates	20,435,399	19,166,088
Revenue from exchange transactions:		
Electricity	4,055,877	3,009,547
Water	36,138,135	36,500,530
Sewerage and sanitation	24,917,173	24,200,345
Refuse	32,914,105	31,790,093
Rentals, advertising and sundry charges	4,172,107	4,198,574
	122,632,796	**118,865,177**

28. Other income

Building plan fees	560,276	482,751
Clearance certificates	401,687	537,543
Encroachment charges	1,815,011	1,704,561
Escorting of abnormal freights	121,197	592,887
Insurance claims received	-	1,348,621
Skills development levies received	1,328,869	1,578,159
Sundry income	101,214	13,998
Tender documents, photocopies and faxes	54,777	95,853
	4,383,031	**6,354,373**

Figures in Rand	2025	2024

29. Investment revenue

Dividend revenue		
Investments	15,557	13,435
Interest revenue		
Bank	2,555,046	1,328,379
Investments	82,131	68,803
	2,637,177	**1,397,182**
	2,652,734	**1,410,617**

30. Property rates

Rates received

Residential	74,061,412	60,082,638
Commercial	77,610,172	74,218,371
State	8,284,226	12,077,158
Small holdings and farms	8,379,173	7,757,184
	168,334,983	**154,135,351**

Valuations

	R '000	R '000
Residential	8,431,241	7,179,140
Commercial	2,721,412	2,493,314
State	302,081	346,810
Municipal	998,766	708,453
Small holdings and farms	5,459,487	4,880,374
	17,912,987	**15,608,091**

Valuations on land and buildings are performed every five years. The last general valuation came into effect on 1 July 2024. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R0.0112316 (2024: R0.0104189) is applied to residential and small holding property valuations to determine assessment rates. Rebates of R40,000 (2024 : R40,000) are granted to residential property owners and a further 25% (2024 : 25%) rebate to pensioners.

A general rate of R0.0302129 (2024 : R0.03125709) is applied to business, industrial commercial and public service infrastructure property valuations to determine assessment rates. A rebate of 100% (2024 : 100%) are granted to public service infrastructure only.

A general rate of R0.0112316 (2024 : R0.01041899) is applied to farm property valuations to determine assessment rates. Rebate of 75% (2024 : 75%) are granted to farmers and small holdings. The rebate granted to farmers are done in accordance with Section 21 of the Municipal Property Rates Act (Act nr 6 of 2004).

Rates to farmers and national government are levied on an annual basis with the final date of payment being 7 August 2024. Rates for all other consumers are levied on a monthly basis with the final day of payment before the 7th of each month. Interest at prime plus 1% per annum (2024 : prime plus 1%) is levied on rates outstanding after the due date.

Figures in Rand	2025	2024

31. Debt Relief received

	2025	2024
Interest written off		
Eskom	-	98,030,479
Water Affairs	-	3,493,078
	-	**101,523,557**

The municipality has applied for debt relief from National Treasury in terms of Circular 124 of the MFMA with regards to the outstanding Eskom account. The debt relief was approved on the 19th of December 2023, effective from 1 December 2023. According to the agreement, interest will also be written-off on condition of compliance with the requirements as per the agreement.

32. Fair value adjustments on long term trade payable

	2025	2024
Fair value adjustment on Eskom debt relief	-	147,382,858
	-	**147,382,858**

The municipality has applied for debt relief from National Treasury in terms of Circular 124 of the MFMA with regards to the outstanding Eskom account. The debt relief was approved on the 19th of December 2023, effective from 1 December 2023. According to the agreement, Eskom will write off the debt as at 31 March 2023 on condition that the municipality keep their current account up to date from December 2023.

33. Government grants & subsidies

	2025	2024
Operating grants		
Equitable share	246,088,000	230,471,000
Expanded Public Works Program grant (EPWP)	388,000	4,064,000
Finance Management grant	2,700,000	2,750,000
Library grant	4,000,000	4,000,000
	253,176,000	**241,285,000**
Capital grants		
Municipal Infrastructure grant (MIG)	52,161,546	31,726,454
Department of Water Affairs grant (RBIG)	77,467,885	32,979,974
Water Service Infrastructure grant (WSIG)	31,832,000	18,022,000
Human Settlements grant	-	5,000,000
Municipal Disaster Relief grant	17,103,700	-
Smart Meter Grant - in kind (National Treasury)	43,445,665	-
	222,010,796	**87,728,428**
	475,186,796	**329,013,428**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

	2025	2024
Conditional grants received	229,098,796	98,542,428
Unconditional grants received	246,088,000	230,471,000
	475,186,796	**329,013,428**

Equitable Share

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

All registered indigents receive a monthly subsidy for all basic services, 6Kl of water and where applicable, 50 Kw of electricity, which is funded from the grant.

Figures in Rand	2025	2024

Expanded Public Works Program grant

Current-year receipts	388,000	4,064,000
Conditions met - transferred to revenue	(388,000)	(4,064,000)
	-	-

The expanded public works program grant was fully utilised during the financial year.

Cemetery Systems Grant (COGTA)

Current-year receipts	1,800,000	-

Conditions still to be met - remain liabilities (see note 17).

The municipal cemetery systems grant was not utilised during the current financial year.

Financial Management grant

Current-year receipts	2,700,000	2,750,000
Conditions met - transferred to revenue	(2,700,000)	(2,750,000)
	-	-

The municipal management grant was fully utilised during the financial year.

Library grant

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

The library grant was fully utilised during the financial year.

Grants in kind - Free State COGTA

Salary of acting Municipal Manager	-	104,265

An acting Municipal manager is seconded by Free State of COGTA.

- Mr Goliath from 1 March 2023 to 31 July 2023.

Municipal Infrastructure grant (MIG)

Balance unspent at beginning of year	7,605,546	19,513,425
Current year receipts	44,556,000	39,332,000
Conditions met - transferred to revenue	(52,161,546)	(31,726,454)
Unspent withheld from Equitable share	-	(19,513,425)
	-	**7,605,546**

Conditions still to be met - remain liabilities (see note 17).

Grant was fully utilised for the rehabilitation of roads and the upgrading of cemetery and waste and raw water facilities.

The munipality application for the roll-over of the unspent grant were approved by National Treasury and the grant were fully spent during the current financial year.

Figures in Rand	2025	2024

Department of Water Affairs grant (RBIG)

Current year receipts	77,467,885	32,979,974
Conditions met - transferred to revenue	(77,467,885)	(32,979,974)
	-	-

This grant was utilised during the year for the upgrading of the Water infrastructure network at Saulspoort.

Municipal Disaster Response grant (MDRG)

Balance unspent at beginning of year	16,853,000	-
Current-year receipts	5,000,000	16,853,000
Conditions met - transferred to revenue	(17,103,700)	-
	4,749,300	**16,853,000**

Conditions still to be met - remain liabilities (see note 17).

The grant was for the infrastructure damage caused by storms in January 2024 in various areas within the municipality. A total of 6 projects were identified for this grant. The application for roll-over of the unspent grant were approved and the projects were completed in the current financial year.

The amount received in the current year was for storm damage to road infrastructure in Fouriesburg and Fateng after heavy rains in the summer months.

Water Services Infrastructure grant (WSIG)

Balance unspent at beginning of year	-	3,995,991
Current year receipts	31,832,000	18,022,000
Conditions met - transferred to revenue	(31,832,000)	(18,022,000)
Unspent withheld from Equitable share	-	(3,995,991)
	-	-

Conditions still to be met - remain liabilities (see note 17).

This grant was fully utilised during the year for the upgrading of Water infrastructure network in Clarens.

National Development Electrification grant

Balance unspent at beginning of year	1,250,000	-
Current-year receipts	-	1,250,000
Unspent withheld from Equitable share	(1,250,000)	-
	-	**1,250,000**

Conditions still to be met - remain liabilities (see note 17).

Human Settlement Grant (COGTA)

Current-year receipts	-	5,000,000
Conditions met - transferred to revenue	-	(5,000,000)
	-	-

This grant were used to establish new townships in Clarens and Fouriesburg.

Figures in Rand	2025	2024

Smart Meter Grant - in kind (National Treasury)

Current-year receipts	43,445,665	-
Conditions met - transferred to revenue	(43,445,665)	-
	-	-

National Treasury approved the installation of 6,750 smart meters and relevant monitoring systems within the local municipal area as well as the support costs for a 3 year period.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 5 of 2024), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

34. Employee related costs

Basic	208,997,005	210,033,738
Bonus	14,833,032	14,706,551
Medical aid - company contributions	26,830,613	26,299,239
UIF	1,693,960	1,776,931
WCA	-	2,633,074
SDL	3,164,563	3,097,807
Other payroll levies	114,670	112,972
Leave paid out and provision charge	5,919,264	3,069,987
Medical aid contributions for pensioners	4,049,000	4,068,000
Overtime payments	18,106,596	16,978,652
Long-service awards	1,623,998	729,331
Standby allowances	10,633,879	10,103,685
Acting allowances	8,374,497	7,298,858
Car allowance	8,217,221	8,354,559
Housing benefits and allowances	1,888,675	2,083,146
Arbitration awards and other incidental cost	312,390	563,699
Group life insurance	455,501	429,357
Pension fund contributions	31,418,023	31,271,111
Other allowances	923,923	825,324
Telephone allowances	350,600	347,600
	347,907,410	**344,783,621**

Remuneration of municipal manager

Annual Remuneration	1,244,229	1,151,603
Car Allowance	415,452	369,771
Non-pensionable allowance	-	18,645
Contributions to UIF	2,125	2,125
Cellphone Allowance	18,000	16,500
Medical contributions	1,853	-
Acting allowance HA Goliath	-	123,073
	1,681,659	**1,681,717**

Mr MK Ntheli as from 1 August 2023

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

Remuneration of chief finance officer

Annual Remuneration	1,016,721	684,143
Car Allowance	339,615	220,082
Non-pensionable allowance	-	13,560
Contributions to UIF	2,125	1,417
Cellphone Allowance	12,000	8,000
	1,370,461	**927,202**

Mr RP Provis as from 1 November 2023.

Remuneration of director public works

Annual Remuneration	720,209	-
Car Allowance	240,719	-
Contributions to UIF	1,948	-
Cellphone Allowance	11,000	-
	973,876	**-**

Me HNL Mokoteli from 1 August 2024.

Remuneration of director corporate services

Annual Remuneration	741,664	-
Car Allowance	219,265	-
Contributions to UIF	1,948	-
Cellphone Allowance	11,000	-
Housing benefit	55,000	-
	1,028,877	**-**

Mr MS Lengoabala from 1 August 2024.

Remuneration of director community services

Annual Remuneration	785,683	396,337
Car Allowance	262,603	127,806
Non-pensionable allowance	-	10,170
Contributions to UIF	2,125	1,063
Cellphone Allowance	12,000	6,000
	1,062,411	**541,376**

Mrs TS Vanqa from 1 January 2024.

Remuneration of director local economic development

Annual Remuneration	1,016,721	556,178
Car Allowance	339,615	165,287
Non-pensionable allowance	-	10,170
Contributions to UIF	2,125	1,063
Cellphone Allowance	12,000	6,000
Medical contributions	1,615	-
	1,372,076	**738,698**

Mr TP Mokomatsili from 18 December 2023.

Total employees related costs	**355,396,770**	**348,672,614**

Figures in Rand	2025	2024

35. Remuneration of councillors

2025	Allowance	Travel allowance	Cellphone allowance	Backpay	Total
Executive Mayor	813,145	195,773	43,200	28,669	1,080,787
Speaker	807,140	-	43,200	22,936	873,276
Chief Whip	757,035	-	43,200	21,833	822,068
Chairperson Public Accounts committee	734,498	-	43,200	20,871	798,569
Chairperson Policy committee	409,755	-	43,200	11,645	464,600
Mayoral executive committee	4,711,748	587,497	302,400	152,831	5,754,476
Councillors	10,660,408	433,684	1,209,600	249,508	12,553,200
	18,893,729	**1,216,954**	**1,728,000**	**508,293**	**22,346,976**

2024	Allowance	Travel allowance	Cellphone allowance	Backpay	Total
Executive Mayor	926,936	63,710	45,600	-	1,036,246
Speaker	792,506	-	45,600	-	838,106
Chief Whip	742,668	-	45,600	-	788,268
Chairperson Public Accounts committee	695,712	-	45,600	500,408	1,241,720
Chairperson Policy committee	402,324	-	45,600	-	447,924
Mayoral executive committee	4,680,537	518,139	319,200	-	5,517,876
Councillors	10,583,903	416,524	1,275,809	-	12,276,236
	18,824,586	**998,373**	**1,823,009**	**500,408**	**22,146,376**

In-kind benefits

The Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.

36. Depreciation, impairment and amortisation

	2025	2024
Property, plant and equipment	76,366,249	74,172,193
Intangible assets	1,898,445	687,112
	78,264,694	**74,859,305**

37. Finance costs

	2025	2024
Employee benefit obligation	12,126,000	11,576,000
Long service awards	2,049,000	1,911,000
Long term loans	481,252	1,110,334
Bank	3,102	13,308
Penalties and interest on late payment of VAT and PAYE	-	10
Creditors and other interest paid	55,759,094	90,152,532
	70,418,448	**104,763,184**

Figures in Rand	2025	2024

38. Debt impairment

Contributions to debt impairment on consumer debtors from exchange transactions	230,174,884	214,303,930
Contributions to debt impairment on consumer debtors from non-exchange transactions	19,700,857	43,869,307
Contributions to debt impairment on statutory receivables	286,565	679,468
Contributions to debt impairment on other receivables from non-exchange transactions	4,267,299	-
Bad debts written off	1,879,957	2,453,987
	256,309,562	**261,306,692**

On 30 July 2025 the council resolved (Item 23/2025) that the debt of 5,192 registered indigent account to the amount of R127,646,629 will be written off in September 2025.

39. Bulk purchases

Electricity - Eskom	294,830,810	250,094,496
Water	22,895,001	16,639,072
	317,725,811	**266,733,568**

Electricity losses

	Units 2025	**Units 2024**
Units purchased	140,601,063	136,876,028
Units sold	(111,323,936)	(105,023,417)
Total loss	**29,277,127**	**31,852,611**
Rand value of loss		
Technical losses	61,392,147	58,199,838
Percentage loss		
Technical losses	20.82 %	23.27 %

The annual electricity distribution losses are made up of technical and non-technical losses which are the difference between electricity purchased and electricity sold to the end user at differentiated tariffs levels. The municipality purchases 100% of its electricity from Eskom at transmission and distribution levels.

Technical losses are as a result of electricity lost while being distributed from the source of generation through transmission and distribution network to the final consumer. The wires (copper or aluminum) being used to distribute electricity has certain resistance which resist the throughput of current, as a results there is certain portion of electricity that is lost due to distribution, and it is termed technical losses.

Figures in Rand	2025	2024

Water losses

	Units 2025	Units 2024
Units purified	15,443,491	12,912,626
Units sold	(9,486,769)	(9,806,794)
Total	**5,956,722**	**3,105,832**
Rand value of losses		
Technical losses	33,595,909	18,231,235
Percentage Loss:		
Technical losses	38.57 %	24.05 %

Apparent losses are made up from the unauthorised consumption (theft or illegal use) plus all technical and administrative inaccuracies associated with customer metering/billing. This is thus water which "disappears" through inaccurate metering, inaccurate meter accounting processes, meter and billing data integrity, illegal connections, etc. The water is not physically lost from the system but it is never measured or accounted for, and most importantly, never paid for. During March and April 2025, the municipality had to do significant flussing of the systems and reserviors due to dirty water in the system as a result of the heavy rains during that period.

Real losses represent the physical leakage from the pressurised system, up to the point of measurement of customer use. This is water which physically disappears from the distribution system through water leaks or pipe bursts, water theft etc. It is thus water which does not reach the customer and is not paid for by customers.

40. Contracted services

	2025	2024
Outsourced Services		
Burial services	120,837	165,167
Catering services	709,859	412,763
Meter management	4,433,744	4,043,310
Occupational health and safety	76,168	448,254
Landfill site management	6,472,220	2,978,027
Security services	55,670,758	40,383,525
Consultants and Professional Services		
Business and advisory	13,934,824	11,457,574
Infrastructure and planning	718,922	432,776
Legal cost	7,560,443	4,843,654
Contractors		
Audio-visual services	69,000	57,116
Bore waterhole drilling	-	367,887
Chemicals	6,250,581	6,305,274
Catering services	428,071	138,139
Electrical	14,605,440	4,136,801
Employee wellness	76,208	56,230
Plants, flowers and other decorations	56,950	-
Prepaid electricity vendors	5,194,706	4,302,522
Sports and recreation	1,900	750
Stage and sound crew	797,336	100,184
	117,177,967	**80,629,953**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

41. General expenses

Advertising	515,901	480,356
Auditors remuneration	8,167,836	8,122,795
Bank charges	1,588,517	1,631,341
Bursaries	1,263,869	1,550,290
Consumables	24,632,761	23,493,484
Donations	196,000	449,042
Electricity	14,399,248	13,229,350
Entertainment	66,153	32,604
Fuel and oil	1,438,893	3,849,159
IT expenses	-	126,967
Insurance	5,411,523	3,973,088
License fees	828,428	669,057
Postage and courier	477,771	733,176
Printing and stationery	806,219	1,330,935
Promotions and sponsorships	5,404	164,818
Property lease payments	1,496,931	1,274,512
Rental of equipment	7,193,502	9,625,439
Smart meter related costs	1,730,000	-
Smart meter monthly service costs	810,000	-
Subscriptions and membership fees	3,775,590	4,046,790
Telephone and fax	2,132,231	5,497,924
Transport cost	459,490	197,036
Travel - local	2,375,759	1,142,475
Uniforms and protective clothing	2,481,680	1,244,110
	82,253,706	**82,864,748**

42. Gains or losses on biological assets

Gains or losses arising from a change in fair value less point of sale costs	58,851	3,137,416

43. Revaluation and fair value adjustments

Investment property (Fair value model)	(11,954,330)	-
Other financial assets		
• Other financial assets (Designated as at FV through P&L	405,768	143,920
	(11,548,562)	**143,920**

44. Auditors' remuneration

Fees	8,167,836	8,122,795

45. Operating lease income

Projected income from operating lease agreements

Within one year	-	41,229

Rental contracts for the different flats (100), vacant land (7) and houses (160) are signed for a period of 12 months, thereafter the contract is done on a month to month basis. All the houses and flat contracts have a one month notice period. New tenants are normally found within that period. The projected income are thus only included in the period within one year. Contracts for business premises (7) rental are signed for a period of 3 years to 9 years and 11 months. Escalation on these contracts are done on an annual basis linked to the inflation rate.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

46. Cash generated from operations

	2025	2024
(Deficit) surplus	(56,001,492)	81,927,498
Adjustments for:		
Depreciation and amortisation	78,264,694	74,859,305
Gain /(loss) on sale of assets and liabilities	1,384,304	(3,198,265)
Gain /(loss) on sale of biological assets	(58,851)	(3,137,416)
Gain / (loss) on actuarial valuations	(2,274,467)	(9,158,193)
Debt relief received	-	(101,523,557)
Fair value adjustments	11,548,562	(147,526,778)
Finance costs - Finance leases	481,252	1,110,334
Debt impairment	256,309,561	261,306,691
Movements in retirement benefit assets and liabilities	12,019,000	3,578,000
Movements in long service awards	1,313,000	1,946,000
Movement in inventory due to transfers	36,872,030	-
Non-cash donations and other in-kind benefits	(44,908,772)	-
Non-cash Movements in Provisions	4,634,736	1,743,629
Non-cash Movements in other financial assets	(405,768)	-
Non-cash Movement in Statutory receivables	(140,900)	-
Changes in working capital:		
Inventories	(36,307,640)	215,009
Receivables from exchange transactions	(31,737,681)	(29,477,644)
Consumer debtors	(263,065,286)	(291,190,911)
Other receivables from non-exchange transactions	555,278	57,596
Payables from exchange transactions	202,468,949	285,662,226
Unspent conditional grants and receipts	(19,159,246)	(3,370,870)
Consumer deposits	1,356,742	721,760
	153,148,005	**124,544,414**

47. Financial instruments disclosure

Categories of financial instruments

2026

Financial assets

	At fair value	At amortised cost	At cost	Total
Other financial assets	2,696,691	-	-	2,696,691
Trade and other receivables from exchange transactions	-	189,177,664	-	189,177,664
Other receivables from non-exchange transactions	-	4,868,874	100,000	4,968,874
Consumer debtors from exchange and non-exchange transactions	-	96,924,447	-	96,924,447
Cash and cash equivalents	-	31,913,107	-	31,913,107
	2,696,691	**322,884,092**	**100,000**	**325,680,783**

Financial liabilities

	At fair value	At amortised cost	Total
Trade and other payables from exchange transactions	-	733,071,894	733,071,894
Long term trade and other payables from exchange transactions	696,327,359	-	696,327,359
Consumer deposits	-	15,738,443	15,738,443
Unspent conditional grant	-	6,549,300	6,549,300
	696,327,359	**755,359,637**	**1,451,686,996**

Figures in Rand	2025	2024

2024

Financial assets

	At fair value	At amortised cost	At cost	Total
Other financial assets	2,177,897	-	-	2,177,897
Trade and other receivables from exchange transactions	-	157,439,982	-	157,439,982
Other receivables from non-exchange transactions	-	5,424,152	100,000	5,524,152
Consumer debtors from exchange and non-exchange transactions	-	90,319,265	-	90,319,265
Cash and cash equivalents	-	55,829,898	-	55,829,898
	2,177,897	**309,013,297**	**100,000**	**311,291,194**

Financial liabilities

	At fair value	At amortised cost	Total
Other financial liabilities	-	7,432,485	7,432,485
Trade and other payables from exchange transactions	-	530,602,945	530,602,945
Long term trade and other payables from exchange transactions	696,327,359	-	696,327,359
Consumer deposits	-	14,381,700	14,381,700
Unspent conditional grants	-	25,708,546	25,708,546
	696,327,359	**578,125,676**	**1,274,453,035**

48. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment - Infrastructure: Community assets	745,350	745,350
• Property, plant and equipment - Infrastructure: Water	709,093,659	840,182,701
• Property, plant and equipment - Infrastructure: Roads	27,844,363	-
• Property, plant and equipment - Infrastructure: Electrical	13,548,302	22,797,277
• Property, plant and equipment - Infrastructure: Storm Water	270,250	-
	751,501,924	**863,725,328**

Total capital commitments		
Already contracted for but not provided for	751,501,924	863,725,328

Total commitments

Total commitments		
Authorised capital expenditure	751,501,924	863,725,328

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

49. Contingencies

The following civil cases are currently being finalized:

Osho Agri Investments (Pty) Ltd: This case is regarding a claim for damage suffered as a result of loss of apple orchards/trees, hail nets, water and irrigation equipment, electrical infrastructure, fencing and buildings as a result of the spread of the fire from the firebreak prepared by Dihlabeng Fire brigade on 15 June 2020.	2,976,679,200	2,675,500,000
MD & AMJ Coetzer: Regarding a motor vehicle accident where a Municipal Fire Department truck was involved. This case is closed as both parties passed away.	-	39,410
Morne Barnard: Regarding a motorbike that was damaged as a result of a large hole in the road and he is also claiming damages of pain and suffering.	356,897	332,711
Leonard Slabbert: Regarding a motorbike that was damaged as a result of a large hole in the road and he is also claiming damages for personal injuries, suffering and disfigurement.This case was settled for R400,000 during the current year.	-	779,005
Boss Directories (Pty) Ltd: This case is regarding an outstanding payment for adversarial services rendered in terms of a concluded written agreement. File closed: Plaintiff has abandoned the proceedings.	-	695,288
AL Bartlet: This case is regarding a claim for the repair costs for his vehicle after an accident with a municipal vehicle in Bloemfontein. File closed: Plaintiff has abandoned the proceedings.	-	235,847
AC de Sousa: This case is regarding claim for damages suffered as a result of an accident that occurred between a municipal vehicle and the plaintiff's vehicle.	115,247	108,170
Transnet SOC Limited: This case is regarding an overcharge/billing for electricity supplied. The calculated credit must be paid back in installments.	19,835,211	21,818,732
L Piek: This case is regarding the claim for damages to a motor bike due to an accident after colliding with a large pothole on 7 March 2021. File closed: Plaintiff has abandoned the proceedings.	-	47,131
Kaykaysim Projects (Pty) Ltd: This case is regarding the claim for outstanding money for services rendered on the construction of 2km road in Nkitsing.	1,469,249	1,314,765
CDH Joineries CC t/a CDH Pumps, Thoboza Investment and Projects Joint Venture: This case is regarding the claim for outstanding money fir services for repair and maintenance, refurbishments and upgrading of water and sanitation infrastructure for a period of 3 years.	543,601	486,444
JC Cilliers: This case is regarding the removal of soil from farm Emma's Heim by Kaykaysim Projects during the construction of water and sewer network in Fateng Tse Ntsho.	2,082,582	-

Figures in Rand	2025	2024
Telkom Limited SA: This case is regarding a claim for damage to Telkom infrastructure at Lamond street, Bethlehem on 23 November 2017.	252,526	234,813
	3,001,334,513	**2,701,592,316**

Litigation is in the process against the municipality in the above cases. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely. The amount and possible outflow of payments in this regard is uncertain at this stage.

50. Related parties

Relationships	
Free State Department of COGTA	Remuneration of Acting Municipal Manager
Councillors	All municipal councillors
Close family member of key management	All close family members of Section 57 managers, acting senior managers in these positions and councillors
Members of key management	All Section 57 managers and acting senior managers in these positions

Related party balances

	2025	2024
Amounts included in Consumer debtors regarding related parties		
Councillors in arrears (refer to Note 60)	81,315	89,529
Mr MS Lengubala (Director Corporate services)	3,647	-
Mr TP Mokomatsili (Director Local Economic Development)	6,765	-
Provision for doubtful debts related to outstanding balances with related parties		
Councillors	60,745	65,651
Mr MS Lengubala (Director Corporate services)	624	-
Mr TP Mokomatsili (Director Local Economic Development)	4,643	-
Donation in kind		
Remuneration of Acting Municipal Manager	-	104,265

An acting Municipal manager was seconded by Free State of COGTA.
- Mr Goliath from 1 March 2023 to 31 July 2023.

Remuneration paid to related parties	2025	2024
Section 57 Managers (refer to Note 34)	7,489,632	3,759,139
Councillors (refer to Note 35)	22,197,722	22,146,376
Mr M Tsatsa (Acting allowance for CFO)	-	62,445
Mr HA Goliath (Acting allowance for MM)	-	123,073

51. Prior period errors

Investment property to the amount of R106,949,330 were incorrectly written off and are now brought back into the asset register of the municipality and additional properties of R28,803,000 were added to the asset register.

An amount for unclaimed retention (R4,971,821) were written off

The disclosure note on Commitments were corrected (increased with R88,477,415) to agree with contracts signed with suppliers and actual expenditure to date.

The correction of the error(s) results in adjustments as follows:

	2024	2023
Statement of Financial Position		
Investment property	135,752,330	135,752,330
Opening Accumulated Surplus or Deficit	(140,724,151)	(140,724,151)
Payables from exchange transactions	4,971,821	4,971,821
Disclosure		
Disclosure notes to the Financial Statements		
Capital committments (Note 48)	88,477,415	-

52. Prior-year adjustments

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

Statement of financial position

2024

	Note	As previously reported	Correction of error	Restated
Payables from exchange transactions	18	(535,574,754)	4,971,821	(530,602,933)
Investment property	10	436,650,411	135,752,330	572,402,741
Accumulated surplus		(1,282,890,152)	(140,724,151)	(1,423,614,303)
		(1,381,814,495)	**-**	**(1,381,814,495)**

53. Risk management

Financial risk management

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

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

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
Trade and other payables	733,071,894	-	-	-
Long term trade and other payables	486,464,174	209,863,185	-	-

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	7,432,485	-	-	-
Trade and other payables	530,602,933	-	-	-
Long term trade and other payables	255,090,013	231,374,161	209,863,185	-

Credit risk

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

Market risk

Interest rate risk

The municipality's interest rate risk arises from consumer debtors. Consumer debtors are levied at variable rates expose the municipality to cash flow interest rate risk. The interest rate is linked to the prime interest rate and the risk is considered to be material at this stage. Long term borrowings are done at a fixed rates and interest rate risk will not impact the financial position of the municipality.

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the consolidated statement of financial position either as available-for-sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the municipality diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the municipality.

The municipality's investments in equity of other entities that are publicly traded on the JSE, but does not have a material effect on the municipality's income.

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

54. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had a loss of R56,001,492 (2024 : R81,927,495 profit) and that the municipality's current liabilities exceed its current assets by R831,637,417 (2024 : R468,545,868). In addition, the municipality owed Eskom R1,249,252,672 (2024 : R1,101,383,148) *(subject to debt relief - refer to next paragraph)*, Free State Fleet Management Trading Entity R62,684,617 (2024 : R62,684,617), the Department of Water Affairs R116,425,215 (2024 : R83,131,607) (subject to debt relief - refer to next paragraph) and the Department of Labour R33,198,566 (2024 : R31,373,804 at 30 June 2025 which is long overdue.

Figures in Rand	2025	2024

The municipality has applied for debt relief from National Treasury with regards to the outstanding Eskom account of R843,710,217. The debt relief was approved on the 19th of December 2023. According to the agreement, the municipality must pay the current Eskom account for the next three financial years, then Eskom will write-off the debt over the next three municipal financial years. One of the requirements for the approval of the debt relief is that the municipality must prepare a funding plan. The funding plan is intended to address the fact that if the municipality's 2023/24 Medium Term Revenue and Expenditure Framework (MTREF) does not comply with the MFMA Circular No. 124 (A funded MTREF). A funding plan has been developed and the municipality is in the process of implementing the plan. The funding plan highlights various areas of improving revenue, increasing debt collection and decreasing expenditure.

The municipality has applied for debt relief from Department of Water Affairs with regards to the outstandingWater account of R116,425,215. The debt relief was approved on the 26th of August 2025. Details of the agreement is not yet available but it will be on the same basis as the agreement with Eskom.

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.

55. Events after the reporting date

There is no events after the reporting date.

56. Unauthorised expenditure

	2025	2024
Opening balance as previously reported	1,573,266,369	1,286,064,938
Add: Unauthorised expenditure - current	232,834,842	287,201,431
Less: Amount authorised - current	(1,566,005,812)	-
Closing balance	**240,095,399**	**1,573,266,369**

Council authorised and condoned the write-off of amounts from 2019 to 2024 as per MPAC report and Council Resolution MPAC4/2025 dated 27 August 2025.

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

	2025	2024
Non-cash	157,280,593	187,545,690
Cash	75,554,249	99,655,741
	232,834,842	**287,201,431**

Analysed as follows: non-cash

	2025	2024
Depreciation and amortisation	4,216,136	-
Provision of impairment	141,515,895	187,522,703
Irrecoverable debt written off	-	22,987
Fair value adjustments	11,548,562	-
	157,280,593	**187,545,690**

Analysed as follows: cash

	2025	2024
Inventory consumed	584,172	-
Operational costs	21,277,023	7,260,557
Finance cost	52,308,750	92,395,184
Loss on disposal of property, plant and equipment	1,384,304	-
	75,554,249	**99,655,741**

Disciplinary steps taken/criminal proceedings

No disciplinary steps were taken during the year under review.

Figures in Rand	2025	2024

Recoverability of unauthorised expenditure

No amounts will be recovered.

57. Fruitless and wasteful expenditure

Opening balance as previously reported	247,894,915	259,238,874
Add: Fruitless and wasteful expenditure identified - current	53,345,061	90,179,598
Less: Amount written off by Eskom	-	(98,030,479)
Less: Amount written off by Department of Water Affairs	-	(3,493,078)
Less: Amount written off - current	(244,666,252)	-
Less: Error on previous year's list	(1,019,784)	-
Closing balance	**55,553,940**	**247,894,915**

Council approved the write-off on 27 August 2025 per MPAC report and Council resolution MPAC4/2025.

Expenditure identified in the current year included those listed below:

Interest paid	53,345,061	90,179,598

Amount written-off

The municipality has applied for debt relief from National Treasury in terms of Circular 124 of the MFMA with regards to the outstandin the 19th of December 2023, effective from 1 December 2023. According to the agreement, interest will also be written-off on conditior agreement.

Recoverability steps taken/criminal proceedings

No amounts will be recovered.

Disciplinary steps taken/criminal proceedings

No disciplinary steps were taken during the year under review.

58. Irregular expenditure

Opening balance as previously reported	999,458,505	834,061,914
Add: Irregular expenditure - current	165,348,056	165,396,591
Less: Amount written off - current	(610,365,835)	-
Closing balance	**554,440,726**	**999,458,505**

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

Local content not specified on bid invitation	-	8,306,900
Rental agreement did not indicate who is responsible for municipal account	10,299,283	-
No contract signed	2,101,992	1,221,345
Financial statements submitted were not relevant	1,748,000	-
Appointment of employees without proper process followed	32,005,700	34,907,099
Composition of bid committee	790,927	-
Adjudication and specification committee meeting minutes not submitted	-	28,282,555
Competitive bidding process not followed	20,250,319	10,892,522
Appointment of supplier after 90 days	58,549,784	54,685,235
Emergency	-	147,888
Splitting of orders	3,215,489	-
Insufficient document submitted	36,386,562	26,953,047
	165,348,056	**165,396,591**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R610,365,835 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable by Council resolution MPAC4/2025 dated 27 August 2025.

Recoverability steps taken/criminal proceedings

No amounts will be recovered.

Disciplinary steps taken/criminal proceedings

No disciplinary steps were taken during the year under review.

59. In-kind donations and assistance

	2025	2024
700 Blankets for eldery people in Dihlabeng for Mandela Day	196,000	-
25 Blankets for Mandela Day for Khoabonina Old Age Home	-	18,750
Medals, trophy and kits for soccer and netball tournament at Ntsu Secondary School	-	56,020
700 Food parcels for Poverty Alleviation program at Rosendal, Paul Roux, Fouriesburg and Clarens farms	-	389,550
Groceries for Hare Bapale games at Ethopia farm	-	14,642
	196,000	**478,962**

60. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2025	2024
Opening balance	3,940,116	3,903,710
Current year subscription / fee	3,673,546	3,937,411
Amount paid - current year	(3,673,546)	-
Amount paid - previous years	(3,937,411)	(3,901,005)
	2,705	**3,940,116**

Audit fees

	2025	2024
Opening balance	-	2,201,661
Current year subscription / fee	9,471,170	9,459,495
Amount paid - current year	(9,471,170)	(9,459,495)
Amount paid - previous years	-	(2,201,661)
	-	-

PAYE and UIF

	2025	2024
Opening balance	4,327,638	3,688,137
Current year subscription / fee	55,764,444	51,339,854
Amount paid - current year	(55,764,444)	(47,012,216)
Amount paid - previous years	(4,327,638)	(3,688,137)
	-	**4,327,638**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
Pension and Medical Aid Deductions		
Opening balance	-	7,348,274
Current year subscription / fee	90,847,004	89,451,830
Amount paid - current year	(90,847,004)	(89,451,830)
Amount paid - previous years	-	(7,348,274)
	-	-

VAT

	2025	2024
VAT receivable	282,305	-
VAT payable	-	(1,846,680)
	282,305	**(1,846,680)**

The municipality is registered on the payments/cash basis for VAT. VAT output suspense on payables (see Note 5) and VAT input suspense on receivables are shown in note 18.

All VAT returns have been submitted by the last business day of the month following the end of the VAT period throughout the year and were paid timeously.

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
MM Mokotla	3,197	1,155	4,352
JT Sibisi	3,189	2,241	5,430
MS Masangana	2,082	22,854	24,936
LU Makhalema	7,808	2,166	9,974
JJ Nhlapo	2,665	33,958	36,623
	18,941	**62,374**	**81,315**

30 June 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
MM Mokotla	2,527	742	3,269
JT Sibisi	3,692	6,267	9,959
MS Masangana	1,406	16,396	17,802
LU Makhalema	7,079	2,014	9,093
MS Mokoena	1,563	516	2,079
JJ Nhlapo	2,625	41,110	43,735
PA Maasdorp	2,696	896	3,592
	21,588	**67,941**	**89,529**

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

30 June 2025	Highest outstanding amount	Aging (in days)
MM Mokotla	5,203	120
JT Sibisi	10,921	120
MS Masangane	24,936	1,290
LU Makjalema	13,386	90
JJ Nhlapo	43,735	1,380
	98,181	**3,000**

30 June 2024	Highest outstanding amount	Aging (in days)
MM Mokotla	3,269	90
JT Sibisi	9,959	240
MS Masangana	17,802	930
LU Makjalema	9,093	90
MS Mokoena	2,079	90
JJ Nhlapo	43,735	1,830
PA Maasdorp	3,592	270
	89,529	**3,540**

Figures in Rand	2025	2024

Supply chain management regulations

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

Incident		
Emergency	9,919,699	2,655,955
Impractical	-	2,307,319
Sole provider	21,947	-
	9,941,646	**4,963,274**

61. Budget differences

Descriptions	Actual outcome as % of final budget	Reasons for variances
Property rates	-15%	Due to lower property rates billed for domestic properties than budgeted.
Services charges	-15%	Due to decrease in utilization of water and electricity. More consumers are using gas
Interest received on consumer accounts	19%	Due to non-payment of debts by consumers
Government grants and subsidies	16%	Dora Allocation and additional Smart Meter grant
Other revenue from non-exchange transactions	0%	Debt from Eskom was not written off during the year
Debt impairment	127%	Due to non-payments by consumers and indigent not written off
Contracted services	-32%	Cost containment measures during the year to limit legal and business cost
Finance charges	289%	Under budget and Interest paid to Eskom and other creditors due to none payment within 30 days
General expenditure	13%	Cost containment measures during the year to limit any unnecessary expenditure

62. 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.

Deviation reason		
Emergency	1,338,933	279,835
Sole provider	1,252,949	55,090
	2,591,882	**334,925**

63. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Community Services	Public Works	Unallocated	Total
Revenue				
Revenue from non-exchange transactions	28,371,755	237,507,568	379,701,705	645,581,028
Revenue from exchange transactions	69,388,829	422,323,300	9,531,909	501,244,038
Interest on consumer debtors from exchange and non-exchange transactions	32,914,105	65,111,185	24,607,506	122,632,796
Other income transactions	58,851	-	2,274,467	2,333,318
Revenue from transactions with other segments	40,565	6,707,841	19,255,320	26,003,726
Total segment revenue	**130,774,105**	**731,649,894**	**435,370,907**	**1,297,794,906**
Entity's revenue				**1,297,794,906**
Expenditure				
Employee costs and councillors	83,166,391	99,400,757	195,176,596	377,743,744
Finance cost	-	-	70,418,447	70,418,447
Depreciation	2,036,258	59,425,329	16,803,107	78,264,694
Debt impairment	87,845,611	143,304,654	25,159,296	256,309,561
Bulk purchases	-	317,725,811	-	317,725,811
Other expenses	8,388,676	69,671,932	149,269,809	227,330,417
Internal charges to other segments	588,822	23,897,109	1,517,795	26,003,726
Total segment expenditure	**182,025,758**	**713,425,592**	**458,345,050**	**1,353,796,400**
Total segmental surplus/(deficit)	**(51,251,653)**	**18,224,302**	**(22,974,143)**	**(56,001,494)**
Assets				
Additions to Non-current assets	6,360,698	200,425,802	1,818,063	208,604,563
Total assets as per Statement of financial Position				**208,604,563**

63. Segment information (continued)

2024

	Community Services	Public Works	Unallocated	Total
Revenue				
External Revenue from non-exchange transactions	62,333,871	264,809,207	258,408,907	585,551,985
External Revenue from exchange transactions	64,990,980	389,368,232	9,428,446	463,787,658
Interest on consumer debtors form exchange and non-exchange transactions	31,790,093	63,710,423	23,364,662	118,865,178
Other income transactions	3,137,416	147,382,859	12,500,377	163,020,652
Revenue from transactions with other segments	33,612	6,663,152	18,360,962	25,057,726
Total segment revenue	**162,285,972**	**871,933,873**	**322,063,354**	**1,356,283,199**
Entity's revenue				**1,356,283,199**
Expenditure				
Employee costs and councillors	82,130,855	94,962,680	193,779,526	370,873,061
Finance cost	-	-	103,705,657	103,705,657
Depreciation	1,248,702	56,657,857	16,952,750	74,859,309
Debt impairment	65,849,113	150,578,422	44,879,155	261,306,690
Bulk purchases	-	266,733,568	-	266,733,568
Other expenses	4,921,819	54,388,247	112,509,623	171,819,689
Internal charges with other segments	515,646	23,159,116	1,382,965	25,057,727
Total segment expenditure	**154,666,135**	**646,479,890**	**473,209,676**	**1,274,355,701**
Total segmental surplus/(deficit)	**7,619,837**	**225,453,983**	**(151,146,322)**	**81,927,498**
Assets				
Additions to Non-current assets	79,182,756	4,944,271	2,455,299	86,582,326
Total assets as per Statement of financial Position				**86,582,326**

Dihlabeng Local Municipality
Appendix A - Unaudited schedule
June 2025

Schedule of external loans as at 30 June 2025

	Loan Number	Redeemable	Balance at 30 June 2024 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2025 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Development Bank of South Africa								
DBSA	61007269	30/06/2025	7,432,485	-	7,432,485	-	-	-
			7,432,485	**-**	**7,432,485**	**-**	**-**	**-**
Lease liability			-	-	-	-	-	-
Total external loans								
Development Bank of South Africa			7,432,485	-	7,432,485	-	-	-
Lease liability			-	-	-	-	-	-
			7,432,485	**-**	**7,432,485**	**-**	**-**	**-**