PHUMELELA LOCAL MUNICIPALITY (FS195)

(Demarcation code: FS195)
Trading as Phumelela Local Municipality

AUDITED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025

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

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Abbreviations used:

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

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

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

General Information

Legal form of entity	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998).
Nature of business and principal activities	Phumelela Local Municipality (FS195) is local municipality performing functions as set out in the Constitution (Act no 105 of 1996). The municipality's operations are governed by the Local Government: Municipal Finance Management Act (MFMA) (Act 56 of 2003), Municipal Structures Act (Act 117 of 1998), Municipal Systems (Act 32 of 2000) and various other acts and regulations.
Grading of municipal Council for the upper limits for Councillors	Low capacity municipality
Grading of remuneration of municipal manager and senior managers	Low capacity municipality
Chief Finance Officer (CFO)	Mr NF Ralebenya
Business address	Civic Centre Corner Prinsloo and Kuhn Streets Vrede 9853
Postal address	Private Bag X5 Vrede 9853
Bankers	ABSA Bank Limited
Auditors	Auditor General - South Africa
Attorneys	Peyper Attorneys Lizelle Venter Attorneys Mjali & Associates Attorneys Ngcuqu and Associates Attorneys
Level of assurance	These unaudited annual financial statements will be audited in compliance with the applicable requirements of the Municipal Finance Management Act, No 56 of 2003.
Email address	info@phumelela.gov.za
Website	https://phumelela.gov.za/
Telephone number	(058) 913 8300

Members of the Municipal Council

Mayor	Cllr. MD Kobeni
Speaker	Cllr. TR Zwane
Ward Councillors	Cllr. V Thela
	Cllr. VP Mahlaba
	Cllr. MD Kobeni
	Cllr. KA Sibeko
	Cllr. LL Molefe
	Cllr. TP Tsotetsi
	Cllr. BA Motsoeneng
	Cllr. SO Magubane
Proportional Representative Councillors	Cllr. NA Mazibuko
	Cllr. TN Masiteng
	Cllr. NJ Mokoena
	Cllr. DA Wessels
	Cllr. JN Klemp
	Cllr. ME Radebe
	Cllr. MA Mkhwanazi
Executive Committee	
Chairperson:	Cllr. MD Kobeni
Members:	Cllr. V Thela
	Cllr. DA Wessels
Municipal Public Account Committee (MPAC)	
Chairperson:	Cllr. K.A Sibeko
Members:	Cllr. S. Magubane
	Cllr. M. Radebe
	Cllr. N. Mokoena
	Cllr. J. Klemp

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

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

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

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

The audited annual financial statements set out on page 11 - 114, which have been prepared on the going concern basis, were approved by the accounting officer and signed by her.

Mrs. GPN Mhlongo-Ntshangase
Municipal Manager (Accounting Officer)
Phumelela Local Municipality
31 August 2025

Accounting Officer's Report

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

1. Review of activities

Main business and operations

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

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

The municipality is a South African catagory B.

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

Net deficit of the municipality was 24 327 895 (2024: deficit 2 339 418).

2. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of 326 121 484 and that the municipality's total assets exceed its liabilities by 326 121 484.

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

3. Subsequent events

I am not aware of any matter or circumstance arising since the end of the financial year which has an adjusting effect on the annual financial statements except as listed on note 46.

4. Accounting Officers' interest in contracts

I do not have an interest in any contracts awarded, either direct or indirect.

5. Accounting policies

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

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

6. Accounting Officer

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

Name
Mrs. GPN Mhlongo-Ntshangase

Accounting Officer's Report

7. Corporate governance

General

I am commited to business integrity, transparency and professionalism in all its activities. As part of this commitment, I support the highest standards of corporate governance and the ongoing development of best practice.

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

8. Bankers

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

9. Auditors

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

10. Public Private Partnership

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

11. Non-compliance with applicable legislation

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

Accounting Officer's Report

12. Municipal jurisdiction

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

- Vrede
- Memel
- Warden

The audited annual financial statements set out on pages 8 to 114, which have been prepared on the going concern basis, were approved by me on 31 August 2025 and was signed by myself.

Mrs. GPN Mhlongo-Ntshangase
Municipal Manager (Accounting Officer)
Phumelela Local Municipality
31 August 2025

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 *Restated**
Assets			
Current Assets			
Cash and cash equivalents	4	357 095	7 166 541
Inventories	5	2 171 825	1 754 864
Receivables from exchange transactions	7	94 756 503	93 332 864
Receivables from non-exchange transactions	8	20 833 305	18 956 447
Total Current Assets		**118 118 728**	**121 210 716**
Non-Current Assets			
Other financial assets	6	241 722	318 420
Heritage assets	9	5 761	5 761
Investment property	10	11 650 009	12 177 779
Property, plant and equipment	11	784 554 048	761 265 187
Total Non-Current Assets		**796 451 540**	**773 767 147**
Total Assets		**914 570 268**	**894 977 863**
Liabilities			
Current Liabilities			
Consumer deposits	12	260 106	266 680
Employee benefit obligation	13	1 369 707	814 380
Finance lease obligation	14	900 000	-
Payables from exchange transactions	15	435 752 500	336 893 531
Unspent conditional grants and receipts	17	5 071 160	7 000 876
Total Current Liabilities		**443 353 473**	**344 975 467**
Non-Current Liabilities			
Employee benefit obligation	13	5 381 444	5 690 919
Finance lease obligation	14	975 000	-
Provisions	16	81 162 720	78 709 806
Other liability	18	57 576 147	115 152 293
Total Non-Current Liabilities		**145 095 311**	**199 553 018**
Total Liabilities		**588 448 784**	**544 528 485**
Net Assets		**326 121 484**	**350 449 378**
Accumulated surplus		326 121 484	350 449 378
Total Net Assets		**326 121 484**	**350 449 378**

* See Note 42

Statement of Financial Performance for the year ended 30 June 2025

Figures in Rand	Note(s)	2025	2024 *Restated**
Revenue			
Revenue from exchange transactions			
Interest income	19	35 624 737	33 751 428
Operational revenue	21	884 150	1 677 092
Rental of facilities and equipment	22	1 084 385	922 494
Service charges	23	71 501 855	63 449 649
Commissions received		243 736	245 856
Total revenue from exchange transactions		**109 338 863**	**100 046 519**
Revenue from non-exchange transactions			
Taxation revenue			
Interest - Taxation revenue	20	6 925 088	7 400 957
Property rates	24	23 462 126	20 064 260
Prescribed revenue		-	792 883
Transfer revenue			
Fines, Penalties and Forfeits	25	304	43 693
Government grants and subsidies	26	152 565 716	153 954 745
Public contributions and donations	27	9 971 193	7 610 232
External audit fee subsidy		-	3 549 254
Rebate on Eskom interest received		-	9 510 805
Department of water affairs billing adjustment		-	28 860 602
Total revenue from non-exchange transactions		**192 924 427**	**231 787 431**
Total revenue		**302 263 290**	**331 833 950**
Expenditure			
Bulk purchases	28	(30 348 680)	(33 175 709)
Debt impairment	29	(99 198 558)	(83 292 698)
Depreciation and amortisation	30	(18 149 111)	(32 431 027)
Employee related costs	31	(95 132 550)	(91 195 682)
Finance costs	32	(23 311 034)	(27 121 175)
General expenses	33	(43 598 062)	(50 501 890)
Remuneration of councillors	34	(7 680 193)	(7 405 785)
Inventory consumed	35	(14 424 484)	(12 829 029)
Landfill site expense		1 982 147	209 240
Total expenditure		**(329 860 525)**	**(337 743 755)**
Operating deficit		**(27 597 235)**	**(5 909 805)**
Loss on disposal of assets and liabilities	11	(8 966 260)	(123 203)
Actuarial gains	13	71 703	(51 495)
Reversal of impairments	36	18 391 892	3 927 471
Impairment loss	36	(6 524 551)	(8 034 730)
Provision change adjustment		-	8 093 928
Inventories losses/write-downs		296 556	(241 584)
Deficit for the year		**(24 327 895)**	**(2 339 418)**

* See Note 42

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

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	407 213 081	407 213 081
Adjustments		
Prior year adjustments 42	(54 424 285)	(54 424 285)
Balance at 01 July 2023 as restated*	**352 788 796**	**352 788 796**
Changes in net assets		
Deficit for the year 2024	(2 339 418)	(2 339 418)
Total changes	(2 339 418)	(2 339 418)
Opening balance as previously reported	413 737 386	413 737 386
Adjustments		
Prior year adjustments 42	(63 288 007)	(63 288 007)
Restated* Balance at 01 July 2024 as restated*	**350 449 379**	**350 449 379**
Changes in net assets		
Deficit for the year	(24 327 895)	(24 327 895)
Total changes	(24 327 895)	(24 327 895)
Balance at 30 June 2025	**326 121 484**	**326 121 484**

* See Note 42

Cash Flow Statement for the year ended 30 June 2025

Figures in Rand	Note(s)	2025	2024 *Restated**
Cash flows from operating activities			
Receipts			
Taxation		9 861 243	7 267 016
Sale of goods and services		24 891 409	23 860 382
Grants		150 636 000	147 811 291
Interest income		2 505 042	2 607 066
		187 893 694	181 545 755
Payments			
Employee costs		(104 494 205)	(97 897 228)
Suppliers		(34 812 833)	(25 202 863)
Finance costs		(16 882 947)	(12 147 910)
		(156 189 985)	(135 248 001)
Net cash flows from operating activities	38	**31 703 709**	**46 297 754**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(40 464 853)	(39 420 085)
Proceeds from sale of financial assets		76 698	42 753
Net cash flows from investing activities		**(40 388 155)**	**(39 377 332)**
Cash flows from financing activities			
Increase in finance leases		1 875 000	-
Net increase/(decrease) in cash and cash equivalents		**(6 809 446)**	**6 920 422**
Cash and cash equivalents at the beginning of the year		7 166 541	246 119
Cash and cash equivalents at the end of the year	4	**357 095**	**7 166 541**

* See Note 42

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

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Interest received - investment	46 616 101	-	**46 616 101**	35 624 737	**(10 991 364)**	Note 64.6
Interest received (trading)	860 566	-	**860 566**	-	**(860 566)**	Note 64.3
Other income	2 420 891	-	**2 420 891**	884 150	**(1 536 741)**	Note 64.5
Commissions received	-	-	**-**	243 736	**243 736**	Note 64.4
Rental of facilities and equipment	660 994	-	**660 994**	1 084 385	**423 391**	Note 64.2
Service charges	96 670 812	-	**96 670 812**	71 501 855	**(25 168 957)**	Note 64.1
Total revenue from exchange transactions	**147 229 364**	**-**	**147 229 364**	**109 338 863**	**(37 890 501)**	
Revenue from non-exchange transactions						
Taxation revenue						
Interest - Taxation revenue	-	-	**-**	6 925 088	**6 925 088**	Note 64.8
Property rates	17 825 133	2 067 166	**19 892 299**	23 462 126	**3 569 827**	Note 64.7
Transfer revenue						
Fines, Penalties and Forfeits	57 075	-	**57 075**	304	**(56 771)**	Note 64.11
Government grants and subsidies	157 615 994	(7 500 000)	**150 115 994**	152 565 716	**2 449 722**	Note 64.9
Public contributions and donations	-	-	**-**	9 971 193	**9 971 193**	Note 64.10
Total revenue from non-exchange transactions	**175 498 202**	**(5 432 834)**	**170 065 368**	**192 924 427**	**22 859 059**	
Total revenue	**322 727 566**	**(5 432 834)**	**317 294 732**	**302 263 290**	**(15 031 442)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Expenditure						
Landfill site expense	-	-	**-**	1 982 147	**1 982 147**	Note 64.14
Bulk purchases	(35 900 080)	3 590 008	**(32 310 072)**	(30 348 680)	**1 961 392**	Note 64.19
Debt impairment	(31 510 626)	-	**(31 510 626)**	(99 198 558)	**(67 687 932)**	Note 64.18
Depreciation and amortisation	(20 608 661)	5 134 746	**(15 473 915)**	(18 149 111)	**(2 675 196)**	Note 64.15
Employee related costs	(108 649 884)	5 798 534	**(102 851 350)**	(95 132 550)	**7 718 800**	Note 64.12
Finance costs	(6 525 913)	-	**(6 525 913)**	(23 311 034)	**(16 785 121)**	Note 64.17
General expenses	(53 763 450)	(6 801 550)	**(60 565 000)**	(43 598 062)	**16 966 938**	Note 64.22
Remuneration of councillors	(7 533 625)	(2 247 193)	**(9 780 818)**	(7 680 193)	**2 100 625**	Note 64.13
Inventory consumed	(9 380 633)	(119 734)	**(9 500 367)**	(14 424 484)	**(4 924 117)**	Note 64.20
Total expenditure	**(273 872 872)**	**5 354 811**	**(268 518 061)**	**(329 860 525)**	**(61 342 464)**	
Operating deficit	**48 854 694**	**(78 023)**	**48 776 671**	**(27 597 235)**	**(76 373 906)**	
Actuarial gains	-	-	**-**	71 703	**71 703**	Note 64.24
Loss on disposal of assets and liabilities	-	-	**-**	(8 966 260)	**(8 966 260)**	Note 64.21
Impairment loss/ Reversal of impairments	-	-	**-**	11 867 341	**11 867 341**	Note 64.16
Inventories losses/write-downs	-	-	**-**	296 556	**296 556**	Note 64.23
	-	**-**	**-**	**3 269 340**	**3 269 340**	
Surplus/(deficit) for the year	**48 854 694**	**(78 023)**	**48 776 671**	**(24 327 895)**	**(73 104 566)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Cash and cash equivalents	13 281 497	(4 620 522)	**8 660 975**	357 095	**(8 303 880)**	Note 64.30
Inventories	1 384 167	(241 585)	**1 142 582**	2 171 825	**1 029 243**	Note 64.25
Other current assets	(1 850 606)	-	**(1 850 606)**	-	**1 850 606**	Note 64.29
Receivables from exchange transactions	228 946 180	(39 454 434)	**189 491 746**	94 756 503	**(94 735 243)**	Note 64.26
Receivables from non-exchange transactions	(33 071 893)	17 590 952	**(15 480 941)**	20 833 305	**36 314 246**	Note 64.27
Total current assets	**208 689 345**	**(26 725 589)**	**181 963 756**	**118 118 728**	**(63 845 028)**	
Non-Current Assets						
Heritage assets	5 761	-	**5 761**	5 761	**-**	
Investment property	13 291 858	(843 554)	**12 448 304**	11 650 009	**(798 295)**	
Other financial assets	343 395	(41 576)	**301 819**	241 722	**(60 097)**	Note 64.32
Property, plant and equipment	852 322 232	(79 538 014)	**772 784 218**	784 554 048	**11 769 830**	Note 64.31
Total non-current assets	**865 963 246**	**(80 423 144)**	**785 540 102**	**796 451 540**	**10 911 438**	
Total Assets	**1 074 652 591**	**(107 148 733)**	**967 503 858**	**914 570 268**	**(52 933 590)**	
Liabilities						
Current Liabilities						
Consumer deposits	249 437	17 242	**266 679**	260 106	**(6 573)**	
Employee benefit obligation	-	-	**-**	1 369 707	**1 369 707**	Note 64.36
Finance lease obligation	-	-	**-**	900 000	**900 000**	Note 64.33
Payables from exchange transactions	330 422 342	26 959 737	**357 382 079**	435 752 501	**78 370 422**	Note 64.34
Unspent conditional grants and receipts	(9 914 874)	11 479 815	**1 564 941**	5 071 160	**3 506 219**	Note 64.37
VAT payable	33 094 660	1 793 221	**34 887 881**	-	**(34 887 881)**	Note 64.35
Total current liabilities	**353 851 565**	**40 250 015**	**394 101 580**	**443 353 474**	**49 251 894**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Non-Current Liabilities						
Employee benefit obligation	-	-	**-**	5 381 444	**5 381 444**	Note 64.38
Finance lease obligation	692 963	(63 424)	**629 539**	975 000	**345 461**	Note 64.40
Other liability	-	-	**-**	57 576 147	**57 576 147**	Note 64.34
Provisions	88 091 229	(4 320 043)	**83 771 186**	81 162 720	**(2 608 466)**	Note 64.39
Total non-current liabilities	**88 784 192**	**(4 383 467)**	**84 400 725**	**145 095 311**	**60 694 586**	
Total Liabilities	**442 635 757**	**35 866 548**	**478 502 305**	**588 448 785**	**109 946 480**	
Net Assets	**632 016 834**	**(143 015 281)**	**489 001 553**	**326 121 483**	**(162 880 070)**	
Net Assets						
Accumulated surplus	632 016 834	(143 015 281)	**489 001 553**	326 121 484	**(162 880 069)**	Note 64.42

The accounting policies on pages 19 to 46 and the notes on pages 47 to 114 form an integral part of the audited annual financial statements.

Accounting Policies for the year ended 30 June 2025

Figures in Rand	Note(s)	2025	2024

1. Significant accounting polices

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

1.1 Basis of preparations

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

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

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

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

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

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

1.5 Significant judgements and sources of estimation uncertainty

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

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Trade receivables

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

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

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

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

Impairment testing

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

Provisions

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

Useful lives of infrastructure and other assets

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

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in note 13.

Effective interest rate

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

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Allowance for impairment

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

Recognition and Derecognition of Land

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

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

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

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

Accounting by principals and agent

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

Additional information is disclosed in note 56.

Segment reporting

A segment is an activity of an entity:

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

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

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

Measurement

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

1.5 Significant judgements and sources of estimation uncertainty (continued)

Interest on exchange and non exchange assets

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

1.6 Investment property

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

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

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

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

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

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

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	**Useful life**
Property - land	indefinite
Property - buildings	15 - 60 years

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

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

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

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

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

1.6 Investment property (continued)

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

1.7 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.7 Property, plant and equipment (continued)

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

Item	Depreciation method	Average useful life
Immovable assets		
Buildings	Straight-line	10 - 50 years
Infrastructure - Electricity network	Straight-line	20 - 50 years
Infrastructure - Roads network	Straight-line	10 - 80 years
Infrastructure - Solid waste network	Straight-line	12 - 50 years
Infrastructure - Water network	Straight-line	10 - 80 years
Land	Straight-line	Indefinite
Movable assets		
Computer equipment	Straight-line	10 years
Furniture and fixtures	Straight-line	10 - 15 years
Motor vehicles	Straight-line	10 years
Plant and machinery	Straight-line	10 years

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

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

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

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

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

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

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

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

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

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

1.8 Site restoration and dismantling cost

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

Accounting Policies

1.8 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

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

1.9 Heritage assets

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 9). Cost incurred to repair and maintain heritage assets comprises of goods and services and contracted services. These costs excludes labour cost.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9). Heritage Assets under construction are carried at cost. All assets under construction which have exceeded the initial planned completion date by two years are considered to be taking a significantly longer period of time to complete than expected.

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

Impairment

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

Transfers

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

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

1.9 Heritage assets (continued)

Derecognition

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

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

1.10 Financial instruments

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

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

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

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

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

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

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

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

1.10 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

1.10 Financial instruments (continued)

Classification

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

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

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

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

1.11 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accounting Policies

1.11 Statutory receivables (continued)

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

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

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

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

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

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

Derecognition

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

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

Accounting Policies

1.11 Statutory receivables (continued)

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

1.12 Leases

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

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

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality’s net investment in the finance lease.

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.13 Inventories

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Accounting Policies

1.13 Inventories (continued)

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

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

Water Inventory

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

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

1.14 Construction contracts and receivables

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

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

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

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

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

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

Accounting Policies

1.14 Construction contracts and receivables (continued)

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

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

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

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

1.15 Cash and cash equivalents

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

1.16 Impairment of cash and non-cash-generating assets

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

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

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

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

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

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

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

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

Designation

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

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that

- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that ar expected to be significantly higher than the cost of the asset.

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

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

Accounting Policies

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

Redesignation

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

1.17 Employee benefits

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

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

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

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

Accounting Policies

1.17 Employee benefits (continued)

Short-term employee benefits

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

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

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

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

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

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

Post-employment benefits

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

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

The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past, or accrued and future in-service element. The liability is recognised at the fair value of the obligation, together with any adjustments required. The projected unit credit method has been used to value the obligation. Refer to note 13.

Post-employment benefits: Defined contribution plans

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

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

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

1.17 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.17 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

1.18 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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

1.18 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.16 .

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

1.19 Commitments

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

1.20 Revenue from exchange transactions

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

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

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

Measurement

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

Pre-paid Electricity

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

Accounting Policies

1.20 Revenue from exchange transactions (continued)

Sale of goods

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

Rendering of services

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

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

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

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

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

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

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

1.21 Revenue from non-exchange transactions

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

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

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

1.21 Revenue from non-exchange transactions (continued)

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Taxes

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

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

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

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

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

1.21 Revenue from non-exchange transactions (continued)

Transfers

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

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

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

Unconditional Grants

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

Conditional Grants

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

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

Availability charges

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

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

Fines

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

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

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

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

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

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

Gifts and donations, including goods in-kind

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

1.21 Revenue from non-exchange transactions (continued)

Services in-kind

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

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

Unallocated deposit

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

1.22 Investment income

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

1.23 Borrowing costs

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

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

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

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

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

1.24 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Accounting Policies

1.24 Accounting by principals and agents (continued)

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

Recognition

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

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

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

1.25 Comparative figures

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

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.26 Unauthorised expenditure

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

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

Accounting Policies

1.27 Fruitless and wasteful expenditure

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

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

Fruitless and wasteful expenditure is disclosed inclusive of VAT.

1.28 Irregular expenditure

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

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

Irregular expenditure is disclosed inclusive of VAT.

1.29 Segment information

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

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

Measurement

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

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

1.30 Budget information

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

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

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

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

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

A difference of 10% or more, and if the amount exceeds R3 million, between budgeted and actual amounts is regarded as material.

1.31 Related parties

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

1.31 Related parties (continued)

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

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

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

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

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

1.32 Events after reporting date

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

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

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

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

Accounting Policies

1.33 Bad debts written off

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

1.34 Value Added Tax

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

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

1.35 Unspent Conditional Grants and Receipts

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

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

- The cash which backs up the liability is invested until it is utilised,
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.
- Whenever an asset is purchased out of the unspent conditional grant an amount equal to the cost price of the asset purchased is transferred from the unspent conditional grant into the Statement of Financial Performance as revenue
- Government grants that are subject to repayment due to unmet conditions are reclassified from unspent conditional grants to liabilities (e.g., trade and other payables) when new information confirms the obligation. This reflects the municipality's commitment to repay the specified amount.

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

Figures in Rand	2025	2024

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

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

3. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	Total
Cash and cash equivalents	357 095	357 095
Receivables from exchange transactions	94 756 503	94 756 503
Other financial assets	241 722	241 722
Receivables from non-exchange transactions	100 000	100 000
Other financial assets	457 542	457 542
	95 912 862	**95 912 862**

Financial liabilities

	At amortised cost	Total
Consumer deposits	260 106	260 106
Payables from exchange transactions	379 322 654	379 322 654
PAYE contributions not yet paid over	1 961 661	1 961 661
Debtors in credit	9 537 236	9 537 236
Retentions	9 978 437	9 978 437
Pensions contributions not yet paid over	2 349 646	2 349 646
Medical aid contributions not yet paid over	1 126 316	1 126 316
Finance lease obligation	1 875 000	1 875 000
	406 411 056	**406 411 056**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

3. Financial instruments disclosure (continued)

2024

Financial assets

	At amortised cost	Total
Cash and cash equivalents	7 166 541	7 166 541
Receivables from exchange transactions	93 332 864	93 332 864
Other financial assets	318 420	318 420
Receivables from non-exchange transactions	100 000	100 000
	100 917 825	**100 917 825**

Financial liabilities

	At amortised cost	Total
Consumer deposits	266 680	266 680
Payables from exchange transactions	279 687 979	279 687 979
PAYE contributions not yet paid over	2 759 194	2 759 194
Debtors in credit	8 950 840	8 950 840
Retentions	8 578 604	8 578 604
Pensions contributions not yet paid over	5 491 785	5 491 785
Medical aid contributions not yet paid over	539 095	539 095
	306 274 177	**306 274 177**

Figures in Rand	2025	2024

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	(30 816)	152 227
Short-term deposits	387 911	7 014 314
	357 095	**7 166 541**

The total amount of undrawn facilities available for future operating activities and commitments	357 095	7 166 541
	357 095	**7 166 541**

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2025	30 June 2024	30 June 2023	Cash book balances 30 June 2025	30 June 2024	30 June 2023
Current accounts						
ABSA Bank Limited: 2260 940 190	(30 814)	152 229	108 030	(30 814)	152 229	108 030
First National Bank: 6232 212 257 4	-	-	(1 178)	-	-	(1 178)
Short-term Investments						
ABSA Bank Limited: 2077 706 148	4 699	4 428	4 178	4 699	4 428	4 178
Absa Bank Limited: 9211 176 952	2 937	171 293	127 006	2 937	171 293	127 006
First National Bank: 7434 756 692 6	4 481	4 481	4 481	4 481	4 481	4 481
Absa Bank Limited: 9211 177 843	372 969	6 831 452	1 092	372 969	6 831 452	1 092
ABSA Bank Limited: 2079 725 700	2 827	2 664	2 513	2 827	2 664	2 513
Total	**357 099**	**7 166 547**	**246 122**	**357 099**	**7 166 547**	**246 122**

Restricted cash balances

Grants	-	7 000 876

These funds are not available for general use and is is restricted for specific capital projects funded by government grants.

5. Inventories

Consumable stores	1 268 841	983 524
Water for distribution	763 710	632 066
Unsold Properties Held for Resale	139 274	139 274
	2 171 825	**1 754 864**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

6. Other financial assets

Designated at fair value		
Unlisted shares	241 722	318 420
Terms and conditions		
Non-current assets		
Designated at fair value	241 722	318 420

7. Receivables from exchange transactions

Gross balances		
Trade debtors	681 523	1 441 296
VAT Receivable	49 852 725	46 378 687
Consumer debtors - Electricity	4 908 050	4 484 738
Consumer debtors - Water	128 830 817	105 586 076
Consumer debtors - Sewerage	120 947 913	105 605 215
Consumer debtors - Refuse	120 694 225	106 685 173
Consumer debtors - Interest	223 120 163	183 075 380
Consumer debtors - Rental	5 631 480	5 101 640
Consumer debtors - Sundry	1 827 974	1 744 553
	656 494 870	**560 102 758**
Less: Allowance for impairment		
Consumer debtors - Electricity	(3 434 544)	(3 164 297)
Consumer debtors - Water	(118 983 719)	(96 013 652)
Consumer debtors - Sewerage	(112 428 672)	(96 671 133)
Consumer debtors - Refuse	(112 317 376)	(97 076 424)
Consumer debtors - Interest	(208 186 955)	(168 277 398)
Consumer debtors - Rental	(5 016 669)	(4 414 664)
Consumer debtors - Sundry	(1 370 432)	(1 152 326)
	(561 738 367)	**(466 769 894)**
Net balance		
Trade debtors	681 523	1 441 296
VAT Receivable	49 852 725	46 378 687
Consumer debtors - Electricity	1 473 506	1 320 441
Consumer debtors - Water	9 847 098	9 572 424
Consumer debtors - Sewerage	8 519 241	8 934 082
Consumer debtors - Refuse	8 376 849	9 608 749
Consumer debtors - Interest	14 933 208	14 797 982
Consumer debtors - Rental	614 811	686 976
Consumer debtors - Sundry	457 542	592 227
	94 756 503	**93 332 864**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

7. Receivables from exchange transactions (continued)

Consumer debtors - Electricity		
Current (0 -30 days)	(51 813)	(398 675)
31 - 60 days	-	17 826
61 - 90 days	17 074	17 598
91 - 120 days	16 683	17 141
120+ Days	4 926 105	4 830 848
Impairment	(3 434 544)	(3 164 297)
	1 473 506	**1 320 441**

Consumer debtors - Water		
Current (0 -30 days)	5 074 736	3 096 367
31 - 60 days	2 432 801	2 268 581
61 - 90 days	1 933 271	1 762 064
91 - 120 days	1 626 861	2 559 589
120+ Days	117 763 149	95 899 475
Impairment	(118 983 719)	(96 013 652)
	9 847 098	**9 572 424**

Consumer debtors - Sewerage		
Current (0 -30 days)	1 821 351	2 491 803
31 - 60 days	1 660 724	1 714 826
61 - 90 days	1 573 859	1 689 347
91 - 120 days	1 557 056	1 637 706
120+ Days	114 334 924	98 071 533
Impairment	(112 428 672)	(96 671 133)
	8 519 241	**8 934 082**

Consumer debtors - Refuse		
Current (0 -30 days)	1 547 350	2 117 642
31 - 60 days	1 456 596	1 562 620
61 - 90 days	1 392 752	1 556 593
91 - 120 days	1 383 286	1 502 297
120+ Days	114 914 242	99 946 021
Impairment	(112 317 376)	(97 076 424)
	8 376 849	**9 608 749**

Consumer debtors - Interest		
Current (0 -30 days)	3 030 451	3 423 876
31 - 60 days	3 310 335	3 506 119
61 - 90 days	3 221 381	3 498 487
91 - 120 days	3 188 971	3 437 308
120+ Days	210 369 026	169 209 590
Impairment	(208 186 955)	(168 277 398)
	14 933 208	**14 797 982**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

7. Receivables from exchange transactions (continued)

Consumer debtors - Rentals		
Current (0 -30 days)	157 085	63 080
31 - 60 days	60 535	100 803
61 - 90 days	54 908	126 245
91 - 120 days	52 558	120 300
120+ Days	5 306 394	4 691 212
Impairment	(5 016 669)	(4 414 664)
	614 811	**686 976**

Consumer debtors - Sundry		
Current (0 -30 days)	22 664	(57 882)
31 - 60 days	16 064	15 588
61 - 90 days	12 890	15 425
91 - 120 days	12 890	12 890
120+ Days	1 763 468	1 758 532
Impairment	(1 370 432)	(1 152 326)
	457 542	**592 227**

Summary of debtors by customer classification

Residential / Consumers		
Current (0 -30 days)	11 601 824	10 736 211
31 - 60 days	8 937 053	9 186 363
61 - 90 days	8 206 134	8 665 759
91 - 120 days	7 838 305	9 287 231
120+ Days	569 377 306	474 407 211
	605 960 623	512 282 775
Less: Allowance for impairment	(561 738 367)	(466 769 892)
	44 222 255	**45 512 883**

Total		
Current (0 -30 days)	11 601 824	10 736 211
31 - 60 days	8 937 053	9 186 363
61 - 90 days	8 206 134	8 665 759
91 - 120 days	7 838 305	9 287 231
120+ Days	569 377 306	474 407 211
	605 960 623	512 282 775
Less: Allowance for impairment	(561 738 367)	(466 769 894)
	44 222 255	**45 512 881**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

7. Receivables from exchange transactions (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(466 769 893)	(385 193 663)
Contributions to allowance	(94 968 474)	(81 576 231)
	(561 738 367)	**(466 769 893)**

Receivables from exchange transactions pledged as security

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

Credit quality of trade and other receivables from exchange

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

Fair value of receivables from exchange transactions

Trade and other receivables from exchange	94 756 504	93 332 865

Figures in Rand	2025	2024

8. Statutory receivables

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

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

VAT (Payable) / Receivable	49 852 725	46 378 687
	49 852 725	**46 378 687**

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

Property rates	20 733 306	18 856 447
	20 733 306	**18 856 447**

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

Property rates	(65 133 456)	(53 409 127)
	(65 133 456)	**(53 409 127)**

Factors the entity considered in assessing statutory receivables impaired

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

Statutory receivables general information

Transaction(s) arising from statute

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

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

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

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

Interest or other charges levied/charged

Interest or other charges levied on Property rates balances are in line with the Annual Tariff List of the municipality approved by Council as part of the Budget Process in terms of the Municipal Finance Management Act, 56 of 2003."Interest" means a charge levied, on all arear accounts calculated at an interest rate which is one percent higher than the prime interest rate.

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

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

8. Statutory receivables (continued)

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

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

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

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

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

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

Discount rate applied to the estimated future cash flows

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

Notes to the Audited Annual Financial Statements

Figures in Rand

9. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	5 761	-	5 761	5 761	-	5 761

Reconciliation of heritage assets 2025

	Opening balance	Total
Art Collections, antiquities and exhibits	5 761	5 761

Reconciliation of heritage assets 2024

	Opening balance	Total
Art Collections, antiquities and exhibits	5 761	5 761

Pledged as security

Heritage assets has not been pledged as security.

Notes to the Audited Annual Financial Statements

Figures in Rand

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	32 567 668	(20 917 659)	11 650 009	32 567 668	(20 389 889)	12 177 779
Total	**23 300 018**	**(20 917 659)**	**11 650 009**	**24 355 558**	**(20 389 889)**	**12 177 779**

Reconciliation of investment property - 2025

	Opening balance	Disposals	Impairments	Fair value adjustments	Depreciation	Total
Investment property	12 177 779	-	(87 624)	-	(440 146)	11 650 009
	12 177 779	**-**	**(87 624)**	**-**	**(440 146)**	**11 650 009**

Reconciliation of investment property - 2024

	Opening balance	Disposals	Impairments	Fair value adjustments	Depreciation	Total
Investment property	13 085 276		(647 835)	-	(259 662)	12 177 779
	13 085 276	**-**	**(647 835)**	**-**	**(259 662)**	**12 177 779**

Pledged as security

No investment properties has been pledged as security for liabilities.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

10. Investment property (continued)

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 30 June 2025. Revaluations were performed by Municipex (Pty) Ltd. Mr PH Venter was the valuer at Municipex (Pty) Ltd to perform the valuations. Mr Venter is a registered Professional Associated Valuer with the SA Council for Valuers Profession, registration number 7428, a member of the SA Institute of Valuers and has the appropriate experience in performing valuation of investment properties.

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

These assumptions are based on current market conditions.

Legal ownership

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

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

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

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

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

Derecognise

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

Notes to the Audited Annual Financial Statements

Figures in Rand

11. Property, plant and equipment

	2025			2024		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Immovable assets						
Work in progress	75 266 602	-	75 266 602	75 083 666	-	75 083 666
Buildings	156 109 130	(82 605 069)	73 504 061	154 498 870	(90 145 672)	64 353 198
Infrastructure - Electricity network	42 926 324	(14 200 479)	28 725 845	38 953 249	(14 432 034)	24 521 215
Infrastructure - Road network	388 196 962	(241 048 395)	147 148 567	389 239 021	(240 059 173)	149 179 848
Water network	444 085 827	(158 273 022)	285 812 805	445 971 061	(161 348 830)	284 622 231
Land	86 376 536	(31 583 574)	54 792 962	86 376 536	(31 583 574)	54 792 962
Landfill site	22 289 427	(15 954 796)	6 334 631	24 282 453	(15 442 314)	8 840 139
Wastewater network	179 803 865	(81 437 587)	98 366 278	165 620 881	(75 496 593)	90 124 288
Movable assets						
Computer equipment	5 587 455	(4 206 521)	1 380 934	5 759 037	(4 672 001)	1 087 036
Motor vehicles	21 560 480	(11 393 381)	10 167 099	20 833 641	(13 813 055)	7 020 586
Office equipment	3 596 653	(2 706 159)	890 494	3 654 684	(3 311 612)	343 072
Plant and machinery	2 898 588	(734 818)	2 163 770	2 063 302	(766 356)	1 296 946
Total	**1 428 697 849**	**(644 143 801)**	**784 554 048**	**1 412 336 401**	**(651 071 214)**	**761 265 187**

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Land Fill Movement	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Immovable assets									
Buildings	64 353 198	1 204 380	(2 528 632)	-	4 982 546	(965 079)	(955 862)	7 413 510	73 504 061
Infrastructure - Electricity network	24 521 215	-	(128 771)	-	4 914 918	(836 507)	(553)	255 543	28 725 845
Infrastructure - Road network	149 179 848	-	(261 211)	-	-	(4 330 644)	(230 478)	2 791 052	147 148 567
Water network	284 622 231	59 167	(4 346 657)	-	8 621 707	(7 823 251)	(956 451)	5 636 059	285 812 805
Land	54 792 962	-	-	-	-	-	-	-	54 792 962
Landfill site	8 840 139	-	-	(1 993 026)	-	(512 482)	-	-	6 334 631
Wastewater network	90 124 288	9 749	(1 167 234)	-	16 343 040	(3 500 820)	(4 058 840)	616 095	98 366 278
Work in progress	75 083 666	35 599 469	-	-	(35 416 533)	-	-	-	75 266 602
Movable assets									
IT equipment	1 087 036	389 045	(162 373)	-	-	52 141	(199 832)	214 917	1 380 934
Motor vehicles	7 020 586	2 025 832	(233 213)	-	-	22 285	(9 946)	1 341 555	10 167 099
Office equipment	343 072	148 266	(41 634)	-	-	390 959	(2 406)	52 237	890 494
Plant and machinery	1 296 946	1 120 561	(96 535)	-	-	(205 567)	(22 560)	70 925	2 163 770
	761 265 187	**40 556 469**	**(8 966 260)**	**(1 993 026)**	**(554 322)**	**(17 708 965)**	**(6 436 928)**	**18 391 893**	**784 554 048**

Notes to the Audited Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Land Fill Movement	Transfers	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
Immovable assets										
Buildings	68 225 183	114 984	-	-	-	-	(3 991 463)	(1 257 764)	1 262 258	64 353 198
Infrastructure - Electricity network	26 942 098	-	-	-	-	-	(1 170 320)	(1 250 563)	-	24 521 215
Infrastructure - Road network	131 265 168	-	(6 842)	-	30 717 595	-	(12 111 955)	(1 273 844)	589 726	149 179 848
Water network	295 912 313	190 216	-	-	-	-	(9 253 970)	(3 186 941)	960 613	284 622 231
Land	54 458 721	-	-	-	-	(139 274)	-	-	473 515	54 792 962
Landfill site	10 667 581	615 036	-	(1 810 977)	-	-	(631 501)	-	-	8 840 139
Wastewater network	82 564 565	38 900	-	-	11 225 510	-	(3 682 331)	(362 208)	339 852	90 124 288
Work in progress	74 301 071	40 712 521	-	-	(39 929 926)	-	-	-	-	75 083 666
Movable assets										
IT equipment	1 114 341	178 093	-	-	-	-	(208 876)	(47 556)	51 034	1 087 036
Motor vehicles	5 787 832	2 061 188	(116 361)	-	-	-	(882 617)	(102)	170 646	7 020 586
Office equipment	392 043	-	-	-	-	-	(59 833)	(4 072)	14 934	343 072
Plant and machinery	1 319 137	95 261	-	-	-	-	(178 499)	(3 846)	64 893	1 296 946
	752 950 053	**44 006 199**	**(123 203)**	**(1 810 977)**	**2 013 179**	**(139 274)**	**(32 171 365)**	**(7 386 896)**	**3 927 471**	**761 265 187**

Pledged as security

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

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

11. Property, plant and equipment (continued)

Other information

Property, plant and equipment derecognised due to being unverified (Carrying value)		
Buildings	2 528 122	-
Infrastructure - Electricity network	128 770	-
Infrastructure - Road network	261 211	-
Infrastructure - Water network	4 346 658	-
Infrastructure - Wastewater network	245 040	-
Computer equipment	153 408	-
Motor vehicles	110 640	-
Office equipment	41 634	-
Plant and machinery	96 535	-
	7 912 018	**-**

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

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Infrastructure - Electricity network	19 886 500	20 846 021
Infrastructure - Wastewater network	55 380 102	45 752 679
Infrastructure - Water network	-	8 484 964
	75 266 602	**75 083 664**

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
PRJ 2020-02: Electrification of 300 houses and upgrading of infrastructure in Memel The project is currently on hold as the municipality was only able to procure the correct voltage regulator at the end of the financial year.	13 938 116	13 938 116
PRJ 20-21/04: Refurbishment of waste water treatment works and revamping of pump station in Warden/Ezenzeleni The contractor for this project was terminated due to poor performance as such remedial works had to be implemented in order to complete the outstanding work of the project.	-	20 935 180
PRJ 2022-06: Electrification of houses and upgrading of infrastructure in Memel. The project is currently on hold as the municipality was only able to procure the correct voltage regulator at the end of the financial year.	2 470 131	2 470 131
	16 408 247	**37 343 427**

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Total
Opening balance	75 083 664	-	75 083 664
Additions/capital expenditure	34 731 918	867 551	35 599 469
Transferred to completed items	(34 548 981)	(867 551)	(35 416 532)
	75 266 601	**-**	**75 266 601**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

11. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	74 301 070	-	74 301 070
Additions/capital expenditure	40 712 521	-	40 712 521
Transferred to completed items	(39 929 926)	-	(39 929 926)
	75 083 664	**-**	**75 083 665**

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	9 558 450	7 196 426

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

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

12. Consumer deposits

Electricity	260 106	266 680
	260 106	**266 680**

No guarantees held in lieu of electricity and water deposits.

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

No interest accrues on consumer deposits.

13. Employee benefit obligations

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

Non-current employee benefits		
Post-Retirement Medical Aid benefits	615 712	629 539
Long-service awards benefits	4 765 732	5 061 380
	5 381 444	**5 690 919**
Current employee benefits		
Post-Retirement Medical Aid benefits	107 044	108 938
Long-service awards benefits	1 262 663	705 442
	1 369 707	**814 380**
Total employee benefits		
Post-Retirement Medical Aid benefits	722 756	738 477
Long-service awards benefits	6 028 395	5 766 822
	6 751 151	**6 505 299**

Non-current liabilities	5 381 444	5 690 919
Current liabilities	1 369 707	814 380
	6 751 151	**6 505 299**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

13. Employee benefit obligations (continued)

Post employment health care benefits

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2024 by D T Mureriwa of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

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

In-service members (Employees)	250	258
Continuation members (Retirees)	2	2
Total members	**252**	**260**

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

Bonitas

LA Health

Key Health

Samwumed

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

In-service members (Employees)	-	-
In-service non-members (Employees)	-	-
Continuation members (Retirees)	722 756	738 477
Total liability	**722 756**	**738 477**

Non-current	615 712	629 539
Current	107 044	108 938
	722 756	**738 477**

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

Rates of interest		
Discount rate	8.97 %	10.15 %
Health care cost inflation rate	4.92 %	6.18 %
Net effective discount rate	3.85 %	3.74 %

Normal retirement age

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

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

13. Employee benefit obligations (continued)

Amounts recognised in the statement of financial position

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

	2025	2024
Present value of unfunded obligations	**722 756**	**738 477**

Net expense recognised in the statement of financial performance

	2025	2024
The amounts recognised in the statement of financial performance is as follows:		
Current service cost	-	-
Interest cost	69 437	79 258
Actuarial (gain) recognised in the year	17 345	(48 331)
	86 782	**30 927**

	2025	2024
Movements in the present value of the defined benefit obligation		
Opening balance	738 477	802 464
Current service cost	-	-
Interest cost	69 437	79 258
Actual employer benefit payments	(102 503)	(94 914)
Actuarial (gain) recognised in the year	17 345	(48 331)
Present value of fund obligation at the end of the year	**722 756**	**738 477**

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

Present value of unfunded defined benefit	
2025	722 756
2024	738 477
2023	802 464
2022	1 027 009
2021	1 614 781

Sensitivity analysis on Medical inflation rate

Assumption	Change	Total	% change
Service cost	1 %	63 531	0.06 %
Service cost	-1 %	56 768	- %
Interest cost	1 %	57 096	-0.05 %
Interest cost	-1 %	62 981	- %

Sensitivity analysis on Discount rate

Assumption	Change	Total	% change
Service cost	1 %	84 205	0.07 %
Service cost	-1 %	74 718	-0.06 %
Interest cost	1 %	82 009	0.03 %
Interest cost	-1 %	76 009	0.04 %

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

13. Employee benefit obligations (continued)

GRAP 25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2024 the duration of liabilities was 4.87 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2025 is 8.76% per annum, and the yield on inflation-linked bonds of a similar term was about 4.79% per annum. This implies an underlying expectation of inflation of 3.31% per annum ([1 + 8.76%-0.5%] / [1 + 4.79%] - 1). The 0.5% deduction has been added as a risk premium to reflect the uncertainty inherent in the projection. We have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 4.31% per annum. However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 4.26% per annum ([1 + 8.76%] / [1 + 4.31%] - 1).

Mortality Rates

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

Continuation of Membership

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

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

Liability History	**2025/06/30**	**2024/06/30**	**2023/06/30**	**2022/06/30**	**2021/06/30**
Accrued Liability	(722 756)	738 477	(802 464)	(1 027 009)	(1 614 781)
Surplus / (Deficit)	**722 756**	**(738 477)**	**802 464**	**1 027 009**	**1 614 781**

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

Experience adjustment	**2025/06/30**	**2024/06/30**	**2023/06/30**	**2022/06/30**	**2021/06/30**
Liabilities: (Gain) / Loss	17 345	(48 331)	(47 690)	(111 106)	510 876
	17 345	**(48 331)**	**(47 690)**	**(111 106)**	**510 876**

Long-service awards benefits

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

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

At year end 258 (2025: 250) employees were eligible for Long Services Awards.

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

	2025	2024
Discount rate	8.76 %	10.28 %
General Salary inflation	4.31 %	5.77 %
Net effective discount rate	4.26 %	4.26 %

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

13. Employee benefit obligations (continued)

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

Present value of unfunded obligations	6 028 395	5 766 822

Amounts recognised in the statement of financial performance

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

Current service cost	499 613	460 655
Interest cost	556 450	524 932
Actuarial losses / (gains) recognised	(89 048)	51 495
Total expense included in employee related costs	**967 015**	**1 037 082**

Opening balance	5 766 822	5 054 646
Current service cost	499 613	460 655
Interest cost	556 450	524 932
Actual employer benefit payments	(705 442)	(324 906)
Actuarial loss/ (gain) recognised in the year	(89 048)	51 495
	6 028 395	**5 766 822**

Liability History	**2025/06/30**	**2024/06/30**	**2023/06/30**	**2022/06/30**	**2021/06/30**
Accrued Liability	(6 028 395)	(5 766 822)	(5 054 646)	(7 364 548)	(5 723 026)
Surplus / (Deficit)	**6 028 395**	**5 766 822**	**5 054 646**	**7 364 548**	**5 723 026**

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

Experience adjustment	**2025/06/30**	**2024/06/30**	**2023/06/30**	**2022/06/30**	**2021/06/30**
Liabilities: (Gain) / Loss	(89 048)	51 495	(434 616)	417 300	(93 002)
	89 048	**(51 495)**	**434 616**	**(417 300)**	**93 002**

14. Finance lease obligation

Minimum lease payments due		
- within one year	900 000	-
- in second to fifth year inclusive	975 000	-
Present value of minimum lease payments	**1 875 000**	**-**

Non-current liabilities	975 000	-
Current liabilities	900 000	-
	1 875 000	**-**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

15. Payables from exchange transactions

Salaries accrued for(only paid after year end)	1 688 915	1 028 585
Payments received in advance - sale of stands	2 048 203	2 048 203
Debtors in credit	9 537 236	8 950 840
Retentions	9 978 437	8 578 604
Pensions contributions not yet paid over	2 349 646	5 491 785
PAYE contributions not yet paid over	1 961 661	2 759 194
Accrued leave pay	7 666 668	7 130 225
Unallocated receipts and deposits	17 399 091	13 885 008
13th cheque accrual	2 617 136	2 460 475
Payments received in advanced - contract in process	56 538	56 538
Medical aid contributions not yet paid over	1 126 316	539 095
Reclassified Unspent Conditional Grants	-	4 277 000
Trade payables	379 322 653	279 687 979
	435 752 500	**336 893 531**

Fair value of trade and other payables

Trade payables	435 752 500	336 893 531
	435 752 500	**336 893 531**

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

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

16. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Change in provision	Finance cost	Total
Rehabilitation of landfill site	78 709 806	(3 975 173)	6 428 087	81 162 720
	78 709 806	**(3 975 173)**	**6 428 087**	**81 162 720**

Reconciliation of provisions - 2024

	Opening Balance	Change in provision	Finance cost	Total
Rehabilitation of landfill site	83 361 490	(10 114 144)	5 462 460	78 709 806
	83 361 490	**(10 114 144)**	**5 462 460**	**78 709 806**

	2025	2024
Non-current liabilities	81 162 720	78 709 806
	81 162 720	**78 709 806**

Environmental rehabilitation provision

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

Phumelela Local Municipality consists of three (3) towns (Vrede, Memel and Warden). Vrede, Memel and Warden are located in an area of agricultural significance and Vrede is the central business district of Phumelela Municipality. Landfill operations continue until all the available permitted airspace has been filled. Once this happens, the site close and capped with a layer of impermeable clay and a layer of the top soil. Grass and other suitable vegetation types are planted to stabilize the soil and improve the appearance. Environmental monitoring continues for a period of up to 30 years after the closure of the site. No appointment for the closure of the sites has been made, and therefore only rough estimates have been compiled without site visits with no detailed inspections or investigations. Basic information on the size and classification of each site was supplied.

Vrede landfill site restoration process was undertook in 2024 by Lottoland, this resulted in a signaficant change in available airspace. Accumelated depreciation was reversed as there was a significant change in service potential. The remaining useful live changed from 3 years to 13 years.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

16. Provisions (continued)

Key cost parametres:

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

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

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

Net discount rate 7.92% (2024: 6.94%)

	Opening balance	Change inprovision	Utilised during the year	Finance cost	Total
Vrede 1	36 519 267	(1 950 772)	-	2 973 311	37 541 807
Vrede 2	10 082 137	(599 415)	-	815 629	10 298 351
Memel	17 502 452	(598 351)	-	1 453 958	18 358 058
Warden	14 605 950	(826 635)	-	1 185 189	14 964 504
	78 709 806	(3 975 173)	-	6 428 087	81 162 720

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Integrated National Electrification Programme	-	359 674
Municipal Infrastructure Grant	2 227 548	-
Provincial Grant	85 600	85 600
Water Services Infrastructure Grant	2 758 012	6 555 602
	5 071 160	**7 000 876**

Movement during the year

Balance at the beginning of the year	7 000 877	13 144 329
Additions during the year	46 658 440	61 085 290
Income recognition during the year	(48 588 157)	(67 228 742)
	5 071 160	**7 000 877**

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

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

See reconciliation of grants from National/Provincial Government note 26 and for public contributions note 27

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

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

18. Other liability

Eskom ring fence agreement	57 576 147	115 152 293
	57 576 147	**115 152 293**

The municipality participated in the Municipal Debt Relief Programme as approved by National Treasury with effect from 1 December 2023. In terms of MFMA Circular 124, the municipality is required to comply with specific conditions relating to the payment of current accounts, implementation of credit-control measures, completeness of revenue information, and timely submission of statutory financial reports.

19. Interest income (Exchange transactions)

Interest income		
Bank accounts	945 763	1 250 930
Receivables from exchange transactions	34 678 974	32 500 498
	35 624 737	**33 751 428**

20. Interest income (Non-exchange transactions)

Receivables from non-exchange transactions	6 925 088	7 400 957
	6 925 088	**7 400 957**

21. Operational revenue

Collection Fees	162 512	154 686
Tender deposits	39 666	83 629
Sale of Stands	132 513	173 913
Insurance claims	-	423
Connection Fees	8 980	3 492
Other income	258 861	973 976
Cemetery Fees	199 247	196 247
Clearance Certificate	82 371	90 726
	884 150	**1 677 092**

The amounts disclosed above for Operational revenue are in respect of services rendered, other than described in note: 22 and 23 which are billed to or paid for by the users of the services as required according to approved tariffs.

22. Rental of facilities and equipment

Premises		
Rental from fixed property	1 084 385	922 494
	1 084 385	**922 494**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

23. Service charges

Sale of electricity - Conventional	10 539 501	12 574 372
Sale of water - Conventional	26 462 444	21 559 651
Sewerage and sanitation charges	18 572 282	15 762 664
Refuse removal	15 927 628	13 552 962
	71 501 855	**63 449 649**

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

24. Property rates

Rates received

Property rates	23 462 126	20 064 260
	23 462 126	**20 064 260**

Valuations

Residential	1 291 241 000	1 282 599 000
Business properties	210 190 000	192 720 000
Commercial properties	425 585 000	515 840 000
Municipal	35 210 000	35 970 000
Small holdings and farms	5 424 939 300	5 598 022 000
Goverment buildings	371 071 000	88 505 000
	7 758 236 300	**7 713 656 000**

Assessment Rates are levied on the value of land and improvements, which valuation is performed every five years. Interim valuations are processed on an annual basis to consider any changes in individual property values, due to amendments. The last general valuation came into effect on 1 July 2021.Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Municipal valuation threshold value

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

Other rebates

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

25. Fines, Penalties and Forfeits

Municipal Traffic Fines	304	43 693
	304	**43 693**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

26. Government grants and subsidies

Operating grants		
Equitable share	105 907 276	99 870 000
Financial Management Grant	3 000 000	3 100 000
EPWP	1 234 000	1 218 000
Provincial Treasury - Split meter grant	-	1 000 000
	110 141 276	**105 188 000**
Capital grants		
Municipal Infrastructure Grant	21 560 451	22 771 000
Provincial Infrastructure Grant	-	2 133 691
Water Services Infrastructure Grant	16 863 989	19 221 728
Energy Efficiency Demand Side Management Grant	4 000 000	-
Integrated National Electrification Programme	-	4 640 326
	42 424 440	**48 766 745**
	152 565 716	**153 954 745**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	46 658 440	54 084 744
Unconditional grants received	105 907 276	99 870 000
	152 565 716	**153 954 744**

Equitable Share

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

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	4 013 368
Current-year receipts	23 788 000	22 771 000
Conditions met - transferred to revenue	(21 560 451)	(22 771 000)
Municipal Infrastructure Grant Witheld from Equitable share in 2023/24	-	(4 013 368)
	2 227 549	**-**

Conditions still to be met - remain liabilities see note 17

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

26. Government grants and subsidies (continued)

Water Services Infrastructure Grant

Balance unspent at beginning of year	6 555 602	8 739 712
Current-year receipts	19 622 000	25 777 000
Conditions met - transferred to revenue	(16 863 989)	(19 221 728)
Water Services Infrastructure GrantWitheld from Equitable share in 2023/24	(6 555 601)	(8 739 382)
	2 758 012	**6 555 602**

Conditions still to be met - remain liabilities see note 17

Integrated National Electrification Programme

Balance unspent at beginning of year	359 674	-
Current-year receipts	-	5 000 000
Conditions met - transferred to revenue	-	(4 640 326)
Integrated National Electrification ProgrammeWitheld from Equitable share in 2023/24	(359 674)	-
	-	**359 674**

Conditions still to be met - remain liabilities see note 17

Local Government Finacial Management Grant

Current-year receipts	3 000 000	3 100 000
Conditions met - transferred to revenue	(3 000 000)	(3 100 000)
	-	**-**

Expanded Public Works Programme Integrated Grant

Current-year receipts	1 234 000	1 218 000
Conditions met - transferred to revenue	(1 234 000)	(1 218 000)
	-	**-**

Library Subsidy

Energy Efficiency Demand Side Management Grant

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

Provincial Grant

Balance unspent at beginning of year	85 600	2 219 291
Conditions met - transferred to revenue	-	(2 133 691)
	85 600	**85 600**

Conditions still to be met - remain liabilities see note 17

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

27. Public contributions and donations

Property, plant and equipment	-	6 197 140
Public contributions and donations	9 971 193	1 413 092
	9 971 193	**7 610 232**

28. Bulk purchases

Electricity - Eskom	30 348 680	33 175 709
	30 348 680	**33 175 709**

29. Debt impairment

Contributions to allowance for impairment	99 198 558	83 292 698
	99 198 558	**83 292 698**

30. Depreciation and amortisation

Property, plant and equipment	17 708 965	32 171 365
Investment property	440 146	259 662
	18 149 111	**32 431 027**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

31. Employee related cost

Senior Management Costs

Annual Remuneration	3 523 701	3 708 958
Car Allowance	932 911	1 007 166
Contributions to UIF, Medical and Pension Funds	47 859	51 533
Housing Allowance	-	70 364
	4 504 471	**4 838 021**

Municipal staff costs

Acting allowances	1 518 630	1 565 245
Basic salaries and wages	53 402 668	52 102 577
Car allowance	2 033 974	2 266 001
Defined contribution plans	9 367 376	9 158 915
Occupational allowance	21 257	21 257
Leave pay-outs	1 181 459	829 994
Long-service awards	1 198 244	419 065
Medical aid - company contributions	3 850 849	3 662 526
Standby allowance	6 088 178	5 854 000
Overtime payments	5 796 617	4 444 822
13th Cheque	4 531 567	4 161 826
Employee Benefit Obligation	317 555	596 693
Skills development levy	745 588	703 132
Telephone allowance	49 046	47 186
UIF contributions	525 071	524 422
Total for municipal staff	**90 628 079**	**86 357 661**
Total Employee related cost	**95 132 550**	**91 195 682**

Senior management costs breakdown

Remuneration of Municipal Manager - NF Malatjie

Backpay	-	9 820
Contributions to UIF, Medical and Pension Funds	-	98
	-	**9 919**

Remuneration of Municipal Manager - GPN Mhlongo

Annual Remuneration	1 031 617	661 035
Car Allowance	210 840	180 560
Housing Allowance	120 000	40 000
Backpay	32 785	-
Non-Pensionable Salary	13 560	-
Contributions to UIF, Medical and Pension Funds	15 937	9 964
Travel Reimbursement	135 296	95 071
	1 560 035	**986 630**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

31. Employee related cost (continued)

Remuneration of Chief Finance Officer - NF Ralebenya

Annual Remuneration	838 114	813 445
Car Allowance	280 128	271 902
Contributions to UIF, Medical and Pension Funds	13 438	15 134
Leave Payout	-	204 045
Backpay	35 891	31 678
Non-Pensionable Salary	18 645	20 340
Travel Reimbursement	105 077	91 181
	1 291 292	**1 447 726**

Remuneration of Director of Corporate Services - NL Maimela

Annual Remuneration	782 088	699 904
Acting Allowance	-	66 912
Car Allowance	336 153	300 928
Backpay	38 882	228 293
Non-Pensionable Salary	20 340	10 170
Contributions to UIF, Medical and Pension Funds	13 527	14 754
Travel Reimbursement	15 458	3 067
	1 206 449	**1 324 028**

Remuneration of Director of Technical Services - ML Mokoena

Annual Remuneration	-	469 790
Acting Allowance	-	3 452
Car Allowance	-	253 776
Contributions to UIF, Medical and Pension Funds	-	11 583
Backpay	-	31 678
Leave Payout	-	243 118
Travel Reimbursement	-	35 983
Non-Pensionable Salary	-	20 340
	-	**1 069 719**

Remuneration of acting Director Corporate Services - NJ Mafereka

Annual remuneration	316 425	-
Car allowance	105 790	-
Contributions to UIF, Medical and Pension Funds	4 957	-
Travel reimbursement	19 523	-
	446 695	**-**

32. Finance costs

Trade and other payables	16 671 254	21 658 715
Provision landfill site	6 639 780	5 462 460
	23 311 034	**27 121 175**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

33. General expenses

Accounting fees	627 974	6 565 646
Advertising	284 704	336 501
Auditors remuneration	6 412 244	6 375 998
Bank charges	527 597	261 771
Chemicals	4 849 333	3 273 314
Commission paid	190 740	214 619
Community development and training	4 696	273 375
Conferences and seminars	69 721	74 224
Consulting and professional fees	4 480 708	2 144 297
Consumables	208 782	219 099
Donations	-	4 982 018
Entertainment	121 536	5 187
Vehicle licensing	169 536	162 279
Fuel and oil	2 169 661	2 789 440
Hire	2 198 668	2 673 428
Insurance	710 755	1 035 150
Medical expenses	15 620	2 400
Other expenses	277 004	153 093
Postage and courier	-	7 676
Printing and stationery	137 422	221 319
Protective clothing	231 294	362 951
Repairs and maintenance	9 558 450	7 196 426
Security (Guarding of municipal property)	429 155	-
Software expenses	5 225 310	7 136 860
Subscriptions and membership fees	1 341 974	1 219 761
Telephone and fax	1 293 929	1 311 196
Valuation roll	-	213 145
Training	594 831	856
Travel - local	1 466 418	1 289 861
	43 598 062	**50 501 890**

34. Remuneration of councillors

Mayor	1 040 615	1 009 056
Speaker	841 557	816 720
Councillors	5 313 726	5 131 064
Ward committees	484 295	448 945
	7 680 193	**7 405 785**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

34. Remuneration of councillors (continued)

Mayor - M.D. Kobeni

Councillor remuneration	712 733	686 073
Travel allowance	237 578	238 518
Telephone allowance	43 200	45 600
Contributions to Medical, Pension Funds, Skills and UIF	9 619	9 382
Backpay	37 486	29 482
	1 040 615	**1 009 056**

Executive committee

Speaker

Councillor remuneration	760 249	731 812
Cellphone allowance	43 200	45 600
Contributions to Medical, Pension Funds, Skills and UIF	8 118	7 861
Backpay	29 989	31 448
	841 557	**816 720**

Councillors

Councillor remuneration	3 517 299	3 314 742
Travel allowance	971 944	975 806
Cellphone allowance	604 800	627 446
Contributions to Medical, Pension Funds, Skills and UIF	48 074	46 227
Backpay	171 610	166 843
	5 313 726	**5 131 064**

Ward committees

Ward Councillor remuneration	479 500	444 500
Contributions to Medical, Pension Funds, Skills and UIF	4 795	4 445
	484 295	**448 945**

In-kind benefits

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

Additional information

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

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

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

35. Inventory consumed

Water	14 424 484	12 829 029

36. Reversal of impairments/(Impairment loss)

Impairments		
Property, plant and equipment	(6 436 927)	(7 386 895)
An impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation.		
Infrastructure assets - GRAP 26.(23) states: In assessing whether there is anyindication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:		
(g) - Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected. Due to significant budget constraints, the municipality could not maintain the maintenance plan as required for the infrastructure assets. This lead to the value in use being lower than the economic value of the assets. Assets were therefore impaired to a condition grade lower based on physical assessment of these assets.		
Land - IGRAP 18 indicates that land is recognised based on control. Control of land is evidenced by the following criteria: (a) legal ownership; and/or (b) the right to direct access to land, and to restrict or deny the access of others to land. During the prior year it was identified that control over land has been lost. The most significant part of this was rural development for housing. As the land was not yet transferred to the legal new owners name, the land was impaired.		
Investment property	(87 624)	(647 835)
An impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation.		
	(6 524 551)	**(8 034 730)**
Reversal of impairments		
Property, plant and equipment	18 391 892	3 927 471
Repairs and additions to the network assets resulted in previous conditions of assets to improve, thus a reversal of impairments.		
Total impairment losses reversed / (recognised)	**11 867 341**	**(4 107 259)**

The main classes of assets affected by impairment losses are:

Buildings

Community

Infrastructure - Electrical network

Infrastructure - Wastewater network

Infrastructure - Road network

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

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

Infrastructure - Water network

Motor vehicles

IT equipment

Furniture and fixtures

Plant and machinery

The main classes of assets affected by reversals of impairment losses are:

Motor vehicles

Plant and machinery

Furniture and fixtures

Infrastructure - Electrical network

IT equipment

Infrastructure - Road network

Buildings

Infrastructure - Wastewater network

Infrastructure - Water network

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

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

37. Auditors' remuneration

Fees	6 412 244	6 375 998
	6 412 244	**6 375 998**

Figures in Rand	2025	2024

38. Net cash flow generated from operating activities

Surplus/(deficit)	(24 327 895)	(2 339 418)
Adjustments for:		
Depreciation and amortisation	18 149 111	32 431 027
Gain on sale of assets and liabilities	8 966 260	123 203
Impairment	(11 867 341)	4 107 259
Debt impairment	99 198 558	83 292 698
Movements in retirement benefit assets and liabilities	245 852	648 188
Movements in provisions	6 428 087	5 462 460
Annual charge for deferred tax	-	(8 093 928)
Actuarial gains	-	51 495
Inventory losses or write-downs	(296 556)	241 584
Landfill site expense	(1 982 147)	(209 240)
Donations and public contributions	(9 971 193)	(7 610 232)
External audit fee subsidy	-	(3 549 254)
Rebate on Eskom interest received	-	(9 510 805)
Prescribed revenue	-	(792 883)
Department of water affairs billing adjustment	-	(28 860 602)
Changes in working capital:		
Inventories	416 961	(370 696)
Receivables from exchange transactions	(1 423 639)	(6 595 176)
Consumer debtors	(99 198 558)	(83 292 698)
Other receivables from non-exchange transactions	(1 876 858)	(3 937 713)
Payables from exchange transactions	51 179 357	81 228 696
Unspent conditional grants and receipts	(1 929 716)	(6 143 454)
Consumer deposits	(6 574)	17 243
	31 703 709	**46 297 754**

39. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	14 155 859	34 266 316
	14 155 859	**34 266 316**

Total capital commitments		
Already contracted for but not provided for	14 155 859	34 266 316
	14 155 859	**34 266 316**

Total commitments

Total commitments		
Authorised capital expenditure	14 155 859	34 266 316

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

Refer to note 43 for prior period corrections made to commitments.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

40. Contingencies

Contingent liabilities

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

Khato project management // Phumelela Local Municipality	2 500 000	2 500 000
Telkom SA // Phumelela Local Municipality	951 117	951 117
TR Tshabalala // Phumelela Local Municipality	500 000	500 000
	3 951 117	**3 951 117**

Khato project management // Phumelela Local Municipality
Contractual dispute
Telkom SA // Phumelela Local Municipality
Dispute regarding the cancellation of the contract
TR Tshabalala // Phumelela Local Municipality
Labour dispute

As at reporting date the municipality is uncertain of the amount and timing of the outflow of any resources regarding the above mentioned cases.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

41. Related parties

Nature of related party relationships

Related party transactions

	2025	2024
Purchases from related parties		
Ambidextrous Trading	-	17 500

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

Loans granted to related parties

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

Remuneration of Councillors and Management

Management class: Councillors

2025

Name	Councillor allowance	Allowances	Contributions to UIF,Medical and Pension Funds	Total
Mayor	-	-	-	-
Cllr. M.D. Kobeni	750 219	280 778	9 619	1 040 615
Speaker	-	-	-	-
Cllr. T.R. Zwane	790 238	43 200	8 118	841 557
Executive committee members	-	-	-	-
Councillors	-	-	-	-
Cllr. K.A Sibeko	304 685	139 687	4 035	448 406
Cllr. V.P Mahlaba	237 402	118 383	3 191	358 977
Cllr. S.O Magubane	237 402	118 383	3 191	358 977
Cllr. T.P Tsotetsi	237 402	118 383	3 191	358 977
Cllr. B.A Motsoeneng	237 402	118 383	3 299	359 084
Cllr. V Thela	313 899	142 605	4 206	460 710
Cllr. L.L Molefe	237 402	118 383	3 414	359 199
Cllr. N.A Mazibuko	237 402	118 383	3 191	358 977
Cllr. T.N Masiteng	237 402	118 383	3 191	358 977
Cllr. N.J Mokoena	237 402	118 383	3 191	358 977
Cllr. D.A Wessels	313 899	142 605	4 150	460 654
Cllr. J.N Klemp	237 402	118 383	3 191	358 977
Cllr. M.E Radebe	311 131	43 200	3 327	357 658
Cllr. M.A Mkhwanazi	308 675	43 200	3 303	355 178
Ward Committees	479 500	-	4 795	484 295
	5 708 865	**1 857 521**	**70 606**	**7 680 193**

Notes to the Audited Annual Financial Statements

41. Related parties (continued)

2024

Name	Councillor allowance	Allowances	Contributions to UIF,Medical and Pension Funds	Total
Mayor	-	-	-	-
Cllr. M.D. Kobeni	715 555	284 118	9 382	1 009 056
Speaker	-	-	-	-
Cllr. T.R. Zwane	763 259	45 600	7 861	816 720
Executive committee members	-	-	-	-
Councillors	-	-	-	-
Cllr. K.A Sibeko	290 606	142 469	4 027	437 102
Cllr. V.P Mahlaba	226 447	121 082	3 153	350 682
Cllr. S.O Magubane	226 447	121 082	3 096	350 625
Cllr. T.P Tsotetsi	226 447	121 082	3 096	350 625
Cllr. B.A Motsoeneng	226 447	121 082	3 127	350 656
Cllr. V Thela	299 396	145 399	4 147	448 942
Cllr. L.L Molefe	226 447	121 082	3 134	350 663
Cllr. N.A Mazibuko	226 447	121 082	3 096	350 625
Cllr. T.N Masiteng	226 447	121 082	3 129	350 658
Cllr. N.J Mokoena	226 447	121 082	3 096	350 625
Cllr. D.A Wessels	299 396	145 399	4 020	448 815
Cllr. J.N Klemp	226 447	121 082	3 096	350 625
Cllr. T.J Gwebu	132 024	20 400	1 422	153 846
Cllr. M.E Radebe	261 363	36 000	2 794	300 156
Cllr. M.A Mkhwanazi	160 779	23 846	1 792	186 417
Ward Committees	444 500	-	4 445	448 945
	5 404 899	**1 932 970**	**67 915**	**7 405 784**

Refer to note 34 for remuneration of councillors.

41. Related parties (continued)

Management class: Senior Managers

2025

Name	Basic salary	Allowances	Contributions to UIF,Medical and Pension Funds	Total
Municipal Manager - GPN Mhlongo	1 031 617	512 481	15 937	1 560 035
Director Corporate Services - NL Maimela	820 970	371 951	13 527	1 206 449
Chief Financial Officer - NF Ralebenya	874 005	403 849	13 438	1 291 292
Director Technical Services - NJ Mafereka	316 425	125 314	4 957	446 695
	3 043 017	**1 413 595**	**47 858**	**4 504 470**

2024

Name	Basic salary	Allowances	Contributions to UIF,Medical and Pension Funds	Total
Municipal Manager - NF Malatjie	9 820	-	98	9 919
Director Corporate Services - NL Maimela	928 196	381 077	14 754	1 324 028
Chief Financial Officer - NF Ralebenya	845 123	587 469	15 134	1 447 726
Municipal Manager - GPN Mhlongo	661 035	315 631	9 964	986 630
Director Technical Services - ML Mokoena	501 468	556 668	11 583	1 069 719
	2 945 643	**1 840 846**	**51 533**	**4 838 021**

Refer to note 31 for employee related costs.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

42. Prior-year adjustments

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

Statement of financial position

2024

	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Assets						
Current Assets						
Inventory		1 281 857	473 007	-	-	1 754 864
Receivables from non-exchange transactions		3 130 522	15 825 925	-	-	18 956 447
VAT receivable		48 883 226	(2 504 539)	-	(46 378 687)	-
Receivables from exchange transactions		15 088 581	31 865 598	-	46 378 687	93 332 866
Non-current Assets						
Property, plant and equipment		742 760 092	18 505 095	-	-	761 265 187
Total Assets		811 144 278	64 165 086	-	-	875 309 364
Liabilities						
Current Liabilities						
Payables from exchange transactions		451 168 746	877 081	-	(115 152 293)	336 893 534
Non-current Liabilities						
Other Liability		-	-	-	115 152 293	115 152 293
Total Liabilities		451 168 746	877 081	-	-	452 045 827
Total Net Assets		359 975 532	63 288 005	-	-	423 263 537

Notes to the Audited Annual Financial Statements

42. Prior-year adjustments (continued)

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
		-	-	-	-	-
					-	
Expenditure						
Depreciation and amortisation		(32 231 514)	(199 513)	-	-	(32 431 027)
Finance costs		(27 018 933)	(102 242)	-	-	(27 121 175)
Debt Impairment		(91 931 028)	8 638 330	-	-	(83 292 698)
Bulk purchases		(46 477 746)	13 302 037	-	-	(33 175 709)
General Expenses		(50 405 630)	(96 260)	-	-	(50 501 890)
Inventory consumed		-	(12 829 029)	-	-	(12 829 029)
		(248 064 851)	8 713 323	-	-	(239 351 528)
Operating Surplus/ (Deficit)		(248 064 851)	8 713 323	-	-	(239 351 528)
Impairment loss		(4 257 658)	115 038	-	(3 892 110)	(8 034 730)
Reversal of impairment		-	35 361	-	3 892 110	3 927 471
		(4 257 658)	150 399	-	(0)	(4 107 259)
Surplus / (Deficit) For The Year		**(252 322 509)**	**8 863 722**	**-**	**(0)**	**(243 458 787)**

Cash flow statement

Notes to the Audited Annual Financial Statements

42. Prior-year adjustments (continued)

2024

	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Cash flow from operating activities						
Taxation Revenue		8 059 898	(792 882)	-	-	7 267 016
Sale of goods and services		24 452 764	(592 382)	-	-	23 860 382
Grants		147 811 291	-	-	-	147 811 291
Interest income		2 607 066	-	-	-	2 607 066
Employee costs		(98 149 022)	251 794	-	-	(97 897 228)
Suppliers		(28 935 052)	3 732 189	-	-	(25 202 863)
Finance costs		(12 045 667)	(102 243)	-	-	(12 147 910)
Other 10		-	-	-	-	-
Net cash from operating activities		**43 801 278**	**2 496 476**	**-**	**-**	**46 297 754**
Cash flow from investing activities						
Purchase of property, plant and equipment		(36 923 609)	(2 496 476)	-	-	(39 420 085)
Net cash from investing activities		**(36 923 609)**	**(2 496 476)**	**-**	**-**	**(39 420 085)**

Errors

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

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

42. Prior-year adjustments (continued)

Trade Payables

Correction of prior year accruals was done as it impact the current year opening balances of Payables from exchange transactions, all calculation and statements were obtained and creditors were accuratly accounted for. Where differences was identied an adjustment was processed in the prior year.

Affected line items	
Finance costs	(20 953)
General Expenses	96 259
Payables from exchange transactions	(90 630)
VAT receivable	15 324
	0

Trade Payable Retentions:

Retentions were revisited and a invoice difference was noted, this was corrected and processed in the prior year.

Affected line items	
Payables from exchange transactions	(637 641)
Property, plant and equipment	554 471
VAT receivable	83 171
	0

Property plant and equipment:

A full verification was performed, New found assets have been identified and accounted for accordingly

Affected line items	
Accumulated surplus (deficit)	(6 737 224)
Depreciation, amortisation and impairments	199 514
Impairment loss	(115 038)
Property, plant and equipment	6 688 109
Reversal of impairment	(35 361)
	(0)

Property plant and equipment Land:

A full verification was performed with the SG Data, additional parcels have been identified to be accounted for.

Affected line items	
Accumulated surplus (deficit)	(11 262 512)
Property, plant and equipment	11 262 512

Finance Charges:

A updated Sars statement have been requested and reconciled, differences were identified and accounted for accordingly.

Affected line items	
Accumulated surplus (deficit)	25 611
Finance costs	123 194
Payables from exchange transactions	(148 806)

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

42. Prior-year adjustments (continued)

Debt Impairment:

The impairment methodology has been revised and improved taking into consideration intense reviews of GRAP 104

Affected line items	
Accumulated surplus (deficit)	(36 450 159)
Debt Impairment	(8 638 330)
Receivables from exchange transactions	31 865 598
Receivables from non-exchange transactions	15 825 924
VAT receivable	(2 603 033)
	0

Bulk Purchases:

The accounting of water inventory was incorrectly performed and has been recalculated and reperformed

Affected line items	
Bulk purchases	(473 007)
Inventories	473 007

43. Comparative figures

Certain comparative figures have been reclassified.

The effects of the restatement are as follows:

Distribution losses *The amounts disclosed was based on the incorrect expenditure base, this has been corrected.*	20 900 791	4 830 608	25 731 399
Commitments *Correction prior period retentions*	35 058 321	(792 005)	34 266 316
Fruitless and wasteful expenditure have been restated from *Previously unidentified interest for SARS not accounted for in prior year.*	42 342 918	102 242	42 445 160
PAYE and UIF *Prior period penalties and interest*	2 610 388	148 806	2 759 194
Pension and Medical Aid Deductions *Pension and medical aid statements were reconciled and corrected accordingly*	5 491 786	543 701	6 035 487

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

44. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks, primarily credit risk and liquidity risk. To a lesser extent, the municipality is also exposed to interest rate risk. This note presents information about the municipality's exposure to each of these risks, the municipality's objectives, policies, and processes for measuring and managing risk.

The Council has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the municipality's activities.

The municipality does not use derivative financial instruments and is not exposed to foreign exchange risk, as all transactions are conducted in South African Rand.

Liquidity risk

Definition and Exposure:

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Risk Management Strategy:

The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Key elements of the liquidity risk management strategy include:

•Preparation and monitoring of monthly cash flow forecasts

•Regular review of consumer debtor collection rates and implementation of measures to improve collections

•Prioritization of payments in accordance with the requirements of the MFMA

•Monitoring of the municipality's bank balances and available cash resources

•Ensuring that sufficient funds are available to meet payroll and other critical obligations

Management monitors rolling forecasts of the municipality's liquidity position and cash and cash equivalents on the basis of expected cash flows. This is generally carried out based on the expected collection of consumer and other receivables, taking into account historical collection rates and current economic conditions.

Maturity Analysis for Financial Liabilities:

The following table details the municipality's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The 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	435 752 502	-	-	-

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	336 893 531	-	-	-

44. Risk management (continued)

Credit risk

Definition and Exposure:

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The municipality is exposed to credit risk from its operating activities (primarily trade receivables from consumers) and from its financing activities, including deposits with banks.

Risk Management Strategy:

Credit risk is managed on a portfolio basis. For trade and other receivables, the municipality follows the procedures outlined in its approved Credit Control and Debt Collection Policy. Key elements of the credit risk management strategy include:

•Regular monitoring of consumer accounts and aging analysis

•Sending payment reminders and final demands to consumers in arrears

•Restriction of services (where legally permissible and practically feasible) for non-payment

•Levying of penalty charges on overdue accounts

•Legal action and handover to debt collectors as a last resort, in accordance with the policy

For cash and cash equivalents, the municipality only deposits funds with major South African banks that have high credit ratings, as prescribed by the Municipal Finance Management Act (MFMA) and the municipality's Investment Policy. This minimizes the risk of loss due to bank failure.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

Financial instrument	2025	2024
Receivables from exchange transactions	94 756 504	93 332 865
Receivables from non-exchange transactions	20 733 306	18 856 447
Bank balances	357 095	7 166 541

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

Consumer deposits and guarantees held in lieu of service accounts are disclosed in note 12.

44. Risk management (continued)

Market risk

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the municipality's income or the value of its holdings of financial instruments.

i. Foreign Exchange Risk:

The municipality does not have any transactions or balances denominated in foreign currencies and is therefore not exposed to foreign exchange risk. All transactions are conducted in South African Rand.

ii. Interest Rate Risk:

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.

The municipality's exposure to interest rate risk is limited to its cash and cash equivalents held in bank accounts. The municipality does not have any significant variable-rate borrowings.

Due to the short-term nature of the municipality's cash and cash equivalent investments (bank balances of R357,095) and the absence of significant variable-rate borrowings, management considers the exposure to interest rate risk to be immaterial. Therefore, a detailed sensitivity analysis has not been prepared in accordance with GRAP 104.42(b).

iii. Price Risk:

The municipality is not exposed to any significant price risk, as it does not hold any equity securities or other financial instruments traded on public markets. The municipality's revenue from rates and service charges is determined in accordance with approved tariffs and is not subject to market price fluctuations.

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Risk Management Strategy:

The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Key elements of the liquidity risk management strategy include:

•Preparation and monitoring of monthly cash flow forecasts

•Regular review of consumer debtor collection rates and implementation of measures to improve collections

•Prioritization of payments in accordance with the requirements of the MFMA

•Monitoring of the municipality's bank balances and available cash resources

•Ensuring that sufficient funds are available to meet payroll and other critical obligations

Management monitors rolling forecasts of the municipality's liquidity position and cash and cash equivalents on the basis of expected cash flows. This is generally carried out based on the expected collection of consumer and other receivables, taking into account historical collection rates and current economic conditions.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

45. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of R 326,121,486.13 and that the municipality's current liabilities exceed its current assets by R -325,234,745.75

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

The municipality is experiencing some financial difficulties, indicators are as follows:

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

2. Employee benefit obligations are unfunded; refer note 16

3. High levels of distribution losses;

4. Slow collection and low recoverability of outstanding consumer accounts; refer to notes 6 and 7.

5. Unfavourable financial ratios.

In addition, the municipality owed key suppliers:Eskom Holdings SOC R 226,821,565 (2024: R203,963,769) and; Department water and sanitation R (2024: R 154,939,208) as at 30 June 2025.

The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality. There is material uncertainty that the municipality can operate as a going concern if additional funding cannot be procured. The ability of the municipality to continue as a going concern is dependent on several factors:

1. Circular 124 – Eskom write-off agreement application.

2. Circular 123 – Budgeting process and improved tariff adjustments to improve service delivery collections.

3. Valuation roll implementation from 2020/21, this will improve property rates billing for next 5 years supplementary roll implemented every quarter.

4. Additional supplementary valuation rolls will be implemented during the following finacial year to improve property rates billing and enhance cashflow.

46. Events after the reporting date

Additional supplementary valuation rolls will be implemented during the following financial year to improve property rates billing and enhance cashflow.

Subsequent to year-end, the municipality commenced finalising an agreement with Eskom for the transfer of electricity distribution assets and prepaid billing operations. The transaction will result in the derecognition of the related assets and the reduction of the Eskom creditor balance. At the date of approval of these annual financial statements, the final settlement amounts have not been concluded, and therefore no adjustment has been made to the figures reported. The transaction is expected to have a material impact on the municipality’s financial position in the subsequent reporting period.

Figures in Rand	2025	2024

47. Unauthorised, Irregular and Fruitless and Wasteful Expenditure

Unauthorised expenditure	660 261 977	852 054 371
Irregular expenditure	173 955 917	198 855 677
Fruitless and wasteful expenditure	37 559 940	42 445 160
Closing balance	**871 777 834**	**1 093 355 208**

Additional Narratives

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

48. Unauthorised expenditure

Opening balance as previously reported	852 054 371	729 415 155
Add: Unauthorised expenditure - current	77 229 032	122 639 216
Less: Amount written off - current	(269 021 426)	-
Closing balance	**660 261 977**	**852 054 371**

Unauthorised expenditure is disclosed exclusive of VAT.

Add: Unauthorised expenditure - current	72 514 967	122 639 216
Conditional grants non compliance with Dora section 16(1)	4 714 065	-
	77 229 032	**122 639 216**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

49. Fruitless and wasteful expenditure

	2025	2024
Opening balance as previously reported	42 445 160	50 799 931
Add: Fruitless and wasteful expenditure identified - current	16 671 253	21 658 715
Less: Amount written off - current	(21 556 473)	(26 900 985)
Less: Amount written off - prior period	-	(3 112 501)
Closing balance	**37 559 940**	**42 445 160**

Fruitless and wasteful expenditure is presented inclusive of VAT

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Eskom - Interest		5 167 099	7 482 319
Auditor General - Interest		419 917	530 654
SARS - Interest & Penalties		2 523 178	1 330 987
DWS - Interest		8 458 305	12 219 375
Manna Holdings - Interest		-	91 053
Ben Hur - Interest		2 075	1 251
Absa Bank - Interest		413	271
Mahindra - Interest		-	2 805
Pension Funds		100 267	-
Closing Balance		**16 671 253**	**21 658 715**

Write off's of amounts were proposed to council or approved by council for the prior period under review.

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

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

50. Irregular expenditure

Opening balance as previously reported	198 855 677	196 220 623
Add: Irregular Expenditure - current	2 656 339	2 635 054
Less: Amount written off - current	(27 556 099)	-
Closing balance	**173 955 917**	**198 855 677**

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

	Disciplinary steps taken/criminal proceedings		
Competitive bidding not invited		2 656 339	1 682 982
Three written quotations not invited		-	58 986
Declaration of interest not submitted		-	71 224
Tax clearances not obtained		-	317 486
Awards to close family member of [state details]		-	239 000
Bidders who met the functionality criteria were incorrectly disqualified and were not included on the panel		-	265 376
Closing Balance		**2 656 339**	**2 635 054**

Disciplinary steps taken/criminal proceedings

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

51. Material Losses

Electricity distributed losses		
Units purchased (kWh)	12 257 533	12 744 539
Units lost during distribution (kWh)	6 971 347	6 920 197
Percentage lost during distribution	57%	54%
Loss Amount	16 276 969	14 790 974
These losses are due to technical losses on the distribution system (transformers, cables, overhead lines), faulty meters, theft and vandalism.		

Water distributed losses		
Mega litres purchased	2 899 472	3 910 000
Mega litres lost during distribution	2 202 767	3 211 110
Percentage lost during distribution	75%	82%
Loss Amount	10 945 420	10 940 425
These losses are due to defective meters, losses on water network (breakage in pipelines and pumps, leaking valves, etc.), evaporation, theft, vandalism and damages due to blind excavations.		

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	1 206 076	1 054 598
Current year subscription / fee	1 073 764	1 157 112
Amount paid - current year	(1 000 000)	(1 005 634)
	1 279 841	**1 206 076**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

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

Audit fees

Opening balance	5 232 743	2 079 057
Current year subscription / fee	7 514 879	7 734 457
Amount paid - current year	(2 718 190)	(1 031 516)
Donation from Treasury	(9 971 193)	(3 549 254)
	58 239	**5 232 743**

PAYE and UIF

Opening balance	2 759 611	2 129 968
Current year subscription / fee - UIF	860 280	1 050 298
Current year subscription / fee - PAYE	8 313 179	9 063 474
Current year subscription / fee - SDL	954 085	805 255
Amount paid - current year	(10 924 582)	(10 289 384)
	1 962 573	**2 759 611**

Pension and Medical Aid Deductions

Opening balance	6 035 487	4 254 214
Current year subscription / fee	20 555 215	19 661 682
Amount paid - current year	(17 074 644)	(13 626 195)
Amount paid - previous years	(6 035 487)	(4 254 214)
	3 480 570	**6 035 487**

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

Councillors' arrear consumer accounts

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

30 June 2025	Outstanding less than 90 days	Outstanding more than 90 days	Total
NJ Mokoena	2 275	39 819	42 094
TR Zwane	2 730	221	2 951
LL molefe	1 215	1 539	2 755
V Thela	2 303	31 574	33 877
SO Magubane	757	2 395	3 152
KA Sibeko	2 224	113 057	115 281
MD Kobeni	488	2 173	2 661
MA Mkhwanazi	1 215	45 632	46 847
ME Radebe	408	47 384	47 792
MOTSOENENG BA	2 497	68 675	71 171
	16 113	**352 468**	**368 581**

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
JN Klemp	3 413	3 974	7 387
NJ Mokoena	3 037	34 388	37 425
TR Zwane	-	10 585	10 585
LL molefe	1 216	557	1 773
V Thela	3 298	34 925	38 223
SO Magubane	1 169	7 603	8 772
KA Sibeko	3 219	88 766	91 985
NA Mazibuko	1 740	39 203	40 943
TN Masiteng	756	25 871	26 627
MD Kobeni	106	-	106
MA Mkhwanazi	4 453	37 607	42 060
ME Radebe	5 427	33 231	38 658
	27 834	**316 710**	**344 544**

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

30 June 2025	Highest outstanding amount	Aging (in days)
MA MKHWANAZI	35 243	360
MAGUBANE SO	325	360
MD KOBENI	997	360
ME RADEBE	37 771	360
MOKOENA NJ	34 502	360
MOLEFE LL	7	180
MOTSOENENG BA	54 676	360
SIBEKO KA	90 506	360
THELA V	18 689	360
	272 715	**3 060**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

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

30 June 2024	Highest outstanding amount	Aging (in days)
TR Zwane	5 417	360
LL molefe	85	120
V Thela	25 468	360
SO Magubane	4 589	360
KA Sibeko	79 184	360
NA Mazibuko	34 313	360
BA Motsoeneng	20 599	360
TN Masiteng	372	180
JN Klemp	1 147	360
NJ Mokoena	30 729	360
MA Mkhawanazi	29 646	360
THELA V	24 700	360
	256 249	**3 900**

Non-compliance with the Municipal Finance Management Act

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

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

53. Deviation from supply chain management regulations

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

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

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

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

SCM paragraph reference			
36 (1)(a) i	Dispense with the official procurement processes in an emergency	-	1 170 240
		-	**1 170 240**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

54. Segment information

General information

Identification of segments

For management purposes, the municipality is organised and operates in seven key functional segments. To this end, management monitors the operating results of these segments for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these segments are allocated at a transactional level.

The five key functional segments comprise of:

• Community Services

• Corporate Services

• Executive and council

• Finance

• Technical and Engineering Services

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

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

Aggregated segments

The municipality does not aggregate any other municipal activities into a general reportable segment.

Types of goods and/or services by segment

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

Reportable segment	**Goods and/or services**
• Community Services	Community and social services, sports recreation and public safety
• Corporate Services	Planning and development
• Executive and council	Municipal Governance and Administration
• Finance	Administration and financial services
• Technical and Engineering Services	Energy sources, Water management, Wastewater managemet and waste management

Notes to the Audited Annual Financial Statements

Figures in Rand

54. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	• Community Services	• Corporate Services	• Executive and council	• Finance	• Technical and Engineering Services	Total
Revenue						
Revenue from exchange transactions						
Commissions received	-	-	-	(243 736)	-	(243 736)
Interest income	-	-	-	(35 139 416)	(485 322)	(35 624 738)
Operational revenue	-	-	-	(884 149)	-	(884 149)
Rendering of services	-	-	-	-	(71 501 854)	(71 501 854)
Rental of facilities and equipment	-	-	-	(1 084 385)	-	(1 084 385)
Revenue from non-exchange transactions						
Government grants & subsidies	-	-	-	(119 878 773)	(42 658 440)	(162 537 213)
Property rates	-	-	-	(30 387 214)	-	(30 387 214)
Total segment revenue	**-**	**-**	**-**	**(187 617 673)**	**(114 645 616)**	**(302 263 289)**
Total revenue						**(302 263 289)**
Expenditure						
Actuarial gains/losses	-	-	-	(71 703)	-	(71 703)
Depreciation, amortisation and impairments	(6 423 307)	205 567	-	(4 159 269)	16 658 777	6 281 769
Employee costs	8 985 213	1 946 979	10 393 729	62 003 973	19 482 850	102 812 743
Finance costs	-	-	-	16 671 254	6 639 780	23 311 033
Gain or loss on disposal of assets and liabilities	-	-	-	8 966 260	-	8 966 260
General	-	-	3 186 946	68 146 997	114 253 694	185 587 636
Transfers and Subsidies	-	-	-	(296 556)	-	(296 556)
Total segment expenditure	**2 561 906**	**2 152 546**	**13 580 675**	**151 260 956**	**157 035 100**	**326 591 182**

Notes to the Audited Annual Financial Statements

Figures in Rand

54. Segment information (continued)

	• Community Services	• Corporate Services	• Executive and council	• Finance	• Technical and Engineering Services	Total
Assets						
Current assets						
Cash and cash equivalents	-	-	-	357 095	-	357 095
Inventories	-	-	-	-	2 171 825	2 171 825
Receivables from exchange transactions	-	-	-	(2 915 864)	47 819 643	44 903 779
Receivables from non-exchange transactions	-	-	-	20 833 306	49 852 725	70 686 031
Non-current assets						
Heritage assets	-	-	5 761	-	-	5 761
Investment property	-	-	-	11 650 009	-	11 650 009
Other financial assets	-	-	-	241 722	-	241 722
Property, plant and equipment	44 608 808	1 380 934	-	66 370 676	672 193 633	784 554 050
Total segment assets	**44 608 808**	**1 380 934**	**5 761**	**96 536 944**	**772 037 826**	**914 570 272**
Total assets as per Statement of financial Position						**914 570 272**

Notes to the Audited Annual Financial Statements

Figures in Rand

54. Segment information (continued)

	• Community Services	• Corporate Services	• Executive and council	• Finance	• Technical and Engineering Services	Total
Liabilities						
Current liabilities						
Finance lease obligation	-	-	-	(900 000)	-	(900 000)
Payables from exchange transactions	-	-	-	(97 403 922)	(338 608 685)	(436 012 608)
Retirement benefit obligation	-	-	-	(1 369 707)	-	(1 369 707)
Unspent conditional grants and receipts	-	-	-	911 000	(5 982 160)	(5 071 160)
Non-current liabilities						
Employee benefit obligation	-	-	-	(5 381 444)	-	(5 381 444)
Finance lease obligation	-	-	-	(975 000)	-	(975 000)
Provisions	-	-	-	-	(81 162 720)	(81 162 720)
Other liability	-	-	-	-	(57 576 147)	(57 576 147)
Total segment liabilities	**-**	**-**	**-**	**(105 119 074)**	**(483 329 712)**	**(588 448 786)**
Total liabilities as per Statement of financial Position						**(588 448 786)**

Notes to the Audited Annual Financial Statements

Figures in Rand

54. Segment information (continued)

2024

	• Community Services	• Corporate Services	• Executive and council	• Finance	• Technical and Engineering Services	Total
Revenue						
Revenue from exchange transactions						
Commissions received	-	-	-	(245 856)	-	(245 856)
Interest income	-	-	-	(1 203 659)	(32 547 769)	(33 751 428)
Operational revenue	-	-	-	(1 677 091)	-	(1 677 091)
Rendering of services	-	-	-	-	(63 449 649)	(63 449 649)
Rental of facilities and equipment	-	-	-	(922 494)	-	(922 494)
Revenue from non-exchange transactions						
Government grants & subsidies	-	-	-	(111 073 179)	(92 456 151)	(203 529 330)
Property rates	-	-	-	(28 258 100)	-	(28 258 100)
Total segment revenue	**-**	**-**	**-**	**(143 380 380)**	**(188 453 569)**	**(331 833 948)**
Total revenue						**(331 833 948)**
Expenditure						
Actuarial gains/losses	-	-	-	51 495	-	51 495
Depreciation, amortisation and impairments	3 986 971	178 499	-	2 676 624	29 696 193	36 538 287
Employee costs	9 205 043	1 581 602	8 519 926	59 840 498	19 454 397	98 601 466
Finance costs	-	-	-	21 658 715	5 462 460	27 121 175
Gain or loss on disposal of assets and liabilities	-	-	-	123 203	-	123 203
Gains or losses on biological assets and agricultu	-	-	-	-	(8 093 928)	(8 093 928)
General	-	-	4 549 229	71 297 778	103 743 077	179 590 084
Inventories losses/write-downs	-	-	-	241 584	-	241 584
Total segment expenditure	**13 192 014**	**1 760 102**	**13 069 154**	**155 889 897**	**150 262 200**	**334 173 366**

Notes to the Audited Annual Financial Statements

Figures in Rand

54. Segment information (continued)

	• Community Services	• Corporate Services	• Executive and council	• Finance	• Technical and Engineering Services	Total
Assets						
Current assets						
Cash and cash equivalents	-	-	-	7 166 541	-	7 166 541
Inventories	-	-	-	-	1 754 865	1 754 865
Receivables from exchange transactions	-	-	-	-	46 954 178	46 954 178
Receivables from non-exchange transactions	-	-	-	18 956 447	46 378 687	65 335 134
Non-current assets						
Heritage assets	-	-	5 761	-	-	5 761
Investment property	-	-	-	12 177 779	-	12 177 779
Other financial assets	-	-	-	318 420	-	318 420
Property, plant and equipment	32 296 108	1 087 036	-	66 342 708	661 539 334	761 265 187
Total segment assets	**32 296 108**	**1 087 036**	**5 761**	**104 961 895**	**756 627 064**	**894 977 865**
Total assets as per Statement of financial Position						**894 977 865**
Liabilities						
Current liabilities	-	-	-	-	-	-
Payables from exchange transactions	-	-	-	(57 360 512)	(279 799 699)	(337 160 211)
Retirement benefit obligation	-	-	-	(814 380)	-	(814 380)
Unspent conditional grants and receipts	-	-	-	-	(7 000 876)	(7 000 876)
Non-current liabilities						
Employee benefit obligation	-	-	-	(5 690 919)	-	(5 690 919)
Provisions	-	-	-	-	(78 709 806)	(78 709 806)
Other liability	-	-	-	-	(115 152 293)	(115 152 293)
Total segment liabilities	**-**	**-**	**-**	**(63 865 812)**	**(480 662 675)**	**(544 528 485)**
Total liabilities as per Statement of financial Position						**(544 528 485)**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

54. Segment information (continued)

Additional Narratives

Definition of Segment reporting is as follows:

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

Based on the assessment performed by management, the criteria of Part B, was not met in the current financial period as management does not regularly review performance at vote level to make decisions about resources to allocated to them and in assessing performance.

No further reporting per segment is required.

55. Budget differences

Material differences between budget and actual amounts

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

Explanation of variances between approved and final budget amounts

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

The variances identified in the Budget Statement is as follows:

Reference No.	Description	Actual amount over/(under) budget	Variance percentage	Explanation
Note 64.1	Rendering of services	25 168 958	-26%	This was also attributed to the municipality council’s resolution to transfer electricity functions to Eskom. Additionally, the billing of water and electricity is contingent upon the consumption of these services, which cannot be accurately projected
Note 64.2	Rental of facilities and equipment	(423 391)	64%	Incorrect segments were used; a vote for the rental of flats was incorrectly reported under service charges. This was due to a misallocation of segments during the budget process.
Note 64.3	Interest received (trading)	10 991 364	-24%	Interest charges are contingent upon consumers’ payment habits, and accurately budgeting for outstanding debts can be challenging.
Note 64.4	Commissions received	(243 736)	-%	No provision was made for this item in the budget. The municipality will include it the adjustment budget for the new financial year
Note 64.5	Other income - (rollup)	1 536 742	-63%	The municipality’s primary difference was due to its projections being based on the previous year’s figure, which included the transfer cost of Vrede Marine sites (Emanzini) to individual consumers. This cost was R1 045 138 for the 2023/24 financial year compared to R116 214 for the year underview . Consequently, the projected number of site owners who would transfer their property to their names was lower than anticipated.
Note 64.6	Interest received - investment	860 566	-100%	The municipality under budgeted for interest that would be received/billed on outstanding debtors

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

55. Budget differences (continued)

Note 64.7	Property rates	(3 569 827)	18%	This figure was impacted by a significant adjustment in property values as a result of a supplementary valuation roll conducted during the year.
Note 64.8	Interest - Taxation revenue	(6 925 088)	-%	Interest charges are contingent upon consumers' payment habits, and accurately budgeting for outstanding debts can be challenging.
Note 64.9	Government grants & subsidies	(2 419 722)	2%	This was due to the amunt offset against the equitable share, as well as the unspent grants at year end
Note 64.10	Public contributions and donations	(9 971 193)	-%	Since donations to the municipality cannot be predicted, no provision was made for this line item in the budget
Note 64.11	Fines, Penalties and Forfeits	56 771	-99%	The municipality did not anticipate that there will be a reduced number of fines being issued in the financial year
Note 64.12	Personnel	(7 718 803)	-8%	New positions were budgeted for, but not filled. A number of employees also retired or passed on and were not replaced
Note 64.13	Remuneration of councillors	(2 100 625)	-21%	Incorrect segments used, salaries of general employees reporting to the office of the speaker and mayor were recorded under Council remuneration. The segments were correctly set in the current year.
Note 64.14	Landfill site expense	(1 982 147)	-%	No provision made in the budget as this item is included under general expenditure
Note 64.15	Depreciation and amortisation	2 875 196	19%	This is due to under provision for depreciation during the budgeting processes as additions to PPE and possible vandalism of assets was not provided for.
Note 64.16	Impairment loss/ Reversal of impairments	(11 867 341)	-%	For this line item, no provision was made in the budget. It can easily swing from a gain to a loss
Note 64.17	Finance costs	16 785 120	257%	Treasury does not allow to budget for a deficit budget, we had to lower our on this line item.
Note 64.18	Debt Impairment	67 687 932	215%	The budget was based on improved collection levels however the actual increase in debtors was significant
Note 64.19	Bulk purchases	(1 961 392)	-6%	The municipality had budget for a decrease in bulk purchses of electricity due to the eskom agreement for takeover.
Note 64.20	Inventory consumed	4 924 117	52%	Treasury does not allow to budget for a deficit budget, we had to lower our on this line item.
Note 64.21	Loss on disposal of assets	8 966 260	-%	For this line item, no provision was made in the budget. It can easily swing from a gain to a loss
Note 64.22	General Expenses	(17 166 938)	-28%	Cost containment measures implemented by the municipality resulted in lower expenditure than anticipated
Note 64.23	Inventories losses/write-downs	(296 556)	-%	No provision was made for this item in the budget. The municipality will include it the adjustment budget for the new financial year

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

55. Budget differences (continued)

Note 64.24	Actuarial Gains	(71 703)	-%	No provision was made for this item in the budget. The municipality will include it the adjustment budget for the new financial year
Note 64.25	Inventories	(1 029 243)	90%	The municipality anticipated to have utilised more stock than it did.
Note 64.26	Receivables from exchange transactions	10 964 136	-10%	The provision for actual debt impairment amount for the current year was unknown during the budget preparation as it is only calculated at yearend, Provision for debt impairment was under provided as a higher collection rate was anticipated.
Note 64.27	Receivables from non-exchange transactions	(36 314 247)	-235%	The provision for actual debt impairment amount for the current year was unknown during the budget preparation as it is only calculated at yearend, Provision for debt impairment was under provided as a higher collection rate was anticipated.
Note 64.29	Other current asset	(1 850 606)	-100%	No provision was made for this item in the budget. The municipality will include it the adjustment budget for the new financial year
Note 64.30	Cash and cash equivalents	8 103 879	-96%	Based on the prior year unspent amount the municipality anticipated a higher amount available at year end, also taking into consideration the inflation adjustment.
Note 64.31	Property, plant and equipment	(11 569 836)	1%	The municipality adopted a new methodology of only impairing a asset once all its service potential has been lost, this had a effect on the carrying amount of PPE.
Note 64.32	Other financial assets	60 097	-20%	The municipality incorrectly ommitted budgeting for a partial divestment in financial assets. The adjustment budget for the new year will include this item
Note 64.33	Finance lease obligation	(900 000)	-%	The finance lease was only appointed subsequent the finalization of the budget
Note 64.34	Payables from exchange transactions	(78 370 423)	22%	Treasury does not allow to budget for a deficit budget, this has a global effect on the payables which is understated taking the above in consideration
Note 64.35	VAT payable	34 887 881	-100%	This is a reclassification of VAT on the budget statement which is included under trade and other receivables from exchange transaction as per GRAP required standard in addition the municipality improved on their Impairment methodology which happened subsequent the finalization of the budget statement
Note 64.36	Employee benefit obligation	(1 369 707)	-%	No provision was made in the budget for this line item. The actuarial reports will be used henceforth to determine the expected amount. This will be rectified with the adjustment budget for the new financial year.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

55. Budget differences (continued)

Note 64.37	Unspent conditional grants and receipts	(3 506 219)	224%	The municipality had anticipated to fully spend its condiutional grants, however this could not be achieved due to various reasons
Note 64.38	Employee benefit obligation	(5 381 444)	-%	No provision was made in the budget for this line item. The actuarial reports will be used henceforth to determine the expected amount. This will be rectified with the adjustment budget for the new financial year.
Note 64.39	Provisions	2 608 466	-3%	Treasury does not allow to budget for a deficit budget, we had to lower our on this line item.
Note 64.40	Finance lease obligation	(345 461)	55%	The finance lease was only appointed subsequent the finalization of the budget
Note 64.41	Other liability	57 576 147	-%	Treasury does not allow to budget for a deficit budget, this has a global effect on the payables which is understated taking the above in consideration
Note 64.42	Reserves	326 121 486	-%	Net effect of all comments raised in the Statement of budget vs actuals and corrections made on prior year amounts

Figures in Rand	2025	2024

56. Accounting by principals and agents

Municipality as principal

Distribution of electricity

The municipality entered into an agreement with Eskom to provide the hosting, vending, data management and supplementary support services to the municipality. Eskom distributes the prepaid electricity (by the way of vendors) to third parties and pays a portion of the revenue received over to the municipality. Eskom distributes the conventional electricity to third parties and pays a portion of the revenue received over to the municipality

Fee(s) paid as compensation to the agent

Commission paid		
Eskom	190 704	246 812

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

Early termination of the agreement by the municipality, will result in the municipality immediately refunding Eskom the outstanding balance of the capital for the installed meters and services rendered within the remaining agreement period. Should the parties fail to agree on the repayment arrangement by the municipality then the municipality should continue to refund eskom the outstanding balance of the capital for the installed meters rendered by monthly equal instalments until the installed meters are fully repaid or for the remaining agreed period, whichever is the earlier.

In the event of early termination by either party, the municipality will from the date of termination, source its own vendors or enter into separate agreements with the existing eskom vendors for the continued vending of electricity to the municipal customers.

57. BBBEE Performance

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