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

General Information

Legal form of entity	A municipality, which is an organ of the state within the local sphere of the government exercising legislative and executive authority.
Nature of business and principal activities	The provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
Mayoral committee	
Executive Mayor	ME Tsoene
Speaker	ME Ncwada
Councillors	AJ Lemphane
	DT Molefe
	KI Tigeli
	BM Sani
	DJ Hattingh
	RT Mpakathi
	TE Mutsi
	SJ Nkiane
	SJ Machakela
	KS Tsimatsima
	MA Lethoko
	KS Motsoane
	M Mokotjo
	NL Van Wyk
	MD Pharoe
	LE Masilo
	KD Rantsonyane
Grading of local authority	3
Chief Finance Officer (CFO)	TD Tshikundu
Accounting Officer	MRE MOGOPODI
Registered office	38 Joubert Street
	Ladybrand
	Free State
	9745
Postal address	PO Box 64
	Ladybrand
	Free State
	9745
Bankers	ABSA Bank Limited
	Standard Bank and Nedbank Limited
Auditors	Auditor General South Africa (AGSA)
Attorneys	Matlo Attorneys
	Finger Attorneys
	Rampai Attorneys
	Mohobo Attorneys

General Information

Telephone number	(051) 924 0654
Fax number	(051) 924 0020
Website	www.mantsopa.fs.gov.za

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
EPWP	Expanded Public Works Programme
VAT	Value Added Tax
WSIG	Water Services Infrastructure Grant
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
SCM	Supply Chain Management
CSD	Central Supplier Database

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 annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

The accounting 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 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 annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

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

The municipality is wholly dependent on the municipality for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the on 31 August 2025 and were signed on its behalf by:

MRE MOGOPODI
MUNICIPAL MANAGER

Accounting Officer's Report

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

1. Incorporation

The municipality was incorporated on 05 December 2000 and obtained its certificate to commence business on the same day.

2. Review of activities

Main business and operations

The municipality is engaged in the provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment. and operates principally in South Africa and [state other countries].

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

Net deficit of the municipality was 41 365 734 (2024: deficit 153 854 065).

3. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of 479 401 777 and that the municipality's total liabilities exceed its assets by 479 401 777.

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 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 Governement continue to fund the ongoing operations for the municipality through the provision of the equitable share, additionally the accounting officer will continue to tightly manage the cashflow of the municipality and where necessary procure funding for the ongoing operations for the municipality and improve on revenue collections from servies offered..

4. Subsequent events

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

5. Accounting Officers' interest in contracts

The Accounting Officer does not have an interest in contracts.

6. Accounting policies

The annual financial statements were prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations of such Statements issued by the Accounting Standards Board as the prescribed framework by National Treasury.

7. Non-current assets

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

8. Corporate governance

General

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

Accounting Officer's Report

8. Corporate governance (continued)

Internal audit

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

9. Auditors

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

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the on 31 August 2025 and were signed on its behalf by:

MRE MOGOPODI
MUNICIPAL MANAGER

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	3	3 628 175	3 398 387
Other financial assets	2	6 582	6 582
Receivables from exchange transactions	4&6	215 131 098	221 989 770
Receivables from non-exchange transactions	5&6	61 267 531	35 496 916
VAT receivable	7	50 907 977	36 740 228
Cash and cash equivalents	8	55 008 432	18 420 437
		385 949 795	**316 052 320**
Non-Current Assets			
Investment property	9	89 554 059	77 514 127
Property, plant and equipment	10	821 801 192	756 973 758
Intangible assets	11	127 500	-
Other financial assets	2	1 806 408	1 811 162
		913 289 159	**836 299 047**
Total Assets		**1 299 238 954**	**1 152 351 367**
Liabilities			
Current Liabilities			
Other financial liabilities	12	11 115 832	10 187 772
Payables from exchange transactions	13	699 425 498	571 501 423
Consumer deposits	14	1 751 087	1 677 747
Employee benefit obligation	15	1 250 120	2 122 000
Unspent conditional grants and receipts	16	18 064 830	34 264 436
		731 607 367	**619 753 378**
Non-Current Liabilities			
Employee benefit obligation	15	43 219 156	36 883 000
Provisions	17	45 010 654	43 007 457
		88 229 810	**79 890 457**
Total Liabilities		**819 837 177**	**699 643 835**
Net Assets		**479 401 777**	**452 707 532**
Accumulated surplus		479 401 777	452 707 532
Total Net Assets		**479 401 777**	**452 707 532**

* See Note 53

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	148 677 481	142 358 705
Rental of facilities and equipment	20	1 159 657	1 573 475
Interest received from outstanding debtors (exchange)		72 061 838	74 541 878
Other income	21	(136 111)	974 306
Interest received - investment	22	724 048	1 054 433
Total revenue from exchange transactions		**222 486 913**	**220 502 797**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	38 688 905	38 058 026
Interest received from outstanding debtors (non-exchange)	24	11 734 952	570 265
Transfer revenue			
Government grants & subsidies	25	163 726 078	145 470 787
Fines, Penalties and Forfeits	26	45 876	237 004
Total revenue from non-exchange transactions		**214 195 811**	**184 336 082**
Total revenue	18	**436 682 724**	**404 838 879**
Expenditure			
Employee related costs	27	(138 746 899)	(122 075 424)
Remuneration of councillors	28	(8 883 527)	(5 694 427)
Repairs and maintenance	29	(31 679 910)	(28 379 351)
Depreciation and amortisation	30	(37 056 655)	(42 321 392)
Finance costs	31	(45 981 357)	(30 773 657)
Debt Impairment	33	(127 420 709)	(231 126 299)
Bulk purchases	34	(77 717 209)	(58 386 768)
General Expenses	35	(34 252 896)	(47 435 751)
Total expenditure		**(501 739 162)**	**(566 193 069)**
Operating deficit	38	**(65 056 438)**	**(161 354 190)**
Loss on disposal of assets and liabilities		(29 481 091)	(168 196)
Fair value adjustments	37	12 039 931	12 210 685
Actuarial gains/losses	15	(420 276)	11 925 089
Impairment loss	32	(31 679 444)	(6 751 742)
		(49 540 880)	**17 215 836**
Deficit for the year		**(114 597 318)**	**(144 138 354)**

* See Note 53

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	610 445 476	610 445 476
Adjustments		
Prior year adjustments 53	(13 599 590)	(13 599 590)
Balance at 01 July 2023 as restated*	**596 845 886**	**596 845 886**
Changes in net assets		
Surplus for the year	(144 138 354)	(144 138 354)
Total changes	(144 138 354)	(144 138 354)
Opening balance as previously reported	480 144 789	480 144 789
Adjustments		
Correction of errors	113 854 306	113 854 306
Restated* Balance at 01 July 2024 as restated*	**593 999 095**	**593 999 095**
Changes in net assets		
Surplus for the year	(114 597 318)	(114 597 318)
Total changes	(114 597 318)	(114 597 318)
Balance at 30 June 2025	**479 401 777**	**479 401 777**

Note(s)

* See Note 53

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		149 602 983	223 150 365
Grants		147 526 472	152 015 941
Interest income		69 201 231	74 541 878
Other receipts		(136 111)	-
		366 194 575	449 708 184
Payments			
Employee costs		(194 112 066)	(170 871 887)
Suppliers		(52 876 577)	(203 393 739)
Finance costs		(54 036 617)	(30 773 657)
		(301 025 260)	(405 039 283)
Net cash flows from operating activities	39	**65 169 315**	**44 668 901**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(29 177 868)	(27 073 761)
Purchase of other intangible assets	11	(127 500)	-
Interest Income		724 048	-
Net cash flows from investing activities		**(28 581 320)**	**(27 073 761)**
Cash flows from financing activities			
Repayment of other financial liabilities		-	(354 803)
Net cash flows from financing activities		**-**	**(354 803)**
Net increase/(decrease) in cash and cash equivalents		**36 587 995**	**17 240 337**
Cash and cash equivalents at the beginning of the year		18 420 437	1 180 100
Cash and cash equivalents at the end of the year	8	**55 008 432**	**18 420 437**

The accounting policies on pages 16 to 48 and the notes on pages 49 to 92 form an integral part of the annual financial statements.

* See Note 53

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	192 148 000	(48 212 000)	**143 936 000**	148 677 481	**4 741 481**	
Rendering of services	2 139 000	(1 280 000)	**859 000**	-	**(859 000)**	
Rental of facilities and equipment	1 714 000	-	**1 714 000**	1 159 657	**(554 343)**	
Interest received (trading)	78 000 000	(3 085 000)	**74 915 000**	72 061 838	**(2 853 162)**	
Licences and permits	230 000	-	**230 000**	-	**(230 000)**	
Rental on Land	278 000	-	**278 000**	-	**(278 000)**	
Other income - (rollup)	953 000	(463 000)	**490 000**	(136 111)	**(626 111)**	
Interest received - investment	479 000	-	**479 000**	724 048	**245 048**	
Dividends or similar distributions received	539 000	(441 000)	**98 000**	-	**(98 000)**	
Total revenue from exchange transactions	**276 480 000**	**(53 481 000)**	**222 999 000**	**222 486 913**	**(512 087)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	31 007 000	8 164 000	**39 171 000**	38 688 905	**(482 095)**	
Interest, Dividends and Rent on Land	6 000 000	12 153 000	**18 153 000**	11 734 952	**(6 418 048)**	
Transfer revenue						
Government grants & subsidies	122 351 000	-	**122 351 000**	163 726 078	**41 375 078**	
Fines, Penalties and Forfeits	125 000	-	**125 000**	45 876	**(79 124)**	
Total revenue from non-exchange transactions	**159 483 000**	**20 317 000**	**179 800 000**	**214 195 811**	**34 395 811**	
Total revenue	**435 963 000**	**(33 164 000)**	**402 799 000**	**436 682 724**	**33 883 724**	
Expenditure						
Employees costs	(125 382 000)	-	**(125 382 000)**	(138 746 899)	**(13 364 899)**	
Remuneration of councillors	(7 705 000)	-	**(7 705 000)**	(8 883 527)	**(1 178 527)**	
Repairs and maintenance	-	-	**-**	(31 679 910)	**(31 679 910)**	
Depreciation and amortisation	(42 052 000)	(1 558 000)	**(43 610 000)**	(37 056 655)	**6 553 345**	
Impairment loss/ Reversal of impairments	-	-	**-**	(31 679 444)	**(31 679 444)**	
Finance costs	(21 502 000)	(19 283 000)	**(40 785 000)**	(45 981 357)	**(5 196 357)**	
Debt Impairment	(42 438 000)	(112 826 000)	**(155 264 000)**	(127 420 709)	**27 843 291**	
Bad debts written off	(52 052 000)	50 675 000	**(1 377 000)**	-	**1 377 000**	
Bulk purchases	(85 682 000)	4 937 000	**(80 745 000)**	(77 717 209)	**3 027 791**	
Contracted Services	(36 207 000)	(1 756 000)	**(37 963 000)**	-	**37 963 000**	
Inventory consumed	(17 706 000)	2 674 000	**(15 032 000)**	-	**15 032 000**	
General Expenses	(33 796 000)	10 183 000	**(23 613 000)**	(45 837 492)	**(22 224 492)**	
Total expenditure	**(464 522 000)**	**(66 954 000)**	**(531 476 000)**	**(545 003 202)**	**(13 527 202)**	
Operating deficit	**(28 559 000)**	**(100 118 000)**	**(128 677 000)**	**(108 320 478)**	**20 356 522**	
Loss on disposal of assets and liabilities	-	-	**-**	(29 481 091)	**(29 481 091)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Fair value adjustments	-	-	-	12 039 931	**12 039 931**	
Actuarial gains/losses	-	-	-	(420 276)	**(420 276)**	
	-	**-**	**-**	**(17 861 436)**	**(17 861 436)**	
Deficit before taxation	**(28 559 000)**	**(100 118 000)**	**(128 677 000)**	**(126 181 914)**	**2 495 086**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(28 559 000)**	**(100 118 000)**	**(128 677 000)**	**(126 181 914)**	**2 495 086**	

Reconciliation

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	276 285 000	2 674 000	**278 959 000**	3 628 175	**(275 330 825)**	
Other financial assets	296 000	-	**296 000**	6 582	**(289 418)**	
Receivables from exchange transactions	193 347 000	(82 296 000)	**111 051 000**	215 131 098	**104 080 098**	
Receivables from non-exchange transactions	(20 065 000)	10 985 000	**(9 080 000)**	61 267 531	**70 347 531**	
Statutory receivables	(294 000)	300 000	**6 000**	-	**(6 000)**	
VAT receivable	87 801 000	-	**87 801 000**	50 907 977	**(36 893 023)**	
Cash and cash equivalents	86 410 000	(27 317 000)	**59 093 000**	55 008 432	**(4 084 568)**	
	623 780 000	**(95 654 000)**	**528 126 000**	**385 949 795**	**(142 176 205)**	
Non-Current Assets						
Investment property	61 994 000	-	**61 994 000**	89 554 059	**27 560 059**	
Property, plant and equipment	504 143 000	11 998 000	**516 141 000**	821 801 192	**305 660 192**	
Intangible assets	30 000	-	**30 000**	127 500	**97 500**	
Other financial assets	1 310 000	-	**1 310 000**	1 806 408	**496 408**	
Receivables from non-exchange transactions	146 000	-	**146 000**	-	**(146 000)**	
	567 623 000	**11 998 000**	**579 621 000**	**913 289 159**	**333 668 159**	
Total Assets	**1 191 403 000**	**(83 656 000)**	**1 107 747 000**	**1 299 238 954**	**191 491 954**	
Liabilities						
Current Liabilities						
Other financial liabilities	9 335 000	-	**9 335 000**	11 115 832	**1 780 832**	
Payables from exchange transactions	438 033 000	9 200 000	**447 233 000**	699 425 500	**252 192 500**	
VAT payable	56 310 000	-	**56 310 000**	-	**(56 310 000)**	
Consumer deposits	2 609 000	-	**2 609 000**	1 751 087	**(857 913)**	
Employee benefit obligation	-	-	**-**	1 250 120	**1 250 120**	
Unspent conditional grants and receipts	35 207 000	-	**35 207 000**	18 064 830	**(17 142 170)**	
Provisions	(7 446 000)	-	**(7 446 000)**	-	**7 446 000**	
Bank overdraft	342 000	-	**342 000**	-	**(342 000)**	
	534 390 000	**9 200 000**	**543 590 000**	**731 607 369**	**188 017 369**	
Non-Current Liabilities						
Employee benefit obligation	32 957 000	-	**32 957 000**	43 219 156	**10 262 156**	
Provisions	-	-	**-**	45 010 654	**45 010 654**	
Other liability 1	56 911 000	(56 911 000)	**-**	-	**-**	
	89 868 000	**(56 911 000)**	**32 957 000**	**88 229 810**	**55 272 810**	
Total Liabilities	**624 258 000**	**(47 711 000)**	**576 547 000**	**819 837 179**	**243 290 179**	
Net Assets	**567 145 000**	**(35 945 000)**	**531 200 000**	**479 401 775**	**(51 798 225)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Reserves						
Accumulated surplus	567 145 000	(35 945 000)	**531 200 000**	479 401 777	**(51 798 223)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	260 216 000	(23 333 000)	**236 883 000**	149 602 983	**(87 280 017)**	
Grants	154 800 000	7 556 000	**162 356 000**	147 526 472	**(14 829 528)**	
Interest income	479 000	-	**479 000**	69 201 231	**68 722 231**	
Dividends or similar distributions received	539 000	(441 000)	**98 000**	1 018 000	**920 000**	
Other receipts	43 024 000	(698 000)	**42 326 000**	-	**(42 326 000)**	
	459 058 000	**(16 916 000)**	**442 142 000**	**367 348 686**	**(74 793 314)**	
Payments						
Employee costs	(310 439 000)	18 034 000	**(292 405 000)**	(194 112 066)	**98 292 934**	
Suppliers	-	-	**-**	(52 876 577)	**(52 876 577)**	
Finance costs	(21 502 000)	(19 283 000)	**(40 785 000)**	(54 036 617)	**(13 251 617)**	
	(331 941 000)	**(1 249 000)**	**(333 190 000)**	**(301 025 260)**	**32 164 740**	
Net cash flows from operating activities	**127 117 000**	**(18 165 000)**	**108 952 000**	**66 323 426**	**(42 628 574)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(37 316 000)	-	**(37 316 000)**	(29 177 868)	**8 138 132**	
Purchase of other intangible assets	-	-	**-**	(127 500)	**(127 500)**	
Net cash flows from investing activities	**(37 316 000)**	**-**	**(37 316 000)**	**(29 305 368)**	**8 010 632**	
Net increase/(decrease) in cash and cash equivalents	89 801 000	(18 165 000)	**71 636 000**	37 018 058	**(34 617 942)**	
Cash and cash equivalents at the beginning of the year	(3 855 000)	-	**(3 855 000)**	18 420 437	**22 275 437**	
Cash and cash equivalents at the end of the year	**85 946 000**	**(18 165 000)**	**67 781 000**	**55 438 495**	**(12 342 505)**	

1. Significant accounting policies

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

1.1 Basis of preparation

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

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

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

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

1.5 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and 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:

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

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

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

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

1.5 Significant judgements and sources of estimation uncertainty (continued)

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down 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 operation surplus note.

Fair value estimation

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

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

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

The carrying amount of available-for-sale financial assets would be an estimated - lower or - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management’s estimates.

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Contingent provisions on entity combinations

Contingencies recognised in the current year required estimates and judgments, refer to note on entity combinations.

Useful lives of waste and water network and other assets

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

1.5 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

Effective interest rate

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

Allowance for doubtful debts

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

Impairment of statutory receivables

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures and impairment loss. The impairment loss is measured 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, are reduced, either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

In estimating the future cash flows, the 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 municipality 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 are 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.

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Accounting for adjustments to revenue

Determining whether an adjustment to revenue charged in terms of legislation or similar means is a correction of an error or a change in an accounting estimate requires the application of judgement by management. When adjustments to revenue already recognised arise from new information that becomes known to the municipality, the following considerations are applied to determine whether the adjustment to revenue already recognised is a correction of an error or a change in an accounting estimate:

(a) If information becomes known to the municipality, and the municipality could reasonably have been expected to know of the information and/or the information used was incorrect, the adjustment to revenue is likely to be a correction of an error.

(b) If information becomes known to the municipality, but the municipality could not reasonably have been expected to know of this information when the revenue was charged, the adjustment to revenue is likely to be a change in an accounting estimate.

Accounting for adjustments to revenue that correct an error or prior period error

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for an adjustment to revenue already recognised, including interest and penalties, as the correction of an error or prior period error where the entity:

(a) has not followed a proper due process to promulgate the tariff, basis, percentage or formula to charge the revenue; and/or

(b) incorrectly applied the tariff, basis, percentage or formula in charging revenue.

Errors discovered within the reporting period which relates to that period are corrected before the annual financial statements are authorised for issue. The principles in GRAP 3 are applied to account for the adjustment to revenue already recognised as a result of the correction of a prior period error.

Accounting for adjustments to revenue as a change in an accounting estimate

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for any adjustment to revenue already recognised, including interest and penalties, as a change in an accounting estimate if changes occur in the circumstances that led to the recognition of the revenue.

The principles in GRAP 3 are applied to account for a change in an accounting estimate.

1.5 Significant judgements and sources of estimation uncertainty (continued)

Materiality

Applying materiality is pervasive to the preparation of financial statements. Materiality is a key consideration in deciding how to apply the Standards of GRAP when preparing the financial statements. Information is material if its omission or misstatement has the potential to influence the decisions of users or affect the discharge of accountability by the entity.

Applying materiality in the preparation of annual financial statements requires the entity to make key assessments and decisions. Key assessments and decisions made in considering materiality, are as follows:

- Identification of users and their information needs
- Assessing information based on nature and size, by developing qualitative considerations and quantitative thresholds
- Application of materiality in preparing the financial statements:
  - Developing accounting policies
  - Deciding what information to disclose
  - Deciding how to present information
  - Assessing ommissions, misstatements and errors

The assessments and decisions are considered throughout the financial reporting cycle, and not only when annual financial statements are prepared.

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 cost. Transaction costs are included in the initial measurement.

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

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

1.6 Investment property (continued)

Fair value

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

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

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

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

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

Any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in surplus and deficit.

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.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note).

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

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.

1.7 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	indefinite
Buildings	Straight-line	20-50 years
Plant and machinery	Straight-line	3-10 years
Furniture and fixtures	Straight-line	3-10 years
Motor vehicles	Straight-line	3-10 years
IT equipment	Straight-line	2-7 years
Community assets	Straight-line	
- Buildings	Straight-line	20-50 years
- Recreational facilities	Straight-line	7-50 years
Infrastructure assets	Straight-line	
- Electrical network	Straight-line	7-50 years
- Roads network	Straight-line	8-50 years
- Wastewater network	Straight-line	30-50 years
- Water network	Straight-line	30-50 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.

1.7 Property, plant and equipment (continued)

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).

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

1.8 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
- a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
- an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
(c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.9 Intangible assets

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

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

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

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

1.9 Intangible assets (continued)

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

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

1.10 Financial instruments

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

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

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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

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

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

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

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

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

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

Significant Accounting Policies

1.10 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

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

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

Significant Accounting Policies

1.10 Financial instruments (continued)

Initial recognition and measurement

A financial instrument is recognized, when the Municipality becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. In the case of a financial instrument not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added or deducted from the fair value, as appropriate on initial recognition.

Subsequent measurement – financial assets
Financial assets consist of cash and cash equivalents, deposits, receivables and investments.

Receivables are subsequently measured at a mortised cost using the effective interest rate method, less impairment. Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

A provision for impairment of receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Changes in the carrying amount of the provision is recognized in the Statement of Financial Performance. When a receivable is considered uncollectible, it is written off against the provision. Any gains or losses arising from the change in fair value of investments measured at fair value are recognised in the Statement of Financial Performance.

Residual interests that do not have a quoted market price in an active market, and the fair value of which cannot be reliably measured are subsequently measured at cost less any impairment. Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Any calculated impairment is recognised in the Statement of Financial Performance.

Subsequent measurement – financial liabilities

Financial liabilities consist of payables, interest bearing loans and bank overdrafts. These liabilities are subsequently measured at amortised cost, using the effective interest rate method. Finance costs are expensed in the Statement of Financial Performance in the period in which they are incurred except where stated otherwise (see accounting policy on borrowing costs).

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Municipality establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs.

Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short term highly liquid investments, readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried at amortised cost. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are carried at amortised cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

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
Long-term receivables	Financial asset measured at amortised cost
Other financial asset	Financial asset measured at fair value

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

Class	Category
Other financial liability	Financial liability measured at amortised cost
Payables from exchange transactions	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);

1.11 Statutory receivables (continued)

- impairment losses; and
- amounts derecognised.

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

- 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

1.11 Statutory receivables (continued)

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

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

1.12 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.

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.

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

Inventory consist of raw materials, work in progress, consumables and finished goods, which are valued at the lower of cost, determined on the first in first out basis, and net realisable value, except for items which are valued at the tariffs charged. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value.

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

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

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

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

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

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

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

The cost of inventories is assigned using the **first-in, first-out (FIFO)** formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

1.13 Inventories (continued)

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

The carrying amount of inventory is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

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 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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

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

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

Bank overdrafts which are repayable on demand forms an integral part of the entity’s cash management activities, and as such are included as a component of cash and cash equivalents.

1.15 Impairment of cash-generating assets

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

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

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

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

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

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

1.15 Impairment of cash-generating assets (continued)

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

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

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

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

[Specify judgements made]

1.16 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

Designation

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

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

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

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

Identification

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

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

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

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.16 Impairment of 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.

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

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

1.17 Employee benefits

Short-term employee benefits

The municipality provides short term benefits, long term benefits and retirement benefits for its employees and councillors.

Remuneration to employees is recognised in the statement of financial performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee tenders the related service.

Leave pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end and is shown as an accrual in the statement of financial position.

Bonus provisions

The municipality recognises the expected cost of bonuses as a provision only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made at reporting date.

Long-service allowance

The Municipality has an obligation to provide long-service allowance benefits to all of its employees. According to the rules of the long-service allowance scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

Post-employment benefits: Defined benefit plans

A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out by independent qualified actuaries regularly, as may be required for fair presentation.

1.17 Employee benefits (continued)

Past-service costs are recognised immediately, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Post-retirement Health Care Benefits

The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. 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), on retirement, is entitled to remain a continued member of the medical aid fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

Past-service costs are recognised immediately, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

1.18 Provisions and contingencies

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

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

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

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

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

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

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

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

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

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

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.

1.18 Provisions and contingencies (continued)

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

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

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

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

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

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

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the statement of financial performance.

1.19 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

1.19 Commitments (continued)

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

1.20 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.

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

Service charges – exchange revenue

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Pre-paid electricity – exchange revenue

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.

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

Significant Accounting Policies

1.20 Revenue from exchange transactions (continued)

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

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

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

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

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

Interest, royalties and dividends

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

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

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.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

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

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

1.21 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.

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

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

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

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.

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

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

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

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

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.

Grants where funds are paid directly to third parties on behalf of the municipality (direct payments) are not recognised as revenue, as the municipality does not obtain control of the resources. Such transactions are disclosed in the notes to the financial statements only.

Measurement

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

Significant Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

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

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

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

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 income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

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.

Taxation revenue are not grossed up for the amount of tax expenditures.

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.

Debt forgiveness and assumption of liabilities

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

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

1.21 Revenue from non-exchange transactions (continued)

Fines

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

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

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

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

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

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.

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.

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.

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale.

1.23 Borrowing costs (continued)

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits or service potential to the municipality, and the costs can be measured reliably. The municipality applies this consistently to all borrowing costs that are directly attributable to the acquisition, construction, or production of all qualifying assets of the municipality. The amount of borrowing costs eligible for capitalisation is determined as follows:

- To the extent that the municipality borrows funds specifically for the purpose of obtaining a qualifying asset, the entity determines the amount of borrowing costs eligible for capitalisation as the actual borrowing costs incurred on that borrowing during the period, less any investment income on the temporary investment of those borrowings.
- To the extent that an municipality borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity determines the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to all borrowings of the municipality that are outstanding during the period. However, the municipality excludes from this calculation borrowing costs applicable to borrowings made specifically for the purpose of obtaining a qualifying asset until substantially all the activities necessary to prepare the asset for its intended use or sale are complete. The amount of borrowing costs that the municipality capitalises during a period does not exceed the amount of borrowing costs it incurred during that period.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets and Inventories as per accounting policy number 1.13, 1.15 and 1.16. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is suspended.

Extended periods are periods that exceed X months.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the municipality ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

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.

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 Insurance fund

The insurance fund is accounted for at net of cost, and any liability thereto, and adjustments are made only where there are valid claims to the fund.

1.26 Comparative figures

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

1.27 Unauthorised expenditure

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

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.28 Fruitless and wasteful expenditure

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

1.28 Fruitless and wasteful expenditure (continued)

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

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

1.29 Irregular expenditure

Irregular expenditure, in relation to a municipality or municipal entity, means

expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the MFMA, and which has not been condoned in terms of that act

expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, 2000 (No. 32 of 2000), and which has not been condoned in terms of that act.

expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office Bearers Act, 1998 (Act No. 20 of 1998), or"

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

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

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

Irregular expenditure is expenditure that is contrary to the MFMA, the Municipal Systems Act, 2000 (Act No.32 of 2000), and the Public Office Bearers Act, 1998 (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 performanc

1.30 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.

1.30 Segment information (continued)

Measurement

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

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

1.31 Budget information

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

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

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

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

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

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

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

1.32 Related parties

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

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

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

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

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

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

1.32 Related parties (continued)

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

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

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

1.33 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.

Figures in Rand	2025	2024
2. Other financial assets		
Designated at fair value		
Unlisted shares	1 604 200	1 608 954
OVK Holdings: 34 566 (2025: 34 566) shares at R23.00 (2024: R20.50) per share		
OVK Operations: 29 678 (2025: 29 678) shares at R27.32 (2024: 24.25) per share		
Listed shares	62 695	62 695
Old Mutual: 5 060 (2025: 5 060) shares at R 12.07 (2024: R 12.39) per share		
	1 666 895	**1 671 649**
At amortised cost		
Loans and receivables	146 095	146 095
The Buiteklub loan commenced in May 1995 for a period of 50 years, bears interest at 1% per annum and is repaid in monthly instalments of R668.		
Total other financial assets	**1 812 990**	**1 817 744**
Non-current assets		
Designated at fair value	1 666 895	1 671 649
At amortised cost	139 513	139 513
	1 806 408	**1 811 162**
Current assets		
At amortised cost	6 582	6 582

Financial assets at fair value

Fair values of financial assets measured or disclosed at fair value

Old Mutual	12,07	12,39
Share values was obtained from Old Mutual's website: https/www.oldmutual.com/investor-relations/share-price]		
OVK Holdings	23	46.55
Share values was obtained OVK Holdings statement as at 30 June 2025		
OVK Operations	27,32	2.11
Share values was obtained OVK Holdings statement as at 30 June 2025		

Financial assets pledged as collateral

None of the financial assets are pledged as collateral.

Figures in Rand	2025	2024

3. Inventories

Consumable stores	3 628 175	3 364 772
Water for distribution	-	33 615
	3 628 175	**3 398 387**

Inventory pledged as security

None of the inventories were pledged as security.

Other Information

Included in the consumables stores balance is:
- 1 109 (2024: 1109) Amazi water meters at a value of R 2 415 each;
- 153 (2024: 153) Honeywell water at a value of R 3 067.15:
- 190 (2024: 190 Electrical meters value at R 4 242.5

Inventory consumed is included in the general expenses note and amount to R11 632 310 (R451 248)

4. Receivables from exchange transactions

Trade debtors	143 712	143 712
Other receivables	2 013 176	2 027 339
Consumer debtors - Electricity	5 291 917	6 449 029
Consumer debtors - Water	60 735 443	74 162 558
Consumer debtors - Sewerage	70 146 409	66 681 428
Consumer debtors - Refuse	48 664 079	45 795 718
Rentals	28 136 362	26 729 986
	215 131 098	**221 989 770**

No receivables from exchange transactions pledged as security.

None of the financial assets that are fully performing have been renegotiated in the last year.

Fair value of trade and other receivables

Trade and other receivables	215 131 098	221 989 770

Trade and other receivables impaired

As of 30 June 2025, trade and other receivables of 1 008 433 707 (2024: 1 015 084 416) were impaired and provided for.

The amount of the provision was (795 459 497) as of 30 June 2025 (2024: 795 265 697).

5. Receivables from non-exchange transactions

Fines	832 586	832 586
Government grants and subsidies	2 463 302	-
Consumer debtors - Rates	57 971 643	34 664 330
	61 267 531	**35 496 916**

Receivables from non-exchange transactions pledged as security

There are no receivables from non-exchange transactions pledged as security.

None of the financial assets that are fully performing have been renegotiated in the last year.

Figures in Rand	2025	2024

5. Receivables from non-exchange transactions (continued)

Fair value of receivables from non-exchange transactions

Other receivables from non-exchange transactions	61 267 531	35 496 916

Receivables from non-exchange transactions impaired

As of 30 June 2025, other receivables from non-exchange transactions of 127 106 633 (2024: 103 799 320) were impaired and provided for.

The amount of the provision was 69 134 990 as of 30 June 2025 (2024: (69 134 990)).

The ageing of these loans is as follows:

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(69 134 990)	(65 963 504)
Provision for impairment	-	(3 171 486)
Unused amounts reversed	1 478 173	-
	(67 656 817)	**(69 134 990)**

6. Consumer debtors disclosure

Gross balances		
Consumer debtors - Rates	127 106 633	103 799 320
Consumer debtors - Electricity	43 458 345	44 615 457
Consumer debtors - Water	361 907 178	375 334 293
Consumer debtors - Sewerage	342 136 654	338 671 673
Consumer debtors - Refuse	238 880 552	236 012 191
Consumer debtors - Rentals and others	22 050 978	20 450 802
	1 135 540 340	**1 118 883 736**
Less: Allowance for impairment		
Consumer debtors - Rates	(69 134 990)	(69 134 990)
Consumer debtors - Electricity	(38 166 428)	(38 166 428)
Consumer debtors - Water	(301 171 735)	(301 171 735)
Consumer debtors - Sewerage	(271 990 245)	(271 990 245)
Consumer debtors - Refuse	(190 216 473)	(190 216 473)
Consumer debtors - Rentals and others	6 085 384	6 279 184
	(864 594 487)	**(864 400 687)**
Net balance		
Consumer debtors - Rates	57 971 643	34 664 330
Consumer debtors - Electricity	5 291 917	6 449 029
Consumer debtors - Water	60 735 443	74 162 558
Consumer debtors - Sewerage	70 146 409	66 681 428
Consumer debtors - Refuse	48 664 079	45 795 718
Consumer debtors - Rentals and others	28 136 362	26 729 986
	270 945 853	**254 483 049**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Consumer debtors disclosure (continued)

Rates		
Current (0 -30 days)	6 120 045	3 627 983
31 - 60 days	5 314 712	3 150 580
61 - 90 days	5 287 714	3 134 635
91 - 120 days	4 947 209	2 932 723
121 - over	36 301 963	21 818 409
	57 971 643	**34 664 330**
Electricity		
Current (0 -30 days)	689 620	3 980 541
31 - 60 days	1 808 282	2 072 071
61 - 90 days	1 908 865	2 187 327
91 - 120 days	1 183 298	1 697 557
121 and overs	(298 148)	(3 488 467)
	5 291 917	**6 449 029**
Water		
Current (0 -30 days)	4 174 147	4 791 597
31 - 60 days	3 913 953	4 492 914
61 - 90 days	4 582 526	5 260 384
91 - 120 days	3 859 834	4 430 789
121 - 365 days	44 204 983	55 186 874
	60 735 443	**74 162 558**
Sewerage		
Current (0 -30 days)	5 356 007	4 896 447
31 - 60 days	5 208 103	4 761 235
61 - 90 days	5 119 487	4 680 222
91 - 120 days	5 069 819	4 634 816
121 - over	49 392 993	47 708 708
	70 146 409	**66 681 428**
Refuse		
Current (0 -30 days)	3 719 509	3 368 954
31 - 60 days	3 593 422	3 254 750
61 - 90 days	3 524 985	3 192 763
91 - 120 days	3 486 977	3 158 337
121 - 365 days	34 339 186	32 820 914
	48 664 079	**45 795 718**
Rentals, Jobbings and Contracts		
Current (0 -30 days)	896 424	380 531
31 - 60 days	593 351	251 877
61 - 90 days	539 318	228 940
91 - 120 days	504 649	214 223
121 - 365 days	25 602 620	25 654 415
	28 136 362	**26 729 986**

7. VAT receivable

VAT Control	50 907 977	36 740 228

Figures in Rand	2025	2024

8. Cash and cash equivalents

Cash and cash equivalents consist of:

	2025	2024
Cash on hand	1 564	1 564
Bank balances	62 071 805	29 013 081
Short-term deposits	(7 064 937)	(10 594 208)
	55 008 432	**18 420 437**

Cash and cash equivalents pledged as collateral

No cash and cash equivalents has been pledged as security

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
ABSA BANK - Current Type - 2020000050	1 223 809	121 103	241 031	(19 596 144)	(10 056 388)	241 031
Standard Bank - Current Account - 371180538	546 786	388 247	477 509	76 088 088	7 935 234	(1 985 663)
ABSA BANK - Call Account - 9264892325	-	962	962	-	962	962
ABSA BANK - Call Account - 9230571400	-	93	93	93	(4 999 907)	93
ABSA BANK - Call Account - 9278783703	-	1 173	1 113	5	1 173	1 113
ABSA BANK - Call Account - 9264892561	-	964	964	-	10 000 964	964
ABSA BANK - Call Account - 9277963448	-	1 101	1 044	5	1 101	1 044
ABSA BANK - Dep Plus - 9380637762	1 213 697	331 628	-	12 720 712	1 262 703	-
Nedbank - Call Accoun - 94831059996	156 607	168 201	156 617	168 201	168 201	156 617
ABSA Bank - Call Account - 9390230710	46 290	-	-	56 887	-	-
Standard Bank -Account - 248495860	-	7 903	7 903	(14 089 023)	14 104 829	7 903
ABSA Overdraft	-	-	-	(341 952)	-	-
Petty cash	-	-	-	1 564	1 564	-
Total	**3 187 189**	**1 021 375**	**887 236**	**55 008 436**	**18 420 436**	**(1 575 936)**

9. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	89 554 059	-	89 554 059	77 514 128	(1)	77 514 127

Reconciliation of investment property - 2025

	Opening balance	Fair value adjustments	Depreciation	Total
Investment property	77 514 127	12 039 932	-	89 554 059

Reconciliation of investment property - 2024

	Opening balance	Additions	Fair value adjustments	Depreciation	Total
Investment property	65 664 773	-	11 849 354	-	77 514 127

Pledged as security

None of the investment property has been pledged as security.

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.

Figures in Rand	2025	2024

9. Investment property (continued)

Maintenance of investment property

The following maintenance costs were incurred:		
Preventative Maintenance incurred on		
Revenue generating investment property	20 000	80 000
Corrective Maintenance incurred on		
Non-revenue generating investment property	60 000	150 000
	80 000	**230 000**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Community assets inc buildings	205 813 076	(75 327 034)	130 486 042	157 973 118	(85 522 559)	72 450 559
Plant and machinery	548 558	(400 288)	148 270	1 385 416	982 024	2 367 440
Furniture and fixtures	5 118 611	(4 194 762)	923 849	5 934 936	(4 877 225)	1 057 711
Motor vehicles	22 995 680	(12 894 554)	10 101 126	32 709 731	(24 856 528)	7 853 203
IT equipment	4 416 406	(3 129 890)	1 286 516	5 009 661	(3 118 727)	1 890 934
Infrastructure roads	419 745 498	(154 952 545)	264 792 953	510 370 115	(247 909 423)	262 460 692
Infrastructure electrical	141 469 787	(77 128 915)	64 340 872	160 101 778	(95 013 490)	65 088 288
Infrastructure solid waste	45 102 612	(27 025 765)	18 076 847	45 102 612	(23 455 589)	21 647 023
Infrastructure water/ sanitation	250 096 634	(112 577 512)	137 519 122	269 145 714	(103 152 508)	165 993 206
Water network	316 269 905	(122 144 310)	194 125 595	286 864 672	(130 699 970)	156 164 702
Total	**1 411 576 767**	**(589 775 575)**	**821 801 192**	**1 474 597 753**	**(717 623 995)**	**756 973 758**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Impairment loss	Total
Buildings	72 450 559	-	(2 300 556)	71 121 748	(5 067 567)	(5 718 142)	130 486 042
Plant and machinery	2 367 440	-	(2 293 765)	433 789	(334 293)	(24 901)	148 270
Furniture and fixtures	1 057 711	-	(208 134)	477 160	(314 246)	(88 642)	923 849
Motor vehicles	7 853 203	-	(1 596 611)	6 435 821	(2 576 570)	(14 717)	10 101 126
Office equipment	-	321 540	(637 399)	953 258	(637 399)	-	-
IT equipment	1 890 934	-	-	(604 418)	-	-	1 286 516
Infrastructure roads	262 460 692	-	(1 653 241)	20 228 909	(9 736 084)	(6 507 323)	264 792 953
Infrastructure electrical	65 088 288	-	(4 555 892)	7 812 017	(4 199 385)	195 844	64 340 872
Infrastructure solid waste	21 647 023	-	(9 430 999)	23 963 898	(3 943 655)	(14 159 420)	18 076 847
Infrastructure water/ sanitation	165 993 206	-	(9 430 999)	(940 010)	(3 943 655)	(14 159 420)	137 519 122
Infrastructure - Water network	156 164 702	-	(9 570 747)	60 549 999	(7 656 216)	(5 362 143)	194 125 595
	756 973 758	**321 540**	**(41 678 343)**	**190 432 171**	**(38 409 070)**	**(45 838 864)**	**821 801 192**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Other changes, movements	Depreciation	Impairment loss	Total
Community assets incl Buildings	70 804 363	7 969 828	-	(4 961 244)	(1 362 388)	72 450 559
Plant and machinery	693 392	1 793 750	-	(108 915)	(10 787)	2 367 440
Furniture and fixtures	1 357 854	71 729	-	(324 248)	(47 624)	1 057 711
Motor vehicles	12 185 278	-	-	(2 587 563)	(1 744 512)	7 853 203
IT equipment	2 599 768	55 224	-	(755 954)	(8 104)	1 890 934
Infrastructure roads	274 019 833	3 213 708	-	(12 408 785)	(2 364 064)	262 460 692
Infrastructure electrical	69 400 378	1 247 201	-	(5 317 641)	(241 650)	65 088 288
Infrastructure solid waste	26 743 535	-	(3 064 471)	(2 032 041)	-	21 647 023
Infrastructure water/ sanitation	163 394 843	9 784 358	-	(6 220 233)	(965 762)	165 993 206
Infrastructure - Water network	158 050 310	5 161 152	-	(7 039 910)	(6 850)	156 164 702
	779 249 554	**29 296 950**	**(3 064 471)**	**(41 756 534)**	**(6 751 741)**	**756 973 758**

Pledged as security

Non of the property plant and equipment has been pledged as security.

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Total
Opening balance	41 192 182	10 011 474	51 203 656
Additions/capital expenditure	19 922 349	10 061 111	29 983 460
	61 114 531	**20 072 585**	**81 187 116**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

10. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	23 032 964	2 041 646	25 074 610
Additions/capital expenditure	18 159 218	7 969 828	26 129 046
	41 192 182	**10 011 474**	**51 203 656**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance	2025	2024
Contracted services	3 500 000	4 500 000

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.

11. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	127 500	-	127 500	-	-	-

Reconciliation of intangible assets - 2025

	Opening balance	Additions	Amortisation	Total
Computer software, other	-	127 500	-	127 500

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software, other	-	-	-	-

Pledged as security

None of the intangibles assets is pledged as security.

12. Other financial liabilities

At amortised cost		
Other financial liability	11 115 832	10 187 772
Terms and conditions		
Current liabilities		
At amortised cost	11 115 832	10 187 772

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

13. Payables from exchange transactions

Trade payables	69 600 195	58 451 021
Payments received in advanced - Debtors with credit balances	26 230 054	32 867 180
Salary control accounts	52 679 091	18 753 314
Eskom	491 377 258	404 024 982
Accrued leave pay	-	9 903 137
Accrued bonus	18 840 629	2 266 181
Accrued interest	8 447 513	392 253
Retentions	14 737 269	16 131 293
Unknown deposits	17 847 951	17 935 545
Auditor General	20 234	10 556 261
Bulk Purchases – Water	2 973 386	3 548 338
Agency Fees	(465 299)	(465 299)
PAYE Deductions	(2 862 783)	(2 862 783)
	699 425 498	**571 501 423**

14. Consumer deposits

Electricity	859 418	894 820
Water	1 048 270	902 285
Rental	(158 642)	(121 399)
Other	2 041	2 041
	1 751 087	**1 677 747**

Consumer deposits are paid by consumers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts, the municiplaity can utilise the deposit for the outstanding account. No interest is paid on consumer deposits held.

The management of the municipality is of the opinion that the carrying value of the consumer deposits approxiamate their fair value.

The fair value of the consumer deposits were determined after considering the standard terms and conditions of the agreements entered into between the municipality and its consumers.

15. Employee benefit obligations

Defined benefit plans - General information

Post-employment medical aid benefit liability

The municipality makes monthly contributions for health care arrangements to the Hosmed, LA Health and Key Health Medical Aid schemes.

The municipality provides certain post-employment health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the respective 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. No other post-retirement benefits are provided to these employees.

The municipality makes monthly contributions for health care arrangements to the Hosmed, LA Health and Key Health Medical Aid schemes.

The members of the Post-employment medical aid (health care) benefit plan are made up as follows:

- In-service members (employees): 278 (2024 - 269).
- Continuation members (retirees, widowers and orphans): 12 (2024 - 11).

The last actuarial valuation was dated 30 June 2025.

Long service award liability

The municipality operates an unfunded defined benefit liability for all its employees. Under the plan, a long service award is very 5 years of continuous service, from 5 to 45 years of service, inclusive. 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 valuation of the present value of the defined benefit obligation were carried out at 30 June 2025. The present value of the defined benefit obligation, and the related current and past service cost, were measured using the Projected Unit Credit Method.

The last actuarial valuation was dated 30 June 2025.

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

	2025	2024
Carrying value		
Present value of the defined benefit obligation-Medical	(34 605 320)	(29 499 000)
Present value of the defined benefit obligation-Long service award	(9 863 956)	(9 506 000)
	(44 469 276)	**(39 005 000)**
Non-current liabilities	(43 219 156)	(36 883 000)
Current liabilities	(1 250 120)	(2 122 000)
	(44 469 276)	**(39 005 000)**

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

	2025	2024
Opening balance	(39 005 000)	(40 569 000)
Service cost	(2 577 000)	(6 756 000)
Interest cost	(4 589 000)	(5 307 000)
Benefits paid	2 122 000	1 701 911
Actuarial (gains) / losses	(420 276)	11 925 089
	(44 469 276)	**(39 005 000)**

Figures in Rand	2025	2024

15. Employee benefit obligations (continued)

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

- Current service cost	(2 577 000)	(6 756 000)
Net interest on the net defined benefit liability (asset)	(4 589 000)	-
Benefits paid	2 122 000	1 701 911
Actuarial gains and losses	(420 276)	11 925 089
	(2 887 276)	**13 627 000**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Post Employment Medical Aid	458 320	(10 976 000)
Actuarial (gains) losses – Long Service Award	(38 044)	(949 089)
	420 276	**(11 925 089)**

Key assumptions used

Assumptions used at the reporting date:

Discount Rate: Post-employment Medical Aid benefit	12,53 %	12,35 %
Discount Rate: Long Service Award	9,18 %	11,21 %
CPI Rate : Post-employment Medical Aid benefit	6,52 %	6,31 %
CPI Rate : Long Service Award	3,55 %	5,35 %
Medical Aid inflation rate	8,02 %	7,81 %
Medical Aid : Maximum subsidy inflation rate	4,55 %	6,35 %
Net effective discount rate : Post-employment Medical Aid benefit	4,18 %	4,21 %
Net effective discount rate : Long Service Award	4,42 %	4,57 %

Figures in Rand	2025	2024

15. Employee benefit obligations (continued)

Sensitivity analysis

The effect of a 1% movement in the assumed rate of post-employment health care benefit inflation and Long Service Award is as follows:

Post Employment Medical Aid Benefit Plan		
Current service costs & interest increase - general inflation	7 893 695	7 837 000
Current service costs & interest decrease - general inflation	5 563 223	6 022 000
Post Employment Medical Aid obligation increase - general inflation	41 033 747	38 455 000
Post Employment Medical Aid obligation decrease - general inflation	29 416 486	30 101 000
Long service award		
Current service costs & interest increase - general inflation	1 890 258	1 349 000
Current service costs & interest decrease - general inflation	1 631 266	1 191 000
Long service award obligation increase - general inflation	10 587 705	6 731 000
Long service award obligation increase - general inflation	9 211 070	5 994 000

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

	2025	2024	2023	2022	2021
Post Employment Medical Aid	34 605 320	29 499 000	34 223 000	33 658 000	14 614 721
Long Service Award	9 863 956	9 506 000	6 346 000	6 480 001	5 124 142
	44 469 276	**39 005 000**	**40 569 000**	**40 138 001**	**19 738 863**

Discount rate

Assumed discount rate have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed discount rate would have the following effects:

2025	**One percentage point increase**	**One percentage point decrease**
Effect on the service cost - PEMA	1 937 178	2 739 950
Effect on interest cost - PEMA	3 981 557	4 673 556
Effect on defined benefit obligation - PEMA	29 670 679	40 774 962
Effect on the service cost - LSA	821 401	948 755
Effect on interest cost - LSA	904 723	834 603
Effect on defined benefit obligation - LSA	9 242 802	10 562 232

2024	**One percentage point increase**	**One percentage point decrease**
Effect on the service cost - PEMA	1 419 000	2 031 000
Effect on interest cost - PEMA	3 366 000	3 875 000
Effect on defined benefit obligation - PEMA	25 524 000	34 453 000
Effect on the service cost - LSA	837 000	945 000
Effect on interest cost - LSA	1 009 000	957 000
Effect on defined benefit obligation - LSA	8 981 000	10 091 000

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2025	2024
Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	3 232 181	10 996 000
Local Goverment Financial Management Grant (FMG)	645 296	-
Integrated National Electrification (INEP)	-	4 958 268
Water Services Infrastructure Grant (WSIG)	5 219 811	9 043 530
Expanded Puplic Works Programme Intergrated Grant (EPWP)	(1)	-
Disaster Grant	8 967 543	9 266 638
	18 064 830	**34 264 436**

Movement during the year

	2025	2024
Balance at the beginning of the year	26 607 498	35 206 962
Additions during the year	51 362 001	49 999 000
Income recognition during the year	(47 788 077)	(35 340 787)
Funds withheld through equitable shares	(12 116 592)	(15 600 739)
	18 064 830	**34 264 436**

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.

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

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

17. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Interest cost	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	43 007 457	5 183 488	389 885	(3 570 176)	45 010 654

Reconciliation of provisions - 2024

	Opening Balance	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	41 852 707	(3 454 357)	4 609 107	43 007 457

Environmental rehabilitation provision

There are four existing waste disposal sites, one in each town of Ladybrand, Hobhouse, Excelsior and Tweesprult. A provision has been recognised to account for the closure cost estimate for the sites in question.

Landfill closure and rehabilitation:

Landfill operations continue until all the available permitted land space has been filled. Once this happens, the site will be closed 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 made.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

18. Revenue

Service charges	148 677 481	142 358 705
Rental of facilities and equipment	1 159 657	1 573 475
Interest received from outstanding debtors (non - exchange)	72 061 838	74 541 878
Other income	(136 111)	974 306
Interest received - investment	724 048	1 054 433
Property rates	38 688 905	38 058 026
Interest received from outstanding debtors (non-exchange)	11 734 952	570 265
Government grants & subsidies	163 726 078	145 470 787
Fines, Penalties and Forfeits	45 876	237 004
	436 682 724	**404 838 879**

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	148 677 481	142 358 705
Rental of facilities and equipment	1 159 657	1 573 475
Interest received from outstanding debtors	72 061 838	74 541 878
Other income	(136 111)	974 306
Interest received - investment	724 048	1 054 433
	222 486 913	**220 502 797**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	38 688 905	38 058 026
Interest received from outstanding debtors (non-xchange)	11 734 952	570 265
Transfer revenue		
Government grants & subsidies	163 726 078	145 470 787
Fines, Penalties and Forfeits	45 876	237 004
	214 195 811	**184 336 082**

19. Service charges

Sale of electricity	74 923 469	61 294 215
Sale of water	24 260 005	29 656 655
Solid waste	20 798 678	21 311 949
Sewerage and sanitation charges	28 695 329	30 095 886
	148 677 481	**142 358 705**

20. Rental of facilities and equipment

Premises		
Premises	1 159 657	1 573 475

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

21. Other income

Administrative Handling Fees	220	11 616
Cemetry and Burial	204 979	189 883
Commission received	(93)	(4)
Inspection Fees	17 373	4 148
Sale of Goods	24	367 536
Valuation Services	25 415	47 198
Sale of Property	4	61 666
Collecton Charges	-	100 703
Building plan approval	110 149	49 572
Photo copies; Faxes and Telephone charges	36 048	32 110
Clearance certificates	3 851	23 188
Connections	66 954	29 447
Building Plan Clause Levy	10 211	16 737
Addendum fees	-	3 515
Insurance refund	(661 331)	17
Application for Land Use	50 085	36 974
	(136 111)	**974 306**

22. Investment revenue

Interest revenue

Bank	724 048	1 054 433

23. Property rates

Rates received

Residential	13 233 451	13 305 995
Commercial	17 428 190	15 163 325
Small holdings and farms	6 464 672	6 386 107
Industrial	1 433 716	1 447 900
Public Service Purposes	128 876	1 754 699
	38 688 905	**38 058 026**

Valuations

Residential	-	2 188 261 500
Commercial	-	610 416 000
Public service infrastructure/ State	-	25 720 000
Municipal	-	7 975 000
Small holdings and farms	-	3 228 183 000
Schools and churches	-	732 462 000
	-	**6 793 017 500**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 20 June 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

24. Interest received from outstanding debtors (non - exchange)

Property rates	11 734 952	570 265

Figures in Rand	2025	2024

25. Government grants & subsidies

Operating grants		
Equitable share	116 938 000	110 130 000
Local Government Financial Management Grant (FMG)	2 354 704	3 100 000
Expanded Public Works Programme Integrated Grant (EPWP)	1 279 001	833 000
Disaster Management Grant	-	4 817 362
	120 571 705	**118 880 362**
Capital grants		
Municipal Infrastructure Grant (MIG)	20 228 558	21 555 000
Water Services Infrastructure Grant (WSIG)	15 319 720	5 035 425
Disaster Recovery	7 606 095	-
	43 154 373	**26 590 425**
	163 726 078	**145 470 787**

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	10 996 739	26 596 739
Current-year receipts	22 631 000	21 555 000
Conditions met - transferred to revenue	(20 228 558)	(21 555 000)
Other	(10 167 000)	(15 600 000)
	3 232 181	**10 996 739**

Conditions still to be met - remain liabilities (see note 16).

Local Goverment Financial Management Grant(FMG)

Current-year receipts	3 000 000	3 100 000
Conditions met - transferred to revenue	(2 354 704)	(3 100 000)
	645 296	**-**

Conditions still to be met - remain liabilities (see note 16).

Provide explanations of conditions still to be met and other relevant information.

IntegratedNational Electrification (INEP)

Balance unspent at beginning of year	4 958 268	4 958 268
Withheld by treasury	(4 958 268)	-
	-	**4 958 268**

Conditions still to be met - remain liabilities (see note 16).

Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	9 043 530	3 651 955
Current-year receipts	16 896 000	10 427 000
Conditions met - transferred to revenue	(15 319 719)	(5 035 425)
Withheld by treasury	(5 400 000)	-
	5 219 811	**9 043 530**

Conditions still to be met - remain liabilities (see note 16).

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

25. Government grants & subsidies (continued)

The WSIG was allocated for the construction of water infrastructure, maintenance of aging municipal infrastructure and to provide for new rehabilitation and upgrading of municipal infrastructure.

Disaster grant

Balance unspent at beginning of year	9 266 638	-
Current-year receipts	7 556 000	14 084 000
Conditions met - transferred to revenue	(7 606 095)	(4 817 362)
WIthheld by Treasury	(249 000)	-
	8 967 543	**9 266 638**

Conditions still to be met - remain liabilities (see note 16).

26. Fines, Penalties and Forfeits

Traffic Fines	45 876	237 004

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

27. Employee related costs

Basic	70 087 633	57 479 723
Bonus	4 774 982	9 108 211
Car allowance	5 894 682	14 947 884
Housing benefits and allowance	1 466 525	12 552 651
Long service awards	393 557	7 674 487
Medical allowance	11 200 231	11 819 377
Other payroll levies	25 738 896	5 443 285
Overtime payments	11 413 095	1 513 121
Standby allowance	5 908 186	1 535 777
Leave pay	1 245 067	-
UIF	624 045	908
	138 746 899	**122 075 424**

Remuneration of municipal manager - MRE Mogopodi

Annual Remuneration	891 067	816 849
Car Allowance	96 000	96 000
Contributions to UIF, Medical and Pension Funds	255 132	253 007
Other	177 296	139 550
	1 419 495	**1 305 406**

Remuneration of chief finance officer TD Tshikundu

Annual Remuneration	874 411	796 796
Car Allowance	264 048	264 047
Contributions to UIF, Medical and Pension Funds	32 107	51 132
Other	16 120	21 049
	1 186 686	**1 133 024**

Remuneration of Directors Corporate services MN Makwetla

Annual Remuneration	906 324	753 634
Car Allowance	114 000	114 000
Contributions to UIF, Medical and Pension Funds	49 811	47 685
Other	62 383	133 012
	1 132 518	**1 048 331**

Remuneration of Acting Director: Technical Services - MTS Moeti

Annual Remuneration	-	157 348
Car Allowance	-	60 457
Housing allowance	-	1 752
Contributions to UIF, Medical and Pension Funds	-	47 054
Acting allowance	-	11 187
	-	**277 798**

Mr Moeti acted as the technical services director from 1 September 2023 to 30 November 2023

Remuneration of Director Community Services - MM Lesoetsa

Annual Remuneration	864 009	527 551
Car Allowance	204 000	153 000
Contributions to UIF, Medical and Pension Funds	2 125	26 033
Other	13 971	118 064

Figures in Rand	2025	2024

27. Employee related costs (continued)

	1 084 105	**824 648**

Remuneration of Acting Director Community Services - KG Matsekane

Annual Remuneration	-	157 348
Car Allowance	-	63 859
Contributions to UIF, Medical and Pension Funds	-	41 141
Acting Allowance	-	35 973
	-	**298 321**

KG Matsekane acted as the Director Community Services for the period 1 September 2023 to 30 November 2023

Remuneration of Director Technical Services - AB Masuku

Annual Remuneration	-	180 088
Car Allowance	-	60 000
Contributions to UIF, Medical and Pension Funds	-	34 454
Other	-	114 886
	-	**389 428**

AB Masuku contract ended 30 September 2023

Remuneration of DIrectors - N Kelepu

Annual Remuneration	828 009	399 292
Car Allowance	240 000	140 000
Contributions to UIF, Medical and Pension Funds	2 125	-
Other	51 019	66 202
	1 121 153	**605 494**

28. Remuneration of councillors

Executive Major	1 074 369	705 276
Speaker	896 137	269 731
Councillors	6 913 021	4 719 420
	8 883 527	**5 694 427**

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.

29. Repairs and Maintenance

Repairs and maintenance	31 679 910	28 379 351

30. Depreciation and amortisation

Property, plant and equipment	37 056 655	42 200 439
Investment property	-	120 953
	37 056 655	**42 321 392**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

31. Finance costs

Other financial liabities	5 820 798	1 639 502
Trade and other payables	40 160 559	29 134 155
	45 981 357	**30 773 657**

32. Impairment loss

Impairments

Property, plant and equipment	31 679 444	6 751 742

33. Debt impairment

Receivables from exchange transactions	127 420 709	227 954 812
Receivables from non-exchange transactions	-	3 171 487
	127 420 709	**231 126 299**

34. Bulk purchases

Electricity - Eskom	74 775 043	57 042 340
Water	2 942 166	1 344 428
	77 717 209	**58 386 768**

Electricity losses

	Number 2025	Number 2024		
Units purchased	33 370 136	30 737 108	74 775 043	58 386 768
Units sold	(21 590 034)	(21 316 576)	(25 244 433)	(39 804 404)
Total loss	**11 780 102**	**9 420 532**	**49 530 610**	**18 582 364**
Percentage Loss:				
Technical losses	35 %	31 %	34 %	32 %

Water losses

	Number 2025	Number 2024		
Units purchased	4 765 524	2 101 100	2 942 166	1 344 418
Units sold	(3 055 389)	(1 546 093)	(1 844 372)	(989 290)
Total	**1 710 134**	**555 007**	**1 097 794**	**355 128**
Percentage Loss:				
Technical losses	36 %	26 %	38 %	26 %

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

35. General expenses

Accounting fees	-	15 685 009
Advertising	164 699	419 407
Auditors remuneration	534 008	7 177 423
Bank charges	247 642	374 824
Cleaning	293 503	1 702 340
Consulting and professional fees	4 926 291	4 583 768
Consumables	1 756 246	451 248
Hire	5 616 707	1 781 873
Community development and training	7 665	50 078
IT expenses	1 299 737	891 621
Medical expenses	137 791	525 367
Fuel and oil	2 560 321	3 635 915
Postage and courier	-	3 894
Protective clothing	1 519 450	1 446 521
Staff welfare	2 475	-
Subscriptions and membership fees	47 151	53 222
Telephone and fax	1 524 358	2 895 989
Travel - local	2 005 002	2 236 491
License fee	404 769	183 019
Outsourced services	9 408 490	1 219 603
Skills Development Levy	1 796 591	1 586 484
Audit committee	-	531 655
	34 252 896	**47 435 751**

36. Auditors' remuneration

Fees	534 008	7 177 423

37. Fair value adjustments

Other financial assets		
• Other financial assets (Designated as at FV through P&L	12 039 931	12 210 685

38. Operating deficit

Operating deficit for the year is stated after accounting for the following:

Loss on sale of property, plant and equipment	(29 481 091)	(168 196)
Impairment on property, plant and equipment	31 679 444	6 751 742
Depreciation on property, plant and equipment	37 056 655	42 200 439
Depreciation on investment property	-	120 953
Employee costs	147 630 426	127 769 851

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

39. Cash generated from operations

Deficit	(114 597 318)	(144 138 354)
Adjustments for:		
Depreciation and amortisation	37 056 655	42 321 392
Gain on sale of assets and liabilities	29 481 091	168 196
Fair value adjustments	(12 039 931)	(12 210 685)
Interest income	(724 048)	-
Impairment deficit	31 679 444	6 751 742
Debt impairment	127 420 709	-
Movements in retirement benefit assets and liabilities	5 464 276	-
Movements in provisions	2 003 197	594 585
Other - non cash movement	8 357 616	1 963 968
Changes in working capital:		
Inventories	(229 788)	(634 097)
Receivables from exchange transactions	6 858 672	82 645 151
Consumer debtors	(127 420 709)	-
Other receivables from non-exchange transactions	(25 770 615)	(20 820 236)
Payables from exchange transactions	127 924 079	98 677 766
VAT	(14 167 749)	(2 051 062)
Unspent conditional grants and receipts	(16 199 606)	(8 599 465)
Consumer deposits	73 340	-
	65 169 315	**44 668 901**

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	22 262 532	19 726 811
Total capital commitments		
Already contracted for but not provided for	22 262 532	19 726 811

Total commitments

Total commitments		
Authorised capital expenditure	22 262 532	19 726 811

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.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

41. Contingencies

The following contingent liabilities were identified:

Westrand Consulting // Mantsopa L.M is suing the municipality for the services rendered for compilation of AFS and Fixed Asset register. The urgent ap;lication was withdrawn but litigation continues	8 037 064	8 037 064
Bakgatla pty ltd// Mantsopa Local municipality Summons were issued against the municipality fro breach of cession agrrement	3 195 824	3 195 824
JA Greyling // Mantsopa Local Municipality On the 23 November 2024 the Summons were issued against the municipality	13 064	13 064
.SAMWU OBO TSEKO & OTHERS // MANTSOPA L.M Review application at the Labour Court. The matter deals with dispute in relations to the interpretation of shift allowance as per Free State collective agreement. The matter was scheduled for 28 June 2024, awaiting for judgement of Johannesburg Labou	1 500 000	1 500 000
SAMWU OBO MOHLOKI // MANTSOPA L.M Unfair Labour practice. The applicant lodged an application for unfair labour practice with the SALBC for non-payment of Shift Allowance. The review application is still pending at the Johannesburg Labour Court	8 707	8 707
.SAMWU OBO TSEISE // MANSOPA L.M Unfair Labour Practice. The applicant lodged an application for unfair labour practice with the SALGBC for non-payment of S & T allowance. The municipality is reviewing the matter and we still await the case.	500 000	200 000
. SAMWU OBO NHLAPO & OTHERS // MANTSOPA LM Unfair labour practice matter was lodged with SALGBC for unfair labour practice regarding Level adjustmentr from 7/1 to 5/4. Trail was held and initial application dismissmed. The review application was heard in January 2024 but still waiting outcome	300 000	1 000 000
TSAKANI MALULEKE (AGSA)// MANTSOPA L.M. Rampai Attorney	-	10 500 000
SAMWU OBO NKO// MANTSOPA L.M. Rampai Attorneys	86 134	86 134
Rantoa Service Providers // Mantsopa LM Matlho Attorneys	1 500 000	500 000
Thabo Makhekhe // Mantsopa LM	-	750 000
State // Sello Nyapholi (Former CFO of MLM)	-	150 000
Rescisiion Application by Mkhobo to set aside eviction court order issued in favour of the municipality on 6 February 2025 under case number 3591/2024. Applicants claim that the previous judgement was issued in their absence	500 000	-
	15 640 793	**25 940 793**

Contingent assets

Subsequent to the disciplinary hearing in respect of the fruitless and wasteful expenditure referred to in Note 47, civil proceedings have commenced against the employees concerned to recover an amount of -. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount but this recovery is virtually certain.

The following contingent assets were identified:

Seleke and Phirime Three transactions were made on the 24th of December 2020, which collectively amount to R 1.9 million. The HAWKS recovered R1.5 million and paid over to the municipality. The remainder of R400 thousand was traced by the HAWKS but could not be recovered, However the perpetrators were arrested	-	400 000
INZALO EMS (Pty Ltd // Mantsopa Local Municiapality Matter has been defended and payment agreements are being arranged.The municipality instructed its attorneys to file a counter-claim.	-	7 561 796
	-	**7 961 796**

42. Related parties

Relationships	
Accounting Officer	M Mogopodi
Key Management	Refer to note 27

Remuneration of management

Management class: Councillors

2025

Name	Basic salary	Allowances	Contributions	Total
ME Tsoene (Mayor)	670 416	394 861	9 092	1 074 369
ME Ncwada (Speaker)	616 505	272 244	7 388	896 137
KI Tigeli	266 550	244 646	3 679	514 875
DT Molefe	263 723	231 904	3 769	499 396
BM Sani	215 053	165 259	3 075	
DJ Hattingh	202 251	199 563	3 035	404 849
RT Mpakathe	309 808	210 146	3 706	523 660
SJ Nkiane	202 251	183 754	2 916	388 921
MR Mokotjo	301 460	63 166	3 329	367 955
KS Tsimatsima	301 460	66 977	3 210	375 165
MA Lethoko	294 781	186 162	3 966	484 909
KS Motsoane	386 882	71 157	4 580	462 619
SM Visagie	-	-	79	79
AJ Lemphane	294 781	169 050	3 965	467 796
TE Mutsi	344 418	113 621	4 035	462 074
SJ Machakela	326 882	152 133	3 942	482 957
NL Van Wyk	253 460	110 110	2 720	366 290
MD Tladi-Pharoe	301 460	63 889	-	365 349
LL Masilo	301 460	56 683	177	358 320
	5 853 601	**2 955 325**	**66 663**	**8 495 720**

2024

Name	Basic salary	Allowances	Contributions	Total
ME Tsoene (Mayor)	671 878	254 629	102 195	1 028 702
ME Ncwada)Speaker)	617 673	147 703	42 282	807 658
KI Tigeli	276 037	119 017	72 331	467 385
DT Molefe	264 335	104 400	74 860	443 595
BM Sani	215 522	52 471	86 407	354 400
T Halse	126 333	14 800	16 130	157 263
DJ Hattingh	554 824	139 857	27 209	721 890
RT Mpakathe	275 709	130 457	28 774	434 940
SJ Nkiane	202 720	121 132	27 209	351 061
MR Mokotjo	169 905	25 900	1 240	197 045
KS Tsimatsima	301 929	44 400	-	346 329
MA Lethoko	295 375	120 072	20 100	435 547
CL Bouwer	136 916	60 550	9 002	206 468
KS Motsoane	387 475	44 400	-	431 875
SM Visagie	231 729	25 900	-	257 629
AJ Lemphane	295 375	127 670	20 100	443 145
TE Mutsi	345 011	44 400	42 464	431 875
SJ Machakela	328 615	123 329	-	451 944
KD Rantsonyane	107 752	14 800	-	122 552
NL Van Wyk	112 065	42 566	-	154 631

Figures in Rand			2025	2024

42. Related parties (continued)

MD Pharoe	121 361	18 500	-	139 861
LL Masilo	97 089	14 800	-	111 889
	6 135 628	**1 791 753**	**570 303**	**8 497 684**

43. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of 479 401 777 and that the municipality's total liabilities exceed its assets by 479 401 777.

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.

There are several adverse events and conditions that may cast significant doubt on the municipality's ability to continue as a going concern. Indicators of financial problems are;

- The current year deficit exceeds 5% of total revenue

- Failure to pay creditors within 30 days as required by MFMA

- The municipality's unspent conditional grants for the current year amounted to R 18 064 830. This is an indication that funds received are not utilised and should be paid back to the relevant parties.

- The current ratio is below 1, indicating that the municipality is under financial strain as the current assets cannot cover its immediate obligations.

- The municipality takes more than 30 days to collect debt from it's consumer debtors indicating that the municipality is not enforcing credit control.

- Risk of defaulting on financial obligations as the municipality owes Eskom R 498 873 237 as disclosed in Payables from exchange transactions.

Management has considered the risks, but based on the evaluation of the following mitigating factors, it has concluded that the going concern assumption is appropriate for the following 12 months:

- Continued cash flow injections via equitable share grants and conditional grants for infrastructure development.

- Payment arrangements have been made with large creditors (e.g. Eskom)

- Cash enhancement initiatives such as the conversion of conventional metering to prepaid metering on electricity

- Continuous management and reduction of fruitless and wasteful expenditure.

- Voluntary participation in the COGHTA Financial Recovery Plan

Based on these factors, the municipality is able to continue as a going concern.

44. Events after the reporting date

No events after the reporting date were noted.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

45. Unauthorised expenditure

Opening balance as previously reported	12 131 398	343 311 797
Add: Unauthorised expenditure - current	13 891 108	8 187 061
Less : Written off by council - 2020/2021 year	-	(182 819 770)
Less : Written off by council - 2021/2022 year	-	(121 340 728)
Less : Written off by council - 2022/2023 year	-	(35 206 962)
Less : Written off by council - 2023/2024 year	(12 131 398)	-
Closing balance	**13 891 108**	**12 131 398**

46. Irregular expenditure

Opening balance as previously reported	7 406 127	19 660 139
Add: Irregular expenditure - current	-	2 585 075
Add: Irregular expenditure - identified during audit	22 621 442	3 868 573
LLess: Write off by council - 2020/2021 year	-	(8 632 384)
Less: Write off by council - 2021/2022 year	-	(5 054 001)
Less: Write off by council - 2022/2023 year	-	(5 021 275)
Less: Write off by council - 2023/2024 year	(3 257 981)	-
Closing balance	**26 769 588**	**7 406 127**

Notes to the Annual Financial Statements

Figures in Rand

46. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
SCM Processes were not followed to the latter		-	173 155
Invalid Deviations from SCM Requirements		-	70 742
SCM-Compliance Deviations from Quotations and Competitive Bidding		-	3 868 573
Process-Emergencies		-	2 149 815
Sole Provider		-	125 200
No CSD Reports provided for winning Bidder		-	3 500
Impractibility		-	62 663
		-	**6 453 648**

47. Fruitless and wasteful expenditure

Opening balance as previously reported	31 539 293	35 954 543
Add: Fruitless and wasteful expenditure identified - current	38 607 566	28 193 397
Add: Fruitless and wasteful expenditure identified - identified during audit	445 213	-
Less: Written off by council - 2020/2021 year	-	(6 035 950)
Less: Written off by council - 2021/2022 year	-	(9 490 035)
Less: Written off by council - 2022/2023 year	-	(17 082 662)
Less: Amount written off by council - 2023/2024 year	(28 192 602)	-
Closing balance	**42 399 470**	**31 539 293**

Fruitless and wasteful expenditure is presented inclusive of VAT

The fruitless and wasteful expenditure incurred during the year was for interest raised by Eskom, SARS, DBSA, pension funds and other service providers for non-payments. The cash flow challenges faced by the municipality was the root casue for failure to settle the debts within the prescribed period as per Section 65 of the MFMA,

47. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Interest on overdue creditors	Council to investigate the interest accounts.	38 607 566	28 193 397

48. Deviation from supply chain management regulations

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

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

The reasons for these deviations were documentated and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Incident		
Emergency	87 975	3 447 757
Sole supplier	40 573	297 069
Three quotations not obtained	-	2 118 268
Impractical to follow procurement process	2 287 126	100 015
	2 415 674	**5 963 109**

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	4 990 540	4 478 728
Current year subscription / fee	1 304 376	1 263 406
Amount paid - current year	(1 296 126)	(751 594)
	4 998 790	**4 990 540**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

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

Audit fees

Opening balance	10 383 924	10 397 231
Current year subscription / fee	7 786 882	8 191 990
Amount paid - current year	(13 154 253)	1 481 053
Amount paid - previous years	-	(9 686 349)
	5 016 553	**10 383 925**

PAYE and UIF

Opening balance	(1 895 964)	1 024 712
Current year subscription / fee	12 060 290	16 361 492
Amount paid - current year	(6 921 677)	(17 842 859)
Amount paid - previous years	-	(1 439 309)
	3 242 649	**(1 895 964)**

Pension and Medical Aid Deductions

Opening balance	(3 707 859)	5 215 930
Current year subscription / fee	25 541 898	21 749 229
Amount paid - current year	(34 680 961)	(30 673 018)
	(12 846 922)	**(3 707 859)**

VAT

VAT receivable	50 907 977	36 740 228

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

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

49. 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
ME Ncwada	4 630	79 504	84 134
RT Mpakathi	648	-	648
AJ Lemphane	22 547	14 183	36 730
DJ Hattingh	5 441	41 669	47 110
BM Sani	4 005	27 152	31 157
NL Van Wyk	3 895	36 934	40 829
LL Masilo	5 546	131 261	136 807
	46 712	**330 703**	**377 415**

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
ME Tsoene	(162)	-	(162)
ME Ncwada	(12 553)	115 029	102 476
RT Mpakathi	695	-	695
KT Selina	(2 390)	(4 414)	(6 804)
P Molefe	(1 052)	(16 850)	(17 902)
KI Tigeli	(1 580)	(3 600)	(5 180)
MS Jacob	2 694	78 370	81 064
J Lemphane	28 497	-	28 497
DJ Hattingh	3 514	27 524	31 038
KM Stanford	2 345	23 695	26 040
TE Mutsi	24 008	102 465	126 473
BM Sani	2 659	16 836	19 495
DA Masakala	2 641	29 326	31 967
	49 316	**368 381**	**417 697**

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

50. Risk management

Financial risk management

The municipality’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk, but the exposure is limited to the municipality’s management thereof. Due to largely, "non-trading nature" of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Budget and Treasury Office monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The municipality does not enter into or trade financial instruments for speculative purposes. Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports monthly to the municipality’s audit committee, an independent body that monitors the effectiveness of the internal audit function.

Liquidity risk

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

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The Municipality managing of 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. Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met. The tables detail the municipality’s remaining contractual maturity for its non-derivative financial liabilities. The tables have 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 table includes both interest and principal cash flows.

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	619 458 265	-	-	-
Other financial liabilities	11 115 832	-	-	-
Consumer deposits	1 751 087	-	-	-

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	571 501 421	-	-	-
Other financial liabilities	10 187 772	-	-	-
Consumer deposits	1 677 747	-	-	-

50. Risk management (continued)

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	2025	2024
Cash and cash equivalents	55 008 432	18 420 437
Receivables from exchange transactions	215 131 098	221 989 770
Receivables from non exchange transactions	58 804 229	35 496 916
Other financial assets	1 812 990	1 817 744

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality’s income and operating cash flows are substantially independent of changes in market interest rates.

Price risk

The municipality is not exposed to equity price risks arising from equity investments as the nunicipality does not trade these investments

51. Consumer debtors

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

52. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	1 812 990	-	1 812 990
Trade and other receivables from exchange transactions	-	215 131 098	215 131 098
Other receivables from non-exchange transactions	-	58 804 229	58 804 229
Cash and cash equivalents	-	55 008 432	55 008 432
VAT receivable	-	50 907 977	50 907 977
	1 812 990	**379 851 736**	**381 664 726**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	11 115 832	11 115 832
Trade and other payables from exchange transactions	619 458 265	619 458 265
Unspent conditional grants and receipts	18 064 830	18 064 830
Consumer deposits	1 751 087	1 751 087
	650 390 014	**650 390 014**

2024

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	1 817 744	-	1 817 744
Trade and other receivables from exchange transactions	-	221 989 770	221 989 770
Other receivables from non-exchange transactions	-	35 496 916	35 496 916
Cash and cash equivalents	-	18 420 437	18 420 437
VAT receivable	-	36 740 228	36 740 228
	1 817 744	**312 647 351**	**314 465 095**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	10 187 772	10 187 772
Trade and other payables from exchange transactions	558 939 850	558 939 850
Unspent conditional grants and receipts	26 607 497	26 607 497
Consumer deposits	1 677 747	1 677 747
	597 412 866	**597 412 866**

Financial instruments in Statement of financial performance

2025

	At amortised cost	Total
Interest received from outstanding debtors (exchange)	72 061 838	72 061 838

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

52. Financial instruments disclosure (continued)

Interest expense	(45 981 357)	(45 981 357)
Interest received - investment	724 048	724 048
Interest received from outstanding debtors (non-exchange)	11 734 952	11 734 952
	38 539 481	**38 539 481**

2024

	At amortised cost	Total
Interest received from outstanding debtors (exchange)	74 541 878	74 541 878
Interest expense	(30 773 657)	(30 773 657)
Interest received - investment	1 054 433	1 054 433
Interest received from outstanding debtors (non-exchange)	570 265	570 265
	45 392 919	**45 392 919**

53. Prior-year adjustments

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

Statement of financial position

2024

	Note	As previously reported	Correction of error	Restated
Inventories		4 008 201	(609 814)	3 398 387
Other financial assets		6 582	-	6 582
Receivables from exchange transactions		205 254 809	16 734 961	221 989 770
Receivables from non-exchange transactions		37 105 327	(1 608 411)	35 496 916
VAT Receivables		36 740 227	-	36 740 227
Cash and cash equivalents		18 420 436	-	18 420 436
Investment property		85 278 976	(7 764 849)	77 514 127
Property, plant and equipment		756 973 758	-	756 973 758
Other financial assets		1 811 162	-	1 811 162
Other financial liabilities		(10 187 772)	-	(10 187 772)
Payables from exchange transactions		(560 160 973)	(11 340 448)	(571 501 421)
Consumer deposits		(1 677 747)	-	(1 677 747)
Employee benefit obligation		(2 122 000)	-	(2 122 000)
Unspent conditional grants and receipts		(26 607 497)	-	(26 607 497)
Employee benefit obligation - long term		(36 883 000)	-	(36 883 000)
Provisions		(43 007 457)	-	(43 007 457)
		464 953 032	**(4 588 561)**	**460 364 471**

Statement of financial performance

53. Prior-year adjustments (continued)

2024

	Note	As previously reported	Correction of error	Restated
Services charges		142 358 705	-	142 358 705
Rental of facilities		1 573 476	-	1 573 476
Interest received from outstanding debtors(exchange)		74 541 878	-	74 541 878
Other income		974 306	-	974 306
Interest received - investment		1 054 433	-	1 054 433
Property rates		38 058 025	-	38 058 025
Interest received from outstanding debtors (non-exchange)		570 265	-	570 265
Goverment grants and subsidies		146 261 465	(790 678)	145 470 787
Fines, penalties and forfeits		237 004	-	237 004
Employee related costs		(122 075 424)	-	(122 075 424)
Remuneration of councillors		(5 694 427)	-	(5 694 427)
Repairs and maintenance		(28 379 351)	-	(28 379 351)
Depreciation and amortisation		(42 321 392)	-	(42 321 392)
Finance costs		(30 773 657)	-	(30 773 657)
Debt impairment		(231 126 299)	-	(231 126 299)
Bulk purchases		(58 386 758)	-	(58 386 758)
General expenses		(47 435 751)	-	(47 435 751)
Loss on disposal of assets and liabilities		(168 196)	-	(168 196)
Fair value adjustments		361 319	11 849 366	12 210 685
Acturial gains/losses		11 925 089	-	11 925 089
Impairment loss		(6 751 742)	-	(6 751 742)
Surplus for the year		**(155 197 032)**	**11 058 688**	**(144 138 344)**

54. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of six (6) major functional areas: Community Services, Corporate Services, Executive and Council Services, Finance Services, Municipal Manager Services and Technical Services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Aggregated segments

The municipality operates throughout the Free State Province, its major geographical areas within the province are the following small towns: Laybrand, Excelsior, Hobhouse, Tweespruit and a township called Thaba Patchoa. Management has as per GRAP Standards decided to report on Mantsopa as a single geographical area. Management is of the opinion as per paragraph 32, the cost of developing geographical information would be excessive. In addition, due to the nature of the municipality, the geographical area, although five (5) towns are dermacated as a single municipal area in the same province with a district municipality, it would not be in the best interest of users of the financial statements to develop geographical information for financial reporting purposes.

54. Segment information (continued)

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	Management of buildings, parks, disaster management and community safety
Corporate Services	Management of Human Resources, IT Systems, Labour relations to enable the implementation of the IDP
Executive and Council	Provide political and policy direction for effective service delivery
Finance Services	Financial administration of the Municipality including billing, collections, risk management
Municipal Manager Services	To ensure effective management of the municipality and stakeholder relations
Technical Services	Planning, implementation of capital projects, infrastructure repairs and maintenance

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Figures in Rand

54. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Community services	Corporate services	Executive and Council	Financial services	Municipal Services	Technical Services	Total
Revenue							
Revenue from non-exchange transactions	2 517 749	-	-	169 243 422	-	42 434 640	214 195 811
Revenue from exchange transactions	37 539 220	(12 156)	-	34 322 395	-	150 637 454	222 486 913
Total segment revenue	**40 056 969**	**(12 156)**	**-**	**203 565 817**	**-**	**193 072 094**	**436 682 724**
Entity's revenue							**436 682 724**
Expenditure							
Bulk purchases	-	-	-	-	-	74 775 043	74 775 043
Repairs and maintenance	328 137	8 350	229 381	18 057	52 628	19 175 817	19 812 370
Depreciation and amortisation	13 673 106	341 595	-	2 804 977	3 241 036	20 221 050	40 281 764
Employee related cost	33 399 657	2 986 088	4 787 169	21 101 180	12 563 215	63 909 590	138 746 899
Finance costs	-	-	-	40 797 870	-	5 183 488	45 981 358
General expenses	3 577 013	9 182 815	361 770	12 117 879	357 591	20 240 425	45 837 493
Debt impairment	-	-	-	1 390 193	-	126 030 516	127 420 709
Remuneration of councillors	-	-	8 883 527	-	-	-	8 883 527
Total segment expenditure	**50 977 913**	**12 518 848**	**14 261 847**	**78 230 156**	**16 214 470**	**329 535 929**	**501 739 163**
Total segmental surplus/(deficit)	**(10 920 944)**	**(12 531 004)**	**(14 261 847)**	**125 335 661**	**(16 214 470)**	**(136 463 835)**	**(65 056 439)**
Losses on disposal of assets and liabilities							(29 481 091)
Fair value adjustment							12 039 931
Impairment loss							(31 679 444)
Actuarial losses/(gains)							(420 276)
Entity's surplus (deficit) for the period							**(49 540 880)**

54. Segment information (continued)

	Community services	Corporate services	Executive and Council	Financial services	Municipal Services	Technical Services	Total
Assets							
Cash and cash equivalents	-	-	-	55 008 432	-	-	55 008 432
Other financial assets	-	-	-	6 582	-	-	6 582
Inventories	-	-	-	-	-	3 628 174	3 628 174
Receivables from non-exchange transactions	6 904 535	-	-	4 219 995	-	50 143 001	61 267 531
Receivables from exchange transactions	46 587 071	-	-	(35 227 971)	-	203 771 998	215 131 098
VAT receivable	1 336 825	736 857	43 603	26 422 299	56 888	22 311 505	50 907 977
Total segment assets	**54 828 431**	**736 857**	**43 603**	**50 429 337**	**56 888**	**279 854 678**	**385 949 794**
Intangible assets							127 500
Investment property							89 554 059
Other financial assets							1 806 408
Property, plant and equipment							821 801 192
Total assets as per Statement of financial Position							**1 299 238 953**
Liabilities							
Unspent conditional grants	-	-	-	-	-	18 064 830	18 064 830
Consumer deposits	600 270	-	-	1 221 633	-	(70 816)	1 751 087
Employee benefit obligations	-	-	-	1 250 120	-	-	1 250 120
Payables from exchange trasactions	48 224 844	22 262 934	7 155 854	413 495 275	66 250 120	142 036 473	699 425 500
Other financial liabilities	-	-	-	11 115 832	-	-	11 115 832
Total segment liabilities	**48 825 114**	**22 262 934**	**7 155 854**	**427 082 860**	**66 250 120**	**160 030 487**	**731 607 369**
Employee benefit obligations							43 219 156
Provisions							45 010 654
Total liabilities as per Statement of financial Position							**819 837 179**

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

2024

54. Segment information (continued)

	Community Services	Corporate Services	Executive & Council	Finance Services	Municipal Manager	Technical Services	Total
Revenue							
Revenue from non-exchange transactions	(9 646 412)	-	-	(130 946 044)	(22 467 000)	(21 912 306)	(184 971 762)
Revenue from exchange transactions	(1 169 614)	(72 136)	-	(96 584 893)	(122 572 824)	-	(220 399 467)
Total segment revenue	**(10 816 026)**	**(72 136)**	**-**	**(227 530 937)**	**(145 039 824)**	**(21 912 306)**	**(405 371 229)**
Entity's revenue							**(405 371 229)**
Expenditure							
Bulk purchases	-	-	-	-	-	37 476 868	37 476 868
Contracted services	678 445	4 522 417	399 858	16 369 118	521 446	11 254 448	33 745 732
Depreciation and amortisation	15 102 198	-	-	10 112	3 918 530	23 521 399	42 552 239
Employee related cost	22 833 938	6 778 358	3 364 290	18 347 895	11 119 721	43 091 058	105 535 260
Interest: Dividends and rent on land	-	-	-	19 909 489	-	5 010 691	24 920 180
Inventory consumed	521 331	-	715 247	232 880	(94 016)	19 016 615	20 392 057
Irrecoverable debts written off	-	-	-	4 275 674	-	321 338	4 597 012
Operating leases	-	180 874	-	56 509	-	1 003 570	1 240 953
Operational cost	2 248 423	2 194 386	455 325	7 011 645	165 031	2 785 187	14 859 997
Renuneration of councillours	-	-	5 994 238	-	-	-	5 994 238
Total segment expenditure	**41 384 335**	**13 676 035**	**10 928 958**	**66 213 322**	**15 630 712**	**143 481 174**	**291 314 536**
Total segmental surplus/(deficit)	**(52 200 361)**	**(13 748 171)**	**(10 928 958)**	**(293 744 259)**	**(160 670 536)**	**(165 393 480)**	**(696 685 765)**
Assets							
Segment assets	(24 559 175)	(6 671 489)	(22 307 098)	1 159 029 031	107 389 327	246 711 398	1 459 591 994
Total assets as per Statement of financial Position							**1 459 591 994**
Liabilities							
Segment liabilities	(49 592 901)	(1 812 881)	(5 249 822)	(513 276 440)	(55 924 607)	(72 667 232)	(698 523 883)
Total liabilities as per Statement of financial Position							**(698 523 883)**

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

55. Accounting by principals and agents

Fee paid as compensation to the agent R 0 (2024: R 0).