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

General Information

Legal form of entity	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act, 1998 (Act no. 117 of 1998). Moqhaka Local Municipality is situated within the southern part of the Fezile Dabi District in the Free State province. The seat of local government is Kroonstad.
Nature of business and principal activities	Moqhaka is a local municipality performing functions as set out in the Constitution of South Africa,1996 (Act no. 105 of 1996).
Mayoral committee	
Executive Mayor	Mokatsane, ME
Speaker	Khiba, SV
Council Whip	Semakale, MM
Members of the Mayoral Committee	Tau, RD Sesing, IS Ntsala,TM Tshabalala, MP Lulama, MR Khotle, MA Phamotse, EP Ramajoe, EL Ramathibe, BS
Grading of local authority	The Moqhaka Municipality is a grade 4 Local Authority in terms of item IV of Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998 (Act no. 20 of 1998).
Accounting Officer	Tshabalala, PH
Chief Finance Officer (CFO)	Visagie, R (Acting)
Registered office	Municipal Offices Hill Street Kroonstad 9499
Business address	Municipal Offices Hill Street Kroonstad 9499
Postal address	PO Box 302 Kroonstad 9500
Bankers	ABSA Bank Limited
Auditors	Auditor General of South Africa
Attorneys	Du Randt & Louw Attorneys Phambane Mokone Attorneys Peyper Attorneys Malebogo Maeyane Attorneys Khumalo Masondo Attorneys Majavu Incorporated

General Information

Members of Council	Baba, MN
	Boeije, HME
	Botha, AV
	Chabalala, SM
	Dalton, CM
	Geldenhuis, J
	Lebone, NS
	Louwrens, L
	Makoko, MP
	Marapo, JS
	Meko, J
	Mofokeng, TG
	Mokoena, PS
	Motsoeneng, SM
	Mpele, MPE
	Muller, ND
	Nolo, NM
	Pittaway, SH
	Nzunga, ND
	Ramoolla, MJ
	Jordaan, A
	Rankokosane, MD
	Roderick, KJ
	Saaiman, CJ
	Sekhesa, L
	Sello, T
	Serapela, DJ
	Ramovha, S
	Thebe, EMM
	Tloome, C
	Van Heerden, L
	Van Schalkwyk, L

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Abbreviations used:

MIG	Municipal Infrastructure Grant
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
SCM	Supply Chain Management

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act, 2003 (Act no. 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 Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the 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.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 35 of these annual financial statements, are within the upper limits of the framework envisaged in Section 219 of the Constitution of South Africa, 1996 (Act no. 108 of 1996) read with the Remuneration of Public Officer Bearers Act, 1998 (Act no. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on page 6 to 85, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2025 and were signed by:

Tshabalala, PH
Accounting Officer

Accounting Officer's Report

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

1. Review of activities

Main business and operations

Net deficit of the municipality was R 370 987 247 (2024: deficit R 223 189 361).

2. Going concern

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

The analysis of the going concern is clearly depicted in note 54.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year that could have an impact on the annual financial statements, except for matters as outlined in note 56.

4. Accounting Officers' interest in contracts

The accounting officer's did not have any interest in contracts during the financial year.

5. Accounting policies

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board and in accordance with section 122 (3) of the Municipal Financial Management Act, (Act No. 56 of 2003).

6. Accounting Officer

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

Name	Nationality
Tshabalala, PH	South African

7. Auditors

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

Statement of Financial Position as at 30 June 2025

	Note(s)	2025 R	2024 Restated* R
Assets			
Current Assets			
Cash and cash equivalents	3	20 137 104	44 882 922
Inventories	4	82 169 057	75 760 147
Investments	5	142 217	130 800
Receivables from exchange transactions	6	620 537 617	527 659 859
Receivables from non-exchange transactions	7	71 681 761	58 779 023
VAT accrual receivable	8	339 815 143	270 166 233
		1 134 482 899	**977 378 984**
Non-Current Assets			
Investments	5	390 152	390 152
Receivables from exchange transactions	6	21 767 928	1 207 839
Receivables from non-exchange transactions	7	2 130 586	210 571
Heritage assets	9	7 754 166	7 754 166
Intangible assets	10	4 358 785	2 746 410
Investment property	11	123 199 992	122 441 967
Property, plant and equipment	12	1 804 753 505	1 826 642 905
		1 964 355 114	**1 961 394 010**
Total Assets		**3 098 838 013**	**2 938 772 994**
Liabilities			
Current Liabilities			
Consumer deposits	13	18 048 634	16 034 515
Finance lease obligation	14	-	1 177 728
Borrowings	15	6 061 733	8 957 021
Payables from exchange transactions	16	2 002 130 680	1 503 783 596
Provisions	17	37 000	41 000
Unspent conditional grants and receipts	18	6 343 410	27 031 977
Employee benefit obligation	19	9 801 437	17 605 796
VAT payable	20	927 778	2 540 376
VAT Accrual Payable	20	121 823 218	96 837 008
		2 165 173 890	**1 674 009 017**
Non-Current Liabilities			
Borrowings	15	3 520 689	6 067 472
Provisions	17	143 541 731	128 571 528
Employee benefit obligation	19	174 389 073	146 925 107
		321 451 493	**281 564 107**
Total Liabilities		**2 486 625 383**	**1 955 573 124**
Net Assets		**612 212 630**	**983 199 870**
Accumulated surplus		612 212 630	983 199 870
Total Net Assets		**612 212 630**	**983 199 870**

* See Note 51

Statement of Financial Performance

	Note(s)	2025 R	2024 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	21	722 289 740	680 044 970
Rental of facilities and equipment	22	5 231 464	6 529 905
Fees earned	23	220 652	355 458
Interest received	24	92 125 208	73 582 753
Other income	25	20 154 389	27 169 743
Total revenue from exchange transactions		**840 021 453**	**787 682 829**
Revenue from non-exchange transactions			
Taxation revenue			
Services charges (Availability charges)	28	888 114	838 805
Property rates	29	93 604 924	88 207 117
Interest received	24	10 024 360	7 761 059
Transfer revenue			
Government grants & subsidies	30	379 054 528	365 275 792
Public contributions and donations	31	14 409	6 500
Fines	32	3 463 992	3 694 055
Total revenue from non-exchange transactions		**487 050 327**	**465 783 328**
Total revenue	33	**1 327 071 780**	**1 253 466 157**
Expenditure			
Employee related costs	34	(433 561 964)	(399 176 465)
Remuneration of councillors	35	(22 443 645)	(22 251 162)
Repairs and maintenance	36	(140 642 666)	(90 530 527)
Depreciation and amortisation	37	(104 437 417)	(106 158 659)
Finance costs	38	(126 679 489)	(33 943 290)
Debt Impairment	39	(170 914 518)	(176 661 429)
Bulk purchases	40	(486 864 075)	(418 566 853)
Contracted Services	41	(76 301 595)	(77 406 691)
General expenses	42	(126 404 151)	(95 042 396)
Total expenditure		**(1 688 249 520)**	**(1 419 737 472)**
Operating deficit		**(361 177 740)**	**(166 271 315)**
Loss on disposal of assets and liabilities	43	(5 094 553)	(33 155 858)
Loss on foreign exchange	27	(4 869 178)	(1 441 774)
Fair value adjustments	26	1 015 026	26 183 489
Actuarial gains/losses	27	6 943 911	9 734 988
Impairment loss	44	(7 804 713)	(58 238 890)
		(9 809 507)	**(56 918 045)**
Deficit for the year		**(370 987 247)**	**(223 189 360)**

* See Note 51

Statement of Changes in Net Assets

	Accumulated surplus / deficit R	Total net assets R
Opening balance as previously reported	1 154 941 093	1 154 941 093
Adjustments		
Prior year adjustments 51	51 448 138	51 448 138
Balance at 01 July 2023 as restated*	**1 206 389 231**	**1 206 389 231**
Changes in net assets		
Surplus for the year	(223 189 361)	(223 189 361)
Total changes	(223 189 361)	(223 189 361)
Restated* Balance at 01 July 2024	**983 199 877**	**983 199 877**
Changes in net assets		
Surplus for the year	(370 987 247)	(370 987 247)
Total changes	(370 987 247)	(370 987 247)
Balance at 30 June 2025	**612 212 630**	**612 212 630**

* See Note 51

Cash Flow Statement

	Note(s)	2025 R	2024 Restated* R
Cash flows from operating activities			
Receipts			
Sale of goods and services		619 328 167	511 499 844
Government grants and subsidies		358 365 961	389 953 918
Interest income		5 821 763	3 636 604
Dividends income		38 819	33 758
Other income		24 677 311	33 568 328
Taxation and fines revenue		85 409	1 213 553
		1 008 317 430	939 906 005
Payments			
Employee costs		(440 200 644)	(410 415 146)
Suppliers		(399 678 477)	(394 838 255)
Finance costs		(89 625 424)	(4 351 152)
		(929 504 545)	(809 604 553)
Net cash flows from operating activities	46	**78 812 885**	**130 301 452**
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(93 320 780)	(97 527 969)
Purchase of other intangible assets	10	(2 448 778)	(9 487)
Additions of investments		(11 417)	(10 610)
Net cash flows from investing activities		**(95 780 975)**	**(97 548 066)**
Cash flows from financing activities			
Repayment of Borrowings		(6 600 000)	(6 600 000)
Finance lease payments		(1 177 728)	(1 238 510)
Net cash flows from financing activities		**(7 777 728)**	**(7 838 510)**
Net increase/(decrease) in cash and cash equivalents		**(24 745 818)**	**24 914 876**
Cash and cash equivalents at the beginning of the year		44 882 922	19 968 046
Cash and cash equivalents at the end of the year	3	**20 137 104**	**44 882 922**

The accounting policies on pages 14 to 39 and the notes on pages 40 to 89 form an integral part of the annual financial statements.

* See Note 51

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	867 188 828	(63 152 824)	**804 036 004**	722 289 740	**(81 746 264)**	BD1
Rental of facilities and equipment	8 534 843	105 767	**8 640 610**	5 231 464	**(3 409 146)**	BD2
Fees earned	-	-	**-**	220 652	**220 652**	BD3
Other income	25 003 776	4 180 239	**29 184 015**	20 154 389	**(9 029 626)**	BD4
Interest received	34 586 608	40 844 438	**75 431 046**	92 125 208	**16 694 162**	BD5
Fair value adjustments	-	-	**-**	1 015 026	**1 015 026**	BD6
Gains on employee benefit obligation	-	-	**-**	6 943 911	**6 943 911**	BD7
Total revenue from exchange transactions	**935 314 055**	**(18 022 380)**	**917 291 675**	**847 980 390**	**(69 311 285)**	
Revenue from non-exchange transactions						
Taxation revenue						
Services charges (Availability charges)	-	-	**-**	888 114	**888 114**	BD1
Property rates	90 509 071	301 691	**90 810 762**	93 604 924	**2 794 162**	
Interest received	2 982 412	4 996 164	**7 978 576**	10 024 360	**2 045 784**	BD5
Transfer revenue						
Government grants & subsidies	377 377 917	20 780 352	**398 158 269**	379 054 528	**(19 103 741)**	
Public contributions and donations	-	-	**-**	14 409	**14 409**	BD8
Fines	5 308 766	231 649	**5 540 415**	3 463 992	**(2 076 423)**	BD9
Total revenue from non-exchange transactions	**476 178 166**	**26 309 856**	**502 488 022**	**487 050 327**	**(15 437 695)**	
Total revenue	**1 411 492 221**	**8 287 476**	**1 419 779 697**	**1 335 030 717**	**(84 748 980)**	
Expenditure						
Employee related costs	(451 339 064)	27 328 633	**(424 010 431)**	(433 561 964)	**(9 551 533)**	
Remuneration of councillors	(29 577 550)	1 537 201	**(28 040 349)**	(22 443 645)	**5 596 704**	BD10
Repairs and maintenance	(108 558 287)	(27 588 132)	**(136 146 419)**	(140 642 666)	**(4 496 247)**	
Depreciation and amortisation	(9 870 301)	-	**(9 870 301)**	(104 437 417)	**(94 567 116)**	BD11
Finance costs	(8 698 000)	-	**(8 698 000)**	(126 679 489)	**(117 981 489)**	BD12
Debt Impairment	(60 268 258)	10 454 635	**(49 813 623)**	(170 914 518)	**(121 100 895)**	BD13
Bulk purchases	(427 440 423)	38 340 000	**(389 100 423)**	(486 864 075)	**(97 763 652)**	BD14
Contracted Services	(50 282 975)	(29 541 812)	**(79 824 787)**	(76 301 595)	**3 523 192**	
Gain or loss on disposal of assets	(60 389)	-	**(60 389)**	(5 094 553)	**(5 034 164)**	BD15
Gain or loss on employeee benefit obligation	-	-	**-**	(4 869 178)	**(4 869 178)**	BD16
Impairment Loss	-	-	**-**	(7 804 713)	**(7 804 713)**	BD17
General expenses	(144 694 346)	(29 441 591)	**(174 135 937)**	(126 404 151)	**47 731 786**	BD18
Total expenditure	**(1 290 789 593)**	**(8 911 066)**	**(1 299 700 659)**	**(1 706 017 964)**	**(406 317 305)**	
Surplus (Deficit) for the year	**120 702 628**	**(623 590)**	**120 079 038**	**(370 987 247)**	**(491 066 285)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Cash and cash equivalents	2 782 549	-	**2 782 549**	20 137 104	**17 354 555**	BD19
Inventories	100 983 646	-	**100 983 646**	82 169 057	**(18 814 589)**	BD20
Investments	-	-	**-**	142 217	**142 217**	BD21
Receivables from exchange transactions	236 798 636	-	**236 798 636**	620 537 617	**383 738 981**	BD22
Receivables from non-exchange transactions	73 174 911	-	**73 174 911**	71 681 761	**(1 493 150)**	BD23
VAT accrual receivable	34 444 832	-	**34 444 832**	339 815 143	**305 370 311**	BD24
	448 184 574	**-**	**448 184 574**	**1 134 482 899**	**686 298 325**	
Non-Current Assets						
Investments	276 997	-	**276 997**	390 152	**113 155**	BD21
Receivables from exchange transactions	-	-	**-**	21 767 928	**21 767 928**	BD22
Receivables from non-exchange transactions	-	-	**-**	2 130 586	**2 130 586**	BD23
Heritage assets	2 627 167	-	**2 627 167**	7 754 166	**5 126 999**	BD25
Intangible assets	4 673 876	(339 876)	**4 334 000**	4 358 785	**24 785**	
Investment property	195 596 801	-	**195 596 801**	123 199 992	**(72 396 809)**	BD26
Property, plant and equipment	2 780 550 329	18 113 596	**2 798 663 925**	1 804 753 505	**(993 910 420)**	BD27
	2 983 725 170	**17 773 720**	**3 001 498 890**	**1 964 355 114**	**(1 037 143 776)**	
Total Assets	**3 431 909 744**	**17 773 720**	**3 449 683 464**	**3 098 838 013**	**(350 845 451)**	
Liabilities						
Current Liabilities						
Consumer deposits	13 733 723	-	**13 733 723**	18 048 634	**4 314 911**	BD28
Borrowings	(2 031 984)	-	**(2 031 984)**	6 061 733	**8 093 717**	BD29
Payables from exchange transactions	485 809 495	15 853 528	**501 663 023**	2 002 130 680	**1 500 467 657**	BD30
Provisions	68 423 679	-	**68 423 679**	37 000	**(68 386 679)**	BD31
Unspent conditional grants and receipts	-	-	**-**	6 343 410	**6 343 410**	BD32
Employee benefit obligation	-	-	**-**	9 801 437	**9 801 437**	BD33
VAT payable	(49 705 186)	-	**(49 705 186)**	122 750 996	**172 456 182**	BD34
	516 229 727	**15 853 528**	**532 083 255**	**2 165 173 890**	**1 633 090 635**	
Non-Current Liabilities						
Borrowings	27 822 507	-	**27 822 507**	3 520 689	**(24 301 818)**	BD29
Provisions	42 546 863	-	**42 546 863**	143 541 731	**100 994 868**	BD31
Employee benefit obligation	-	-	**-**	174 389 073	**174 389 073**	BD35
	70 369 370	**-**	**70 369 370**	**321 451 493**	**251 082 123**	
Total Liabilities	**586 599 097**	**15 853 528**	**602 452 625**	**2 486 625 383**	**1 884 172 758**	
Net Assets	**2 845 310 647**	**1 920 192**	**2 847 230 839**	**612 212 630**	**(2 235 018 209)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	2 865 987 167	9 595 523	**2 875 582 690**	612 212 630	**(2 263 370 060)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	115 114 068	-	**115 114 068**	76 047 739	**(39 066 329)**	
Service charges	881 165 054	-	**881 165 054**	539 901 845	**(341 263 209)**	
Other revenue	(487 852 504)	-	**(487 852 504)**	28 141 303	**515 993 807**	
Interest income	-	-	**-**	5 821 763	**5 821 763**	
Dividends	1 736 426	-	**1 736 426**	38 819	**(1 697 607)**	
Transfers and Subsidies - Operational	311 028 573	-	**311 028 573**	298 568 000	**(12 460 573)**	
Transfers and Subsidies - Capital	65 352 941	-	**65 352 941**	59 797 961	**(5 554 980)**	
	886 544 558	**-**	**886 544 558**	**1 008 317 430**	**121 772 872**	
Payments						
Suppliers and employees	(1 560 766 693)	-	**(1 560 766 693)**	(839 879 121)	**720 887 572**	
Finance costs	-	-	**-**	(89 625 424)	**(89 625 424)**	
	(1 560 766 693)	**-**	**(1 560 766 693)**	**(929 504 545)**	**631 262 148**	
Net cash flows from operating activities	**(674 222 135)**	**-**	**(674 222 135)**	**78 812 885**	**753 035 020**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(98 591 030)	-	**(98 591 030)**	(95 769 558)	**2 821 472**	
Decrease (increase) in non-current investments	(276 997)	-	**(276 997)**	(11 417)	**265 580**	
Net cash flows from investing activities	**(98 868 027)**	**-**	**(98 868 027)**	**(95 780 975)**	**3 087 052**	
Cash flows from financing activities						
Increase (decrease) in consumer deposits	(346 331 221)	-	**(346 331 221)**	-	**346 331 221**	
Repayment of borrowings	(2 031 984)	-	**(2 031 984)**	(6 600 000)	**(4 568 016)**	
Borrowing long term/refinancing	-	-	**-**	(1 177 728)	**(1 177 728)**	
Net cash flows from financing activities	**(348 363 205)**	**-**	**(348 363 205)**	**(7 777 728)**	**340 585 477**	
Net increase/(decrease) in cash and cash equivalents	(1 121 453 367)	-	**(1 121 453 367)**	(24 745 818)	**1 096 707 549**	
Cash and cash equivalents at the beginning of the year	(23 719 849)	-	**(23 719 849)**	44 882 922	**68 602 771**	
Cash and cash equivalents at the end of the year	**(1 145 173 216)**	**-**	**(1 145 173 216)**	**20 137 104**	**1 165 310 320**	

The budget has been prepared on the accrual basis of accounting in accordance with the prescripts of the Municipal budget regulations as well as MFMA budget circulars.

Significant Accounting Policies

	Note(s)	2025 R	2024 R

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, 2003 (Act no. 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, and have been rounded off to the nearest Rand.

1.3 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.

Services and rates debtors

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

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

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.write down is included in the statement of financial performance in the year in which it arose.

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.write down is included in the statement of financial performance in the year in which it arose.

Fair value estimation

The fair value of investment properties is determined with reference to market conditions as at year end. This valuation was performed by a registered professional valuer.

Provisions

Provisions were raised and management determined an estimate based on the best information available at the time of making the judgement and estimate of the financial effect.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives and residual values

The municipality's management determines the estimated useful lives and related depreciation / amortisation charges for the property, plant and equipment as well as intangible assets. The municipality re-assess the useful lives and the residual values if material of the individual asset. This estimate is based on industry norms and future plans of the municipality communicated through its strategic planning processes.

If material, management will change the depreciation consideration of the condition and actual use charge where useful lives are more / less than previously estimated.

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.

Effective interest rate

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

Allowance for doubtful debts

The municipality uses an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows.

Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that materially impact on the fair value of the financial instruments, revenue and expenses at initial recognition. The adjustments require a degree of estimation around the discount rate and periods used.

Bad debts

All financial assets measured at amortised cost, or cost, are subject to an impairment review in accordance with paragraphs .57 to .64.of GRAP 104

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

a) significant financial difficulty of the issuer or obligor;

b) a breach of contract, such as a default or delinquency in interest or principal payments;

c) the lender, for economic or legal reasons relating to the borrower’s financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

d) it is probable that the borrower will enter sequestration or other financial reorganisation;

e) the disappearance of an active market for that financial asset because of financial difficulties; or

Significant Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

   i. adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments); or

   ii. national or local economic conditions that correlate with defaults on the assets in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers, or adverse changes in market conditions that affect the borrowers in the group).

An entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant (see paragraph .58). If an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.4 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.

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.

Significant Accounting Policies

1.4 Investment property (continued)

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

Derecognition

The gain or loss arising from derecognition of an item of investment property is included in surplus or deficit when the item is derecognised.

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

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:
- When the municipality leases out the property and receives rental income.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:
- Determining any cash generations independent from other assets.
- Purpose of holding the asset, whether generally held to earn rental income or for capital appreciation.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 36).

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

1.5 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.

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

It is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably

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

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

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

1.5 Property, plant and equipment (continued)

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.

An entity applies GRAP 12 to the costs of obligations for dismantling, removing and restoring the site on which an item is located that are incurred during a particular period as a consequence of having used the item to produce inventories during that period. The obligations for costs accounted for in accordance with GRAP 12 or this Standard are recognised and measured in accordance with the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings & Fixtures	Straight-line	25 - 30 years
Building Fixtures	Straight-line	3 - 5 years
Plant and machinery	Straight-line	2 - 40 years
Furniture and office equipment	Straight-line	3 - 15 years
Motor vehicles	Straight-line	5 - 15 years
Office equipment	Straight-line	3 - 15 years
IT equipment	Straight-line	3 - 10 years
Infrastructure	Straight-line	5 - 100 years
Community	Straight-line	15 - 30 years
Quarries	Straight-line	15 - 20 years
Landfill sites	Straight-line	15 - 80 years
Finance leases - 3G cards	Straight-line	Contract Term
Finance leases - Cellphones	Straight-line	Contract Term
Solid waste	Straight-line	5 - 55 years
Waste water network	Straight-line	5 - 100 years

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

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

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

1.5 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 36).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 12).

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the property, plant and equipment.

Transfer

Transfers from property, plant, and equipment assets are only made when the particular asset no longer meets the definition of a property, plant, and equipment.

Transfers to property, plant, and equipment are only made when the asset meets the definition of a property, plant, and equipment.

1.6 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.

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1.6 Site restoration and dismantling cost (continued)

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.

1.7 Heritage assets

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

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

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

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

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.

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 36).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

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

Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

1.7 Heritage assets (continued)

If a heritage asset is revalued, the entire class of heritage assets to which that asset belongs shall be revalued. If the heritage asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in surplus or deficit. However, the decrease shall be debited directly in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset. The decrease recognised directly in net assets reduces the amount accumulated in net assets under the heading revaluation surplus.

There is a presumption that fair value can be measured reliably for a heritage asset. However, that presumption can be rebutted when market-determined prices or values are not available and alternative estimates of fair value are determined to be

clearly unreliable. In such a case, the heritage asset shall be measured using the cost model. The carrying amount of the heritage asset shall be its revalued amount at the date of the last revaluation less any subsequent accumulated impairment losses.

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

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

Impairment

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

Transfers

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

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

Derecognition

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

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

Significant Accounting Policies

1.8 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, internally generated	Straight-line	20 years
Computer software	Straight-line	3 - 5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

1.8 Intangible assets (continued)

Residual value

The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless there is a commitment by a third party to acquire the asset at the end of its useful life; or there is an active market for the asset and:

(i) residual value can be determined by reference to that market; and

(ii) it is probable that such a market will exist at the end of the asset's useful life.

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).

1.9 Financial instruments

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.

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
Other financial assets	Financial asset measured at fair value
Investments	Financial asset measured at amortised cost
Cash and Cash equivalents	Financial asset measured at amortised cost

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

Class	Category
Borrowings	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Provisions	Financial liability measured at amortised cost
Consumer Deposit	Financial liability measured at amortised cost
Unspent conditional grant and receipts	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Significant Accounting Policies

1.9 Financial instruments (continued)

The entity measures a financial asset and financial liability initially at its fair value if subsequently measured at fair value.

Significant Accounting Policies

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal operating considerations. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectability of financial assets

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

Financial assets measured at amortised cost:

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

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

Significant Accounting Policies

1.9 Financial instruments (continued)

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

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

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

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

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

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

Financial liabilities

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

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

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

Presentation

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

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

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

1.9 Financial instruments (continued)

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 Tax

Value Added Tax (VAT)

VAT comprises current and non-current VAT (deferred VAT). VAT is accounted for on an accrual basis, but the VAT declarations to the South African Revenue Services (SARS) are made on a payment basis in terms of section 15 of the Value- Added Tax Act 89 of 1991 (VAT Act). On a payment basis, the municipality must declare output tax when the recipient makes payment according to a taxable supply made to the recipient by the municipality. The municipality is liable to account for VAT at the standard rate of 15% in terms of section 7(1)(a) of the VAT Act in respect or response to a taxable supply of goods or services. Where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes, no output tax is declared to the SARS. The municipality can deduct input tax on qualifying VAT expenditure in terms of section 16 of the VAT Act also on the payment basis when they make payments to suppliers and the VAT expenditure is incurred in the course or furtherance of a taxable activity.

A VAT asset is recognised to the extent that the municipality will be able to deduct the net input tax in future VAT declarations to the SARS. VAT assets are reviewed at each reporting date and are adjusted based on the probability that the VAT asset can be realised in future VAT declarations to the SARS. The VAT asset will be reduced to the extent that it is no longer probable that the VAT asset will be realised. A VAT liability is recognised to the extent that the municipality will be obligated to declare a net output tax in future VAT declarations to the SARS.

The municipality assesses at each reporting date whether there is an indication that its output tax amount payable to the SARS is impaired. If any such indication exists, the municipality estimates the output tax payable amount based on observable data indicating a measurable decrease in the estimated future cash flows expected from its customers.

The VAT is offset in the statement of financial position because offsetting reflects the substance of the transaction as VAT is declared to the SARS on a net basis.

VAT is recognised using the VAT rates enacted or substantially enacted at the financial position date and considering any VAT payable or receivable adjustment in the past years.

1.11 Leases

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

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

Finance leases - lessor

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

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

1.11 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

Operating leases - lessee

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

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

1.12 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

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

Inventories shall be recognised as an asset if, and only if,

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

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.

Significant Accounting Policies

1.12 Inventories (continued)

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

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

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

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

1.13 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity’s obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Significant Accounting Policies

1.13 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested.

Actuarial gains or losses: Actuarial gains and losses are recognised in the surplus or deficit in the reporting period in which they occur.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

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

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Post retirement obligations

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

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. Independent qualified actuaries carry out valuations of these obligations. The benefits are charge to income as incurred throughout the year.

1.14 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.

Future events that may affect the amount required to settle an obligation is reflected in the amount of the provision where there
is sufficient objective evidence that they will occur.

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.

1.14 Provisions and contingencies (continued)

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).

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 57.

1.15 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.

When uncertainty arises about the collectability of an amount already included in revenue, the uncollectable amount, or the amount in respect of which recovery has ceased to be probable, is recognised as an expense rather than as an adjustment of the amount of revenue originally recognised.

Measurement

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

Sale of goods

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

1.15 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

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.

Revenue from the rental of facilities and equipment is recognised on a straight-lined basis over the term of the lease agreement.

Penalty interest is levied on unpaid amounts each month. This revenue is recognised when leviable in terms of law.

1.16 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.

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.

1.16 Revenue from non-exchange transactions (continued)

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

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

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

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.

Measurement

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

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

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.

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.

Significant Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Transfers

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

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

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

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.

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.

1.17 Borrowing costs

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

1.18 Unauthorised expenditure

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

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

1.19 Irregular expenditure

According to section 1 of the MFMA: "irregular expenditure", in relation to a municipality or municipal entity, means:

a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with,a requirement of this Act and which has not been condoned in terms of section 170; or

b) 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 (Act no. 32 of 2000) and which has not been condoned in terms of that Act; or

1.19 Irregular expenditure (continued)

c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of unauthorised expenditure.

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

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned. 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 Municipal Finance Management Act, 2003 (Act no. 56 of 2003), 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 Performance.

1.20 Fruitless and wasteful expenditure

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

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

1.21 Comparative figures

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

Then the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed in note 51.

Where accounting errors have been identified in the current year, the correction is made retrospectively as far as practical, and the prior period comparatives are restated accordingly.

1.22 Collateral held

Collateral held includes financial assets, non-financial assets and other forms of collateral such as guarantees or encumbrances over assets.

The entity recognises assets relating to collateral held if it meets the recognition criteria in other accounting policies.

The entity disclose the nature and amounts of collateral recognised or held, in the notes to the financial statements.

1.23 Related parties

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

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.24 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Other grants and donations

Donations shall be measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably.

Other grants and donations shall be recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

1.25 Construction contracts and receivables

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Contractual commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract is yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.

1.26 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

1.27 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.

Significant Accounting Policies

1.27 Budget information (continued)

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

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

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

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.

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in Appendix E to the annual financial statements.

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.

1.28 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.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means. Terms defined in other Standards of GRAP are used in this Standard with the same meaning as in those other Standards.

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

An entity shall initially measure statutory receivables at their transaction amount. The statutory receivables in paragraph .06 shall be measured initially in accordance with the applicable Standard of GRAP. The amount determined on initial measurement in accordance with another Standard of GRAP is the same as the transaction amount described in this Standard.

Subsequent measurement

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

Accrued interest

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

Significant Accounting Policies

1.28 Statutory receivables (continued)

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.

Impairment losses

An entity shall assess at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired. If any such indication exists, the entity shall apply paragraphs .22 to .29.

The future cash flows of a group of statutory receivables that are collectively evaluated for impairment can be estimated using historical experience for receivables with similar characteristics. Entities that have no entity-specific historical experience or insufficient experience, can use peer group experience (when available) for comparable groups of statutory receivables. Historical experience may need to be adjusted to reflect the effects of current conditions that did not affect the period on which the historical experience is based and, to remove the effects of conditions in the historical period that do not exist currently. Where historical experience is used, the methodology and assumptions used to estimate future cash flows shall be reviewed regularly to reduce any differences between estimated and actual impairment losses.

An impairment loss recognized in prior periods for a statutory receivable shall be revised if there has been a change in the estimates used since the last impairment loss was recognized, or to reflect the effect of discounting the estimated cash flows in accordance with paragraph .23.

Derecognition

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

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

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

1.29 Segment information

A segment is an activity of an entity:

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

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

1.29 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.

1.30 National Housing Programme

The Moqhaka Local Municipality is a Category B municipality. The municipality is not yet accredited for the housing development scheme. The municipality is currently in the process of a level 1 accreditation. However, the municipality is still required in terms of the guidelines on accounting for arrangements undertaken in terms of the National Housing Programme.

In terms of this level 1 accreditation, the municipality is required to identify and plan local housing programmes and projects.

This is done through the Municipal Human Settlements Plan (MHSP), which is integrated into the municipality's Integrated Development Plan (IDP). The IDP has been approved through a Council resolution and subsequently submitted to the MEC for Local Government for review and comment.

In complying with the requirements of the ASB guidelines, the municipality further identified sites for Reconstruction and Development Programme (RDP) development. These sites have been included as inventory in the Annual Financial Statements.

The municipality makes available the land earmarked for RDP housing construction as classified under inventory on vacant sites to the provincial Department of Human Settlement and disposes of the land once beneficiaries take ownership and/or when deeds registrations are finalised.

Beneficiary management

The municipality assists in the collection of application forms from beneficiaries, informing eligible beneficiaries of the outcome of their application by the relevant provincial Department of Human Settlements and assisting with the handover of the houses.

2. New standards and interpretations

2.1 New standards and interpretations

The municipality expects to adopt the revisions for the first time when the Minister sets the effective date for the revisions.

The impact of this standard is currently being assessed.

GRAP 1 (amended): Presentation of Financial Statements

The amendments clarify the line items to be presented on the face of the financial statements and presentation and ordering of notes.

Municipalities are not required to disclose the impact of any changes made in accordance with GRAP 3 par.30 to .32 for these amendments.

The effective date of this Standard is yet to be determined by the Minister of Finance.

The municipality expects to adopt the amendment for the first time in the 2024/2025 annual financial statements.

The impact of the amendment is not material.

GRAP 104 issued but not yet effective: Financial Instruments
Following the global financial crisis, a number of concerns were raised about the accounting of financial instruments.This included that (a) Information on credit losses and defaults on financial assests was received too late to enable proper decision- making (b) using fair value in certain in certain instances was inappropriate and (c) some of the existing accounting requirements were seen as too rules based. As a result the International Accounting Standard Board amended its existing standards to deal with these issues. The IASB issued IFRS Standard of Financial Instrumrnts (IRFS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS on Financial insturments, Presentation and the IFRS Standards on Financial Instruments Disclosures. The IPSASB issued revised International Public Accounting Standards in June 2018 so as to allign them with the equivalent IFRS Standards.

The revisions better allign the Standards of GRAP with the recent international developments. The amendments result in better information availible to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:
1. Financial guarentee contracts issued
2. Loans commitments issued
3. Classification of financial assets
4. Amortised cost of financial assets
5. Impairment of financial assets
6. Disclosure

The effective date is 01 April 2025 as set by the Minister of Finance.

The municipality expects to adopt the amendment for the first time in the 2024/2025 annual financial statements.

The revised GRAP 104 Standard will change how the municipality calculates expected credit losses on its consumer receivables. While the new forward-looking impairment model requires more detailed estimation techniques, the overall financial impact for the municipality is expected to be limited. A large portion of outstanding consumer debt from residents is already considered doubtful based on historical collection levels and is currently fully or significantly impaired. As a result, the transition to the expected-credit-loss model is not anticipated to materially increase impairment provisions.For customers with active payment arrangements or prepaid services, the credit risk remains low, which further limits the impact of the revised impairment requirements.

Although the quantitative impact is expected to be minimal, the municipality will be required to include additional disclosures relating to credit risk, expected-credit-loss methodologies, segmentation of debtor categories, and financial instrument classifications to comply with the revised GRAP 104 Standard.

	2025 R	2024 R

3. Cash and cash equivalents

Cash and cash equivalents consist of:

	2025 R	2024 R
Bank balances	3 969 136	4 087 750
Short-term deposits	16 167 968	40 795 172
	20 137 104	**44 882 922**

Cash and cash equivalents pledged as collateral

	2025 R	2024 R
Total financial assets pledged as collateral for [specify the liability] This cession is linked to ABSA notice deposit account number: 205-8247-882	50 000	50 000

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
ABSA Bank - Cheque account - 405 327 4876	3 969 136	4 087 750	14 602 200	3 969 136	4 087 750	27 365 409
ABSA Bank - Call account - 91 3190 1443	16 167 968	40 795 172	5 365 846	16 167 968	40 795 172	5 365 846
Total	**20 137 104**	**44 882 922**	**19 968 046**	**20 137 104**	**44 882 922**	**32 731 255**

4. Inventories

	2025 R	2024 R
Consumable stores	27 331 207	20 214 014
Vacant Sites held for resale	53 271 750	54 290 450
Water	1 566 100	1 255 683
	82 169 057	**75 760 147**

Consumable Inventory held by the municipality increased by R 7 117 193 in the current year (2024: decreased R 4 735 397).

Vacant sites by the municipality decreased by R 1 018 700 in the current year (2024: decreased R 5 732 127).

Water Inventory held by the municipality increased by R 310 417 in the current year (2024: decreased R 106 089).

During the year inventory that were expensed through the Statement of Financial Performance amounted to R 23 372 314 (2024: R 18 166 128).

No Inventories have been pledged as collateral for liabilities of the municipality.

5. Investments

	2025 R	2024 R
Designated at fair value		
ABSA deposits	142 217	130 800
At amortised cost		
Senwes The fair value is based on quoted price from active markets for identical assets and is therefore a level 1 (11 822 shares at R 19.20).	226 982	226 982

Notes to the Annual Financial Statements

	2025 R	2024 R
5. Investments (continued)		
Senwesbel	163 170	163 170
The fair value is based on quoted price from active markets for identical assets and is therefore a level 1 (18 130 shares at R 9.00).		
	390 152	**390 152**
Total other financial assets	**532 369**	**520 952**
Non-current assets		
At fair value	390 152	390 152
Current assets		
At amortised cost	142 217	130 800

Financial assets at fair value

Fair value hierarchy of financial assets at fair value

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

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

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

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

6. Receivables from exchange transactions

	2025 R	2024 R
Gross balances		
Electricity	227 419 517	217 392 983
Water	916 280 323	765 422 932
Waste water	282 082 195	227 326 242
Waste	203 935 759	164 166 578
Other services	105 774 502	95 316 527
Prepayments	150 670	3 056 298
	1 735 642 966	**1 472 681 560**
Less: Allowance for impairment		
Electricity	(90 524 470)	(89 274 561)
Water	(686 606 332)	(544 179 132)
Waste water	(164 001 140)	(128 902 981)
Waste	(121 687 517)	(94 917 684)
Other services*	(52 285 890)	(87 747 343)
	(1 115 105 349)	**(945 021 701)**

	2025 R	2024 R

6. Receivables from exchange transactions (continued)

Net balance		
Electricity	136 895 047	128 118 422
Water	229 673 991	221 243 800
Waste water	118 081 055	98 423 261
Waste	82 248 242	69 248 894
Other services	53 488 612	7 569 184
Prepayments	150 670	3 056 298
	620 537 617	**527 659 859**

Included in above is receivables from exchange transactions		
Rentals	874 894	911 649
Sundry services	104 979 813	94 404 878
	105 854 707	**95 316 527**
Net balance	**105 854 707**	**95 316 527**

Electricity		
Current (0 -30 days)	4 506 192	7 097 088
31 - 60 days	3 109 087	3 510 670
61 - 90 days	2 886 420	3 440 448
91 - 120 days	126 393 348	114 070 216
	136 895 047	**128 118 422**

Water		
Current (0 -30 days)	7 917 293	10 980 623
31 - 60 days	5 462 607	5 431 713
61 - 90 days	5 071 385	5 323 065
91 - 120 days	211 222 706	199 508 399
	229 673 991	**221 243 800**

Waste water		
Current (0 -30 days)	4 134 919	5 198 377
31 - 60 days	2 852 924	2 571 447
61 - 90 days	2 648 603	2 520 012
91 - 120 days	108 444 609	88 133 425
	118 081 055	**98 423 261**

Refuse		
Current (0 -30 days)	2 915 000	3 673 618
31 - 60 days	2 011 230	1 817 205
61 - 90 days	1 867 190	1 780 856
91 - 120 days	75 454 822	61 977 215
	82 248 242	**69 248 894**

Other services		
Current (0 -30 days)	1 852 929	407 934
31 - 60 days	1 278 445	201 790
61 - 90 days	1 186 885	197 754
91 - 120 days	49 170 353	6 761 706
	53 488 612	**7 569 184**

Notes to the Annual Financial Statements

	2025 R	2024 R

6. Receivables from exchange transactions (continued)

	2025 R	2024 R
Prepayments		
Current (0 -30 days)	150 670	3 056 298

Summary of debtors by customer classification

	2025 R	2024 R
Total		
Current (0 -30 days)	21 326 333	28 641 730
31 - 60 days	14 714 293	41 708 569
61 - 90 days	13 660 483	40 858 541
91 - 120 days	1 721 205 823	1 358 416 422
	1 770 906 932	1 469 625 262
Less: Allowance for impairment	(1 115 105 349)	(945 021 701)
	655 801 583	**524 603 561**

	2025 R	2024 R
Non-current receivables from exchange transactions		
> 365 days	21 767 928	1 207 839

	2025 R	2024 R
Reconciliation of allowance for impairment		
Balance at beginning of the year	(945 021 701)	(770 477 484)
Contributions to allowance	(1 115 105 349)	(945 021 701)
Debt impairment written off against allowance	5 488 713	7 364 932
Reversal of allowance	939 532 988	763 112 552
	(1 115 105 349)	**(945 021 701)**

Non-current receivables from exchange transactions

Arrangements included in the above receivables from exchange transactions amounting to R 21 767 928 (2024: R 1 201 839) is a number of consumers with whom arrangements have been made to pay the debt over a period longer than one year.

No receivable form exchange transaction have been pledged as collateral for liabilities of the municipality.

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

7. Receivables from non-exchange transactions

	2025 R	2024 R
Eskom account deposit	884 768	835 201
Fuel deposits	2 484 820	2 484 820
Long term debtors	2 130 586	210 571
Other receivables	271 475	270 384
Outstanding electricity collections	161 526	1 868 673
Statutory receivables: Assessment rates	67 218 955	52 653 669
Statutory receivables: Fines	660 217	666 276
	73 812 347	**58 989 594**

	2025 R	2024 R
Non-current assets	2 130 586	210 571
Current assets	71 681 761	58 779 023
	73 812 347	**58 989 594**

Notes to the Annual Financial Statements

	2025 R	2024 R
7. Receivables from non-exchange transactions (continued)		
Assessment rates		
Gross balances	130 404 684	106 271 872
Less: Allowance for impairment	(63 185 729)	(53 618 203)
	67 218 955	**52 653 669**
Total receivables from non-exchange transactions	73 812 347	58 989 594
Total		
Current (0 -30 days)	2 156 730	251 299
31 - 60 days	1 488 055	1 247 194
61 - 90 days	1 381 483	1 222 247
> 90 days	125 378 416	101 281 132
Less: Impairment	(63 185 729)	(53 618 203)
	67 218 955	**50 383 669**
Reconciliation of allowances for impairment: Assessment rates		
Balance at the beginning of the year	(53 618 203)	(44 548 170)
Contribution to allowance	(63 185 729)	(53 618 203)
Reversal of allowance	53 618 203	44 548 170
	(63 185 729)	**(53 618 203)**
Fines		
Gross balance	2 258 208	3 167 983
Less: Impairment	(1 597 991)	(2 501 707)
	660 217	**666 276**
Reconciliation of allwance for impairment: Fines		
Balance at the beginning of the year	(2 501 707)	(3 124 694)
Contribution to allowance	(1 597 991)	(2 501 707)
Reversal of impairment	2 501 707	3 124 694
	(1 597 991)	**(2 501 707)**

The calculation in respect of the impairment fines receivable is based on an assessment of the past payment history of fines per category. The total average collectability of fines were 26% (2024: 22%).

The calculation for initial recognition and measurement of fines reduced and or cancelled is based on an assessment of past reduced and or cancelled history of fines per category. The total average estimated reductions used were 11% (2024: 13%).

Non-current receivables from non-exchange transactions

	2025	2024
Long term debtors	2 130 586	210 571

8. VAT accrual receivable

	2025	2024
VAT accrual receivable	339 815 143	270 166 233

VAT accrual receivable consists of an amount receivable in future periods as cash transactions are realised.

9. Heritage assets

9. Heritage assets (continued)

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	7 754 166	-	7 754 166	7 754 166	-	7 754 166

Reconciliation of heritage assets 2025

	Opening balance	Total
Heritage assets	7 754 166	7 754 166

Reconciliation of heritage assets 2024

	Opening balance	Total
Heritage assets	7 754 166	7 754 166

Heritage assets

The municipality’s heritage assets comprise of significant historical assets within the Moqhaka Municipality.

These are made up of the:

Anglo-Boer War Memorial Burial Site,
Sports monument,
Mayoral chains, and
ZR Mahabane House.

Reconciliation of heritage assets

	Carrying amount 2025	Carrying amount 2024
Municipal jewellery	1 277 800	1 277 800
Areas of land of historic or specific significance	242 367	242 367
Culturally significant buildings	6 233 999	6 233 999
	7 754 166	**7 754 166**

10. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	8 813 994	(4 455 209)	4 358 785	6 646 908	(3 900 498)	2 746 410

	2025 R	2024 R

10. Intangible assets (continued)

Reconciliation of intangible assets -

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	2 746 410	2 448 778	(281 692)	(554 711)	4 358 785

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software	2 798 695	9 487	(61 772)	2 746 410

Other information

There were no intangible assets that were assessed as having an indefinite useful life.

There are no intangible assets whose titles are restricted or pledged as security for municipality's liabilities.

There are no contractual commitments for the acquisition of intangible assets.

11. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	123 199 992	-	123 199 992	122 441 967	-	122 441 967

Reconciliation of investment property - 2025

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	122 441 967	(257 001)	1 015 026	123 199 992

Reconciliation of investment property - 2024

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	105 102 271	(8 778 730)	26 118 426	122 441 967

Notes to the Annual Financial Statements

	2025 R	2024 R

11. Investment property (continued)

Pledged as security

There are currently no restrictions on investment property as they have not being pledged as securities for liabilities.

There are no restrictions on the reliability of investment property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations for the acquisition of investment property.

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

Details of valuation

The fair value of the investment property was provided by EMS Solutions registered as a Professional Associated Valuer under subsection (2) of section 22 of the Property Valuers Profession Bill, 2000 (Act no. 47 of 2000).

Amounts recognised in surplus and deficit for the year

Rental revenue from investment property	5 232 641	6 529 905

12. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	50 503 535	-	50 503 535	50 503 535	-	50 503 535
Buildings	72 211 322	(36 608 163)	35 603 159	72 098 042	(35 753 416)	36 344 626
Plant and machinery	11 854 378	(8 219 191)	3 635 187	11 426 282	(7 516 139)	3 910 143
Furniture and office equipment	13 674 403	(9 061 405)	4 612 998	12 743 326	(8 321 109)	4 422 217
Motor vehicles	62 802 519	(45 707 299)	17 095 220	65 622 887	(44 499 117)	21 123 770
IT equipment	22 541 959	(13 836 427)	8 705 532	19 336 938	(11 990 087)	7 346 851
Landfill sites	19 412 381	(13 765 461)	5 646 920	17 209 966	(13 409 396)	3 800 570
Infrastructure	4 252 087 859	(2 817 669 383)	1 434 418 476	4 206 040 782	(2 720 396 148)	1 485 644 634
Community	212 684 471	(139 162 492)	73 521 979	205 592 199	(132 234 939)	73 357 260
Capital work in progress	170 283 102	-	170 283 102	139 203 303	-	139 203 303
Finance leased assets	3 689 597	(2 962 200)	727 397	3 689 597	(2 703 601)	985 996
Total	**4 891 745 526**	**(3 086 992 021)**	**1 804 753 505**	**4 803 466 857**	**(2 976 823 952)**	**1 826 642 905**

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfers in / out (-)	Public contributions and donations	Depreciation	Impairment loss	Total
Land	50 503 535	-	-	-	-	-	-	50 503 535
Buildings	36 344 626	113 280	-	-	-	(854 747)	-	35 603 159
Plant and machinery	3 910 143	428 095	-	-	-	(687 624)	(15 427)	3 635 187
Furniture and office equipment	4 422 217	916 670	-	-	14 409	(730 633)	(9 665)	4 612 998
Motor vehicles	21 123 770	1 421 859	(3 260 664)	-	-	(2 189 745)	-	17 095 220
IT equipment	7 346 851	3 281 692	(38 276)	-	-	(1 832 088)	(52 647)	8 705 532
Landfill sites	3 800 570	2 202 415	-	-	-	(356 065)	-	5 646 920
Infrastructure	1 485 644 634	5 256 887	(238 228)	41 040 946	-	(92 332 833)	(4 952 930)	1 434 418 476
Community	73 357 260	68 355	-	7 023 916	-	(4 640 372)	(2 287 180)	73 521 979
Capital work in progress	139 203 303	79 631 525	-	(48 064 862)	-	-	(486 864)	170 283 102
Finance leased assets	985 996	-	-	-	-	(258 599)	-	727 397
	1 826 642 905	**93 320 778**	**(3 537 168)**	**-**	**14 409**	**(103 882 706)**	**(7 804 713)**	**1 804 753 505**

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers in / out (-)	Public contributions and donations	Depreciation	Impairment loss	Total
Land	50 503 535	-	-	-	-	-	-	50 503 535
Buildings and fixtures	39 514 451	836 420	-	-	-	(1 486 743)	(2 519 502)	36 344 626
Plant and machinery	3 160 304	1 339 308	(33 616)	-	-	(609 068)	53 215	3 910 143
Furniture and office equipment	4 038 173	947 598	(8 460)	-	6 500	(597 717)	36 123	4 422 217
Motor vehicles	15 346 308	6 565 377	-	857 850	-	(1 848 706)	202 941	21 123 770
IT equipment	7 907 401	1 225 478	(84 275)	-	-	(1 710 457)	8 704	7 346 851
Landfill sites	3 439 812	-	-	-	-	597 015	(236 257)	3 800 570
Infrastructure	1 566 645 245	13 270 911	(6 793 488)	56 116 522	-	(95 146 224)	(48 448 332)	1 485 644 634
Community	78 014 495	2 783	-	2 413 735	-	(4 114 706)	(2 959 047)	73 357 260
Capital work in progress	130 625 273	73 340 094	-	(59 388 107)	-	-	(5 373 957)	139 203 303
Finance leased assets	2 166 277	-	-	-	-	(1 180 281)	-	985 996
	1 901 361 274	**97 527 969**	**(6 919 839)**	**-**	**6 500**	**(106 096 887)**	**(59 236 112)**	**1 826 642 905**

Capital commitments

Approved and contracted for capital expenditure		
Infrastructure	38 195 647	110 589 653
Motor vehicles	20 704 955	152 777 510
Community	-	706 876
Landfill sites	6 098 653	834 451
	64 999 255	**264 908 490**

	2025	2024
	R	R

12. Property, plant and equipment (continued)

Capital Work In Progress (Assets under construction) - 2025

	Infrastructure	Community	Other	Total
Opening balance	130 543 791	8 215 048	444 464	139 203 303
Additions/capital expenditure	37 653 640	(6 667 573)	93 732	31 079 799
	168 197 431	**1 547 475**	**538 196**	**170 283 102**

Capital Work In Progress (Assets under construction) - 2024

	Infrastructure	Community	Other	Total
Opening balance	122 045 044	8 135 765	444 464	130 625 273
Additions/capital expenditure	8 498 747	79 283	-	8 578 030
	130 543 791	**8 215 048**	**444 464**	**139 203 303**

Reconciliation of infrastructure assets

	2025	2024
Infrastructure assets		
Roads and storm water	586 094 813	589 554 873
Electricity	257 429 095	284 040 029
Water	347 617 526	359 539 462
Sewerage	243 277 042	252 510 270
	1 434 418 476	**1 485 644 634**

Assets registers contain assets with a carrying value of R0. These are assets which have been disposed in the 2023-24 financial year. The latter are kept in the register for comparison purposes.

Capital work in progress refers to infrastructure, community and other PPE ongoing projects and assets which have been paid for and have not been fully delivered as at 30 June 2025.

Signicantly Delayed Capital Work in Progress include: Fencing of Steynsrus/Matlwangtlwang Offices, Construction of 0.608km paved road and stormwater in Rammulotsi.

Halted Capital Work in Progress include: Construction of 66kv overhead ring main feed line phase 1, Upgrading sewer treatment work phase 3 and Rammulotsi: Rehabilitation of Existing Landfill Site and Construction of Fencing. These are projects which have halted due to lack of funding to complete the outstanding work.

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Significantly Delayed Capital Work in Progress	Amount
Infrastructure	2 931 840
Buildings & Fixtures	444 464
	3 376 304

Halted Capital Work in Progress	Amount
Infrastructure	53 868 451

13. Consumer deposits

	2025	2024
Electricity	6 548 502	4 974 547
Water	7 208 189	6 802 691
Sundries	4 291 943	4 257 277
	18 048 634	**16 034 515**

	2025 R	2024 R

14. Finance lease obligation

	2025 R	2024 R
Minimum lease payments due		
- within one year	-	1 317 240
	-	1 317 240
less: future finance charges	-	(139 512)
Present value of minimum lease payments	**-**	**1 177 728**
Present value of minimum lease payments due		
- within one year	-	1 177 728

It is municipality policy to lease certain motor vehicles and equipment under finance leases. The average lease term does not exceed 5 years. The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to note 12.

The lease payments does not escalate per annum in line with the service level agreement that the municipality signed, and no arrangements have been entered into for any contingent rent.

15. Borrowings

	2025 R	2024 R
At amortised cost		
Development Bank of Southern Africa	9 582 422	15 024 493
Non-current liabilities		
At amortised cost	3 520 689	6 067 472
Current liabilities		
At amortised cost	6 061 733	8 957 021

Defaults and breaches

The municipality restructured all loans from the Development Bank of Southern Africa during 2012. The restructured loan bears interest on the outstanding amount at a fixed rate of 9% while amounts in arrears will bear interest at 11%.

The loan is payable in 60 (sixty) quarterly payments starting on 1 August 2012. The municipality has not defaulted payments in the current year. The municipality was not able to remedy the defaults and terms of the loan was not required to be renegotiated in terms of the restructured loan.

Balance in arrears

	2025 R	2024 R
Capital	2 749 567	5 537 422
Interest	56 348	107 433
	2 805 915	**5 644 855**

16. Payables from exchange transactions

	2025 R	2024 R
Trade payables	1 967 600 180	1 457 150 180
Payments received in advanced	25 121 813	33 196 609
Deposits received	189 083	184 046
Retention creditors	9 219 604	7 649 919
Third parties	-	5 602 842
	2 002 130 680	**1 503 783 596**

	2025 R	2024 R

16. Payables from exchange transactions (continued)

Bulk electricity		
Current (0 -30 days)	74 055 703	67 288 087
31 - 60 days	58 683 484	46 377 439
61 - 90 days	45 064 560	38 342 005
91 - 120 days	1 673 434 687	1 220 251 827
	1 851 238 434	**1 372 259 358**

Various trade creditors		
Current (0 -30 days)	25 789 312	20 352 256
31 - 60 days	898 749	15 923 788
61 - 90 days	898 718	7 015 323
91 - 120 days	87 253 834	37 203 398
	114 840 613	**80 494 765**

Auditor-General of South Africa		
Current (0 -30 days)	1 521 133	41 137
31 - 60 days	-	163 324
61 - 90 days	-	1 121 053
91 - 120 days	-	3 070 546
	1 521 133	**4 396 060**

Suppliers have not been paid within the prescribed 30 day period due to cash flow constraints.

17. Provisions

Reconciliation of provisions -

	Opening Balance	Additions	Reversed during the year	Total
Funeral death benefit	41 000	-	(4 000)	37 000
Rehabilitation of landfill sites	76 726 523	9 658 450	-	86 384 973
Rehabilitation cost of quarries	17 038 213	1 561 125	-	18 599 338
Leave pay	34 806 792	3 750 628	-	38 557 420
	128 612 528	**14 970 203**	**(4 000)**	**143 578 731**

Reconciliation of provisions - 2024

	Opening Balance	Additions	Reversed during the year	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Funeral death benefit	51 000	-	(10 000)	-	-	41 000
Rehabilitation cost of landfill sites	81 235 448	-	-	7 563 020	(12 071 945)	76 726 523
Rehabilitation cost of quarries	16 593 175	-	-	1 688 508	(1 243 470)	17 038 213
Leave pay	30 568 085	4 238 707	-	-	-	34 806 792
	128 447 708	**4 238 707**	**(10 000)**	**9 251 528**	**(13 315 415)**	**128 612 528**

	2025 R	2024 R

17. Provisions (continued)

Non-current liabilities	143 541 731	128 571 528
Current liabilities	37 000	41 000
	143 578 731	**128 612 528**

Funeral death benefit

The funeral death benefit scheme was initiated by the Municipality for its employees who were appointed prior to 1996. The scheme is only open to these municipal employees, and payouts are only made to employees who are deceased while in the service of the Municipality. The scheme participants make a monthly contribution of R 2.50 and upon death the beneficiary/family receives the R 1 000 payout.

Rehabilitation of landfill sites and quarries

In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act no. 28 of 2002), it is required from the municipality to execute the environmental management program to restore the landfill sites and quarries at Kroonstad, Viljoenskroon and Steynsrus.

Summary of liability for landfill site and quarries costs		
Kroonstad (landfill site)	43 424 405	38 998 785
Steynsrus (landfill site)	16 688 971	14 650 398
Viljoenskroon (landfill site)	26 271 597	23 077 340
Kroonstad (gravel quarry)	7 889 896	8 293 272
Steynsrus (gravel quarry)	10 709 442	8 744 941
	104 984 311	**93 764 736**

Key assumptions used:

Assumptions used at the reporting date:

Viljoenskroon - CPI	6.27 %
Viljoenskroon - discount rate used	8.75 %
Steynsrus - CPI	6.27 %
Steynsrus - discount rate used	8.75 %
Kroonstad - CPI	6.27 %
Kroonstad - discount rate used	8.75 %
Expected increase in salaries	- %
Expected pension increases	- %

Leave pay

Annual leave accrues to employees on a monthly basis in accordance with the conditions of employment. Employees are entitled to 16 non-vested leave days and 8 vested leave days per annum, accumulated to a maximum of 48 leave days. The provision is an estimate of the amount due to staff as at the financial year-end, based on the value of leave and the estimated leave days to be forfeited.

It is not the municipality's policy to encash leave in the normal course of business, except upon resignation, termination or retirement.

	2025 R	2024 R

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2025 R	2024 R
Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	1 198 333	-
LG SETA Grant	2 839 913	2 791 897
Municipal Disaster Response Grant	18	8 160 018
Water Services Infrastructure Grant (WSIG)	2 305 146	16 080 062
	6 343 410	**27 031 977**

Movement during the year

	2025 R	2024 R
Balance at the beginning of the year	27 031 977	2 353 851
Additions during the year	52 269 911	32 535 925
Income recognition during the year	(48 718 478)	(7 857 799)
Repayment of unspent grant	(24 240 000)	-
	6 343 410	**27 031 977**

See note 30 for the reconciliation of grants from other spheres of government. The amounts are recognised as revenue when the qualifying expenditure is incurred.

19. Employee benefit obligations

Employee benefit obligations

Reconciliation of Employee benefit obligation - 2025	Opening Balance	Additions	Interest cost	Benefits paid	Actuarial loss/(gain)	Total
Long service awards	24 072 774	2 581 344	2 208 171	(3 557 962)	5 845 796	31 150 123
Post-retirement Medical Plan	131 066 012	7 185 158	17 180 623	(4 655 717)	(7 537 125)	143 238 951
13th Cheque	9 392 117	409 320	-	-	-	9 801 437
	164 530 903	**10 175 822**	**19 388 794**	**(8 213 679)**	**(1 691 329)**	**184 190 511**

Reconciliation of Employee benefit obligation - 2024	Opening Balance	Additions	Interest cost	Benefits paid	Actuarial loss/(gain)	Total
Long service awards	20 032 000	1 950 000	2 599 000	(1 988 000)	1 479 774	24 072 774
Post-retirement Medical Plan	124 026 000	5 332 000	16 064 000	(4 621 000)	(9 734 988)	131 066 012
13th Cheque	7 986 232	1 405 855	-	-	-	9 392 117
	152 044 232	**8 687 855**	**18 663 000**	**(6 609 000)**	**(8 255 214)**	**164 530 903**

	2025 R	2024 R
Carrying value		
Long service awards	31 150 123	24 072 774
Post-retirement Medical Plan	143 238 951	131 066 012
13th Cheque	9 801 437	9 392 117
	184 190 511	**164 530 903**
Non-current liabilities	(174 389 073)	(146 925 107)
Current liabilities	(9 801 437)	(17 605 796)
	(184 190 510)	**(164 530 903)**

Long service awards

	2025	2024
	R	R

19. Employee benefit obligations (continued)

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The said award comprises a certain number of vacation leave days which, in accordance with the option exercised by the beneficiary employee, can be converted into a cash amount based on his/her basic salary applicable at the time the award becomes due or, alternatively, credited his/her vacation leave accrual. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2025.

Key assumptions used

Discount rates used	8.97%
CPI (Consumer Price Inflation)	3.90%
Salary increase rate	4.90%
Net discount rate	3.88%

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

The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable. Further it is assumed that the current policy for awarding long service awards remains unchanged in the future.

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

	2025	2024
Opening balance	24 072 774	20 032 000
Net expense recognised in the statement of financial performance	7 077 349	4 040 774
	31 150 123	**24 072 774**

Net expense recognised in the statement of financial performance:

	2025	2024
Current Service Cost	2 581 344	1 950 000
Interest Expense	2 208 171	2 599 000
Benefit Payments	(3 557 962)	(1 988 000)
Actuarial (gains) losses	5 845 796	1 479 774
	7 077 349	**4 040 774**

Calculation of actuarial gains and losses

	2025	2024
Current Service Cost	2 581 344	1 950 000
Benefit Payments	(3 557 962)	(1 988 000)
Actuarial (gains) losses	5 845 796	1 479 774
	4 869 178	**1 441 774**

Post retirement medical aid plan

The Municipality's current active employees and pensioners have the choice of participating in the following medical schemes:

- LA Health Medical Scheme

- Bonitas Medical Scheme;

- Hosmed Medical Scheme

- Samwumed Medical Scheme; and

	2025 R	2024 R

19. Employee benefit obligations (continued)

- Key Health Medical Scheme.

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

Present value of the defined benefit obligation-wholly unfunded	131 066 012	124 026 000
Net expense recognised in the statement of financial performance	12 172 939	7 040 012
	143 238 951	**131 066 012**

Net expense recognised in the statement of financial performance:

Current service cost	7 185 158	5 332 000
Interest cost	17 180 623	16 064 000
Actuarial (gains) losses	(7 537 125)	(9 734 988)
Benefits payments	(4 655 717)	(4 621 000)
	12 172 939	**7 040 012**

Calculation of actuarial gains and losses

Actuarial (gains) losses	(6 943 911)	(9 734 988)

The post retirement medical plan is a defined benefit plan, of which the members are made up as follows:

Continuation Members (Pensioners)	76	70
Current (In Service) Members	687	731

Key assumptions used

Assumptions used at the reporting date:

Discount rate (D)		12.09%
CPI (Consumer Price Inflation) `		6.02%
Health care cost inflation (H)		7.52%
Net discount rate		4.25%

The expected benefit payments over the next annual reporting period are reflected in the table

Balance at 30 June 2025	-	143 238 951
Current Service Cost	-	7 479 149
Interest cost	-	17 002 737
Medical contributions subsidies for continuation members	-	(5 215 084)
	-	**162 505 753**

20. VAT payable

VAT Payable	927 778	2 540 376
VAT Accrual Payable	121 823 218	96 837 008

The municipality is registered on the accrual basis for VAT purposes. This means that VAT is only paid once cash is received or actual payments are made.

VAT accrual payable consists of an amount payable in future periods as cash transactions are realised.

	2025 R	2024 R
21. Service charges		
Sale of electricity	434 452 928	394 117 199
Sale of water	164 061 650	173 069 650
Solid waste	51 187 779	46 960 932
Waste water	72 587 383	65 897 189
	722 289 740	**680 044 970**
22. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	5 231 464	6 529 905
23. Fees earned		
Administrative and management fees	220 652	355 458
24. Interest received		
Interest revenue		
Bank	5 821 763	3 636 604
Receivables from exchange transactions	86 303 445	69 946 149
Receivables from non-exchange transactions	10 024 360	7 761 059
	102 149 568	**81 343 812**

All amounts above included in investment revenue arises from exchange and non-exchange transactions.

	2025 R	2024 R
25. Other income		
Administration income	-	379 158
Building plans and inspection fees	1 323 540	1 333 418
Burial income	1 763 041	1 700 945
Clearance certificates	263 569	263 536
Connection fees	873 846	612 645
Discount received	579 958	559 109
Dividends received	38 819	33 758
Erven sales	1 767 900	2 607 641
Escort fees	5 540	5 300
Fire brigade and rescue services	942 146	515
Hostel fees	41 255	41 255
Insurance claims	7 572 747	385 114
Provision for rehabilitation adjustment	-	13 315 415
Railway siding	107 454	62 725
Special services	17 025	9 010
Sundry income	3 255 988	2 985 470
Unclaimed deposits	1 291 144	2 874 729
Water valuation adjustments	310 417	-
	20 154 389	**27 169 743**
26. Fair value adjustments		
Investment property	1 015 026	26 118 426
Investment in shares	-	65 063
	1 015 026	**26 183 489**

	2025 R	2024 R

27. Gain or loss on employeee benefit obligation

Long service awards: Actuarial gains / (losses)	(4 869 178)	(1 441 774)
Post retirement medical benefit: Actuarial gains / (losses)	6 943 911	9 734 988
	2 074 733	**8 293 214**

28. Services charges (Availability charges)

Water	442 537	417 256
Waste water	445 577	421 549
	888 114	**838 805**

29. Property rates

Rates received

Residential	25 608 739	22 915 234
Commercial	39 844 244	39 170 925
State	28 151 941	26 120 958
	93 604 924	**88 207 117**

Valuations

Commercial	7 370 426 862	6 224 087 309
Multi-purpose	-	191 784 003
Municipal	201 797 102	458 516 904
Non-ratable	483 665 405	238 283 806
Residential	7 600 106 259	4 720 437 998
State	1 155 197 013	1 155 262 017
	16 811 192 641	**12 988 372 037**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

An average rate of R 0.021 (2024: R 0.021) is applied to property valuations to determine assessment rates.

Rates are levied on a monthly basis. Interest at prime plus 1% per annum (2024: prime plus 1%) is levied on rates outstanding two months after due date. (Excluding national government property rates which is levied on an annual basis).

An application was made with the Department of CoGTA on 17 July 2020 for an extension of the Valuation Roll (01 July 2017 – 30 June 2021) due to the impact of Covid-19, condition of the water supply, solid waste and waste water services, planned extension of the new developments for business & residential developments, replacement of faulty water & electricity meters inclusive of indigents as well of funds needed for improvement of AG’s report relating to infrastructure and immovable assets register. Approval was granted on 23 October 2020 by the Head of CoGTA Mr Mokete Victor Duma until June 2024.

Income foregone

The Income foregone included in the different property rates relates to the first R 200 000 of all residential properties that are exempted from paying property rates including, discounts given to farmers, discounts given to pensioners and also incentives given to debtors settling their accounts in terms of the debt collection and credit control policy.

Notes to the Annual Financial Statements

	2025 R	2024 R

30. Government grants and subsidies

Operating grants

Equitable share	298 568 000	278 006 000
LG SETA Grant	675 895	197 879
Financial Management Grant (FMG)	2 300 000	2 300 000
Expanded Public Works Program (EPWP)	1 104 000	1 463 000
Regional Bulk Infrastructure Grant (RBIG)	28 364 050	29 246 991
	331 011 945	**311 213 870**

Capital grants

Water Services Infrastructure Grant (WSIG)	2 665 916	4 819 939
Municipal Infrastructure Grant (MIG)	45 376 667	44 352 000
Integrated National Electrification Program (INEP)	-	2 050 000
Municipal Disaster Response Grant (MDRG)	-	2 839 983
	48 042 583	**54 061 922**
	379 054 528	**365 275 792**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	80 486 528	87 269 792
Unconditional grants received	298 568 000	278 006 000
	379 054 528	**365 275 792**

Equitable share

Current-year receipts	298 568 000	278 006 000
Conditions met - transferred to revenue	(274 328 000)	(278 006 000)
Unspent grand witheld	(24 240 000)	-
	-	-

This grant is primarily used to subsidise the provision of basic services to indigent households. All registered indigent households receive a monthly subsidy based on the basic service charges for water, electricity, sewerage, refuse, which is funded from the grant. Indigent households also receive 10kl free water and 50kwh free electricity per month.

Municipal Infrastructure Grant (MIG)

Current-year receipts	46 575 000	44 352 000
Conditions met - transferred to revenue	(45 376 667)	(44 352 000)
	1 198 333	**-**

The grant is used to supplement the municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services.

Notes to the Annual Financial Statements

	2025 R	2024 R

30. Government grants and subsidies (continued)

LG SETA Grant

	2025	2024
Balance unspent at beginning of year	2 791 897	2 353 851
Current-year receipts	723 911	635 925
Conditions met - transferred to revenue	(675 895)	(197 879)
	2 839 913	**2 791 897**

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

The grant is used for training municipality staff to enhance their skills in their respective positions.

Municipal Disaster Response grant (MDRG)

	2025	2024
Balance unspent at beginning of year	8 160 018	-
Current-year receipts	-	11 000 000
Conditions met - transferred to revenue	-	(2 839 982)
Other	(8 160 000)	-
	18	**8 160 018**

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

This grant is used in to restore water supply, repair damaged water supply pipeline and the sanitation supply pipeline.

Finance Management Grant (FMG)

	2025	2024
Current-year receipts	2 300 000	2 300 000
Conditions met - transferred to revenue	(2 300 000)	(2 300 000)
	-	**-**

This grant is to train and appoint intern staff members in the finance department of the municipality.

Water Services Infrastructure Grant (WSIG)

	2025	2024
Balance unspent at beginning of year	16 080 062	-
Current-year receipts	4 971 000	20 900 000
Conditions met - transferred to revenue	(2 665 916)	(4 819 938)
Repayment of unspent grant	(16 080 000)	-
	2 305 146	**16 080 062**

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

This grant is used for infrastructure development including rehabilitation of key infrastructure assets.

Extended Public Works Program (EPWP)

	2025	2024
Current-year receipts	1 104 000	1 463 000
Conditions met - transferred to revenue	(1 104 000)	(1 463 000)
	-	**-**

This grant is used for the rehabilitation of Kroonstad waste water treatment works.

	2025 R	2024 R

30. Government grants and subsidies (continued)

Integrated National Electrification Program (INEP)

Current-year receipts	-	2 050 000
Conditions met - transferred to revenue	-	(2 050 000)
	-	-

This grant is used for the electrification of households.

Regional Bulk Infrastructure Grant (RBIG)

Current-year receipts	28 364 050	29 246 961
Conditions met - transferred to revenue	(28 364 050)	(29 246 961)
	-	-

The grant is used for the refurbishment of the wastewater treatment works In Kroonstad.

31. Public contributions and donations

Public contributions and donations	14 409	6 500

Arabest 127 CC	-	6 500
Powervac	8 870	-
Recha Construction	3 800	-
Tumileng Trading	1 739	-
	14 409	**6 500**

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32. Fines

Illegal Connections Fines	121 630	90 228
Law Enforcement Fines	1 134 062	909 567
Municipal Traffic Fines	2 208 300	2 694 260
	3 463 992	**3 694 055**

33. Revenue

Service charges	722 289 740	680 044 970
Rental of facilities and equipment	5 231 464	6 529 905
Fees earned	220 652	355 458
Other income	20 154 389	27 169 743
Interest received (Exchange transactions)	92 125 208	73 582 753
Services charges (Availability charges)	888 114	838 805
Property rates	93 604 924	88 207 117
Interest received (Non-exchange transactions)	10 024 360	7 761 059
Government grants and subsidies	379 054 528	365 275 792
Public contributions and donations	14 409	6 500
Fines	3 463 992	3 694 055
Fair value adjustments	-	26 183 489
Gains on employee benefit obligation	-	9 734 988
	1 327 071 780	**1 289 384 634**

Notes to the Annual Financial Statements

33. Revenue (continued)

	2025 R	2024 R
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	722 289 740	680 044 970
Rental of facilities and equipment	5 231 464	6 529 905
Fees earned	220 652	355 458
Other income	20 154 389	27 169 743
Interest received (Exchange transactions)	92 125 208	73 582 753
	840 021 453	**787 682 829**

	2025 R	2024 R
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Services charges (Availability charges)	888 114	838 805
Property rates	93 604 924	88 207 117
Interest received (Non-exchange transactions)	10 024 360	7 761 059
Transfer revenue		
Government grants and subsidies	379 054 528	365 275 792
Public contributions and donations	14 409	6 500
Fines	3 463 992	3 694 055
	487 050 327	**465 783 328**

34. Employee related costs

	2025 R	2024 R
Basic salary	251 395 649	231 328 240
Bonus	20 462 014	18 298 107
Medical aid - company contributions	28 691 144	25 040 792
UIF	2 053 237	1 895 360
Industrial council levy	145 582	125 513
Leave pay provision charge	8 365 726	7 051 445
Group life insurance	1 012 986	1 007 134
Defined contribution plans	44 450 652	39 523 649
Overtime payments	38 218 226	40 337 574
Long service awards	2 008 537	924 042
Car allowance	22 399 381	22 235 435
Housing benefits and allowances	1 721 564	1 560 455
Other allowances	162 975	127 408
Telephone allowances	555 620	543 554
Standby allowances	4 733 513	3 845 757
Post-employment medical aid- current service cost	7 185 158	5 332 000
	433 561 964	**399 176 465**

	2025 R	2024 R

34. Employee related costs (continued)

Remuneration of Municipal Manager: P.H Tshabalala

Annual remuneration	886 499	796 667
Housing allowance	98 436	95 339
Car allowance	243 372	234 093
Social contribution	163 957	120 216
Cellphone allowance	36 000	36 000
	1 428 264	**1 282 315**

2024-2025

During the current financial year the following officials acted as Municipal Manager and received an acting allowance:

Mr. I. Mokgatle R 43 134.

Ms L.M Ntsepe R 33 067.

2023-2024

During the current financial year the following officials acted as the Municipal Manager and received an acting allowance

Mr. J. Maswanganyi R 31 935.
Mr. I. Mokgatle R 91 347.

Remuneration of Chief Financial Officer:

2024-2025

During the current financial year, the following officials acted as the Chief Financial Officer and received an acting allowance:

Mr. J. Maswanganyi R 10 875.
Ms. I Mokheseng R 23 415.
Mr. R. Visagie R 28 503.

2023-2024

During the current financial year, the following officials acted as the Chief Financial Officer and received an acting allowance:

Mr. J. Maswanganyi R 19 166.
Mr. R. Buys R 172 201.
Mr. R. Visagie R 14 905.

Remuneration of Director: Technical Services: I.S Mokgatle

Annual remuneration	865 706	828 619
Car allowance	534 027	522 624
Social contribution	50 905	28 922
Cellphone allowance	12 000	17 524
	1 462 638	**1 397 689**

	2025 R	2024 R

34. Employee related costs (continued)

Remuneration of Director: Corporate Services: LM Ntsepe

	2025	2024
Annual remuneration	484 683	-
Car allowance	175 480	-
Social contribution	92 504	-
Cellphone allowance	14 383	-
	767 050	**-**

2023-2024

During the current financial year, the following officials acted as the Director Corporate Services and received an acting allowance:

Mr. K. Moroke R 8 396.

2023-2024

During the current financial year, the following officials acted as the Director Corporate Services and received an acting allowance:

Ms. E. Lungu R 7 596.
Mr. K Moroke R 3 738.

Remuneration of Director: Community Services:

2024-2025

During the current financial year, the following officials acted as the Director Community Services and received an acting allowance:

Mr. T. Qhena R 28 445.
Mr. M. Rakgase R 222 846.

2023-2024

During the current financial year, the following officials acted as the Director Community Services and received an acting allowance:

Mr. T. Qhena R 28 445.
Mr. M. Rakgase R 222 846.

	2025 R	2024 R

34. Employee related costs (continued)

Remuneration of Director: LED and Planning:

2024-2025

During the current financial year, the following officials acted as the LED and Planning Services and received an acting allowance:

Mr. T. Leie R 33 442.
Ms. L. Mapane R 10 875.

2023-2024

During the current financial year, the following officials acted as the LED and Planning Services and received an acting allowance:

Mr. T. Leie R 39 448.
Ms. L. Mapane R 71 358.

35. Remuneration of councillors

	2025 R	2024 R
Executive Mayor	1 051 208	1 056 238
Speaker	867 237	867 141
Council Whip	816 640	816 101
Councillors	19 708 560	19 511 682
	22 443 645	**22 251 162**

In-kind benefits

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

The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council-owned vehicle for official duties.

The Executive Mayor has the use of a council-owned vehicle for official duties and has one full-time bodyguard and driver.

The Speaker has one full-time driver and the use of a council-owned vehicle for official duties.

Refer to related parties note 60 for detailed disclosure.

36. Repairs and maintenance

	2025 R	2024 R
Repairs and maintenance	140 642 666	90 530 527

Repairs and maintenance consists of:

	2025 R	2024 R
Buildings	83 855 327	42 829 408
Electrical network	14 433 930	14 880 464
Water and sewer network	9 249 275	4 228 159
Fleet	8 712 336	8 719 679
Roads	9 355 414	6 225 376
Other repairs and maintenance	15 036 384	13 647 441
	140 642 666	**90 530 527**

	2025 R	2024 R
37. Depreciation and amortisation		
Property, plant and equipment	103 882 706	106 096 887
Intangible assets	554 711	61 772
	104 437 417	**106 158 659**
38. Finance costs		
Landfill sites and quarries	8 253 671	9 251 528
Late payment on creditors	97 879 096	4 351 153
Annuity loans and finance leases	1 157 929	1 677 609
Employee benefits	19 388 793	18 663 000
	126 679 489	**33 943 290**
39. Debt impairment		
Receivables from exchange transactions	158 155 726	165 089 689
Receivables from non-exchange transactions	12 758 792	11 571 740
	170 914 518	**176 661 429**
40. Bulk purchases		
Electricity - Eskom	486 866 696	418 560 011
Water	(2 621)	6 842
	486 864 075	**418 566 853**
41. Contracted services		
Specialist services	47 283 604	58 537 837
Other contractors	29 017 991	18 868 854
Specialist services consists of:		
Security services	45 801 930	56 951 157
Maintenance services	1 481 674	1 586 680
	47 283 604	**58 537 837**
Other contractors consists of:		
Professional services	246 943	176 170
Electricity vending services	15 372 188	4 477 479
Water chemicals	7 764 392	7 561 855
Other contracted services	5 296 382	4 207 057
Valuation services	338 086	2 446 293
	29 017 991	**18 868 854**

Notes to the Annual Financial Statements

	2025 R	2024 R

42. General expenses

	2025	2024
Advertising	1 434 799	1 294 972
Auditors remuneration	9 432 068	8 059 630
Bank charges	1 760 433	1 023 883
Cleaning	212 792	179 402
Legal services	8 465 464	4 042 885
Consumables	17 947 622	14 879 348
Entertainment	219 701	116 966
Lease rentals on operating lease	17 455 635	12 621 410
Insurance	4 755 043	4 631 778
Audit committee	19 982	110 868
Travel and subsistence	2 385 632	1 149 974
Water valuation adjustments	-	106 089
Funeral costs	99 187	110 976
Medical expenses	699 600	804 000
Fuel and oil	13 804 920	7 664 404
Postage and courier	694 267	400 837
Printing and stationery	120 915	71 985
Protective clothing	4 256 586	4 498 724
Staff recoveries	4 655 619	-
Subscriptions and membership fees	2 561 197	3 578 896
Telephone and fax	1 960 800	1 668 193
Refuse	2 965 904	-
Commission paid	11 803 764	13 934 108
Workmens compensation	-	447 370
Licences - other	3 359 977	5 742 160
Licences - vehicles	821 527	682 785
Skills development levy	4 205 588	3 375 711
Other expenses	10 305 129	3 845 042
	126 404 151	**95 042 396**

43. Gain or loss on disposal of assets

	2025	2024
Investment property	257 000	8 778 730
Intangible Assets	281 692	-
Property, plant and equipment	3 537 161	6 919 829
Vacant sites	1 018 700	17 457 299
	5 094 553	**33 155 858**

44. Impairment loss

	2025	2024
Impairments		
Property, plant and equipment	7 804 713	58 238 890

45. Auditors' remuneration

	2025	2024
Fees	9 432 068	8 059 630

	2025 R	2024 R

46. Cash generated from operations

	2025 R	2024 R
Deficit	(370 987 247)	(223 189 361)
Adjustments for:		
Depreciation and amortisation	104 437 417	106 158 659
Discounts	(579 958)	(559 109)
Public contributions and donations	(14 409)	(6 500)
Cost on disposal of assets	5 094 553	33 155 858
Fair value adjustments	(1 015 026)	(26 183 489)
Fines	(3 378 583)	(2 480 502)
Finance costs	28 800 394	29 592 138
Debt impairment	170 914 518	176 661 429
Leave pay provision	3 750 629	4 238 707
Impairment loss on assets	7 804 713	59 236 112
Interest-Receivables from exchange transactions	(86 303 445)	(69 946 149)
Interest-Receivables from non exchange transactions	(10 024 360)	(7 761 059)
Gains on employee benefit obligation	(6 943 911)	(9 734 988)
Losses on employee benefit obligation	4 869 178	1 441 774
Water valuation adjustments	(310 417)	106 089
Provision for rehabilitation adjustment	2 965 904	(13 315 415)
Post-employment medical aid- current service cost	7 185 158	5 332 000
Prior year adjustment	-	(88 649 423)
Provisions raised	(4 001)	(10 000)
Changes in working capital:		
Inventories	(7 117 193)	(6 989 775)
Receivables from exchange transactions	(185 290 128)	(254 410 694)
Receivables from non-exchange transactions	(14 178 602)	(3 468 700)
VAT accrual receivable	(69 648 910)	(25 938 048)
VAT payable	(1 612 598)	2 540 376
VAT accrual payables	24 986 210	96 837 008
Payables from exchange transaction	498 927 059	325 893 156
Unspent conditional grants and receipts	(20 688 567)	24 678 126
Consumer deposits	2 014 119	288 347
Employee benefit obligation	(4 839 612)	(3 215 115)
	78 812 885	**130 301 452**

47. Irregular expenditure

	2025 R	2024 R
Opening balance as previously reported	128 660 328	142 238 972
Add: Irregular expenditure - current	18 667 925	83 899 225
Less: Amount written off - prior period	-	(97 477 869)
Closing balance	**147 328 253**	**128 660 328**

Irregular expenditure incurred during the financial year

Irregular expenditure disclosure figure should be added indicating that Irregular expenditure is always calculated inclusive of VAT. The figures disclosed above have been presented in this set of AFS inclusive of VAT.

	2025 R	2024 R
Local content instruction notes were not followed	994 049	9 498 241
Non-compliance with the PPPFA Act and Section 112 of the MFMA for the use of panels	-	9 846 495
Tax clearance certificate not obtained	155 124	681 584
Tender documents did not include the requirement for mandatory subcontracting	17 518 752	57 780 993
Three written quotations not invited	-	5 050 224
Objective test not stipulated in the bid documentation	-	1 041 688
	18 667 925	**83 899 225**

	2025 R	2024 R

48. Unauthorised expenditure

Opening balance as previously reported	123 592 687	339 494 818
Add: Unauthorised expenditure - current	302 201 224	122 592 687
Less: Amount written off - prior period	-	(338 494 818)
Closing balance	**425 793 911**	**123 592 687**

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

Non-cash	302 201 224	122 592 687

Unauthorised expenditure: Budget overspending – per municipal department:

Financial Services	97 323 867	7 337 812
Corporate Services	-	4 906 868
Technical Services	204 877 357	110 348 007
	302 201 224	**122 592 687**

Analysed as follows: Non-cash

Depreciation and amortisation	41 618 038	10 805 841
Finance charges (e.g. interest charge on the Eskom account)	87 263 066	-
Bad debt written off	173 320 120	106 879 978
Current service cost (Post Employee Medical Aid)	-	4 906 868
	302 201 224	**122 592 687**

49. Fruitless and wasteful expenditure

Opening balance as previously reported	86 471 217	61 001 447
Add: Fruitless and wasteful expenditure identified - current	98 188 387	5 510 951
Add: Fruitless and wasteful expenditure identified - prior period	-	19 958 819
Closing balance	**184 659 604**	**86 471 217**

Expenditure identified in the current year include those listed below:

Interest and penalties	98 188 387	5 510 951
The supplier was paid for material which was not delivered	-	15 740 273
Materials left onsite exposed to deterioration	-	4 218 546
	98 188 387	**25 469 770**

50. Deviation from supply chain management regulations

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

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

During the financial year there were instances where goods and services were procured and deviated from the normal SCM policy.

The reason for these deviations were documented and reported to the accounting officer who considered them and approved the deviation from the normal SCM Regulations.

	2025	2024
	R	R

50. Deviation from supply chain management regulations (continued)

Description	Number	2025
Emergency	2	49 440
Sole supplier	5	42 025
Urgent	23	6 615 770
	30	**6 707 235**

Description	Number	2024
Emergency	1	987 850
Sole Supplier	24	734 191
Urgent	33	8 891 312
	58	**10 613 353**

	2025 R	2024 R

51. 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	Statement of financial performance	Re-classification	Restated
Inventories	4	87 485 319	(11 725 172)	-	-	75 760 147
Intangible assets	10	2 365 223	381 187	-	-	2 746 410
Property, Plant and Equipment	12	1 867 742 273	(41 099 368)	-	-	1 826 642 905
Payables from exchange transactions	16	(1 503 036 743)	(746 852)	-	-	(1 503 783 595)
VAT accrual receivable	8	170 788 848	-	-	99 377 385	270 166 233
VAT payable	20	-	-	-	(2 540 376)	(2 540 376)
VAT accrual payable	20	-	-	-	(96 837 009)	(96 837 009)
Accumulated surplus		(1 036 390 075)	1 742 067	51 448 138	-	(983 199 870)
		(411 045 155)	**(51 448 138)**	**51 448 138**	**-**	**(411 045 155)**

Statement of financial performance

	Note	As previously reported	Correction of error	Restated
Repairs and maintenance	36	97 281 247	(6 750 720)	90 530 527
Depreciation and amortisation	37	109 847 388	(3 688 722)	106 158 666
Contracted services	41	80 381 391	(2 974 700)	77 406 691
Cost on disposal of assets	43	15 329 539	17 826 319	33 155 858
Impairment loss on assets	44	11 202 930	47 035 961	58 238 891
Surplus for the year		**314 042 495**	**51 448 138**	**365 490 633**

Errors

A number of prior period errors were corrected during the year ending 30 June 2024.

The details of the retrospective prior period errors adjusted are reflected below.

	2025	2024
	R	R

51. Prior-year adjustments (continued)

Cost on disposal of assets, Vacant Stands

Vacant Stands were overstated. A correction was done accordingly resulting in the decrease of Vacant Stands to the amount of (R 11 725 172) and the increase of Cost on disposal of assets to the amount of R 11 725 172.

Depreciation and amortisation, Intangible Assets

Intangible assets were understated. A correction was done accordingly resulting in the increase of Intangible Assets to the amount of R 381 187 and the decrease of Depreciation and amortisation to the amount of (R 381 187).

Repairs and maintenance, Depreciation and amortisation, Contracted services, Property, plant and equipment

Property, plant and equipment were understated. A correction was done accordingly resulting in the increase of Property, plant and equipment to the amount of R 9 260 421, the decrease of Repairs and maintenance to the amount of (R5 963 300), the increase of Depreciation and amortisation to the amount of R 464 999, and the decrease of Contracted services to the amount of (R 2 974 700).

Impairment loss on assets, Property, plant and equipment

Property, plant and equipment (WIP) were overstated. A correction was done accordingly resulting in the decrease of Property, plant and equipment to the amount of (R 5 373 957) and the increase of Impairment loss on assets to the amount of R 5 373 957.

Cost on disposal of assets, Property, plant and equipment

Property, plant and equipment (Meters disposal) were overstated. A correction was done accordingly resulting in the decrease of Property, plant and equipment to the amount of (R 6 101 147) and the increase of Cost on disposal of assets to the amount of R 6 101 1476.

Impairment loss on assets, Property, plant and equipment

Property, plant and equipment (Impairment) were overstated. A correction was done accordingly resulting in the decrease of Property, plant and equipment to the amount of (R 43 472 308) and the increase of Impairment loss on assets to the amount of R 43 472 308.

Depreciation and amortisation, Property, plant and equipment

Property, plant and equipment (Zero Balances) were understated. A correction was done accordingly resulting in the increase of Property, plant and equipment to the amount of R 3 743 736 and the decrease of Depreciation and amortisation to the amount of (R 3 743 736).

Impairment loss on assets, Property, plant and equipment

Property, plant and equipment (Impairment) were understated. A correction was done accordingly resulting in the increase of Property, plant and equipment to the amount of R 1 406 091 and the decrease of Impairment loss on assets to the amount of (R 1 406 091).

Property, plant and equipment, Accumulated surplus

Property, plant and equipment were understated. A correction was done accordingly resulting in the increase of Property, plant and equipment to the amount of R 2 004 and the decrease of Accumulated surplus to the amount of (R 2 004).

Property, plant and equipment, Depreciation and amortisation

Property, plant and equipment were understated. A correction was done accordingly resulting in the increase of Property, plant and equipment to the amount of R 30 808 and the decrease of Depreciation and amortisation to the amount of (R 30 808).

51. Prior-year adjustments (continued)

Property, plant and equipment, Impairment loss on assets

Property, plant and equipment were understated. A correction was done accordingly resulting in the increase of Property, plant and equipment to the amount of R 404 214 and the derease of Impairment loss on assets to the amount of (R 404 214).

Payables from exchange transactions, Accumulated surplus

Payables from exchange transactions were understated. A correction was done accordingly resulting in the increase of Payables from exchange transactions to the amount of (R 746 852) and the derease of Accumulated surplus to the amount of R 746 582.

Property, plant and equipment, Accumulated surplus

Property, plant and equipment were impaired. correction was done accordingly resulting in the decrease of Property, plant and equipment to the amount of (R 997 219) and the decrease of Accumulated surplus to the amount of (R 997 219).

Restatements

A number of disclosure notes were restated during the year ending 30 June 2024.

The details of the restatements are reflected below.

The Irregular expenditure was overstated in the prior year. These expenditures were investigated by the MPAC committee and recommened to Council for write off. The correction amounted to (R 97 477 869).

The Unauthorised expenditure were overstated in the prior year. These expenditures were investigated by the MPAC committee and recommened to Council for write off. The correction amounted to (R 338 494 818).

The Fruitless and wasteful expenditure were overstated in the prior year. The correction amounted to R 19 958 819.

The commitments were overstated in the prior year. The correction amounted to (R 23 720 537).

Reticulation losses (Water) were overstated in the prior year. The correction amounted to (R 17 611 158).

Councillors' arrear consumer accounts were overstated in the prior year. The correction amounted to (R 1 062 864).

Contingent liabilities were overstated in the prior year. The correction amounted to (R 5 039 666).

Contingent assets were overstated in the prior year. The correction amounted to (R 6 815 232).

	As previously reported	**Adjustment**	**Restated**
Irregular expenditure	226 138 197	(97 477 869)	128 660 328
Fruitless and wasteful expenditure	66 512 398	19 958 819	86 471 217
Unauthorised expenditure	462 087 505	(338 494 818)	123 592 687
Commitments	288 629 027	(23 720 537)	264 908 490
Reticulation losses (Water)	81 097 138	(17 661 158)	63 435 980
Councillors' arrear consumer accounts	1 465 873	(1 062 864)	403 009
Contingent liabilities	50 345 643	(5 039 666)	45 305 977
Contingent assets	43 569 234	(6 815 232)	36 754 002
	1 219 845 015	**(470 313 325)**	**749 531 690**

Reclassifications

	2025 R	2024 R

51. Prior-year adjustments (continued)

The following reclassifications adjustment occurred:

VAT payable,VAT accrual

VAT payable Receivables from exchange transactions was overstated in the prior year. A correction was done accordingly resulting in the increase of VAT accruals to the amount of R 2 5403 763 and the increase of VAT payable to the amount of (R 2 540 376).

VAT accrual receivable, VAT accrual payable

VAT payable payable was understated in the prior year. A correction was done accordingly resulting in the increase of VAT payable payable to the amount of (R 96 837 009) and the increase of VAT accrual receivable to the amount of R 96 837 009.

52. Commitments

Authorised capital expenditure

	2025	2024
Approved and contracted for		
• Infrastructure	38 195 647	110 589 653
• Landfill sites	6 098 653	834 451
• Community	-	706 876
• Motor vehicles	20 704 955	152 777 510
	64 999 255	**264 908 490**

	2025	2024
Total capital commitments		
Approved and contracted for	64 999 255	264 908 490

Infrastructure commitments approved and contracted for will be funded by grants from government.

53. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

	2025	2024
Opening balance	6 287	7 705
Current year fee	2 441 612	4 147 760
Amount paid - current year	(2 447 899)	(4 149 178)
	-	**6 287**

Audit fees

	2025	2024
Opening balance	4 396 060	204 443
Current year fee	9 547 761	9 225 946
Interest charged	94 013	123 719
Amount paid - current year	(9 419 727)	(4 953 606)
Amount paid - previous years	(4 396 061)	(204 442)
	222 046	**4 396 060**

PAYE and UIF

	2025	2024
Opening balance	5 292 135	4 548 214
Current year fee	65 835 799	60 603 233
Amount paid - current year	(71 127 934)	(59 859 312)
	-	**5 292 135**

Notes to the Annual Financial Statements

	2025 R	2024 R

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

Pension and medical aid deductions

Opening balance	-	7 929 852
Current year fee	114 836 123	101 721 996
Amount paid - current year	(114 836 123)	(109 651 848)
	-	-

Skills development levy

Opening balance	-	260 046
Current year fee	3 667 856	3 376 019
Amount paid - current year	(3 667 856)	(3 636 065)
	-	-

Distribution losses

Estimated electricity losses suffered by the municipality for the year under review are as follows:

Technical losses 4% (2024: 4%).

Non-Technical losses 28.58% (2024: 25.40%).

Estimated line losses	30 215 077	23 229 524
Losses due to faulty meters, tampering or theft	215 852 459	147 505 020
	246 067 536	**170 734 544**

Estimated water losses suffered by the municipality for the year under review is are follows:

Water losses 23% (2024: 20%).

Estimated water losses	82 783 827	63 435 980

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

Councillors' arrear consumer accounts

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

	30 June 2025	30 June 2024
Botha VA	35 407	11 957
Khiba MJ	2 271	10 778
Meko MJ	172 171	146 732
Lulama MS	58 178	-
Nolo MM	48 243	36 322
Rankokosane BN	-	9 581
Saaiman CJ	80 038	67 782
Sekheja L	57 786	40 491
Semakale MM	159 643	-
Thebe EM	31 547	26 839
Tloome C	9 957	-
Visagie AJ	-	42 215
Van Heerden L	-	744
Geldenhuis J	15 511	7 148
Muller DM & DH	-	2 420
Van Schalkwyk L	4 719	-
	675 471	**403 009**

54. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of R 612 212 630 and that the municipality's total assets exceed its total liabilities by R 612 212 630.

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 following are events and conditions that cast doubt on the municipalities ability to continue as a going concern.

The municipality incurred a deficit for the current financial year of R 370 987 247 and R 223 189 361 in the previous financial year.

The current liabilities amounting to R 2 165 173 890 exceeds current assets of R 1 134 482 899 by R 1 030 690 911.

The receivables from exchange transactions increased from R 528 867 698 to R 642 305 545, which resulted in a 21% increase as at 30 June 2025.

The payables from exchange transactions increased from R 1 503 783 595 to R 2 002 130 680 which results in a 33% increase. The creditors' payment period also increased from 683 days to 884 days as at 30 June 2025. The payables from exchange transactions outstanding for a period longer than 30 days amounted to R 1 851 238 434 (92%). Eskom is the biggest contributor interms of payables. The Municipality was accepted into the Debt Relief Programme rolled out by National Treasury to give relief in terms of writting off the debt owed to Eskom if the municipality keeps up with paying the current account. The key condition for this application is that the municipality must pay its current account every month for 12 months, then Eskom will write off one third of the outstanding debit.

The cash equivalents amounted to R 20 137 104 as 30 June 2025 (2024: R 44 882 922).

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

	2025 R	2024 R

54. Going concern (continued)

Despite the material uncertainties which cast a significant doubt on the municipality's ability to continue as a going concern, the municipality will continue to have the power to levy rates in the following financial period. The municipality is also likely to receive continued government funding, as has been disclosed in the Division of Revenue Act of 2025, as there are no current indications that government funding will be withheld from the municipality for any reason.

55. Financial instruments disclosure

Categories of financial instruments

Financial assets

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Receivables from exchange transactions	642 305 545	528 867 698	1 115 399 520
Receivables from non-exchange transactions	73 812 347	58 989 594	178 721 634
Cash and cash equivalents	20 137 104	44 882 922	94 236 252
Investments	532 369	520 952	1 197 583
	736 787 365	**633 261 166**	**1 389 554 989**

Financial liabilities

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Consumer deposits	18 048 634	16 034 515	43 601 082
Finance lease obligation	-	1 177 728	5 950 372
Provisions	143 578 731	128 612 528	347 573 180
Borrowings	9 582 422	15 024 493	72 813 977
Payables form exchange transactions	2 002 130 680	1 503 783 595	2 295 200 799
Unspent conditional grants and receipts	6 343 410	27 031 977	23 456 963
Eskom payment arrangement	-	-	327 653 727
Intrest concession	-	-	115 289 547
	2 179 683 877	**1 691 664 836**	**3 231 539 647**

56. Subsequent events

On 09 July 2025, C Pumpstation, a sewerage pumpstation was vandalised and infrastructure equipment was stolen.

57. Contingencies

Contingent liabilities - pending claims

The municipality is a defendant against various claims against the council. All the claims are being contested based on legal advice.

The certainty and the timing of the outflow of these liabilities are uncertain. The amounts disclosed below are possible outflow amounts.

Contingent liabilities

	2025 R	2024 R
Claims by individuals due to damage of property in various incidents	17 349 806	17 189 806
Claims from suppliers - contractual disputes	7 192 785	28 116 171

	2025 R	2024 R

57. Contingencies (continued)

Contingent assets

The municipality is a claimant against the Insure Guardrisk .The claims are being contested based on legal advice.

The certainty and the timing of the inflow of these assets are uncertain. The amounts disclosed below are possible inflow amounts.

Contingent assets

Claims against Guardrisk Insurance	36 053 580	36 053 580
TM Consortium (Pty) Ltd	600 422	600 422

	2025	2024
	R	R

58. Budget differences

Material differences between budget and actual amounts

58. Budget differences (continued)

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

Statement of financial performance

BD1. Service charges. Due to the annual increase in service charges as approved by Council.

BD2. Rental of facilities and equipment: Due to a increase in rentals, compared to that of the previous year. As well as a result of tenants moving out due to adverse economic activities and some as a result of the conditions of the properties being leased out.

BD3. Fees earned: Not budgeted for separately.

BD4. Other income: Due to the provision for rehabilitation adjustment that is not income in the current year.

BD5. Interest received: Due to interest raised on consumer debtors whose accounts are in arrears.

BD6. Fair value adjustments: Not budgeted for separately.

BD7. Gains on employee benefit obligation: Not budgeted for separately.

BD8. Public contributions and donations: Not budgeted for separately.

BD9. Fines: Fines are immaterial to the operations of the municipality and were not accounted for during the year.

BD10. Remuneration of councillors: The budgeted amount was found to be excessive.

BD11. Depreciation and amortisation: Due to financial constraints experienced by the municipality, certain projects were not completed during the year. This resulted in the property, plant and equipment balance being less than anticipated, as well as the capital expenditure (acquistion of assets) and the relating depreciation expense.

BD12. Finance costs:The biggest ontributing factor is the non-payment of the Eskom account resulting in additional charges being levied.

BD13. Debt Impairment: The debt impairment is an estimation based on the debtors' age analysis information. For the current year, the movement is less than the budgeted amount.

BD14. Bulk purchases: The budgeted amount was insufficient, even compared to the actual results of the previous year.

BD15. Gain or loss on disposal of assets: Not budgeted for separately.

B16. Gain or loss on employeee benefit obligation: Not budgeted for separately.

BD17. Impairment Loss: Not budgeted for separately.

BD18. General expenses: The cashflow constraints led to non spending on priority budgeted items.

Statement of financial position

BD19. Cash and cash equivalents: Due to unspent grants at year end.

58. Budget differences (continued)

BD20. Inventories: The budgeted amount was found to be excessive.

BD21. Investments: Not budgeted for separately.

BD22. Receivables from exchange transactions: Due to the non-payment by consumers, the debtors book has been growing excessively.

BD23. Receivables from non-exchange transactions Due to the non-payment by consumers, the debtors book has been growing excessively.

BD24. VAT accrual receivable: Due to the financial challenges faced by the municipality, creditors are not settled which is resulting in the input VAT not being claimed back from SARS (registered on the payments basis). As well as the VAT on the debt impairment provision on debtors.

BD25. Heritage assets: Budget was found to be not sufficient.

BD26. Investment property: The budgeted amount was found to be excessive.

BD27. Property, plant and equipment: The budgeted amount was found to be excessive.

BD28. Consumer deposits: The budgeted was found to be not sufficient.

BD29. Borrowings: Not budgeted for separately.

BD30. Payables from exchange transactions: Due to the non payment of the Eskom account and year end accruals.

BD31. Provisions: The budgeted amount was found to be excessive.

BD32. Unspent conditional grants and receipts: Not budgeted for separately.

BD33. Employee benefit obligation: Not budgeted for separately.

BD34. VAT payable: The budgeted amount was found to be excessive.

BD35. Provisions: The budgeted was found to be not sufficient.

Differences between budget and actual amounts basis of preparation and presentation

The budget and the accounting bases differ. The annual financial statements for the whole-of-government are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance. The annual financial statements are consolidated statements that include all controlled entities, including government business enterprises for the fiscal period from to . The annual financial statements differ from the budget, which is approved on the accual basis and which deals only with the general government sector that excludes government business enterprises and certain other non-market government entities and activities.

59. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings disclosed in notes 15, cash and cash equivalents disclosed in note 3, and accumulated surplus as disclosed in the statement of financial position.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Liquidity risk

59. Risk management (continued)

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.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The municipality’s risk to liquidity is a result of funds not being available to cover future commitments.

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

The municipality manages liquidity risk through proper management of working capital, ongoing review of future commitments, capital expenditure and actual versus forecast cash flows.

At 30 June 2025	2025	2024	Over 5 years
Borrowings	9 582 422	15 024 493	-
Payables from exchange transactions	2 002 130 680	1 503 783 595	-
Finance lease	-	1 177 728	-

The municipality is in arrears with servicing of the Eskom debt.

The DBSA loan carries fixed interest rate at 9% per annum. In mitigating the risk of non-payment, the municipality did hold bilaterals with DBSA regarding the loan account and a debit order was signed to ensure that the loan repayments are honored on a monthly basis, which also takes into account the arrear loan repayment so as to ensure that the loan is paid up by the redemption date.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality’s exposure of its counterparties is monitored regularly.

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

Credit risk relating to trade receivables is managed in accordance with the municipalities' credit control and debt collection policy.The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad earned doubtful debt. Additional information relating to the analysis of consumer debtors is given in note 6 to the annual financial statements.

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

Financial instrument		2024
Cash and cash equivalents	20 137 104	44 882 922
Investments	532 369	520 952
Receivables from exchange transactions	642 305 545	528 867 698
Receivables from non-exchange transactions	73 812 347	58 989 594

60. Related parties

Key management information

Executive mayor	1
Councillors	44
Municipal Manager	1
Section 57 Managers	2

Remuneration of management

Councillors

2025

Name	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Post-employment benefits	Total
Executive Mayor: Cllr M.E Mokatsane	635 383	284 897	87 729	43 200	1 051 209
Speaker: Cllr S.V Khiba	503 310	224 461	87 463	47 004	862 238
Council Whip: Cllr M.M Semakale	477 119	209 421	83 096	47 004	816 640
MMC: Community and Social Services: Cllr M.A Khotle	477 119	209 421	88 848	47 004	822 392
MMC: Public Safety and Transport: Cllr E.P Phamotse	477 119	209 421	83 096	47 004	816 640
MMC: Integrated Development Plan: Cllr M.R Lulama	477 119	209 421	83 096	47 004	816 640
MMC: Municipal Infrastructure and Technical Services: Cllr B.S Ramathibe	508 374	182 366	69 500	47 004	807 244
MMC: Local Economic Development: Cllr R.D Tau	477 119	209 421	88 848	47 004	822 392
MMC: Spatial Development and Human Settlement: Cllr M.P Tshabalala	477 119	209 421	88 848	47 004	822 392
MMC: Finance, Audit and Risk Management: Cllr T.M Ntsala	477 119	209 421	88 848	47 004	822 392
MMC: Corporate Support Services: Cllr L.E Ramajoe	477 119	209 421	83 096	47 004	816 640
MMC: Policy Development and Monitoring: Cllr IS Sesing	373 685	177 312	70 667	47 004	668 668
MPAC Chairperson: A.V Botha	470 408	197 075	79 512	46 570	793 565
Part time Councillors	6 651 560	2 342 904	1 382 216	1 327 913	11 704 593
	12 959 672	**5 084 383**	**2 464 863**	**1 934 727**	**22 443 645**

60. Related parties (continued)

2024

Name	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Post-employment benefits	Total
Executive Mayor: Cllr M.E Mokatsane	645 030	277 164	91 244	42 800	1 056 238
Speaker: Cllr S.V Khiba	516 630	218 275	85 667	46 570	867 142
Council Whip: Cllr M.M Semakale	484 564	203 569	81 398	46 570	816 101
MMC: Community and Social Services: Cllr M.A Khotle	484 564	203 569	89 965	46 570	824 668
MMC: Public Safety and Transport: Cllr E.P Phamotse	484 564	203 569	81 398	46 570	816 101
MMC: Policy Development and Monitoring: Cllr S Ramovha	438 530	203 569	81 398	46 570	770 067
MMC: Integrated Development Plan: Cllr M.R Lulama	484 564	203 569	81 398	46 570	816 101
MMC: Municipal Infrastructure and Technical Services: Cllr B.S Ramathibe	484 564	203 569	81 398	46 570	816 101
MMC: Local Economic Development: Cllr R.D Tau	484 564	203 569	89 965	46 570	824 668
MMC: Spatial Development and Human Settlement: Cllr M.P Tshabalala	484 564	203 569	89 965	46 570	824 668
MMC: Corporate Support Services: Cllr L.E Ramajoe	443 133	182 163	85 545	46 570	757 411
MMC: Finance, Audit and Risk Management: Cllr T.M Ntsala	484 564	203 569	89 965	46 570	824 668
MPAC Chairperson: Cllr A.V Botha	470 408	197 075	79 512	46 570	793 565
Part time Councillors	6 390 629	2 342 904	1 382 216	1 327 914	11 443 663
	12 780 872	**5 049 702**	**2 491 034**	**1 929 554**	**22 251 162**

61. Segment information

General information

Identification of segments

The municipality is organised into six functional directorates for management purposes. The directorates are Municipal Manager, Finance, Corporate Services, Community and Social Services, Technical Services, and Local Economic Development and Planning Services.

Only the Community and Social Services, Technical Services, and Local Economic Development and Planning Services directorates have been identified as reportable segments. Management monitors the operating results of these units to make decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these units are allocated at a transactional level. Costs relating to the governance and administration of the municipality are not allocated to these business units.

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

The three reportable segments comprise of:

• Community and social services, which include sport and recreation, public safety, refuse removal, street cleaning and cemeteries;

• Technical services which include energy sources, water management, and wastewater management; and

• Local economic development and planning services, which include planning and development, housing, and the Kroonpark resort.

Management does not monitor financial performance geographically and does not have reliable separate financial information.

A measure of assets and liabilities for each reportable segment has not been presented as these amounts are not regularly provided to management.

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 Gauteng Province in ten cities. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Gauteng were sufficiently similar to warrant aggregation.

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**
Segment 1	Local economic development and planning services
Segment 2	Technical services
Segment 3	Community and social services
Segment 4	Governance & Administration (Not reportable Segment)

61. Segment information (continued)

Segment surplus or deficit, assets and liabilities

	Local economic development and planning services	Technical services	Community and social services	Governance and dministration (not a reportable segment)	Total
Revenue					
External revenue from exchange transactions	9 139 202	672 202 994	56 117 147	13 526 655	750 985 998
External revenue from non-exchange transactions	348 500	79 311 477	2 208 300	395 157 689	477 025 966
Interest revenue - exchange	-	67 455 203	12 738 364	11 931 641	92 125 208
Interest revenue - non exchange	-	453 121	-	9 571 238	10 024 359
Revenue from transactions with other segments	-	12 317 162	650 316	-	12 967 478
Total segment revenue	**9 487 702**	**831 739 957**	**71 714 127**	**430 187 223**	**1 343 129 009**
Entity's revenue					**1 343 129 009**
Expenditure					
Bulk Purchases	58 310	485 936 014	869 749	-	486 864 073
Contracted Services	170 077	25 368 341	46 104 752	4 658 426	76 301 596
Debt impairment	-	165 788 227	(7 632 502)	12 758 792	170 914 517
Depreciation and amortisation	304 504	93 661 019	6 623 470	3 848 419	104 437 412
Employee related costs	30 858 641	130 770 056	129 301 193	142 632 074	433 561 964
Empenditure from transactions with other segments	(1 009 564)	11 380 999	2 589 888	6 156	12 967 479
Interest expense	-	-	27 642 465	99 037 025	126 679 490
General expenses	1 946 400	23 262 590	29 516 279	71 678 881	126 404 150
Impairment loss on assets	-	-	-	7 804 713	7 804 713
Loss on disposal of assets	-	238 221	-	4 856 332	5 094 553
Remuneration of Councillors	-	-	-	22 443 645	22 443 645
Repairs and maintenance	3 089 328	118 077 194	14 358 660	5 117 482	140 642 664
Total segment expenditure	**35 417 696**	**1 054 482 661**	**249 373 954**	**374 841 945**	**1 714 116 256**
Total segmental surplus/(deficit)	**(25 929 994)**	**(222 742 704)**	**(177 659 827)**	**55 345 278**	**(370 987 247)**

61. Segment information (continued)

2024

	Local economic development and planning services	Technical services	Community and social services	Governance and administration (not a reportable segment)	Total
Revenue					
External revenue from exchange transactions	11 296 185	634 206 123	70 691 672	32 382 798	748 576 778
External revenue from non-exchange transactions	727 000	83 050 029	2 694 260	371 550 978	458 022 267
Interest received - exchange	-	54 128 238	9 652 286	9 802 228	73 582 752
Interest received - non exchange	-	-	-	7 761 059	7 761 059
Revenue from transactions with segments	-	19 395 364	613 119	-	20 008 483
Total segment revenue	**12 023 185**	**790 779 754**	**83 651 337**	**421 497 063**	**1 307 951 339**
Entity's revenue					**1 307 951 339**
Expenditure					
Bulk purchases	64 825	417 538 208	963 821	-	418 566 854
Contracted services	144 026	14 539 112	57 309 756	5 413 798	77 406 692
Debt impairment	-	140 193 606	26 152 773	10 315 050	176 661 429
Depreciation and amortisation	300 599	96 328 999	5 114 238	4 414 883	106 158 719
Employee related cost	28 539 904	119 517 136	116 679 631	134 439 722	399 176 393
Expenditure from transactions with other segments	6 447 165	11 620 377	1 935 418	5 523	20 008 483
General expenses	1 128 876	31 819 086	18 897 207	43 197 230	95 042 399
Impairment loss on assets	-	-	-	58 238 890	58 238 890
Interest expense	-	-	27 914 528	6 028 762	33 943 290
Loss on disposal of assets	-	6 793 478	-	26 362 380	33 155 858
Remuneration of councilors	-	-	-	22 251 162	22 251 162
Repairs and maintenance	1 732 073	71 332 445	11 230 184	6 235 829	90 530 531
Total segment expenditure	**38 357 468**	**909 682 447**	**266 197 556**	**316 903 229**	**1 531 140 700**
Total segmental surplus/(deficit)	**(26 334 283)**	**(118 902 693)**	**(182 546 219)**	**104 593 834**	**(223 189 361)**

62. Change in estimate

Property, plant and equipment

Annual review of assets' useful lives and residual values
The municipality's annual review of the useful lives of assets resulted in a decrease of R11 815 111.16 in the depreciation charge to the statement of financial performance. After the physical verification of all movable assets in the municipality, management is of the view that the 10% residual on all movable assets in the municipality remains unchanged.

It is impracticable to estimate the effect of these changes in future periods.

62. Change in estimate (continued)

Provisions

In accordance with GRAP 19, a provision should be reviewed at each reporting date and adjusted to reflct the current esttimate.The change in the estimated future cash flows or service potential required to settle the rehablitation provision, or a change in the discount rate as a result in the time value for money,or risk specific to the rehablitation provision.

The key assumptions used:

Viljoenskroon - CPI	6.27%
Viljoenskroon - discount rate used	8.75%
Steynsrus - CPI	6.27%
Steynsrus - discount rate used	8.75%
Kroonstad - CPI	6.27%
Kroonstad - discount rate used	8.75%

The future effect in the future periods are not disclosed as it is impracticable, as the reviewed on a yearly basis.

Reconciliation of Provisions	Opening Balance	Interest cost	Change in estimate	Closing balance
Provision for Landfil sites	76 726 523	6 713 571	2 944 879	86 384 973
Provision for Quarries	17 038 213	1 540 100	21 025	18 599 338
	93 764 736	**8 253 671**	**2 965 904**	**104 984 311**