Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the Annual Financial Statements fairly present the state of affairs of the Municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the Annual Financial Statements and were 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 he 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, mitigating 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, he is satisfied that the Municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Annual Financial Statements set out on pages 9 to 120, which have been prepared on the going concern basis, were approved by the Accounting Officer on 27 November 2025 and were signed on its behalf by:

Accounting Officer
Dr FP Mothamaha

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

General Information

Legal form of entity	An organ of state within the local sphere of government excercising executive and legislative authority
Nature of business and principal activities	The main business operations of the municipality are to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: Waste Management Services (the collection, disposal and purifying of waste, refuse and sewerage); Electricity Services (electricity is bought in bulk from Eskom and distributed to the consumers by the municipality); Water Services (Water is bought in bulk from DWS and Rand Water and distributed to the consumers by the municipality); and rates and general services (all types of services rendered by the municipality, excluding the supply of housing to the community, however including the rental of units owned by the municipality to the public and staff).
Executive Mayor	De Beer-Mthombeni VE
Speaker and members of the Mayoral Committee	Mopedi NP (Speaker)
	Khumalo KJ (MMC: Corporate Services Committee)
	Mosooane D (MMC: Special Programme and IDP Committee)
	Mofokeng MD (MMC: Infrastructure and LED Committee)
	Moloi NS (MMC: Public Safety and Transport)
	Mosepedi MTJ (MMC: Urban, Planning and Rural Committee)
	Sefako ME (MMC: Social and Community Development Committee)
	Serati MJ (MMC: Finance and Budget Committee)
Councillors	De Jager AJ
	De Jager SHF
	Ferendale RS
	Jantjie AA
	Kok S
	La Cock SM
	Magashule IM
	Matthysen-Engelbrecht M
	Meyer JA
	Mokoena BT
	Mokoena KJ
	Moloi MP
	Mbele MJ
	Moseme SL
	Motaung MP (Resigned in June 2025)
	Nteo S
	Nthoesane S
	Rantsaile MM
	Rapuleng MD
	Schoonwinkel A (Passed away in April 2025)
	Sehume NA
	Serfontein C
	Sothoane TP
	Sotshiva L (Passed away in February 2025)
	Toyi MS

General Information

	Tyumbu MJ Van der Merwe PP (Passed away in June 2025) Ramabodu T (Appointed in September 2024) Snyman JHP (Appointed in March 2025) Olivier B (Appointed in April 2025) Tladi MS (Appointed in June 2025) De Villiers JP (Appointed in June 2025) Motsoeneng MM (Appointed in June 2025)
Grading of local authority	Local Medium Capacity Municipality (Grade 4)
Accounting Officer	Dr FP Mothamaha Appointed on 01 September 2024 (Acting Accounting Officer from 07 May 2024 to 31 August 2024)
Chief Finance Officer (CFO)	SD Phetoane Appointed on 02 June 2025 (Acting CFO from February 2025 to 31 May 2025) M Xulu (CFO from September 2024 to January 2025) KB Lepesa (Acting CFO from 01 July 2024 to 31 August 2024)
Registered office	12 Liebenbergs Trek Parys 9585
Business address	12 Liebenbergs Trek Parys 9585
Postal address	PO Box 359 Parys 9585
Bankers	ABSA
Attorneys	A full list of attorneys used during the year is available at the municipal offices.
Enabling legislation	Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996) Municipal Finance Management Act, 2003 (Act No. 56 of 2003) Municipal Property Rates Act, 2004 (Act No. 6 of 2004) Municipal Structures Act, 1998 (Act No. 117 of 1998) Municipal Systems Act, 2000 (Act No. 32 of 2000)

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The reports and statements set out below comprise the Annual Financial Statements presented to the Council:

Abbreviations used:

DWS	Department of Water and Sanitation
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
CPI	Consumer Price Index
MFMA	Municipal Finance Management Act
HPI	House Price Indices
VAT	Value Added Tax
CAE	Chief Audit Executive

Accounting Officer's Responsibilities and Approval

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Accounting Officer
Dr FP Mothamaha

Audit Committee Report

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

Audit committee members and attendance

The Audit Committee was established in terms of section 166 of the Municipal Finance Management Act (MFMA). Section 166 of the Local Government: Municipal Finance Management Act, Act 56 of 2003 (MFMA), as amended, requires a municipality to establish an independent audit committee which must advise the municipal council, political office-bearers, accounting officer and management on matters relating to internal financial controls and internal audits, risk management, and accounting policies; as well as provide advice on the adequacy, reliability and accuracy of financial reporting and information within the municipality.

The Audit Committee was able to meet four (4) times during the financial year under review, as per its approved terms of reference, as follows:
- Special meeting on the 28th of August 2024
- Ordinary meeting on the 26th of November 2024
- Special meeting on the 23rd of January 2025
- Ordinary meeting on the 2nd of May 2025

The Audit Committee consists of the following members:
- Mphela Adrian Mampheto - Chairperson
- Bandile Mbange - Member
- Suzette Gordon - Member
- Thabo Abel Thekiso - Member

All members of the Audit committee are independent, with no interest in the management or conduct of the business of the Municipality

Audit committee responsibility

The audit committee confirms that it has complied with its responsibilities arising from section 166 of Municipal Finance Management Act, 2003, (Act 56 of 2003). The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, and regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein

The effectiveness of internal control

The system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with section 62 (c) of the Municipal Finance Management Act (MFMA), Internal Audit provides the Audit & Performance Committee and management with reasonable assurance that the internal controls are adequate and effective.
- The Audit & Performance Audit Committee oversees the execution of remedial measures and recommended improvements to the controls and procedures.
- Internal Audit evaluates the effectiveness of controls reducing the risks, and an authorized risk-based internal audit plan accomplishes this

The internal audit unit evaluated the effectiveness of the municipality's system of internal controls and reported system weaknesses and recommended corrective actions for management to address the deficiencies. The following are areas of concern:
- action plans to address improvement in controls, to ensure that reliable planned and actual performance is reported.
- action plans are implemented and managed, to prevent repetitive findings; and
- proper record keeping in a timely manner, to ensure reliable performance information

Audit Committee Report

Internal audit

The Audit and Performance Audit Committee is confident that the internal audit function is carrying out its legal mandate in an efficient manner with the goal of enhancing organisational operations and adding value.

All internal audit activities were completed in-house in accordance with the interim internal audit plan, and there is nothing suggesting that independence and objectivity of Internal Audit function was compromised. The Chief Audit Executive (CAE) has also direct access to the Chairperson of the Audit and Performance Audit Committee and Members.

The Audit and Performance Audit Committee noted that management has begun to pay attention to the results of the internal audit and provided corrective measures.

The Audit and Performance Audit Committee urged management to keep addressing the internal audit unit's findings, in order to enhance the control environment and lower the number of audit findings that the Auditor-General (SA) would make.

Auditor-General of South Africa

The Audit and Performance Audit Committee urged management to take corrective action in response to the Auditor-General of South Africa's conclusions and report progress.

M A Mmapheto

Date:

Accounting Officer's Report

The Accounting Officer submits his report for the year ended 30 June 2025.

1. Review of activities

Main business and operations

The municipality is engaged in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: waste management services (the collection, disposal and purifying of waste, refuse and sewerage); electricity services (electricity is bought in bulk from Eskom and distributed to the consumers by the municipality); water services (water is bought in bulk from DWS and Rand Water and distributed to the consumers by the municipality); and rates and general services (all types of services rendered by the municipality, excluding the supply housing to the community, however including the rental of units owned by the municipality to public and staff) and operates principally in South Africa

2. Going concern

We draw attention to the fact that at 30 June 2025, the Municipality had accumulated deficits of R (630 196 382) and that the Municipality's total liabilities exceeds its assets by R (630 196 382).

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.

Refer to the going concern note 48 for more detail.

3. Subsequent events

The following subsequent events transpired after the reporting date and before the Annual Financial Statements were authorised for issue:

Appeal judgement:

On the 19th of August 2025, the Free State High Court in Bloemfontein dismissed the Municipalities application for leave to appeal the earlier ruling declaring the dissolution of council and Provincial intervention. The decision mandates the Free State Provincial Government to step in under section 139 of the Constitution

The Municipality has resolved to petition the Supreme Court of Appeal and the attorneys have been given instructions thereof.

Accounting Officer's Report

4. Court case

Background:

On the 24th of April 2024 AfriForum (the applicant) applied to the honourable court an order of which the terms state; that the municipality is in breach of its constitutional, legislative and regulatory obligation towards its residents in that the municipality has failed:
- to ensure the provision of services to its community in a sustainable manner
- to promote a safe and healthy environment to its community
- to give priority of basic needs to its community
- to adequately structure and manage its administration, budget and planning purposes
- to promote the social and economic development of its community

And that the Municipality is in breach of Section 152(1) and Section 153(a) of the constitution.

Judgement:

On the 20th of June 2025 the Bloemfontein high court handed down a judgement declaring that the Municipality is in breach of its Constitutional obligations towards residents and that the Executive Council of the Free State Province be directed to intervene in the affairs of the municipality and inter alia to dissolve the Municipal Council and appoint an administrator.

Appeal:

The Municipality issued and filed notice of application for leave to appeal on the 24th of June 2025. Grounds for appeal are that the court erred in law and fact when it granted a declaratory order against the Municipality, mandatory orders and structural interdicts when the factual and legal basis for such orders was not established in the papers of the first respondent (AfriForum). In granting these orders particular on directing the provincial executive of the Free State Provincial Government to dissolve the Municipal Council, this breach is well established doctrine of separation of powers between executive, legislature and judiciary which are recognised by the Constitution of South Africa. Section 139 of the Constitution does not authorise the court to instruct Provincial Executive to dissolve Municipal Council.
Section 139 of the Constitution empowers Provincial Executive to take any steps listed therein including dissolution of a Municipal Council only when jurisdictional facts are present granting such dissolution.

5. Accounting Officer

The Accounting Officer of the municipality at the date of this report is as follows:

Name	Nationality	Changes
Dr FP Mothamaha	South African	Current Accounting Officer

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Other receivables	6	1 503 893	2 547 010
Inventories	7	3 558 712	3 116 339
Receivables from non-exchange transactions	8	37 581 549	31 765 921
Receivables from exchange transactions	9	219 011 262	182 693 903
VAT receivable	10	319 995 667	268 256 108
Cash and cash equivalents	11	5 145 478	62 102 449
		586 796 561	**550 481 730**
Non-Current Assets			
Investment property	3	293 908 639	294 177 764
Property, plant and equipment	4	1 698 986 928	1 671 154 350
Other financial assets	5	922 214	886 889
		1 993 817 781	**1 966 219 003**
Total Assets		**2 580 614 342**	**2 516 700 733**
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	3 029 271 416	2 586 136 963
Consumer deposits	13	5 160 794	5 146 429
Employee benefit obligation	14	4 520 111	4 683 110
Unspent conditional grants and receipts	15	5 250 000	28 527 438
		3 044 202 321	**2 624 493 940**
Non-Current Liabilities			
Employee benefit obligation	14	37 154 747	39 335 685
Provisions	16	129 453 656	127 533 145
		166 608 403	**166 868 830**
Total Liabilities		**3 210 810 724**	**2 791 362 770**
Net Assets		**(630 196 382)**	**(274 662 037)**
Accumulated deficit		(630 196 382)	(274 662 037)
Total Net Assets		**(630 196 382)**	**(274 662 037)**

* See Note 44

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	422 375 643	394 008 693
Rental of facilities and equipment	19	450 223	423 836
Other income	21	2 751 404	2 108 232
Interest received from exchange transactions	23	81 889 009	74 374 990
Total revenue from exchange transactions		**507 466 279**	**470 915 751**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	108 441 209	103 832 293
Transfer revenue			
Government grants and subsidies	27	393 126 302	348 477 287
Donations received	26	961 360	-
Fines, penalties and forfeits	28	377 604	148 032
Interest received from non-exchange transactions	24	25 366 612	24 805 120
Interest and penalties recovered	20	1 676 999	-
Debt waived	22	-	115 890 610
Total revenue from non-exchange transactions		**529 950 086**	**593 153 342**
Total revenue	17	**1 037 416 365**	**1 064 069 093**
Expenditure			
Employee related costs	29	(332 328 874)	(288 310 418)
Remuneration of councillors	30	(18 346 979)	(17 782 016)
Depreciation and amortisation	31	(46 475 552)	(53 219 515)
Finance costs	33	(118 874 909)	(107 408 955)
Debt Impairment	34	(216 122 607)	(243 218 408)
Bulk purchases	35	(400 241 270)	(336 781 951)
Contracted services	36	(60 981 085)	(51 944 598)
General Expenses	37	(123 636 489)	(113 185 240)
Repairs and maintenance	38	(21 051 667)	(16 021 522)
Total expenditure		**(1 338 059 432)**	**(1 227 872 623)**
Operating deficit		**(300 643 067)**	**(163 803 530)**
Loss on disposal of assets and liabilities	4	(28 703 469)	(218 201)
Fair value adjustments	39	(26 222)	97 520 930
Actuarial gains/(losses)	14	4 519 903	(6 189 829)
Impairment loss	32	(30 681 490)	(6 615 535)
Inventories (loss)/surplus		-	(6 384)
		(54 891 278)	**84 490 981**
Deficit for the year		**(355 534 345)**	**(79 312 549)**

* See Note 44

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	(229 557 699)	(229 557 699)
Adjustments		
Correction of errors	34 208 212	34 208 212
Balance at 01 July 2023 as restated*	**(195 349 487)**	**(195 349 487)**
Changes in net assets		
Deficit as previously reported	(75 099 560)	(75 099 560)
Correction of errors	(4 212 990)	(4 212 990)
Total changes	(79 312 550)	(79 312 550)
Balance at 01 July 2024 as restated*	**(274 662 037)**	**(274 662 037)**
Changes in net assets		
Deficit for the year	(355 534 345)	(355 534 345)
Total changes	(355 534 345)	(355 534 345)
Balance at 30 June 2025	**(630 196 382)**	**(630 196 382)**

*Refer to note 44 for the prior period adjustments.

* See Note 44

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from customers		392 596 053	317 824 428
Grants		365 747 438	297 885 358
Interest income		13 718 859	10 824 643
Other receipts		4 172 125	1 266 872
		776 234 475	627 801 301
Payments			
Employee costs		(362 239 526)	(294 618 736)
Suppliers		(324 963 898)	(224 243 773)
Finance costs		(4 751 967)	(666 705)
Taxes paid		(5 720 374)	(5 563 438)
		(697 675 765)	(525 092 652)
Net cash flows from operating activities	40	**78 558 710**	**102 708 649**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(132 146 800)	(83 349 946)
Cash flows from financing activities			
Employee benefit obligation payments		(3 368 881)	(3 228 040)
Net increase/(decrease) in cash and cash equivalents		**(56 956 971)**	**16 130 663**
Cash and cash equivalents at the beginning of the year		62 102 449	45 971 786
Cash and cash equivalents at the end of the year	11	**5 145 478**	**62 102 449**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	467 894 965	(98)	**467 894 867**	422 375 643	**(45 519 224)**	53.01
Rental of facilities and equipment	366 321	1	**366 322**	450 223	**83 901**	53.02
Other income	61 027 793	(1)	**61 027 792**	2 751 404	**(58 276 388)**	53.03
Interest received from exchange transactions	103 013 838	10 753 482	**113 767 320**	81 889 009	**(31 878 311)**	53.01
Total revenue from exchange transactions	**632 302 917**	**10 753 384**	**643 056 301**	**507 466 279**	**(135 590 022)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	126 597 474	-	**126 597 474**	108 441 209	**(18 156 265)**	53.18
Transfer revenue						
Government grants & subsidies	417 722 000	1 013 025	**418 735 025**	393 126 302	**(25 608 723)**	53.01
Donations received	-	-	**-**	961 360	**961 360**	53.08
Fines, Penalties and Forfeits	294 348	74 026	**368 374**	377 604	**9 230**	53.01
Interest from non-exchange transactions	-	-	**-**	25 366 612	**25 366 612**	53.01
Interest and penalties recovered	-	-	**-**	1 676 999	**1 676 999**	53.08
Total revenue from non-exchange transactions	**544 613 822**	**1 087 051**	**545 700 873**	**529 950 086**	**(15 750 787)**	
Total revenue	**1 176 916 739**	**11 840 435**	**1 188 757 174**	**1 037 416 365**	**(151 340 809)**	
Expenditure						
Employee related costs	(293 008 656)	(32 727 009)	**(325 735 665)**	(332 328 874)	**(6 593 209)**	53.01
Remuneration of councillors	(18 393 628)	(934 913)	**(19 328 541)**	(18 346 979)	**981 562**	53.01
Depreciation and amortisation	(54 381 862)	2 874 596	**(51 507 266)**	(46 475 552)	**5 031 714**	53.06
Finance costs	(34 823 797)	(34 823 797)	**(69 647 594)**	(118 874 909)	**(49 227 315)**	53.04
Debt Impairment	(165 269 240)	-	**(165 269 240)**	(216 122 607)	**(50 853 367)**	53.23
Bulk purchases	(358 966 742)	(27 576 912)	**(386 543 654)**	(400 241 270)	**(13 697 616)**	53.01
Contracted Services	(26 707 852)	(21 785 759)	**(48 493 611)**	(60 981 085)	**(12 487 474)**	53.05
General expenses	(131 924 889)	(34 777 221)	**(166 702 110)**	(123 636 489)	**43 065 621**	53.07
Repairs and maintenance	(15 268 250)	(5 240 093)	**(20 508 343)**	(21 051 667)	**(543 324)**	53.01
Total expenditure	**(1 098 744 916)**	**(154 991 108)**	**(1 253 736 024)**	**(1 338 059 432)**	**(84 323 408)**	
Operating deficit	**78 171 823**	**(143 150 673)**	**(64 978 850)**	**(300 643 067)**	**(235 664 217)**	
Loss on disposal of assets and liabilities	-	-	**-**	(28 703 469)	**(28 703 469)**	53.08
Fair value adjustments	-	-	**-**	(26 222)	**(26 222)**	53.08
Actuarial gains/losses	-	-	**-**	4 519 903	**4 519 903**	53.08
Impairment loss	-	-	**-**	(30 681 490)	**(30 681 490)**	53.08
	-	**-**	**-**	**(54 891 278)**	**(54 891 278)**	
Deficit before taxation	**78 171 823**	**(143 150 673)**	**(64 978 850)**	**(355 534 345)**	**(290 555 495)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**78 171 823**	**(143 150 673)**	**(64 978 850)**	**(355 534 345)**	**(290 555 495)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	(88 377 024)	(16 457 096)	**(104 834 120)**	3 558 712	**108 392 832**	53.09
Receivables from non-exchange transactions	58 655 657	-	**58 655 657**	37 581 549	**(21 074 108)**	53.10
VAT receivable	335 052 817	-	**335 052 817**	319 995 667	**(15 057 150)**	53.01
Receivables from exchange transactions	980 110 613	-	**980 110 613**	219 011 262	**(761 099 351)**	53.11
Other receivables	-	-	**-**	1 503 893	**1 503 893**	53.08
Cash and cash equivalents	31 341 040	35 505 963	**66 847 003**	5 145 478	**(61 701 525)**	53.12
	1 316 783 103	**19 048 867**	**1 335 831 970**	**586 796 561**	**(749 035 409)**	
Non-Current Assets						
Investment property	172 880 594	-	**172 880 594**	293 908 639	**121 028 045**	53.13
Property, plant and equipment	1 608 504 529	7 204 551	**1 615 709 080**	1 698 986 928	**83 277 848**	53.01
Intangible assets	133 202 464	-	**133 202 464**	-	**(133 202 464)**	53.14
Other financial assets	-	-	**-**	922 214	**922 214**	53.08
	1 914 587 587	**7 204 551**	**1 921 792 138**	**1 993 817 781**	**72 025 643**	
Total Assets	**3 231 370 690**	**26 253 418**	**3 257 624 108**	**2 580 614 342**	**(677 009 766)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	2 169 162 467	17 490 697	**2 186 653 164**	3 029 271 416	**842 618 252**	53.15
Payables from non-exchange transactions	188 450 539	-	**188 450 539**	-	**(188 450 539)**	53.16
Consumer deposits	5 310 765	-	**5 310 765**	5 160 794	**(149 971)**	53.01
Employee benefit obligation	-	-	**-**	4 520 111	**4 520 111**	53.08
Unspent conditional grants and receipts	-	-	**-**	5 250 000	**5 250 000**	53.08
Provisions	171 813 682	-	**171 813 682**	-	**(171 813 682)**	53.17
	2 534 737 453	**17 490 697**	**2 552 228 150**	**3 044 202 321**	**491 974 171**	
Non-Current Liabilities						
Employee benefit obligation	-	-	**-**	37 154 747	**37 154 747**	53.08
Provisions	-	-	**-**	129 453 656	**129 453 656**	53.17
	-	**-**	**-**	**166 608 403**	**166 608 403**	
Total Liabilities	**2 534 737 453**	**17 490 697**	**2 552 228 150**	**3 210 810 724**	**658 582 574**	
Net Assets	**696 633 237**	**8 762 721**	**705 395 958**	**(630 196 382)**	**(1 335 592 340)**	
Reserves						
Accumulated deficit	696 633 237	8 762 721	**705 395 958**	(630 196 382)	**(1 335 592 340)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Cash receipts from customers	307 060 439	-	**307 060 439**	392 596 053	**85 535 614**	53.26
Government grants and subsidies	417 722 000	-	**417 722 000**	365 747 438	**(51 974 562)**	53.20
Interest income	6 108 539	-	**6 108 539**	13 718 859	**7 610 320**	53.21
Other receipts	48 639 331	-	**48 639 331**	4 172 125	**(44 467 206)**	53.22
	779 530 309	**-**	**779 530 309**	**776 234 475**	**(3 295 834)**	
Payments						
Suppliers and employee costs	(347 622 117)	-	**(347 622 117)**	(692 923 798)	**(345 301 681)**	53.27
Finance costs	-	-	**-**	(4 751 967)	**(4 751 967)**	53.24
	(347 622 117)	**-**	**(347 622 117)**	**(697 675 765)**	**(350 053 648)**	
Net cash flows from operating activities	**431 908 192**	**-**	**431 908 192**	**78 558 710**	**(353 349 482)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(139 253 649)	-	**(139 253 649)**	(132 146 800)	**7 106 849**	53.01
Cash flows from financing activities						
Increase (decrease) in consumer deposits	(229 299)	-	**(229 299)**	-	**229 299**	53.25
Employee benefit obligation payments	-	-	**-**	(3 368 881)	**(3 368 881)**	53.08
Net cash flows from financing activities	**(229 299)**	**-**	**(229 299)**	**(3 368 881)**	**(3 139 582)**	
Net increase/(decrease) in cash and cash equivalents	292 425 244	-	**292 425 244**	(56 956 971)	**(349 382 215)**	
Cash and cash equivalents at the beginning of the year	3 009 471	-	**3 009 471**	62 102 449	**59 092 978**	
Cash and cash equivalents at the end of the year	**295 434 715**	**-**	**295 434 715**	**5 145 478**	**(290 289 237)**	

Significant Accounting Policies

Figures in Rand	Note(s)	2025	2024

1. Significant accounting polices

The significant accounting policies applied in the preparation of these Annual Financial Statements are set out below.

1.1 Basis of preparation

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

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

1.2 Presentation currency

These Annual Financial Statements are presented in South African Rand, which is the functional currency of the Municipality.

1.3 Going concern assumption

These Annual Financial Statements have been prepared based on the expectation that the Municipality will continue to operate as a going concern for at least the next 12 months.

1.4 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.

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

Significant judgements include:

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

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

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

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

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

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

Significant Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

Value in use of cash generating assets

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

Value in use of non-cash generating assets

The municipality reviews and tests the carrying value of non-cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Provisions for landfill sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers are utilised annually to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates linked to appropriate government bond rates were used to calculate the effect of time value of money.

Useful lives of property, plant and equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure assets' useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides were used to assist with the deemed cost and useful life of infrastructure assets
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

Significant Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Where there is no market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 14.

Effective interest rate

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

Allowance for doubtful debts

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

IGRAP 18 Recognition and Derecognition of Land

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

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

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land. Key judgements made and assumptions applied to conclude that it does not control such land, are as follow (IGRAP 18 par.40):

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

Significant Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Service charges and receivables from exchange transactions

Interim estimates

An interim estimate is when the Municipality raises an estimated consumption based on your previous average consumption. The season in which the estimated bill is raised is also considered. August to April is used as summer months (9 is used) and May to July are used as winter months (3 is used). For the calculation of an interim, the 12 month’s actual consumptions will be used, split into seasons and the average calculated. The month in which an estimate is calculated will influence the calculations of interims between the different seasonal months. For Example, winter electricity’s average, should be more than the summer average. Estimations are only billed when we do not have an actual reading on the system and these interims will automatically be reversed on the system once readings are received

The Municipality primarily uses interim estimates for the estimation of consumption of water and electricity by consumer debtors. When the interim estimation of electricity and water consumption is billed the affected financial statement areas are service charges and receivables from exchange transactions.

The interim estimates directly affect the revenue recognised under:
- Service charges: Sale of electricity
- Service charges: Sale of water

Similarly, the interim estimates directly affect the consumer debtors recognised under:
- Receivables from exchange transactions: Consumer debtors: water
- Receivables from exchange transactions: Consumer debtors: electricity

1.5 Investment property

Initial recognition

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

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

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

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

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

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

1.5 Investment property (continued)

Subsequent Measurement - 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.

Once the Municipality 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.

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

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

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

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 3).

1.6 Property, plant and equipment

Initial recognition

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

Significant Accounting Policies

1.6 Property, plant and equipment (continued)

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 Municipality 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.

Any decrease in an asset’s carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Subsequent measurement - Cost Model

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

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component at cost.
Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

Depreciation and impairment
Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value. The depreciation charge for each period is recognised in surplus or deficit.

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

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight-line	50 years
Airport	Straight-line	15 to 20 years
Plant and machinery	Straight-line	05 to 15 years
Furniture and fittings	Straight-line	05 to 10 years
Motor vehicles	Straight-line	03 to 20 years
Office equipment	Straight-line	03 to 06 years
IT equipment	Straight-line	03 to 06 years
Infrastructure	Straight-line	03 to 100 years

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.

Derecognition

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

1.6 Property, plant and equipment (continued)

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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 4).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

1.7 Financial instruments

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the Municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.7 Financial instruments (continued)

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

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

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

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

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

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

Classification

The Municipality 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
Other financial assets	Financial asset measured at amortised cost and fair value
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost

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

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

Initial recognition

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

Significant Accounting Policies

1.7 Financial instruments (continued)

The Municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities.

The Municipality 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.

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Municipality establishes fair value 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, referenced 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 municipality 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 will consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the 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.

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

Reclassification

The Municipality does not reclassify a financial instrument while it is issued or held unless it is:
- combined instruments that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the Municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the Municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

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.

1.7 Financial instruments (continued)

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

Impairment and uncollectibility of financial assets

The Municipality 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 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 by adjusting an allowance account. The reversal does not result in the carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

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

Derecognition

Financial assets

The Municipality derecognises financial assets using trade date accounting.

The Municipality derecognises a financial asset only when:

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

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

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

Significant Accounting Policies

1.7 Financial instruments (continued)

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

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

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 recognises 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 Municipality 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, expired 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).

1.7 Financial instruments (continued)

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.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

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.

1.8 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.

Recognition

The Municipality recognises statutory receivables as follows:

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

Initial measurement

The Municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Significant Accounting Policies

1.8 Statutory receivables (continued)

Other charges

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

Impairment losses

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

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

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

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

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

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

Derecognition

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

- the rights to the cash flows from the receivable are settled, expired 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.

1.9 Tax

Value Added Tax (VAT)

Significant Accounting Policies

1.9 Tax (continued)

The Municipality accounts for VAT on accrual basis on the Finanial Statements and VAT return/reclaimable on cash basis. The municipality is liable to account for VAT at a standard rate of 15% effective from 1 April 2018 in terms of section 7(1)(a) of the VAT Act in respect of supply of goods and services, except 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. The municipality account for VAT on a monthly basis.

1.10 Leases

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

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

Finance leases - lessee

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

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

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

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

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

Operating leases - lessee

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

1.11 Inventories

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

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

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

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

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

Significant Accounting Policies

1.11 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.

1.12 Impairment of cash-generating assets

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

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

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

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

Designation

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

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

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

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

1.12 Impairment of cash-generating assets (continued)

Identification

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

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

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information
- During the period, an asset's market value has declined significantly more than it would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information
- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

Value in use

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

Discount rate

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

Significant Accounting Policies

1.13 Impairment of non-cash-generating assets

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

Identification

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

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

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information
- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information
- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

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

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

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

Reversal of an impairment loss

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

Significant Accounting Policies

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

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

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

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

1.14 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of a Municipality after deducting all of its liabilities.

1.15 Employee benefits

Identification

Employee benefits

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

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

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

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

Significant Accounting Policies

1.15 Employee benefits (continued)

Short-term employee benefits

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

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

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

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

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

1.15 Employee benefits (continued)

Post-employment benefits

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

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

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

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity’s own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid

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

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

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

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

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

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

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1.15 Employee benefits (continued)

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

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

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

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

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

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

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

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

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

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

Significant Accounting Policies

1.15 Employee benefits (continued)

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 reimburse 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 [OR is not] presented as the net of the amount recognised for a reimbursement.

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

Other post retirement obligations

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

1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

Where 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 deficits.

A contingent liability is:

- a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence and non-occurrence
of one or more uncertain future events not wholly within the control of the entity; or
- a present obligation that arises from past events but is not recognised because:
(i) it is not probable that an outflow of resources embodying economic benefits or services potential will be required to settle the obligation; or
(ii) the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

1.16 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

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

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

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

1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.18 Revenue from exchange transactions

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

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

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

Measurement

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

1.18 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.

Service charges relating to electricity and water are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced.

An estimated bill is when the municipality raises an estimated consumption based on your previous average consumption. The season in which the estimated bill is raised is also considered. August to April is used as summer months (9 is used) and May to July are used as winter months (3 is used). For the calculation of an interim, the 12 month's actual consumptions will be used, split into seasons and the average calculated. The month in which an estimate is calculated will influence the calculations of interims between the different seasonal months. For Example, winter electricity's average, should be more than the summer average. Estimations are only billed when we do not have an actual reading on the system and these interims will automatically be reversed on the system once readings are received

Interest, royalties and dividends

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

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

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

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

1.19 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.

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

1.19 Revenue from non-exchange transactions (continued)

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

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

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

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.

Recognition

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

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

Measurement

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

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

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

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

Significant Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Taxes / Property rates

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

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

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

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

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

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

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.

1.20 Investment income

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

Significant Accounting Policies

1.21 Borrowing costs

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

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

1.22 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to owners.

The accrual basis is used to account for expenditure transactions meaning expenditure transactions are recognised when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions, other events or conditions are recorded in the accounting records and recognised in the financial statements of the periods to which they relate.

When the accrual basis of accounting is used, items are recognised as assets, liabilities, net assets, revenue and expenses (the elements of financial statements) when they satisfy the definitions and recognition criteria for those elements in the *Framework for the Preparation and Presentation of Financial Statements*

Expenses are not offset unless required or permitted by a Standard of GRAP*.*

Gains and losses on the disposal of non-current assets, including investments and operating assets, are reported by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses; and

Expenses relating to a provision that is recognised in accordance with the Standard of GRAP on *Provisions, Contingent Liabilities and Contingent Assets* (GRAP 19) and reimbursed under a contractual arrangement with a third party (for example, a supplier’s warranty agreement) may be netted against the related reimbursement

All items of revenue and expense recognised in a period is included in surplus or deficit unless a Standard of GRAP requires or permits otherwise

Normally, all items of revenue and expense recognised in a period are included in surplus or deficit. This includes the effects of changes in accounting estimates. However, circumstances may exist when particular items may be excluded from surplus or deficit for the current period. GRAP 3 deals with two such circumstances: the correction of errors and the effect of changes in accounting policies.

Because the effects of an entity’s various activities, transactions, and other events differ in terms of their impact on its ability to meet its service delivery obligations, disclosing the components of financial performance assists in an understanding of the financial performance achieved and in making projections of future results. Additional line items are included on the face of the statement of financial performance, and the descriptions used and the ordering of items are amended when this is necessary to explain the elements of performance. Factors to be considered include materiality and the nature and function of the components of revenue and expenses.

When items of revenue and expense are material, their nature and amount shall be disclosed separately.

Circumstances that would give rise to the separate disclosure of items of revenue and expense include:
a) the write-downs of inventories to net realisable value or current replacement cost or property, plant and equipment to recoverable amount or recoverable service amount, as well as the reversals of such write-downs;
b) restructurings of the activities of an entity and the reversals of any provisions for the costs of restructuring;
c) expenditure incurred on assets to repair and maintain them;
d) disposals of items of property, plant and equipment;
e) disposals of investments;
f) discontinued operations;
g) litigation settlements;
h) other reversals of provisions; and
i) the difference between the assets acquired and liabilities assumed and the consideration transferred to an acquiree (if any) in a transfer of functions between entities not under common control.

The municipality presents expenses according to the function of expense method. Expenses are aggregated in the statement of financial performance according to the purpose for which they were made

1.22 Expenditure (continued)

Bulk purchases

Bulk purchases provide for water and electricity purchases in bulk for distribution to consumers.

General expenditure

General expenditure includes day-to-day expenses and operational expenses such as consumables, chemicals and cleaning amongst others.

Contracted services

Contracted services provide for outsourced services, consultants and professional services and contractors. This includes transactions such as expenses due temporary incapacity, the outsourcing of services to save costs, specialist services and skills provided that are required for the achievement of a specific objective, with the aim of providing expert and professional advice on a time and material basis and services that are not the core business of the municipality.

Repairs and maintenance

Repairs and maintenance include costs incurred in the maintaining and repairing of assets so long as the transaction is not of a capital nature.

Employee related costs

This item includes all payments to employees which will include separate disclosure for the section 57 senior management. Payments will include basic salary, bonus, contributions and allowances.

Remuneration of councillors

This includes the basic salary, allowances and contributions of full-time councillors consisting of executive mayor, speaker, mayoral committee and other councillors.

Finance cost

This includes transactions such as interest and penalties

1.23 Comparative figures

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

1.24 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

1.25 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

1.26 Irregular expenditure

Irregular expenditure is defined in section 1 of the MFMA as follows:

“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;

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

In this context ‘expenditure’ refers to any use of municipal funds that is in contravention of the following legislation:
(i) Municipal Finance Management Act, Act 56 of 2003, and its regulations;
(ii) Municipal Systems Act, Act 32 of 2000, and its regulations;
(iii) Public Office-Bearers Act, Act 20 of 1998, and its regulations; and
(iv) The municipality’s supply chain management policy, and any by-laws giving effect to that policy in the current financial year.

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 (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality’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.

1.27 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.

Significant Accounting Policies

1.27 Segment information (continued)

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

Measurement

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

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

1.28 Budget information

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

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

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

The approved budget covers the fiscal period from 01 Jul 2024 to 30 Jun 2025.

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

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

1.29 Related parties

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

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

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

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

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

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

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

Significant Accounting Policies

1.30 Events after reporting date

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

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

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

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

1.31 Consumer deposits

Consumer deposits are subsequently recorded in accordance with accounting policy of trade and other payables.

1.32 Unspent 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 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.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

iGRAP 22 Foreign Currency Transactions and Advance Consideration

Background

Paragraph .21 of the Standard of GRAP on The Effects of Changes in Foreign Exchange Rates (GRAP 4) requires an entity to record a foreign currency transaction, on initial recognition in its functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency (the exchange rate) at the date of the transaction. Paragraph .22 of GRAP 4 states that the date of the transaction is the date on which the transaction first qualifies for recognition in accordance with the Standards of GRAP.

When an entity pays or receives consideration in advance in a foreign currency, it generally recognises a non-monetary asset or non-monetary liability before the recognition of the related asset, expense or revenue. The related asset, expense or revenue (or part of it) is the amount recognised applying the relevant Standard of GRAP, which results in the derecognition of the non-monetary asset or non-monetary liability arising from the advance consideration.

A question arose asking how to determine “the date of the transaction” applying paragraphs .21 and .22 of GRAP 4 when recognising revenue. The question specifically addressed circumstances in which an entity recognises a non-monetary liability arising from the receipt of advance consideration before it recognises the related revenue. It was further noted that the receipt or payment of advance consideration in a foreign currency is not restricted to revenue transactions. Accordingly, it was decided to clarify the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or revenue when an entity has received or paid advance consideration in a foreign currency.

Issue

This Interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or revenue (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.

Consensus

Applying paragraphs .21 and .22 of GRAP 4, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or revenue (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

The effective date of this interpretation is 01 April 2025.

The municipality has adopted the standard for the first time in the 2024/2025 Annual Financial Statements.

The impact of the standard is not material.

GRAP 104 (as revised): Financial Instruments

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value 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 Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

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

The most significant changes to the Standard affect:
- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the revisions is 01 April 2025

The municipality has adopted the standard for the first time in the 2024/2025 Annual Financial Statements.

The impact of the standard is not material.

2.2 Standards and interpretations issued, but not yet effective

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

GRAP 2023 Improvements to the Standards of GRAP 2023

The Board undertakes periodic revisions of the Standards of GRAP in line with best practice internationally among standard setters. The Improvements to the Standards of GRAP include changes resulting from amendments to the International Public Sector Accounting Standards and the International Financial Reporting Standards, as well as general improvements identified through consultation with stakeholders. The Improvements to the Standards of GRAP (2023) was approved by the Board and issued in November 2023.

GRAP1 - Presentation of Financial Statements

Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) Feb 2021

Disclosure of Accounting Policies: Changes from “significant accounting policies” to “material accounting policies” because the Standards of GRAP do not define the term “significant”.

General Improvements

- Provide clarity to the terms “publicly available” and “publicly accountable”.

- Remove encouraged disclosures with limited information value.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP2 - Cash Flow Statements

General Improvements

Amend disclosures to read as “useful additional information that may be disclosed” as opposed to “encouraged disclosures”.

GRAP3 - Accounting Policies, Changes in Accounting Estimates and Errors

Narrow scope amendments to IAS 8 Feb 2021

Change in the definition of an accounting estimate because the previous definition was not sufficiently clear.

General Improvements

Clarify that the requirements only apply to Standards of GRAP that are not yet effective for which the Minister of Finance has already determined an effective date.

GRAP5 - Borrowing Costs

Amendments to the IPSAS on Borrowing Costs (IPSAS 5) – Non-authoritative Guidance 2021

Add the Illustrative Examples in IPSAS 5 to GRAP 5.

GRAP13 - Leases

General Improvements

Remove encouraged disclosures with limited information value.

GRAP17 - Property, Plant and Equipment

Improvements to IPSAS 2021

Amendments are made to prohibit proceeds from selling items produced before that asset is available, to be deducted from the cost of property, plant and equipment.

GRAP19 - Provisions, Contingent Liabilities and Contingent Assets

General Improvements

Remove encouraged disclosures with limited information value.

GRAP20 - Related Party Disclosures

General Improvements

Update the definition of “significant influence” to align with the Standard of GRAP on Investments in Associates and Joint Ventures (GRAP 36).

GRAP23 - Revenue from Non-exchange Transactions (Taxes and Transfers)

General Improvements

Remove encouraged disclosures with limited information value.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP24 - Presentation of Budget Information in Financial Statements

Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) Feb 2021

Disclosure of Accounting Policies: Changes from “significant accounting policies” to “material accounting policies” because the Standards of GRAP do not define the term “significant”.

General Improvements

- Provide clarity to the terms “publicly available” and “publicly accountable”.

- Simplify the disclosures on the presentation of a reconciliation to improve the quality of reporting, by not prescribing the line items to reconcile to.

- Re-instate the Illustrative Examples that were deleted when GRAP 24 became effective.

GRAP27 - Agriculture

General Improvements

Remove encouraged disclosures and repackage it as “useful information” in another section of the Standard.

GRAP31 - Intangible Assets

General Improvements

- Clarify when the Standard of GRAP on Service Concession Arrangements: Grantor (GRAP 32) is applicable.

- Remove reference to fully depreciated assets.

- Remove encouraged disclosures with limited information value.

GRAP104 - Financial Instruments

Improvements to IPSAS 2021

- Interest Rate Benchmark Reform - Amendments to provide a practical expedient not to treat changes in contractual cash flows as a modification.

- Amendments to clarify the fees that an entity includes when it applies the “10 percent” test to derecognise a financial liability.

Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) Feb 2021

Disclosure of Accounting Policies: Changes from “significant accounting policies” to “material accounting policies” because the Standards of GRAP do not define the term “significant”.

General Improvements

Remove encouraged disclosures with limited information value.

iGRAP20 - Accounting for Adjustments to Revenue

Narrow scope amendments to IAS 8 Feb 2021

Change in the definition of an accounting estimate because the previous definition was not sufficiently clear.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Directive 12 - The Selection of an Appropriate Reporting Framework by Public Entities

Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) Feb 2021

Disclosure of Accounting Policies: Changes from “significant accounting policies” to “material accounting policies” because the Standards of GRAP do not define the term “significant”.

Guideline on The Application of Materiality to Financial Statements

Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) Feb 2021

Disclosure of Accounting Policies: Changes from “significant accounting policies” to “material accounting policies” because the Standards of GRAP do not define the term “significant”.

General Improvements

Amendments resulting from the review of the Standard of GRAP on Cash Flow Statements (GRAP 2) and the Standard of GRAP on Presentation of Budget Information in Financial Statements (GRAP 24).

The effective date of these improvements have not yet been set.

The municipality does not envisage the adoption of the guideline until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's Annual Financial Statements.

GRAP 1 (amended): Presentation of Financial Statements (Going Concern)

The Board undertook a project in 2021 to consider the guidance and disclosure requirements on going concern in the relevant Standards of GRAP. As an outcome of this project, the Board agreed to include additional guidance and disclosures on going concern in this Standard. Consequential amendments are also made to the Standard of GRAP on Events After the Reporting Date.

Applicability of going concern in the public sector

An entity prepares its financial statements on a going concern basis unless there is an intention to liquidate the entity, to cease operating, or if there is no realistic alternative but to do so. A liquidation or cessation of an entity’s operations will result in the termination of all its functions.

In South Africa, specific legislative requirements need to be followed before a decision is taken to liquidate a public sector entity, to cease or scale back its operations, to transfer some or all of its functions to another entity, or to merge one or more entities. The “intention” to liquidate an entity, to cease or scale back its operations, to transfer some or all of its functions to another entity, or to merge one or more entities needs to be established. This intention can be reflected in a number of ways and may encompass legislation passed in Parliament or a provincial legislature, cabinet decision, ministerial order, a decision made by a municipal council, board, council or equivalent, a regulation or a notice, or other official means.

The liquidation or cessation of a public sector entity’s operations is rare, and only in the case of dissolution without any continuation of the entity’s operations will the going concern basis cease to apply. When all, or some of the functions of an entity are transferred to another entity, or when a decision is taken to merge one or more entities, the application of the going concern basis remains appropriate. This is because the entity’s functions will continue to be provided in a modified form, even though they are executed by another entity.

The Board agreed to include explanatory guidance in this Standard on the application of the going concern assumption by public sector entities.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Where some of an entity’s functions are transferred in a transfer of functions, and the remaining functions are discontinued, there are two separate transactions. The Board concluded that management should assess these transactions separately based on the functions transferred, those to be discontinued (if any), and those that may be retained and continued (if any), to determine if preparing the entity’s financial statements on a going concern basis remains appropriate.

Disclosure on going concern

The Board’s project highlighted a need for specific disclosures on going concern, material uncertainties relating to going concern, and actions taken by management to mitigate these uncertainties. Consideration was also given to the practices, guidance and requirements in other countries and/or from other standard-setting bodies on these matters.

To address the diversity in the information disclosed on going concern, the Board agreed to expand the disclosure requirements in this Standard to ensure that consistent disclosures are provided.

The effective date of these revisions have not yet been set.

The municipality does not envisage the adoption of the guideline until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's Annual Financial Statements.

GRAP 103 (as revised): Heritage Assets

Background

The Accounting Standards Board (the Board) completed its post-implementation review of the Standard of GRAP on Heritage Assets (GRAP 103) (hereafter referred to as “the review”) in 2020. Based on the feedback received as part of the review, the Board agreed to reconsider certain principles in GRAP 103.

The objective of the project was to revise and clarify principles in GRAP 103 following feedback received from the review and actions agreed by the Board.

Key amendments to GRAP 103

The Board agreed that the definition of a heritage asset in GRAP 103 should be reconsidered to better align it with the legislative explanation of a heritage resource in the National Heritage Resources Act, 1999, and the classification by the South African Heritage Resources Agency.

The proposed definition focuses on assets that have “cultural significance” and defines a heritage asset as “an asset that has cultural significance, and is held indefinitely for the benefit of present and future generations”. “Cultural significance” has also been defined and described in GRAP 103 based on legislation.

The characteristics displayed by heritage assets, and the range of assets that could be heritage assets, have also been aligned with legislation.

The amendments further relate to the Classification of dual purpose heritage assets, Determining a reliable value for a heritage asset, Protective rights imposed on heritage assets, Re-assessing if a reliable value becomes available subsequently, Aggregation of individually insignificant heritage assets, Impairment of heritage assets, Mandatory disclosures of heritage assets borrowed or on loan.

The effective date of these revisions have not yet been set.

The municipality does not envisage the adoption of the revision until such time as it becomes applicable to the municipality's operations.

It is unlikely that the revision will have a material impact on the municipality's Annual Financial Statements.

GRAP 107 Mergers

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Overview and project objective

At the time GRAP 105, GRAP 106 and GRAP 107 (hereafter “the local Standards”) were developed, an equivalent International Public Sector Accounting Standard (IPSAS) did not exist. IPSAS 40 on Public Sector Combinations was since issued in 2017.

IPSAS 40 was compared with local Standards to identify any similarities and differences. Even though IPSAS 40 applies to combinations that are classified as either an amalgamation or an acquisition, the substance of combinations accounted for using IPSAS 40 is similar to that in the local Standards. Based on the outcome of the comparison, the Board agreed that the local Standards should be amended to include additional, authoritative guidance from IPSAS 40, where applicable and retain guidance in the local Standards not included in IPSAS, where appropriate. The Board also agreed to include amendments to the IFRS Accounting Standard on Business Combinations (IFRS 3) after the publication of IPSAS 40, as IFRS 3 was used to develop parts of the local Standards.

The Board agreed that the three Standards of GRAP should be retained, rather than to issue an equivalent IPSAS. Local stakeholders understand when to apply a relevant Standard and to date, no significant application issues were raised.

Significant differences between IPSAS 40 and the GRAP Standards, prior to the revisions proposed

Scope

a) IPSAS 40 includes a scope exclusion explaining that the Standard does not apply to the acquisition by an investment entity of an investment in a controlled entity that is required to be measured at fair value through surplus or deficit;

(b) the GRAP Standards include additional scope exclusions for transfers or mergers that are not within the Standard’s scope. As IPSAS 40 addresses all combinations, a similar scope exclusion is not relevant;

(c) the GRAP Standards include explanatory guidance on the scope exclusions in the Standards. Similar explanatory guidance for the scope exclusions is not included in IPSAS 40; and

(d) GRAP 107 does not include a scope exclusion for the transfer of individual assets and liabilities.

Definitions

IPSAS 40 separates the definitions in the Standard between “general definitions relating to all public sector combinations”, “definitions relating to amalgamations” and “definitions relating to acquisitions”. The GRAP Standards include definitions relevant to the type of transfer or merger within the scope of the particular Standard. Other differences include:

(a) terminology differences – this is because IPSAS 40 provides guidance on amalgamations and acquisitions, and GRAP classifies the transactions or events as either a transfer of function or a merger. For example, IPSAS 40 refers public sector combinations, amalgamation, and acquisition date, and resulting entity, whereas the GRAPs refer to a transfer of functions, transfer, acquisition, or merger date, and acquiree and combining entity; and

(b) definitions not included in the GRAP Standards and vice versa – for example, IPSAS 40 includes definitions for mutual entity and goodwill, while the GRAP Standards define residual value, non-controlling interests, and binding arrangement.

Identifying an operation or function

IPSAS 40 defines an operation as “an integrated set of activities and related assets and/or liabilities that is capable of being conducted and managed for purposes of achieving an entity’s objectives, either by providing economic benefits or service potential.” The definition of a function in the GRAP Standards is similar, except that it excludes “and related assets and/or liabilities”.

The guidance explaining what an integrated set of activities comprises, is similar between IPSAS 40 and the GRAP Standards. Other than using different terms (i.e., GRAP 105 and GRAP 106 refer to “a function” whereas IPSAS 40 refers to “an operation”), IPSAS 40 includes additional guidance to explain that, determining if a particular set of activities and the related assets and liabilities are an operation, should be based on whether the integrated set is capable of being conducted and managed as an operation by another entity.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Accounting for an amalgamation versus a transfer of functions under common control and mergers

Both IPSAS 40 and GRAP 107 applies the modified pooling of interest method to account for an amalgamation or merger. GRAP 105 does not “label” the accounting method used to account for the transfer for functions.

Assessing control - GRAP 105 is not explicit that the principles in GRAP 35 should be applied to assess control.

Outline of the Standards - In IPSAS 40, application guidance is included as an annexure to the Standard. GRAP 105 and GRAP 107 do not have any application guidance, as all the principles are included in the Standard itself.

Identifying amalgamation (transfer/merger) date, assets, and liabilities - GRAP 105 and GRAP 107 explains that the terms and conditions of the binding arrangement should be considered to identify the acquirer/combined entity, the assets and liabilities, and the transfer/merger date. GRAP 105 and GRAP 107 also include guidance to identify the acquirer/combined entity when it is not clear from the binding arrangement.

IPSAS 40 does not provide guidance on what should be considered to identify the resulting entity, the assets, and liabilities to be transferred or assumed, or the transfer date.

Pre-existing relationship - GRAP 105 includes guidance on identifying, and accounting for, a pre-existing relationship between the acquirer and transferor that is not part of the transfer of functions. Similar guidance is not included in IPSAS 40 (or in GRAP 107).

Calculation of the excess in the combination (transfer/merger) - The excess in the combination (transfer or merger) is calculated as the difference between the carrying amounts of the assets acquired and liabilities assumed, and any adjustments made to conform the accounting policies of the combining operations (transferor/combining entities) to those of the resulting entity (acquirer/combined entity).

The following elements are different:

- GRAP 105 also includes the consideration paid in the calculation, whereas IPSAS 40 is silent on whether the consideration should be included in the calculation; and

- in addition to recognising the identifiable assets and liabilities, IPSAS 40 includes the carrying amount of the combining operation’s non-controlling interest and the effect of any adjustments made to eliminate transactions between the combining entities in the calculation of the excess. Neither GRAP 105 nor GRAP 107 require these components to be included when calculating the excess of the combination.

Assets and liabilities transferred - IPSAS 40 requires that the resulting entity should classify or designate the assets and liabilities received in an amalgamation using the classifications or designations previously applied by the combining operations. The resulting entity is not allowed to adopt different classifications or designations on initial recognition, even if this is permitted by other IPSASs.

This is different to the requirements in GRAP 105 and GRAP 107 that require the acquirer/combined entity to classify or designate the assets acquired and liabilities assumed to apply the Standards of GRAP. The classifications or designations are made on the basis of the terms of the binding arrangement, economic conditions, the acquirer’s operating or accounting policies and other relevant conditions that exist at the transfer date.

There is, however, and exception included in GRAP 105 and GRAP 107 relating to the classification of leases, and the classification of a contract as an insurance contract. Similar exceptions are not included in IPSAS 40.

Measurement period - IPSAS 40, GRAP 105 and GRAP 107 allow for a measurement period if the initial accounting for the amalgamation (transfer/merger) is incomplete by the end of the reporting period in which the amalgamation (transfer/merger) occurs. In IPSAS 40 the measurement period should not exceed one year from the amalgamation date. GRAP 105 and GRAP 107 allow two years.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Presentation - As per GRAP 107, the combined entity need not present comparative information in the first reporting period. GRAP 105 does not include a similar requirement as the transfer of functions is only effective from the transfer date and the entity combines the assets and liabilities of the transferor with its own at that date. As the transfer of functions does not impact the acquirer's prior year information, the acquirer's comparative information need not be adjusted.

In IPSAS 40, the resulting entity has an option to not present financial statements for periods prior to the amalgamation date. Where the resulting entity elects to present financial statements, specific disclosures are required for each combining operation.

There are certain guidance included in IPSAS40 but not in GRAP105 and 107, and vice versa.

Supersede

This Standard supersedes the Standard of GRAP on Mergers issued in 2010.

The effective date of these revisions have not yet been set.

The municipality does not envisage the adoption of the guideline until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's Annual Financial Statements.

GRAP 106 Transfer of Functions Between Entities Not Under Common Control

Overview and project objective

At the time GRAP 105, GRAP 106 and GRAP 107 (hereafter "the local Standards") were developed, an equivalent International Public Sector Accounting Standard (IPSAS) did not exist. IPSAS 40 on Public Sector Combinations was since issued in 2017.

IPSAS 40 was compared with local Standards to identify any similarities and differences. Even though IPSAS 40 applies to combinations that are classified as either an amalgamation or an acquisition, the substance of combinations accounted for using IPSAS 40 is similar to that in the local Standards. Based on the outcome of the comparison, the Board agreed that the local Standards should be amended to include additional, authoritative guidance from IPSAS 40, where applicable and retain guidance in the local Standards not included in IPSAS, where appropriate. The Board also agreed to include amendments to the IFRS Accounting Standard on Business Combinations (IFRS 3) after the publication of IPSAS 40, as IFRS 3 was used to develop parts of the local Standards.

The Board agreed that the three Standards of GRAP should be retained, rather than to issue an equivalent IPSAS. Local stakeholders understand when to apply a relevant Standard and to date, no significant application issues were raised.

Significant differences between IPSAS 40 and the GRAP Standards, prior to the revisions proposed

Scope

a) IPSAS 40 includes a scope exclusion explaining that the Standard does not apply to the acquisition by an investment entity of an investment in a controlled entity that is required to be measured at fair value through surplus or deficit;

(b) the GRAP Standards include additional scope exclusions for transfers or mergers that are not within the Standard's scope. As IPSAS 40 addresses all combinations, a similar scope exclusion is not relevant;

(c) the GRAP Standards include explanatory guidance on the scope exclusions in the Standards. Similar explanatory guidance for the scope exclusions is not included in IPSAS 40; and

(d) GRAP 107 does not include a scope exclusion for the transfer of individual assets and liabilities.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Definitions

IPSAS 40 separates the definitions in the Standard between “general definitions relating to all public sector combinations”, “definitions relating to amalgamations” and “definitions relating to acquisitions”. The GRAP Standards include definitions relevant to the type of transfer or merger within the scope of the particular Standard. Other differences include:

(a) terminology differences – this is because IPSAS 40 provides guidance on amalgamations and acquisitions, and GRAP classifies the transactions or events as either a transfer of function or a merger. For example, IPSAS 40 refers public sector combinations, amalgamation, and acquisition date, and resulting entity, whereas the GRAPs refer to a transfer of functions, transfer, acquisition, or merger date, and acquiree and combining entity; and

(b) definitions not included in the GRAP Standards and vice versa – for example, IPSAS 40 includes definitions for mutual entity and goodwill, while the GRAP Standards define residual value, non-controlling interests, and binding arrangement.

Identifying an operation or function

IPSAS 40 defines an operation as “an integrated set of activities and related assets and/or liabilities that is capable of being conducted and managed for purposes of achieving an entity’s objectives, either by providing economic benefits or service potential.” The definition of a function in the GRAP Standards is similar, except that it excludes “and related assets and/or liabilities”.

The guidance explaining what an integrated set of activities comprises, is similar between IPSAS 40 and the GRAP Standards. Other than using different terms (i.e., GRAP 105 and GRAP 106 refer to “a function” whereas IPSAS 40 refers to “an operation”), IPSAS 40 includes additional guidance to explain that, determining if a particular set of activities and the related assets and liabilities are an operation, should be based on whether the integrated set is capable of being conducted and managed as an operation by another entity.

Accounting for an acquisition versus a transfer of functions not under common control

Outline of the Standards - In IPSAS 40, application guidance is included as an annexure to the Standard. GRAP 106 does not have an application guidance section as all the principles are included in the Standard itself.

Assessing control - GRAP 106 is not explicit that the principles in GRAP 35 should be applied in assessing control.

Identifying acquisition date, assets, and liabilities - GRAP 106 explains that the terms and conditions of the binding arrangement should be considered to identify the acquirer and the acquisition date. GRAP 106 also includes guidance to identify the acquirer/combined entity when it is not clear from the binding arrangement. IPSAS 40 does not provide guidance on what should be considered to identify the resulting entity. GRAP 106 require that the terms and conditions in the binding arrangement should be considered to determine the acquisition date, and the assets and liabilities to be transferred. IPSAS 40 is not as specific that a binding arrangement needs to be in place to determine the acquisition date. To identify the assets and liabilities to be transferred or assumed, IPSAS 40 merely refers to “must be what the acquirer and acquiree has exchanged”.

Non-controlling interests - Additional guidance is included in GRAP 106 on the measurement of a noncontrolling interest in an acquiree.

Subsequent measurement - For the subsequent measurement of a reacquired right, IPSAS 40 distinguishes between a right with a finite and indefinite period. A similar distinction is not made in GRAP 106.

Calculation of the excess in the acquisition - GRAP 106 requires that the excess in transfer of functions be recognised in surplus and deficit. IPSAS 40 requires that the excess be recognised as goodwill. As a result, IPSAS 40 includes additional guidance on the recognition and measurement of goodwill, which is not included in GRAP 106.

Acquisition achieved in stages - Both Standards include similar guidance on the accounting for an acquisition achieved in stages, except for the treatment of the resulting gain or loss. IPSAS 40 requires that the gain or loss be recognised in surplus or deficit or in net assets/equity, whereas GRAP 106 requires it to be recognised in surplus or deficit only.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Measurement period - Both IPSAS 40 and GRAP 106 allow for a measurement period if the initial accounting for the acquisition is incomplete by the end of the reporting period, in which the acquisition occurs. In IPSAS 40 the measurement period should not exceed one year from the acquisition date. GRAP 106 allows two years. The increase or decrease in the provisional amount is recognised in goodwill in IPSAS 40, while the provisional amount is adjusted against surplus or deficit in GRAP 106.

Pre-existing relationship - Both Standards include similar guidance on determining what is part of the acquisition transaction if there was a pre-existing relationship between the acquirer and the acquiree. However, IPSAS 40 includes an additional principle to explain that a transaction entered into before the acquisition, by or on behalf of the acquirer or primarily for the benefit of the acquirer, is likely to be a separate transaction. IPSAS 40 also includes additional guidance of factors to be considered to determine if a transaction is part of the exchange of the acquired operation.

There are certain guidance included in IPSAS40 but not in GRAP106, and vice versa.

Supersede

This Standard supersedes the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control issued in 2010.

The effective date of these revisions have not yet been set.

The Municipality does not envisage the adoption of the guideline until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's Annual Financial Statements.

GRAP 105 Transfer of Functions Between Entities Under Common Control

Overview and project objective

At the time GRAP 105, GRAP 106 and GRAP 107 (hereafter “the local Standards”) were developed, an equivalent International Public Sector Accounting Standard (IPSAS) did not exist. IPSAS 40 on Public Sector Combinations was since issued in 2017.

IPSAS 40 was compared with local Standards to identify any similarities and differences. Even though IPSAS 40 applies to combinations that are classified as either an amalgamation or an acquisition, the substance of combinations accounted for using IPSAS 40 is similar to that in the local Standards. Based on the outcome of the comparison, the Board agreed that the local Standards should be amended to include additional, authoritative guidance from IPSAS 40, where applicable and retain guidance in the local Standards not included in IPSAS, where appropriate. The Board also agreed to include amendments to the IFRS Accounting Standard on Business Combinations (IFRS 3) after the publication of IPSAS 40, as IFRS 3 was used to develop parts of the local Standards.

The Board agreed that the three Standards of GRAP should be retained, rather than to issue an equivalent IPSAS. Local stakeholders understand when to apply a relevant Standard and to date, no significant application issues were raised.

Significant differences between IPSAS 40 and the GRAP Standards, prior to the revisions proposed

Scope

a) IPSAS 40 includes a scope exclusion explaining that the Standard does not apply to the acquisition by an investment entity of an investment in a controlled entity that is required to be measured at fair value through surplus or deficit;

(b) the GRAP Standards include additional scope exclusions for transfers or mergers that are not within the Standard’s scope. As IPSAS 40 addresses all combinations, a similar scope exclusion is not relevant;

(c) the GRAP Standards include explanatory guidance on the scope exclusions in the Standards. Similar explanatory guidance for the scope exclusions is not included in IPSAS 40; and

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

(d) GRAP 107 does not include a scope exclusion for the transfer of individual assets and liabilities.

Definitions

IPSAS 40 separates the definitions in the Standard between “general definitions relating to all public sector combinations”, “definitions relating to amalgamations” and “definitions relating to acquisitions”. The GRAP Standards include definitions relevant to the type of transfer or merger within the scope of the particular Standard. Other differences include:

(a) terminology differences – this is because IPSAS 40 provides guidance on amalgamations and acquisitions, and GRAP classifies the transactions or events as either a transfer of function or a merger. For example, IPSAS 40 refers public sector combinations, amalgamation, and acquisition date, and resulting entity, whereas the GRAPs refer to a transfer of functions, transfer, acquisition, or merger date, and acquiree and combining entity; and

(b) definitions not included in the GRAP Standards and vice versa – for example, IPSAS 40 includes definitions for mutual entity and goodwill, while the GRAP Standards define residual value, non-controlling interests, and binding arrangement.

Identifying an operation or function

IPSAS 40 defines an operation as “an integrated set of activities and related assets and/or liabilities that is capable of being conducted and managed for purposes of achieving an entity’s objectives, either by providing economic benefits or service potential.” The definition of a function in the GRAP Standards is similar, except that it excludes “and related assets and/or liabilities”.

The guidance explaining what an integrated set of activities comprises, is similar between IPSAS 40 and the GRAP Standards. Other than using different terms (i.e., GRAP 105 and GRAP 106 refer to “a function” whereas IPSAS 40 refers to “an operation”), IPSAS 40 includes additional guidance to explain that, determining if a particular set of activities and the related assets and liabilities are an operation, should be based on whether the integrated set is capable of being conducted and managed as an operation by another entity.

Accounting for an amalgamation versus a transfer of functions under common control and mergers

Both IPSAS 40 and GRAP 107 applies the modified pooling of interest method to account for an amalgamation or merger. GRAP 105 does not “label” the accounting method used to account for the transfer for functions.

Assessing control - GRAP 105 is not explicit that the principles in GRAP 35 should be applied to assess control.

Outline of the Standards - In IPSAS 40, application guidance is included as an annexure to the Standard. GRAP 105 and GRAP 107 do not have any application guidance, as all the principles are included in the Standard itself.

Identifying amalgamation (transfer/merger) date, assets, and liabilities - GRAP 105 and GRAP 107 explains that the terms and conditions of the binding arrangement should be considered to identify the acquirer/combined entity, the assets and liabilities, and the transfer/merger date. GRAP 105 and GRAP 107 also include guidance to identify the acquirer/combined entity when it is not clear from the binding arrangement.

IPSAS 40 does not provide guidance on what should be considered to identify the resulting entity, the assets, and liabilities to be transferred or assumed, or the transfer date.

Pre-existing relationship - GRAP 105 includes guidance on identifying, and accounting for, a pre-existing relationship between the acquirer and transferor that is not part of the transfer of functions. Similar guidance is not included in IPSAS 40 (or in GRAP 107).

Calculation of the excess in the combination (transfer/merger) - The excess in the combination (transfer or merger) is calculated as the difference between the carrying amounts of the assets acquired and liabilities assumed, and any adjustments made to conform the accounting policies of the combining operations (transferor/combining entities) to those of the resulting entity (acquirer/combined entity).

The following elements are different:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- GRAP 105 also includes the consideration paid in the calculation, whereas IPSAS 40 is silent on whether the consideration should be included in the calculation; and

- in addition to recognising the identifiable assets and liabilities, IPSAS 40 includes the carrying amount of the combining operation’s non-controlling interest and the effect of any adjustments made to eliminate transactions between the combining entities in the calculation of the excess. Neither GRAP 105 nor GRAP 107 require these components to be included when calculating the excess of the combination.

Assets and liabilities transferred - IPSAS 40 requires that the resulting entity should classify or designate the assets and liabilities received in an amalgamation using the classifications or designations previously applied by the combining operations. The resulting entity is not allowed to adopt different classifications or designations on initial recognition, even if this is permitted by other IPSASs.

This is different to the requirements in GRAP 105 and GRAP 107 that require the acquirer/combined entity to classify or designate the assets acquired and liabilities assumed to apply the Standards of GRAP. The classifications or designations are made on the basis of the terms of the binding arrangement, economic conditions, the acquirer’s operating or accounting policies and other relevant conditions that exist at the transfer date.

There is, however, and exception included in GRAP 105 and GRAP 107 relating to the classification of leases, and the classification of a contract as an insurance contract. Similar exceptions are not included in IPSAS 40.

Measurement period - IPSAS 40, GRAP 105 and GRAP 107 allow for a measurement period if the initial accounting for the amalgamation (transfer/merger) is incomplete by the end of the reporting period in which the amalgamation (transfer/merger) occurs. In IPSAS 40 the measurement period should not exceed one year from the amalgamation date. GRAP 105 and GRAP 107 allow two years.

Presentation - As per GRAP 107, the combined entity need not present comparative information in the first reporting period. GRAP 105 does not include a similar requirement as the transfer of functions is only effective from the transfer date and the entity combines the assets and liabilities of the transferor with its own at that date. As the transfer of functions does not impact the acquirer’s prior year information, the acquirer’s comparative information need not be adjusted.

In IPSAS 40, the resulting entity has an option to not present financial statements for periods prior to the amalgamation date. Where the resulting entity elects to present financial statements, specific disclosures are required for each combining operation.

There are certain guidance included in IPSAS40 but not in GRAP105 and 107, and vice versa.

Supersede

This Standard supersedes the Standard of GRAP on Transfer of Functions Between Entities Under Common Control issued in 2010.

The effective date of these revisions have not yet been set.

The municipality does not envisage the adoption of the guideline until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's Annual Financial Statements.

Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

	2025		
	Fair value		Fair val
Investment property	293 908 639	-	293 908

Reconciliation of investment property - 2025

	Opening balance	Disposa
Investment property	294 177 764	(122

Reconciliation of investment property - 2024

	Openir balanc
Investment property	196 607

Pledged as security

No investment property's carrying value was pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

3. Investment property (continued)

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

Details of valuation

The effective date of the revaluations was 30 June 2025. Revaluations were performed by West Rand Consulting (Pty) Ltd. Mr. P.H. Venter was the valuer at West Rand Consulting (Pty) Ltd performing the valuations. Mr. P.H. Venter is a registered Professional Associated Valuer with the SA Council for Valuers Profession (registration number 7428), a member of the SA Institute of Valuers and has the appropriate experience in performing valuation of investment properties.

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

Prior year revaluation was performed from 2021 to 2024.

These assumptions are based on current market conditions

Refer to note 44 for prior period corrections made to investment property.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	450 223	423 836

4. Property, plant and equipment

	2025		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying v
Land	20 418 527	-	20 418
Buildings	126 985 427	(44 587 543)	82 397
Plant and machinery	9 047 041	(4 288 600)	4 758
Furniture and fittings	10 715 859	(7 178 799)	3 537
Motor vehicles	28 407 745	(11 513 637)	16 894
Computer equipment	6 306 466	(3 275 341)	3 031
Road network	901 231 871	(331 968 473)	569 263
Community	138 339 305	(57 197 249)	81 142
Landfill sites	44 078 776	(33 113 158)	10 965
Solid waste disposal	3 547 704	(798 470)	2 749
Electricity network	189 827 086	(54 359 301)	135 467
Wastewater network	424 977 508	(146 130 836)	278 846
Water network	223 766 755	(68 540 161)	155 226
Work in progress	334 288 426	-	334 288
Total	**2 461 938 496**	**(762 951 568)**	**1 698 986**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Deprecia
Land	20 333 031	-	-	-	85 496	
Buildings	85 456 449	191 500	(3 106 884)	-	-	(2 142
Plant and machinery	7 711 302	1 349 420	(3 356 874)	-	-	(711
Furniture and fittings	1 400 240	1 567 099	(383 397)	-	-	775
Motor vehicles	10 629 484	9 986 451	(1 456 619)	-	-	(1 146
Computer equipment	2 557 647	1 794 746	(1 372 120)	-	-	(223
Road network	583 351 266	-	(2 436 171)	8 165 223	-	(20 872
Community	89 694 699	961 360	(6 383)	-	-	(2 389
Landfill site	20 986 911	-	-	-	(8 332 219)	(1 689
Solid waste disposal	2 848 435	-	-	-	-	(101
Electricity network	134 742 286	8 127 823	(5 414 862)	-	-	(3 576
Wastewater network	314 364 505	790 960	(4 769 260)	-	-	(8 913
Water network	167 048 379	4 624 437	(6 278 814)	-	-	(5 484
Work in progress	230 029 716	115 106 491	-	(10 847 781)	-	
	1 671 154 350	**144 500 287**	**(28 581 384)**	**(2 682 558)**	**(8 246 723)**	**(46 475**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Deprecia
Land	20 528 465	-	-	-	(195 434)	
Buildings	87 815 700	83 384	-	-	-	(2 442
Plant and machinery	6 999 819	1 525 830	-	-	-	(849
Furniture and fittings	1 807 931	29 500	-	-	-	(481
Motor vehicles	12 593 401	-	-	-	-	(1 809
Computer equipment	2 609 458	421 211	-	-	-	(485
Road network	607 962 487	-	-	-	-	(22 989
Community	92 420 088	-	-	-	-	(2 725
Landfill site	25 338 451	-	-	-	(2 514 798)	(1 836
Solid waste disposal	2 965 298	-	-	-	-	(116
Electricity network	134 839 431	2 049 971	(218 201)	2 973 576	-	(4 175
Wastewater network	313 907 041	2 277 150	-	8 889 867	-	(9 661
Water network	148 057 195	6 425 393	-	21 367 467	-	(5 645
Work in progress	185 278 597	79 127 880	-	(34 376 761)	-	
	1 643 123 362	**91 940 319**	**(218 201)**	**(1 145 851)**	**(2 710 232)**	**(53 219**

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Total
Opening balance	228 425 370	1 604 347	230 029 717
Additions/capital expenditure	113 703 557	1 402 934	115 106 491
Other movements	(10 847 781)	-	(10 847 781)
	331 281 146	**3 007 281**	**334 288 427**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	183 674 251	1 604 347	185 278 598
Additions/capital expenditure	79 127 880	-	79 127 880
Other movements	(1 145 850)	-	(1 145 850)
Transferred to completed items	(33 230 911)	-	(33 230 911)
	228 425 370	**1 604 347**	**230 029 717**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Repairs and Maintenance	21 051 667	16 021 522

Refer to note 44 for prior period corrections made to property, plant and equipment

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

Pledged as security

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

4. Property, plant and equipment (continued)

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

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Community	3 007 281	1 604 347
Electricity network	20 161 976	5 363 831
Road network	28 949 626	23 211 460
Wastewater network	19 582 876	1 742 300
Water network	262 586 668	198 107 779
	334 288 427	**230 029 717**

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
Upgrading of Edenville Sports Complex	1 604 347	1 604 347
There is no further budget to complete the project. The project will have to go back to council to obtain further budget in order to complete the project.		
Heilbron/Sandersville Low Level Bridge	10 487 024	10 487 024
The service level agreement between the service provider and the municipality was terminated and work therefore came to a standstill.		
Vredefort - refurbishment of water treatment works	20 593 882	20 593 882
There is an active dispute between the Municipality and Thewo Engineers as the work done was not on the necessary standard. Due to professional indemnity issues the Municipality cannot finalize the work internally.		
Heilbron/Sandersville Pedestrian Bridge	4 547 188	4 547 188
The service level agreement between the service provider and the Municipality was terminated and work therefore came to a standstill..		
New Koppies Substation	5 363 831	5 363 831
Eskom requires a new registration of the project due to a time frame issue. The Municipality will have to obtain funds in order to do a re-application for the project. DME wants a completely new application for the project for funding purposes.		
	42 596 272	**42 596 272**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Other financial assets

Designated at fair value		
Sanlam shares 2452 shares trading @ R88.67 (2024: R80.92)	217 419	198 416
At amortised cost		
Heilbron Sanlam policy Policy number - 040571573X1	704 795	688 473
Total other financial assets	**922 214**	**886 889**

Non-current assets		
Designated at fair value	217 419	198 416
At amortised cost	704 795	688 473
	922 214	**886 889**

Financial assets at fair value

Fair value hierarchy of financial assets at fair value

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

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

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

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

Level 1		
Class 2	217 419	198 416

Renegotiated terms

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

6. Other receivables

Other receivables	1 503 893	2 547 010

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

7. Inventories

Water for distribution	180 502	207 615
Stores and material	3 378 210	2 908 724
	3 558 712	**3 116 339**

Inventory pledged as security

No Inventory was pledged as security for overdraft facilities.

8. Receivables from non-exchange transactions

Property rates	347 275 289	312 665 366
Allowance for impairment - Property rates	(309 693 740)	(280 899 445)
	37 581 549	**31 765 921**

Receivables from non-exchange transactions pledged as security

None of the receivables from non-exchange transactions were pledged as security for overdraft facilities.

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions 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:

Fair value of receivables from non-exchange transactions

The carrying value of the consumer receivables recorded at amortised cost approximate their fair values.

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2025, R 25 504 031 (2024: R 20 322 239) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due but not impaired	1 161 347	856 318
2 months past due but not impaired	6 211 995	3 263 353
3 months past due but not impaired	18 130 689	16 202 568

Rates aging		
Current (0 - 30 days)	10 011 578	13 661 278
31 - 60 days	9 581 261	7 542 480
61 - 90 days	7 280 258	6 730 763
91 - 120 days	6 864 745	6 464 932
121 - 365 days	50 872 798	45 281 956
> 365 days	262 664 649	232 983 957
Less: Impairment	(309 693 740)	(280 899 445)
	37 581 549	**31 765 921**

8. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions impaired

As of 30 June 2025, other receivables from non-exchange transactions of R 309 693 740 (2024: R 280 899 445) were impaired and provided for.

The following factors were considered in determining the impairment:
- Aging of the outstanding debt.
- Whether or not any payment was received during the year.
- Whether the account is active or inactive.
- The debtor type

9. Receivables from exchange transactions

	2025	2024
Gross balances		
Consumer debtors - Electricity	263 107 425	227 079 011
Consumer debtors - Water	399 328 175	386 638 278
Consumer debtors - Waste water	305 897 479	267 233 721
Consumer debtors - Waste	216 008 891	195 788 464
Consumer debtors - Sundry receivables	7 214 093	6 602 689
	1 191 556 063	**1 083 342 163**
Less: Allowance for impairment		
Consumer debtors - Electricity	(172 155 652)	(145 927 317)
Consumer debtors - Water	(383 767 507)	(370 939 711)
Consumer debtors - Waste water	(225 887 649)	(206 037 578)
Consumer debtors - Waste	(184 190 563)	(171 614 140)
Consumer debtors - Sundry receivables	(6 543 430)	(6 129 514)
	(972 544 801)	**(900 648 260)**
Net balance		
Consumer debtors - Electricity	90 951 773	81 151 694
Consumer debtors - Water	15 560 668	15 698 567
Consumer debtors - Waste water	80 009 830	61 196 143
Consumer debtors - Waste	31 818 328	24 174 324
Consumer debtors - Sundry receivables	670 663	473 175
	219 011 262	**182 693 903**
Electricity		
Current (0 -30 days)	22 316 999	21 087 237
31 - 60 days	6 613 925	7 261 393
61 - 90 days	5 305 180	5 571 528
91 - 120 days	4 652 055	4 324 819
121 - 365 days	47 158 940	42 261 213
> 365 days	177 060 326	146 572 821
Less: Impairment	(172 155 652)	(145 927 317)
	90 951 773	**81 151 694**

Figures in Rand	2025	2024

9. Receivables from exchange transactions (continued)

Water		
Current (0 -30 days)	12 710 525	13 110 768
31 - 60 days	8 456 611	8 772 065
61 - 90 days	8 182 337	9 331 631
91 - 120 days	7 997 145	10 003 949
121 - 365 days	61 616 020	67 199 089
> 365 days	300 365 538	278 220 776
Less: Impairment	(383 767 507)	(370 939 711)
	15 560 669	**15 698 567**

Waste water		
Current (0 -30 days)	6 914 772	6 681 701
31 - 60 days	6 183 948	6 056 616
61 - 90 days	7 012 496	5 885 787
91 - 120 days	5 927 132	5 754 136
121 - 365 days	44 917 450	43 083 062
> 365 days	234 941 681	199 772 419
Less: Impairment	(225 887 649)	(206 037 578)
	80 009 830	**61 196 143**

Waste		
Current (0 -30 days)	5 032 136	4 875 626
31 - 60 days	4 458 040	4 397 310
61 - 90 days	4 409 302	4 271 721
91 - 120 days	4 284 882	4 184 531
121 - 365 days	32 193 632	31 554 006
> 365 days	165 630 900	146 505 270
Less: Impairment	(184 190 563)	(171 614 140)
	31 818 329	**24 174 324**

Sundry receivables		
Current (0 -30 days)	192 121	68 909
31 - 60 days	64 306	58 261
61 - 90 days	63 474	67 570
91 - 120 days	67 570	54 872
121 - 365 days	458 109	451 060
> 365 days	6 368 512	5 913 992
Less: Impairment	(6 543 430)	(6 129 514)
	670 662	**485 150**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

9. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	19 904 891	21 683 228
31 - 60 days	15 192 366	18 071 807
61 - 90 days	14 738 685	17 715 886
91 days plus	769 470 285	794 767 328
	819 306 227	852 238 249
Less: Allowance for impairment	(801 619 931)	(832 643 088)
	17 686 296	**19 595 161**

Industrial/ commercial		
Current (0 -30 days)	15 563 762	13 839 255
31 - 60 days	6 359 899	7 410 316
61 - 90 days	5 097 085	5 440 786
91 days plus	192 460 540	168 301 589
	219 481 286	194 991 946
Less: Allowance for impairment	(195 312 886)	(170 424 799)
	24 168 400	**24 567 147**

Farm and agriculture		
Current (0 -30 days)	2 993 284	6 662 772
31 - 60 days	3 805 435	2 804 563
61 - 90 days	2 716 360	2 630 976
91 days plus	149 978 849	134 305 505
	159 493 928	146 403 816
Less: Allowance for impairment	(157 791 867)	(144 209 304)
	1 702 061	**2 194 512**

Indigents		
Current (0 -30 days)	4 848 612	2 607 264
31 - 60 days	4 274 608	1 767 867
61 - 90 days	4 191 171	2 179 416
91 days plus	114 199 466	27 715 967
	127 513 857	34 270 514
Less: Allowance for impairment	(127 513 857)	(34 270 514)
	-	-

National and Provincial Government		
Current (0 -30 days)	5 872 210	4 709 898
31 - 60 days	5 725 782	4 033 571
61 - 90 days	5 509 745	3 879 961
91 days plus	187 933 318	145 496 471
	205 041 055	**158 119 901**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

9. Receivables from exchange transactions (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(1 181 547 707)	(934 337 441)
Contributions to allowance	(216 122 607)	(243 218 408)
VAT provision on impairment	(3 710 651)	(16 759 683)
Debt impairment written off against the allowance	119 142 421	12 767 825
	(1 282 238 544)	**(1 181 547 707)**

Receivables from exchange transactions pledged as security

No consumer receivable was pledged as security for any financial liability.

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:

Renegotiated terms:

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

Fair value of consumer debtors

The carrying value of the receivables from exchange transactions recorded at amortised cost approximate their fair values.

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2025, R 165 929 456 (2024 R: 130 110 337) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due but not impaired	4 387 816	4 465 771
2 months past due but not impaired	32 488 501	34 602 878
3 months and more past due but not impaired	129 053 140	91 041 688

Receivables from exchange transactions impaired

As of 30 June 2025, receivables from exchange transactions of of R 972 544 801 (2024: R 900 648 260) were impaired and provided for.

The following factors were considered in determining the impairment:
- Aging of the outstanding debt.
- Whether or not any payment was received during the year.
- Whether the account is active or inactive.
- The debtor type

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

10. VAT receivable

VAT Control	319 995 667	268 256 108

The municipality accounts for VAT on the accrual and cash basis. The accrual basis relates to transations that are yet to be settled, and the cash basis relates to amounts payable or refundable to SARS

VAT consists of:

VAT receivable (accrual basis)	317 598 195	274 692 384
VAT refundable/(payable) to SARS (cash basis)	2 397 472	(6 436 276)
	319 995 667	**268 256 108**

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	43 913	51 881
Bank balances	3 193 183	(195 356)
Short-term deposits	1 908 382	62 245 924
	5 145 478	**62 102 449**

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 - 405-2707-733	3 193 231	615 781	531 463	3 193 183	(195 356)	923 463
ABSA Bank - Call account - 925-3832-988	6 208	37 939 925	1 892 149	6 208	37 939 925	1 892 149
ABSA Bank - Call account - 925-3833-502	641 544	6 410 753	21 178 093	641 544	6 410 753	21 178 093
ABSA Bank - Call account - 925-3833-764	78 774	5 292 200	9 015 769	78 774	5 292 200	9 015 769
ABSA Bank - Call account - 925-3835-643	19 752	8 101 046	1 187	19 752	8 101 046	1 187
ABSA Bank - Call account - 928-6271-086	29 751	4 501 000	12 644 789	29 751	4 501 000	12 644 789
ABSA Bank - Call account - 928-6271-167	62 931	1 000	272 301	62 931	1 000	272 301
ABSA Bank - Call account - 938-9527-025	1 819	-	-	1 819	-	-
ABSA Bank - Call account - 938-9528-788	1 067 603	-	-	1 067 603	-	-
Total	**5 101 613**	**62 861 705**	**45 535 751**	**5 101 565**	**62 050 568**	**45 927 751**

* The above schedule excludes cash on hand

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

12. Payables from exchange transactions

Trade payables	101 295 771	99 483 314
Payments received in advanced	73 955 970	54 939 338
Accrued leave pay	26 395 698	24 852 706
Accrued bonus	6 641 772	5 979 020
Other payables	6 948 975	8 752 536
Eskom	2 582 140 326	2 139 000 925
Bulk water supply	188 890 244	206 379 002
Salary control account	18 155 861	33 308 461
Retention	19 763 028	13 441 661
Deferred income	5 083 771	-
	3 029 271 416	**2 586 136 963**

13. Consumer deposits

Electricity	5 160 794	5 146 429

14. Employee benefit obligations

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

Carrying value		
Present value of the post-employment medical aid benefit	23 212 655	27 623 069
Present value of the long service award benefit	18 462 203	16 395 726
	41 674 858	**44 018 795**

Non-current liabilities	37 154 747	39 335 685
Current liabilities	4 520 111	4 683 110
	41 674 858	**44 018 795**

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

Opening balance	44 018 795	36 246 036
Net expense recognised in the statement of financial performance	(2 343 937)	7 772 759
	41 674 858	**44 018 795**

Net expense recognised in the statement of financial performance

Current service cost	1 120 240	1 075 193
Interest cost	4 424 607	3 735 777
Acturial (gains)/losses	(4 519 903)	6 189 829
Contributions made	(3 368 881)	(3 228 040)
	(2 343 937)	**7 772 759**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Long service award	358 705	(687 715)
Actuarial (gains) losses – Medical aid	(4 878 608)	6 877 544
	(4 519 903)	**6 189 829**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

14. Employee benefit obligations (continued)

Post-retirement medical aid plan

The municipality has a post-employment medical aid fund for its pensioners. The post-retirement medical aid are in accordance with Resolution 8 of the South African Local Government Bargaining Council (SALGBC), signed on 17 January 2003, which states that an employee who retires from employment with an employer and who immediately prior to his or her retirement, enjoys the benefits of subsidy of his or her medical aid contributions by his or her employer, will continue to receive a subsidy calculated as follows.

- If the employee is 55 years or older on 1 July 2003, his or her subsidy from the employer as at the date of retirement will be 60% to a maximum amount of the norms of the cost of his or her medical aid scheme contributions as at the date immediately prior to the date of his or her retirement.
- If the employee is 50 years or older on 1 July 2003, his or her subsidy will be 50% to a maximum amount of the norms of the cost of his or her medical aid scheme contributions as at the day immediately prior to the date of his or her retirement

The municipality makes monthly contributions for the healthcare arrangements to the following medical aid schemes:
- Bonitas
- Hosmed
- Key Health
- LA Health
- Samwumed.

Long Service benefits

The municipality's liability for long service benefits relating to vested leave benefits to which employees may become entitled upon completion of five years of service and every five years thereafter. These leave benefits are in accordance with paragraph 11 of South African Government Bargaining Council (SALGBC) collective agreement on conditions of service for the Free State division of SALGA which was signed on July 2010.

In accordance with South African Local Government Bargaining Council (SALGBC) issued circular 1 of 2011 (issued 27 June 2011 with an effective date of 1 March 2011), specific bonuses are payable to employees for long service. Bonuses are payable in the following scale:

Years of service completed	Percentage of annual salary as a bonus	Additional Leave days
> 5 Years	2%	5 days
> 10 Years	3%	10 days
> 15 Years	4%	15 days
> 20 Years	5%	15 days
> 25 - 45 Years	6%	15 days

Key assumptions used

Assumptions used at the reporting date:

	2025	2024
CPI (Medical aid)	4,33 %	5,64 %
CPI (Long service award)	3,90 %	5,16 %
Discount rate (Medical aid)	9,59 %	10,89 %
Discount rate (Long service award)	8,97 %	10,15 %
Health care cost inflation (Medical aid)	5,83 %	7,14 %
Salary increase rate (Long service awards)	4,90 %	6,16 %
Net discount rate (Medical aid)	3,55 %	3,50 %
Net discount rate (Long service awards)	3,88 %	3,76 %
Continuation percentage	100,00 %	100,00 %
Average retirement age	63	63

14. Employee benefit obligations (continued)

Other assumptions

The effect of a one percent increase and decrease in health care cost inflation rate, discount rate and the salary inflation rate would have the following effects:

2025	**One percentage point increase**	**One percentage point decrease**
Employers opening accrued liability due to salary inflation rate (Long service awards)	17 308 173	15 553 081
Employers current service cost due to salary inflation rate (Long service awards)	1 111 552	992 290
Employers net interest cost due to salary inflation rate (Long service awards)	1 668 458	1 490 289
Employers opening accrued liability due to discount rate (Long service awards)	15 589 508	17 282 188
Employers current service cost due to discount rate (Long service awards)	994 755	1 109 779
Employers net interest cost due to discount rate (Long service awards)	1 641 505	1 501 434
Employers opening accrued liability due to healthcare cost inflation rate (Medical aid)	29 755 896	25 713 737
Employers current service cost due to healthcare cost inflation rate (Medical aid)	79 008	63 796
Employers net interest cost due to healthcare cost inflation rate (Medical aid)	3 080 344	2 641 556
Employers opening accrued liability due to discount rate rate (Medical aid)	25 905 212	29 566 547
Employers current service cost due to discount rate (Medical aid)	64 669	78 050
Employers net interest cost due to discount rate (Medical aid)	2 908 993	2 779 488

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

`	2025 R	2024 R	2023 R	2022 R	2021 R
Defined benefit obligation	41 674 858	44 018 795	36 246 036	40 732 947	37 293 653

Defined contribution plan

The municipality makes provision for post-retirement benefits to all employees and councillors, who belong to different retirement contribution plans which are administered by various pension funds, provident and annuity funds.

These plans are subject to the Pension Fund Act, 1995 (Act No. 24 of 1956) and include defined contribution plans

The municipality is under no obligation to cover any unfunded benefits. The only obligation of the municipality is to make the specific contributions.

The following are the multi-employer funds and are defined contribution plans:
- South African Local Authorities Pension Fund (SALA)
- Free State Municipal Pension Fund (FSMPF)
- Municipal Councillors Pension Fund (MCPF)

Sufficient information was not available to use defined benefit accounting for the fund and it was accounted for as defined contribution plan due to the following reasons:
- The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers;
- One set of financial statements is compiled for all the funds that are not for each participating employer; and
- The same rate of contribution applies to all participating employers and no regard is paid to differences in membership distribution of the participating employers.

This is in line with the exemption in GRAP 25 paragraph 31 which states that where information is required for proper defined benefits accounting is not available in respect of the multi-employer and state plan; these should be accounted for as defined contribution plans.

The amount recognised as an expense for defined contribution plans is	(2 343 937)	7 772 759

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	-	5 262 543
Water Services Infrastructure Grant (WSIG)	-	13 514 895
Municipal Support Grant (MSG)	5 250 000	5 250 000
Integrated National Electrification Program (INEP)	-	4 500 000
	5 250 000	**28 527 438**

Movement during the year

Balance at the beginning of the year	28 527 438	79 119 367
Additions during the year	369 848 864	297 885 358
Income recognition during the year	(393 126 302)	(348 477 287)
	5 250 000	**28 527 438**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

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

See note 27 for reconciliation of grants from National/Provincial Government.

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

16. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Change in Provision	Finance Cost	Total
Environmental rehabilitation	127 533 145	(8 332 219)	10 252 730	129 453 656

Reconciliation of provisions - 2024

	Opening Balance	Change in Provision	Finance Cost	Total
Environmental rehabilitation	121 197 141	(2 514 798)	8 850 802	127 533 145

16. Provisions (continued)

Environmental rehabilitation provision

Ngwathe Local Municipality consists of five (5) towns (Parys, Heilbron, Vredefort, Edenville and Koppies). Heilbron, Vredefort, Edenville and Koppies are located in an area of agricultural significance and Parys is the central business district of Ngwathe Municipality.

Landfill operations continue until all the available permitted airspace has been filled. Once this happens, the site is closed and capped with a layer of impermeable clay and a layer of the top soil. Grass and other suitable vegetation types are planted to stabilize the soil and improve the appearance. Environmental monitoring continues for a period of up to 30 years after the closure of the site. No appointment for the closure of the sites has been made, and therefore only rough estimates have been compiled without site visits with no detailed inspections or investigations. Basic information on the size and classification of each site was supplied.

Key assumptions used:

Accounting Standard GRAP19 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term/life of the landfill site.

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

The Zero-Coupon Yield Curves were obtained from the Bond Exchange of South Africa after the market closed on 30 June 2025.

Discount rate (D) 11.16%
Consumer price inflation (C) 3.00%
Net discount rate 7.92%

Site life calculation:

Parys Landfill Site:

The landfill site is situated approximately 480 meters from Parys town. Parys is a town in the Free State, and it is situated on the banks of the Vaal River. The Parys landfill site is responsible for accommodating the solid waste of Parys Golf and Country Estate, Parys SP and Vaal de Grace Golf Estate. The total population of the mentioned towns accumulates to 9 630 in 2025. (Census 2011 adjusted to 2025 at 1.38% annually)

The site is accessed by a gravel road and its coordinates are 27.508718°E 26.9119039°S. The estimated total footprint of the item is approximately 82 000 m2 and the fully utilized area is approximately 32 300 m2. A total of 47 800 m2 is partially utilized leaving room for further utilization. The total cubes of fill within the partially utilized area is 192 372.80 m3.

The remaining life is calculated at 28 years, up to 2053 based on the annual population growth and available air space

Heilbron Landfill site:

The landfill site is situated approximately 1.3 km from Sandersville, which is the township of Heilbron. Heilbron is a town in the Free State, and it is situated approximately 50.9 km from Koppies town. The Heilbron landfill site is responsible for accommodating the solid waste of Heilbron SP, Sandersville SP and Phiritona SP. The total population of the mentioned towns accumulates to 32 702 in 2025. (Census 2011 adjusted to 2024 at 1.38% annually).

The site is accessed by a gravel road which is then linked to asphalt road and its coordinates are 27.269488°S 27.958318°E. The estimated total footprint of the item is approximately 160 500 m2 and the fully utilized area is approximately 88 900 m2. A total 70 700 m2 is partially utilized leaving room for further utilization. The total cubes of fill within the partially utilized area is 96 771.02 m3.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

16. Provisions (continued)
The remaining life is calculated at 5 years, up to 2030 based on the annual population growth and available air space.

Vredefort Landfill site:

The landfill site is situated approximately 800 meters from Vredefort town. Vredefort is a town in the Free State, and it is situated approximately 16.6 km from Parys. The Vredefort landfill site is responsible for accommodating the solid waste of Vredefort SP and Mokwallo which is the township of Vredefort. The total population of the mentioned towns accumulates to 17 443 in 2025. (Census 2011 adjusted to 2025 at 1.38% annually).

The site is accessed by a gravel road which is then linked to asphalt road and its coordinates are 27.000377°S 27.353161°E. The estimated total footprint of the item is approximately 80 000 m2 and the fully utilized area is approximately 28 500 m2. A total 45 200 m2 is partially utilized leaving room for further utilization. The total cubes of fill within the partially utilized area is 34 996.69 m3.

The remaining life is calculated at 13 years, up to 2038 based on the annual population growth and available air space.

Edenville Landfill site:

The landfill site is situated approximately 410 meters from Edenville town. Edenville is a town in the Free State, and it is situated approximately 51.9 km from Koppies. The Edenville landfill site is responsible for accommodating the solid waste of Edenville SP and Ngwathe SP which is the township of Edenville. The total population of the mentioned towns accumulates to 7 510 in 2025. (Census 2011 adjusted to 2025 at 1.38% annually).

The site is accessed by a gravel road which leads to Edenville town, and its coordinates are 27.562892°S 27.672590°E. The estimated total footprint of the item is approximately 47 550 m2. A total of 5052.51 m2 is partially utilized leaving room for further utilization. The total cubes of fill within the partially utilized area is 1 608.11 m3.

The remaining life is calculated at 34 years, up to 2059 based on the annual population growth and available air space.

Koppies Landfill site:

The landfill site is situated approximately 1 482 meters from Koppies town. Koppies is a town in the Free State, and it is situated approximately 51.9 km from Edenville. The Koppies landfill site is responsible for accommodating the solid waste of Koppies SP and Kwakwatsi SP which is the township of Koppies. The total population of the mentioned towns accumulates to 16 470 in 2025. (Census 2011 adjusted to 2025 at 1.38% annually).

The site is accessed by a gravel road which links with the R82 asphalt road, and its coordinates are 27.241007°S 27.552804°E. The estimated total footprint of the item is approximately 162 000 m2 and the fully utilized area is approximately 19 700 m2. A total 6 424.85 m2 is partially utilized leaving room for further utilization. The total cubes of fill within the partially utilized area is 1 833.56 m3.

The remaining life is calculated at 46 years, up to 2071 based on the annual population growth and available air space

17. Revenue

Service charges	422 375 643	394 008 693
Rental of facilities and equipment	450 223	423 836
Other income	2 751 404	2 108 232
Interest received from exchange transactions	81 889 009	74 374 990
Property rates	108 441 209	103 832 293
Interest received from non-exchange transactions	25 366 612	24 805 120
Government grants and subsidies	393 126 302	348 477 287
Donations received	961 360	-
Fines, penalties and forfeits	377 604	148 032
Interest and penalties recovered	1 676 999	-
Debt waived	-	115 890 610
	1 037 416 365	**1 064 069 093**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

17. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	422 375 643	394 008 693
Rental of facilities and equipment	450 223	423 836
Other income	2 751 404	2 108 232
Interest received from exchange transactions	81 889 009	74 374 990
	507 466 279	**470 915 751**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	108 441 209	103 832 293
Transfer revenue		
Government grants and subsidies	393 126 302	348 477 287
Donations received	961 360	-
Interest received from non-exchange transactions	25 366 612	24 805 120
Fines, penalties and forfeits	377 604	148 032
Interest and penalties recovered	1 676 999	-
Debt waived	-	115 890 610
	529 950 086	**593 153 342**

18. Service charges

Sale of electricity	269 388 877	221 690 119
Sale of water	57 347 488	74 687 746
Sewerage and sanitation charges	60 336 738	57 004 077
Refuse removal	35 302 540	40 626 751
	422 375 643	**394 008 693**

19. Rental of facilities and equipment

Premises		
Buildings and housing - entrance fees	334 195	324 658
Venue hire	37 429	26 999
Camps	14 948	8 528
Buildings and housing - admin fees	63 651	63 651
	450 223	**423 836**

20. Interest and penalties recovered

Interest and penalties recovered from SARS	1 676 999	-

Interest and penalties remission of R1,676,999 was applied by SARS during the current year under review

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

21. Other income

Administration fees	26 405	2 648
Building plans and inspections	244 250	177 621
Clearance certificates	35 728	51 963
Reconnection / connection fees	579 979	282 742
Grave plots	736 379	727 508
Tender deposits	630 812	589 321
Sundry income	202 814	40 846
Sale of land	295 037	235 583
	2 751 404	**2 108 232**

22. Debt waived

Debt waived	-	115 890 610

Debt has been waived through the write off's of the Municipality's debt by Eskom and the Department of Water and Sanitation. Eskom has relieved R 72 900 993 of the debt outstanding and the Department of Water and Sanitation has relieved R 42 989 617 of the debt outstanding.

23. Interest received from exchange transactions

Interest revenue		
Other financial asset	6 202 593	6 536 594
Interest charged on trade and other receivables	75 686 416	67 838 396
	81 889 009	**74 374 990**

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R75 686 416 (2024: R67 838 396).

24. Interest received from non-exchange transactions

Interest revenue		
Interest charged on trade and other receivables	25 366 612	24 805 120

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

25. Property rates

Rates received

Property rates	108 441 209	103 832 293

Valuations

Agriculture	5 627 432 600	5 054 432 733
Business	813 719 940	762 025 182
Churches	121 429 700	102 975 000
Government	933 758 200	310 921 000
Industrial	88 096 500	55 050 000
Municipal	499 681 987	222 568 400
Other	8 250 000	4 038 700
Public Service Infrastructure	41 340 000	41 151 000
Residents	5 988 037 260	6 102 592 555
Schools	-	108 770 000
	14 121 746 187	**12 764 524 570**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 01 July 2024. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2029.

The valuations of schools has been included under government in the 2024/2025 financial year.

26. Donations received

Fezile Dabi District Municipality	961 360	-

The donations received relates to a building donated to the Municipality by Fezile Dabi District Municipality

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

27. Government grants and subsidies

Operating grants		
Equitable share	248 094 438	261 394 000
Local Government Finance Management Grant (FMG)	3 000 000	3 100 000
Local Government Sector Education and Training Authority Grant (LGSETA)	559 438	290 357
Provincial Treasury Subsidy (Audit fees)	4 101 426	-
Expanded Public Works Programme (EPWP)	1 480 000	2 154 000
	257 235 302	**266 938 357**
Capital grants		
Integrated National Electrification Program (INEP)	15 585 000	-
Municipal Infrastructure Grant (MIG)	42 400 000	31 659 690
Regional Bulk Infrastructure Grant (RBIG)	67 000 000	39 958 286
Water Service Infrastructure Grant (WSIG)	10 906 000	9 920 954
	135 891 000	**81 538 930**
	393 126 302	**348 477 287**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	140 371 000	86 792 930
Unconditional grants received	252 755 302	261 684 357
	393 126 302	**348 477 287**

Equitable Share

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

Provincial Treasury has withheld an amount of R30,000,000 in terms of its equitable share payment schedule for the 2024/2025 financial year.

Equitable share		
Current year receipts	224 817 000	192 894 000
Transferred to revenue	(248 094 438)	(261 394 000)
Grants withheld	23 277 438	68 500 000
	-	**-**

Integrated National Electrification Program (INEP)

Balance unspent at beginning of year	4 500 000	15 000 000
Current-year receipts	15 585 000	4 500 000
Conditions met - transferred to revenue	(15 585 000)	-
Grants withheld and transferred to equitable share	(4 500 000)	(15 000 000)
	-	**4 500 000**

Conditions still to be met - remain liabilities (see note 15).

The grant is used to implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure.

27. Government grants and subsidies (continued)

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	5 262 543	26 096 233
Current-year receipts	42 400 000	36 926 000
Conditions met - transferred to revenue	(39 121 862)	(29 173 286)
Retention	(3 278 138)	(2 486 404)
Grants withheld and transferred to equitable share	(5 262 543)	(26 100 000)
	-	**5 262 543**

Conditions still to be met - remain liabilities (see note 15).

The grant is used to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

Local Government Finance Management Grant (FMG)

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

The grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

Expanded Public Works Programme (EPWP)

Current-year receipts	1 480 000	2 154 000
Conditions met - transferred to revenue	(1 480 000)	(2 154 000)
	-	-

The grant is used to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme Guidelines: road maintenance and the maintenance of buildings, low traffic volume roads and rural roads, basic services infrastructure, including water and sewer reticulation, sanitation, pipelines (excluding bulk infrastructure), other economic and social infrastructure, tourism and cultural industries, waste management, parks and beautification, sustainable land-based livelihoods, social services programme, health service programme and community safety programme.

Provincial Treasury subsidy (audit fees)

Current-year receipts	4 101 426	-
Transferred to revenue	(4 101 426)	-
	-	-

Provincial Treasury paid R4,101,426 on behalf of Ngwathe Local Municipality as part of their outstanding audit fees owing to the Auditor General.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

27. Government grants and subsidies (continued)

Municipal Support Grant (MSG)

Balance unspent at beginning of year	5 250 000	5 250 000

Conditions still to be met - remain liabilities (see note 15).

The grant is used to assist the municipalities to provide the communities with clean drinking water, repair and provide new additional infrastructure.

Local Government Sector Education and Training Authority (LGSETA)

Current-year receipts	559 438	290 357
Transferred to revenue	(559 438)	(290 357)
	-	-

LGSETA grant is used for the skills development of the municipal employees as per the skills work plan.

Water Service Infrastructure Grant (WSIG)

Balance unspent at beginning of year	13 514 894	5 414 848
Current-year receipts	10 906 000	14 021 000
Conditions met - transferred to revenue	(10 906 000)	(9 920 954)
Grants withheld and transferred to equitable share	(13 514 894)	-
Additional amount received	-	4 000 000
	-	**13 514 894**

Conditions still to be met - remain liabilities (see note 15).

This grant aims to accelerate the delivery of clean water and sanitation facilities to communities that do not have access to basic water services.

Regional Bulk Infrastructure Grant (RBIG)

Balance unspent at beginning of year	-	27 358 287
Current-year receipts	67 000 000	40 000 000
Conditions met - transferred to revenue	(67 000 000)	(39 958 287)
Grants withheld and transferred to equitable share	-	(27 400 000)
	-	-

Conditions still to be met - remain liabilities (see note 15).

The purpose of the overall regional bulk programme is to develop an oversight function that will ensure the construction of enabling infrastructure and of operations and maintenance of regional bulk infrastructure in the water sector.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 10 of 2020), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

28. Fines, Penalties and Forfeits

Property Rates Penalties	377 604	148 032

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

29. Employee related costs

Basic	201 715 915	174 639 515
Bonus (13th cheque)	15 037 553	13 723 217
Medical aid - company contributions	16 776 418	15 368 887
Unemployment insurance fund (UIF)	1 708 558	1 536 992
Other payroll levies	2 913 085	2 506 741
Leave pay provision charge	4 924 573	3 762 367
Defined contribution plans	(2 380 583)	(2 198 105)
Overtime payments	36 235 518	31 381 553
Long-service awards	131 942	45 258
Pension fund contributions	27 763 450	26 402 357
Car allowance	7 839 922	5 645 345
Housing benefits and allowances	730 595	597 190
Other allowances	16 277 533	12 437 687
Group life insurance	2 654 395	2 461 414
	332 328 874	**288 310 418**

The reason for significant increases include the following:

Basic - The increase in the basic salary is due to the appointments of directors and managers in the 2025 financial year.

Car allowance - The increase in the car allowance is due to the appointments of directors and managers in the 2025 financial year.

Overtime - Overtime increased due to the employee's attending to water and electricity challenges.

Remuneration of Municipal Manager - Mothamaha FP

Annual Remuneration	864 066	160 872
Car Allowance	768 797	104 425
Contributions to UIF, Medical and other Contributions	45 800	2 823
	1 678 663	**268 120**

Dr FP Mothamaha acted as Municipal Manager from 07 May 2024 until 31 August 2024

Dr FP Mothamaha was appointed as Municipal Manager on a fixed-term contract as from 01 September 2024

Remuneration of Chief Financial Officer - Xulu M

Annual Remuneration	660 660	-
Car Allowance	124 008	-
Contributions to UIF, Medical, Pension Funds and other Contributions	8 681	-
	793 349	**-**

M Xulu was appointed as Chief Financial Officer as from September 2024 until January 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

29. Employee related costs (continued)

Remuneration of Chief Financial Officer - Phetoane SD

Annual Remuneration	405 743	-
Car Allowance	84 881	-
Contributions to UIF, Medical, Pension Funds and other Contributions	82 674	-
	573 298	**-**

SD Phetoane acted as Chief Financial Officer from February 2025 until May 2025

SD Phetoane was appointed as Chief Financial Officer on 02 June 2025

In-Kind:
Ms KB Lepesa was appointed as acting Chief Financial Officer on 13 June 2023 and acted as Chief Financial Officer from 01 July 2024 until 31 August 2024. Her remuneration during this period was paid for by COGTA

Remuneration of Acting Director Community Services - Netshivhodza AB

Annual Remuneration	510 085	371 922
Car Allowance	51 000	40 800
Contributions to UIF, Medical, Pension Funds and other Contributions	90 192	70 031
	651 277	**482 753**

AB Netshivhodza acted as Director Community Services from 01 July 2024 until 30 November 2024

Remuneration of Acting Director Community Services - Pali M

Annual Remuneration	-	463 156
Car Allowance	-	61 200
Contributions to UIF, Medical, Pension Funds and other Contributions	-	80 504
	-	**604 860**

M Pali acted as Director Community Services from 01 November 2023 until 30 April 2024

Remuneration of Acting Director Community Services - Mosala LJ

Annual Remuneration	568 771	-
Car Allowance	63 281	-
Contributions to UIF, Medical, Pension Funds and other Contributions	123 907	-
	755 959	**-**

LJ Mosala acted as Director Community Services from 01 December 2024 until 30 June 2025

Remuneration of Acting Director Technical Services - Moeketsi MF

Annual Remuneration	201 519	-
Car Allowance	17 557	-
Contributions to UIF, Medical, Pension Funds and other Contributions	36 806	-
	255 882	**-**

MF Moeketsi acted as Director Technical Services from 01 December 2024 until 31 January 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

29. Employee related costs (continued)

Remuneration of Acting Director Technical Services - Phele MJ

Annual Remuneration	-	214 613
Car Allowance	-	20 400
Contributions to UIF, Medical, Pension Funds and other Contributions	-	31 740
	-	**266 753**

MJ Phele acted as Director Technical Services from 01 July 2023 until 30 August 2023

Remuneration of Acting Director Technical Services - Pali M

Annual Remuneration	419 871	171 639
Car Allowance	65 198	20 400
Contributions to UIF, Medical, Pension Funds and other Contributions	69 048	27 138
	554 117	**219 177**

M Pali acted as Director Technical Services from 01 July 2024 until 30 November 2024

Remuneration of Director Technical Services - Morokolo MP

Annual Remuneration	339 620	-
Car Allowance	232 294	-
Contributions to UIF, Medical, Pension Funds and other Contributions	20 119	-
	592 033	**-**

MP Morokolo was appointed as Director Technical Services in February 2025

Remuneration of Acting Director Corporate Services - Caleni JS

Annual Remuneration	-	293 840
Car Allowance	-	30 600
Contributions to UIF, Medical, Pension Funds and other Contributions	-	3 200
	-	**327 640**

JS Caleni acted as Director Corporate Services from 01 August 2023 until 31 October 2023

Remuneration of Director Corporate Services - Motshoikha TA

Annual Remuneration	604 322	123 965
Car Allowance	625 356	-
Contributions to UIF, Medical, Pension Funds and other Contributions	60 460	2 419
	1 290 138	**126 384**

TA Motshoikha acted as Director of Corporate Services from 01 November 2023 until 31 August 2024

TA Motshoikha was appointed as DIrector of Corporate Services on 01 September 2024

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

29. Employee related costs (continued)

Remuneration of Director Plannning and LED - Dintsi S

Annual Remuneration	339 620	-
Car Allowance	226 601	-
Contributions to UIF, Medical, Pension Funds and other Contributions	6 160	-
	572 381	**-**

Dr S Dintsi was appointed as Director Planning and Local Economic Development on 01 February 2025

Remuneration of Director Technical Services - Malunga TR

Annual Remuneration	1 304 544	863 691
Car Allowance	37 362	355 272
Contributions to UIF, Medical, Pension Funds and other Contributions	13 656	66 831
	1 355 562	**1 285 794**

TR Malunga left the services of the Municipality in July 2024

TR Malunga was paid in July 2024, in accordance with a final settlement agreement, 10 months salary as well as his leave days.

30. Remuneration of councillors

Executive Mayor	1 037 587	990 646
Councillors	10 583 798	10 406 168
Mayoral Committee Members	5 848 514	5 548 277
Speaker	877 080	836 925
	18 346 979	**17 782 016**

In-kind benefits

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

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

The Executive Mayor has one full-time bodyguard.

Salaries, allowances and benefits of political office bearers and councillors of the municipality are within the upper limits of the framework as envisaged by section 219 of the constitution

30. Remuneration of councillors (continued)

Councillors 30 June 2025	Annual Remuneration	Allowances	Company contributions	Total
De Beer-Mthombeni VE	650 212	387 375	-	1 037 587
Mopedi NP	656 476	220 604	-	877 080
Moloi NS	501 865	304 019	37 997	843 881
Mosepedi MTJ	504 890	326 321	-	831 211
Mofokeng MD	504 890	333 195	-	838 085
Serati MJ	504 890	332 710	-	837 600
Sefako ME	499 646	297 149	37 667	834 462
Khumalo KJ	504 890	326 920	-	831 810
Masooane D	504 890	326 577	-	831 467
Schoonwinkel A	212 096	86 558	15 907	314 561
Moseme SL	267 181	108 185	-	375 366
De Jager SHF	200 446	111 532	-	311 978
Sehume NA	263 834	109 132	-	372 966
Tyumbu MJ	253 069	106 762	17 629	377 460
Nthoesane SE	267 181	108 185	-	375 366
Rantsaile MM	267 181	107 868	-	375 049
Mokoena BT	267 181	108 185	-	375 366
Magashule IM	267 181	108 185	-	375 366
Jantjie AA	252 293	104 394	18 922	375 609
La Cock SM	263 834	111 532	-	375 366
Motaung MP	242 705	102 137	-	344 842
Matthysen Engelbrecht ME	263 834	111 532	-	375 366
Meyer JA	263 834	111 532	-	375 366
Kok S	263 834	111 532	-	375 366
De Jager AJ	263 834	111 532	-	375 366
Nteo S	263 834	111 215	-	375 049
Van Der Merwe PP	242 705	102 137	-	344 842
Mokoena KJ	263 834	111 532	-	375 366
Ferendale RS	263 834	111 532	-	375 366
Rapuleng MD	263 834	111 532	-	375 366
Sothoane TP	263 834	114 574	-	378 408
Sefontein C	263 834	111 532	-	375 366
Sotshiva L	242 172	68 489	18 163	328 824
Toyi MS	356 186	121 227	-	477 413
Moloi MP	263 834	111 532	-	375 366
Mbele MJ	260 809	111 215	-	372 024
Ramabodu T	211 897	93 347	-	305 244
Snyman JHP	84 517	37 581	-	122 098
Olivier B	63 388	27 868	-	91 256
Tladi MS	21 129	9 395	-	30 524
De Villiers JP	21 129	9 396	-	30 525
	12 262 937	**5 937 757**	**146 285**	**18 346 979**

30. Remuneration of councillors (continued)

Councillors 30 June 2024	Annual Remuneration	Allowances	Company contributions	Total
De Beer VE	622 384	368 262	-	990 646
Mopedi NP	636 506	200 419	-	836 925
Moloi NS	474 079	287 754	35 555	797 388
Mosepedi MTJ	469 913	312 574	-	782 487
Mofokeng MD	483 302	312 574	-	795 876
Serati MJ	483 302	312 574	-	795 876
Sefako ME	460 689	289 656	34 552	784 897
Khumalo KJ	483 302	312 574	-	795 876
Masooane D	483 302	312 574	-	795 876
Schoonwinkel A	251 214	98 489	18 841	368 544
Moseme SL	260 180	106 528	-	366 708
De Jager SHF	260 180	106 528	-	366 708
Sehume NA	260 180	105 128	-	365 308
Tyumbu MJ	260 180	104 626	-	364 806
Nthoesane SE	260 180	106 528	-	366 708
Rantsaile MM	260 180	104 626	-	364 806
Mokoena BT	260 180	106 528	-	366 708
Magashule IM	260 180	106 528	-	366 708
Moroenyane MJ	251 210	96 591	18 841	366 642
Jantjie AA	251 210	98 493	18 841	368 544
La Cock SM	260 180	106 528	-	366 708
Motaung MP	260 180	106 528	-	366 708
Matthysen Engelbrecht ME	260 180	106 528	-	366 708
Meyer JA	260 180	106 528	-	366 708
Kok S	260 180	106 528	-	366 708
De Jager AJ	260 180	106 528	-	366 708
Nteo S	260 180	104 626	-	364 806
Van der Merwe PP	260 180	106 528	-	366 708
Mokoena KJ	260 180	106 528	-	366 708
Ferendale RS	260 180	106 528	-	366 708
Rapuleng MD	260 180	106 528	-	366 708
Sothoane TP	260 180	104 626	-	364 806
Serfontein C	260 180	106 528	-	366 708
Sotshiva L	349 256	94 456	26 194	469 906
Toyi MS	349 004	106 528	-	455 532
Moloi MP	260 180	106 528	-	366 708
Segoba SJ	65 996	29 626	-	95 622
Mbele MJ	157 664	65 147	-	222 811
	11 996 293	**5 632 899**	**152 824**	**17 782 016**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

31. Depreciation and amortisation

Property, plant and equipment	46 475 552	53 219 515

32. Impairment of assets

Impairments		
Property, plant and equipment	49 559 105	8 451 441
Reversal of impairments		
Property, plant and equipment	(18 877 615)	(1 835 906)
Total impairment losses (recognised)/reversed	**30 681 490**	**6 615 535**

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

Infrastructure assets - GRAP 26.(23) states: In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

(g) - Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected. Due to significant budget constraints, the municipality could not maintain the maintenance plan as required for the infrastructure assets. This lead to the value in use being lower than the economic value of the assets. Assets were therefore impaired to a condition grade lower based on physical assessment of these assets.

Land - IGRAP 18 indicates that land is recognised based on control. Control of land is evidenced by the following criteria:
(a) legal ownership; and/or
(b) the right to direct access to land, and to restrict or deny the access of others to land. During the prior year it was identified that control over land has been lost. The most significant part of this was rural development for housing. As the land was not yet transferred to the legal new owner's name, the land was impaired.

Method
Carrying value – Value in Use = Impairment Loss

Significant assumptions applied
Value in use is directly related to a calculated current replacement cost considering the national CPI history factor.

33. Finance costs

Trade and other payables	99 181 007	89 025 642
Provision (Landfill site)	10 252 730	8 850 801
Fines and penalties paid to SARS	5 016 565	5 796 735
Employee benefits	4 424 607	3 735 777
	118 874 909	**107 408 955**

Interest and penalties remission of R1,676,999 was applied by SARS during the current year under review. This has been disclosed separately as an interest and penalty recovery in note 20

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

34. Debt impairment

Contributions to debt impairment provision	216 122 607	243 218 408

Reconciliation of allowance for impairment		
Balance at the beginning of the year	(1 181 547 707)	(934 337 441)
Debt impairment written off against the allowance	119 142 421	12 767 825
VAT provision on impairment	(3 710 651)	(16 759 683)
Contribution to allowance	(216 122 607)	(243 218 408)
	(1 282 238 544)	**(1 181 547 707)**

35. Bulk purchases

Electricity - Eskom	359 104 602	305 475 158
Water	41 136 668	31 306 793
	400 241 270	**336 781 951**

Electricity losses

Units purchased	(239 063 726)	(225 944 314)
Units sold	93 550 735	92 668 574
Total loss	**(145 512 991)**	**(133 275 740)**

Percentage Loss:		
Technical losses	(61)%	(59)%

Water losses

Units purchased	(2 956 938)	(5 518 016)
Units sold	2 152 213	5 369 451
Total	**(804 725)**	**(148 565)**

Percentage Loss:		
Technical losses	(27)%	(3)%

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

36. Contracted services

Valuation and Revenue Services		
Commission paid	11 122 418	27 860 525
Specialist Services	2 408 905	2 249 968
Outsourced Services		
Meter Management	5 630 468	3 459 605
Consulting and Professional Services		
Legal Cost	17 973 239	3 472 142
Contractors		
Other Contractors	15 221 349	7 189 941
Safeguard and Security	8 624 706	7 712 417
	60 981 085	**51 944 598**

37. General expenses

Accomodation cost	1 047 258	1 418 123
Advertising	979 157	956 392
Auditors remuneration	10 401 925	10 112 391
Bank charges	683 351	752 114
Cleaning	456 549	415 261
Consumables	8 295 105	6 598 028
Donations	180 000	176 087
Entertainment	578 227	763 392
Hire	43 287 222	46 456 969
Insurance	4 796 751	3 344 097
Fuel and oil	3 919 582	4 364 109
Postage and courier	1 153 738	1 257 541
Printing and stationery	2 215 046	1 292 407
Protective clothing	2 577 813	738 793
Financial systems	3 471 709	3 295 746
Subscriptions and membership fees	4 370 374	3 177 173
Telephone and fax	5 965 878	7 378 031
Transport and freight	623 431	1 240 116
Training	2 286 371	2 278 104
Chemicals	18 848 638	10 361 393
Employee wellness	9 130	82 450
Youth development	1 356 661	657 568
Licenses	2 094 421	691 771
Other expenses	4 038 152	5 377 184
	123 636 489	**113 185 240**

38. Repairs and maintenance

Repairs and maintenance	21 051 667	16 021 522

39. Fair value adjustments

Investment property	(61 546)	97 375 123
Other financial assets		
• Other financial assets (Designated as at FV through P&L)	19 003	55 342
• Other financial assets (At amortised cost)	16 321	90 465
	(26 222)	**97 520 930**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

40. Cash generated from operations

Deficit	(355 534 345)	(79 312 549)
Adjustments for:		
Depreciation and amortisation	46 475 552	53 219 515
Gain/loss on disposal of assets	28 703 467	218 201
Movement in VAT	(18 990 364)	(20 495 090)
Finance costs - SARS EMP	1 414 056	5 652 327
Fair value adjustments	26 222	(97 520 930)
Finance costs - SARS VAT	-	1 994 158
Finance costs - Trade and other payables	98 031 549	86 509 187
Interest received from exchange transactions	(72 222 227)	(65 440 512)
Interest received from non-exchange transactions	(21 314 535)	(22 914 955)
Debt waived	-	(115 890 610)
Interest and penalties recovered	(1 676 999)	-
Donations received	(961 360)	-
Impairment of assets	30 681 490	6 615 535
Debt impairment	216 122 607	243 218 408
Audit fees paid for by Treasury	(4 101 426)	-
Employee benefit obligations - Current service cost	1 120 240	1 075 193
Movements in provisions	10 252 730	8 850 801
Acturial (gains) / losses	(4 519 903)	6 189 829
Employee benefit obligations - Finance cost	4 424 607	3 735 777
Inventory loss/(surplus)	-	6 384
Changes in working capital:		
Inventories	(442 373)	95 740
Receivables from exchange transactions	(151 423 444)	(164 398 257)
Receivables from non-exchange transactions	(13 295 388)	(35 809 333)
Other receivables	1 043 117	(989 392)
Payables from exchange transactions	340 757 705	353 641 506
VAT	(32 749 195)	(15 210 951)
Unspent conditional grants and receipts	(23 277 438)	(50 591 929)
Consumer deposits	14 365	260 596
	78 558 710	**102 708 649**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

41. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At fair value	At amortised cost	Total
Other receivables	-	1 503 893	1 503 893
Receivables from non-exchange transactions	-	37 581 549	37 581 549
Receivables from exchange transactions	-	219 011 262	219 011 262
Other financial assets	217 419	704 795	922 214
Cash and cash equivalents	-	5 145 478	5 145 478
	217 419	**263 946 977**	**264 164 396**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	3 029 271 416	3 029 271 416
Consumer deposits	5 160 794	5 160 794
	3 034 432 210	**3 034 432 210**

2024

Financial assets

	At fair value	At amortised cost	Total
Other receivables	-	2 547 010	2 547 010
Receivables from non-exchange transactions	-	31 765 921	31 765 921
Receivables from exchange transactions	-	182 693 903	182 693 903
Other financial assets	198 416	688 473	886 889
Cash and cash equivalents	-	62 102 449	62 102 449
	198 416	**279 797 756**	**279 996 172**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	2 586 136 963	2 586 136 963
Consumer deposits	5 146 429	5 146 429
	2 591 283 392	**2 591 283 392**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

42. Commitments

Authorised commitment

Already contracted for but not provided for		
• Finance and corporate	34 389 362	1 270 085
Already contracted for but not provided for		
• Property, plant and equipment	48 417 333	87 215 241
Already contracted for but not provided for		
Finance and corporate	48 417 333	87 215 241
Property, plant and equipment	34 389 362	1 270 085
	82 806 695	**88 485 326**
Total commitments		
Commitments	82 806 695	88 485 327

This committed expenditure relates to plant and equipment as well as finance and corporate commitments. This will be financed by available bank facilities, funds internally generated and grants received.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

43. Contingencies

Civil Litigations

The following cases were against the Municipality in the 2025 financial year as confirmed by the Attorneys. The nature and amount of the different litigations are as follows:

IMATU / SM Mabotho - Civil litigation pending in court. Estimate of financial implications amounts to R700 000

JWS Booysen - Plaintiff claims personal injury suffered as a result of an accident against the Municipality. Estimate of financial implications amounts to R4 500 000

Moloko O Motjha - Municipality claims for repayment of monies paid for work not done. Estimate of financial implications amounts to R3 200 000

Global Pashash - Plaintiff claims damages resulting from repudiation of agreement by Municipality. Estimate of financial implications amounts to R44 551 000

Clean Up SA NPC - Applicant sought urgent environmental interdict against the Municipality for alleged sewerage spills in Parys. Estimate of financial implications amounts to R155 048,70

Elebone Multipurpose CC & Sedtrade (Pty) Ltd - Applicant launched an application against the Municipality for a claim of monies which are still owed by the Municipality for work done. In turn, the Municipality launched a counter application as it became apparent that some of the invoices were paid even though work was not done. Estimate of financial implications amounts to R5 666 717,54

Afriforum NPC - Judgement delivered on 20 June 2025 declared the Municipality in breach of its Constitutional obligations, ordered dissolution of Council under section 139(4)-(5), and imposed a structural interdict. Rampai Attorneys filed an appeal on behalf of the Municipality and Council. Grounds include misinterpretation of Section 139, failure to consider less intrusive remedies and breach of seperation of powers. Estimate of financial implications amounts to R400 000 - R600 000.

Beetle Breeze (Pty) Ltd - Claims for services rendered. Matter postponed indefinitely due to jurisdictional issues. New trial date not yet received. Estimate of financial implications amounts to R50 000.

P.P Nhlapo - Claims for damages, currently at discovery stage. Estimate of financial implications amounts to R15 000

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

43. Contingencies (continued)

Contingent suppliers

	Total
Aha Setjhaba Construction & Projects	409 745
AK Lepaso Waste Management	310 000
Jsebaka Madikane Trading and Projects (Pty) Ltd	461 313
Odin Fentse Projects and Trading	326 059
Patsam General Dealer	295 600
Phalaphala-Tours	52 800
Proxy Investments (Pty) Ltd	691 150
Pulza 01 Trade Enterprizes	101 394
RCH Trading	14 219
Tlale TB	17 800
Africa Nare Investments	28 900
Dagne Water and Auxillary Services (Pty) Ltd	325 000
Sekasa Transport	41 300
The Chapel Funeral Undertakers	3 450
Actom	73 004
Maleho Construction and Projects	46 050
TV Maleho Holdings	108 200
Nkosiyesizwe Holdings (Pty) Ltd	102 620
Nyokani Business Enterprise (Pty) Ltd	2 133 724
Kambule Security and Projects	1 841 740
Mokwallo Construction	1 100
Qpoint Group	150 923
Basikili Trading and Projects	13 800
Rebatlokwa Consulting (Pty) Ltd	202 860
Moving Life	2 160
P5 Family and Sons	28 535
K5 Electrical Contractors	294 120
Moh For You	394 240
Sammy Rasheane Holdings (Pty) Ltd	28 000
Basieng Trading Projects	4 426 877
Castlehill Trading 314	1 077 390
Inkokheli Business Enterprises	410 665
Mchango Consulting	1 232 288
Beetle Breeze Trading (Pty) Ltd	166 800
Haqlog Projects	121 840
High Life Holdings (Pty) Ltd	8 482
Kruger D	77 000
	16 021 148

The above listed liabilities relate to invoices on the supplier statement that are not in the Municipal records and therefore will be disclosed as Contingent Liabilities

Nature of litigation	Possible rand value of claim 2025	Possible rand value of claim 2024	Number of cases 2025	Number of cases 2024
Civil litigation	59 437 766	4 303 000	9	8
Contingent suppliers	16 021 148	14 444 126	39	30
	75 458 914	**18 747 126**	**48**	**38**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

43. Contingencies (continued)

Contingent assets

The Municipality engaged in proceedings to acquire the land parcel on which the Fezile Dabi Stadium was constructed on. The eventual acquisition of the land parcel will result in a potential increase in assets to the fair value as disclosed below:

Nature of litigation	Possible rand value of claim 2025	Possible rand value of claim 2024
Ngwathe Local Municipality vs Tshabangu Motshwanyane Selina	67 849 821	-

44. 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:

VAT receivable:
VAT receivable was restated as a result of payments that were made in the 2025 financial year. These payments were made in the 2025 financial year, however these payments relate to the 2024 financial year. The VAT thereon was therefore restated.

Payables from exchange transactions:

-**Trade payables:**
Trade payables was restated in order to accrue for transactions relating to the 2024 financial year for which payments were made in the 2025 financial year.

-**National treasury - conditional grants payable:**
The conditional grants payable to treasury recognised in 2023 was reversed as it does not meet the definition of a payable from exchange transaction.

-**Retentions:**
Retention corrections were performed to address one of the communications of audit findings that were issued in the prior year.

Other receivables:
A vote was remapped from other payables to other receivables so that the vote is correctly mapped with its opening balance vote

Property, plant and equipment:
Land: newly identified land portions due to updated cadastral information.

Work in progress: invoices relating to the prior year were accounted for in the current year. This resulted in reversals being processed in the current year and accruals being made in the prior period. Retention corrections were also performed to address one of the communications of audit findings that were issued in the prior year.

Property, plant and equipment: Project costs were updated due to corrections processed under work in progress and retentions. Invoices relating to the prior year were accounted for in the current year. This resulted in reversals being processed in the current year and accruals being made in the prior period. Assets that could not be verified in the past were verified and accounted for as new founds. All of the above had an equal impact on depreciation and impairment where applicable.

Landfill Site Asset: The landfill site asset was restated due to an error in the provision calculation.

Investment property:
New land parcels identified due to updated cadastral information. This also resulted in an adjustment in the market growth for the prior periods.

Contracted services:
Contracted services was restated as a result of payments that were made in the 2025 financial year. These payments were made in the 2025 financial year, however these payments relate to the 2024 financial year.

General expenses:
General expenses was restated as a result of payments that were made in the 2025 financial year. These payments were made in the 2025 financial year, however these payments relate to the 2024 financial year.

Repairs and maintenance:
Repairs and maintenance was restated as a result of payments that were made in the 2025 financial year. These payments were made in the 2025 financial year, however these payments relate to the 2024 financial year

Employee related costs:
Votes identified as relating to SNT payments made to employees were remapped on the face of the Annual Financial Statements from general expenditure to employee costs (other allowances).

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

44. Prior-year adjustments (continued)

Rental of facilities:
Votes identified as relating to rental of facilities were remapped on the face of the Annual Financial Statements from service charges to rental of facilities (Buildings and housing - entrance fees).

Service charges:
Votes identified as relating to rental of facilities were remapped on the face of the Annual Financial Statements from service charges to rental of facilities.

Statement of financial position

2024

	Note	As previously reported	Correction of error	Remapping	Restated
Investment property	3	285 808 846	8 368 918	-	294 177 764
Property, plant and equipment	4	1 643 373 628	27 780 721	-	1 671 154 349
Other receivables	6	2 526 885	-	20 125	2 547 010
VAT	10	268 444 190	(188 082)	-	268 256 108
Payables from exchange transactions	12	(2 597 115 497)	10 998 660	(20 125)	(2 586 136 962)
Provisions	16	(110 568 150)	(16 964 995)	-	(127 533 145)
		(507 530 098)	**29 995 222**	**-**	**(477 534 876)**

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Remapping	Restated
Loss on disposal of assets and liabilities	4	204 766	13 435	-	218 201
Service charges	18	(394 316 380)	-	307 688	(394 008 692)
Rental of facilities and equipment	19	(116 148)	-	(307 688)	(423 836)
Employee related costs	29	284 917 726	-	3 392 692	288 310 418
Depreciation	31	51 514 504	1 705 011	-	53 219 515
Impairment loss	32	7 697 700	(1 082 165)	-	6 615 535
Finance costs	33	105 714 069	1 694 886	-	107 408 955
Contracted services	36	51 000 388	944 210	-	51 944 598
General expenses	37	116 168 905	409 027	(3 392 692)	113 185 240
Repairs and maintenance	38	15 451 299	570 223	-	16 021 522
Fair value adjustments	39	(97 479 293)	(41 637)	-	(97 520 930)
Surplus for the year		**140 757 536**	**4 212 990**	**-**	**144 970 526**

Other prior-year corrections

Additionally, the following opening balances have been adjusted.

Commitments

	2025	2024
As previously reported	-	102 226 818
Adjustments made	-	(13 741 491)
Restated opening balance	**-**	**88 485 327**

Restatement occurred due to restatements in work in progress.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

44. Prior-year adjustments (continued)

Fruitless and wasteful expenditure

As previously reported	-	105 631 022
Adjustments made	-	526 354
Restated opening balance	**-**	**106 157 376**

The opening balance for fruitless and wasteful expenditure was adjusted to correctly account for the interest and penalties that have been charged in the current financial year on periods which relate to the previous financial year. This includes interest charged by SARS for EMP and VAT as well as interest on the pension funds amongst others.

45. Related parties

Relationships	
Members of key management	Refer to note 29
Members of council	Refer to note 30

46. Comparative figures

Comparative figures were restated due to prior period errors and reclassifications as and when the need arise.

For a detailed list on errors refer to prior period error note 44

47. Risk management

Financial risk management

Liquidity risk

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

Credit risk

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

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

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

Financial instrument	2025	2024
Other financial assets	922 214	886 889
Cash and cash equivalents	5 145 478	62 102 449
Consumer deposits	5 160 794	5 146 429

Market risk

Interest rate risk

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

Figures in Rand	2025	2024

48. 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.

In the preparation of the going concern assessment material risk factors relating to events and conditions have been identified which may cast significant doubt upon the Municipality's ability to continue as a going concern. With that notwithstanding, there are several mitigating factors which will ensure that the Municipality is able to cover its commitments in the immediate term.

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Financial considerations:

Financial ratio analysis has been performed in order to assess the profitability, liquidity and efficiency of the Municipality.

The following ratio's have been calculated and have been identified as being unfavourable:
Current ratio: 0.19
Cash flow coverage ratio: 0.02
Quick ratio: 0.19
Debt ratio: 1.24
Net working capital ratio: -0.95
Cash ratio: 0.00

We draw attention to the fact that at 30 June 2025, the municipality had accumulated deficits of R (630 196 382) and that the municipality's total liabilities (R3 210 810 724) exceeds its assets (R2 580 614 342) by R 630 196 382.

Figures in Rand	2025	2024

48. Going concern (continued)

The Annual Financial Statements indicates that the Municipality incurred a net loss of R355 534 345 during the year ended 30 June 2025 and, as of that date, the municipality’s current liabilities (R3 044 202 321) exceeded its current assets (R586 796 561) by R2 457 405 760.

The Municipality incurred electricity and water losses of 61% and 27% respectively as disclosed in note 35.

The imapirment on the assets has increased by R24 065 955.

In addition, the municipality owed Eskom R2 582 140 326 (2024: R2 139 000 925) and the Department of Water and Sanitation and Randwater R188 890 244 (2024: R206 379 002) as at 30 June 2025, which was long overdue.

The debt with Eskom has increased and therefore additional financial cost has occured. Finance cost for Eskom and the Department of Water and Sanitation and Rand Water amounted to R86 063 567 and R11 654 272.

The Municipality has an unfavourable creditors’ payment period of 1 802 days (2024: 1 789 days).

Given the municipality’s current financial position, there is uncertainty regarding its ability to realize its assets and meet its obligations as they fall due in the normal course of operations

Revenue generating activities:

The Municipality's overall revenue has decreased for the year.

The Municipality's total revenue for the year has decreased by R26 652 728

The Municipality's revenue from service charges increased by R28 366 950 and its revenue from property rates has increased by R4 608 916.

The Municipality's debt impairment has decreased by R27 095 801.

The municipality has also billed less than what was budgeted for the year. R45 519 224 less service charges was collected than that was budgeted for and R18 156 265 less property rates was collected than that was budgeted for.

The municipality has an unfavourable debtor’s collection period of 146.78 days. This unfavourable ratio indicates that the municipality is struggling to collect revenue from debtors.

Cash management and financing:

The Municipality currently has positive cash and cash equivalents of R5 145 478.

Of this amount, R1 908 382 relates to the Municipality's ring-fenced grant funds whilst R3 193 183 relates to the Municipality's primary account which is used for day-to-day operations.

The current account available for day-to-day operations currently amounts to R3 193 183 of as at 30 June 2025.

The Municipality has unfavourable cash backed reserves as at 30 June 2025. The value of cash and cash equivalents plus investments less commitments amounts to a deficit of R3 038 134 629.

Operating:

The Municipality has appointed Dr FP Mothamaha as Municipal Manager as from 01 September 2024 and he has been acting as from 07 May 2024.

The Municipality has appointed SD Phetoane as CFO as from 02 June 2025 and he has been acting since February 2025.

Various persons have been acting in the directors roles of community services and technical services. I draw your attention to note 29 for the persons who acted in these roles and for the duration.

48. Going concern (continued)

On the 24th of April 2024 AfriForum (the applicant) applied to the honourable court an order of which the terms state; that the municipality is in breach of its constitutional, legislative and regulatory obligation towards its residents.

On the 20th of June 2025 the Bloemfontein high court handed down a judgement declaring that the Municipality is in breach of its Constitutional obligations towards residents and that the Executive Council of the Free State Province be directed to intervene in the affairs of the municipality and inter alia to dissolve the Municipal Council and appoint an administrator.

The Municipality issued and filed notice of application for leave to appeal on the 24th of June 2025. Grounds for appeal are that the court erred in law and fact when it granted a declaratory order against the Municipality, mandatory orders and structural interdicts when the factual and legal basis for such orders was not established in the papers of the first respondent (AfriForum).

On the 22nd of October 2025 the Supreme Court of Appeal dismissed the Municipality’s application for leave to appeal with costs the court ruling to dissolve the Municipal Council and Provincial intervention in the affairs of the Municipality on the grounds that the Municipality does not have reasonable prospect of success in appeal. The matter has now been escalated to the Constitutional Court. The outcome of these legal proceedings remains uncertain and may have a significant impact on the municipality’s ability to be a going concern.

Mitigating factors to the identified events and conditions:

The following are mitigating factors that the Municipality has in place:

Revenue:
A turnaround strategy was developed and approved by Council in October 2022.

The purpose of the turnaround strategy is to assess the financial status of the municipality and develop action plans to address challenges that were identified during the assessment.

The plan lists out various strategies that have been developed in order to improve the financial position of the Municipality.

The Municipality has been implementing the Revenue Enhancement Program which is ongoing and includes various ongoing strategies to improve revenue collection such as data cleansing and indigent registrations.

The EPWP programme is in place to assist with areas of revenue including meter readings and cut-offs.

The Municipality's budget funding plan also sets out a revenue management strategy which sets out the need to ensure sustainability and harness the availability of cash to ensure that the Integrated Development Plan is properly aligned to the budget.

The Municipality plans to resuscitate the traffic unit which plans to commence on 01 July 2025. This will contribute to revenue generation abilities of the municipality.

The Municipality also has a surplus for its budget for its 2025/2026 and 2026/2027 financial years.

Although the Municipality has an actual deficit at year end of R355 534 345, once the deficit is adjusted for non-cash items, the deficit is R40 683 267. The largest non-cash item is the impairment on debtors. The Municipality has been working on its revenue enhancement in order to improve its collection rate. Addressing the collection rate will assist in reducing the debt impairment amount.

As part of the budget funding plan, various activities have been detailed to improve positive cash flows. This includes establishing the revenue steering committee which will be chaired by the Municipal Manager and will be attended monthly by all section 56 managers to review revenue enhancement measures implemented for the month as well as appoint a 3rd party service provider for prepaid vending and revenue enhancement

For the first quarter of 2025/2026, the prepaid and services report shows increased revenue particularly in October, signifying an improvement in revenue collection

48. Going concern (continued)

Future funding:
In terms of the Division of Revenue Act (Act 24 of 2024), the Municipality has been allocated the following equitable share grant over the next 3 years:
2024/25 - R278 095 000
2025/26 - R288 372 000
2026/27 - R296 205 000

It is therefore evident that the Municipality will continue to receive funding from the government and this represents funds to the Municipality for the foreseeable future.

The Municipality is also likely to receive continued government funding, as has been disclosed in the Division of Revenue Act (Act 02 of 2025), as there are no current indications that government funding will be withheld from the Municipality for any reason.

The Municipality will also continue to have the power to levy rates and taxes in the following financial period and for the foreseeable future.

Payables and Expenditure:
The main contibuting factor to unfavourable financial ratios is the debt owed to Eskom, DWS and Randwater at the end of the financial year.

The Municipality has entered into a debt settlement agreement with Rand Water dated 01 November 2024 wherein the Municipality undertakes to make instalments towards the settling of the debt.

The Municipality submitted an application for debt relief regarding its oustanding debt to DWS. The Municipality has been approved for participation in the Municipal Debt Relief Programme having complied with the stipulated preconditions. Having been approved, the Municipality entered into an AoD with DWS on the 20th of July 2025 wherein the conditions state that the Municipality should maintain their bulk water current account for a period of 12 consecutive months thereafter one third (1/3) of the historical debt will be written off, that the Municipality undertakes to pay in full their bulk water current account within thirty days of the account being due and that the Municipality undertakes to submit the supporting evidence of the bulk water current account payments to the Water Trading Entitiy within one day of making such payment.

The Municipality is in discussions to enter into a DAA with Eskom.

The Municipality has undertaken to review its policies for SNT,HR and Overtime and plans to adopt these policies soon. The Municipality is looking to introduce controls to regulate overtime including a three shift system.

The Municipality has a budget funding plan for 2025/2026 financial year which aims to maintain positive cash flows, improve debt collection rates and cost containment measures.

The Municipality also monitors the implementation of the budget funding plan monthly through the monthly progress report.

The Municipality's Budget Funding Plan has set out an expenditure and cost containment strategy in order to increase the availability of financial resources and this will help in reducing the actual and accumulated deficit incurred. This includes addressing areas of overtime, rental of fleet and contracted services

The Municipality's budget funding plan has set out an expenditure and cost containment strategy in order to increase the availability of financial resources and this will help in reducing the actual and accumulated deficit incurred. Last year the Municipality has moved its accounting system from VENUS to SOLAR. As a result, certain features and controls are now in place to assist the municipality in various areas. The Municipality will be able to see the budgets in real time which will assist in the budgeting process. The Enterprise Asset Maintenance function on SOLAR will assist the technical team with their maintenance.
.
The Municipality has purchased fleet including 5 single cab bakkies, 2 cherry pickers, 1 honey sucker and 1 TLB. This will not only contribute to improving service delivery but also reduce hiring costs thus reducing expenditure in the long term.

The Municipality has a cost containment policy to assist with the implementation of cost containment.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

48. Going concern (continued)

Operating:
The Municipality has actively worked towards filling the vacant director roles and has filled most of the vacant director roles at year end including the appointment of Director for Planning and LED and Director Technical.

The Municipality has also appointed a Director Community who is due to start on 01 July 2025.

This has in turn reduced management instability at the Municipality and resulted in the filling of key roles in the management of the Municipality.

Conclusion:
Although various risk factors regarding the Municipality's going concern have been identified, the going concern principles as per GRAP 1 are still applicable for the preparation of the AFS. We are therefore satisfied that the Municipality is indeed a going concern and that the going concern basis of accounting is appropriate for the preperation of the Annual Finanical Statements.

49. Unauthorised expenditure

Opening balance as previously reported	586 716 398	545 451 788
Add: Unauthorised expenditure - current	107 619 677	315 967 846
Add: Unauthorised expenditure - identified during the audit	-	19 306 300
Less: Write off by council	(551 172 144)	(294 009 536)
Closing balance	**143 163 931**	**586 716 398**

The Municipal Public Account Committee did not recommended to the council of Ngwathe Local Municipality to condone and/or write off the unauthorised expenditure in line with paragraph 32.2(b) of the MFMA.

50. Fruitless and wasteful expenditure

Opening balance as previously reported	106 157 376	141 692 160
Less: Write off by council	(103 633 979)	(130 358 201)
Less: Written off by SARS (EMP)	(1 676 999)	-
Auditor General of South Africa (AGSA)	261 189	659 439
Eskom	86 063 567	70 104 250
Rand Water	5 864 392	7 073 038
Department of Water and Sanitation	5 789 880	9 112 244
Free State Provident Fund	-	1 490
SALA Pension Fund	-	10 172
MWRF	-	12 434
SARS - EMP (Interest and Penalties)	5 322 253	5 652 327
SARS - VAT (Interest and Penalties)	729 434	1 994 158
Telkom SA Ltd	164 354	158 241
NFMW	2 308	8 179
S Gouws Sheriff	-	37 266
Councillors Pension Fund	194	179
Closing balance	**105 043 969**	**106 157 376**

The Municipal Public Account Committee recommended to the Council of Ngwathe Local Municipality to condone and/or write off fruitless and wasteful expenditure in line with paragraph 32.2(b) of the MFMA on the 28th of January 2025 and the 12th of June 2025.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

51. Irregular expenditure

Opening balance as previously reported	392 322 260	334 219 786
Add: Irregular expenditure	8 351 367	14 340 890
Add: Irregular expenditure identified during the audit	-	43 761 584
Closing balance	**400 673 627**	**392 322 260**

The irregular expenditure included in the note above is inclusive of Value Added Tax.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

51. Irregular expenditure (continued)

Categories of irregular expenditure

Irregular expenditure can be categorised as follows:	Total
Accommodation	282 211
Advertisement	1 019 054
Repairs and maintenance	20 990
Fuel	2 067 610
Hiring	1 071 988
Security	103 772
Catering	38 464
Legal fees	1 642 810
Finance	1 763 351
Training	155 869
Transportation	30 203
Material	25 500
Others	129 545
	8 351 367

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2025	2024
Opening balance	3 274 632	2 943 034
Current year membership fee	3 400 680	3 177 173
Amount paid - previous years	(3 168 923)	(2 845 575)
	3 506 389	**3 274 632**

Audit fees

	2025	2024
Opening balance	7 060 287	2 101 514
Current year subscription / fee	11 870 776	11 059 935
Interest charges	261 188	659 439
Amount paid - current year	(12 068 992)	(4 452 864)
Amount paid - previous years	(7 060 276)	(2 307 737)
	62 983	**7 060 287**

PAYE , SDL and UIF

	2025	2024
Opening balance	25 645 191	5 953 837
Current year subscription / fee	52 022 909	43 383 247
Interest	1 182 382	1 093 610
Penalties	4 426 566	4 272 021
Amount paid - previous year	(24 869 771)	(9 663 827)
Amount paid - current year	(41 363 096)	(28 102 426)
Transactions tax years	-	10 559 783
Credit Journals	(9 432 716)	(1 851 054)
Set off refunds	(1 582 403)	-
Unallocated payments	(2 638 368)	-
Penalties and interest remission	(1 676 999)	-
SARS adjustments	6 302 017	-
	8 015 712	**25 645 191**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

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

Pension and Medical Aid Deductions

Opening balance	5 619 678	5 468 109
Current year payroll deductions	71 731 579	67 227 468
Interest and penalties	12 022	48 565
Overpayment to LA Health April 2024	-	8 414
Overpayment to Keyhealth August and September 2024	19 688	-
Amount paid - previous year	(5 619 678)	(5 468 109)
Amount paid - current year	(71 763 289)	(61 664 769)
	-	**5 619 678**

VAT

VAT receivable	319 995 667	268 256 108

VAT output payables and VAT input receivables are shown in note 10.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

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

Councillors' arrear consumer accounts

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

30 June 2025	Outstanding less than 90 days	Outstanding more than 90 days	Total
Kok S	3 439	1 260	4 699
De Beer-Mthombeni	444	-	444
Mosepedi MTJ	1 806	207	2 013
Rantsaile S	542	-	542
Tyumbu MJ	1 346	3 940	5 286
Moseme SL	2 008	40 028	42 036
Sehume NA	1 531	-	1 531
Mokoena TB	484	-	484
Mokoena KJ	1 415	1 499	2 914
Mofokeng MD	1 448	1 276	2 724
Mbele MJ	877	-	877
Serati MJ	713	-	713
Nteo S	444	16 476	16 920
Khumalo KJ	702	-	702
Masooane D	2 991	20 245	23 236
Motsoeneng MM	413	623	1 036
Moloi M	548	-	548
Magashule IM	1 125	-	1 125
Nthoesane S	509	-	509
La Cock SM	3 554	736	4 290
Snyman J	1 366	454	1 820
De Jager AJ	9 700	380 741	390 441
Ferendale RS	640	-	640
Tladi MJ	1 229	3 199	4 428
Toyi MS	594	-	594
Matthysen Engelbrecht ME	5 051	54 514	59 565
Ramabodu T	2 408	57 525	59 933
Rapuleng MD	2	113	115
Jantjie AA	3 826	107 855	111 681
Sothoane TP	1 119	3 237	4 356
	52 274	**693 928**	**746 202**

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
De Jager SHF	16 531	-	16 531
Mofokeng MD	1 567	11 570	13 137
Jantjie AA	3 651	92 839	96 490
Serati MJ	1 508	3 455	4 963
Masooane D	2 854	20 561	23 415
Mokoena KJ	1 614	10 655	12 269
La Cock SM	3 748	6 880	10 628
Schoonwinkel A	3 568	-	3 568
Moseme SL	1 846	32 281	34 127
De Jager AJ	11 119	330 217	341 336
Mokoena BT	2 076	18 347	20 423
Motaung MP	206	-	206
Tyumbu MJ	1 256	1 992	3 248

Notes to the Annual Financial Statements

Figures in Rand		2025	2024

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

Matthysen-Engelbrecht ME	4 687	35 215	39 902
Mosepedi MTJ	837	-	837
Khumalo KJ	599	-	599
	57 667	**564 012**	**621 679**

53. Budget differences

Material differences between budget and actual amounts

Management considers any variance above 10% to be significant.

53.01 - The variance is less than 10%, therefore it is immaterial.

53.02 - The Municipality collected more than what was budgeted for. This is because the Municipality expected to collect less rental from Mimosa and also expected to collect less rental due to the fact that Mosepidi hall and town hall is no longer rented.

53.03 - The Municipality collected less than what was budgeted for. This is because the Municipality budgeted for the sale of land and for the allocating of sites.

53.04 - The Municipality budgeted less for finance costs. This is because the Municipality did not budget for the current service cost on the employee benefit obligation as well as the finance cost on the landfill site provision.

53.05 - The Municipality budgeted less for contracted services. This is because the actual as per the vote *Prepaid Electricity Vendors* took into consideration cancelled transactions from Cigicell as well as an increase in the Cigicell commission. The actuals for *Legal Cost Advice & Litigation* and *Business & Finance Management* are also higher.

53.06 - The Municipality budgeted less for depreciation. This is because a number of assets were disposed of in the current year which reduced the actual depreciation.

53.07 - The Municipality budgeted more on general expenditure. This is because the budgeted amount includes budgeted amounts for *Indigent Relief*.

53.08 - The Municipality does not budget for these line items.

53.09 - The reason for the variance between budget and actual is because the budgeted figure did not populate accurately on the specimen. This was however corrected in the 25/26 budget.

53.10 - The Municipality budgeted more for receivables from non-exchange transactions as the Municipality took into account the current economic conditions, rise in living costs and the possibility of long standing debtors

53.11 - The Municipality budgeted more for receivables from exchange transactions as the Municipality took into account the current economic conditions, rise in living costs and the possibility of long standing debtors

53.12 - The Municipality budgeted more for cash and cash equivalents. The reason for the difference is because the conditional grants were utilised during the current financial year. Potential interest received on the call accounts was also considered.

53.13 - The Municipality budgeted less for investment property. The difference between the actual and the budgeted figures could be due to the calculations and assumptions involved in the fair value adjustments made to the investment property.

53.14 - The Municipality budgeted for intangible assets, however no intangible assets were purchased during the financial year and no intangible assets are present on the asset register.

53.15 - The Municipality budgeted less for payables from exchange transactions. The reason for the difference is due to less budgeted for Eskom, retentions and payments received in advance.

53.16 - The Municipality budgeted for payables from non-exchange transactions, however no non-exchange transactions occured during the finanical period.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

53. Budget differences (continued)

53.17 - The Municipality budgeted more on provisions. The reason for the difference is because of the assumptions and calculations that are used to determine the provision.

53.18 - The Municipality budgeted more on property rates. The reason for the difference between budgeted and actual is because during the 2024/2025 financial year, property owners lodged objections in respect of the values contained in the new valuation roll. Approved objections resulted in downward adjustments to the market value of certain properties resulting in reduced property rates revenue.

53.20 - The Municipality budgeted more for goverment grants and subsidies. The reason for the difference is because of the amount withheld from the equitable share payment schedule.

53.21 - The Municipality budgeted less for interest income. This is because only interest from the investments (call accounts) was included in the budgeted amount.

53.22 - The Municipality budgeted more for other receipts. The reason for the difference is because the Municipality budgeted more for sale of land and for the allocating of sites.

53.23 - The Municipality budgeted less for debt impairment. The reason for the higher actual amounts could be because of the current economic climate and rise in living costs which has resulted in long standing debtors and a higher actual impairment.

53.24 - The Municipality did not budget for the finance cost cash portion on the cash flow statement..

53.25 - The Municipality budgeted for the prospective increase/decrease in consumer deposits, however no consumer deposits arising from financing activities were prevalent during the financial year

53.26 - The Municipality budgeted less on cash recevied from customers. The reason for the difference is because of the movement in the debtors with credit balances (payments received in advance) which increased for the current year.

53.27 - The Municipality budgeted less for supplier and employee costs. The reason for the difference could be because the actual figure includes the taxes paid to SARS for VAT as this is a cash item required for seperate disclosure on the face of the Annual Financial Statements

54. Deviation from supply chain management regulations

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

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

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

	Sole suppliers	Emergency	Impractical	Strip and quote	Total
June 2025	76 068	11 930 843	70 665	415 759	12 493 335

	Sole suppliers	Emergency	Impractical	Strip and quote	Total
June 2024	-	10 993 354	-	6 465 991	17 459 345

Notes to the Annual Financial Statements

55. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of functional classification. The segments were organised around the type of functions. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

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

Aggregated segments

The municipality operates throughout the Free State Province in 5 towns. Segments were aggregated on the basis of services delivered.

Types of goods and/or services by segment

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

Reportable segment	**Goods and/or services**
Community services	Activities relating to the betterment and development of the community
Technical services	Activities relating to the development and implementation of service delivery
Other	Remaining activites relating to human capital, human resource and finance amongst others

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55. Segment information (continued)

Segment surplus or deficit

2025

	Other
Revenue	
Sale of electricity	
Fines non-exchange transactions	
Grants	199 213 46
Interest received from exchange transactions	6 607 29
Interest received from non-exchange transactions	
Other income	630 81
Property rates	
Refuse	
Rental of facilities and equipment	
Waste water	
Water	
Actuarial gain	4 519 90
Interest and penalties recovered	1 676 99
Donations received	961 36
Total segment revenue	**213 609 83**
Entity's revenue	

Notes to the Annual Financial Statements

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55. Segment information (continued)

	Other
Expenditure	
Bulk purchases	
Contracted services	49 858 66
Debt impairment	475 28
Depreciation	1 305 27
Employee costs	127 522 57
Finance costs	19 693 90
General Expenses	51 668 51
Impairment loss	
Fair value adjustment	26 22
Remuneration of councillors	18 346 98
Repairs and maintenance	1 251 29
Loss on disposal of assets and liabilities	28 703 46
Total segment expenditure	**298 852 18**
Total segmental surplus/(deficit)	

55. Segment information (continued)

2024

	Other
Revenue	
Electricity	
Fines non-exchange transactions	
Grants	264 784 35
Interest received from exchange transactions	6 933 34
Interest received from non-exchange transactions	
Other income	589 82
Property rates	
Refuse	
Rental of facilities and equipment	
Waste water	
Water	
Fair value adjustments	97 520 93
Debt waived	115 890 61
Total segment revenue	**485 719 06**
Entity's revenue	

Notes to the Annual Financial Statements

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55. Segment information (continued)

	Other
Expenditure	
Bulk purchases	
Debt impairment	
Depreciation	3 248 55
Employee costs	109 072 50
Finance costs	14 647 53
Remuneration of councillors	17 782 01
Impairment loss	
Loss on disposal of assets	218 20
Inventory loss, acturial loss	6 196 21
Contracted services	24 084 07
Repairs and maintenance	330 77
General expenses	49 518 71
Total segment expenditure	**225 098 59**
Total segmental surplus/(deficit)	

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Information about geographical areas

The municipality’s operations are in the Free State Province.

The municipality does not report on a geographical basis, therefore decision making is not based on geographical areas.