



MAFUBE LOCAL MUNICIPALITY

(Demarcation code: FS205)

**AUDITED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025**

Mafube Local Municipality

(Demarcation code: FS205)

Audited Annual Financial Statements for the year ended 30 June 2025

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

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Abbreviations used:

AO	Accounting Officer
ASB	Accounting Standards Board
CIGFARO	Chartered Institute of Government Finance, Audit and Risk Officers
CFO	Chief Finance Officer
CLLR	Councilor
CPI	Consumer Price Index
CRC	Current Replacement Cost
DoRA	Division of Revenue Act
DTSL	Department of Transport, Safety and Liaison
DWS	Department of Water Affairs and Sanitation
DBSA	Development Bank of South Africa
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
GRAP	Generally Recognized Accounting Practice
GLCCM	General Landfill Closure Costing Model
HDF	Housing Development Fund
IAS	International Accounting Standards
IDP	Integrated Development Plan
IRD	Initial Rate of Deposition
IPSAS	International Public Sector Accounting Standards
INEP	Intergrated National Electrification Programme
LFG	Landfill Gas
LG SETA	Local Government Sector Education Training Authority
LSA	Long Service Awards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MLCCM	Municipal Landfill Closure Costing Model
MPAC	Municipal Public Account Committee
mSCOA	Municipal Standard Chart of Accounts
MSIG	Municipal Systems Improvement Grant
NERSA	National Energy Regulator of South Africa
PAYE	Pay-As-You-Earn
PEMA	Post-Employment Medical Aid Subsidy Liability
PPP's	Public Private Partnerships
RDP	Reconstruction and Development Programme
SALGA	South African Local Government Association
SARS	South African Revenue Service
SA GAAP	South African Statements of Generally Accepted Accounting Practice
SDBIP	Service Delivery and Budget Implementation Plan
SDL	Skills Development Levy
SG	Surveyor-General
UIF	Unemployment Insurance Fund
VAT	Value Added Taxation
WCA	Workers Compensation Administration

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Relevant Legislation:

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

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General Information

Legal form of entity	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998).
Nature of business and principal activities	Mafube Local Municipality is local municipality performing functions as set out in the Constitution (Act no 105 of 1996). The municipality's operations are governed by the Local Government: Municipal Finance Management Act (MFMA) (Act 56 of 2003), Municipal Structures Act (Act 117 of 1998), Municipal Systems (Act 32 of 2000) and various other acts and regulations.
Grading of municipal Council for the upper limits for Councillors	Low capacity municipality
Grading of remuneration of municipal manager and senior managers	Low capacity municipality
Accounting Officer	Ms B.J Selapyane (Acting 1 August 2025) Ms N.L Gqoli (Acting 27 - 30 June 2025) Adv. M.F Lepheana (Resigned 26 June 2025)
Chief Finance Officer (CFO)	Ms N.J Mopo (Acting 27 -30 June 2025) Ms N.L Gqoli (Acting 01 October 2024) Ms D.T Tau (Resigned September 2024)
Registered office	64 JJ Hadebe Street Frankfort Free State 9830
Bankers	ABSA Bank Limited FNB Bank Limited Standard Bank Limited
Auditors	Auditor General - South Africa
Attorneys	Peyper Attorneys Madiba Attorneys Thoabala Attorneys
Level of assurance	These unaudited annual financial statements will be audited in compliance with the applicable requirements of the Municipal Finance Management Act, No 56 of 2003.
Email address	mm@mafubelm.co.za
Website	http://www.mafube.fs.gov.za/

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Audited Annual Financial Statements for the year ended 30 June 2025

Members of the Municipal Council

Mayor

Cllr. TI Motsoeneng

Speaker

Cllr. MM Mofokeng

Ward Councillors

Cllr. TJ Kotsi

Cllr. MP Mokoena

Cllr. SB Ntuli

Cllr. A Tsotetsi

Cllr. MR Tsotetsi

Cllr. TP Mashiloane

Cllr. MA Tsubane

Cllr. AN Molefe

Cllr. SM Steyn

Cllr. FA Tsotetsi

Cllr. WBM Gumede

Cllr. EM Maboya

Cllr. JJ Kumbi

Cllr. TBRJ Van Rensburg

Cllr. JB Marais

Council Committees

Executive Committee

Chairperson:

Cllr. TI Motsoeneng

Members:

Cllr. J Kotsi

Cllr. EM Maboya

Finance Committee

Chairperson:

Cllr. SB Ntuli

Members:

Cllr. M Mokoena

Cllr. F Tsotetsi

Community Services Portfolio

Chairperson:

Cllr. N Molefe

Members:

Cllr. W Gumede

Cllr. J Marais

Infrastructure Portfolio

Chairperson:

Cllr. Tsubane Moabi

Members:

Cllr. J Kumbi

Cllr. T Van Rensburg

Corporate Services Portfolio

Chairperson:

Cllr. P Mashiloane

Members:

Cllr. J Marais

Cllr. F Tsotetsi

Municipal Public Account Committee (MPAC)

Chairperson:

Cllr. M Tsotetsi

Members:

Cllr. S Steyn

Cllr. T Van Rensburg

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

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

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

Accounting Officer's Responsibilities and Approval

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

The audited annual financial statements set out on page 12 - 125, which have been prepared on the going concern basis, were approved by the accounting officer and signed by him.

Ms B.J Selapyane (Acting 1 August 2025)
Municipal Manager (Accounting Officer)
Mafube Local Municipality
31 August 2025

Mafube Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2025

Accounting Officer's Report

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

1. Review of activities

Main business and operations

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

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

The municipality is a South African category B.

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

Net deficit of the municipality was R 105 299 242 (2024: deficit R 156 259 708).

2. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of R (82 863 461) and that the municipality's total assets exceed its liabilities by R (82 863 461).

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

3. Subsequent events

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

4. Accounting Officers' interest in contracts

The accounting officer does not have an interest in contracts awarded, either direct or indirect.

5. Accounting policies

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

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

6. Accounting Officer

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

Ms B.J Selapyane (Acting)

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Audited Annual Financial Statements for the year ended 30 June 2025

Accounting Officer's Report

7. Corporate governance**General**

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

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

The salient features of the municipality's adoption of the Code is outlined below:

8. Bankers

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

9. Auditors

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

10. Public Private Partnership

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

11. Non-compliance with applicable legislation

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

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Accounting Officer's Report

12. Municipal jurisdiction

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

- Villiers
- Cornelia
- Frankfort
- Tweeling



Ms B.J Selapyane (Acting 1 August 2025)
Municipal Manager (Accounting Officer)
Mafube Local Municipality
31 August 2025

Certification of Remuneration of Councillors

Declaration by the Accounting Officer

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution and according to the Government Gazette 46470 dated 02/06/2022. This read with the Remuneration of Public Officer Bearers Act, Circular 14/2015 dated 27 March 2015 of SALGA, the Minister of Corporative Governance and Traditional Affairs determination in accordance with this Act and the approval letter received from the Minister of Corporative Governance, Human Settlements and Traditional Affairs on 3 April 2018.

Ms B.J Selapyane (Acting 1 August 2025)
Municipal Manager (Accounting Officer)
Mafube Local Municipality
31 August 2025

Mafube Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2025

AUDITED

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 <i>Restated*</i>
Assets			
Current Assets			
Cash and cash equivalents	4	1 437 068	1 287 313
Inventories	5	1 406 387	1 471 273
Other financial assets	6	440 566	378 458
Receivables from exchange transactions	7	5 234 906	5 312 850
Receivables from non-exchange transactions	8	1 645 035	1 464 202
VAT receivable	10	268 866 710	243 045 648
Total Current Assets		279 030 672	252 959 744
Non-Current Assets			
Other financial assets	6	190 057	222 213
Heritage assets	12	35 758	35 758
Investment property	13	45 977 384	44 812 264
Property, plant and equipment	14	1 084 057 052	1 113 938 661
Total Non-Current Assets		1 130 260 251	1 159 008 896
Total Assets		1 409 290 923	1 411 968 640
Liabilities			
Current Liabilities			
Consumer deposits	15	1 995 533	1 843 090
Employee benefit obligation	16	1 860 285	999 768
Payables from exchange transactions	17	1 232 562 065	1 138 032 447
Provisions	18	4 879 448	4 385 788
Unspent conditional grants and receipts	19	2 740 275	9 898 270
VAT payable	11	178 621 834	163 454 201
Total Current Liabilities		1 422 659 440	1 318 613 564
Non-Current Liabilities			
Employee benefit obligation	16	12 765 206	12 109 291
Provisions	18	56 729 738	58 810 005
Total Non-Current Liabilities		69 494 944	70 919 296
Total Liabilities		1 492 154 384	1 389 532 860
Net Assets		(82 863 461)	22 435 780
Accumulated surplus		(82 863 461)	22 435 780
Total Net Assets		(82 863 461)	22 435 780

* See Note 46

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Audited Annual Financial Statements for the year ended 30 June 2025

AUDITED

Statement of Financial Performance for the year ended 30 June 2025

Figures in Rand	Note(s)	2025	2024 <i>Restated*</i>
Revenue			
Revenue from exchange transactions			
Interest income	20	83 175 574	72 300 645
Operational revenue	22	5 432 029	4 362 646
Rental of facilities and equipment	24	918 615	868 252
Service charges	25	91 159 839	88 092 888
Total revenue from exchange transactions		180 686 057	165 624 431
Revenue from non-exchange transactions			
Taxation revenue			
Interest income (Non-exchange transactions)	21	10 654 230	7 676 098
Property rates	26	32 983 106	28 003 176
Transfer revenue			
Fines, Penalties and Forfeits	27	-	1 850
Government grants and subsidies	28	184 704 390	150 473 585
Public contributions and donations	29	-	3 277 581
Department of Water and Sanitation billing adjustment	31	-	82 154 265
Other Income - Remission	23	-	2 002 665
Total revenue from non-exchange transactions		228 341 726	273 589 220
Total revenue		409 027 783	439 213 651
Expenditure			
Bad debts written off	32	(7 910 363)	(3 402 600)
Bulk purchases	30	(33 020 280)	(37 693 344)
Debt impairment	33	(175 795 971)	(174 643 312)
Depreciation and amortisation	34	(59 161 054)	(66 622 983)
Employee related costs	35	(107 293 440)	(109 439 921)
Finance costs	36	(70 374 817)	(87 416 021)
General expenses	37	(55 070 272)	(66 805 675)
Remuneration of councillors	38	(6 615 556)	(6 678 265)
Total expenditure		(515 241 753)	(552 702 121)
Operating deficit		(106 213 970)	(113 488 470)
Loss on disposal of assets and liabilities	14	(147 026)	(9 131 296)
Actuarial gains	16	(399 991)	(236 545)
Fair value adjustments	40	1 165 119	(1 553 391)
Reversal of impairments/(Impairment loss)	39	296 626	(31 797 625)
Inventories losses/write-downs		-	(52 381)
Deficit for the year		(105 299 242)	(156 259 708)

* See Note 46

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AUDITED

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

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	125 825 383	125 825 383
Adjustments		
Prior year adjustments 46	52 870 105	52 870 105
Balance at 01 July 2023 as restated*	178 695 488	178 695 488
Changes in net assets		
Deficit for the year	(156 259 708)	(156 259 708)
Total changes	(156 259 708)	(156 259 708)
Opening balance as previously reported	(23 378 550)	(23 378 550)
Adjustments		
Prior year adjustments 46	45 814 331	45 814 331
Restated* Balance at 01 July 2024 as restated*	22 435 781	22 435 781
Changes in net assets		
Deficit for the year	(105 299 242)	(105 299 242)
Total changes	(105 299 242)	(105 299 242)
Balance at 30 June 2025	(82 863 461)	(82 863 461)
Note(s)		

* See Note 46

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AUDITED

Cash Flow Statement for the year ended 30 June 2025

Figures in Rand	Note(s)	2025	2024 <i>Restated*</i>
Cash flows from operating activities			
Receipts			
Taxation		21 123 634	20 598 312
Sale of goods and services		23 023 893	49 572 705
Grants		177 546 395	139 860 563
Interest income		852 863	698 419
Other receipts		-	3 279 431
		222 546 785	214 009 430
Payments			
Employee costs		(91 433 149)	(86 099 570)
Suppliers		(95 338 031)	(113 834 580)
		(186 771 180)	(199 934 150)
Net cash flows from operating activities	42	35 775 605	14 075 280
Cash flows from investing activities			
Purchase of property, plant and equipment	14	(35 595 899)	(21 480 055)
Proceeds from sale of property, plant and equipment	14	-	739 400
Proceeds from sale of financial assets		(29 952)	(41 062)
Net cash flows from investing activities		(35 625 851)	(20 781 717)
Net increase/(decrease) in cash and cash equivalents		149 754	(6 706 437)
Cash and cash equivalents at the beginning of the year		1 287 313	7 993 750
Cash and cash equivalents at the end of the year	4	1 437 067	1 287 313

* See Note 46

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Audited Annual Financial Statements for the year ended 30 June 2025

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

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Interest received - investment	116 718	(65 882)	50 836	852 863	802 027	Note 60.6
Interest received - receivables	57 939 182	-	57 939 182	82 322 711	24 383 529	Note 60.3
Other income	2 720 345	2 443 759	5 164 104	5 432 029	267 925	Note 60.4
Rental of facilities and equipment	1 066 460	165 388	1 231 848	918 615	(313 233)	Note 60.2
Rent on land	9 314 518	(6 314 518)	3 000 000	-	(3 000 000)	Note 60.5
Service charges	93 606 822	(1 208 396)	92 398 426	91 159 839	(1 238 587)	Note 60.1
Dividends	3 902 374	(3 902 374)	-	-	-	
Total revenue from exchange transactions	168 666 419	(8 882 023)	159 784 396	180 686 057	20 901 661	
Revenue from non-exchange transactions						
Taxation revenue						
Interest - Taxation revenue	-	-	-	10 654 230	10 654 230	Note 60.9
Property rates	31 774 805	(362 290)	31 412 515	32 983 106	1 570 591	Note 60.8
Transfer revenue						
Fines, Penalties and Forfeits	3 326	-	3 326	-	(3 326)	Note 60.11
Government grants and subsidies	140 358 000	-	140 358 000	184 704 390	44 346 390	Note 60.10
Total revenue from non-exchange transactions	172 136 131	(362 290)	171 773 841	228 341 726	56 567 885	
Total revenue	340 802 550	(9 244 313)	331 558 237	409 027 783	77 469 546	

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Audited Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Expenditure						
Bad debts written off	(20 801 485)	(1 122 594)	(21 924 079)	(7 910 363)	14 013 716	Note 60.19
Bulk purchases	(5 559 700)	-	(5 559 700)	(33 020 280)	(27 460 580)	Note 60.20
Debt impairment	-	-	-	(175 795 971)	(175 795 971)	Note 60.18
Depreciation and amortisation	(49 706 401)	-	(49 706 401)	(59 161 054)	(9 454 653)	Note 60.15
Employee related costs	(115 581 140)	2 326 205	(113 254 935)	(107 293 440)	5 961 495	Note 60.12
Finance costs	(46 000 000)	-	(46 000 000)	(70 374 817)	(24 374 817)	Note 60.17
General expenses	(74 996 519)	(1 988 653)	(76 985 172)	(55 070 272)	21 914 900	Note 60.24
Remuneration of councillors	(12 461 338)	508 932	(11 952 406)	(6 615 556)	5 336 850	Note 60.13
Other Losses	(500 000)	-	(500 000)	-	500 000	Note 60.22
Transfers and Subsidies	(67 379 814)	25 179 560	(42 200 254)	-	42 200 254	Note 60.21
Total expenditure	(392 986 397)	24 903 450	(368 082 947)	(515 241 753)	(147 158 806)	
Operating deficit	(52 183 847)	15 659 137	(36 524 710)	(106 213 970)	(69 689 260)	
Actuarial gains	-	-	-	(399 991)	(399 991)	Note 60.26
Fair value adjustments	-	-	-	1 165 119	1 165 119	Note 60.25
Loss on disposal of assets and liabilities	-	-	-	(147 026)	(147 026)	Note 60.23
Impairment loss/ Reversal of impairments	-	-	-	296 626	296 626	Note 60.16
	-	-	-	914 728	914 728	
Surplus/(deficit) for the year	(52 183 847)	15 659 137	(36 524 710)	(105 299 242)	(68 774 532)	

Mafube Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Cash and cash equivalents	57 173 443	-	57 173 443	1 437 068	(55 736 375)	Note 60.31
Inventories	477 164	-	477 164	1 406 387	929 223	Note 60.27
Other financial assets	-	-	-	440 566	440 566	Note 60.28
Receivables from exchange transactions	51 303 745	-	51 303 745	5 234 906	(46 068 839)	Note 60.29
Receivables from non-exchange transactions	(25 598 856)	-	(25 598 856)	1 645 035	27 243 891	Note 60.30
VAT receivable	-	-	-	268 866 710	268 866 710	
Total current assets	83 355 496	-	83 355 496	279 030 672	195 675 176	

Non-Current Assets

Heritage assets	35 757	-	35 757	35 758	1	Note 60.35
Intangible assets	1 049 000	1 301 000	2 350 000	-	(2 350 000)	Note 60.34
Investment property	76 875 883	-	76 875 883	45 977 384	(30 898 499)	Note 60.32
Other financial assets	-	-	-	190 057	190 057	Note 60.36
Property, plant and equipment	1 014 772 088	(28 029 915)	986 742 173	1 084 057 052	97 314 879	Note 60.33
Receivables from non-exchange transactions	444 500	-	444 500	-	(444 500)	Note 60.37
Total non-current assets	1 093 177 228	(26 728 915)	1 066 448 313	1 130 260 251	63 811 938	
Total Assets	1 176 532 724	(26 728 915)	1 149 803 809	1 409 290 923	259 487 114	

Liabilities

Current Liabilities

Consumer deposits	565 972	-	565 972	1 995 533	1 429 561	Note 60.40
Employee benefit obligation	-	-	-	1 860 285	1 860 285	Note 60.41
Payables from exchange transactions	(20 295 366)	-	(20 295 366)	1 232 562 070	1 252 857 436	Note 60.38
Provisions	16 091 493	-	16 091 493	4 879 448	(11 212 045)	Note 60.43
Unspent conditional grants and receipts	-	-	-	2 740 275	2 740 275	Note 60.42
VAT payable	4 206 011	-	4 206 011	178 621 834	174 415 823	Note 60.39

Mafube Local Municipality

(Registration number FS205)

Audited Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Total current liabilities	568 110	-	568 110	1 422 659 445	1 422 091 335	
Non-Current Liabilities						
Employee benefit obligation	-	-	-	12 765 206	12 765 206	Note 60.44
Provisions	14 497 266	-	14 497 266	56 729 738	42 232 472	Note 60.45
Total non-current liabilities	14 497 266	-	14 497 266	69 494 944	54 997 678	
Total Liabilities	15 065 376	-	15 065 376	1 492 154 389	1 477 089 013	
Net Assets	1 161 467 348	(26 728 915)	1 134 738 433	(82 863 466)	(1 217 601 899)	
Net Assets						
Accumulated surplus	1 161 467 348	(26 728 915)	1 134 738 433	(82 863 461)	(1 217 601 894)	Note 60.46

Refer to note 59 for budget difference deviations.

The accounting policies on pages 20 to 48 and the notes on pages 49 to 123 form an integral part of the audited annual financial statements.

Accounting Policies for the year ended 30 June 2025

Figures in Rand	Note(s)	2025	2024
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1. Significant accounting policies

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

1.1 Basis of preparations

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

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

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

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

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

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

1.5 Significant judgements and sources of estimation uncertainty

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

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Trade receivables

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

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

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

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

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

Impairment testing

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

Provisions

Management's judgement is required when recognising and measuring provisions, contingent liabilities and contingent assets. Additional disclosure of these estimates of provisions are included in note 18.

Useful lives of infrastructure and other assets

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

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in note 16.

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

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

Allowance for impairment

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

Recognition and Derecognition of Land

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

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

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

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

Accounting by principals and agent

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

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Segment reporting

A segment is an activity of an entity:

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

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

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

In applying GRAP 18 Segment Reporting, management makes judgements with regard to the identification of reportable segments of the municipality in a manner consistent with the internal reporting provided to management.

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.

Interest on exchange and non exchange assets

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

1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

Accounting Policies

1.6 Investment property (continued)

Fair value

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

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

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

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

Once the 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.

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

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

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the audited annual financial statements (see note 13). Cost incurred to repair and maintain investment property comprises of goods and services and contracted services. These cost excludes labour cost.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the audited annual financial statements (see note 13). All investment property under construction which have exceeded the initial planned completion date by two years are considered to be taking a significantly longer period of time to complete than expected.

1.7 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

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

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

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

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

Property, plant and equipment are depreciated on the diminishing balance method over their expected useful lives to their estimated residual value.

Accounting Policies**1.7 Property, plant and equipment (continued)**

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

Item	Depreciation method	Average useful life
Immovable assets		
Buildings	Diminishing method	balance 15 - 50 years
Community	Diminishing method	balance 15 - 50 years
Infrastructure - Electricity network	Diminishing method	balance 15 - 50 years
Infrastructure - Roads network	Diminishing method	balance 15 - 50 years
Infrastructure - Solid waste network	Diminishing method	balance 15 - 50 years
Infrastructure - Water network	Diminishing method	balance 15 - 80 years
Land	Diminishing method	balance Indefinite
Landfill Sites	Diminishing method	balance 4 - 49 years
Movable assets		
Computer equipment	Diminishing method	balance 5 - 15 years
Furniture and fixtures	Diminishing method	balance 5 - 15 years
Motor vehicles	Diminishing method	balance 5 - 15 years
Plant and machinery	Diminishing method	balance 5 - 20 years

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

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

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

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

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

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

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

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

Accounting Policies

1.7 Property, plant and equipment (continued)

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 14). The expenditure to repair and maintain property, plant and equipment comprises of goods and services and contracted services. These cost excludes labour cost.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 14).

1.8 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

1.9 Heritage assets

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 12). Cost incurred to repair and maintain heritage assets comprises of goods and services and contracted services. These costs excludes labour cost.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 12). Heritage Assets under construction are carried at cost. All assets under construction which have exceeded the initial planned completion date by two years are considered to be taking a significantly longer period of time to complete than expected.

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

Accounting Policies

1.9 Heritage assets (continued)

Impairment

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

Transfers

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

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

Derecognition

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

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

1.10 Financial instruments

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

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

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

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

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

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

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

A financial asset is:

- cash;
- a residual interest of another municipality; or

Accounting Policies

1.10 Financial instruments (continued)

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

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.10 Financial instruments (continued)

Classification

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

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

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

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

1.11 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

Accounting Policies

1.11 Statutory receivables (continued)

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

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

Other charges

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

Impairment losses

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

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

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

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

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

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

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

Derecognition

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

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

Accounting Policies

1.11 Statutory receivables (continued)

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

1.12 Leases

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

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

Finance leases - lessee

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

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

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.13 Inventories

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

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

Accounting Policies

1.13 Inventories (continued)

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

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

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

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

The cost of inventories is assigned using the 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.

Water Inventory

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

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

1.14 Construction contracts and receivables

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

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

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

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

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

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

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

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

Accounting Policies

1.14 Construction contracts and receivables (continued)

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

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

1.15 Cash and cash equivalents

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

1.16 Impairment of cash and non-cash-generating assets

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

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

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

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

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

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

- None of the assets are managed with the objective of generating positive cash flows are expected to be significantly higher than the cost of the asset; and
- Although certain services assets generate positive cash flows, these are used for cross subsidisation of services assets that generate negative cash flows.

Designation

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

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

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

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

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

Accounting Policies

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

Redesignation

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

1.17 Employee benefits

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

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

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

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

Accounting Policies

1.17 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

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

Post-employment benefits

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

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

The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past, or accrued and future in-service element. The liability is recognised at the fair value of the obligation, together with any adjustments required. The projected unit credit method has been used to value the obligation. Refer to note 16.

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

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

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

Accounting Policies

1.17 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

The amount recognised as a defined benefit liability is the net total of the following amounts:

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

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

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- actuarial gains and losses;
- past service cost; and
- the effect of any curtailments or settlements.

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

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

Accounting Policies

1.17 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

Post-employment benefit obligations are measured on a basis that reflects:

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

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

1.18 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.18 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

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

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

1.19 Commitments

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

1.20 Revenue from exchange transactions

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

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

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

Measurement

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

Pre-paid Electricity

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

Accounting Policies

1.20 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

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

Rendering of services

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

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

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

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

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

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

Interest

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

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

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

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

1.21 Revenue from non-exchange transactions

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

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

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

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Taxes

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

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

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

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

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

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

Transfers

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

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

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

Unconditional Grants

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

Conditional Grants

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

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

Availability charges

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

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

Fines

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

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

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

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

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

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

Bequests

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

Gifts and donations, including goods in-kind

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

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

Services in-kind

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

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

Unallocated deposit

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

1.22 Investment income

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

1.23 Borrowing costs

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

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

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

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

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

1.24 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

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Accounting Policies

1.24 Accounting by principals and agents (continued)

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

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

Recognition

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

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

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

1.25 Comparative figures

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

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

1.26 Unauthorised expenditure

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

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

Accounting Policies

1.27 Fruitless and wasteful expenditure

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

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

Fruitless and wasteful expenditure is disclosed inclusive of VAT.

1.28 Irregular expenditure

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

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

Irregular expenditure is disclosed exclusive of VAT.

1.29 Consumer deposits

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in line with Council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

1.30 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.31 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

1.32 Budget information

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

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

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

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

Accounting Policies

1.32 Budget information (continued)

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

1.33 Related parties

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

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

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

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

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

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

1.34 Events after reporting date

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

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

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

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

1.35 Change on accounting policies estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

The municipality identified and disclosed the impact of GRAP standards that have been issued but are not yet effective in accordance with the requirements of GRAP 3.

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Accounting Policies

1.36 Bad debts written off

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

1.37 Value Added Tax

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

The Municipality is registered for VAT on the payment basis. Revenue, expenses and assets are recognised net of the amount of value added tax.

- Where the VAT incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and

- Receivables and payables that are stated with the amount VAT included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

1.38 Unspent Conditional Grants and Receipts

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

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

- The cash which backs up the liability is invested until it is utilised,
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.
- Whenever an asset is purchased out of the unspent conditional grant an amount equal to the cost price of the asset purchased is transferred from the unspent conditional grant into the Statement of Financial Performance as revenue.

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

Figures in Rand	2025	2024
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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 107 Mergers	01 April 2025	Unlikely there will be a material impact
GRAP 106 Transfer of Functions Between Entities Not Under Common Control	01 April 2025	Unlikely there will be a material impact
GRAP 105 Transfer of Functions Between Entities Under Common Control	01 April 2025	Unlikely there will be a material impact
GRAP 2023 Improvements to the Standards of GRAP 2023	01 April 2025	Unlikely there will be a material impact
GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	01 April 2025	Unlikely there will be a material impact
GRAP 103 (as revised): Heritage Assets	01 April 2025	Unlikely there will be a material impact
iGRAP 22 Foreign Currency Transactions and Advance Consideration	01 April 2025	Unlikely there will be a material impact
GRAP 104 (as revised): Financial Instruments	01 April 2025	Expected change on classification and Introduction of the Expected Credit Loss (ECL) impairment model will have a big impact on impairment calculations

3. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	Total
Cash and cash equivalents	1 437 068	1 437 068
Receivables from exchange transactions	5 234 906	5 234 906
	6 671 974	6 671 974

Financial liabilities

	At amortised cost	Total
Consumer deposits	1 995 533	1 995 533
Payables from exchange transactions	920 833 041	920 833 041
	922 828 574	922 828 574

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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3. Financial instruments disclosure (continued)
2024
Financial assets

	At amortised cost	Total
Cash and cash equivalents	1 287 313	1 287 313
Receivables from exchange transactions	5 312 851	5 312 851
	6 600 164	6 600 164

Financial liabilities

	At amortised cost	Total
Consumer deposits	1 843 090	1 843 090
Payables from exchange transactions	850 769 760	850 769 760
	852 612 851	852 612 850

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Audited Annual Financial Statements for the year ended 30 June 2025

AUDITED

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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4. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	472 623	307 881
Short-term deposits	964 445	979 432
	1 437 068	1 287 313

The total amount of undrawn facilities available for future operating activities and commitments

1 437 068	1 287 313
1 437 068	1 287 313

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
Current accounts						
ABSA Bank - Cheque Account - 4052823517	472 623	183 526	351 641	472 623	308 609	474 293
First National Bank - ChequeAccount - 62817361679	-	(728)	355	-	(728)	355
Short-term Investments						
ABSA Bank - Call Account - 9090111270	1 076	1 026	2 251	1 076	1 026	2 251
ABSA - Call Account - 9229618782	1 196	1 140	1 993 483	1 196	1 140	1 993 483
ABSA Bank - Call Account - 9232387538	1 078	1 028	2 771	1 078	1 028	2 771
First National Bank - CallAccount - 62817394901	942 030	880 543	879 974	942 030	880 543	879 974
First National Bank - CallAccount - 62850214778	17 749	17 749	4 640 625	17 749	17 749	4 640 625
Standard Bank - 08 882 956 1 - 003	1 107	3 443	-	1 107	3 443	-
Standard Bank - 08 882 956 1 - 001	211	74 504	-	211	74 504	-
Total	1 437 068	1 162 230	7 871 100	1 437 068	1 287 313	7 993 751

5. Inventories

Consumable stores	611 476	734 520
Water for distribution	794 911	736 753
	1 406 387	1 471 273

Water for distribution

Opening balance		736 753	592 165
Water Purchased	30	33 020 280	30 579 814
Chemicals used in purification		4 336 215	5 541 071
Cost of water sold		(37 356 494)	(36 120 885)
Inventories adjustment / movement		58 157	144 589
Closing balance		794 911	736 753

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
6. Other financial assets		
At amortised cost		
VKB Agriculture Limited - Member Funds	190 057	222 213
The member funds arises from awards earned by members based on purchases. Awards do not earn interest or dividends and have a 15 year maturity life and are then transferred to the security member loan.		
VKB Agriculture Limited - Membership	84 335	84 335
The membership deposit was paid to open a trading account and become a member. The receivable do not earn interest nor dividends and is repayable when membership is cancelled.		
VKB Agriculture Limited - Security member loan	182 667	133 863
When the member fund awards mature after 15 years it is transferred to the member loan account. The loan serves as security against the trading account. The loan is payable on demand after settling any outstanding balance on the trading account.		
VKB Agriculture Limited - Short term member loan	173 564	160 260
The member loan bears interest and is available on demand.		
	630 623	600 671
Non-current assets		
At amortised cost	190 057	222 213
Current assets		
At amortised cost	440 566	378 458
	440 566	378 458

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Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
7. Receivables from exchange transactions		
Gross balances		
Other receivables - Overpayment of Salaries	4 325 294	4 320 330
Sundry debtors	(57 838)	(45 532)
Other debtors	8 800	8 800
Consumer debtors - Electricity	6 780 462	6 425 004
Consumer debtors - Water	566 095 236	493 841 495
Consumer debtors - Sewerage	372 030 275	319 917 956
Consumer debtors - Refuse	247 107 502	209 364 784
Consumer debtors - Sundry	31 940 788	27 086 748
	1 228 230 519	1 060 919 585
Less: Allowance for impairment		
Other receivables - Overpayment of Salaries	(1 923 791)	(1 923 791)
Consumer debtors - Electricity	(6 766 716)	(6 413 515)
Consumer debtors - Water	(564 838 489)	(492 158 593)
Consumer debtors - Sewerage	(370 866 868)	(319 195 120)
Consumer debtors - Refuse	(247 074 036)	(208 965 699)
Consumer debtors - Sundry	(31 525 713)	(26 950 017)
	(1 222 995 613)	(1 055 606 735)
Net balance		
Other receivables - Overpayment of Salaries	2 401 503	2 396 539
Sundry debtors	(57 838)	(45 532)
Other debtors	8 800	8 800
Consumer debtors - Electricity	13 746	11 489
Consumer debtors - Water	1 256 747	1 682 902
Consumer debtors - Sewerage	1 163 407	722 836
Consumer debtors - Refuse	33 466	399 085
Consumer debtors - Sundry	415 075	136 731
	5 234 906	5 312 850
Electricity		
Current (0 -30 days)	132 297	47 122
31 - 60 days	65 129	23 571
61 - 90 days	64 830	23 571
91 - 120 days	28 957	23 571
120+ Days	6 489 248	6 307 170
Impairment	(6 766 716)	(6 413 515)
	13 745	11 489
Water		
Current (0 -30 days)	15 405 114	14 870 594
31 - 60 days	8 376 555	9 944 763
61 - 90 days	8 385 772	6 780 640
91 - 120 days	7 122 965	7 815 719
120+ Days	526 804 830	454 429 778
Impairment	(564 838 489)	(492 158 593)
	1 256 747	1 682 902

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Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
7. Receivables from exchange transactions (continued)		
Sewerage		
Current (0 -30 days)	9 722 557	8 485 183
31 - 60 days	4 321 502	4 159 434
61 - 90 days	4 730 464	4 151 580
91 - 120 days	4 011 366	4 118 284
120+ Days	349 244 387	299 003 474
Impairment	(370 866 868)	(319 195 120)
	1 163 407	722 836
Refuse		
Current (0 -30 days)	7 143 732	6 066 135
31 - 60 days	3 208 015	2 981 197
61 - 90 days	3 447 431	2 972 216
91 - 120 days	2 967 355	2 945 784
120+ Days	230 340 969	194 399 452
Impairment	(247 074 036)	(208 965 699)
	33 466	399 085
Sundry debtors		
Current (0 -30 days)	937 297	892 488
31 - 60 days	449 543	426 137
61 - 90 days	445 819	424 230
91 - 120 days	424 914	418 608
120+ Days	29 683 214	24 925 285
Impairment	(31 525 713)	(26 950 017)
	415 075	136 731

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Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
7. Receivables from exchange transactions (continued)		
Summary of debtors by customer classification		
Residential		
Current (0 -30 days)	30 372 724	27 005 325
31 - 60 days	15 259 528	15 895 962
61 - 90 days	15 981 622	13 309 592
91 - 120 days	13 548 714	14 238 715
120+ Days	1 071 295 895	914 219 151
	1 146 458 484	984 668 745
Less: Allowance for impairment	(1 144 806 747)	(983 229 831)
	1 651 737	1 438 914
Commercial		
Current (0 -30 days)	2 916 052	3 314 289
31 - 60 days	1 141 527	1 619 280
61 - 90 days	1 068 280	1 022 925
91 - 120 days	982 741	1 063 658
120+ Days	70 572 875	64 405 172
	76 681 475	71 425 324
Less: Allowance for impairment	(75 459 919)	(69 917 439)
	1 221 556	1 507 885
Small holdings and farms		
Current (0 -30 days)	52 221	41 909
31 - 60 days	19 689	19 860
61 - 90 days	24 414	19 719
91 - 120 days	24 101	19 592
120+ Days	693 880	440 836
	814 305	541 917
Less: Allowance for impairment	(805 156)	(535 672)
	9 150	6 245
Total		
Current (0 -30 days)	33 340 997	30 361 523
31 - 60 days	16 420 744	17 535 103
61 - 90 days	17 074 316	14 352 237
91 - 120 days	14 555 556	15 321 965
120+ Days	1 142 562 650	979 065 159
	1 223 954 264	1 056 635 986
Less: Allowance for impairment	(1 221 071 822)	(1 053 682 942)
	2 882 442	2 953 044

Mafube Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
7. Receivables from exchange transactions (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(1 053 682 943)	(885 347 778)
Contributions to allowance	(169 312 671)	(170 258 956)
	(1 222 995 613)	(1 055 606 733)

Receivables from exchange transactions pledged as security

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

Credit quality of trade and other receivables from exchange

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

Fair value of receivables from exchange transactions

Trade and other receivables from exchange	5 234 906	5 312 851
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Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
8. Receivables from non-exchange transactions		
Gross balances		
Property rates	147 441 543	127 333 634
Less: Allowance for impairment		
Property rates	(145 796 508)	(125 869 432)
Net balance		
Property rates	1 645 035	1 464 202
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Property rates	1 645 035	1 464 203
Total receivables from non-exchange transactions	1 645 035	1 464 202
Property rates		
Current (0 -30 days)	6 067 494	5 775 644
31 - 60 days	2 435 171	2 590 564
61 - 90 days	2 643 429	2 547 155
91 - 120 days	2 389 979	2 594 895
120+ Days	133 905 471	113 825 375
Impairment	(145 796 508)	(125 869 432)
	1 645 035	1 464 202

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
8. Receivables from non-exchange transactions (continued)		
Summary of debtors by customer classification		
Residential		
Current (0 -30 days)	2 941 397	2 743 087
31 - 60 days	1 364 267	1 276 371
61 - 90 days	1 396 035	1 251 525
91 - 120 days	1 211 708	1 358 170
120+ Days	70 557 616	59 426 862
	77 471 023	66 056 015
Less: Allowance for impairment	(76 901 721)	(65 465 877)
	569 302	590 137
Commercial		
Current (0 -30 days)	2 046 438	2 025 442
31 - 60 days	782 601	820 492
61 - 90 days	721 988	806 306
91 - 120 days	656 357	751 296
120+ Days	29 588 870	25 760 661
	33 796 253	30 164 198
Less: Allowance for impairment	(32 805 417)	(29 340 857)
	990 836	823 341
Small holdings and farms		
Current (0 -30 days)	1 079 660	1 007 115
31 - 60 days	288 302	493 700
61 - 90 days	525 406	489 325
91 - 120 days	521 914	485 429
120+ Days	33 758 985	28 637 853
	36 174 266	31 113 421
Less: Allowance for impairment	(36 089 370)	(31 062 698)
	84 897	50 724
Total		
Current (0 -30 days)	6 067 494	5 775 644
31 - 60 days	2 435 170	2 590 564
61 - 90 days	2 643 429	2 547 155
91 - 120 days	2 389 979	2 594 895
120+ Days	133 905 471	113 825 376
	147 441 543	127 333 634
Less: Allowance for impairment	(145 796 508)	(125 869 432)
	1 645 035	1 464 202
Reconciliation of allowance for impairment		
Balance at beginning of the year	(125 869 432)	(106 696 007)
Contributions to allowance	(19 927 076)	(19 173 424)
	(145 796 508)	(125 869 432)

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
8. Receivables from non-exchange transactions (continued)		
Receivables from non-exchange transactions pledged as security		
No Trade and other receivables from non-exchange transactions were pledged as security.		
Credit quality of trade and other receivables from non-exchange		
The credit quality of trade and other receivables from non-exchange transactions that are neither past due nor due nor impaired can be assessed by reference to historical trends and other available information. Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.		
Fair value of receivables from non-exchange transactions		
Trade and other receivables from non-exchange	1 645 035	1 464 203

Mafube Local Municipality

(Demarcation code: FS205)

Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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9. Statutory receivables

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

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

VAT (Payable) / Receivable	90 244 876	79 591 448
	90 244 876	79 591 448

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

Property rates	1 645 035	1 464 203
	1 645 035	1 464 203

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

Property rates	(145 796 508)	(125 869 432)
	(145 796 508)	(125 869 432)

Factors the entity considered in assessing statutory receivables impaired

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

Statutory receivables general information

Transaction(s) arising from statute

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

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

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

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

Interest or other charges levied/charged

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

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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9. Statutory receivables (continued)

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

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

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

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

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

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

Discount rate applied to the estimated future cash flows

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

Statutory receivables past due but not impaired

Statutory receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2025, R311 (2024: R6 189) were past due but not impaired.

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

1 month past due	303	2 255
2 months past due	5	1 938
3 months past due	3	1 996

Factors the entity considered in assessing statutory receivables past due but not impaired

Step1: Management inspected all Statutory consumer debtors to determine what debtors have and outstanding balance at reporting date, but was not impaired at yearend.

Step 2: Management then looked at the selected debtors accounts as identified in step 1 to determine who does not have and balance outstanding for more than 90 days.

Step 3: Management then disclosed all accounts not impaired with and outstanding balance at yearend not more than 90 days old.

Mafube Local Municipality

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Audited Annual Financial Statements for the year ended 30 June 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
10. VAT receivable		
VAT Input Accrual	268 866 710	243 045 648
VAT Receivable and VAT Payable are exchange transactions		
Only once payment is received from debtors or payments made to suppliers the VAT is paid over to or claimed from the South African Revenue Service (SARS).		
VAT meets the definition of a statutory receivable as per the accounting policy. For statutory receivable information regarding VAT refer to note 9.		
VAT is (payable)/receivable on the cash basis.		
11. VAT payable		
VAT Control	1 171 314	580 454
VAT Output Accrual [on Receivables]	177 450 520	162 873 747
	178 621 834	163 454 201

VAT Receivable and VAT Payable are exchange transactions.

Only once payment is received from debtors or payments made to suppliers the VAT is paid over to or claimed from the South African Revenue Service (SARS).

VAT is (payable)/receivable on the cash basis.

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Audited Annual Financial Statements for the year ended 30 June 2025

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Notes to the Audited Annual Financial Statements

Figures in Rand

12. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral Jewellery	35 758	-	35 758	35 758	-	35 758

Reconciliation of heritage assets 2025

	Opening balance	Total
Mayoral Jewellery	35 758	35 758

Reconciliation of heritage assets 2024

	Opening balance	Total
Mayoral Jewellery	35 758	35 758

Pledged as security

Heritage assets has not been pledged as security.

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Audited Annual Financial Statements for the year ended 30 June 2025

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Notes to the Audited Annual Financial Statements

Figures in Rand

13. Investment property

	2025	2024
	Fair Value	Fair Value
Investment property	45 977 384	44 812 264
Total	45 977 384	44 812 264

Reconciliation of investment property - 2025

	Opening balance	Transfers from Zero Value Register	Transfers to Zero Value Register	Fair value adjustments	Total
Investment property	44 812 264	-	-	1 165 119	45 977 384
	44 812 264	-	-	1 165 119	45 977 384

Reconciliation of investment property - 2024

	Opening balance	Transfers from Zero Value Register	Transfers to Zero Value Register	Fair value adjustments	Total
Investment property	46 365 656	98 406	(1 883 626)	231 828	44 812 264
	46 365 656	98 406	(1 883 626)	231 828	44 812 264

Pledged as security

No investment properties has been pledged as security for liabilities.

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

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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13. Investment property (continued)**Details of valuation**

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

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

These assumptions are based on current market conditions.

Legal ownership

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

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

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

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

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

Derecognise

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

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Notes to the Audited Annual Financial Statements

Figures in Rand

14. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Immovable assets						
Landfill site asset	37 539 905	(19 716 192)	17 823 713	44 005 960	(17 389 160)	26 616 800
Buildings	110 622 603	(56 072 939)	54 549 664	110 616 169	(53 078 835)	57 537 334
Community	75 600 749	(48 701 981)	26 898 768	75 600 749	(46 660 022)	28 940 727
Infrastructure - Electricity network	169 195 555	(79 493 820)	89 701 735	169 195 554	(73 178 182)	96 017 372
Infrastructure - Road network	183 415 905	(100 907 743)	82 508 162	183 436 429	(92 936 524)	90 499 905
Infrastructure - Water network	229 751 868	(77 194 950)	152 556 918	229 484 444	(66 412 730)	163 071 714
Land	159 836 898	-	159 836 898	159 836 898	-	159 836 898
Infrastructure - Wastewater network	579 885 755	(192 298 147)	387 587 608	579 885 755	(167 233 581)	412 652 174
Work in Progress	102 810 053	-	102 810 053	67 798 179	-	67 798 179
Movable assets						
Computer equipment	1 719 672	(1 422 029)	297 643	1 719 672	(1 347 807)	371 865
Motor vehicles	19 622 520	(12 000 153)	7 622 367	19 622 520	(10 973 029)	8 649 491
Office equipment	1 127 937	(784 834)	343 103	1 127 937	(747 182)	380 755
Plant and machinery	4 362 872	(2 842 452)	1 520 420	4 314 090	(2 748 643)	1 565 447
Total	1 675 492 292	(591 435 240)	1 084 057 052	1 646 644 356	(532 705 695)	1 113 938 661

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Audited Annual Financial Statements for the year ended 30 June 2025

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Notes to the Audited Annual Financial Statements

Figures in Rand

14. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Work in Progress - Additions	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
Immovable assets									
Landfill site asset	26 616 800	-	-	-	(6 466 055)	(2 327 032)	-	-	17 823 713
Buildings	57 537 334	6 434	-	-	-	(2 994 105)	-	-	54 549 664
Community	28 940 727	-	-	-	-	(2 041 959)	-	-	26 898 768
Infrastructure - Electricity Network	96 017 372	-	-	-	-	(6 315 638)	-	-	89 701 735
Infrastructure - Road network	90 499 905	-	-	-	-	(7 991 743)	-	-	82 508 162
Infrastructure - Water network	163 071 714	528 808	(147 027)	-	-	(10 896 578)	-	-	152 556 918
Land	159 836 898	-	-	-	-	-	-	-	159 836 898
Infrastructure - Wastewater network	412 652 174	-	-	-	-	(25 064 567)	-	-	387 587 608
Work-in-Progress	67 798 179	-	-	35 011 874	-	-	-	-	102 810 053
Movable assets									
IT equipment	371 865	-	-	-	-	(82 756)	(6 636)	15 170	297 643
Motor vehicles	8 649 491	-	-	-	-	(1 192 068)	(98 596)	263 540	7 622 367
Office equipment	380 755	-	-	-	-	(40 033)	(5 054)	7 435	343 103
Plant and machinery	1 565 447	48 783	-	-	-	(214 575)	(6 433)	127 198	1 520 420
	1 113 938 661	584 025	(147 027)	35 011 874	(6 466 055)	(59 161 054)	(116 719)	413 343	1 084 057 052

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Notes to the Audited Annual Financial Statements

Figures in Rand

14. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Work in Progress - Additions	Other changes, movements	Depreciation	Impairment loss	Total
Immovable assets								
Landfill site asset	29 977 383	-	-	-	(986 877)	(2 373 706)	-	26 616 800
Buildings	78 190 255	19 379	(2 283 178)	-	-	(4 053 173)	(14 335 949)	57 537 334
Community	41 563 841	-	-	-	-	(2 944 145)	(9 678 969)	28 940 727
Infrastructure - Electricity network	108 077 084	-	(3 477 381)	-	-	(7 135 345)	(1 446 986)	96 017 372
Infrastructure - Road network	99 438 676	-	(19 402)	-	-	(8 897 664)	(21 705)	90 499 905
Infrastructure - Water network	181 434 709	284 920	(1 692 536)	-	-	(12 325 194)	(4 630 184)	163 071 714
Land	159 836 898	-	-	-	-	-	-	159 836 898
Infrastructure - Wastewater network	441 012 861	-	(796 556)	-	-	(26 960 309)	(603 822)	412 652 174
Work-in-Progress	47 519 968	-	-	20 278 211	-	-	-	67 798 179
Movable assets								
IT equipment	498 315	145 888	(74 510)	-	-	(118 288)	(79 539)	371 865
Motor vehicles	11 719 407	686 627	(1 431 417)	-	-	(1 481 716)	(843 409)	8 649 491
Office equipment	406 912	33 600	(7 402)	-	-	(45 057)	(7 297)	380 755
Plant and machinery	2 060 484	31 430	(88 315)	-	-	(288 386)	(149 766)	1 565 447
	1 201 736 793	1 201 844	(9 870 697)	20 278 211	(986 877)	(66 622 983)	(31 797 626)	1 113 938 661

Pledged as security

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

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
14. Property, plant and equipment (continued)		
Other information		
Property, plant and equipment in the process of being constructed or developed through Fezile Dabi District Municipality		
Namahadi/Frankfort: Replacement of AC water pipelines with UPVC pipelines	2 162 102	
Namahadi: Upgrading of Sports Ground at Zomba - Phase 1 (MIS:380720)	1 155 101	
Qalabotjha; Construction of 0.993km paved road and storm water drainage (MIS:417184)	3 996 920	
Namahadi: Fencing of cemetery in Ward 6 (MIS:436805)	2 245 378	
Tweeling/Mafahlaneng; Drilling and equipping of 6 boreholes and refurbishment of 2 boreholes (MIS:528662)	6 371 615	
Namahadi/Frankfort: of the sewer pipe bridge infrastructure (MIS:529595)	1 113 229	
Villiers/Qalabotjha: Refurbishment of Pump Station	1 571 405	
Tweeling/Mafahlaneng: Refurbishment of Pump Station	660 682	
	19 276 432	
Property, plant and equipment in the process of being constructed or developed		
Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Infrastructure - Road network	8 752 303	4 755 382
Community	3 744 004	243 123
Infrastructure - Electricity network	15 660 587	7 222 062
Infrastructure - Wastewater network	3 345 315	-
Infrastructure - Water network	72 517 859	55 477 210
	104 020 068	67 697 777
Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
Qalabotjha to Villiers substation 11kv feeder line. Electrification of 50 households in Qalabotjha Proper Extension 13	3 337 477	3 337 477
The project was halted due to non payment of contractors.		
No impairment losses have been recognised in relation to the project.		
	3 337 477	3 337 477

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Notes to the Audited Annual Financial Statements

Figures in Rand

14. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2025

	Opening balance	Additions / capital expenditure	Total
Infrastructure - Road network	4 755 382	3 996 920	8 752 303
Community	343 525	3 400 479	3 744 004
Infrastructure - Electricity network	7 222 062	8 438 526	15 660 587
Infrastructure - Water network	55 477 210	17 040 649	72 517 859
Infrastructure - Wastewater network	-	3 345 315	3 345 315
	67 798 179	36 221 889	104 020 068

Reconciliation of Work-in-Progress 2024

	Opening balance	Additions / capital expenditure	Transferred to repairs and maintenance	Transferred to completed items	Total
Infrastructure - Road network	1 320 420	3 434 962	-	-	4 755 382
Community	-	343 525	-	-	343 525
Infrastructure - Electricity network	5 187 894	2 034 168	-	-	7 222 062
Infrastructure - Water network	41 011 654	14 465 556	-	-	55 477 210
	47 519 968	20 278 211	-	-	67 798 179

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

General expenses	493 239	3 718 248
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
15. Consumer deposits		
Water	1 995 533	1 843 090
	1 995 533	1 843 090
No guarantees held in lieu of electricity and water deposits.		
Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding accounts.		
No interest accrues on consumer deposits.		
16. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Non-current employee benefits		
Post-Retirement Medical Aid benefits	6 041 282	5 743 679
Long-service awards benefits	6 723 924	6 365 612
	12 765 206	12 109 291
Current employee benefits		
Post-Retirement Medical Aid benefits	755 717	625 476
Long-service awards benefits	1 104 568	374 292
	1 860 285	999 768
Total employee benefits		
Post-Retirement Medical Aid benefits	6 796 999	6 369 155
Long-service awards benefits	7 828 492	6 739 904
	14 625 491	13 109 059
Non-current liabilities	12 765 206	12 109 291
Current liabilities	1 860 285	999 768
	14 625 491	13 109 059

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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16. Employee benefit obligations (continued)
Post employment health care benefits

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2025 by D T Mureriwa of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

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

Continuation members (Retirees)	13	13
In service employees (Non-members)	133	125
Total members	146	138

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

Bonitas

Hosmed

Samwumed

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

Continuation members (Retirees)	6 796 999	6 369 155
Total liability	6 796 999	6 369 155
Non-current	6 041 282	5 743 679
Current	755 717	625 476
	6 796 999	6 369 155

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

Rates of interest

Discount rate	9.49 %	10.89 %
Health care cost inflation rate	5.28 %	6.66 %
Net effective discount rate	3.99 %	3.97 %

Normal retirement age

The average retirement age for all active employees was assumed to be 65 years.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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16. Employee benefit obligations (continued)

Amounts recognised in the statement of financial position

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

Present value of unfunded obligations	6 796 999	6 369 155
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Net expense recognised in the statement of financial performance

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

Current service cost	-	-
Interest cost	659 679	638 271
Actuarial (gain) recognised in the year	78 642	354 697
	738 321	992 968

Movements in the present value of the defined benefit obligation

Opening balance	6 369 155	5 987 178
Current service cost	-	-
Interest cost	659 679	638 271
Actual employer benefit payments	(310 478)	(610 991)
Actuarial (gain) recognised in the year	78 642	354 697
Present value of fund obligation at the end of the year	6 796 998	6 369 155

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

Present value of unfunded defined benefit

2025	6 796 998
2024	6 369 155
2023	5 987 178
2022	5 954 172
2021	7 998 709

Sensitivity analysis on Medical inflation rate

Assumption	Change	Total	% change
Accrued Liability	1 %	6 855 553	7.64 %
Accrued Liability	-1 %	5 931 556	-6.87 %
Interest cost	1 %	709 551	7.56 %
Interest cost	-1 %	611 199	-7.35 %

Sensitivity analysis on Discount rate

Assumption	Change	Total	% change
Accrued Liability	1 %	5 979 399	-6.12 %
Accrued Liability	-1 %	6 807 454	6.88 %
Interest cost	1 %	670 688	1.67 %
Interest cost	-1 %	639 807	-3.01 %

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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16. Employee benefit obligations (continued)

Discount rate: GRAP25 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 The methodology of setting the financial assumptions has been updated to be more duration-specific. At the previous valuation report, 30 June 2024 the duration of liabilities was 6.50 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2025 is 9.49% per annum, and the yield on inflation-linked bonds of a similar term was about 5.02% per annum. This implies an underlying expectation of inflation of 3.78% per annum $([1 + 9.49\% - 0.5\%] / [1 + 5.02\%] - 1)$. The 0.5% deduction is there to account for biases and market frictions that distort the clean nominal–real yield differential due to seasonal CPI lags in index-linked bonds, liquidity premiums, market segmentation and mismatching compounding projections that might be present in the market. We have assumed that healthcare cost inflation would exceed general inflation by 1.50% per annum, i.e. 5.28% per annum. However, it is the relative levels of the discount rate and healthcare cost inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 3.99% per annum $([1 + 9.49\%] / [1 + 5.28\%] - 1)$.

Mortality Rates

PA (90) - 2 with a 1% mortality improvement per annum from the year 2010.

Continuation of Membership

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

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

Liability History	2025/06/30	2024/06/30	2023/06/30	2022/06/30	2021/06/30
Accrued Liability	(6 796 998)	(6 369 155)	(5 987 178)	(5 954 172)	(7 998 709)
Surplus / (Deficit)	6 796 998	6 369 155	5 987 178	5 954 172	7 998 709

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

Experience adjustment	2025/06/30	2024/06/30	2023/06/30	2022/06/30	2021/06/30
Liabilities: (Gain) / Loss	78 642	354 697	(57 217)	(1 993 937)	348 028
	78 642	354 697	(57 217)	(1 993 937)	348 028

Long-service awards benefits

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

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

At year end 332 (2024: 322) employees were eligible for Long Services Awards.

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

Discount rate	9.18 %	10.28 %
General Salary inflation	4.55 %	5.77 %
Net effective discount rate	4.42 %	4.26 %

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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16. Employee benefit obligations (continued)

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

Present value of unfunded obligations	7 828 492	6 739 904
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Amounts recognised in the statement of financial performance

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

Current service cost	496 663	484 844
Interest cost	673 624	664 003
Actuarial losses / (gains) recognised	321 348	(118 152)

Total expense included in employee related costs	1 491 635	1 030 695
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Opening balance	6 739 904	6 815 532
Current service cost	496 663	484 844
Interest cost	673 624	664 003
Actual employer benefit payments	(403 047)	(1 106 323)
Actuarial loss/ (gain) recognised in the year	321 348	(118 152)
	7 828 492	6 739 904

Liability History	2025/06/30	2024/06/30	2023/06/30	2022/06/30	2021/06/30
Accrued Liability	(7 828 492)	(6 739 904)	(6 815 532)	(7 882 906)	(7 172 479)
Surplus / (Deficit)	7 828 492	6 739 904	6 815 532	7 882 906	7 172 479

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

Experience adjustment	2025/06/30	2024/06/30	2023/06/30	2022/06/30	2021/06/30
Liabilities: (Gain) / Loss	321 348	(118 152)	(1 868 103)	(321 541)	(1 127 776)
	(321 348)	118 152	1 868 103	321 541	1 127 776

17. Payables from exchange transactions

AGSA	4 011 566	13 914 453
Accrued bonus	2 943 246	2 720 063
Accrued leave pay	5 151 761	12 369 963
Bulk water	588 440 433	521 543 050
Electricity payables	260 404 083	236 531 006
Insurance contributions not yet paid over	3 332 526	3 593 039
Medical aid contributions not yet paid over	2 631 233	2 864 568
PAYE contributions not yet paid over	5 099 469	4 149 663
Payments received in advanced - contract in process	12 385 490	10 796 617
Pensions contributions not yet paid over	264 816 567	240 180 047
Retentions	9 429 230	8 407 207
SDL contributions not yet paid over	1 366 439	289 264
Salaries accrued for(only paid after year end)	7 679 170	6 157 612
Trade payables	58 547 724	70 374 037
UIF contributions not yet paid over	1 886 634	468 235
Unallocated receipts and deposits	72 402	72 402
Unions & maintenance contributions not yet paid over	4 364 092	3 601 221
	1 232 562 065	1 138 032 447

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
17. Payables from exchange transactions (continued)		
Fair value of trade and other payables		
Trade payables	1 232 562 065	1 138 032 447
	1 232 562 065	1 138 032 447

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

The municipality have signed an agreement with Rural Freestate that Royalties due to the municipality needed to be offset on the Rural account. The total amount that was offset was R 29 888 790.71

Refer to note 46 for prior period corrections made to Payables from exchange transactions.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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18. Provisions
Reconciliation of provisions - 2025

	Opening Balance	Change in provision	Finance cost	Total
Rehabilitation of landfill site	63 195 793	(6 466 055)	4 879 448	61 609 186
	63 195 793	(6 466 055)	4 879 448	61 609 186

Reconciliation of provisions - 2024

	Opening Balance	Change in provision	Finance cost	Total
Rehabilitation of landfill site	59 796 882	(986 877)	4 385 788	63 195 793
	59 796 882	(986 877)	4 385 788	63 195 793

Non-current liabilities	56 729 738	58 810 005
Current liabilities	4 879 448	4 385 788
	61 609 186	63 195 793

Environmental rehabilitation provision

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

Mafube Local Municipality consists of four (4) towns (Frankfort, Tweeling, Villiers and Cornelia). Frankfort, Tweeling, Villiers and Cornelia are located in an area of agricultural significance and Frankfort is the central business district of Mafube Local Municipality. Landfill operations continue until all the available permitted airspace has been filled. Once this happens, the site close and capped with a layer of impermeable clay and a layer of the top soil. Grass and other suitable vegetation types are planted to stabilize the soil and improve the appearance. Environmental monitoring continues for a period of up to 30 years after the closure of the site. No appointment for the closure of the sites has been made, and therefore only rough estimates have been compiled without site visits with no detailed inspections or investigations. Basic information on the size and classification of each site was supplied.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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18. Provisions (continued)
Key cost parameters:

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

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

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

Net discount rate 7.92% (2024: 6.94%)

	Opening balance	Change in provision	Utilised during the year	Finance cost	Total
Frankfort	15 679 240	(798 305)	-	1 279 941	16 160 876
Tweeling	18 230 722	(580 106)	-	1 518 168	19 168 784
Villiers	20 036 366	(4 529 097)	-	1 333 814	16 841 083
Cornelia	9 249 465	(558 547)	-	747 525	9 438 443
	<u>63 195 793</u>	<u>(6 466 055)</u>	<u>-</u>	<u>4 879 448</u>	<u>61 609 186</u>

19. Unspent conditional grants and receipts
Unspent conditional grants and receipts comprises of:
Unspent conditional grants and receipts

Water Services Infrastructure Grant	397 579	5 271 328
Municipal Infrastructure Grant	-	4 626 942
Integrated National Electrification Programme	2 342 696	-
	<u>2 740 275</u>	<u>9 898 270</u>

Movement during the year

Balance at the beginning of the year	9 898 270	20 511 292
Additions during the year	65 874 395	30 608 563
Income recognition during the year	(62 494 178)	(22 621 585)
Repayment of Prior year Unspent Grants year	(10 538 212)	(18 600 000)
	<u>2 740 275</u>	<u>9 898 270</u>

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

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

See reconciliation of grants from National/Provincial Government note 28

See reconciliation of grants from National/Provincial Government note 28 and for public contributions note 29

These amounts are invested in a ring-fenced investment until utilised. The shortfall between Cash and cash equivalents and the Unspent Grants are recognized as Unauthorized expenditure. Please refer to note 52

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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20. Interest income (Exchange transactions)**Interest income**

Bank accounts	852 863	698 416
Receivables from exchange transactions	82 322 711	71 602 229
	83 175 574	72 300 645

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R 83 175 573.89 (2024: R 72 300 645.31).

21. Interest income (Non-exchange transactions)

Receivables from non-exchange transactions	10 654 230	7 676 098
	10 654 230	7 676 098

22. Operational revenue

Cemetery Fees	460 633	450 024
Clearance certificate	35 375	27 439
Tender deposits	113 858	143 872
Building Fees	63 877	71 169
Meter Reading Fees	278	17
Sale of Sand	29 908	53 604
Royalties	4 625 820	3 490 025
Administrative Fees	9 155	36 523
Camping Fees	-	3 550
Connection Fees	53 812	49 171
Valuation services	39 313	37 252
	5 432 029	4 362 646

The amounts disclosed above for Operational revenue are in respect of services rendered, other than described in note: 24 and 25 which are billed to or paid for by the users of the services as required according to approved tariffs.

23. Other Income - Remission

Remission of SARS Penalties and Interest	-	2 002 665
	-	2 002 665

During the prior year, the municipality received a remission from SARS for previously accrued penalties and interest. The remission amounting to R 2 002 648 was recognised as income in accordance with GRAP standards.

24. Rental of facilities and equipment**Premises**

Rental from fixed property	918 615	868 252
	918 615	868 252
	918 615	868 252

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
25. Service charges		
Sale of electricity - Conventional	-	4 314
Sale of water - Conventional	40 757 939	45 318 096
Sale of water - Prepaid	788 954	1 064 453
Sewerage and sanitation charges	27 639 315	22 135 306
Refuse removal	21 973 631	19 570 719
	91 159 839	88 092 888

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

26. Property rates**Rates levied**

Residential	11 101 296	9 403 025
Commercial	18 213 627	15 309 140
Small holdings and farms	3 668 183	3 291 011
	32 983 106	28 003 176

Valuations

Residential	1 572 261 000	1 572 261 000
Commercial properties	408 062 500	408 062 500
Municipal	51 276 900	51 276 900
Small holdings and farms	3 631 037 000	3 631 037 000
Government buildings	71 221 000	71 221 000
Public buildings	111 880 000	111 880 000
	5 845 738 400	5 845 738 400

Assessment Rates are levied on the value of land and improvements, which valuation is performed every five years. Interim valuations are processed on an annual basis to consider any changes in individual property values, due to amendments. The last general valuation came into effect on 1 July 2020. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Municipal valuation threshold value

All residential properties with a market value of less than the amount as annually determined by the municipality are exempted from paying rates. For the 2024/2025 financial year the maximum reduction is determined as R50 000. The impermissible rates of R50 000 contemplated in terms of section 17(1) (h) of the Property Rates Act is included in the amount referred to above as annually determined by the municipality. The remaining R50 000 is an important part of the council's indigent policy and is aimed primarily at alleviating poverty.

Other rebates

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

27. Fines, Penalties and Forfeits

Municipal Traffic Fines	-	1 850
	-	1 850

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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28. Government grants and subsidies**Operating grants**

Equitable share	131 510 212	127 852 000
Expanded Public Works Programme Integrated Grant	407 000	570 000
Free State Provincial Government	9 300 000	-
Local Government Financial Management Grant	2 402 000	3 100 000
	143 619 212	131 522 000

Capital grants

Municipal Infrastructure Grant	20 866 126	9 927 248
Water Services Infrastructure Grant	11 873 748	6 909 156
Integrated National Electrification Programme	8 345 304	2 115 181
	41 085 178	18 951 585
	184 704 390	150 473 585

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	53 194 178	22 621 585
Unconditional grants received	131 510 212	127 852 000
	184 704 390	150 473 585

Equitable Share

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

Municipal Infrastructure Grant

Balance unspent at beginning of year	4 626 942	7 035 627
Current-year receipts	20 609 395	14 518 563
Conditions met - transferred to revenue	(20 866 126)	(9 927 248)
Repayment of Prior year Unspent Grants	(4 370 212)	(7 000 000)
	-	4 626 942

Conditions still to be met - remain liabilities see note 19

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
28. Government grants and subsidies (continued)		
Integrated National Electrification Programme		
Balance unspent at beginning of year	-	3 695 181
Current-year receipts	10 688 000	420 000
Conditions met - transferred to revenue	(8 345 304)	(2 115 181)
Repayment of Prior year Unspent Grants	-	(2 000 000)
	2 342 696	-
Conditions still to be met - remain liabilities see note 19		
Local Government Financial Management Grant		
Current-year receipts	3 000 000	3 100 000
Conditions met - transferred to revenue	(2 402 000)	(3 100 000)
Repayment of Prior year Unspent Grants	(598 000)	-
	-	-
Expanded Public Works Programme Integrated Grant		
Current-year receipts	977 000	570 000
Conditions met - transferred to revenue	(407 000)	(570 000)
Repayment of Prior year Unspent Grants	(570 000)	-
	-	-
Water Services Infrastructure Grant		
Balance unspent at beginning of year	5 271 328	9 780 484
Current-year receipts	12 000 000	12 000 000
Conditions met - transferred to revenue	(11 873 748)	(6 909 156)
Repayment of Prior year Unspent Grants	(5 000 000)	(9 600 000)
	397 579	5 271 328
Conditions still to be met - remain liabilities see note 19		
Free State Provincial Government		
Current-year receipts	9 300 000	-
Conditions met - transferred to revenue	(9 300 000)	-
	-	-
29. Public contributions and donations		
Other Public contribution	-	3 277 581
	-	3 277 581

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
30. Bulk purchases		
Water	33 020 280	37 693 344
	33 020 280	37 693 344
31. Department of Water and Sanitation billing adjustment		
Billing adjustment of DWS	-	82 154 265
	-	82 154 265
In the prior financial year, the municipality derecognized a liability amounting to R 82 154 265 inclusive of VAT related to a previously recorded obligation to the Department of Water and Sanitation. This amount provided by the department that was written off in full. The gain from the derecognition is recognized as income in accordance with GRAP 23 and GRAP 104.		
32. Bad debts written off		
Bad debts written off	7 910 363	3 402 600
	7 910 363	3 402 600
33. Debt impairment		
Contributions to debt impairment provision	175 795 971	174 643 312
	175 795 971	174 643 312
34. Depreciation and amortisation		
Property, plant and equipment	59 161 054	66 622 983

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
35. Employee related cost		
Senior Management Costs		
Annual Remuneration	4 200 955	1 501 466
Car Allowance	509 621	121 563
Contributions to UIF, Medical and Pension Funds	9 564	6 522
	4 720 140	1 629 551
Municipal staff costs		
Acting allowances	2 243 867	2 310 768
Basic salaries and wages	69 226 594	65 679 433
Bonus	5 626 672	5 655 276
Car allowance	8 672 380	8 322 934
Cellphone Allowance	75 700	90 400
Defined contribution plans	10 491 248	10 555 867
Employee benefit obligation	(216 862)	(1 232 470)
Housing allowances	547 229	586 474
Leave pay provision charge	(6 391 454)	4 165 846
Medical aid - company contributions	4 665 068	4 412 874
Other payroll levies	73 196	72 952
Overtime payments	4 638 777	4 091 705
Skills development levy	959 482	883 543
Standby Allowance	1 275 658	1 554 732
UIF contributions	685 745	660 036
Total for municipal staff	102 573 300	107 810 370
Total Employee related cost	107 293 441	109 439 922

Senior management costs breakdown
Remuneration of Municipal Manager - Adv. MF Lepheana

Basic Salary	999 216	-
Contribution to pension fund, UIF, SDL	13 535	-
	1 012 750	-

Provincial CoGTA seconded Advocate MF Lepheana from July 2023 until end of June 2024.

Advocate MF Lepheana was appointed on 2024/09/02 and ended on 2025/06/26.

Remuneration of Acting Chief Financial Officer - Mrs. DT Tau

Basic Salary	228 214	430 996
Travel allowance	20 261	121 563
Contribution to pension fund, UIF, SDL	3 507	6 522
	251 982	559 081

Mrs. DT Tau was appointed on 2024/08/01 and ended on 2024/09/30.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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35. Employee related cost (continued)**Remuneration of Acting Chief Financial Officer - Ms. NL Gqoli**

Basic Salary	627 873	-
Travel allowance	125 575	-
Contribution to pension fund, UIF, SDL	10 471	-
	763 919	-

Ms. NL Gqoli was appointed on 2024/10/01.

Remuneration of Acting Director Technical Services - Ms. N Radebe

Acting Allowance	56 829	471 833
	56 829	471 833

Ms N Radebe was appointed as Acting Director Technical Services from 2022/08/15 and ended on 2024/08/14.

Remuneration of Acting Director Technical Services - Mr. SE Thejane

Basic Salary	890 438	-
Contribution to pension fund, UIF, SDL	12 447	-
	902 884	-

Mr. SE Thejane was appointed on 2024/08/15

Remuneration of Director Community Service - Mrs. ZE Mofokeng

Basic Salary	582 819	-
Travel allowance	181 893	-
Contribution to pension fund, UIF, SDL	219 811	-
	984 522	-

Mrs. ZE Mofokeng was appointed on 2024/08/06

Remuneration of Acting Director Community Service - Mr. TE Nxayi

Acting Allowance	44 017	124 144
	44 017	124 144

Mr TE Nxayi was appointed as Acting Director Community Services from 2024/03/01 to end of 2024/08/05.

Remuneration of Director Corporate Service - Mr. A Mboneni

Basic Salary	582 819	-
Travel allowance	181 893	-
Contribution to pension fund, UIF, SDL	164 025	-
	928 737	-

Mr. A Mboneni was appointed on 2024/08/06

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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35. Employee related cost (continued)**Remuneration of Acting Director Corporate Service - Ms. DC Madibo**

Acting Allowance	44 662	474 493
	44 662	474 493

Me DC Madibo was appointed as Acting Director Corporate Services from 2023/03/15 to 2024/08/05.

Remuneration of Acting Chief Financial Officer - Mr. GA Mgcina

Acting Allowance		158 802
		158 802

Mr GA Mgcina was appointed as Acting CFO from July 2023 until September 2023.

36. Finance costs

Landfill site rehabilitation	4 879 448	4 385 788
Other interest paid	1 333 303	1 302 274
Trade and other payables	64 162 066	81 727 959
	70 374 817	87 416 021

37. General expenses

Advertising	494 158	842 995
Auditors remuneration	322 340	985 626
Bank charges	313 080	325 380
Cleaning	298	-
Community development and training	268 182	363 197
Consulting and professional fees	7 851 799	14 221 384
Consumables	9 593 931	8 615 240
Bursaries	213 875	99 858
Burial expenses	-	52 000
Fuel and oil	1 482 300	2 311 805
Hire	5 951 334	11 358 804
IT expenses	235 987	22 051
Insurance	2 689 764	2 996 063
Motor vehicle expenses	-	38 600
Municipal Services - Electricity	19 207 031	16 963 445
Printing and stationery	355 205	532 481
Protective clothing	168 595	182 486
Repairs and maintenance	493 239	3 718 248
Security (Guarding of municipal property)	1 957 500	-
Staff welfare	80 760	57 806
Subscriptions and membership fees	3 949	13 316
Telephone and fax	2 178 043	2 449 072
Travel - local	1 208 902	655 818
	55 070 272	66 805 675

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
38. Remuneration of councillors		
Mayor	960 729	967 204
Executive committee	808 427	814 088
Speaker	774 148	797 684
Councillors	4 072 252	4 099 289
	6 615 556	6 678 265
Mayor		
Councillor remuneration	713 869	725 621
Telephone allowance	3 804	3 770
Travel allowance	234 121	228 691
Contributions to Medical, Pension Funds, Skills and UIF	8 935	9 123
	960 729	967 205
Executive committee		
Councillor remuneration	597 381	607 493
Telephone allowance	7 608	7 540
Travel allowance	195 918	191 374
Contributions to Medical, Pension Funds, Skills and UIF	7 521	7 681
	808 428	814 087
Speaker		
Councillor remuneration	553 816	588 144
Telephone allowance	3 804	3 770
Travel allowance	187 297	182 953
Contributions to Medical, Pension Funds, Skills and UIF	29 231	22 816
	774 148	797 683
Councillors		
Councillor remuneration	3 359 827	3 424 914
Telephone allowance	49 452	49 010
Travel allowance	518 625	482 777
Contributions to Medical, Pension Funds, Skills and UIF	144 348	142 588
	4 072 252	4 099 289

In-kind benefits

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

Additional information

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

Refer to note 45 for details breakdown of remuneration of councillors under the related parties note.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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39. Reversal of impairments/(Impairment loss)
Impairments

Property, plant and equipment

(116 718) (31 797 625)

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 owners name, the land was impaired.

(116 718) (31 797 625)

Reversal of impairments

Property, plant and equipment

413 344 -

Repairs and additions to the network assets resulted in previous conditions of assets to improve, thus a reversal of impairments.

Total impairment losses reversed / (recognised)

296 626 (31 797 625)

The main classes of assets affected by impairment losses are:

Buildings

Community

Infrastructure - Electrical network

Infrastructure - Roads network

Infrastructure - Wastewater network

Infrastructure - Road network

Infrastructure - Water network

Infrastructure - Electricity network

Computer equipment

Furniture and fixtures

Plant and machinery

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

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
39. Reversal of impairments/(Impairment loss) (continued)		
Motor vehicles		
The main events and circumstances that led to the recognition of these impairment losses are as follows:		
Physical verification of movable and immovable assets was performed during the financial year, each assets condition was assessed and was graded accordingly. Should the asset be found to be in a very poor condition and not able to fulfill its service potential the asset was then impaired accordingly. Details of the verification condition assessments are recorded in the fixed asset register.		
40. Fair value adjustments		
Investment property	1 165 119	(1 553 391)
	1 165 119	(1 553 391)
41. Auditors' remuneration		
Fees	322 340	985 626
	322 340	985 626
42. Net cash flow generated from operating activities		
Surplus/(deficit)	(105 299 242)	(156 259 708)
Adjustments for:		
Depreciation and amortisation	59 161 054	66 622 983
Gain on sale of assets and liabilities	147 026	9 131 296
Fair value adjustments	(1 165 119)	1 553 391
Impairment	(296 626)	31 797 625
Debt impairment	175 795 971	174 643 312
Bad debts written off	7 910 363	3 402 600
Movements in retirement benefit assets and liabilities	1 516 432	306 349
Movements in provisions	(1 586 607)	3 398 911
Inventory losses or write-downs	-	(52 381)
Landfill site movement	6 466 055	986 877
Changes in working capital:		
Inventories	64 886	24 464
Receivables from exchange transactions	77 944	30 789 393
Consumer debtors	(183 706 334)	(178 045 912)
Other receivables from non-exchange transactions	(180 833)	2 088 431
Payables from exchange transactions	94 529 616	42 318 374
VAT	(10 653 429)	(8 078 907)
Unspent conditional grants and receipts	(7 157 995)	(10 613 022)
Consumer deposits	152 443	61 204
	35 775 605	14 075 280

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
43. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	74 221 518	16 173 462
	74 221 518	16 173 462
Total capital commitments		
Already contracted for but not provided for	74 221 518	16 173 462
	74 221 518	16 173 462
Total commitments		
Total commitments		
Authorised capital expenditure	74 221 518	16 173 462

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

Refer to note 47 for prior period corrections made to commitments.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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44. Contingencies**Contingent liabilities**

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

MJ Matlole	679 397	1 300 000
Ntiyiso Consulting	1 074 464	1 074 464
PP Moloi	326 167	1 000 000
Amos Makoae	426 862	1 000 000
WDT Goosen	5 750 000	-
	8 256 890	4 374 464

MJ Matlole (Pending)

The case is a constructive dismissal matter referred to the CCMA. The claim amount is calculated at 12 months remuneration.

Ntiyiso Consulting (Pending)

The matter relates to a claim instituted in the amount of R1 074 464,00 for alleged services rendered by Ntiyiso Consulting which is disputed by the Municipality as well as the manner in which they were appointed.

PP Moloi (Pending)

The case is a constructive dismissal matter referred to the CCMA. The claim amount is calculated at 12 months remuneration.

Amos Makoae (Pending)

The case is a constructive dismissal matter referred to the CCMA. The claim amount is calculated at 12 months remuneration.

WDT Goosen (Pending)

The matter is about an accident due to a pothole and therefore the claim for damages for medical and future damages.

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

Trade payables with legal status

The following trade creditors included in the trade payables listing has taken legal action against the municipality for long outstanding accounts.

- MWRF Pension Fund
- N & C Maintenance
- Blackbird Trading
- Malanda Joint Venture
- Auditor-General of South Africa
- Moreku Luxury Vehicles
- Rheochem (Pty)Ltd
- Sam Foxy Holdings
- SAMWU
- Sala Pension Fund

The following cases are still in progress but have no financial impact on the Contingent Liabilities that have been disclosed:

- Emily Dhladhla
- IMATU obo Dlamini

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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45. Related parties

Nature of related party relationships

Related party transactions

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

Loans granted to related parties

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

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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45. Related parties (continued)
Remuneration of Councillors and Management
Management class: Councillors
2025

Name	Councillor allowance	Allowances	Contributions to UIF, Medical and Pension Funds	Total
Mayor	-	-	-	-
Cllr. TI Motsoeneng	713 869	237 925	8 935	960 729
Speaker	-	-	-	-
Cllr. MM Mofokeng	553 816	191 101	29 231	774 148
Executive committee members	-	-	-	-
Cllr. EM Maboya	298 690	101 763	3 760	404 213
Cllr. TJ Kotsi	298 690	101 763	3 760	404 213
Councillors	-	-	-	-
Cllr. MP Mokoena	225 905	77 893	2 853	306 651
Cllr. SB Ntuli	299 994	3 804	3 002	306 800
Cllr. A Tsotetsi	299 994	3 804	3 002	306 800
Cllr. MR Tsotetsi	335 396	3 804	52 493	391 693
Cllr. TP Mashiloane	196 913	77 893	31 284	306 091
Cllr. MA Tsubane	299 994	3 804	3 002	306 800
Cllr. AN Molefe	225 905	77 893	2 853	306 651
Cllr. SM Steyn	299 994	3 804	3 002	306 800
Cllr. FA Tsotetsi	196 913	77 893	31 284	306 091
Cllr. WBM Gumede	225 905	77 893	2 853	306 651
Cllr. JJ Kumbi	299 994	3 804	3 002	306 800
Cllr. TBRJ Van Rensburg	227 015	77 893	2 865	307 773
Cllr. JB Marais	225 905	77 893	2 853	306 651
	5 224 892	1 200 629	190 034	6 615 555

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024		
45. Related parties (continued)				
2024				
Name	Basic Salary	Allowances	Contributions to UIF,Medical and Pension Funds	Total
Mayor	-	-	-	-
Cllr. TI Motsoeneng	725 620	232 461	9 123	967 204
Speaker	-	-	-	-
Cllr. MM Mofokeng	588 145	186 723	22 816	797 684
Executive committee members	-	-	-	-
Cllr. EM Maboya	303 746	99 457	3 841	407 044
Cllr. TJ Kotsi	303 746	99 457	3 841	407 044
Councillors	-	-	-	-
Cllr. MP Mokoena	229 795	2 788	76 142	308 725
Cllr. SB Ntuli	302 167	3 059	3 770	308 996
Cllr. A Tsotetsi	302 167	3 059	3 770	308 996
Cllr.MR Tsotetsi	336 548	51 417	3 770	391 735
Cllr. TP Mashiloane	201 475	30 691	76 142	308 309
Cllr. MA Tsubane	302 167	3 059	3 770	308 996
Cllr. AN Molefe	229 795	2 915	76 142	308 852
Cllr. SM Steyn	302 167	3 059	3 770	308 996
Cllr FA Tsotetsi	201 475	30 691	76 142	308 309
Cllr. WBM Gumede	229 795	2 915	76 142	308 852
Cllr. JJ Kumbi	302 167	3 059	3 770	308 996
Cllr. TBRJ Van Rensburg	255 400	2 960	52 314	310 674
Cllr. JB Marais	229 795	2 915	76 142	308 852
	5 346 171	760 686	571 408	6 678 265

Refer to note 38 for remuneration of councillors.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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45. Related parties (continued)
Management class: Senior Managers
2025

Name	Basic salary	Allowances	Contributions to UIF, Medical and Pension Funds	Total
Acting Chief Financial Officer - Mrs. DT Tau	228 214	20 261	2 976	251 450
Director Corporate Service - Mr. A Mboneni	727 571	181 893	10 679	920 143
Director Community Service - Mrs. ZE Mofokeng	727 571	181 893	10 762	920 226
Acting Director Technical Services - Mr. SE Thejane	890 438	-	10 676	901 113
Municipal Manager - Adv. MF Lepheana	999 216	-	11 763	1 010 979
Acting Chief Financial Officer - Ms. NL Gqoli	627 873	125 575	8 877	762 325
Acting Director Corporate Services - DC Madibo	-	44 662	-	44 662
Acting Director Community Services - TE Nxayi	-	44 017	-	44 017
Acting Director Technical Services - Ms. N Radebe	-	56 829	-	56 829
	4 200 883	655 128	55 733	4 911 744

2024

Name	Basic salary	Allowances	Contributions to UIF, Medical and Pension Funds	Total
Chief Financial Officer - TD Tau	430 996	121 563	6 522	559 081
Acting Chief Financial Officer - GA Mgcina	-	158 802	-	158 802
Acting Director Corporate Services - DC Madibo	-	474 493	-	474 493
Acting Director Planning & Infrastructure - N Radebe	-	471 833	-	471 833
Acting Director Community Services - TE Nxayi	-	124 144	-	124 144
	430 996	1 350 835	6 522	1 788 354

Refer to note 35 for employee related costs.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024				
46. Prior-year adjustments						
Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:						
Statement of financial position						
2023						
	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Assets						
Current Assets						
Inventories		1 495 737	-	-	-	1 495 737
Other financial assets		301 258	-	-	-	301 258
Receivables from exchange transactions		36 102 244	-	-	-	36 102 244
Receivables from non-exchange transactions		3 552 633	-	-	-	3 552 633
VAT receivable		217 103 970	-	-	-	217 103 970
Cash and cash equivalents		7 993 751	-	-	-	7 993 751
Non-current Assets						
Investment property		46 365 656	-	-	-	46 365 656
Property, plant and equipment	1	148 866 685	52 870 105	-	-	1 201 736 789
Other financial assets		258 351	-	-	-	258 351
Heritage assets		35 758	-	-	-	35 758
Total Assets		1 462 076 041	52 870 105	-	-	1 514 946 146
Liabilities						
Current Liabilities						
Payables from exchange transactions	1	095 766 459	-	-	-	1 095 766 459
Consumer deposits		1 781 886	-	-	-	1 781 886
Employee benefit obligation - CL		1 717 314	-	-	-	1 717 314
Unspent conditional grants and receipts		20 511 292	-	-	-	20 511 292
VAT payable		145 591 430	-	-	-	145 591 430
Provisions - CL		3 922 676	-	-	-	3 922 676
Non-current Liabilities						
Employee benefit obligation - NCL		11 085 396	-	-	-	11 085 396
Provisions - NCL		55 874 206	-	-	-	55 874 206
Total Liabilities		1 336 250 658	-	-	-	1 336 250 658
Total Net Assets		125 825 383	52 870 105	-	-	178 695 488
Accumulated surplus		(125 825 383)	(52 870 105)	-	-	(178 695 488)

Mafube Local Municipality

(Demarcation code: FS205)

Audited Annual Financial Statements for the year ended 30 June 2025

AUDITED

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024				
46. Prior-year adjustments (continued)						
2024						
	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Assets						
Current Assets						
Inventories		1 471 273	-	-	-	1 471 273
Other financial assets		378 458	-	-	-	378 458
Receivables from exchange transactions		37 008 195	(31 695 344)	-	-	5 312 851
Receivables from non-exchange transactions		3 104 196	(1 639 994)	-	-	1 464 203
VAT receivable		230 180 371	12 865 277	-	-	243 045 648
Cash and cash equivalents		1 287 313	-	-	-	1 287 313
Non-current Assets						
Investment property		44 812 265	-	-	-	44 812 265
Property, plant and equipment		1 069 956 844	43 981 822	-	-	1 113 938 666
Other financial assets		222 213	-	-	-	222 213
Heritage assets		35 758	-	-	-	35 758
Total Assets		1 388 456 888	23 511 761	-	-	1 411 968 649
Liabilities						
Current Liabilities						
Payables from exchange transactions		1 160 335 025	(22 302 569)	-	-	1 138 032 456
Consumer deposits		1 843 090	-	-	-	1 843 090
Employee benefit obligation - CL		999 768	-	-	-	999 768
Unspent conditional grants and receipts		9 898 270	-	-	-	9 898 270
VAT payable		163 454 201	-	-	-	163 454 201
Provisions - CL		4 385 788	-	-	-	4 385 788
Non-current Liabilities						
Employee benefit obligation - NCL		12 109 291	-	-	-	12 109 291
Provisions - NCL		58 810 005	-	-	-	58 810 005
Total Liabilities		1 411 835 438	(22 302 569)	-	-	1 389 532 868
Total Net Assets		(23 378 550)	45 814 331	-	-	22 435 781
Accumulated surplus		23 378 550	(45 814 331)	-	-	(22 435 781)

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024				
46. Prior-year adjustments (continued)						
Statement of financial performance						
2024						
	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Service charges		88 092 888	(0)	-	-	88 092 888
Rental of facilities and equipment		868 252	-	-	-	868 252
Operational revenue		6 365 309	-	-	(2 002 665)	4 362 644
Interest income		72 300 645	-	-	-	72 300 645
		167 627 094	(0)	-	2 002 665	169 629 759
Property rates		30 574 654	(2 571 478)	-	-	28 003 176
Taxation revenue - Interest income		9 840 338	(2 164 240)	-	-	7 676 098
Government grants & subsidies		146 450 022	4 023 563	-	-	150 473 585
Public contributions and donations		3 277 581	-	-	-	3 277 581
Fines, Penalties and Forfeits		1 850	-	-	-	1 850
Department of Water and Sanitation billing adjustment		82 154 265	-	-	-	82 154 265
Other Income - Remission		-	-	-	2 002 665	2 002 665
		272 298 711	(712 155)	-	(2 002 665)	269 583 891
Total Revenue		439 925 805	(712 155)	-	-	439 213 649
Expenditure						
Employee related costs		(109 439 922)	-	-	-	(109 439 922)
Remuneration of councillors		(6 678 265)	-	-	-	(6 678 265)
Depreciation and amortisation		(62 757 406)	(3 865 575)	-	-	(66 622 982)
Finance costs		(86 939 886)	(476 135)	-	-	(87 416 021)
Debt Impairment		(187 535 111)	9 489 199	-	3 402 600	(174 643 312)
Bulk purchases		(37 693 344)	-	-	-	(37 693 344)
Bad debts written off		-	-	-	(3 402 600)	(3 402 600)
General Expenses		(64 360 837)	(2 444 837)	-	-	(66 805 674)
		(555 404 771)	2 702 651	-	-	(552 702 120)
Operating Surplus/ (Deficit)		(115 478 967)	1 990 496	-	-	(113 488 470)
Fair value adjustments		(1 553 391)	-	-	-	(1 553 391)
Reversal of impairments (Impairment loss)		(25 625 989)	(6 171 636)	-	-	(31 797 624)
Inventory gains		(52 381)	-	-	-	(52 381)
Actuarial gains/losses		(236 545)	-	-	-	(236 545)
Loss on disposal of assets		(6 256 661)	(2 874 634)	-	-	(9 131 296)
		(33 724 967)	(9 046 270)	-	-	(42 771 237)
Surplus / (Deficit) For The Year		(149 203 933)	(7 055 774)	-	-	(156 259 708)

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024				
46. Prior-year adjustments (continued)						
Cash flow statement						
2024						
	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Cash flow from operating activities						
Taxation Revenue		40 863 428	(20 265 113)	-	-	20 598 315
Sale of goods and services		254 240 128	(204 667 424)	-	-	49 572 704
Grants		135 837 000	-	-	-	135 837 000
Interest income		698 416	-	-	-	698 416
Employee costs		(86 575 704)	476 134	-	-	(86 099 570)
Suppliers		(351 266 204)	237 431 624	-	-	(113 834 580)
Other income		-	3 279 431	-	-	3 279 431
Net cash from operating activities		(6 202 936)	16 254 652	-	-	10 051 716
Cash flow from investing activities						
Purchase of property, plant and equipment		(1 201 844)	(16 254 649)	-	-	(17 456 493)
Proceeds from sale of financial assets		(41 062)	-	-	-	(41 062)
Proceeds from sale of investment property		739 400	-	-	-	739 400
Net cash from investing activities		(503 506)	(16 254 649)	-	-	(16 758 155)
Cash flow from financing activities						
Total cash movement for the year		(6 706 442)	3	-	-	(6 706 439)
Cash and cash equivalents at the beginning of the year		7 993 750	-	-	-	7 993 750

Errors

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

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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46. Prior-year adjustments (continued)**Property, plant and equipment:**

Management identified additional disposal items relating to the prior year. Management retrospectively changed the impairment methodology from condition based impairment to full impairment. Management also addressed audit findings issued during the 2023/2024 which resulted in a restatement of the prior year balances.

Affected line items

Property, plant and equipment	43 981 822
Accumulated surplus (deficit)	(52 870 105)
Gain or loss on disposal of assets and liabilities	2 874 634
Depreciation and amortisation	3 865 575
Impairment loss	6 171 636
Government grants & subsidies	(4 023 563)
	<u>(0)</u>

Consumer Debtors:

Correction of properties rates and interest that was incorrectly billed that was in the name of the municipality. Impairment have also been recalculated and corrected for the affected accounts.

Affected line items

Property rates	2 571 478
Receivables from non-exchange transactions	(34 735)
Debt Impairment	(4 700 983)
Taxation revenue - Interest income	2 164 240
	<u>(0)</u>

Payables from exchange transactions:

Correction of Prior year Pension fund due to understatement of interest charged on outstanding funds. During the audit it was identified that creditors with debit balances were paid in the current year, however the payable was not recognized in the prior year

Affected line items

Payables from exchange transactions	(2 920 972)
Finance costs	476 135
General Expenses	2 444 837
	<u>0</u>

Reclassification: SARS Remissions

All SARS remissions relating to penalties and interest was reclassified from Operational revenue to Other Income - Remission as per prior year audit finding.

Affected line items

Operational revenue	2 002 665
Other Income - Remission	(2 002 665)
	<u>-</u>

Reclassification: Bad debts written off

Bad debts written off have been reclassified to its own note, this was previously included under the Debt Impairment as per prior year audit finding.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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46. Prior-year adjustments (continued)**Affected line items**

Debt Impairment	(3 402 600)	
Bad debts written off	3 402 600	
		-

Debt Impairment:

During the audit it was identified that the Debt impairment provision calculation used only the current year payment rate and not the behavioral payment rate.

Affected line items

Receivables from non-exchange transactions	(1 605 259)	
Debt Impairment	(4 788 216)	
Receivables from exchange transactions	(6 471 802)	
VAT receivable	12 865 277	
		-

Rural Freestate Creditor:

During the audit it was confirmed that the Royalties previously reported as a Receivable should be offset against the Rural Freestate payable balance.

Affected line items

Payables from exchange transactions	25 223 542	
Receivables from exchange transactions	(25 223 542)	
		(0)

VAT Control:

During the audit it was identified that the VAT Control account did not agree to the Prior years VAT SOA.

Affected line items

VAT Accrual payable	(20 583 288)	
VAT Control payable	20 583 288	
		-

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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47. Comparative figures

Certain comparative figures have been reclassified.

The effects of the restatement are as follows:

Distribution losses	15 925 296	10 570 260	26 495 556
<i>Calculation error was identified in the prior year, formula corrected to be inline with current year calculation.</i>			
Contingent liabilities	4 924 464	(550 000)	4 374 464
<i>Correction of prior year disclosure of Contingent liabilities incorrectly disclosed</i>			
Unauthorized expenditure	2 466 386 575	(3 346 779)	2 463 039 796
<i>Prior year calculation was corrected as the Conditional grants non compliance with Dora section 16(1) was duplicated in the total for the disclosure.</i>			
Irregular expenditure	335 820 080	4 139 769	339 959 850
<i>Prior year register was updated to include additional transactions identified during the prior year audit.</i>			
Pension and Medical Aid Deductions <i>[Nature of the prior error]</i>	242 547 056	476 135	243 023 191
Financial instruments disclosure: Financial liabilities - Payables from exchange transactions <i>Management identified that the prior year calculation for financial instruments for Payables from exchange transactions incorrectly included accrued employee related costs. The restatement now excludes the accrued employee related costs as per GRAP 104.</i>	1 160 335 023	(309 565 263)	850 769 760
Risk Management - Trade and other payables <i>Management identified that the prior year calculation for Risk management - Trade and other payables did not include all the relevant accounts. The restatement now includes all the relevant accounts for financial instruments - Payables from exchange transactions as per GRAP 104.</i>	461 953 164	388 816 596	850 769 760
Employee Related Costs – Senior Management <i>Management identified that incorrect acting allowance account was accounted for in the prior year disclosure for senior management - annual remuneration as the account for the acting allowance of R 158 802 was to be accounted for under salaried staff.</i>	1 660 268	(158 802)	1 501 466
Employee Related Costs – Acting Allowance <i>Management identified that incorrect acting allowance account was accounted for in the prior year disclosure for senior management - annual remuneration as the account for the acting allowance of R 158 802 was to be accounted for under salaried staff.</i>	2 151 967	158 802	2 310 769

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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48. Risk management
Financial risk management

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

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

The Treasury function reports periodically to the municipality's finance committee, that monitors risks and policies implemented to mitigate risk exposures.

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.

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2025	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	920 833 041	-	-	-
At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	850 769 760	-	-	-

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48. Risk management (continued)**Credit risk**

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur financial loss.

Potential concentrations of credit risk consist mainly of investments, loans and receivables, trade receivables, other receivables, short-term investment deposits and cash and cash equivalents.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction/ exposure limits, which are included in the municipality's Investment Policy.

Trade receivables comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these customers. Trade receivables are presented net of an allowance for impairment and where appropriate, credit limits are adjusted.

Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply.

In the case of customers whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Non-current Receivables and Other Receivables are collectively evaluated annually at reporting date for impairment or discounting. A report on the various categories of customers is drafted to substantiate such evaluation and subsequent impairment / discount, where applicable.

The municipality only deposits with major banks with high quality credit standing.

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

	2025	2024
Financial instrument		
Receivables from exchange transactions	5 234 906	5 312 851
Bank balances	1 437 068	1 287 313

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

Consumer deposits and guarantees held in lieu of service accounts are disclosed in note 15.

Market risk**Interest rate risk**

The municipality is exposed to interest rate risk due to the movements in long-term and short term interest rates.

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

The municipality's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings and finance leases are therefore usually at fixed rates.

This risk is managed on an ongoing basis.

Price risk

The effect of any price risk in the foreseeable future is regarded as minimal given the fact that amounts receivable from the municipality's customers are levied in terms of the relevant statutes. It is not anticipated that given the nature of the municipality's business that changes in market prices will have a material impact on the trading results of the municipality.

There has been no change, since the previous financial year, to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

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49. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus/(deficit) of R -82 863 463 and that the municipality's current liabilities exceed its current assets by R -1 143 628 769

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

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

1. Continuous attachment of the municipal bank account by pension funds and other creditors.
2. Unspent conditional grants being withheld from the Equitable Share allocation.
3. Several litigations due to non-payment of long outstanding creditors of which poses a threat of the municipality's assets becoming attached.
4. Suppliers are not paid within the legislative 30 days.
5. Employee benefit obligations are unfunded; refer note 16
6. High levels of distribution losses; refer note 55
7. Slow collection and low recoverability of outstanding consumer accounts; and
8. Unfavourable financial ratios.

In addition, the municipality owed Eskom Holdings SOC R 49 627 784 (2024: R 49 012 371), Rural Freestate R 45 526 092 (2024: R 51 009 438) and Department water and sanitation R 588 440 433 (2024: R 521 543 050) as at 30 June 2025.

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

1. Circular 124 – Eskom write-off agreement application.
2. Circular 123 – Budgeting process and improved tariff adjustments to improve service delivery collections.
3. Valuation roll implementation from 2020/21, this will improve property rates billing for next 5 years supplementary roll implemented every quarter. The Municipality in in the process of implementing the 2025/26 valuation roll effective as of 1 July 2025.

These events or conditions, along with the continuing operating losses and financial difficulties, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

50. Events after the reporting date

The municipality have not identified any material category of non-adjusting events after the reporting date.

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51. Unauthorised, Irregular and Fruitless and Wasteful Expenditure

Unauthorised expenditure	2 816 277 741	2 463 039 796
Irregular expenditure	362 310 741	339 959 850
Fruitless and wasteful expenditure	416 716 787	353 566 029

Closing balance	3 595 305 269	3 156 565 674
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52. Unauthorised expenditure

Opening balance as previously reported	2 463 039 796	2 072 303 340
Add: Unauthorised expenditure - current	351 934 737	382 000 416
Conditional grants non compliance with Dora section 16(1)	1 303 207	8 736 040

Closing balance	2 816 277 741	2 463 039 796
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Unauthorised expenditure is disclosed exclusive of VAT.

Unauthorised expenditure: Budget overspending – per municipal department:

Political Office	-	13 847 570
Community Services	74 148 681	24 957 506
Financial Services	263 830 729	298 440 024
Planning & Infrastructure Services	15 258 535	53 491 356

353 237 944	390 736 456
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Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
53. Fruitless and wasteful expenditure		
Opening balance as previously reported	353 566 029	272 314 205
Add: Fruitless and wasteful expenditure identified - current	63 150 759	81 251 824
Closing balance	416 716 787	353 566 029

Fruitless and wasteful expenditure is presented inclusive of VAT

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings	
ABSA - interest on bank charges	-	950
AGSA - interest on overdue account	1 113 590	1 402 503
Department of Water & Sanitation - interest on overdue accounts	29 043 710	44 179 821
Eskom - interest on overdue account	223 865	102 177
Rural Free State - interest on overdue account	9 122 687	9 718 383
SALA Pension fund - interest on overdue account	5 152 781	5 275 933
SAMWU Pension fund - interest on overdue account	15 641 456	18 227 547
SARS - interest & penalties	1 973 613	1 389 610
West Rand Consulting - interest on overdue account	408 085	482 140
Manna Holdings - interest on overdue account	264 061	472 759
MAXPROF - interest on overdue account	81 699	-
Gap Development - interest on overdue account	29 987	-
Little Rocky - interest on overdue account	65 226	-
Steenkamp Attorneys - interest on overdue account	30 000	-
	63 150 759	81 251 824

No write off's of amounts were proposed to council or approved by council for the prior period under review.

Amount recovered

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

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
54. Irregular expenditure		
Opening balance as previously reported	339 959 850	308 682 777
Add: Irregular Expenditure - current	22 350 892	31 277 072
Closing balance	362 310 741	339 959 850

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

	Disciplinary steps taken/criminal proceedings	
Preference Procurement Regulation 2022 was not used to determine a specific goals.	15 836 284	-
Preferential Procurement Regulation (PPR) 2022 was not used for specific points system	2 258 367	-
Declaration of interest not submitted	-	3 442 928
No CSD Report Attached, No Declaration of Interest & No 3 Written Quotation	-	178 375
No CSD , No Tax Clearance, No 3 Formal Written Quotation & No Declaration of Interest attached	-	5 485 920
Service Level Agreement not in place	-	2 496 719
Supplier in which person in service of other state institutions	10 379	-
Three written quotations not invited	925 419	16 463 897
No supporting documents	3 320 442	558 945
Expenditure not approved by a delegated official	-	2 650 289
	22 350 892	31 277 072

Disciplinary steps taken/criminal proceedings

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

Notes

During the financial year, it was noted that a member of the Bid Evaluation Committee also participated in the Bid Adjudication Committee for several awards, contrary to SCM Regulation 29(4). No payments or accruals have been processed under these contracts during the year. Should expenditure be incurred under these contracts, it will be disclosed as irregular expenditure in accordance with the MFMA and the Irregular Expenditure Framework.

55. Material Losses
Water distributed losses

Mega litres purchased	6 687 939	6 160 795
Mega litres lost during distribution	4 759 794	3 493 395
Percentage lost during distribution	71%	57%
Loss Amount	33 800 340	26 495 556
These losses are due to defective meters, losses on water network (breakage in pipelines and pumps, leaking valves, etc.), evaporation, theft, vandalism and damages due to blind excavations.		

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
56. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Opening balance	8 601 898	7 273 958
Current year subscription / fee	1 336 758	1 327 939
Amount paid - current year	(1 200)	-
	9 937 456	8 601 898
Audit fees		
Opening balance	13 914 453	11 878 481
Current year subscription / fee	322 340	5 661 898
Amount paid - current year	(6 182 852)	(3 625 926)
Amount paid - previous years	(4 042 375)	-
	4 011 566	13 914 453
PAYE and UIF		
Opening balance	4 964 071	165 104
Current year subscription	17 402 898	14 525 481
Amount paid - current year	(12 102 483)	(9 726 514)
Amount paid - previous years	(4 964 071)	(0)
	5 300 415	4 964 071
Pension and Medical Aid Deductions		
Opening balance	243 023 191	216 706 723
Current year subscription / fee	43 412 751	46 685 604
Amount paid - current year	(18 988 142)	(20 369 136)
	267 447 800	243 023 191

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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56. 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
Cllr SM Steyn	4 398	51 175	55 573
Cllr JB Marais	6 042	73 994	80 036
Cllr M Mokoena	3 192	47 703	50 895
Cllr EM Maboya	2 472	27 323	29 794
Cllr JT Kotsi	3 961	80 429	84 390
Cllr M Mofokeng	4 111	25 555	29 666
Cllr A Tsotetsi	3 162	72 389	75 550
Cllr M Tsubane	1 684	7 888	9 571
Cllr Van Rensburg	3 416	10 637	14 052
Cllr M Tsotetsi	2 632	40 858	43 490
Cllr AN Molefe	4 776	34 817	39 594
Cllr F Tsotetsi	4 976	99 390	104 366
Cllr BW Gumede	2 998	57 689	60 686
Cllr Mashiloane	2 762	54 334	57 096
Cllr JJ Kumbi	1 028	8 662	9 691
Cllr Ntuli	2 656	47 256	49 912
	54 266	740 098	794 362

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr SM Steyn	3 960	38 744	42 704
Cllr JB Marais	5 427	56 915	62 342
Cllr M Mokoena	3 102	38 561	41 663
Cllr EM Maboya	2 616	19 330	21 946
Cllr JT Kotsi	3 689	68 856	72 544
Cllr M Mofokeng	4 016	25 497	29 513
Cllr M Mofokeng	1 333	5 196	6 529
Cllr A Tsotetsi	3 624	70 765	74 389
Cllr M Tsubane	1 841	16 851	18 692
Cllr Van Rensburg	3 307	9 445	12 751
Cllr M Tsotetsi	2 608	41 392	44 001
Cllr AN Molefe	835	28 571	29 406
Cllr F Tsotetsi	4 269	85 776	90 046
Cllr BW Gumede	2 759	49 436	52 194
Cllr Mashiloane	2 532	46 758	49 291
Cllr. TI Motsoeneng	1 826	5 207	7 033
Cllr JJ Kumbi	880	5 820	6 700
Cllr Ntuli	2 418	39 683	42 101
	51 041	652 803	703 845

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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56. Additional disclosure in terms of Municipal Finance Management Act (continued)

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

30 June 2025	Highest outstanding amount	Aging (in days)
Cllr SM Steyn	43 742	330
Cllr JB Marais	63 771	330
Cllr Mohapi Mokoena	42 082	330
Cllr EM Maboya	22 390	330
Cllr JT Kotsi	73 503	330
Cllr Matsatsi Mofokeng	18 147	330
Cllr Action Tsotetsi	65 145	330
Cllr Moabi Tsubane	4 661	330
Cllr Van Rensburg	4 631	330
Cllr Mamonaila Tsotetsi	36 269	330
Cllr AN Molefe	23 991	330
Cllr Faku Tsotetsi	90 767	330
Cllr BW Gumede	52 914	330
Cllr Mashiloane	49 954	330
Cllr JJ Kumbi	6 939	330
Cllr Ntuli	42 737	330
	641 642	5 280

30 June 2024	Highest outstanding amount	Aging (in days)
Cllr SM Steyn	32 079	270
Cllr JB Marais	47 764	270
Cllr Mohapi Mokoena	33 301	270
Cllr EM Maboya	15 207	270
Cllr JT Kotsi	62 583	270
Cllr Matsatsi Mofokeng	18 604	270
Cllr Matsatsi Mofokeng	2 965	270
Cllr Action Tsotetsi	64 344	270
Cllr Moabi Tsubane	13 517	270
Cllr Van Rensburg	3 941	270
Cllr Mamonaila Tsotetsi	36 549	270
Cllr AN Molefe	25 312	270
Cllr Faku Tsotetsi	78 644	270
Cllr BW Gumede	44 743	270
Cllr Mashiloane	42 446	270
Cllr. TI Motsoeneng	2 070	240
Cllr JJ Kumbi	4 341	270
Cllr Ntuli	35 572	270
	563 980	4 830

Non-compliance with the Municipal Finance Management Act

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

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

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57. Deviation from supply chain management regulations

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

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

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

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

SCM paragraph reference

36 (1)(a) v

Dispense with official procurement processes in any other exceptional case where it is impractical or impossible to follow the official procurement processes.

1 759 116

414 682

1 759 116
414 682
Details of Deviations

Description of Deviation	Supplier	Amount	Reason for Deviation
Other exceptional case	Frankfort Truck and Car	5 620	Strip And Quote
Other exceptional case	Pumpshop Africa	300 886	Request For The Procurement Of The Motors At The Riverside And White House Pumpstations In Villiers And Qalabotjha. To Avoid The High Spillages That Continue Occuring Which Lead To Health Hazard E.G Affecting The Households Within The Sewer Pump Station And Flow To Vaal River Catchment. The Municipality Might Get The Litigation If The Situation Is Not Resolved.
Other exceptional case	Turfmaster	18 934	Strip And Quote
Other exceptional case	Rebatlokwa Consulting	29 400	The Frequent Breakdowns Of The Current Equipment Necessitate Its Immediate Replacement Or Upgrade. Ensuring A Continuous And Reliable Water Supply Is Crucial For Both Public Health And Operational Stability. Our Regular Suppliers Have Informed Us That The Required Equipment Is Out Of Stock, With An Estimated Delivery Time That Exceeds Our Operational Constraints. The Deviation Is Essential To Mitigate Risks Associated With Water Supply Disruptions, Which Could Have Severe Consequences For Public Health And Safety.

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57. Deviation from supply chain management regulations (continued)

Other exceptional case	Sjejeza Events	61 090	Due To Water Equipment'S Stock Level Being Low. And Whilst It Was Industry Shutdown. The Scm Unit Requested Sjejeza Events To Supply Items Due To Cost Savings & Previous Existing Relationship. Also By Ensuring A Continous And Reliable Water Supply Is Crucial For Both Public Health And Operational Stability. The Deviation Was Deemed Critical To Mitigate Further Risks Of Water Disruptions, Which Could Have Severe Consequences For Public Health And Safety.
Other exceptional case	VKB	2 044	Emergency Procurement, Pipe Burst.
Other exceptional case	Water Technovation	897 059	Water Chemicals, Contracted Service Provider Unable To Delivery Due To Outstanding Amount.
Other exceptional case	Elkanah Macining	13 262	Repairs Of Pumps And Motors
Other exceptional case	Elkanah Macining	160 138	Repairs Of Pumps And Motors
Other exceptional case	Bell Equipment SA	84 183	Strip And Quote
Other exceptional case	Mafaka Energy (pty) Ltd	183 500	Jet Blasting And Vacuum Of Sewer Line In Villiers
Other exceptional case	Senkwakwaila Holdings	3 000	Deep Cleaning And Draining Of Water In The Finance Offices

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58. Segment information

General information

Identification of segments

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

The six key functional segments comprise of:

- Budget and Treasury
- Corporate Services
- Office of Municipal Manager
- Property, Planning & Development
- Technical and Engineering Services

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

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

Aggregated segments

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

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Community Services	Community and social services, sports recreation and public safety
Corporate Services	Administrative functions in human resources, legal services or compliance, communications and finance
Financial Services	Administration and financial services
Office Of Municipal Manager	The Municipal Manager, as the Head of Administration and the Accounting Officer of the municipality.
Planning & Infrastructure Services	Energy sources, Water management, Waste water managemet and waste management

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Segment surplus or deficit, assets and liabilities

2025

	Community Services	Corporate Services	Financial Services	Office Of Municipal Manager	Planning & Infrastructure Services	Political Office	Total
Revenue							
Revenue from exchange transactions							
Interest received - investment	(15 805 595)	-	(3 904 995)	-	(63 464 984)	-	(83 175 574)
Operational revenue	-	-	(5 377 939)	-	(54 090)	-	(5 432 029)
Rental of facilities and equipment	-	-	(918 615)	-	-	-	(918 615)
Service charges	(21 973 631)	-	-	-	(69 186 208)	-	(91 159 839)
Revenue from non-exchange transactions							
Government grants and subsidies	(407 000)	-	(184 297 390)	-	-	-	(184 704 390)
Interest - Taxation revenue	-	-	(10 654 230)	-	-	-	(10 654 230)
Property rates	-	-	(32 983 106)	-	-	-	(32 983 106)
Total segment revenue	(38 186 226)	-	(238 136 275)	-	(132 705 283)	-	(409 027 783)
Total revenue							(409 027 783)
Expenditure							
Bulk purchases	-	-	-	-	33 020 280	-	33 020 280
Debt Impairment	-	-	175 795 971	-	-	-	175 795 971
Depreciation and amortisation	56 834 022	-	2 327 032	-	-	-	59 161 055
Employee costs	15 490 734	14 606 154	12 573 552	33 220 462	21 900 178	9 502 361	107 293 441
Finance costs	-	1 333 303	69 041 514	-	-	-	70 374 817
General	1 823 925	13 481 851	8 375 165	802 242	32 240 506	6 256 947	62 980 636
Remuneration of councillors	-	-	-	-	-	6 615 555	6 615 555
Total segment expenditure	74 148 681	29 421 308	268 113 234	34 022 704	87 160 964	22 374 863	515 241 755

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	Community Services	Corporate Services	Financial Services	Office Of Municipal Manager	Planning & Infrastructure Services	Political Office	Total
Actuarial gains/losses	399 991	-	-	-	-	-	399 991
Fair value adjustments	(1 165 119)	-	-	-	-	-	(1 165 119)
Gain or loss on disposal of assets and liabilities	147 026	-	-	-	-	-	147 026
Impairment loss	(296 626)	-	-	-	-	-	(296 626)
	(914 727)	-	-	-	-	-	(914 727)
Deficit for the year							(105 299 245)
Assets							
Current assets							
Cash and cash equivalents	-	-	1 437 068	-	-	-	1 437 068
Inventories	-	-	611 476	-	794 911	-	1 406 386
Other financial assets-CA	-	-	440 566	-	-	-	440 566
Receivables from exchange transactions	33 466	-	2 758 740	-	2 433 900	-	5 226 106
Receivables from non-exchange transactions	-	-	1 645 035	-	-	-	1 645 035
VAT receivable	-	-	268 875 510	-	-	-	268 875 510
Non-current assets							
Heritage assets	-	-	-	-	-	35 758	35 758
Investment property	-	45 977 384	-	-	-	-	45 977 384
Other financial assets- NCA	-	-	190 057	-	-	-	190 057
Property, plant and equipment	(28 346 657)	135 749 246	160 513 687	25 677 658	790 463 120	-	1 084 057 054
Total segment assets	(28 313 191)	181 726 630	436 472 139	25 677 658	793 691 931	35 758	1 409 290 924
Total assets as per Statement of financial Position							1 409 290 924

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	Community Services	Corporate Services	Financial Services	Office Of Municipal Manager	Planning & Infrastructure Services	Political Office	Total
Liabilities							
Current liabilities							
Payables from exchange transactions	-	-	(1 232 562 069)	-	-	-	(1 232 562 069)
Provisions- CL	(4 879 448)	-	-	-	-	-	(4 879 448)
Retirement benefit obligation	-	(374 292)	(1 485 993)	-	-	-	(1 860 285)
Unspent conditional grants and receipts	-	(3 100 000)	359 725	-	-	-	(2 740 275)
Consumer deposits	-	-	(1 397 384)	-	(598 148)	-	(1 995 533)
VAT Payable	(20 084 039)	-	(72 050 010)	-	(86 487 784)	-	(178 621 834)
Non-current liabilities							
Employee benefit obligation	-	-	(12 765 206)	-	-	-	(12 765 206)
Provisions- NCL	(56 729 738)	-	-	-	-	-	(56 729 738)
Total segment liabilities	(81 693 225)	(3 474 292)	(1 319 900 938)	-	(87 085 932)	-	(1 492 154 388)
Total liabilities as per Statement of financial Position							(1 492 154 388)

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	Community Services	Corporate Services	Financial Services	Office Of Municipal Manager	Planning & Infrastructure Services	Political Office	Total
Revenue							
Revenue from exchange transactions							
Interest received - investment	(14 000 514)	-	(3 247 040)	-	(55 053 091)	-	(72 300 645)
Operational revenue	-	-	(4 313 457)	-	(49 187)	-	(4 362 644)
Rental of facilities and equipment	-	-	(868 252)	-	-	-	(868 252)
Service charges	(19 570 719)	-	-	-	(68 522 169)	-	(88 092 888)
Revenue from non-exchange transactions							
Fines, Penalties and Forfeits	-	-	(1 850)	-	-	-	(1 850)
Government grants and subsidies	(570 000)	-	(149 903 585)	-	-	-	(150 473 585)
Interest - Taxation revenue	-	-	(7 676 098)	-	-	-	(7 676 098)
Property rates	-	-	(28 003 176)	-	-	-	(28 003 176)
Public contributions and donations	-	-	-	-	(3 277 581)	-	(3 277 581)
Department of Water and Sanitation billing adjustment	-	-	-	-	(82 154 265)	-	(82 154 265)
Other Income - Remission	-	-	(2 002 665)	-	-	-	(2 002 665)
Total segment revenue	(34 141 234)	-	(196 016 122)	-	(209 056 293)	-	(439 213 649)
Total revenue							(439 213 649)
Expenditure							
Bulk purchases	-	-	-	-	37 693 344	-	37 693 344
Debt Impairment	-	-	174 643 312	-	-	-	174 643 312
Depreciation and amortisation	10 721 369	1 404 427	17 171 659	39 552	37 285 975	-	66 622 982
Employee costs	13 365 137	11 494 715	11 661 968	41 221 174	19 277 314	12 419 613	109 439 922
Finance costs	-	1 302 274	86 113 747	-	-	-	87 416 021
General	816 844	14 196 591	12 931 802	1 622 715	28 974 659	11 665 664	70 208 274
Remuneration of councillors	-	-	-	-	-	6 678 265	6 678 265
Total segment expenditure	24 903 350	28 398 007	302 522 488	42 883 441	123 231 292	30 763 541	552 702 120

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	Community Services	Corporate Services	Financial Services	Office Of Municipal Manager	Planning & Infrastructure Services	Political Office	Total
Actuarial gains/losses	236 545	-	-	-	-	-	236 545
Fair value adjustments	1 553 391	-	-	-	-	-	1 553 391
Gain or loss on disposal of assets and liabilities	9 131 296	-	-	-	-	-	9 131 296
Impairment loss	31 797 624	-	-	-	-	-	31 797 624
Inventories losses/write-downs	52 381	-	-	-	-	-	52 381
	42 771 237	-	-	-	-	-	42 771 237
Deficit for the year							(156 259 708)
Assets							
Current assets							
Cash and cash equivalents	-	-	1 287 313	-	-	-	1 287 313
Inventories	-	-	734 520	-	736 753	-	1 471 273
Other financial assets-CA	-	-	378 458	-	-	-	378 458
Receivables from exchange transactions	399 085	-	2 487 738	-	2 417 228	-	5 304 051
Receivables from non-exchange transactions	-	-	1 464 203	-	-	-	1 464 203
VAT receivable	-	-	243 054 448	-	-	-	243 054 448
Non-current assets							
Heritage assets	-	-	-	-	-	35 758	35 758
Investment property	-	44 812 265	-	-	-	-	44 812 265
Other financial assets- NCA	-	-	222 213	-	-	-	222 213
Property, plant and equipment	(19 353 546)	141 557 194	160 625 562	6 439 072	824 670 385	-	1 113 938 666
Total segment assets	(18 954 461)	186 369 459	410 254 456	6 439 072	827 824 366	35 758	1 411 968 648
Total assets as per Statement of financial Position							1 411 968 648

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	Community Services	Corporate Services	Financial Services	Office Of Municipal Manager	Planning & Infrastructure Services	Political Office	Total
Liabilities							
Current liabilities	-	-	-	-	-	-	-
Payables from exchange transactions	-	-	(1 138 032 456)	-	-	-	(1 138 032 456)
Provisions- CL	(4 385 788)	-	-	-	-	-	(4 385 788)
Retirement benefit obligation	-	(374 292)	(625 476)	-	-	-	(999 768)
Unspent conditional grants and receipts	-	-	(9 898 270)	-	-	-	(9 898 270)
Consumer deposits	-	-	(1 397 384)	-	(445 706)	-	(1 843 090)
VAT Payable	(17 057 938)	-	(68 498 726)	-	(77 897 536)	-	(163 454 201)
Non-current liabilities							
Employee benefit obligation	-	-	(12 109 291)	-	-	-	(12 109 291)
Provisions- NCL	(58 810 005)	-	-	-	-	-	(58 810 005)
Total segment liabilities	(80 253 731)	(374 292)	(1 230 561 603)	-	(78 343 242)	-	(1 389 532 869)
Total liabilities as per Statement of financial Position							(1 389 532 869)

Measurement of segment surplus or deficit, assets and liabilities

Information about geographical areas

Management monitors performance geographically, but does not have reliable separate financial information for decision making purposes, as the municipality's geographical areas of operation is seen as a single geographical area when deciding how to allocate resources.

Notes to the Audited Annual Financial Statements
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59. Budget differences
Material differences between budget and actual amounts

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

Explanation of variances between approved and final budget amounts

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

The variances identified in the Budget Statement is as follows:

Reference No.	Description	Actual amount over/(under) budget	Variance percentage	Explanation
Note 60.1	Service charges	(183 558 265)	-1%	Variance less than 10%
Note 60.2	Rental of facilities and equipment	(2 150 463)	-25%	This is money received for rental of facilities like halls etc, the difference resulted from less bookings made during the financial period.
Note 60.3	Interest received - receivables	24 383 529	42%	The increase was informed by the growth in the debtors book which was not anticipated as the Municipality had intended
Note 60.4	Other income	(10 596 133)	5%	Variance less than 10%
Note 60.5	Rent on land	(3 000 000)	-100%	The Municipality made a provision for rental income generated from land, farms, plots and mining of gravel and sand. Previous contracts expired and the leases were advertised, however, contracts were not issued.
Note 60.6	Interest received - investment	(877 725)	1 527%	Given the cash flow status of the Municipality, we had not anticipated significant investments, however, more funds were invested and yielded higher returns.
Note 60.8	Property rates	(64 395 620)	5%	Variance less than 10%
Note 60.9	Interest - Taxation revenue	(10 654 230)	-%	The item was not budgeted for for the 2024/25 FY.
Note 60.10	Government grants & subsidies	(325 062 390)	32%	The difference is due to unspent conditional grants
Note 60.11	Fines, Penalties and Forfeits	(3 326)	-100%	The municipality could not have anticipated that there will be a donation.
Note 60.12	Employee related costs	220 548 376	-5%	This relates to traffic fines that the Municipality previously used to be generated through the law enforcement function that has since been transferred to the Department. The Municipality was still receiving a certain portion of the fines.
Note 60.13	Remuneration of councillors	18 567 961	-45%	Variance less than 10%

Notes to the Audited Annual Financial Statements

Figures in Rand				2025	2024
59. Budget differences (continued)					
Note 60.14	Transfer payments - Other	-	-%	The municipality had over-budgeted for this item.	
Note 60.15	Depreciation and amortisation	108 867 456	19%	The Municipality did not make adequate provision for this item.	
Note 60.16	Impairment loss/ Reversal of impairments	296 626	-%	The Municipality did not make adequate provision for this item.	
Note 60.17	Finance costs	116 374 817	53%	The Municipality did not make adequate provision for this item.	
Note 60.18	Debt Impairment	175 795 971	-%	The municipality used an incorrect vote for debt impairment hence no budget allocation on this line item.	
Note 60.19	Bad debts written off	29 834 442	-64%	The Municipality had not anticipated that Council would consider write-off of irrecoverable debt during the financial period.	
Note 60.20	Bulk purchases	38 579 980	494%	The municipality used an incorrect vote for debt impairment.	
Note 60.21	Transfers and Subsidies	42 200 254	-100%	This amount relates to capital grants received for the financial period; there was a movement during the financial period. The item will also need to be classified under revenue.	
Note 60.22	Other Losses	500 000	-100%	This amount relates to capital grants received for the financial period, there was a movement during the financial period. The item will also need to be clasiffied under revenue.	
Note 60.23	Loss on disposal of assets	147 026	-%	Provision was made in case of theft, loss or risks associated with sales or loss of assets.	
Note 60.24	General Expenses	132 055 445	-28%	The Municipality did not make adequate provision for this item.	
Note 60.25	Fair value adjustments	(1 165 119)	-%	The Municipality strengthened internal controls through implementation of measures to curb costs.	
Note 60.27	Inventories	(929 222)	195%	The Municipality did not project any gains from actuarial calculations.	
Note 60.28	Other financial assets	(440 566)	-%	This resulted from less inventory consumed than anticipated and possibly, slow-moving stock.	
Note 60.29	Receivables from exchange transactions	46 068 839	-90%	The Municipality did not project economic benefits from this item due to omission during the budget process.	
Note 60.30	Receivables from non-exchange transactions	(27 243 891)	-106%	The Municipality had anticipated that users of services would increase due to new establishments and the data cleasing that would be performed during the financial period, this did not materialise.	
Note 60.31	Cash and cash equivalents	55 736 375	-97%	This resulted from an error committed during the budget process and will be rectified for the 2025/26 financial period.	
Note 60.32	Investment property	30 898 499	-40%	The figure was projected on the basis of efficient implementation of the Revenue Enhancement Strategy and Debt Collection Policy.	
Note 60.33	Property, plant and equipment	(97 314 881)	10%	The Municipality had anticipated appreciation in investment property for the financial period through revision of contracts and enforcement of payment to the Municipality.	

Notes to the Audited Annual Financial Statements

Figures in Rand			2025	2024
59. Budget differences (continued)				
Note 60.34	Intangible assets	2 350 000	-100%	The Municipality did not acquire any intangible assets during the financial period.
Note 60.35	Heritage assets	(1)	0%	This resulted from having anticipated migration to another version of the financial system and this would have had an impact on the value of intangible assets.
Note 60.36	Other financial assets	(190 057)	-%	The municipality did not budget for this item in the 2024/25 FY
Note 60.37	Receivables from non-exchange transactions	444 500	-100%	The Municipality did not project economic benefits from this item due to omission during the budget process.
Note 60.38	Payables from exchange transactions	(1 212 266 703)	-6 173%	This resulted from an error committed during the budget process and will be rectified for the 2025/26 financial period.
Note 60.39	VAT payable	(4 206 011)	-100%	The municipality did not adequately budget for this line item in the 2024/25 FY.
Note 60.40	Consumer deposits	(2 561 505)	253%	The municipality did not adequately budget for this item in the 2024/25 FY.
Note 60.41	Employee benefit obligation	(1 860 285)	-%	This may have been due to an increased number of customers having applied for connection to municipal services.
Note 60.42	Unspent conditional grants and receipts	(2 740 275)	-%	The municipality did not budget for this item in the 2024/25 FY.
Note 60.43	Provisions	(20 970 941)	-70%	The Municipality had anticipated that by the end of the financial period, all the conditional grants would have been 100% spent.
Note 60.44	Employee benefit obligation	(12 765 206)	-%	The Municipality's projection on this line item could not have been a bit accurate as the calculations are based on external factors.
Note 60.45	Provisions	(71 227 004)	291%	The municipality did not budget for this item in the 2024/25 FY.
Note 60.46	Accumulated surplus	968 288 278	-92%	The Municipality's projection on this line item could not have been a bit accurate as the calculations are based on external factors.

60. BBBEE Performance

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

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61. Accounting by principals and agents

The municipality is a party to a principal-agent arrangement(s).

Details of the arrangment(s) is|are as follows:

Municipality as Agent / Principle	Other Party in agreement	Purpose of Arrangement	Description of Arrangement	Significant Terms and Conditions of Arrangement
Principal	Fezile Dabi District Municipality	Implementation of Municipal Infrastructure Grant (MIG) funded projects	The Municipality has entered into a Memorandum of Understanding (MOU) with the Fezile Dabi District Municipality for the implementation of Municipal Infrastructure Grant (MIG) funded projects within the jurisdiction of Mafube Local Municipality.	Fezile Dabi District Municipality acts as the implementing agent on behalf of Mafube Local Municipality. The District is responsible for project management, procurement, contract administration and implementation of the infrastructure projects. Ownership of the infrastructure assets remains with Mafube Local Municipality. Upon completion of the projects, Mafube assumes responsibility for operation, maintenance and future service delivery. The District Municipality does not retain control of the assets or any future economic benefits or service potential.

Municipality as principal

Resources (including assets and liabilities) of the entity under the custodianship of the agent

As Mafube retains control of the assets and the associated risks and rewards, the Municipality is identified as the principal in terms of GRAP 109.

Assets constructed under this arrangement are recognised as Property, Plant and Equipment when the Municipality obtains control.

MIG grant revenue is recognised in accordance with the relevant Standards of GRAP when all conditions are met.

No liability is recognised by the District Municipality for the infrastructure assets, other than any funds received but not yet spent.

Fezile Dabi District Municipality, as the implementing agent, may recognise any management or implementation fee received.

The Municipality bears all risks and rewards associated with the infrastructure, including:

- Maintenance and operational responsibilities post-completion;
- Any liabilities arising from defects or future capital renewal;
- Service delivery obligations to the community.

Notes to the Audited Annual Financial Statements

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Municipal Infrastructure Grant (MIG) Expenditure Report For 2025

Allocation As Per DoRa	24 203 000	-
MIG Expenditure	(19 276 432)	-
	4 926 568	-

Total Expenditure for 2024/2025

Namahadi/Frankfort: Replacement of AC water pipelines with UPVC pipelines	2 162 102
Namahadi: Upgrading of Sports Ground at Zomba - Phase 1 (MIS:380720)	1 155 101
Qalabotjha; Construction of 0.993km paved road and storm water drainage (MIS:417184)	3 996 920
Namahadi: Fencing of cemetery in Ward 6 (MIS:436805)	2 245 378
Tweeling/Mafahlaneng; Drilling and equipping of 6 boreholes and refurbishment of 2 boreholes (MIS:528662)	6 371 615
Namahadi/Frankfort: of the sewer pipe bridge infrastructure (MIS:529595)	1 113 229
Villiers/Qalabotjha: Refurbishment of Pump Station	1 571 405
Tweeling/Mafahlaneng: Refurbishment of Pump Station	660 682
	19 276 432

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

There are no resource or cost implications for the municipality if the arrangements are terminated.