Lesedi Local Municipality
(Registration number GT423)
Annual Financial Statements
for the year ended 30 June 2025

General Information

Legal form of entity	Municipality Municipal demarcation code - GT423
Nature of business and principal activities	Local municipal functions as set out in the Constitution of South Africa (Act No. 105 of 1996)
Members of Council	
Executive Mayor	MNR Nkosi
Speaker	PR Mpemvu
Chief Whip	TJ Gama
Mayoral Committee	MS Lukhele
	ME Magazi
	T Mashinini
	MV Motsepe
	T Motsepe
Councillors	M Boshoff
	J Coetzee
	C Collen
	Y Combrinck
	LS Gamede
	GC Holtzhausen
	MJ Kubheka
	FEJ Khumalo
	MF Langa
	LM Machitje
	BM Mkhize
	SJ Mnyakeni
	BV Mogorosi
	LB Moloi
	CG Naidoo
	HAC Paul
	CD Simelane
	D Tsotetsi
Grading of local authority	Grade 4 Local Municipality
Accounting Officer	S Dlamini
Chief Finance Officer (CFO)	G Mncube
Registered office	Civic Centre c/o HF Verwoerd and Louw Street Heidelberg 1441
Postal address	PO Box 201 Heidelberg 1438
Bankers	FNB
Auditors	Auditor General of South Africa

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
CPI	Consumer Price Index
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
LG Seta	Local Government Sector Education and Training Authority
mSCOA	Municipal Standard Chart of Accounts

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

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

S Dlamini
Accounting Officer

Audit Committee Report

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

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 7 meetings were held.

Name of member	Number of meetings attended
Mr. M Nondwangu - Chairperson (Term ended 30 April 2025)	6
Mr. K Mokgokong (Term ended 30 April 2025)	6
Ms. A Noah (Term ended 30 April 2025)	7
Mr. T Motseto	7
Mr. V Manyisane - Chairperson (Appointed 1 June 2025)	New
Mr. M Mojapelo (Appointed 1 June 2025)	New
Mr. N Baloyi (Appointed 1 June 2025)	New
Mr, M Mthethwa (Appointed 1 June 2025)	New

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls is showing signs of improvement in terms of adequacy, responsiveness and effectiveness, resulting in less incidents of noncompliance.

The quality of in year management quarterly reports submitted in terms of the MFMA and the Division of Revenue Act

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review.

Evaluation of annual financial statements

The audit committee has:
- reviewed the Auditor-General of South Africa's management report and management’s response thereto;
- reviewed the municipality's compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report on the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively in providing risk based audit as per the annual audit plan in relation to the Lesedi Local Municipal financial management affairs.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues. The audit committee is satisfied with quality of services and value added by the Auditor-General of South Africa.

Chairperson of the Audit Committee

Date: 08 December 2025

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	50 172 282	62 469 330
Receivables from exchange transactions	4&6	84 699 303	79 403 728
Receivables from non-exchange transactions	5&6	29 806 017	31 686 114
Inventories	7	12 684 102	8 143 828
Input VAT	8	82 744 107	59 083 709
		260 105 811	**240 786 709**
Non-Current Assets			
Investment property	9	181 103 320	181 958 298
Property, plant and equipment	10	1 216 110 134	1 195 360 775
Intangible assets	11	5 455 995	5 587 112
Heritage assets	12	4 718 964	4 718 964
		1 407 388 413	**1 387 625 149**
Total Assets		**1 667 494 224**	**1 628 411 858**
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	450 163 384	399 451 020
Payables from non-exchange transactions	15	-	7 797 853
Unspent conditional grants and receipts	16	16 842 666	6 365 621
Consumer deposits	17	28 494 367	24 770 803
Output VAT	18	52 358 954	51 782 371
Municipal relief debt liability	19	43 749 255	21 176 183
Long term loans	20	4 743 195	4 352 074
Employee benefit obligation	21	2 509 513	2 450 673
Provisions	22	34 275 998	32 332 497
		633 137 332	**550 479 095**
Non-Current Liabilities			
Payables from exchange transactions	14	71 654 000	-
Municipal relief debt liability	19	18 703 788	34 330 694
Long term loans	20	19 325 731	24 071 271
Employee benefit obligation	21	22 805 728	22 745 282
Provisions	22	6 516 734	5 291 662
		139 005 981	**86 438 909**
Total Liabilities		**772 143 313**	**636 918 004**
Net Assets		**895 350 911**	**991 493 854**
Accumulated surplus		895 350 911	991 493 836
Total Net Assets		**895 350 911**	**991 493 836**

* See Note 50

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	23	759 130 815	680 033 322
Rental of facilities and equipment	24	6 711 063	6 865 823
Interest income	25	56 814 398	53 693 234
Licences and permits	26	167 145	196 124
Recoveries	27	2 203 362	128 892
Other income	28	5 044 782	4 099 256
Actuarial gains	21	408 662	-
Inventories reversal	29	672	52 874
Total revenue from exchange transactions		**830 480 899**	**745 069 525**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	30	228 342 750	167 043 585
Interest income	31	4 217 014	3 902 910
Transfer revenue			
Government grants & subsidies	32	336 423 737	335 367 534
Public contributions and donations	33	8 413 747	16 545 810
Fines, Penalties and Forfeits	34	6 287 000	2 196 800
Municipal relief revenue	35	-	28 821 154
Total revenue from non-exchange transactions		**583 684 248**	**553 877 793**
Total revenue		**1 414 165 147**	**1 298 947 318**
Expenditure			
Employee related costs	36	(268 250 992)	(244 100 810)
Employee costs - Remuneration of councillors	37	(13 735 100)	(13 331 634)
Depreciation and amortisation	38	(46 935 576)	(46 460 566)
Impairment loss	39	(29 657 607)	(2 967 896)
Finance costs	40	(43 013 250)	(30 583 222)
Lease rentals on operating lease	41	(6 887 695)	(5 572 210)
Debt Impairment	42	(303 332 876)	(257 348 795)
Bulk purchases	43	(530 299 806)	(471 191 571)
Contracted Services	44	(137 240 359)	(104 152 717)
Loss on disposal of assets and liabilities	45	(2 097 832)	(364 916)
General Expenses	46	(128 856 986)	(123 510 529)
Total expenditure		**(1 510 308 079)**	**(1 299 584 866)**
Deficit for the year		**(96 142 932)**	**(637 548)**

* See Note 50

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	933 440 205	933 440 205
Adjustments		
Prior year adjustments 50	58 691 179	58 691 179
Balance at 01 July 2023 as restated*	**992 131 384**	**992 131 384**
Changes in net assets		
Surplus/(deficit) for the year (restated)	(637 548)	(637 548)
Total changes	(637 548)	(637 548)
Restated* Balance at 01 July 2024	**991 493 843**	**991 493 843**
Changes in net assets		
Surplus/(deficit) for the year	(96 142 932)	(96 142 932)
Total changes	(96 142 932)	(96 142 932)
Balance at 30 June 2025	**895 350 911**	**895 350 911**

* See Note 50

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Taxation		203 603 976	160 045 562
Sale of goods and services		525 535 287	473 627 886
Grants		336 199 890	335 694 498
Interest income		37 231 530	14 063 817
		1 102 570 683	983 431 763
Payments			
Employee costs		(280 540 326)	(257 423 446)
Suppliers		(711 697 682)	(599 225 895)
Finance costs		(32 970 225)	(23 198 226)
		(1 025 208 233)	(879 847 567)
Net cash flows from operating activities	49	**77 362 450**	**103 584 196**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(85 281 879)	(108 070 783)
Proceeds from sale of property, plant and equipment	10	-	811 494
Purchase of other intangible assets	11	(23 190)	(20 375)
Net cash flows from investing activities		**(85 305 069)**	**(107 279 664)**
Cash flows from financing activities			
Repayment of other financial liabilities		(4 354 419)	(4 385 520)
Net cash flows from financing activities		**(4 354 419)**	**(4 385 520)**
Net increase/(decrease) in cash and cash equivalents		**(12 297 038)**	**(8 080 988)**
Cash and cash equivalents at the beginning of the year		62 469 330	70 550 307
Cash and cash equivalents at the end of the year	3	**50 172 292**	**62 469 319**

The accounting policies on pages 16 to 39 and the notes on pages 40 to 84 form an integral part of the annual financial statements.

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	813 846 790	(16 806 943)	**797 039 847**	759 130 815	**(37 909 032)**	Note 65(1)
Rental of facilities and equipment	7 071 991	-	**7 071 991**	6 711 063	**(360 928)**	
Interest received	54 112 730	1 325 114	**55 437 844**	56 814 398	**1 376 554**	Note 65(2)
Licences and permits	12 142	17 858	**30 000**	167 145	**137 145**	
Recoveries	16 066	2 042 268	**2 058 334**	2 203 362	**145 028**	
Other income - (rollup)	5 168 860	3 488 600	**8 657 460**	5 044 782	**(3 612 678)**	Note 65(3)
Total revenue from exchange transactions	**880 228 579**	**(9 933 103)**	**870 295 476**	**830 071 565**	**(40 223 911)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	177 968 685	57 498 124	**235 466 809**	228 342 750	**(7 124 059)**	Note 65(4)
Interest - Taxation revenue	3 974 537	635 221	**4 609 758**	4 217 014	**(392 744)**	
Transfer revenue						
Government grants & subsidies	342 120 697	12 338 687	**354 459 384**	336 423 737	**(18 035 647)**	Note 65(5)
Public contributions and donations	-	-	**-**	8 413 747	**8 413 747**	Note 65(6)
Fines, Penalties and Forfeits	5 003 000	-	**5 003 000**	6 287 000	**1 284 000**	Note 65(7)
Total revenue from non-exchange transactions	**529 066 919**	**70 472 032**	**599 538 951**	**583 684 248**	**(15 854 703)**	
Total revenue	**1 409 295 498**	**60 538 929**	**1 469 834 427**	**1 413 755 813**	**(56 078 614)**	
Expenditure						
Personnel	(273 488 598)	9 813 500	**(263 675 098)**	(268 250 992)	**(4 575 894)**	
Employee costs - Remuneration of councillors	(13 509 112)	(205 385)	**(13 714 497)**	(13 735 100)	**(20 603)**	
Depreciation and amortisation	(47 397 212)	-	**(47 397 212)**	(46 935 576)	**461 636**	
Impairment loss/ Reversal of impairments	-	-	**-**	(29 657 607)	**(29 657 607)**	Note 65(8)
Finance costs	(13 497 154)	(6 806 780)	**(20 303 934)**	(43 013 250)	**(22 709 316)**	Note 65(9)
Lease rentals on operating lease	(136 058)	(6 663 944)	**(6 800 002)**	(6 887 695)	**(87 693)**	
Debt Impairment	(277 197 637)	(21 746 168)	**(298 943 805)**	(303 332 876)	**(4 389 071)**	
Bulk purchases	(420 197 942)	-	**(420 197 942)**	(530 299 806)	**(110 101 864)**	Note 65(10)
Contracted Services	(124 779 171)	(20 081 688)	**(144 860 859)**	(137 240 359)	**7 620 500**	Note 65(11)
General expenses	(216 906 429)	(25 019 273)	**(241 925 702)**	(128 856 986)	**113 068 716**	Note 65(12)
Total expenditure	**(1 387 109 313)**	**(70 709 738)**	**(1 457 819 051)**	**(1 508 210 247)**	**(50 391 196)**	
Operating deficit	**22 186 185**	**(10 170 809)**	**12 015 376**	**(94 454 434)**	**(106 469 810)**	
Loss on disposal of assets and liabilities	-	-	**-**	(2 097 832)	**(2 097 832)**	
Actuarial gains/losses	-	-	**-**	408 662	**408 662**	
Inventories losses/write-downs	-	-	**-**	672	**672**	
	-	**-**	**-**	**(1 688 498)**	**(1 688 498)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Deficit before taxation	**22 186 185**	**(10 170 809)**	**12 015 376**	**(96 142 932)**	**(108 158 308)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**22 186 185**	**(10 170 809)**	**12 015 376**	**(96 142 932)**	**(108 158 308)**	

Lesedi Local Municipality

(Registration number GT423)
Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Cash and cash equivalents	2 336 332	(559 565)	**1 776 767**	50 172 282	**48 395 515**	Note 65(13)
Receivables from exchange transactions	111 016 530	(596 273)	**110 420 257**	84 699 303	**(25 720 954)**	Note 65(14)
Receivables from non-exchange transactions	34 607 677	(313 886)	**34 293 791**	29 806 017	**(4 487 774)**	Note 65(15)
Inventories	8 428 453	133 049 780	**141 478 233**	12 684 102	**(128 794 131)**	Note 65(16)
VAT receivable	59 234 980	-	**59 234 980**	82 744 107	**23 509 127**	Note 65(17)
	215 623 972	**131 580 056**	**347 204 028**	**260 105 811**	**(87 098 217)**	
Non-Current Assets						
Investment property	112 924 469	-	**112 924 469**	181 103 320	**68 178 851**	Note 65(18)
Property, plant and equipment	1 273 865 911	11 517 482	**1 285 383 393**	1 216 110 134	**(69 273 259)**	Note 65(19)
Intangible assets	5 364 311	985 799	**6 350 110**	5 455 995	**(894 115)**	
Heritage assets	4 718 964	-	**4 718 964**	4 718 964	**-**	
	1 396 873 655	**12 503 281**	**1 409 376 936**	**1 407 388 413**	**(1 988 523)**	
Total Assets	**1 612 497 627**	**144 083 337**	**1 756 580 964**	**1 667 494 224**	**(89 086 740)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	416 741 027	180 813 174	**597 554 201**	450 163 376	**(147 390 825)**	Note 65(20)
Payables from non-exchange transactions	743 532	(743 532)	**-**	-	**-**	
Unspent conditional grants and receipts	-	-	**-**	16 842 666	**16 842 666**	Note 65(21)
Consumer deposits	24 770 803	-	**24 770 803**	28 494 367	**3 723 564**	Note 65(22)
VAT payable	51 782 371	-	**51 782 371**	52 358 954	**576 583**	
Municipal relief debt liability	21 176 183	-	**21 176 183**	43 749 255	**22 573 072**	Note 65(23)
Long term loans	8 704 140	(4 352 070)	**4 352 070**	4 743 195	**391 125**	
Employee benefit obligation	2 450 673	-	**2 450 673**	2 509 513	**58 840**	
Provisions	-	-	**-**	34 275 998	**34 275 998**	Note 65(24)
	526 368 729	**175 717 572**	**702 086 301**	**633 137 324**	**(68 948 977)**	
Non-Current Liabilities						
Payables from exchange transactions	-	-	**-**	71 654 000	**71 654 000**	Note 65(27)
Municipal relief debt liability	34 330 694	-	**34 330 694**	18 703 788	**(15 626 906)**	Note 65(25)
Long term loans	23 776 678	294 595	**24 071 273**	19 325 731	**(4 745 542)**	Note 65(26)
Employee benefit obligation	22 745 282	-	**22 745 282**	22 805 728	**60 446**	
Provisions	38 206 199	(582 040)	**37 624 159**	6 516 734	**(31 107 425)**	Note 65 (28)
	119 058 853	**(287 445)**	**118 771 408**	**139 005 981**	**20 234 573**	
Total Liabilities	**645 427 582**	**175 430 127**	**820 857 709**	**772 143 305**	**(48 714 404)**	
Net Assets	**967 070 045**	**(31 346 790)**	**935 723 255**	**895 350 919**	**(40 372 336)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	967 070 045	(31 346 790)	**935 723 255**	895 350 911	**(40 372 344)**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2025											
Financial Performance											
Property rates	177 968 685	57 498 124	235 466 809	-		235 466 809	228 342 750		(7 124 059)	97 %	128 %
Service charges	813 846 790	(16 806 943)	797 039 847	-		797 039 847	759 130 815		(37 909 032)	95 %	93 %
Interest income	54 112 730	1 325 114	55 437 844	-		55 437 844	56 814 398		1 376 554	102 %	105 %
Transfers recognised - operational	234 942 980	2 926 288	237 869 268	-		237 869 268	239 797 267		1 927 999	101 %	102 %
Other own revenue	20 120 313	3 084 230	23 204 543	-		23 204 543	25 039 700		1 835 157	108 %	124 %
Total revenue (excluding capital transfers and contributions)	**1 300 991 498**	**48 026 813**	**1 349 018 311**	**-**		**1 349 018 311**	**1 309 124 930**		**(39 893 381)**	**97 %**	**101 %**
Employee costs	(276 776 968)	12 360 175	(264 416 793)	-	-	(264 416 793)	(268 250 992)	-	(3 834 199)	101 %	97 %
Remuneration of councillors	(13 509 112)	(205 385)	(13 714 497)	-	-	(13 714 497)	(13 735 100)	-	(20 603)	100 %	102 %
Depreciation and asset impairment	(47 397 212)	-	(47 397 212)			(47 397 212)	(76 593 183)	-	(29 195 971)	162 %	162 %
Finance charges	(13 497 154)	(9 935 495)	(23 432 649)	-	-	(23 432 649)	(43 013 250)	-	(19 580 601)	184 %	319 %
Inventory consumed and bulk purchases	(533 281 140)	584 706	(532 696 434)	-	-	(532 696 434)	(530 299 806)	-	2 396 628	100 %	99 %
Other expenditure	(225 450 090)	(51 767 571)	(277 217 661)	-	-	(277 217 661)	(275 082 872)	-	2 134 789	99 %	122 %
Total expenditure	**(1 109 911 676)**	**(48 963 570)**	**(1 158 875 246)**	**-**	**-**	**(1 158 875 246)**	**(1 206 975 203)**	**-**	**(48 099 957)**	**104 %**	**109 %**
Surplus/(Deficit)	**191 079 822**	**(936 757)**	**190 143 065**	**-**		**190 143 065**	**102 149 727**		**(87 993 338)**	**54 %**	**53 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	108 304 000	12 512 116	120 816 116	-		120 816 116	96 626 470		(24 189 646)	80 %	89 %
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)	-	-	-	-		-	8 413 747		8 413 747	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**299 383 822**	**11 575 359**	**310 959 181**	**-**		**310 959 181**	**207 189 944**		**(103 769 237)**	**67 %**	**69 %**
Surplus/(Deficit) for the year	**299 383 822**	**11 575 359**	**310 959 181**	**-**		**310 959 181**	**207 189 944**		**(103 769 237)**	**67 %**	**69 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources											
Total capital expenditure	108 734 000	12 503 281	121 237 281	-		121 237 281	87 382 336		(33 854 945)	72 %	80 %
Sources of capital funds											
Transfers recognised - capital	94 934 000	15 656 229	110 590 229	-		110 590 229	78 907 354		(31 682 875)	71 %	83 %
Internally generated funds	13 800 000	(3 152 948)	10 647 052	-		10 647 052	8 474 982		(2 172 070)	80 %	61 %
Total sources of capital funds	**108 734 000**	**12 503 281**	**121 237 281**	**-**		**121 237 281**	**87 382 336**		**(33 854 945)**	**72 %**	**80 %**

Significant Accounting Policies

Figures in Rand	Note(s)	2025	2024

1. Significant accounting polices

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

1.1 Basis of preparation

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

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

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

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, 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.

These accounting policies are consistent with the previous period.

1.2 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality, and all values are rounded 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

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.

1.5 Significant judgements and sources of estimation uncertainty

In the application of the municipality's accounting policies, which are described below, management is required to make judgement, estimates and assumption that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experiences and other factors that are considered to reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

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:

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 considered first for individually significant receivables and then calculated on a portfolio basis, based on historical loss ratios, and other indicators present at the reporting date. For amounts due to the municipality, significant financial difficulties of the receivable, probabillity that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment of assets

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 22 - Provisions.

Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.

Interest rates linked to prime was used to calculate the effect of the time value of money.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm. Management will increase or decrease the depreciation charge where useful lives are less or more than previously estimated useful lives.

The municipality considers all the facts and circumstances estimating the useful lives of assets, which included the consideration of financial, technical and other facts. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease the depreciation charge where useful lives are more than the previously estimated useful lives.

The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

The policy is also applicable to certain intangible assets and investment property.

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

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

Due to the long-term nature of the plan, the estimates are subjected to significant uncertainty.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 21.

1.6 Investment property

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

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

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

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

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

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property.

Where the classification of an investment property is based on management's judgement, the following criteria have been applied to distinguish investment properties from owner-occupied property or property held for resale:
- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties.
- Land held for a currently undetermined future use;
- A building owned (or held by under a finance lease) and leased out under one or more operating leases;
- Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held;
- A building that is vacant but is held to be leased out under one or more operating leases;
- Property that is being constructed or developed for future use as investment property.

Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30 year period. All useful lives of investment properties are reviewed annually on an indicator basis.

Significant Accounting Policies

1.6 Investment property (continued)

Cost model

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

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

Item	Useful life
Property - land	indefinite
Property - buildings	15 - 80 years

Land is considered to have an unlimited life; therefore, land is not depreciated.

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from the previous estimates, the change is accounted for as a change in accounting estimate.

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

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

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value [or carrying amount if cost model is used] at the date of change in use. If owner-occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.7 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

Significant Accounting Policies

1.7 Property, plant and equipment (continued)

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the 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 any accumulated depreciation and any accumulated impairment losses.

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

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

Item	Depreciation method	Average useful life
Land		indefinite
Infrastructure	Straight-line	
• Roads and paving		5-100 years
• Electricity		10-50 years
• Water		10-40 years
• Sewerage		12-20 years
• Landfill site		15-30 years
Community	Straight-line	
• Buildings		30-60 years
• Recreational facilities		20-50 years
• Security		5 years
Other property, plant and equipment	Straight-line	
• Buildings		30-60 years
• Specialist vehicles		5-20 years
• Other vehicles		5-20 years
• Furniture and fittings		3-18 years
• Plant and machinery		2-20 years
• Bins and containers		3-18 years
• Office equipment		3-18 years
• Library books		5-25 years

Land is considered to have an unlimited life; therefore, land is not depreciated.

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from the estimates, the change is accounted for as a change in accounting estimate.

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 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.

Significant Accounting Policies

1.7 Property, plant and equipment (continued)

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

1.8 Site rehabilitation and restoration cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘rehabilitation liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of rehabilitation 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.

As 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 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.9 Intangible assets (continued)

Item	Amortisation method	Average useful life
Computer software, other	Straight-line	3 years
Servitudes		indefinite

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

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

1.10 Heritage assets

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.

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

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.

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.

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).

1.11 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.

Significant Accounting Policies

1.11 Financial instruments (continued)

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

A financial asset is:

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

A financial 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.

Classification

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

Class	Category
Other receivables from exchange transactions	Financial asset measured at amortised cost
Other receivables from non-exchange transactions	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

Class	Category
Long term loans	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Municipal relief debt liability	Financial liability measured at fair value

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

Significant Accounting Policies

1.11 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at amortised cost.

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

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

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

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

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

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

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

Significant Accounting Policies

1.11 Financial instruments (continued)

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The municipality derecognises a financial asset only when:

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

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

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

Financial liabilities

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

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

Presentation

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

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

1.12 Statutory receivables

Identification

1.12 Statutory receivables (continued)

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

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

The municipality has the following major categories under the ambit of statutory receivables:
- VAT receivable
- Property rates debtors
- Traffic fines debtors

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

Accrued interest

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

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

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.

Significant Accounting Policies

1.12 Statutory receivables (continued)

- 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, the municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the 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.

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.

1.13 Leases

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

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

Operating leases - lessor

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

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.

Significant Accounting Policies

1.14 Inventories

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

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

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

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

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

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

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

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

1.15 Cash and cash equivalents

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

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

Cash and cash equivalents are carried at amortised cost.

1.16 Impairment of cash-generating assets

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

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

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

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

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

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

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or

1.16 Impairment of cash-generating assets (continued)

- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

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

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

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

Reversal of impairment loss

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

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable 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 cash-generating asset is recognised immediately in surplus or deficit.

1.17 Impairment of non-cash-generating assets

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

Identification

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.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Significant Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

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

1.18 Employee benefits

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

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;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

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

Post-employment benefits

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

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

Significant Accounting Policies

1.18 Employee benefits (continued)

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 recognises 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 recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

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.

Other post retirement obligations

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

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits 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.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Significant Accounting Policies

1.19 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.

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.

Provisions are disclosed in note 22.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is:

- a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the municipality; or

- a present obligation that arises from past events but is not recognised because:

  - it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or

  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 56.

1.20 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.21 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.

Significant Accounting Policies

1.21 Revenue from exchange transactions (continued)

Measurement

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

Sale of goods

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

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

Significant Accounting Policies

1.21 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

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

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved by Council and are levied monthly.

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from public contributions is recognised when all the conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the conditions, a liability is recognised.

Debt impairment is calculated as follows:

- Indigent debt is provided for at 100% of the outstanding amount;
- Residential: Impair based on collection shortfall percentages per ward;
- Business: Similar impairment approach as residential per business type;
- Government: 0% impairment if receipts are processed during the period; 100% if no receipts are processed.

Interest, royalties and dividends

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

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

Interest is recognised in surplus and deficit using the effective interest rate method.

Significant Accounting Policies

1.22 Revenue from non-exchange transactions

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.

Measurement

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

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

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

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

Fines

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

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

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

Fines are impaired based on the "average collection rate" in the previous two financial years..

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.

1.24 Comparative figures

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

1.25 Unauthorised expenditure

Unauthorised expenditure is defined in section 1 of the MFMA as follows:
"unauthorised expenditure”, in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes—
(a) overspending of the total amount appropriated in the municipality’s approved budget;
(b) overspending of the total amount appropriated for a vote in the approved budget;
(c) expenditure from a vote unrelated to the department or functional area covered by the vote;
(d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
(e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of “allocation” otherwise than in accordance with any conditions of the allocation; or
(f) a grant by the municipality otherwise than in accordance with this Act.

Significant Accounting Policies

1.25 Unauthorised expenditure (continued)

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA) also defines a Vote as:
- One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

The municipality uses the Municipal Standard Chart of Accounts (mSCOA) Functions and Sub-functions, previously the Government Finance Statistics (GFS) functions, as well as departments as the main groupings of segments of the municipality’s budget segments within the municipality are grouped per department to facilitate greater accountability and budget implementation by the respective Executive Directors as well as per mSCOA classification to facilitate comparisons on a higher level.

According to section 125(2)(d) of the MFMA, the municipality is required to disclose all unauthorised expenditure identified. This entails disclosure in the notes to the financial statements once identified. Once unauthorised expenditure is identified, processes of Recovery/Write-off by Council in terms of section 32(2)(b) of the MFMA must occur.

Unauthorised expenditure is identified through the municipality's financial system application controls. On identification of the unauthorised expenditure due to overspending on specific votes, the relevant Head of department is notified, where funds are available on other votes within the directorate, virements are made within the provisions of the virement policy. If after the provisions of the virement policy are applied, the unauthorised expenditure still remains/exist, it is recorded in the unauthorised expenditure register and reported to the accounting officer, mayor and council in terms of MFMA section 32.

Unauthorised expenditure that is incurred before the adjustment budget process is finalised is authorised by council through the adjustment budget. Unauthorised expenditure that is incurred after the adjustments budget is referred to the Municipal Public Accounts Committee (MPAC) for investigation and recommendation to council. Where MPAC after investigation, recommends to council to certify the unauthorised expenditure as irrecoverable and write - off, the unauthorised expenditure is disclosed in the notes to the financial statements as written-off by council. Where MPAC determines after investigation, that the unauthorised expenditure must be recovered from the relevant official, the unauthorised expenditure is recognised as an asset (debtor) in the statement of financial position and also disclosed in the unauthorised expenditure note as unauthorised expenditure incurred in the current financial year.

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. If the expenditure is not written off as irrecoverable by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.26 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is defined in section 1 of the MFMA as follows: "fruitless and wastefule expenditure" means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

According to section 125(2)(d) of the MFMA, the municipality is required to disclose all Fruitless and wasteful expenditure identified. This entails disclosure in the notes to the financial statements once identified. Once fruitless and wasteful expenditure is identified, processes of Recovery/Write-off by Council in terms of section 32(2)(b) of the MFMA must occur.

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 reported to council is referred to the Municipal Public Accounts Committee (MPAC) for investigation and recommendation to council. Where MPAC after investigation, recommends to council to certify the fruitless and wasteful expenditure as irrecoverable and write - off, the fruitless and wasteful expenditure is disclosed in the notes to the financial statements as certified and written - off by council as irrecoverable. Where MPAC determines after investigation, that the fruitless and wasteful expenditure must be recovered from the relevant official, the fruitless and wasteful expenditure is recognised as an asset (debtor) in the statement of financial position and also disclosed in the fruitless and wasteful expenditure note as fruitless and wasteful expenditure incurred in the current financial year.

1.26 Fruitless and wasteful expenditure (continued)

The accounting officer of the municipality promptly informs the mayor, the MEC for local government in the province and the Auditor - General, in writing, of:
(a) Any irregular expenditure incurred by the municipality;
(b) Whether any person is responsible or under investigation for such fruitless and wasteful expenditure; and
(c) The steps that have been taken-
  (i) To recover or rectify such expenditure; and
  (ii) To prevent a recurrence of such expenditure

1.27 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.

According to section 125(2)(d) of the MFMA, the municipality is required to disclose all irregular expenditure identified. This entails disclosure in the notes to the financial statements once identified. Once irregular expenditure is identified, processes of Recovery/Write-off by Council in terms of section 32(2)(b) of the MFMA must occur.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Every expenditure item is reviewed before payment is made to identify any instances of non-compliance with the relevant Acts and supply chain management policy of the municipality. Where an expenditure item is identified as irregular expenditure, it is recorded in the irregular expenditure register and reported to the accounting officer, mayor and council in terms of MFMA section 32.

Irregular expenditure reported to council is referred to the Municipal Public Accounts Committee (MPAC) for investigation and recommendation to council. Where MPAC after investigation, recommends to council to certify the irregular expenditure as irrecoverable and write - off, the irregular expenditure is disclosed in the notes to the financial statements as certified and written - off by council as irrecoverable. Where MPAC determines after investigation, that the irregular expenditure must be recovered from the relevant official, the irregular expenditure is recognised as an asset (debtor) in the statement of financial position and also disclosed in the irregular expenditure note as irregular expenditure incurred in the current financial year.

1.28 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.

Segment information is disclosed in note 64.

Significant Accounting Policies

1.28 Segment information (continued)

Measurement

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

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

1.29 Budget information

The annual budget figures have been prepared in accordance with the Municipal Budget and Reporting Regulations, 2009. A comparative of actual to budged amounts are reported in a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts

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

1.30 Related parties

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

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

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

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

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

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

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.

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the control of the municipality are considered to be related parties.

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

Significant Accounting Policies

1.31 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.

1.32 Value Added Tax (VAT)

The municipality is registered for VAT with the South African Revenue Service (SARS) and accounts for VAT on the payment basis in accordance with section 15(2)(a) of the VAT Act (Act 89 of 1991).

Revenue, expenditure and assets are recognised net of VAT.

The municipality distinguishes between the following VAT-related balances for financial reporting purposes:

VAT Control
The VAT Control balance represents the amount refundable by or payable to SARS based on the VAT201 return.
This balance meets the definition of a statutory receivable or payable and is presented as such in the notes to the annual financial statements.

VAT Input Accrual and VAT Output Accrual
VAT Input Accrual and VAT Output Accrual represent VAT on transactions that have occurred but are not yet claimable or payable in terms of the payment-basis VAT rules.

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 2023 Improvements to the Standards of GRAP 2023	No effective date as yet	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	No effective date as yet	Not expected to impact results but may result in additional disclosure
• GRAP 103 (amended): Heritage Assets	No effective date as yet	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unable to reliably estimate the impact
• iGRAP 22 Foreign Currency Transactions and Advance Consideration	01 April 2025	Unlikely there will be a material impact

3. Cash and cash equivalents

Cash and cash equivalents consist of:

	2025	2024
Cash on hand	2 080	2 080
Bank balances	10 116 807	31 470 410
Short-term deposits	40 053 395	30 996 840
	50 172 282	**62 469 330**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
ABSA Bank - 50000066	7 060 900	7 642 200	12 033 277	6 757 226	8 067 597	12 542 059
ABSA Bank - 4083802528	-	126 852	126 413	-	126 852	126 413
ABSA Bank - 4076802751	-	-	5 469 801	-	-	5 469 801
Investec - 1400137177	39 006 133	29 938 133	37 470 299	39 006 133	29 938 133	37 470 299
FNB - 62795102088	4 691 801	23 502 713	12 916 210	3 304 283	23 275 961	14 939 658
FNB - 63102787182	55 296	-	-	55 296	-	-
FNB - 63102215042	1 047 263	1 058 708	-	1 047 263	1 058 708	-
Total	**51 861 393**	**62 268 606**	**68 016 000**	**50 170 201**	**62 467 251**	**70 548 230**

4. Receivables from exchange transactions

	2025	2024
Consumer debtors - Electricity	40 761 664	35 639 234
Consumer debtors - Water	14 609 972	17 061 088
Consumer debtors - Sewerage	4 482 832	5 489 233
Consumer debtors - Refuse	4 488 994	4 380 919
Consumer debtors - Other	4 346 788	3 652 739
Deposits	3 364 602	3 258 340
Accrued interest	270 007	337 222
Rental debtors	12 374 444	9 584 953
	84 699 303	**79 403 728**

Figures in Rand	2025	2024

5. Receivables from non-exchange transactions

Consumer debtors - Rates	17 561 640	22 448 757
Fines	8 991 803	8 887 822
Government grants and subsidies	3 252 574	349 535
	29 806 017	**31 686 114**

Statutory receivables included in receivables from non-exchange transactions above are as follows:

Consumer debtors - Rates	17 561 640	22 448 757
Fines	8 991 803	8 887 822
Government grants and subsidies	3 252 574	349 535
	29 806 017	**31 686 114**
Total receivables from non-exchange transactions	29 806 017	31 686 114

Statutory receivables general information

Transaction(s) arising from statute

Property rates are levied in terms of the Municipal Property Rates Act (Act No 6 of 2004).

Traffic fines are issued in terms of s56 and s341 of the National Roads Traffic Act (Act No 93 of 1996).

Interest or other charges levied/charged

Interest on property rates is levied monthly at a rate of 10% per annum on the outstanding amounts.

Statutory receivables impaired

Consumer debtors - rates

As of 30 June 2025, consumer debtors - rates of 183 155 390 (2024: 157 459 290) were impaired and provided for.

The amount of the provision was 165 593 750 as of 30 June 2025 (2024: 135 010 533).

The ageing of consumer debtors - rates is provided in note 6

Traffic fines

As of 30 June 2025, traffic fines of R150 135 779 (2024: R144 413 969) were impaired and provided for.

The amount of the provision was R141 143 976 as of 30 June 2025. (2024: R135 526 147).

Receivables from non-exchange transactions pledged as security

No receivables from non-exchange transactions were pledged as security.

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Consumer debtors disclosure

Gross balances		
Consumer debtors - Rates	183 155 390	157 459 290
Consumer debtors - Electricity	579 613 895	524 001 868
Consumer debtors - Water	602 974 474	586 688 711
Consumer debtors - Sewerage	135 195 056	129 685 846
Consumer debtors - Refuse	180 896 740	174 944 089
Consumer debtors - Other	104 074 835	104 910 190
	1 785 910 390	**1 677 689 994**

Less: Allowance for impairment		
Consumer debtors - Rates	(165 593 750)	(135 010 533)
Consumer debtors - Electricity	(538 852 231)	(488 362 634)
Consumer debtors - Water	(588 364 502)	(569 627 623)
Consumer debtors - Sewerage	(130 712 224)	(124 196 613)
Consumer debtors - Refuse	(176 407 746)	(170 563 170)
Consumer debtors - Other	(99 728 047)	(101 257 451)
	(1 699 658 500)	**(1 589 018 024)**

Net balance		
Consumer debtors - Rates	17 561 640	22 448 757
Consumer debtors - Electricity	40 761 664	35 639 234
Consumer debtors - Water	14 609 972	17 061 088
Consumer debtors - Sewerage	4 482 832	5 489 233
Consumer debtors - Refuse	4 488 994	4 380 919
Consumer debtors - Other	4 346 788	3 652 739
	86 251 890	**88 671 970**

Rates		
Not due		
Current (0 -30 days)	14 229 820	10 651 959
Past due		
31 - 60 days	2 328 955	2 101 153
61 - 90 days	990 836	1 220 692
91 - 120 days	-	644 519
121 - 365 days	-	3 731 445
> 365 days	12 029	4 098 989
	17 561 640	**22 448 757**

Electricity		
Not due		
Current (0 -30 days)	29 317 637	22 536 835
Past due		
31 - 60 days	4 445 375	3 656 841
61 - 90 days	2 120 071	1 559 822
91 - 120 days	103 227	352 256
121 - 365 days	1 032 556	1 811 199
> 365 days	3 742 798	5 722 281
	40 761 664	**35 639 234**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Consumer debtors disclosure (continued)

Water		
Not due		
Current (0 -30 days)	9 471 048	10 980 918
Past due		
31 - 60 days	2 625 454	3 268 660
61 - 90 days	1 700 343	1 296 083
91 - 120 days	15 902	408 792
121 - 365 days	200 089	297 719
> 365 days	597 136	808 916
	14 609 972	**17 061 088**

Sewerage		
Not due		
Current (0 -30 days)	2 431 487	2 956 687
Past due		
31 - 60 days	661 137	505 648
61 - 90 days	309 088	188 293
91 - 120 days	18 151	56 898
121 - 365 days	145 054	267 668
> 365 days	917 915	1 514 039
	4 482 832	**5 489 233**

Refuse		
Not due		
Current (0 -30 days)	2 280 933	2 099 240
Past due		
31 - 60 days	688 860	608 847
61 - 90 days	345 420	292 685
91 - 120 days	22 908	38 523
121 - 365 days	182 949	232 085
> 365 days	967 924	1 109 539
	4 488 994	**4 380 919**

Other		
Not due		
Current (0 -30 days)	516 245	395 682
Past due		
31 - 60 days	240 291	131 261
61 - 90 days	143 697	105 117
91 - 120 days	40 354	36 094
121 - 365 days	311 594	282 587
> 365 days	3 094 607	2 701 998
	4 346 788	**3 652 739**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(1 589 018 024)	(1 464 995 916)
Contributions to allowance	(305 481 834)	(284 165 271)
Debt impairment written off against allowance	194 841 358	160 143 163
	(1 699 658 500)	**(1 589 018 024)**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

7. Inventories

Consumable stores	12 161 171	7 652 847
Water for distribution	522 931	490 981
	12 684 102	**8 143 828**

Inventory pledged as security

No inventory was pledged as security.

8. Input VAT

VAT Control (Receivable)	3 307 886	-
VAT Input Accrual	79 436 221	59 083 709
	82 744 107	**59 083 709**

VAT receivable is a statutory receivable.

VAT receivable from SARS is not impaired.

Notes to the Annual Financial Statements

Figures in Rand

9. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	209 677 844	(28 574 524)	181 103 320	215 120 071	(33 161 773)	181 958 298

Reconciliation of investment property - 2025

	Opening balance	Disposals	Depreciation	Total
Investment property	181 958 298	(832 552)	(22 426)	181 103 320

Reconciliation of investment property - 2024

	Opening balance	Disposals	Depreciation	Total
Investment property	182 023 113	(37 458)	(27 357)	181 958 298

Pledged as security

No portion of investment property 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 Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2025			2024		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	174 485 092	-	174 485 092	174 485 092	-	174 485 092
Plant and machinery	2 644 151	(1 962 987)	681 164	2 669 151	(1 763 477)	905 674
Furniture and fixtures	14 583 308	(12 823 646)	1 759 662	14 477 678	(12 223 884)	2 253 794
Motor vehicles	69 325 201	(35 120 124)	34 205 077	69 357 294	(31 385 676)	37 971 618
Office equipment	18 272 615	(10 457 109)	7 815 506	15 960 974	(8 571 881)	7 389 093
Infrastructure	1 413 724 533	(548 883 197)	864 841 336	1 346 595 782	(492 786 818)	853 808 964
Community	270 187 662	(154 585 990)	115 601 672	255 532 983	(150 827 492)	104 705 491
Library books	31 580 822	(17 897 362)	13 683 460	27 663 097	(15 382 423)	12 280 674
Spare parts	3 037 165	-	3 037 165	1 560 375	-	1 560 375
Total	**1 997 840 549**	**(781 730 415)**	**1 216 110 134**	**1 908 302 426**	**(712 941 651)**	**1 195 360 775**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Donations received	Transfers	Movement in provisions	Depreciation	Impairment loss	Impairment reversal	Total
Land	174 485 092	-	-	-	-	-	-	-	-	174 485 092
Plant and machinery	905 674	-	(3 599)	-	-	-	(213 286)	(7 625)	-	681 164
Furniture and fixtures	2 253 794	248 730	(3 143)	-	-	-	(709 712)	(30 007)	-	1 759 662
Motor vehicles	37 971 618	2 585 060	(272 926)	-	-	-	(5 485 896)	(592 779)	-	34 205 077
Office equipment	7 389 093	2 049 749	(57 108)	1 153 355	-	-	(2 699 873)	(19 710)	-	7 815 506
Infrastructure	853 808 964	56 920 588	(875 202)	7 210 392	2 481 425	2 708 198	(30 153 742)	(28 980 287)	1 721 000	864 841 336
Community	104 705 491	17 679 079	(53 301)	-	-	-	(4 981 396)	(4 398 527)	2 650 326	115 601 672
Library books	12 280 674	3 917 725	-	-	-	-	(2 514 939)	-	-	13 683 460
Spare parts	1 560 375	3 958 215	-	-	(2 481 425)	-	-	-	-	3 037 165
	1 195 360 775	**87 359 146**	**(1 265 279)**	**8 363 747**	**-**	**2 708 198**	**(46 758 844)**	**(34 028 935)**	**4 371 326**	**1 216 110 134**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Donations received	Transfers	Movement in provisions	Depreciation	Impairment loss	Total
Land	174 485 092	-	-	-	-	-	-	-	174 485 092
Plant and machinery	778 744	397 699	-	-	-	-	(230 508)	(40 261)	905 674
Furniture and fixtures	2 786 251	526 356	-	-	-	-	(1 030 563)	(28 250)	2 253 794
Motor vehicles	28 584 510	15 015 854	(462)	-	-	-	(5 233 274)	(395 010)	37 971 618
Office equipment	3 535 034	5 737 759	(169 281)	-	-	-	(1 686 459)	(27 960)	7 389 093
Infrastructure	781 106 491	84 314 070	(932 956)	16 126 112	2 208 000	1 126 496	(29 321 625)	(817 624)	853 808 964
Community	109 555 064	1 702 391	(36 253)	419 698	-	-	(5 498 081)	(1 437 328)	104 705 491
Library books	13 860 911	1 573 660	-	-	-	-	(2 932 435)	(221 462)	12 280 674
Spare parts	2 492 625	1 275 750	-	-	(2 208 000)	-	-	-	1 560 375
	1 117 184 722	**110 543 539**	**(1 138 952)**	**16 545 810**	**-**	**1 126 496**	**(45 932 945)**	**(2 967 895)**	**1 195 360 775**

Pledged as security

No portion of property, plant and equipment has been pledged as security for liabilities.

Figures in Rand	2025	2024

10. Property, plant and equipment (continued)

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

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
Roads Lesedi	1 236 649	1 236 649
The project was halted due to community unrest and instability and therefore the contractor was unable to carry out their duties. The project funds were redirected to other projects.		
Upgrading of roads in Devon	1 432 423	1 432 423
The project was halted due to community unrest and instability and therefore the contractor was unable to carry out their duties. The project funds were redirected to other projects.		
Water feeder pipeline in Kwazenzele	9 288 729	9 288 729
The project was halted due to differences with the contractor regarding the agreed contract price.		
Residential development on stand 1813/1814 (Mayor's house)	-	1 867 532
The project was halted by the municipal council, and the property is to be auctioned. As of June 2025, the carrying value of the project is R0, following an impairment loss of R1,867,532 recognised in the 2024/25 financial year.		
Sportsfield Impumelelo	971 890	971 890
The project was halted due to community unrest and instability and therefore the contractor was unable to carry out their duties.		
	12 929 691	**14 797 223**

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Included within Motor vehicles	Total
Opening balance	11 957 801	2 839 423	-	14 797 224
Additions/capital expenditure	56 920 588	17 679 079	1 826 087	76 425 754
Impairment loss	-	(1 867 532)	-	(1 867 532)
Transferred to completed items	(44 978 821)	(10 928 887)	-	(55 907 708)
	23 899 568	**7 722 083**	**1 826 087**	**33 447 738**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	30 205 394	2 839 423	33 044 817
Additions/capital expenditure	84 109 912	1 702 391	85 812 303
Transferred to completed items	(102 357 505)	(1 702 391)	(104 059 896)
	11 957 801	**2 839 423**	**14 797 224**

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		
Contracted services	25 392 599	12 704 550
Materials	34 661 378	36 793 158
	60 053 977	**49 497 708**

10. Property, plant and equipment (continued)

In addition to the property, plant and equipment above, the municipality has land on which RDP houses have been built. The land is still registered in the deeds office in the name of the municipality. The municipality does not have control over these properties and it is therefore not recognised as assets as it does not comply with the definition of assets as per GRAP17.
Total value: R219 098 398 (2024: R147 313 000)

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

11. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	4 564 989	(4 334 622)	230 367	4 541 799	(4 180 315)	361 484
Servitudes	5 225 628	-	5 225 628	5 225 628	-	5 225 628
Total	**9 790 617**	**(4 334 622)**	**5 455 995**	**9 767 427**	**(4 180 315)**	**5 587 112**

Reconciliation of intangible assets - 2025

	Opening balance	Additions	Amortisation	Total
Computer software	361 484	23 190	(154 307)	230 367
Servitudes	5 225 628	-	-	5 225 628
	5 587 112	**23 190**	**(154 307)**	**5 455 995**

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software	841 373	20 375	(500 264)	361 484
Servitudes	5 225 628	-	-	5 225 628
	6 067 001	**20 375**	**(500 264)**	**5 587 112**

Pledged as security

No portion of intangible assets have been pledged as security for liabilities.

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

12. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	4 718 964	-	4 718 964	4 718 964	-	4 718 964

Reconciliation of heritage assets 2025

12. Heritage assets (continued)

	Opening balance	Total
Historical monuments	4 718 964	4 718 964

Reconciliation of heritage assets 2024

	Opening balance	Total
Historical monuments	4 718 964	4 718 964

Pledged as security

No portion of heritage assets have 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.

13. Payables from exchange transactions

	2025	2024
Trade payables	363 831 532	314 192 857
Payments received in advanced	35 708 781	38 867 411
Retentions	11 765 181	11 075 748
Accrued leave pay	31 382 390	28 306 438
Accrued bonus	5 580 527	5 102 179
Deposits received	1 037 076	1 037 076
Other Creditors	857 897	869 311
	450 163 384	**399 451 020**

14. Payables from exchange transactions - non-current

	2025	2024
Trade payables - non-current	71 654 000	-

15. Payables from non-exchange transactions

	2025	2024
Grants payable	-	7 797 853

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts	2025	2024
Performance System Management Grant	-	351 022
Energy Efficiency and Demand Side Management Grant	136	136
Water Services Infrastructure Grant	9 505 250	-
Neighbourhood Development Partnership Grant	5 237 280	-
Recapitalisation of Community Libraries Grant	-	5 785 221
Cogta Fire and Rescue Services Grant	2 100 000	229 242
	16 842 666	**6 365 621**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

16. Unspent conditional grants and receipts (continued)

Movement during the year

Balance at the beginning of the year	6 365 621	7 129 509
Additions during the year	350 363 228	335 694 498
Income recognition during the year	(336 423 737)	(335 367 534)
Transfer (to)/from payables	(6 365 485)	-
Grants receivable	2 903 039	(1 090 852)
	16 842 666	**6 365 621**

See note 32 for reconciliation of grants from National/Provincial Government.

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

17. Consumer deposits

All services	28 494 367	24 770 803

18. Output VAT

VAT Control (Payable)	-	5 601 780
VAT Output Accrual	52 358 954	46 180 591
	52 358 954	**51 782 371**

19. Municipal relief debt liability

Municipal relief debt liability - Current portion	43 749 255	21 176 183
Municipal relief debt liability - Non-current portion	18 703 788	34 330 694
	62 453 043	**55 506 877**

The municipality applied to participate in the municipal debt relief program and was approved in December 2023.

The Municipal Relief Debt will be written off by Eskom over a three-year period – one third of the Municipal Relief Debt for every 12 consecutive months the municipality complies with the conditions.

The waiving of interest resulted in a significant modification in the terms of an existing financial liability. The qualifying portion was discounted at market rate which is the prevailing prime interest rate plus 2.5 per cent.

20. Long term loans

At amortised cost		
Bank loan	24 068 926	28 423 345
Terms and conditions		

Non-current liabilities		
At amortised cost	19 325 731	24 071 271

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

20. Long term loans (continued)

Current liabilities		
At amortised cost	4 743 195	4 352 074

Loan description	Loan number	Redeemable	Balance at 30 June 2024	Received during the period	Redeemed during the period	Balance at 30 June 2025
R14 Electrical Upgrade - 9,59% fixed	102986_1	20 years	7 661 449	-	(1 659 959)	6 001 490
R15 Electrical Upgrade - 5% fixed	102986_2	20 years	3 999 609	-	(927 058)	3 072 551
R17 Infrastructure - 6,75% fixed	6100955	20 years	1 519 966	-	(213 195)	1 306 771
R18 Other - 14,24% fixed	6100954	20 years	3 196 523	-	(367 347)	2 829 176
R19 Electrical Infrastructure - 12% fixed	61006830	20 years	5 041 521	-	(446 065)	4 595 456
R20 Electrical Upgrade - 6,75% fixed	61006831	20 years	7 004 278	-	(740 795)	6 263 482
			28 423 346	**-**	**(4 354 419)**	**24 068 926**

21. Employee benefit obligations

Defined benefit plans - General information

Post retirement medical aid plan

The municipality's post employment health care liability consists of a commitment to pay a portion of the pensioners post employment medical scheme contributions. This liability is also generated in respect of dependents who are offered continued membership of the medical scheme on the death of the primary pensioner.

Lesedi Local Municipality operates on 5 accredited medical aid schemes, namely Bonitas, Hosmed, Key Health, LA Health and SAMWU Med.

The municipality provides post retirement benefits by subsidising the medical aid contributions of an employee who retires from employment and who, immediately prior to his or her retirement, enjoyed the benefit of the subsidy of his or her medical aid contributions by the municipality, will continue to receive a subsidy calculated as follows:
- If the employee was 55 years or older on 1 July 2003, his or her subsidy from the municipality as at the date of retirment will be 60% to a maximum amount of the norm, of the cost of his or her medical scheme contributions as at the day immediately prior to the date of his or her retirement.
- If the employee was 50 years or older on 1 July 2003, his or her subsidy from the municipality as at the date of retirment will be 50% to a maximum amount of the norm, of the cost of his or her medical scheme contributions as at the day immediately prior to the date of his or her retirement.

This benefit is subject to a maximum Rand cap of R5515. The Rand cap amount is expected to increase each year in line with the health care cost inflation, effective 1 January each year.

Summary of membership:

Reason	Number	Average Age
Continuation members	43	72.53

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

21. Employee benefit obligations (continued)

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(25 315 241)	(25 195 955)

Non-current liabilities	(22 805 728)	(22 745 282)
Current liabilities	(2 509 513)	(2 450 673)
	(25 315 241)	**(25 195 955)**

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

Opening balance	25 195 954	22 260 447
Interest cost	2 636 483	2 427 719
Settlements	(2 108 534)	(2 057 311)
Actuarial (gain)/loss	(408 662)	2 565 099
	25 315 241	**25 195 954**

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

Net interest on the net defined benefit liability (asset)	2 636 483	2 427 719
Remeasurements of the net defined benefit liability (asset)	(408 662)	2 565 099
- Actuarial gains and losses arising from:	(408 662)	2 565 099
- Changes in demographic assumptions	810 948	1 878 239
- Changes in financial assumptions	(1 219 610)	686 860
	2 227 821	**4 992 818**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(408 662)	2 565 099

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,81 %	11,00 %
Expected increase in healthcare costs	5,51 %	7,20 %
Consumer price inflation	4,01 %	5,70 %
Net discount rate	4,08 %	3,54 %

21. Employee benefit obligations (continued)

Sensitivity analysis

Healthcare cost trends

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

2025	One percentage point increase	One percentage point decrease
Effect on interest cost	2 569 978	2 174 542
Effect on defined benefit obligation	27 458 353	23 415 492

2024	One percentage point increase	One percentage point decrease
Effect on interest cost	2 870 632	2 428 644
Effect on defined benefit obligation	27 330 519	23 300 578

A 1% increase in the health care inflation results in a 8.47% increase in the accrued liability whilst a 1% decrease in the health care inflation will result in an 7.52% decrease in the accrued liability.

Discount rate

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

2025	One percentage point increase	One percentage point decrease
Effect on interest cost	2 569 978	2 174 542
Effect on defined benefit obligation	27 458 353	23 415 492

2024	One percentage point increase	One percentage point decrease
Effect on interest cost	2 671 403	2 591 233
Effect on defined benefit obligation	23 489 237	27 410 748

A 1% increase in the net discount rate results in a 6.77% decrease in the accrued liability whilst a 1% decrease in the net discount rate will result in an 7.72% increase in the accrued liability.

Mortality

Assumed mortality rates have a significant effect on the amounts recognised in surplus or deficit. A change in the mortality assumption from PA(90)-2 to PA(90)-3 with a three year adjustment would have the following effects:

2025	Valuation basis PA(90)-2	PA(90)-3
Effect on interest cost	2 360 322	2 446 852
Effect on defined benefit obligation	25 315 241	26 199 432

21. Employee benefit obligations (continued)

2024

	Valuation basis PA(90)-2	**PA(90)-3**
Effect on interest cost	2 636 483	2 737 649
Effect on defined benefit obligation	25 195 954	26 117 716

PA(90) -3(with a three-year age adjustment) means that, to each beneficiary a mortality rate of an individual three years younger than that beneficiary was assigned. The resulting mortality implies that the individual lives longer than expected in the valuation basis.

A three-year adjustment to the mortality assumption as at 30 June 2024 would result in a 3.66% increase in the accrued liability.

Defined contribution plans

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

22. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Interest	Increase in liability	Total
Environmental rehabilitation	37 624 159	460 375	2 708 198	40 792 732

Reconciliation of provisions - 2024

	Opening Balance	Interest	Increase in liability	Total
Environmental rehabilitation	35 942 812	554 851	1 126 496	37 624 159

	2025	2024
Non-current liabilities	6 516 734	5 291 662
Current liabilities	34 275 998	32 332 497
	40 792 732	**37 624 159**

Environmental rehabilitation provision

The landfill rehabilitation is created for the rehabilitation of the current operational sites which are evaluated at each year end to reflect the best estimate at reporting date. The sites under consideration are the Devon landfill site and the Devon and Poortjie dumping sites.

Key financial assumptions used in this calculation were as follows:

	Devon landfill site	Poortjie dumping site	Devon dumping site
Discount rate	8.70%	0	0
CPI	6.08%	5.92%	5.92%
Net discount rate	2.62%	0	0
Remaining useful life	7 years	0 years	0 years

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

23. Service charges

Sale of electricity	494 165 706	426 128 061
Sale of water	170 665 456	169 155 263
Sewerage and sanitation charges	45 462 262	40 009 138
Refuse removal	48 837 391	44 740 860
	759 130 815	**680 033 322**

24. Rental of facilities and equipment

Premises		
Premises	4 875 921	5 050 515
Facilities and equipment		
Rental of equipment	1 835 142	1 815 308
	6 711 063	**6 865 823**

25. Interest income

Interest revenue		
Bank	7 905 178	6 856 945
Interest charged on trade and other receivables	48 909 220	46 836 289
	56 814 398	**53 693 234**

26. Licences and permits

Flammable goods	167 145	196 124

27. Recoveries

Insurance recoveries	145 029	128 892
Recovery of legal fees	2 058 333	-
	2 203 362	**128 892**

28. Other income

Abnormal loads	71 070	28 925
Admin fees	551 434	416 322
Cemetery fees	1 668 006	1 614 775
Clearance certificates	380 137	419 400
Development contributions	432 760	123 861
Fire services	28 832	39 564
Library fees	64 079	40 271
Planning fees	1 545 241	817 660
Inspection fees	35 875	21 505
Sundries	267 348	576 973
	5 044 782	**4 099 256**

29. Inventories reversal

Consumable stores	672	52 874

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

30. Property rates

Rates received

	2025	2024
All categories	228 342 750	167 043 585

Valuations ('000)

	2025	2024
Residential	12 104 572	8 831 268
Commercial	2 804 105	2 314 911
State	446 826	886 063
Municipal	846 865	455 718
Small holdings and farms	2 381 550	2 054 633
	18 583 918	**14 542 593**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2024. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

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

31. Interest from non-exchange receivables

	2025	2024
Interest charged on property rates	4 217 014	3 902 910

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

32. Government grants & subsidies

Operating grants		
Equitable Share	217 143 000	203 275 000
Finance Management Grant	1 900 000	1 950 000
Energy Efficiency and Demand Side Management Grant	4 000 000	-
Expanded Public Works Program Grant	1 214 000	1 091 000
Libraries Plan	8 227 000	8 788 114
District health	2 903 039	3 753 828
Expanded Public Works Program (Cogta)	1 000 000	900 000
LG Seta	3 410 228	1 349 817
	239 797 267	**221 107 759**
Capital grants		
Municipal Infrastructure Grant	40 276 000	53 813 000
Integrated National Electrification Program	26 239 000	28 627 000
Water Services Infrastructure Grant	7 848 750	18 808 000
Neighbourhood Development Partnership Grant	7 762 720	-
Recapitalisation of Community Libraries Grant	12 400 000	10 836 000
Cogta Fire and Rescue Services Grant	2 100 000	2 175 775
	96 626 470	**114 259 775**
	336 423 737	**335 367 534**

Equitable Share

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

All registered indigents receive a monthly subsidy of 682 (2024: 638), which is funded from the grant.

Finance Management Grant

Current-year receipts	1 900 000	1 950 000
Conditions met - transferred to revenue	(1 900 000)	(1 950 000)
	-	-

Expanded Public Works Program Grant

Current-year receipts	1 214 000	1 091 000
Conditions met - transferred to revenue	(1 214 000)	(1 091 000)
	-	-

Libraries plan

Balance unspent at beginning of year	-	788 114
Current-year receipts	8 227 000	8 000 000
Conditions met - transferred to revenue	(8 227 000)	(8 788 114)
	-	-

Performance Management System Grant

Balance unspent at beginning of year	351 022	351 022
Grant repaid	(351 022)	-
	-	**351 022**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

32. Government grants & subsidies (continued)

District health

Balance unspent at beginning of year	(349 535)	(1 440 387)
Current-year receipts	-	4 844 680
Conditions met - transferred to revenue	(2 903 039)	(3 753 828)
	(3 252 574)	**(349 535)**

Expanded Public Works Program (Cogta)

Current-year receipts	1 000 000	900 000
Conditions met - transferred to revenue	(1 000 000)	(900 000)
	-	-

Seta

Current-year receipts	3 410 228	1 349 817
Conditions met - transferred to revenue	(3 410 228)	(1 349 817)
	-	-

Municipal Infrastructure Grant

Current-year receipts	40 276 000	53 813 000
Conditions met - transferred to revenue	(40 276 000)	(53 813 000)
	-	-

Integrated National Electrification Program

Current-year receipts	26 239 000	28 627 000
Conditions met - transferred to revenue	(26 239 000)	(28 627 000)
	-	-

Energy Efficiency and Demand Side Management Grant

Balance unspent at beginning of year	136	136
Current-year receipts	4 000 000	-
Conditions met - transferred to revenue	(4 000 000)	-
	136	**136**

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

Water Services Infrastructure Grant

Current-year receipts	17 354 000	18 808 000
Conditions met - transferred to revenue	(7 848 750)	(18 808 000)
	9 505 250	-

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

Figures in Rand	2025	2024

32. Government grants & subsidies (continued)

Neighbourhood Development Partnership Grant

Current-year receipts	13 000 000	-
Conditions met - transferred to revenue	(7 762 720)	-
	5 237 280	**-**

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

Recapitalisation of Community Libraries Grant

Balance unspent at beginning of year	5 785 221	5 785 220
Current-year receipts	12 400 000	10 836 000
Conditions met - transferred to revenue	(12 400 000)	(10 835 999)
Grant repaid	(5 785 221)	-
	-	**5 785 221**

Cogta Fire and Rescue Services Grant

Balance unspent at beginning of year	229 242	205 017
Current-year receipts	4 200 000	2 200 000
Conditions met - transferred to revenue	(2 100 000)	(2 175 775)
Grant repaid	(229 242)	-
	2 100 000	**229 242**

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

33. Public contributions and donations

Gauteng Department of Sports, Arts, Culture and Recreation	1 153 355	419 698
City Power	7 210 392	16 126 112
First National Bank	50 000	-
	8 413 747	**16 545 810**

The cost of the donated assets were regarded as their fair value at the date of acquisition.

34. Fines, Penalties and Forfeits

Service Provider Traffic Fines	4 216 200	-
Municipal Traffic Fines	2 070 800	2 196 800
	6 287 000	**2 196 800**

35. Municipal debt relief revenue

Municipal debt relief revenue	-	28 821 154

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

36. Employee related costs

Basic	154 079 297	139 333 818
Medical aid - company contributions	14 818 861	13 553 427
UIF	1 048 207	1 003 080
WCA	1 374 605	1 091 791
SDL	2 081 763	1 890 163
Other payroll levies	64 887	60 611
Leave pay provision charge	7 998 991	6 330 474
Pension costs	29 644 092	27 057 118
Group insurance	2 642 390	2 363 906
Overtime payments	19 180 212	17 858 876
Long-service awards	1 859 141	203 096
13th Cheques	12 564 986	11 476 017
Acting allowances	1 199 310	1 987 164
Car allowance	6 052 999	5 000 922
Housing benefits and allowances	1 384 378	948 509
Cellphone allowance	1 310 442	1 171 124
Standby	2 157 598	1 855 185
Tool allowance	20	440
Actuarial loss	-	2 565 099
	259 462 179	**235 750 820**

Remuneration of municipal manager

Annual Remuneration	1 651 234	1 591 894
Car Allowance	84 000	84 000
Cellphone Allowance	42 000	42 000
	1 777 234	**1 717 894**

Remuneration of chief finance officer

Annual Remuneration	1 201 330	1 023 789
Car Allowance	168 000	168 000
Contributions to UIF, Medical and Pension Funds	-	239 324
Cellphone Allowance	30 000	20 400
Acting Allowance	-	109 377
	1 399 330	**1 560 890**

The CFO was on an acting capacity and the position has been filled on a permanent basis since 27 June 2024.

Remuneration of executive manager: corporate services

Annual Remuneration	1 176 888	1 123 491
Car Allowance	120 000	44 000
Housing allowance	120 000	60 000
Cellphone Allowance	30 000	27 500
	1 446 888	**1 254 991**

Remuneration of executive manager: community services

Annual Remuneration	846 978	1 190 108
Car Allowance	122 400	183 600
Cellphone Allowance	20 000	30 000
Leave Pay	260 825	-
	1 250 203	**1 403 708**

Figures in Rand	2025	2024

36. Employee related costs (continued)

Remuneration of executive manager: infrastructure services

Annual Remuneration	1 249 399	1 200 908
Car Allowance	172 800	172 800
Cellphone Allowance	30 000	30 000
Acting Allowance	26 694	-
	1 478 893	**1 403 708**

Remuneration of executive manager: development and planning

Annual Remuneration	1 238 265	860 299
Car Allowance	168 000	126 000
Cellphone Allowance	30 000	22 500
	1 436 265	**1 008 799**

The position has been filled since 1 October 2023.

37. Remuneration of councillors

Executive Mayor	1 059 993	1 039 182
Speaker	857 394	841 042
Cheif Whip	807 408	791 204
S79 Chairperson	643 223	-
Mayoral Committee Members	4 027 426	3 965 634
Councillors	6 339 656	6 694 572
	13 735 100	**13 331 634**

In-kind benefits

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

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

The Executive Mayor has four full-time bodyguards. The speaker has two full-time bodyguards.

Additional information

Councillors are remunerated in terms of the Remuneration of the Public Office Bearers Act.

38. Depreciation and amortisation

Property, plant and equipment	46 758 844	45 932 945
Investment property	22 425	27 357
Intangible assets	154 307	500 264
	46 935 576	**46 460 566**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

39. Impairment loss

Impairments		
Property, plant and equipment	34 028 932	2 967 896
Reversal of impairments		
Property, plant and equipment	(4 371 325)	-
Total impairment losses recognised	**29 657 607**	**2 967 896**

Main classes of assets affected by impairment losses		
Plant and machinery	7 625	40 261
Furniture and fixtures	30 007	28 250
Motor vehicles	592 779	395 010
Office equipment	19 710	27 960
Infrastructure assets	27 259 287	817 624
Community assets	1 748 199	1 437 328
Library books	-	221 463
	29 657 607	**2 967 896**

40. Finance costs

Non-current borrowings	2 494 121	2 857 131
Trade and other payables	30 476 104	20 341 095
Interest on municipal relief debt liability	6 946 167	4 402 426
Interest cost on employee benefits	2 636 483	2 427 719
Interest on landfill sites	460 375	554 851
	43 013 250	**30 583 222**

41. Lease rentals on operating lease

Motor vehicles		
Contractual amounts	225 609	-
Equipment		
Contractual amounts	6 662 086	5 572 210
	6 887 695	**5 572 210**

42. Debt impairment

Impairment on traffic fines	5 617 829	1 984 875
Contributions to debt impairment provision	297 466 147	255 307 270
Bad debts written off	248 900	56 650
	303 332 876	**257 348 795**

43. Bulk purchases

Electricity	416 028 235	364 315 445
Water	114 271 571	106 876 126
	530 299 806	**471 191 571**

43. Bulk purchases (continued)

Electricity losses

	Number 2025	Number 2024	Amount 2025	Amount 2024
Units purchased	193 684 913	187 119 419	314 317 219	270 895 786
Units sold	(125 878 373)	(133 389 056)	(204 278 897)	(193 109 476)
Total loss	**67 806 540**	**53 730 363**	**110 038 322**	**77 786 310**
Comprising of:				
Technical losses	10 071 615	9 730 210	16 344 495	14 086 581
Non-technical losses	57 734 925	44 000 153	93 693 827	63 699 729
Total	**67 806 540**	**53 730 363**	**110 038 322**	**77 786 310**
Percentage Loss:				
Technical losses	5,20 %	5,20 %	5,20 %	5,20 %
Non-technical losses	29,81 %	23,51 %	29,81 %	23,51 %
Total	**35,01 %**	**28,71 %**	**35,01 %**	**28,71 %**

Water losses

	Number 2025	Number 2024	Amount 2025	Amount 2024
Units purchased	8 462 939	8 407 262	113 742 097	106 571 137
Units sold	(5 317 287)	(5 432 477)	(71 464 455)	(68 862 526)
Total	**3 145 652**	**2 974 785**	**42 277 642**	**37 708 611**
Comprising of:				
Technical losses	456 999	453 992	6 142 073	5 754 841
Non-technical losses	2 688 653	2 520 793	36 135 569	31 953 770
Total	**3 145 652**	**2 974 785**	**42 277 642**	**37 708 611**
Percentage Loss:				
Technical losses	5,54 %	5,54 %	5,54 %	5,54 %
Non-technical losses	31,63 %	29,84 %	31,63 %	29,84 %
Total	**37,17 %**	**35,38 %**	**37,17 %**	**35,38 %**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

44. Contracted services

Outsourced Services		
Administrative and Support Staff	-	1 289 657
Animal Care	165 149	-
Burial Services	144 708	88 194
Business and Advisory	4 710 004	5 360 149
Catering Services	428 509	586 329
Cleaning Services	480 099	490 025
Hygiene Services	-	75 739
Internal Auditors	2 850 461	1 703 527
Meter Management	11 816 021	10 773 038
Professional Staff	11 478	-
Connection/Dis-connection	-	593 020
Security Services	7 719 760	6 285 655
Sewerage Services	341 076	185 721
Traffic Fines Management	1 111 891	-
Transport Services	197 618	57 200
Consultants and Professional Services		
Business and Advisory	7 015 957	8 655 611
Infrastructure and Planning	608 696	-
Legal Cost	13 246 929	9 637 587
Contractors		
Artists and Performers	817 926	254 229
Auctioneers	-	116 591
Catering Services	13 883	-
Electrical	8 347 268	4 438 791
Employee Wellness	484 414	43 200
Event Promoters	287 670	-
Inspection Fees	286 764	1 136 246
Maintenance of Buildings and Facilities	623 478	905 380
Maintenance of Equipment	1 170 504	1 808 897
Maintenance of Unspecified Assets	10 641 100	3 296 195
Tracing Agents and Debt Collectors	703 573	497 886
Traffic and Street Lights	4 610 249	1 144 692
Safeguard and Security	32 238 915	21 155 952
Sewerage Services	26 166 259	23 573 206
	137 240 359	**104 152 717**

45. Loss on disposal of assets and liabilities

Property, plant and equipment	1 265 279	327 458
Investment property	832 553	37 458
	2 097 832	**364 916**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

46. General expenses

Advertising	2 608 516	1 809 640
Auditors remuneration	4 428 075	3 799 444
Bank charges	1 431 101	1 609 611
Commission paid	6 120 212	5 615 812
Consumables	2 084 247	1 364 874
Hire	100 471	813 706
Insurance	4 517 946	4 591 394
IT expenses	699 041	334 653
Fleet	7 288 976	8 086 089
Magazines, books and periodicals	396 962	610 777
Postage and courier	4 118 890	4 661 422
Protective clothing	3 546 789	2 026 155
Software expenses	7 949 099	9 138 029
Subscriptions and membership fees	2 786 168	2 474 368
Telephone and fax	3 971 662	4 947 841
Transport and freight	46 800	41 200
Training	756 938	562 384
Travel - local	950 873	924 101
Refuse	28 252 646	24 854 840
Assets expensed	223 393	263 890
Management fees	7 881 343	5 371 875
Materials	34 661 378	37 837 888
Other expenses	4 035 460	1 770 536
	128 856 986	**123 510 529**

47. Operating deficit

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

Operating lease charges		
Motor vehicles		
• Contractual amounts	225 609	-
Equipment		
• Contractual amounts	6 662 086	5 572 210
	6 887 695	**5 572 210**

Loss on sale of property, plant and equipment	(1 265 280)	(327 458)
Loss on sale of investment property	(832 552)	(37 458)
Impairment on property, plant and equipment	34 028 932	2 967 896
Reversal of impairment on property, plant and equipment	4 371 325	-
Amortisation on intangible assets	154 307	500 264
Depreciation on property, plant and equipment	46 758 844	45 932 945
Depreciation on investment property	22 425	27 357
Employee costs	281 986 092	257 432 444

48. Taxation

The municipality is exempt from income tax in terms of the Income Tax Act (Act No 58 of 1962) Section 10(1)(a).

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

49. Cash generated from operations

Deficit	(96 142 932)	(637 548)
Adjustments for:		
Depreciation and amortisation	46 935 576	46 460 566
Loss on disposal of assets and liabilities	2 097 832	364 916
Actuarial gains/losses	(408 662)	-
Impairment loss	29 657 607	2 967 896
Debt impairment	303 332 876	257 348 795
Movements in retirement benefit assets and liabilities	527 948	2 935 508
Movements in provisions	460 375	554 851
Inventory losses or write-downs	(672)	(52 874)
Public contributions and donations	(8 363 747)	(16 545 810)
Municipal debt relief	-	(28 821 154)
Changes in working capital:		
Inventories	(4 539 603)	145 897
Receivables from exchange transactions	(272 178 505)	(260 658 931)
Other receivables from non-exchange transactions	(34 569 849)	(18 383 524)
Payables from exchange transactions	48 635 099	52 484 152
VAT	(23 083 815)	(19 732 946)
Payables from non-exchange transactions	(7 797 853)	-
Unspent conditional grants and receipts	10 477 045	(763 888)
Consumer deposits	3 723 564	1 590 259
Municipal relief debt liability	6 946 166	84 328 031
Payables from exchange transactions - non-current	71 654 000	-
	77 362 450	**103 584 196**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

50. Prior-year adjustments

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

Statement of financial position

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Inventories	7	8 428 453	(284 625)	-	8 143 828
VAT Receivable	8	59 234 980	(151 271)	-	59 083 709
Investment property	9	119 451 298	62 507 000	-	181 958 298
Property, plant and equipment	10	1 199 633 317	(4 272 542)	-	1 195 360 775
Payables from exchange transactions	13	(400 406 605)	955 585	-	(399 451 020)
Provisions - current liabilities	22	-	-	(32 332 497)	(32 332 497)
Provisions - non-current liabilities	22	(35 942 812)	-	32 332 497	(3 610 315)
		950 398 631	**58 754 147**	**-**	**1 009 152 778**

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Restated
Depreciation and amortisation	38	46 523 534	(62 968)	46 460 566

Errors

The following prior period errors adjustments occurred:

Investment property

During the year under review management determined that certain municipal owned properties with a carrying amount of R62,507,000 were errorneously excluded from investment property in the prior year. The properties together with the related depreciation were subsequently recognised.

Property, plant and equipment

During the year under review, management identified various errors in PPE in the prior year (duplications and ommissions) with a carrying value of R4,272,542. The above errors with the related depreciation and were corrected in the affected financial years.

Inventories

During the year under review, it was identified that capital spares were incorrectly recorded under inventory. The error was corrected in the affected financial year.

Payables from exchange transactions

During the year under review, it was identified that a credit note and retention was captured in the incorrect period. The error was corrected in the affected financial year for both payables and VAT.

50. Prior-year adjustments (continued)

Reclassifications

The following reclassifications adjustment occurred:

Provisions

Provisions for environmental rehabilitation was reclassified from non-current liabilities to current liabilities. This was to ensure fair presentation of amounts in the financial statements in terms of GRAP 1.

51. Change in estimate

Property, plant and equipment

During the current financial year, a physical verification and conditional assessment of assets was undertaken. This resulted in changes in the condition of certain assets and the remaining useful life of these assets were adjusted. The effect of this revision is as follows:

Decrease in depreciation expense for plant and machinery amounting to R24,654.98.
Decrease in depreciation expense for furniture and fixtures amounting to R368,398.59.
Decrease in depreciation expense for motor vehicles amounting to R936,794.78.
Decrease in depreciation expense for office equipment amounting to R436,965.51.
Decrease in depreciation expense for infrastructure assets amounting to R2,838459.78.
Decrease in depreciation expense for community assets amounting to R785,022.86.
Decrease in depreciation expense for library books amounting to R128,862.70.

Investment property

During the current financial year, a physical verification and conditional assessment of assets was undertaken. This resulted in changes in the condition of certain assets and the remaining useful life of these assets were adjusted. The effect of this revision is as follows:

Decrease in depreciation expense for investment property amounting to R4,932.77.

Intangible assets

During the current financial year, a physical verification and conditional assessment of assets was undertaken. This resulted in changes in the condition of certain assets and the remaining useful life of these assets were adjusted. The effect of this revision is as follows:

Increase in depreciation expense for intangible assets amounting to R81,993.66.

52. Events after the reporting date

No events occurred after the reporting date that require adjustment to or disclosure in these financial statements.

53. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	Total
Other receivables from exchange transactions	16 009 053	16 009 053
Consumer debtors	68 690 250	68 690 250
Cash and cash equivalents	50 172 282	50 172 282

53. Financial instruments disclosure (continued)

	134 871 585	**134 871 585**

Financial liabilities

	At fair value	At amortised cost	Total
Long term loans	-	24 068 926	24 068 926
Payables from exchange transactions	-	484 854 469	484 854 469
Consumer deposits	-	28 494 367	28 494 367
Municipal relief debt liability	62 453 043	-	62 453 043
	62 453 043	**537 417 762**	**599 870 805**

2024

Financial assets

	At amortised cost	Total
Other receivables from exchange transactions	13 180 515	13 180 515
Consumer debtors	66 223 212	66 223 212
Cash and cash equivalents	62 469 330	62 469 330
	141 873 057	**141 873 057**

Financial liabilities

	At fair value	At amortised cost	Total
Long term loans	-	28 423 345	28 423 345
Payables from exchange transactions	-	366 042 403	366 042 403
Payables from non-exchange transactions	-	7 797 853	7 797 853
Consumer deposits	-	24 770 803	24 770 803
Municipal debt relief liability	55 506 877	-	55 506 877
	55 506 877	**427 034 404**	**482 541 281**

Figures in Rand	2025	2024

54. Risk management

Liquidity risk

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

Maturity analysis:

At 30 June 2025	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Long term loans	4 743 195	19 325 731	-	24 068 926
Payables from exchange transactions	413 200 469	71 654 000	-	484 854 469
Unspent conditional grants	16 842 666	-	-	16 842 666
Consumer deposits	28 494 367	-	-	28 494 367
Municipal debt relief liability	43 749 255	18 703 788	-	62 453 043

At 30 June 2024	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Long term loans	4 352 074	20 973 375	3 097 896	28 423 345
Payables from exchange transactions	366 042 403	-	-	366 042 403
Payables from non-exchange transactions	7 797 853	-	-	7 797 853
Unspent conditional grants	6 365 621	-	-	6 365 621
Consumer deposits	24 770 803	-	-	24 770 803
Municipal debt relief liability	21 176 183	34 330 694	-	55 506 877

Credit risk

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

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

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

Financial instrument	2025	2024
Absa Bank - 500000066	7 060 900	8 067 597
Absa Bank - 4083802528	-	126 852
FNB - 62795102088	4 691 801	23 275 961
Investec - 1400137177	39 006 133	29 938 133
FNB - 63102215042	1 047 263	1 058 708
FNB - 63102787182	55 296	-
Trade and other receivables from exchange transactions	16 009 053	13 180 515
Consumer debtors	68 690 250	66 223 212

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

55. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	41 602 226	24 229 665
Total capital commitments		
Already contracted for but not provided for	41 602 226	24 229 665

Authorised operational expenditure

Already contracted for but not provided for		
• Expenditure	10 956 320	18 104 384
Total operational commitments		
Already contracted for but not provided for	10 956 320	18 104 384

Total commitments

Total commitments		
Authorised capital expenditure	41 602 226	24 229 665
Authorised operational expenditure	10 956 320	18 104 384
	52 558 546	**42 334 049**

Committed capital expenditure consists of:		
Castle Everest Industries (Pty) Ltd	12 945 008	-
DBrandon Suppliers (Pty) Ltd	2 018 800	-
Fumani Holdings	2 100 000	-
Katshesa Engineering Services	10 828 268	-
Lwethu Uthando Construction	13 710 150	10 540 002
Mahlatji Mmetjie Trading and Projects	-	288 882
Neckmay Trading Enterprises (Pty) Ltd	-	13 400 781
	41 602 226	**24 229 665**

This committed expenditure relates to plant and equipment and will be financed by existing cash resources, funds internally generated and grant funding.

Committed operational expenditure consists of:		
Epitome Consulting	-	1 347 736
Fidelity Cash Solutions (Pty) Ltd	-	241 696
Leolo and Partners Chartered Accountants	4 817 900	5 969 851
Mamadi and Company	-	777 500
Munsoft (Pty) Ltd	6 138 420	9 767 601
	10 956 320	**18 104 384**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

56. Contingencies

Contingent liabilities

Claim by P Mpele against the municipality for reinstatement to position of CFO with backpay (Paul Mpele // LLM)	-	2 058 333
Claim by P Mpele against the municipality for reinstatement to position of MM with backpay (Paul Mpele // LLM)	2 312 552	2 312 552
Litigation is in the process against the municipality by a supplier for early termination of contract for debt collection, electricity vending and automated meter reading (Mtimandze//LLM)	7 749 981	7 749 981
Personal injury claim against the municipality regarding injuries suffered by a minor as a result of a pole that fell (Lindiwe Joyce Lekobotja//LLM)	4 101 000	4 200 000
Personal injury claim against the municipality regarding injuries suffered by a minor as a result of a pole that fell (Thembi Bheleimpshe//LLM)	4 101 000	4 200 000
Litigation against the municipality regarding damage to property as a result of a veld fire (Albertus van der Merwe and Others//LLM)	1 307 000	1 307 000
Litigation against the municipality by a supplier for alleged breach of Service Level Agreement relating to the construction of stalls (Thabela Earthworks CC//LLM)	1 935 942	1 935 942
Litigation against the municipality by a supplier for services allegedly provided during the validity of their contract (Anix Trading (Pty) Ltd//LLM)	20 044 322	20 639 690
Personal injury claim by a municipal tenant against the municipality for injuries suffered (MA Coetser//LLM)	489 428	489 428
Personal injury claim against the municipality regarding injuries suffered by 2 minors as a result of electrification. (Martha Tsotetsi and Others//LLM)	18 300 000	-
Litigation against the municipality by a contractor for alleged non-payment for services rendered. (Rampatla Charles Tshepo NO//LLM)	853 985	853 985
Personal injury claim against the municipality for injuries suffered as a result of strike action. (Emily Motaung NO and 7 Others//LLM)	4 687 725	-
	65 882 935	**45 746 911**

Contingent assets

Claim by the municipality against a supplier regarding a contractual dispute (LLM//Mtimandze)	31 573 124	31 573 124
Claim by the municipality against a former employee for the unlawful and fraudulent transfer of municipal property (LLM//Tshepo Malekane)	67 000	67 000
Claim by the municipality to recover funds fraudulently transferred out of the municipal bank account (LLM//Absa Bank)	2 450 718	2 450 718
	34 090 842	**34 090 842**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

57. Related parties

Relationships	
Accounting Officers	S Dlamini
Members of key management	G Mncube (CFO)
	N Khawula (Executive Manager: Community Services)
	S Mazibuko (Executive Manager: Development and Planning)
	A Machitje (Executive Manager: Corporate Service)
	T Zondi (Executive Manager: Infrastructure Services)

Related party transactions

There were no transactions with related parties other than those disclosed during the year.

Remuneration of management

Management class: Councillors

2025

Name	Basic salary	Travelling Allowance	Cellphone Allowance	Total
Cllr MNR Nkosi (Executive Mayor)	667 505	345 484	47 004	1 059 993
Cllr PR Mpemvu (Speaker)	618 390	192 000	47 004	857 394
Cllr TJ Gama (Chief Whip)	662 198	98 206	47 004	807 408
Cllr MV Motsepe	627 373	123 417	47 004	797 794
Cllr T Motsepe	526 995	233 409	47 004	807 408
Cllr ME Magazi	642 079	118 325	47 004	807 408
Cllr MS Lukhele	642 079	118 325	47 004	807 408
Cllr T Mashinini	616 404	144 000	47 004	807 408
Cllr SJ Mnyakeni	438 155	158 063	47 004	643 222
Cllr D Tsotetsi	351 405	60 000	47 004	458 409
Cllr M Boshoff	320 574	-	47 004	367 578
Cllr GC Holtzhausen	320 574	-	47 004	367 578
Cllr LS Gamede	222 296	98 278	47 004	367 578
Cllr BV Mogorosi	320 574	-	47 004	367 578
Cllr HACS Paul	182 966	137 608	47 004	367 578
Cllr MJ Khubeka	260 574	60 000	47 004	367 578
Cllr BM Mkhize	260 574	60 000	47 004	367 578
Cllr FEJ Khumalo	248 574	72 000	47 004	367 578
Cllr CG Naidoo	320 574	-	47 004	367 578
Cllr MF Langa	248 574	72 000	47 004	367 578
Cllr CD Simelane	248 574	72 000	47 004	367 578
Cllr LM Machitje	272 574	48 000	47 004	367 578
Cllr LB Moloi	248 574	72 000	47 004	367 578
Cllr C Collen	320 574	-	47 004	367 578
Cllr J Coetzee	320 574	-	47 004	367 578
Cllr Y Combrinck	320 574	-	47 004	367 578
	10 229 881	**2 283 115**	**1 222 104**	**13 735 100**

57. Related parties (continued)

2024

Name	Basic salary	Travelling Allowance	Cellphone Allowance	Total
Cllr MNR Nkosi (Executive Mayor)	648 162	345 484	45 536	1 039 182
Cllr PR Mpemvu (Speaker)	603 506	192 000	45 536	841 042
Cllr TJ Gama (Chief Whip)	647 462	98 206	45 536	791 204
Cllr MV Motsepe	631 864	123 417	45 536	800 817
Cllr T Motsepe	512 259	233 409	45 536	791 204
Cllr ME Magazi	627 343	118 325	45 536	791 204
Cllr MS Lukhele	627 343	118 325	45 536	791 204
Cllr T Mashinini	601 668	144 000	45 536	791 204
Cllr SJ Mnyakeni	247 261	158 063	45 536	450 860
Cllr D Tsotetsi	350 324	55 000	45 536	450 860
Cllr M Boshoff	316 500	-	45 536	362 036
Cllr GC Holtzhausen	316 500	-	45 536	362 036
Cllr LS Gamede	218 222	98 278	45 536	362 036
Cllr BV Mogorosi	316 500	-	45 536	362 036
Cllr HACS Paul	178 892	137 608	45 536	362 036
Cllr MJ Khubeka	271 500	45 000	45 536	362 036
Cllr BM Mkhize	261 500	55 000	45 536	362 036
Cllr FEJ Khumalo	250 500	66 000	45 536	362 036
Cllr CG Naidoo	316 500	-	45 536	362 036
Cllr MF Langa	250 500	66 000	45 536	362 036
Cllr CD Simelane	250 500	66 000	45 536	362 036
Cllr LM Machitje	268 500	48 000	45 536	362 036
Cllr LB Moloi	250 500	66 000	45 536	362 036
Cllr C Collen	316 500	-	45 536	362 036
Cllr J Coetzee	316 500	-	45 536	362 036
Cllr Y Combrinck	304 396	-	48 936	353 332
Cllr MA Mulder - Resigned February 2023	8 981	-	-	8 981
	9 910 183	**2 234 115**	**1 187 336**	**13 331 634**

Management class: Executive management

*Refer to note 36 "Employee related costs"

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

58. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of 895 350 911 and that the municipality's total assets exceed its liabilities by 895 350 911.

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.

This conclusion is supported by a thorough assessment of key financial and non-financial indicators, including liquidity, solvency, cash flow, and leverage. The municipality's ongoing strategic investments are expected to further enhance its financial position. Additionally, a comprehensive Budget Funding Plan has been developed to monitor and improve financial performance. The assessment also considered potential legal and regulatory risks, management stability, and future revenue opportunities.

Based on these assessments, it is determined that the municipality has the necessary resources and plans in place to continue its operations into the foreseeable future.

59. Unauthorised expenditure

Opening balance as previously reported	471 199 558	462 175 728
Add: Expenditure identified - current	67 949 833	9 023 830
Less: Amount written off - current	(471 199 558)	-
Closing balance	**67 949 833**	**471 199 558**

Unauthorised expenditure: Budget overspending – per municipal department:

Community Services	13 032 086	5 190 013
Executive and Council	3 711 130	3 833 817
Infrastructure	51 206 617	-
	67 949 833	**9 023 830**

60. Fruitless and wasteful expenditure

Opening balance as previously reported	50 374 510	30 042 935
Add: Fruitless and wasteful expenditure identified - current	30 476 104	20 341 095
Less: Amount written off - current	(69 188 554)	(9 520)
Closing balance	**11 662 060**	**50 374 510**

Fruitless and wasteful expenditure identified include those listed below:

Sheriff	1 494	1 008
City of Ekurhuleni	2 940	36 362
Eskom	18 946 194	14 807 773
Rand Water	11 521 202	5 495 952
Toyota	4 274	-
	30 476 104	**20 341 095**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

61. Irregular expenditure

	2025	2024
Opening balance as previously reported	131 140 102	307 690 926
Add: Irregular expenditure - current	3 840 234	6 396 994
Less: Amount written off - current	(10 135 119)	(182 947 818)
Closing balance	**124 845 217**	**131 140 102**

Irregular expenditure identified include those listed below:	2025	2024
Absa Bank	21 230	-
Admark Advertising	49 779	-
Mazobo Projects	-	31 100
Mkhabela Huntley Attorneys Inc	-	139 099
Phileza Tyres	-	234 274
Suikerbos Motors	3 769 225	5 992 521
	3 840 234	**6 396 994**

62. Deviation from supply chain management regulations

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

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

Eleven procurements (spread over 5 companies), noted below, were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

The procurements noted above are:

Reason	Number 2025	Number 2024	Amount 2025	Amount 2024
Emergency [S36(1)(a)(i)]	-	2 Companies	-	85 850
Sole Supplier [S36(1)(a)(ii)]	-	3 Companies	-	163 348
Impractical to follow SCM [S36(1)(a)(v)]	5 Companies	8 Companies	4 297 650	6 827 981
			4 297 650	**7 077 179**

63. Additional disclosure in terms of Municipal Finance Management Act

Contributions to SALGA

	2025	2024
Current year subscription / fee	2 786 168	2 474 368
Amount paid - current year	(2 786 168)	(2 474 368)
	-	**-**

Material losses through criminal conduct

	2025	2024
Opening balance as previously reported	2 450 708	2 450 708

Funds amounting to R7,000,000 were fraudulently withdrawn from the municipality's bank account in 2022. An amount of R4,549,292 was recovered in 2023. Investigations are in process and the necessary steps have been taken to recover the balance of the money.

Figures in Rand	2025	2024

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

Other material losses

Opening balance as previously reported	2 060 635	2 060 635

An amount of R2,060,635 was paid into an incorrect bank account in 2022. A case has been opened with the South African Police Services and the owner of the bank account has been arrested. Investigations are continuing.

Audit fees

Current year subscription / fee	4 428 075	3 799 444
Amount paid - current year	(4 428 075)	(3 799 444)
	-	-

PAYE and UIF

Current year subscription / fee	44 155 403	39 139 846
Amount paid - current year	(44 155 403)	(39 139 846)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	70 510 146	64 405 856
Amount paid - current year	(70 510 146)	(64 405 856)
	-	-

VAT

VAT receivable	3 307 886	-
VAT payable	-	5 601 780
	3 307 886	**5 601 780**

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

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 T Mashinini	967	808	1 775

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr T Mashinini	3 284	25 024	28 308

64. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: primary, secondary and tertiary educational services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Aggregated segments

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

Types of goods and/or services by segment

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

Reportable segment	**Goods and/or services**
Governance and Administration	Governance, administration and financial services
Community and Public Safety	Community and social services, sport and recreation, public safety and health
Economic and Environmental Services	Planning and development, road transport, environmental protection
Trading Services	Water and electricity supply, management of waste and waste water

Notes to the Annual Financial Statements

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64. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Governance and Administration	Community and Public Safety	Economic and Environmental Services	Trading Services	Total
Revenue					
Revenue from non-exchange transactions	450 845 978	33 070 394	48 038 720	47 512 142	579 467 234
Revenue from exchange transactions	5 851 141	8 082 076	602 469	759 130 815	773 666 501
Interest revenue	13 361 670	-	-	47 669 742	61 031 412
Total segment revenue	**470 058 789**	**41 152 470**	**48 641 189**	**854 312 699**	**1 414 165 147**
Entity's revenue					**1 414 165 147**
Expenditure					
Segment expenses	236 841 604	88 692 030	56 486 071	703 251 233	1 085 270 938
Depreciation and amortisation	10 288 296	9 202 308	5 103 648	22 341 324	46 935 576
Impairment of assets	642 495	1 755 827	-	27 259 285	29 657 607
(Gain)/Loss of disposal of assets	333 178	3 599	977 708	783 347	2 097 832
Debt impairment	58 361 626	5 617 829	-	239 353 421	303 332 876
Interest expense	3 080 996	-	-	39 932 254	43 013 250
Total segment expenditure	**309 548 195**	**105 271 593**	**62 567 427**	**1 032 920 864**	**1 510 308 079**
Total segmental surplus/(deficit)	**160 510 594**	**(64 119 123)**	**(13 926 238)**	**(178 608 165)**	**(96 142 932)**
Assets					
Current assets	182 995 042	12 244 377	-	64 866 392	260 105 811
Non-current assets	3 825 916	306 389 958	518 192 541	578 979 998	1 407 388 413
Total segment assets	**186 820 958**	**318 634 335**	**518 192 541**	**643 846 390**	**1 667 494 224**
Total assets as per Statement of financial Position					**1 667 494 224**

64. Segment information (continued)

	Governance and Administration	Community and Public Safety	Economic and Environmental Services	Trading Services	Total
Liabilities					
Current liabiliies	29 835 867	2 604 454	16 962 926	583 734 085	633 137 332
Non-current liabilities	42 131 459	-	-	96 874 522	139 005 981
Total segment liabilities	**71 967 326**	**2 604 454**	**16 962 926**	**680 608 607**	**772 143 313**
Total liabilities as per Statement of financial Position					**772 143 313**

	Governance and Administration	Community and Public Safety	Economic and Environmental Services	Trading Services	Total
Other information					
Capital expenditure	1 583 790	17 366 079	29 643 656	38 788 811	87 382 336

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

2024

	Governance and Administration	Community and Public Safety	Economic and Environmental Services	Trading Services	Total
Revenue					
Revenue from non-exchange transactions	389 905 162	28 170 215	53 813 000	78 086 506	549 974 883
Revenue from exchange transactions	3 835 575	7 024 969	482 425	680 033 322	691 376 291
Interest revenue	14 963 654	-	-	42 632 490	57 596 144
Total segment revenue	**408 704 391**	**35 195 184**	**54 295 425**	**800 752 318**	**1 298 947 318**
Entity's revenue					**1 298 947 318**
Expenditure					
Segment expenses	209 044 685	76 912 132	47 536 120	628 366 534	961 859 471
Depreciation and amortisation	10 150 444	6 961 140	8 026 165	21 322 817	46 460 566

Notes to the Annual Financial Statements

Figures in Rand

64. Segment information (continued)

Impairment of assets	491 480	1 658 791	-	817 625	2 967 896
(Gain)/Loss on disposal of assets	(49 434)	(10 785)	(297 190)	722 325	364 916
Debt impairment	23 513 432	2 041 525	-	231 793 838	257 348 795
Interest expense	3 031 973	-	23 782	27 527 467	30 583 222
Total segment expenditure	**246 182 580**	**87 562 803**	**55 288 877**	**910 550 606**	**1 299 584 866**
Total segmental surplus/(deficit)	**162 521 811**	**(52 367 619)**	**(993 452)**	**(109 798 288)**	**(637 548)**
Assets					
Current assets	168 487 896	9 237 357	-	63 061 456	240 786 709
Non-current assets	11 934 075	297 432 594	499 438 450	578 820 030	1 387 625 149
Total segment assets	**180 421 971**	**306 669 951**	**499 438 450**	**641 881 486**	**1 628 411 858**
Total assets as per Statement of financial Position					**1 628 411 858**
Liabilities					
Current liabilites	62 746 802	13 283 629	16 596 916	457 851 748	550 479 095
Non-current liabilities	46 816 552	-	-	39 622 357	86 438 909
Total segment liabilities	**109 563 354**	**13 283 629**	**16 596 916**	**497 474 105**	**636 918 004**
Total liabilities as per Statement of financial Position					**636 918 004**

	Governance and Administration	Community and Public Safety	Economic and Environmental Services	Trading Services	Total
Other information					
Capital expenditure	3 831 057	10 923 485	34 873 519	60 935 853	110 563 914

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

65. Budget differences

Material differences between budget and actual amounts

Explanation for the variances between the budget and actual amounts:

Statement of Financial Performance
1. Service charges - Lower consumption of electricity due to consumers using alternative energy sources.
2. Interest received - Higher interest as a result of increase in debtors.
3. Other income - Reclassification of Seta funds.
4. Property rates - Impact of new valuation roll and objections to the valuation roll.
5. Government grants and subsidies - Late receipt of grant and challenges with contractor.
6. Public contributions and donations - Donations from City Power and Department of Sports, Recreation, Arts and Culture.
7. Fines, penalties and forfeits - Implementation of new system.
8. Impairment loss - Impairment due to verification of assets.
9. Finance costs - Interest charged on overdue bulk accounts.
10. Bulk purchases - Water inventory classified as bulk in AFS and general expenses in budget.
11. Contracted Services - Cost containment measures.
12. General expenses - Water inventory classified as bulk in AFS and general expenses in budget..

Statement of Financial Position
13. Cash and cash equivalents - Due unspent grants and cost containment.
14. Receivables from exchange transactions - Lower consumption of electricity due to consumers using alternative energy sources.
15. Receivables from non-exchange transactions - Impact of new valuation roll and objections to the valuation roll.
16. Inventories - Inaccurate budget estimates.
17. Vat receivables - Increase in payables.
18. Investment property - Prior period correction.
19. Property, plant and equipment - Prior period correction.
20. Payables from exchange transactions - Reclassification to non-current liabilities.
21. Unspent conditional grants - Late receipt of grant and challenges with contractor..
22. Consumer deposits - New accounts and tariff increases.
23. Municipal relief debt liability - Reclassification between current and non-current portion.
24. Provisions - Reclassification from non-current liabilities.
25. Municipal relief debt liability - Reclassification between current and non-current portion.
26. Long term loans - Servicing of loan payments.
27. Payables from exchange transactions non-current portion - Reclassification from current liabilities.
28. Provisions - Reclassification to current liabilities.