Merafong City local Municipality
Annual financial statements
for the year ended 30 June 2025

General Information

Legal form of entity	The entity function is a local municiplaity, established under paragraph151 of the Constitution of the Republic of South Africa.
Nature of business and principal activities	The provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
Mayoral committee	Cllr L.I Mangaliso - Public Safety & Transport
	Cllr L Mganu - Water, Gas & Electricity
	Cllr D.M Segakweng - Intergrated Enviroment Management
	Cllr G.E Mbaliso - Local Economic, Tourism & Rural Development
	Cllr M Moyeni - Finance
	Cllr N Mcetywa - Corporate Shared Services
	Cllr PN Sefako - Human Settlement and Land Development
	Cllr E Tibane - Health & Social
	Cllr D Tabane - Infrastructure
	Cllr V.B Nkwanyana - SRACH & LIS
Executive Mayor	Cllr N Best
	Cllr M Sello (Deputy Executive Mayor)
Councillors	Cllr T.E Mphithikezi (Speaker)
	Cllr T Mokuke (Chief Whip)
	Cllr A.M Phenduka (MPAC Chairperson)
	Cllr M Ciliza
	Cllr W Fihla
	Cllr N.W Gcalangobuthi
	Cllr D Harman
	Cllr C Legabe
	Cllr N Letlabika
	Cllr R Lubbe
	Cllr N Luqhide
	Cllr L Maritz
	Cllr T Masiu
	Cllr J Matabane
	Cllr S Mbecheni
	Cllr D Miyilibe
	Cllr T Mnqandi
	Cllr T Molatlhegi
	Cllr F Motloung
	Cllr A Motsumi
	Cllr L Mpupu
	Cllr V.T Mqotha
	Cllr Z Mteto
	Cllr E Mthembu
	Cllr M Naki
	Cllr M Ngqele
	Cllr M Nkabinde
	Cllr M Ntabeni
	Cllr M Ntilane
	Cllr P O'riley
	Cllr P Phalatse

General Information

	Cllr N Pitlele Cllr C Rebelo Cllr C Steenekamp Cllr S Thlaripe Cllr S Tlhapi Cllr L Tsoloane Cllr V Tyelingane Cllr B Van Der Berg Cllr D Van Der Hoff Cllr N Wana Cllr J Zwart
Accounting Officer	DD Mabuza
Chief Finance Officer (CFO)	PM Makhubela
Grading of local authority	4
Registered office	Halite Street, Carletonville, 2500 Telephone number: 018 788 950 Fax number: 018 786 1105 Website address: www.merafong.gov.za
Postal address	PO Box 3, Carletonville, 2500
Bankers	First National Bank Nedbank
Auditors	Auditor General South Africa
Demarcation code	GT 484
Attorneys	De Swart, Myambo, Hlahla Attorneys LP Skosana Attorneys Mcedisi, Ndlovu & Sedumedi Incorporated Moodie & Robertson Strauss Daly Attorneys Ntsoane Attorneys Incorporated Raphela Attorneys Incorporated TA Dipudi Attorneys

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Abbreviations used:

AGSA	Auditor-General of South Africa
ASB	Accounting Standards Board
GRAP	Generally Recognised Accounting Practice
MPAC	Municipal Public Accounts Committee
IAS	International Accounting Standards
WSIG	Water Services Infrastructure Grant
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standards Chart of Accounts
NSPCA	**National Council of SPCA**
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
SALGBC	South African Local Government Bargaining Council

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Act (Act of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the reporting period 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.

I, as the accounting officer acknowledge that I am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in providing 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.

I am 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. This assurance is further supported by the fact that all MSCOA version and patch upgrades were implemented in line with National Treasury's requirements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

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

Although, I am primarily responsible for the financial affairs of the municipality, this is supported by the municipality's senior management team, external auditors and other oversight governance structures of Council.

I certify that the salaries, allowances and benefits of councillors as disclosed in Note 35 to these financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the repuplic of South Africa, read with the Remuneration of the Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Governments determination in accordance of the act.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors.

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:

DD Mabuza
Accounting Officer

Merafong City local Municipality
(Registration number GT 484)
Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	3	830 062	674 523
Receivables from exchange transactions	4&6	248 142 691	135 563 917
Receivables from non-exchange transactions	5&6	70 787 058	54 893 768
VAT receivable	7	560 872 360	446 503 617
Cash and cash equivalents	8	84 357 806	171 957 408
		964 989 977	**809 593 233**
Non-Current Assets			
Investment property	9	223 817 667	228 858 007
Property, plant and equipment	10	3 145 625 740	3 248 044 427
Intangible assets	11	13 892 270	18 593 242
Heritage assets	12	190 360	190 360
		3 383 526 037	**3 495 686 036**
Total Assets		**4 348 516 014**	**4 305 279 269**
Liabilities			
Current Liabilities			
Borrowings	13	2 821 243	10 349 551
Finance lease obligation	14	569 568	2 485 994
Payables from exchange transactions	15	2 683 130 566	1 575 608 604
VAT payable	16	409 584 501	343 222 402
Consumer deposits	17	27 142 871	26 065 144
Employee benefit obligation	18	9 380 000	8 342 000
Unspent conditional grants and receipts	19	17 585 468	76 647 584
Provisions	20	15 402 279	14 213 539
Municipal Debt Relief	21	380 282 241	150 130 738
		3 545 898 737	**2 207 065 556**
Non-Current Liabilities			
Borrowings	13	4 501 856	7 323 099
Finance lease obligation	14	6 856	576 425
Employee benefit obligation	18	158 587 000	143 958 000
Provisions	20	910 058	1 375 775
Municipal Debt Relief	21	195 286 831	366 509 582
		359 292 601	**519 742 881**
Total Liabilities		**3 905 191 338**	**2 726 808 437**
Net Assets		**443 324 676**	**1 578 470 832**
Accumulated surplus		443 324 666	1 578 470 835
Total Net Assets		**443 324 666**	**1 578 470 835**

* See Note 54

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges - Electricity	22	315 811 003	310 048 213
Service charges - Water	22	407 416 724	327 283 770
Service charges - Waste Management	22	94 200 745	80 791 123
Service charges - Waste Water Management	22	67 635 463	65 407 188
Rental of facilities and equipment	23	3 465 213	2 903 509
Interest earned from receivables	24	182 261 163	169 396 144
Agency services	25	13 124 786	10 991 348
Sale of goods and rendering of servives	26	4 240 549	2 043 628
Licences or Permits		4 223	765
Operational Revenue	27	141 587	51 167
Interest earned from current and non-current assets	28	11 266 862	19 709 292
Actuarial gains	18	368 366	2 876 498
Inventories surplus		814 166	-
Total revenue from exchange transactions		**1 100 750 850**	**991 502 645**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	29	525 259 317	765 344 212
Interest earned from receivables	24	141 375 699	141 373 955
Transfer revenue			
Government grants & subsidies	31	498 050 265	470 969 707
Public contributions and donations	32	13 147 420	13 534 071
Fines, Penalties and Forfeits	30	38 738 787	34 364 545
Gain on landfill	20	1 606 159	429 725
Municipal Debt Relief	33	-	213 206 718
Reversal of impairment loss	39	12 352 785	79 054 581
Total revenue from non-exchange transactions		**1 230 530 432**	**1 718 277 514**
Total revenue		**2 331 281 282**	**2 709 780 159**
Expenditure			
Employee-related costs	34	(439 612 357)	(414 908 956)
Employee costs - Remuneration of councillors	35	(27 102 668)	(26 331 648)
Inventory consumed	36	(339 351 388)	(359 834 132)
Depreciation and amortisation	38	(177 586 268)	(151 628 586)
Impairment loss	39	(70 836 956)	(50 675 567)
Finance costs	41	(285 709 853)	(197 304 290)
Lease rentals on operating lease	37	(10 731 703)	(5 065 977)
Debt Impairment	42	(964 676 913)	(1 215 933 064)
Bad debts written off	42	(43 685 161)	(60 395 281)
Bulk purchases	43	(556 457 053)	(466 244 315)
Contracted Services	44	(431 369 455)	(252 074 519)
Transfers and Subsidies	45	(505 558)	(747 576)
Loss on disposal of assets	40	(16 977 536)	(67 508 416)
Operational costs	46	(101 824 583)	(73 418 037)
Total expenditure		**(3 466 427 452)**	**(3 342 070 364)**
Deficit for the year		**(1 135 146 170)**	**(632 290 205)**

* See Note 54

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	2 144 490 785	2 144 490 785
Adjustments		
Prior year adjustments 54	66 270 255	66 270 255
Balance at 01 July 2023 as restated*	**2 210 761 040**	**2 210 761 040**
Changes in net assets		
Surplus for the year	(632 290 205)	(632 290 205)
Total changes	(632 290 205)	(632 290 205)
Restated* Balance at 01 July 2024	**1 578 470 836**	**1 578 470 836**
Changes in net assets		
Surplus for the year	(1 135 146 170)	(1 135 146 170)
Total changes	(1 135 146 170)	(1 135 146 170)
Balance at 30 June 2025	**443 324 666**	**443 324 666**

Note(s)

* See Note 54

Merafong City local Municipality
(Registration number GT 484)
Annual Financial Statements for the year ended 30 June 2025

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Services charges and property rates, other services		696 487 186	711 782 005
Agency fees		5 129 005	1 183 115
Government grants & subsidies		442 801 101	500 689 409
Interest income		11 230 789	19 709 293
Sale of goods & Rendering of services		4 240 549	2 043 628
Investment impairment		9 378 554	-
Operational revenue		141 587	51 167
		1 169 408 771	1 235 458 617
Payments			
Employee costs		(483 895 513)	(453 911 982)
Suppliers		(403 462 788)	(485 083 399)
Finance costs		(207 298 612)	(121 676 479)
		(1 094 656 913)	(1 060 671 860)
Net cash flows from operating activities	47	**74 751 858**	**174 786 757**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(156 755 635)	(141 049 537)
Purchase of other intangible assets	11	-	(19 837 233)
Net cash flows from investing activities		**(160 996 184)**	**(160 886 770)**
Cash flows from financing activities			
Repayment of borrowings		(11 308 710)	(11 308 748)
Finance lease payments		(1 355 276)	(3 143 013)
Net cash flows from financing activities		**(1 355 276)**	**(3 143 013)**
Net increase/(decrease) in cash and cash equivalents		**(87 599 602)**	**10 756 974**
Cash and cash equivalents at the beginning of the year		171 957 408	161 200 434
Cash and cash equivalents at the end of the year	8	**84 357 806**	**171 957 408**

The accounting policies on page 13 and the notes on pages 50 to 111 form an integral part of the annual financial statements.

* See Note 54

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						
Services charges - Electricity	425 282 000	(67 943 423)	**357 338 577**	315 811 003	**(41 527 574)**	63
Service charges - Water	479 320 000	89 251 902	**568 571 902**	407 416 724	**(161 155 178)**	63
Service charges - Waste Management	97 635 000	15 067 860	**112 702 860**	94 200 745	**(18 502 115)**	63
Service charges - Waste Water Management	83 542 000	10 060 825	**93 602 825**	67 635 463	**(25 967 362)**	63
Rental of facilities and equipment	1 614 000	2 054 421	**3 668 421**	3 465 213	**(203 208)**	
Interest from Receivables	239 231 000	(42 069 723)	**197 161 277**	182 261 163	**(14 900 114)**	63
Agency services	-	18 500 000	**18 500 000**	13 124 786	**(5 375 214)**	
Sale of goods and rendering of services	4 846 000	239 226	**5 085 226**	4 240 549	**(844 677)**	
Licence permits	-	1 008 447	**1 008 447**	4 223	**(1 004 224)**	63
Operational Revenue	10 615 000	(897 840)	**9 717 160**	141 587	**(9 575 573)**	
Interest received - investment	15 000 000	-	**15 000 000**	11 266 862	**(3 733 138)**	63
Total revenue from exchange transactions	**1 357 085 000**	**25 271 695**	**1 382 356 695**	**1 099 568 318**	**(282 788 377)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	737 199 000	(187 000 277)	**550 198 723**	525 259 317	**(24 939 406)**	63
Surcharges and Taxes	16 247 000	(16 247 000)	**-**	-	**-**	
Interest, Dividends and Rent on Land	290 647 000	(135 508 861)	**155 138 139**	141 375 699	**(13 762 440)**	63
Transfer revenue						
Government grants & subsidies	507 865 000	(5 364 490)	**502 500 510**	498 050 265	**(4 450 245)**	
Public contributions and donations	-	-	**-**	13 147 420	**13 147 420**	63
Fines, Penalties and Forfeits	2 176 000	32 141 216	**34 317 216**	38 738 787	**4 421 571**	63
Revenue from service concession arrangements	-	-	**-**	1 606 159	**1 606 159**	
Reversal of impairment loss	-	-	**-**	12 352 785	**12 352 785**	
Total revenue from non-exchange transactions	**1 554 134 000**	**(311 979 412)**	**1 242 154 588**	**1 230 530 432**	**(11 624 156)**	
Total revenue	**2 911 219 000**	**(286 707 717)**	**2 624 511 283**	**2 330 098 750**	**(294 412 533)**	
Expenditure						
Employee - related costs	(539 316 000)	102 965 940	**(436 350 060)**	(439 612 357)	**(3 262 297)**	63
Employee costs - Remuneration of councillors	(28 517 000)	3 365 599	**(25 151 401)**	(27 102 668)	**(1 951 267)**	
Inventory consumed	(221 957 000)	(3 776 329)	**(225 733 329)**	(339 351 388)	**(113 618 059)**	63
Depreciation and amortisation	(171 600 000)	5 617 326	**(165 982 674)**	(177 586 268)	**(11 603 594)**	63
Impairment loss	-	-	**-**	(70 836 956)	**(70 836 956)**	
Finance costs	(153 118 000)	(13 071 604)	**(166 189 604)**	(285 709 853)	**(119 520 249)**	63

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
Lease rentals on operating lease	-	-	**-**	(10 731 703)	**(10 731 703)**	
Debt Impairment	(805 859 000)	567 231 019	**(238 627 981)**	(964 676 913)	**(726 048 932)**	63
Bad debts written off	-	(50 000 000)	**(50 000 000)**	(43 685 161)	**6 314 839**	63
Bulk purchases	(431 007 000)	(211 556 798)	**(642 563 798)**	(556 457 053)	**86 106 745**	63
Contracted Services	(157 224 000)	(128 445 235)	**(285 669 235)**	(431 369 455)	**(145 700 220)**	63
Transfers and Subsidies	(1 102 000)	539 315	**(562 685)**	(505 558)	**57 127**	
Operational costs	(89 195 000)	(10 417 242)	**(99 612 242)**	(101 824 583)	**(2 212 341)**	
Total expenditure	**(2 598 895 000)**	**262 451 991**	**(2 336 443 009)**	**(3 449 449 916)**	**(1 113 006 907)**	
Operating deficit	**312 324 000**	**(24 255 726)**	**288 068 274**	**(1 119 351 166)**	**(1 407 419 440)**	
Loss on disposal of assets and liabilities	(114 469 000)	(2 025 276)	**(116 494 276)**	(16 977 536)	**99 516 740**	
Actuarial gains/losses	-	-	**-**	368 366	**368 366**	
Inventories losses	-	-	**-**	814 166	**814 166**	
	(114 469 000)	**(2 025 276)**	**(116 494 276)**	**(15 795 004)**	**100 699 272**	
Deficit before taxation	**197 855 000**	**(26 281 002)**	**171 573 998**	**(1 135 146 170)**	**(1 306 720 168)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**197 855 000**	**(26 281 002)**	**171 573 998**	**(1 135 146 170)**	**(1 306 720 168)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	9 845 000	(14 688 347)	**(4 843 347)**	830 062	**5 673 409**	
Receivables from exchange transactions	82 673 000	454 329 969	**537 002 969**	248 142 691	**(288 860 278)**	
Receivables from non-exchange transactions	310 376 000	1 221 943	**311 597 943**	70 787 058	**(240 810 885)**	
VAT receivable	117 924 000	83 623 495	**201 547 495**	560 872 360	**359 324 865**	
Cash and cash equivalents	742 076 000	(1 128 615 271)	**(386 539 271)**	84 357 806	**470 897 077**	
	1 262 894 000	**(604 128 211)**	**658 765 789**	**964 989 977**	**306 224 188**	
Non-Current Assets						
Investment property	216 841 000	-	**216 841 000**	223 817 667	**6 976 667**	
Property, plant and equipment	2 922 643 000	190 410 477	**3 113 053 477**	3 145 625 731	**32 572 254**	
Intangible assets	(670 000)	874 761	**204 761**	13 892 270	**13 687 509**	
Heritage assets	136 178	-	**136 178**	190 360	**54 182**	
	3 138 950 178	**191 285 238**	**3 330 235 416**	**3 383 526 028**	**53 290 612**	
Total Assets	**4 401 844 178**	**(412 842 973)**	**3 989 001 205**	**4 348 516 005**	**359 514 800**	
Liabilities						
Current Liabilities						
Borrowings	13 521 118	-	**13 521 118**	2 821 243	**(10 699 875)**	
Finance lease obligation	-	-	**-**	569 568	**569 568**	
Payables from exchange transactions	1 934 984 000	(372 993 717)	**1 561 990 283**	2 683 130 566	**1 121 140 283**	
Consumer deposits	-	-	**-**	27 142 871	**27 142 871**	
Employee benefit obligation	-	-	**-**	9 380 000	**9 380 000**	
Unspent conditional grants and receipts	31 293 766	-	**31 293 766**	17 585 468	**(13 708 298)**	
Provisions	39 388 056	-	**39 388 056**	15 402 279	**(23 985 777)**	
Municipal Debt Relief	-	-	**-**	380 282 241	**380 282 241**	
	2 019 186 940	**(372 993 717)**	**1 646 193 223**	**3 136 314 236**	**1 490 121 013**	
Non-Current Liabilities						
Borrowings	17 534 916	-	**17 534 916**	4 501 856	**(13 033 060)**	
Finance lease obligation	-	-	**-**	6 856	**6 856**	
Employee benefit obligation	-	-	**-**	158 587 000	**158 587 000**	
Provisions	29 894 014	-	**29 894 014**	910 058	**(28 983 956)**	
Municipal Debt Relief	-	-	**-**	195 286 831	**195 286 831**	
	47 428 930	**-**	**47 428 930**	**359 292 601**	**311 863 671**	
Total Liabilities	**2 066 615 870**	**(372 993 717)**	**1 693 622 153**	**3 495 606 837**	**1 801 984 684**	
Net Assets	**2 335 228 308**	**(39 849 256)**	**2 295 379 052**	**852 909 168**	**(1 442 469 884)**	

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	2 335 228 308	(39 849 256)	**2 295 379 052**	443 324 668	**(1 852 054 384)**	

Significant Accounting Policies

1. Significant account policies

The significant accounting policies applied in the preparing of these annual financial statements are outlined below.

1.1 Basis of preparation

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

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

Offsetting

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, is disclosed below

These accounting policies are consistent with the previous period.

The Statement of Financial Performance has been prepared to classify expenses by nature, whilst revenue is classified in a manner appropriate to the municipality's operations. The Cash Flow Statement has been prepared using the Direct Method.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made based on 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.

Material variances are defined as any differences above 10% with a value limited to R1,000,000. Explanations for material differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual Amounts

Assessing whether an omission or misstatement could influence decisions 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 preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts reported 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:

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

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 observable data is indicating a measurable decrease in the estimated future cash flows from a financial asset.

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

Impairment of Traffic Fines

Assessing and recognising impairment of Receivables for Traffic Fines is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears

Allowance for slow-moving, damaged and obsolete stock

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

Fair value estimation

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

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell.It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

These calculations require the use of estimates and assumptions.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 tangible assets are inherently uncertain and could materially change over time. They are significantly affected by, including uncontrollable ageing, together with economic factorssuch as inflation.

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

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 20 - Provisions.

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the best estimate or net present valueof the future expected cash flows to rehabilitate the landfill site at year-end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance. Management referred to the following when making assumptions regarding 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 (investment rate) linked to prime was used to calculate the effect of the time value of money.

Leave accrual

The provision for staff leave is based on accrued leave at year-end. The uncertainty is when the leave will be taken or if employment will be terminated.

Pre-paid Electricity

Pre-paid electricity is only recognised as income as electricity is consumed. The estimate is based on pre-paid electricity sold at year-end, but still unused.

Estimates of unused consumption of prepaid metered services, based on the consumption history, are made at year-end. Sales for prepaid metered services are recognised as revenue upon receipt of payment for these services, except at year-end when estimates for unused consumption up to reporting date are reversed from revenue and accrued as payment for services received in advance. These accruals are reversed in the new financial year to revenue again, deemed to be consumed after 30 June. In respect of estimates of consumption between the last date of purchase and the reporting date, an accrual for payments received in advance is made based on the average monthly consumption of consumers on the reporting date

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate involves a matter of judgement based on the experience of the municipality with similar assets, and whether the assets will be sold or used to the end of their economic lives and the condition at the time. 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.

1.5 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18.

Effective interest rate

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

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.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revisionand future periods if the revision affects both current and future periods.

Allowance for doubtful debts

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

Water Inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, where the level indicates the depth of the water in the reserviour, which is then converted into volumes, based on the total capacity of the relevant reservoir. Furthermore, the length and width of all pipes are also considered in determining the volume of water on hand at year-end.Additional text

Impairment of statutory receivables

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

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

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

1.5 Significant judgements and sources of estimation uncertainty (continued)

Accounting for adjustments to revenue

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

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

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

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

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

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

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

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

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

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

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

1.6 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.

1.6 Investment property (continued)

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

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.

Subsequent measurement – Cost model

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

Item	Useful life
Property - land	indefinite

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.

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 year.

Management applies the category below to distinguish Property, Plant and Equipment from Investment Property:

- Owner- occupied property (including held for future use);
- Owner-occupied property held for disposal;
- Property held by the municipality to fulfil their mandated function rather than rental or capital appreciation and;
- Property held by the municipality for a strategic purpose

Initial recognition

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.

Initial Measurement

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.

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.

Significant Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

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

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

Item	Depreciation method	Average useful life
Roads and stormwater	Straight-line	3-100 Years
Electricity	Straight-line	5-80 Years
Water	Straight-line	7-100 Years
Sewerage	Straight-line	7-100 Years
Buildings	Straight-line	7-100 Years
Office equipment	Straight-line	3-30 Years
Transport assets	Straight-line	4- 25 Years
Furniture and fittings	Straight-line	3-30 Years
Plant and equipment	Straight-line	4-50 Years
Computer equipment	Straight-line	5-20 Years
Library material	Straight-line	5-15 Years
Other assets	Straight-line	5-30 Years
Land	Straight-line	Indefinite

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

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

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

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

All items of property, plant and equipment are considered to be non-cash generating. The municipality tests for impairment where there is an indication that an asset may be impaired.

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

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

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

Significant Accounting Policies

1.7 Property, plant and equipment (continued)

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 10).

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

1.8 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

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

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

1.9 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services.

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.

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.

1.9 Intangible assets (continued)

An intangible asset is measured initially at cost. 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.

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated 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. All intangible assets are considered to be non-cash generating.

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

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

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values. The amortisation charge for each period is recognised in surplus or deficit. Amortisation begins when the asset is available for use.

An intangible asset with an indefinite useful life shall not be amortised.

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

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 determined as the difference between the sales proceeds and the carrying value and is included in surplus or deficit when the asset is derecognised.

Item	Depreciation method	Average useful life
Computer software	Straight-line	3 - 12 years

1.10 Heritage assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

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.

1.10 Heritage assets (continued)

Impairment

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

In assessing whether there is an indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

External sources of information
- During the period, a heritage asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use
- The absence of an active market for a revalued heritage asset.

Internal sources of information
- Evidence is available of physical damage or deterioration of a heritage asset
- A decision to halt the construction of the heritage asset before it is complete or in a usable form

Derecognition

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal
.
Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of financial performance as a gain or loss on disposal of heritage assets.

1.11 Financial instruments

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

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

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

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

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

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

1.11 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.11 Financial instruments (continued)

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

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

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

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

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

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

Significant Accounting Policies

1.11 Financial instruments (continued)

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**
Receivables from exchange transactions	Financial asset measured at amortised cost
Consumer debtors from non-exchange	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other short term receivables	Financial asset measured at amortised cost

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

Class	**Category**
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Other short term payables	Financial liability measured at amortised cost
Borrowings	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the 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 in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

1.11 Financial instruments (continued)

Reclassification

The municipality 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.

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

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the municipality 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 uncollectability of financial assets

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

Financial assets measured at amortised cost:

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

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

The municipality assesses the financial assets for impairment individually, when assets are individually significant, or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset (whether individually significant or not), the municipality includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment for impairment.

For collective assessments of impairment, assets with similar characteristics are grouped together. The credit risk characteristics are indicative of the debtors' ability to pay all amounts due according to contractual terms.

In making this assessment, management may consider the following indicators as guidance for possible impairment:
- Significant financial difficulty experienced by the debtor;
- Delays in payments (including interest payments) or failure to pay / defaults;
- The probability that the borrower / debtor will enter sequestration (bankruptcy);
- Observable historical data indicating that there is a decrease in the estimated future cash flows that will be received by the municipality from a group of financial assets since the initial recognition of those assets;
- The disappearance of an active market for that financial asset because of financial difficulties;
- Accounts in arrears for a period longer than the initial estimated repayment period;

Significant Accounting Policies

1.11 Financial instruments (continued)

- Accounts with a provision factor of more than 10; and
- Accounts handed over for collection.

Management considers all the indicators above as guidance but only uses the indicators for which there is sufficient information to make the assessment for possible or actual impairment.

Derecognition

Financial assets

The municipality derecognised financial assets using trade date accounting.

The municipality derecognised 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.

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

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

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

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

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

Financial liabilities

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

1.11 Financial instruments (continued)

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

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

Presentation

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

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

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality 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

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

1.12 Statutory receivables (continued)

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 statutory receivables:

- VAT receivables	Value Added Tax Act no 89 of 1991
- Property rates	Municipal Property Rates Act no 6 of 2004
- Traffic fine	Criminal Procedure Act no 51 of 1977
	Administrative Adjudication of Road Traffic Act

Statutory receivables are accounted for as follows:

Property rates are levied in terms of the Municipal Property Rates Act, hence this is therefore recognised as a statutory receivable. The receivable is calculated by applying the Council approved rates against the valuation of individual properties within the municipality's jurisdiction. Council approved rebates and exemptions are further applied to reduce the receivable. Interest is applied to the outstanding debt. All outstanding debts from levied property rates are charged an interest of 11.75% which was waived from January 2024 to April 2024 due to the municipality not being able to send out consumer statements.

The basis of impairment takes into account the following:

The estimates were determined in accordance with the debt impairment methodology of the municipality, supplemented by experience of past practices and statistics in relation to uncollectable debt. In assessing whether statutory receivables are impaired, management considered individual receivables that may be impaired

The municipality had significant impairment losses arising from impairment of outstanding amount from the mines for property rates due to a legal case on the valuation of properties wherein the court granted an interim order that the mines pay the municipality only 50% of the invoiced amount and the other 50% be paid in a trust account which the municipality has no control over. The municipality has impaired the full amount of outstanding debt due to the court order that takes 50% and the 50% we supposed to receive has been impaired at yearend.

Traffic fines are issued to offenders in terms of the Criminal Procedures Act, hence this is therefore recognised as a statutory receivable. The receivable is calculated by determining the value of the fine to be paid on initial recognition, and accounting for subsequent measurement by taking into account reductions and discounts made to the value of the fine payable in terms of the court of law. No interest is charged on outstanding fines, and any additional penalties applied by the court are paid by the offender to the court directly and are therefore not considered to be revenue for the municipality.

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 accrued on receivable (where applicable)
- Impairment losses and
- Amounts derecognised.

1.12 Statutory receivables (continued)

12.1.1 Impairment

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

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

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

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

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

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

Derecognition

The municipality derecognised 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

Significant Accounting Policies

1.12 Statutory receivables (continued)

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

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

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

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

1.14 Inventories

Inventories are assets in the form of materials or supplies to be consumed or distributed in the rendering of services or held for distribution in the ordinary course of operations.

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

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

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

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

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

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

1.14 Inventories (continued)

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

The cost of inventories 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 is sold, the carrying amount of that inventories is 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 comprises cash on hand and demand deposits.

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

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

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

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

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

1.16 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).

Designation

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

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

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

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

Significant Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Identification

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

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

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

In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

External sources of information

(a) During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.

(b) Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.

(c) Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

Internal sources of information

(d) Evidence is available of obsolescence or physical damage of an asset.

(e) Significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changed include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.

(bf) A decision to halt the construction of the asset before it is complete or in a useable condition.

(G) Evidence is available from internal reporting that indicates that the economic performance of an asset is,or will be, worse than

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.

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

1.16 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is the prime overdraft interest rate that reflects current market assessments of the time value of money.

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.

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

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

1.16 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Significant Accounting Policies

1.16 Impairment of cash-generating assets (continued)

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.

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

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

1.17 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

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

Designation

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

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

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

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

Identification

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

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

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

Service units approach

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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.

Redesignation

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

1.18 Employee benefits

Identification

Employee benefits

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

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

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.

Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either: (a) an entity's decision to terminate an employee's employment before the normal retirement date; or (b) an employee's decision to accept an offer of benefits in exchange for the termination of employment.

Short-term employee benefits

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.

Significant Accounting Policies

1.19 Provisions and contingencies (continued)

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 51.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.16 and 1.17.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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

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

1.20 Commitments

Items are classified as commitments when the municipality 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.

Significant Accounting Policies

1.21 Revenue from exchange transactions

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Recognition and measurement

The Municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Service Charges – exchange revenue

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

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

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

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

Pre-paid Electricity – exchange revenue

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

Sale of goods – exchange revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the Municipality has transferred to the buyer 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;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue Recognition of Unclaimed Deposits – exchange revenue

Significant Accounting Policies

1.21 Revenue from exchange transactions (continued)

Unclaimed deposits older than three (3) years are recognised as revenue.

Measurement

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

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

Sale of goods

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Interest, royalties and dividends

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

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

Significant Accounting Policies

1.22 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

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

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

Significant Accounting Policies

1.22 Revenue from non-exchange transactions (continued)

Taxes

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

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

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

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

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

Transfers

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

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

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

Fines

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the Municipality is entitled to collect.Subsequent to initial recognition and measurement, the Municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate.

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

1.23 Investment income

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

1.24 Borrowing costs

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

Significant Accounting Policies

1.24 Borrowing costs (continued)

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

1.25 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

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

Significant Accounting Policies

1.26 Comparative figures

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

Current year comparatives (Budget):

Budget information in accordance with GRAP 1 and 24, has been provided in a separate disclosure note to these financial statements.

Prior year comparatives:

When the presentation or classification of items in the 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

Certain comparative figures have been reclassified.The nature and reasons for the reclassification and restatement are disclosed in Note 54"prior year adjustments" to the financial statements.

1.27 Unauthorised expenditure

Unauthorised expenditure means:

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

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

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

1.28 Fruitless and wasteful expenditure

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

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

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

1.29 Irregular expenditure

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

1.29 Irregular expenditure (continued)

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

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

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

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

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

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

1.30 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

1.31 Research and development expenditure

Expenditure on research is recognised as an expense when it is incurred.

Significant Accounting Policies

1.31 Research and development expenditure (continued)

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

1.32 Budget information

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

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

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

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

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

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

1.33 Related parties

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

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.

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

Significant Accounting Policies

1.34 Events after reporting date

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

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

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

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

Notes to the Annual Financial Statements

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	Unlikely there will be a material impact
• GRAP 103 (amended): Heritage Assets	No effective date as yet	Unlikely there will be a material impact
• iGRAP 22 Foreign Currency Transactions and Advance Consideration	01 April 2025	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

Figures in Rand		2025	2024

3. Inventories

Water for distribution		830 062	674 523

Inventory pledged as security

No inventory balance was pledged as security.

Water for distribution

Opening balance		674 523	957 804
Water purchased		337 703 980	353 328 056
Authorised consumption		(198 950 897)	(202 906 759)
Water losses	43	(138 597 544)	(150 421 298)
Inventory adjustments		-	(283 280)
Closing balance		**830 062**	**674 523**

4. Receivables from exchange transactions

Other receivables	-	3 991 620
Consumer debtors - Electricity	98 777 862	48 272 134
Consumer debtors - Water	80 427 674	47 174 794
Consumer debtors - Waste Water Management	13 393 834	9 510 321
Consumer debtors - Sewerage	17 088 809	12 847 262
Consumer debtors - Other service debtors	38 453 833	6 555 697
Consumer debtors -Sundry debtors	679	7 212 089
	248 142 691	**135 563 917**

Trade and other receivables pledged as security

There were no receivables that were pledged as security

5. Receivables from non-exchange transactions

Fines	19 076 597	7 083 110
Penalties	1 658	1 658
Consumer debtors - Rates	51 708 803	47 809 000
	70 787 058	**54 893 768**

Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Property rates	51 708 803	47 809 000
Fines	19 076 597	8 266 226
Penalties	1 658	1 658
	70 787 058	**56 076 884**
Financial asset receivables included in receivables from non-exchange transactions above	**-**	**760 028 840**
Total receivables from non-exchange transactions	70 787 058	760 028 840

Receivables from non-exchange transactions pledged as security

There were no receivables from from non-exchange transaction that were pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Receivables from non-exchange transactions (continued)

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

Opening balance	115 002 316	81 085 936
Provision for impairment	30 299 651	33 916 380
	145 301 967	**115 002 316**

6. Consumer debtors disclosure

Gross balances		
Consumer debtors - Rates	3 164 927 336	2 707 810 627
Consumer debtors - Electricity	423 645 709	304 502 834
Consumer debtors - Water	2 289 494 329	2 020 306 440
Consumer debtors - Waste Water Management	423 771 957	364 299 820
Consumer debtors - Waste Management	525 696 824	455 779 295
Consumer debtors - Other service debtors	150 884 979	64 474 800
Sundry debtors	30 763 271	37 163 151
	7 009 184 405	**5 954 336 967**

Less: Allowance for impairment		
Consumer debtors - Rates	(3 113 393 424)	(2 660 001 627)
Consumer debtors - Electricity	(324 867 847)	(256 230 700)
Consumer debtors - Water	(2 209 066 655)	(1 973 131 646)
Consumer debtors - Waste Water Management	(410 378 123)	(354 789 499)
Consumer debtors - Waste Management	(508 608 015)	(442 932 033)
Consumer debtors - Other service debtors	(112 431 146)	(57 919 103)
Sundry debtors	(30 762 592)	(29 951 062)
	(6 709 507 802)	**(5 774 955 670)**

Net balance		
Consumer debtors - Rates	51 708 803	47 809 000
Consumer debtors - Electricity	98 777 862	48 272 134
Consumer debtors - Water	80 427 674	47 174 794
Consumer debtors - Waste Water Management	13 393 834	9 510 321
Consumer debtors - Waste Management	17 088 809	12 847 262
Consumer debtors - Other service debtors	38 453 833	6 555 697
Sundry debtors	679	7 212 089
	299 851 494	**179 381 297**

Statutory receivables included in consumer debtors above are as follows:		
Property Rates	51 708 803	47 809 000
Financial asset receivables included in consumer debtors above	**248 142 691**	**131 572 297**

Total consumer debtors	299 851 494	179 381 297

Property rates		
Current (0 -30 days)	60 286 411	57 130 861
31 - 60 days	67 824 352	70 721 008
61 - 90 days	49 174 926	46 435 164
91 - 120 days	47 822 225	44 780 848
121 - 365 days	2 939 994 313	2 488 742 746
Less: Allowance for impairment	(3 113 393 424)	(2 660 001 627)
	51 708 803	**47 809 000**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Consumer debtors disclosure (continued)

Electricity		
Current (0 -30 days)	32 838 494	42 352 914
31 - 60 days	27 122 124	34 200 764
61 - 90 days	15 912 504	23 131 609
91 - 120 days	13 779 547	26 674 243
121 - 365 days	333 993 040	178 143 304
Less: Allowance for impairment	(324 867 847)	(256 230 700)
	98 777 862	**48 272 134**

Water		
Current (0 -30 days)	41 752 003	53 394 273
31 - 60 days	41 360 538	54 283 276
61 - 90 days	22 785 735	45 047 675
91 - 120 days	29 674 378	25 608 638
121 - 365 days	2 153 921 674	1 841 972 578
Less: Allowance for impairment	(2 209 066 654)	(1 973 131 646)
	80 427 674	**47 174 794**

Waste water Management		
Current (0 -30 days)	10 268 081	10 471 649
31 - 60 days	11 664 579	10 609 946
61 - 90 days	8 358 635	4 875 124
91 - 120 days	8 119 728	4 624 196
121 - 365 days	385 360 934	333 718 905
Less: Allowance for impairment	(410 378 123)	(354 789 499)
	13 393 834	**9 510 321**

Waste Management		
Current (0 -30 days)	11 771 425	11 051 588
31 - 60 days	13 536 567	10 054 140
61 - 90 days	9 672 164	6 301 977
91 - 120 days	9 261 306	5 802 532
121 - 365 days	481 455 343	422 569 058
Less: Allowance for impairment	(508 607 996)	(442 932 033)
	17 088 809	**12 847 262**

Other service debtors		
Current (0 -30 days)	37 792 197	2 715 665
31 - 60 days	3 505 519	3 654 232
61 - 90 days	2 316 646	244 447
91 - 120 days	2 545 783	400 459
121 - 365 days	104 724 984	57 459 997
Less: Allowance for impairment	(112 431 296)	(57 919 103)
	38 453 833	**6 555 697**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Consumer debtors disclosure (continued)

Sundry debtors

Current (0 -30 days)	71 007	-
31 - 60 days	88 034	-
61 - 90 days	68 581	-
91 - 120 days	68 429	-
121 - 365 days	30 467 220	37 163 151
Less: Allowance for impairment	(30 762 592)	(29 951 062)
	679	**7 212 089**

Reconciliation of allowance for impairment

Balance at beginning of the year	5 775 130 561	4 563 992 221
Contributions to allowance	934 377 241	1 211 138 340
	6 709 507 802	**5 775 130 561**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

7. VAT receivable

VAT Receivable	560 872 360	446 503 617

VAT is received and paid as required by the Value Added Tax Act no.89 pf 1991 (VAT Act).

VAT is applied to all relevant goods and services as stated in the VAT Act and the amount thereof is determined in terms of the VAT Act

VAT is submitted and paid on a monthly basis. Interest is charged on outstanding VAT amounts.

VAT receivable from SARS is not impaired as SARS has sufficient funds to pay any outstanding amounts. VAT on output provision is assessed with the debtors impairment provision and included therein.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	15 782	15 782
Bank balances	20 292 199	52 649 892
Short-term deposits	64 049 825	119 291 734
	84 357 806	**171 957 408**

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
NEDBANK BANK - Main- 1454-087-331	5 982 031	50 059 220	2 377 844	5 982 031	50 059 220	2 377 844
FNB BANK - Current Account-62 796 852 624	14 310 168	2 590 672	3 615 402	14 310 168	2 590 672	3 615 402
FNB BANK - Fleet Deposit - 62 76 855 446	250 000	250 000	250 000	250 000	250 000	250 000
FNB BANK - Call Deposit- 62 797 400 737	61 915 734	116 674 161	153 508 823	61 915 734	116 674 161	153 508 823
NEDBANK BANK - Call Account- 3749 2501 32305	88 417	717 572	1 432 582	88 417	717 572	1 432 582
NEDBANK BANK - Investment account - 037492501323	1 795 676	1 650 000	-	1 795 675	1 650 000	-
Cash on hand	15 782	15 782	15 782	15 783	15 782	15 782
Total	**84 357 808**	**171 957 407**	**161 200 433**	**84 357 808**	**171 957 407**	**161 200 433**

Restricted cash balances

Trust Account	96 012 815	80 483 185

The municipality is currently having a dispute with the mines over the General Valuation Roll of 2019. The Mines have set aside funds payable to the municipality into a Trust Account administered by the Municipal Lawyers. Should the judgement or ruling be in favour of the municipality, the municipality will be entitled to receive the excess of the amount in the Trust Account.

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	223 817 667	-	223 817 667	228 858 007	-	228 858 007

Reconciliation of investment property - 30 June 2025

	Opening balance	Disposals	Total
Investment property	228 858 007	(5 040 340)	223 817 667

Reconciliation of investment property - 30 June 2024

	Opening balance	Disposals	Total
Investment property	295 977 353	(67 119 346)	228 858 007

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 / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	139 403 116	-	139 403 116	144 006 859	-	144 006 859
Buildings	186 034 056	(113 977 592)	72 056 464	177 379 245	(106 534 368)	70 844 877
Community Assets	490 993 766	(315 954 009)	175 039 757	473 881 708	(309 923 205)	163 958 503
Machinery and equipment	7 881 891	(4 449 240)	3 432 651	6 469 887	(3 880 859)	2 589 028
Furniture and office equipment	53 906 279	(42 102 105)	11 804 174	52 456 725	(37 069 107)	15 387 618
Transport assets	27 409 408	(14 190 974)	13 218 434	28 290 462	(10 010 101)	18 280 361
Computer equipment	21 222 838	(12 161 467)	9 061 371	17 911 460	(9 869 414)	8 042 046
Storm water infrastructure	503 685 461	(217 396 671)	286 288 790	474 505 947	(202 628 225)	271 877 722
Water supply infrastructure	967 397 421	(518 578 262)	448 819 159	950 394 464	(449 643 230)	500 751 234
Roads infrastructure	2 549 565 532	(1 452 085 544)	1 097 479 988	2 491 098 280	(1 395 216 040)	1 095 882 240
Electrical infrastructure	848 716 629	(368 167 117)	480 549 512	854 050 168	(335 458 975)	518 591 193
Sanitation infrastructure	660 062 880	(259 066 947)	400 995 933	668 586 753	(242 164 589)	426 422 164
Solid Waste infrastructure	26 770 795	(19 294 404)	7 476 391	26 770 795	(15 360 213)	11 410 582
Total	**6 483 050 072**	**(3 337 424 332)**	**3 145 625 740**	**6 365 802 753**	**(3 117 758 326)**	**3 248 044 427**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 30 June 2025

	Opening balance	Additions	Disposals	Transfers received	Transfers out	Depreciation	Impairment loss	Impairment reversal	Total
Land	144 006 859	-	(4 603 743)	-	-	-	-	-	139 403 116
Buildings	70 844 877	430 500	(12 465)	-	-	(7 392 957)	(110 999)	5 624	63 764 580
Community facilities	163 958 503	16 985 719	(27 833)	8 693 835	(18 240 734)	(13 904 945)	(700 785)	2 392 691	160 416 944
Machinery and equipment	2 589 028	1 413 725	(37 032)	251 000	-	(768 865)	(15 205)	-	3 432 651
Furniture and office equipment	15 387 618	1 151 985	(8 226)	340 637	-	(5 041 044)	(26 796)	-	11 804 174
Transport assets	18 280 361	349 082	(137 753)	-	-	(5 084 857)	(188 399)	-	13 218 434
Computer equipment	8 042 046	2 609 832	(12 432)	1 205 771	-	(2 703 847)	(79 999)	-	9 061 371
Storm water infrastructure	271 877 722	38 261 343	(600 835)	-	-	(15 007 491)	-	-	294 530 739
Water supply infrastructure	500 751 234	7 078 920	(2 464 355)	-	-	(20 376 883)	(54 355 505)	531 487	431 164 898
Roads infrastructure	1 095 882 240	7 656 847	(417 715)	-	-	(60 137 379)	-	-	1 042 983 993
Electrical infrastructure	518 591 193	48 522 744	(2 911 969)	-	-	(29 361 986)	(7 444 300)	20 278	527 415 960
Sanitation infrastructure	426 422 164	32 294 938	(532 303)	-	-	(12 249 580)	(5 006 890)	24 151	440 952 480
Solid Waste infrastructure	11 410 582	-	-	-	-	(1 026 112)	(2 908 079)	-	7 476 391
	3 248 044 427	**156 755 635**	**(11 766 661)**	**10 491 243**	**(18 240 734)**	**(173 055 946)**	**(70 836 957)**	**2 974 231**	**3 145 625 731**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 30 June 2024

	Opening balance	Additions	Disposals	Transfers received	Transfers Out	Depreciation	Impairment loss	Impairment reversal	Total
Land	144 006 859	-	-	-	-	-	-	-	144 006 859
Buildings	76 403 489	-	-	-	-	(5 133 990)	(424 622)	-	70 844 877
Community facilities	183 305 244	14 354 105	-	-	-	(10 638 681)	(23 062 165)	-	163 958 503
Plant and machinery	1 719 861	432 892	(37 665)	1 155 952	-	(628 454)	(53 558)	-	2 589 028
Furniture and office equipment	17 363 900	1 270 961	(17 255)	2 015 413	-	(4 969 869)	(275 532)	-	15 387 618
Transport assets	22 249 637	-	-	530 372	-	(4 435 100)	(64 548)	-	18 280 361
Computer equipment	5 070 321	4 671 220	(12 958)	273 694	-	(1 864 790)	(95 441)	-	8 042 046
Storm water infrastructure	288 668 794	1 264 017	-	6 474 705	(6 474 705)	(15 159 471)	(3 682 979)	-	271 877 722
Water supply infrastructure	521 391 505	11 941 217	-	15 646 425	(15 646 425)	(14 280 590)	(5 060 149)	-	500 751 234
Roads infrastructure	1 098 143 185	66 677 541	(9 428)	30 406 909	(30 406 909)	(67 995 207)	(146 482)	-	1 095 882 240
Electrical infrastructure	415 228 400	39 431 879	(286 049)	8 695 652	(8 695 652)	(14 425 441)	(412 177)	79 054 581	518 591 193
Sanitation infrastructure	427 001 430	11 653 125	(25 714)	57 053 541	(57 053 541)	(8 662 221)	(16 785 200)	-	426 422 164
Solid Waste infrastructure	13 087 032	-	-	-	-	(1 063 762)	(612 688)	-	11 410 582
	3 213 639 657	**151 696 957**	**(389 069)**	**122 252 663**	**(118 277 232)**	**(149 257 576)**	**(50 675 541)**	**79 054 581**	**3 248 044 427**

Pledged as security

No portion of property, plant and equipment has been pledged as security for liabilities, other than obligations under finance leases that are secured by the lessor's right over the leased assed.:

10. Property, plant and equipment (continued)

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Infrastructure assets	75 592 035	69 580 248

Carrying value of property, plant and equipment of projects that have been delayed		
WIP 648: Khutsong South Bulk Substation Eskom .	5 399 687	5 399 687
WIP 805: Greenpark Outfall Sewer	18 799 137	18 799 137
WIP 930: Khutsong South Ext 5 & 6 Internal Roads & Stormwater	30 434 783	30 343 783
WIP 964: (60MVA 132/6kva) Fochville Bulk Electrical Supply (Phase5))	10 672 300	10 672 300
WIP 934: Kokosi Ext 6/7 Completion of Sewer Network/ Fochville Reservoir	3 478 261	3 478 261
P768: Kokosi Ext 6 Sewer & Water Meters	6 807 867	887 080
	75 592 035	**69 580 248**

WIP 648: Khutsong South Bulk Substation Eskom - Planning and design fees incurred, however, construction has not commenced due to availability of funds.

WIP 805: Greenpark Outfall Sewer - Project progress is at 89% and has been integrated along with with the Fochville outfall sewer, construction to commence in the 24/25 financial year.

WIP 930: Khutsong South Ext 5 & 6 Internal Roads & Stormwater - New Project 2021/2022. Amendment of assignment for Consultant services to turn-key basis dated 10/02/2022. Contractor was appointed and project was launched on the 28/03/2023. Frustrations regarding sewer spillages, additional budget required for remaining scope. Construction progress = 87%, anticipated completion on early 25/26 financial year.

WIP 964: (60MVA 132/6kva) Fochville Bulk Electrical Supply (Phase5) - New Project 2022/2023. A project initiation meeting was held on 19 August 2022. Project to be executed by Eskom. Received budget quotation from Eskom. Invoices received from consultant. Project planned completion period is 31 Months. Multi-year project. Allocated R7m was paid to Eskom. Approval from DMRE for change control to be sent to Merafong with assistance from LSO. Payment towards Budget Quote has been paid to Eskom . Consultant awaiting Eskom deliverables. Project to be linked together with P719

WIP 934: Kokosi Ext 6/7 Completion of Sewer Network/ Fochville Reservoir - The project has initially stopped due to a lack of funding, but has resumed again as funds have been made available for the project to continue.

Carrying value of property, plant and equipment of projects that have been halted		
WIP 758: Sludge drying beds Kokosi and Khutsong l	17 141 017	17 141 017
WIP 848: Refurbishment Of Wedela Wwtw	10 861 148	10 861 148
WIP 528: Roads - Costruction Road Over Rail Bridge Khutsong	3 680 326	3 680 326
WIP 515: Wonderspruit Outfall Sewer	2 529 648	2 529 648
WIP 516: Welverdiend Wwtw	2 214 412	2 214 412
WIP 519: Pedestrian Bridge Over Rail & Road	645 042	645 042
WIP 520: Internal Roads & Assosiated Stormwater	3 906 020	3 906 020
WIP 521: Other Supporting Stormwater Infrastructure	1 698 999	1 698 999
WIP 522: Internal Roads & Assosiated Stormwater	1 850 341	1 850 341

Figures in Rand	2025	2024

10. Property, plant and equipment (continued)

WIP 523: Bulk Water & Sewer Infrastructure	1 393 831	1 393 831
WIP 524: Internal Water & Sewer Reticulation	2 450 310	2 450 310
WIP 527: Design For Upgrade Welv Wwtp	7 500 000	7 500 000
WIP 530: Planning For Link Bulk Stormwater Channels	4 567 582	4 567 582
WIP 535: Internal Roads:Detail Design	7 480 574	7 480 574
WIP 550: Bulk Stormwater Western Canal	274 911	274 911
WIP 688: Upgrade Khutsong Extensions Water Sewer	194 271	194 271
	68 388 432	**68 388 432**

Reasons for delays:

WIP 758: Sludge drying beds Kokosi and Khutsong : Projects has been stalled and will commence once additional funds have been made available

WIP 848: Refurbishment Of Wedela Wwtw : Project Stopped due to insufficient funding in June 2021. Will be combined with P763 construction to continue in 24/25 financial year. .

Other WIP Projects; On financial year ended 30 June 2021, a decision was made through council to impair costs incurred on design fees as there were no funds available to continue with the projects. These projects have been fully impaired to R0.

Reconciliation of Work-in-Progress 30 June 2025

	Included within Infrastructure	Included within Community	Total
Opening balance	245 843 896	13 961 211	259 805 107
Additions/capital expenditure	125 005 500	16 985 719	141 991 219
Other movements [specify]	(11 494 174)	(9 546 899)	(21 041 073)
Transferred to completed items	(104 717 817)	(8 693 835)	(113 411 652)
	254 637 405	**12 706 196**	**267 343 601**

Reconciliation of Work-in-Progress 30 June 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	239 369 707	22 482 865	261 852 572
Additions/capital expenditure	124 741 422	14 354 106	139 095 528
Transferred to completed items	(118 267 233)	(22 875 760)	(141 142 993)
	245 843 896	**13 961 211**	**259 805 107**

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

Maintenance of Buildings and Facilities	12 217 565	2 962 811
Maintenance of Equipment	10 920 482	29 302 361
Maintenance of Unspecified Assets	33 181 239	3 665 363
	56 319 286	**35 930 535**

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.

10. Property, plant and equipment (continued)

Land appointed in terms of legislation which entity controls without legal ownership or custodianship

In addition to 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 GRAP 17. These properties have been recorded in a separate register for record keeping purposes. The total value thereof is R84 076 932."

Notes to the Annual Financial Statements

Figures in Rand

11. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	21 492 456	(7 600 186)	13 892 270	24 051 799	(5 458 557)	18 593 242

Reconciliation of intangible assets - 30 June 2025

	Opening balance	Disposals	Amortisation	Total
Computer software, other	18 593 242	(170 653)	(4 530 319)	13 892 270

Reconciliation of intangible assets - 30 June 2024

	Opening balance	Additions	Amortisation	Total
Computer software, other	1 127 019	19 837 233	(2 371 010)	18 593 242

Pledged as security

There were no intangible assets pledged as security:

Notes to the Annual Financial Statements

Figures in Rand

12. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	190 360	-	190 360	190 360	-	190 360

Reconciliation of heritage assets 30 June 2025

	Opening balance	Total
Art Collections, antiquities and exhibits	190 360	190 360

Reconciliation of heritage assets 30 June 2024

	Opening balance	Total
Art Collections, antiquities and exhibits	190 360	190 360

Figures in Rand	2025	2024

13. Borrowings

At amortised cost		
Annuity Loans	7 323 099	17 672 650

Current portion of Borrowings		
Nedbank	2 821 243	7 663 445
Development Bank of South Africa	-	2 685 305
	2 821 243	**10 348 750**

Non-current portion of Borrowings		
Development Bank of South Africa	4 501 856	7 323 099

The loans are not secured.

The fair value of borrowings was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

All loans were obtained in terms of section 45 and 46 of the MFMA.

External Loans	Interest Rate	Start date	Redemption Date
Development Bank of South Africa	5.00%	01/10/2007	30/09/2027
Nedbank	11.22%	25/06/2015	25/06/2025

Non-current liabilities		
At amortised cost	4 501 856	7 323 099
Current liabilities		
At amortised cost	2 821 243	10 349 551

Financial liabilities

Reconciliation of borrowings

Reconciliation of borrowings-2025

	Opening balance	Redeemed during thep eriod	Closing balance
DBSA	10 008 404	(3 113 858)	6 894 546
Nedbank	7 664 268	(7 664 268)	-
	17 672 672	**(10 778 126)**	**6 894 546**

Reconciliation of borrowings - 2024

	Opening balance	Redeemed during thep eriod	Closing balance
DBSA	12 562 020	(2 553 616)	10 008 404
Nedbank	14 532 124	(6 867 856)	7 664 268
	27 094 144	**(9 421 472)**	**17 672 672**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

13. Borrowings (continued)

Financial liabilities at amortised cost

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

14. Finance lease obligation

Minimum lease payments due		
- within one year	569 568	2 485 994
- in second to fifth year inclusive	6 856	576 424
Present value of minimum lease payments	**576 424**	**3 062 418**

Present value of minimum lease payments due		
- within one year	569 568	2 485 994
- in second to fifth year inclusive	6 856	576 424
	576 424	**3 062 418**

Non-current liabilities	6 856	576 425
Current liabilities	569 568	2 485 994
	576 424	**3 062 419**

Defaults and breaches

During the current year, there were no defaults or breaches of any finance leases agreements.

15. Payables from exchange transactions

Trade payables	2 326 207 377	1 398 787 854
Debtors with credit balances	263 078 688	85 512 032
Salary Control clearing accounts	5 687 593	8 279 027
Accrued leave pay	36 359 121	30 583 580
Unallocated deposits	22 509 322	20 436 661
Retention fees	29 288 465	32 009 450
	2 683 130 566	**1 575 608 604**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

16. VAT payable

VAT Control	313 017 296	313 017 296
VAT Output Accrual [on Receivables]	96 567 205	30 205 106
	409 584 501	**343 222 402**

VAT Receivable that are statutory arrangements.	R 225 741	R 9 046 856

17. Consumer deposits

Electricity	27 142 871	26 065 144

18. Employee benefit obligations

Defined benefit plan

Employee Benefit Liabilities

	2025	2024
Defined benefit plan		
Post-retirement Health Care Banefits	6 077 000	5 436 000
Long Service Awards Liability	3 303 000	2 906 000
Current Portion of Employee Benefit Liabilities	**9 380 000**	**8 342 000**
Post-retirement Health Care Benefits	137 185 000	123 603 000
Long Service Awards Liability	21 402 000	20 355 000
Non-Current Portion of Employee Benefit Liabilities	**158 587 000**	**143 958 000**

18.1 Post retirement medical aid plan

The municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

Eligible employees will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement. Continuation members and their eligible dependants receive either 60% or 70% subsidy.

The actuarial valuation has been performed of the net defined benefit liability in respect of the post employment medical aid subsidyto employees and retirees of Merafong City Local Municipality and their registered dependants. As there a no plan asset, the net defined benefit liability is equal to the defined benefit obligation. The valuation was performed by Mr Chanan Weiss on 31 July 2025 by Mr Chanan Weiss, Fellow of the Actuarial Society of South Africa. The projected unit credit method has been used i.e defined benefit obligation in respect of eligible employees is accrued over their expected working lifetimes. The average expected remaining working-lifetime of employees is 13.7 years

Post-retirement Health Care Benefits Liability

	2025	2024
Opening balance	129 039 000	116 817 000
Interest costs	15 433 000	14 284 000
Current service cost	4 541 000	4 170 000
Actual Employer Benefits payments	(5 068 912)	(4 401 637)
Actuarial loss (Gain) recognised in the year	(682 088)	(1 830 363)
	143 262 000	**129 039 000**
Current portion of liability (due in the next 12 months)	6 077 000	5 436 000
Non-current portion of liability	137 185 000	123 603 000
Total Post-retirement Health Care Benefits Liability	**143 262 000**	**129 039 000**

	2025	2024
The members of the Post-employment Health Care Benefit plan are made up as follows:		
In-service members (employees)	558	592
In-service non-members (employees)	122	130
Continuation members (retirees, widowers and orphans)	101	90
Total members	**781**	**812**

Figures in Rand	2025	2024

18. Employee benefit obligations (continued)

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

	2025	2024
In-service members (employees)	81 712 000	79 187 000
In-service non-members (employees)	3 859 000	3 257 000
Continuation members (retirees, widowers and orphans)	57 691 000	46 595 000
Total Liability	**143 262 000**	**129 039 000**

Post-retirement

The municipality makes monthly contributiuons for health care arrangements to the following Medical Aid Schemes:
- Bonitas
- Sizwe-Hosmed
- Keyhealth
- LA health
- Samwumed

The current-service cost for the year ending 30 June 2025 is estimated to be R 4 541 000 (2024: R4 170 000).

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

	2025	2024
Discount rate	11.1%	12.2%
CPI Inflation rate	5.0%	6.2%
Net Discount Rate (Medical aid contribution)	4.0%	4.2%
Medical aid contribution inflation rate	6.8%	7.7%
Maximum subsidy inflation rate	4.50%	5.4%
Net		
Expected Retirement Age- Females	62 yrs	62 yrs
Expected Retirement Age - Males	62 yrs	62 yrs

General:
It is assumed that the municipality's health care arrangements and subsidy policy would remain.

Continuation of Membership:
It has been assumed that 75% of in-service members will remain on the municipality's health care arrangement should they stay until retirement..

Family Profile:
It has been assumed that female spouses will be four years younger than their male counterparts. Furthermore it has been assumed that 60% of eligible employees on a health care arrangement at retirement will have a subsidised spouse dependant. For current retiree members, actual subsidised spouse dependants were used and the potential for remarriage was ignored.

Discount Rate:

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve. Consequently, a discount rate of 11.1% per annum has been used. The corresponding index-linked yield at this term is 5.19%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2025.

Long Service Awards Liability

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

18. Employee benefit obligations (continued)

The Municipality offers employees Long Service Awards for every five years of service completed, from ten years of service to 45 years of service, inclusive.

The most recent actuarial valuations of no plan assets, the net defined benefit liability is equal to the defined benefit obligation were carried out at 31 July 2025 by Mr C Weiss, Fellow of the Actuarial Society of South Africa.

At year-end, 680 (2024: 722) employees were eligible for Long-service Awards. The Current-service Cost for the year ending 30 June 2025 is estimated to be R1 539 000..

	2025	2024
Opening balance	23 261 000	23 910 000
Current service cost	1 539 000	1 560 000
Interest cost	2 349 000	2 368 000
Benefit vesting	(2 757 722)	(3 927 285)
Actuarial (gain)/ loss	313 722	(649 715)
	24 705 000	**23 261 000**

	2025	2024
Current portion of liability	3 303 000	2 906 000
Non-current portion of liability	21 402 000	20 355 000
Total Long Service Awards Liability	**24 705 000**	**23 261 000**

Long Service Awards

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

	2025	2024
Discount rate	9.4%	10.8%
CPI Inflation rate	3.6%	4.9%
General earnings Inflation rate	4.6%	5.9%
Net discount rate	4.6%	4.5%
Expected Retirement Age- Females	62 yrs	62 yrs
Expected Retirement Age - Males	62 yrs	62 yrs

General:
It is assumed that the Municipality's long service arrangements and subsidy policy would remain as outlined in the report, and that the level of benefits would remain unchanged, with the exception of inflationary adjustments.

Discount rate:
GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 9.4 **%** per annum has been used. The corresponding liability-weighted index-linked yield is 5.06%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2025. The duration of the total liability was estimated to be 7 years.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Water Services Infrastructure Grant	15 809 196	34 594 300
Municipal Disaster Recovery Grant	16 638	16 638
Mining Town	223 089	32 091 996
West Rand:Capacity Building	345 747	-
Library Recapitalization Grant	1 190 798	9 944 650
	17 585 468	**76 647 584**

Movement during the year

Opening balance	76 647 584	48 044 645
Additions during the year	214 837 708	214 824 431
Income recognition during the year	(273 899 824)	(186 221 492)
	17 585 468	**76 647 584**

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

20. Provisions

Reconciliation of provisions - 30 June 2025

	Opening Balance	Additions	Interest cost	Change in discount factor	Total
Environmental rehabilitation	7 766 870	-	597 589	(1 606 160)	6 758 299
Performance bonus	7 822 444	1 731 594	-	-	9 554 038
	15 589 314	**1 731 594**	**597 589**	**(1 606 160)**	**16 312 337**

Reconciliation of provisions - 30 June 2024

	Opening Balance	Additions	Interest cost	Change in discount factor	Total
Environmental rehabilitation	7 471 304	-	725 285	(429 719)	7 766 870
Performance bonus	6 772 948	1 049 496	-	-	7 822 444
	14 244 252	**1 049 496**	**725 285**	**(429 719)**	**15 589 314**

	2025	2024
Non-current liabilities	910 058	1 375 775
Current liabilities	15 402 279	14 213 539
	16 312 337	**15 589 314**

Environmental rehabilitation provision

Long-term obligations comprising pollution control, rehabilitation and site closure result from environmental disturbances associated with the municipality's operations. Estimates are determined by independent environmental specialists in accordance with environmental regulations.

Restoration costs

Changes in the discounted amount of estimated restoration costs are charged to profit or loss during the period in which such changes occur. Estimated restoration costs are reviewed annually and discounted using a pre-tax risk-free rate that reflects market assessments of the value of money. The increase in restoration provisions owing to the passage of time is charged to finance costs. All other charges in the carrying amount of the provision subsequent to initial recognition are included in profit or loss in the period in which they are incurred.

Ongoing rehabilitation cost

The cost of ongoing current programmes to prevent and control pollution is recognised as an expense when incurred.

Critical accounting estimates and assumptions:

An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph .61.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

21. Municipal Debt Relief

Future payments	2025	2024
Within one year	418 118 981	209 059 488
Within 2 and 5 years	209 059 489	418 118 978
Less Interest	(51 609 398)	(110 538 146)
	575 569 072	**516 640 320**

	2025	2024
Current liability	380 282 241	150 130 738
Non- Current liability	195 286 831	366 509 582
	575 569 072	**516 640 320**

Government introduced a debt relief package that writes off historic municipal debt to Eskom to help free up revenue at municipalities to provide reliable basic services. Merafong's application for the Municipal debt relief was approved in December 2023. To qualify for the write off the municipality is expected to meet 14 conditions as guided by MFMA Circular 124.The Municipal 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 write-off by Eskom is contingent upon the municipality continuously meeting the conditions specified in the Circular, as well as an annual written communication from the National Treasury confirming compliance with the conditions with the conditions. Amount owing to Eskom owing as of 31 March 2023, including interest and penalties accrued thereon was de-recognised, and a new financial liability, Municipal Relief Debt recognised by the municipality. Over the 3-year period of the Eskom Debt relief programme, Eskom waives further interest and penalties pertaining to the approved amount. The Municipal Relief Debt is recognised at fair value amortised over 3 years. The qualifying portion is discounted at the market rate which is the prevailing prime interest rate plus 2.5 percent. The current liability relates to the expected write off(excluding interest) within the 12 month and non-current liability is the expected write off in 2nd year and 3rd year.

22. Service charges

Electricity	315 811 003	310 048 213
Sale of water	407 416 724	327 283 770
Waste Management	94 200 745	80 791 123
Waste Water Management	67 635 463	65 407 188
	885 063 935	**783 530 294**

23. Rental of facilities and equipment

Municipal properties		
Premises	3 465 213	2 903 509

24. Interest earned from receivables

Property rates	141 375 699	141 373 955
Services charges	182 261 163	169 396 144
	323 636 862	**310 770 099**

25. Agency services

Vehicle Registrations	13 124 786	10 991 348

Notes to the Annual Financial Statements

26. Sale of goods and rendering of services

Figures in Rand	2025	2024
Scrap, Waste & Other Goods	218 078	70 150
Tender Documents	922 823	484 111
Clearance Certificates	57 808	131 485
Assets < Capitalisation Threshold	20 365	25 267
Building Plan Clause Levy	1 823 834	732 512
Cemetery and Burial	534 717	347 440
Encroachment Fees	-	40 000
Entrance Fees	209 995	111 563
Photo copies, Faxes and Telephone charges	1 200	3 463
Town Planning and Servitudes	451 729	97 637
	4 240 549	**2 043 628**

27. Operational Revenue

Incidental Cash Surpluses	949	1 267
Municipal Information and Statistics	13 195	49 900
Commision income	127 443	-
	141 587	**51 167**

28. Interest earned from current and non-current assets

Short-term Investments and Call Accounts	11 266 862	19 709 292

29. Property rates

Rates received

Residential	65 996 944	450 743 950
Business and Commercial	86 078 835	48 418 627
Public Service Infrastructure Properties	22 589 569	8 262 314
Mining Properties	338 580 759	254 725 373
Small holdings and farms	5 310 660	2 501 058
Vacant Land	6 809 481	692 890
Less: Income forgone	(106 931)	-
	525 259 317	**765 344 212**

Valuations

Agricultural	1 210 265 000	1 206 533 000
Business and Commercial	1 855 187 000	1 889 630 000
Industrial	121 473 000	121 825 000
Mining	7 566 633 000	7 566 633 000
Place of Worship	187 726 000	187 726 000
Protected Area	5 780 000	5 780 000
Public Service Purposes	497 229 000	487 479 000
Public Service Infrastructure	33 800 000	33 800 000
Residential	7 088 312 000	7 101 059 000
Vacant Land	348 090 000	346 281 000
	8 914 495 000	**8 946 746 000**

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.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

30. Fines, Penalties and Forfeits

Building Fines	-	46 040
Overdue Books Fines	3 837	1 289
Municipal Traffic Fines	38 734 950	34 317 216
	38 738 787	**34 364 545**

Figures in Rand	2025	2024

31. Government grants & subsidies

Operating grants

Equitable share	305 451 000	285 049 989
Expanded Public Works Programme Integrated Grant (EPWP)	1 732 000	1 484 000
Library Recapitalization Grant	28 194 901	15 314 301
LG SETA	1 721 777	801 711
Municipal Disaster Recovery Grant	-	4 983 363
Local Gvt Financial Management Grant	2 800 000	2 850 000
West rand District Grant	2 445 577	2 932 709
Municipal Infrastructure Grant	5 731 441	3 594 238
	348 076 696	**317 010 311**

Capital grants

Municipal Infrastructure Grant	71 209 559	70 200 762
Water Services Infrastructure Grant (WSIG)	29 127 106	8 454 038
Integrated National Electrification Programme Grant	17 767 997	25 000 000
Mining town	31 868 907	50 304 596
	149 973 569	**153 959 396**
	498 050 265	**470 969 707**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	304 783 338	-
Unconditional grants received	196 777 212	285 049 989
	501 560 550	**285 049 989**

Municipal infrastructure Grants (MIG)

Current-year receipts	76 941 000	73 795 000
Conditions met - transferred to revenue	(76 941 000)	(73 795 000)
	-	-

MIG Grant was used to accelerate the provision of basic service delivery through construction of capital projects. Conditions of the grant were all met at year end.

Water Services Infrastructure Grant

Balance unspent at beginning of year	34 594 300	12 718 430
Current-year receipts	33 342 000	30 330 000
Conditions met - transferred to revenue	(32 718 382)	(8 454 130)
Condition not met - Repaid	(19 408 722)	-
	15 809 196	**34 594 300**

Conditions still to be met - remain liabilities (see note 19).

Integrated National Electrification Programme Grant

Current-year receipts	17 768 000	25 000 000
Conditions met - transferred to revenue	(17 768 000)	(25 000 000)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

31. Consumer debtors disclosure (continued)

Municipal disaster recovery

Balance unspent at beginning of year	16 638	-
Current-year receipts	-	5 000 000
Conditions met - transferred to revenue	-	(4 983 362)
	16 638	**16 638**

Conditions still to be met - remain liabilities (see note 19).

Mining Town

Balance unspent at beginning of year	32 091 996	30 547 480
Current-year receipts	-	52 000 000
Conditions met - transferred to revenue	(31 868 907)	(50 455 484)
	223 089	**32 091 996**

Conditions still to be met - remain liabilities (see note 19).

Expanded Public Works Programme Integrated Grant (EPWP)

Current-year receipts	1 732 000	1 484 000
Conditions met - transferred to revenue	(1 732 000)	(1 484 000)
	-	**-**

Financial Management Grant

Balance unspent at beginning of year	-	814 989
Current-year receipts	2 800 000	2 850 000
Conditions met - transferred to revenue	(2 800 000)	(2 850 000)
Rollover rejection and transferred to Equitable share	-	(814 989)
	-	**-**

The Financial Management Grant is paid by National Treasury to municipalities to assist the financial management reforms required by the MFMA

West Rand:Capacity Building

Current-year receipts	2 791 324	2 932 709
Conditions met - transferred to revenue	(2 445 577)	(2 932 709)
	345 747	**-**

Conditions still to be met - remain liabilities (see note 19).

Library Recapitalization Grant

Balance unspent at beginning of year	9 944 650	3 812 951
Current-year receipts	23 254 000	21 446 000
Conditions met - transferred to revenue	(28 194 901)	(15 314 301)
Unspeng paid back	(3 812 951)	-
	1 190 798	**9 944 650**

Conditions still to be met - remain liabilities (see note 19).

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

32. Public contributions and donations

1% Social contribution	3 476 642	3 332 283
Donations of assets	9 670 778	10 201 788
	13 147 420	**13 534 071**

Conditions still to be met - remain liabilities (see note 19)

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

33. Municipal Debt Relief

Eskom Debt Relief - Interest Relief	-	213 206 718

Merafong City Local Municicpality was approved to participate in the Municipal Eskom Debt Relief effective 1 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 write-off by Eskom is contingent upon the municipality continuously meeting the conditions specified in the Circular 124, as well as an annual written communication from the National Treasury confirming compliance with the conditions with the conditions. National Treasury is currently assessing the first write off hence no income was recognised during the year.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

34. Employee - related costs

Basic	272 779 939	245 468 597
Bonus	16 770 788	15 971 191
Medical aid - company contributions	25 655 147	29 073 633
UIF	1 783 255	1 733 636
Bargaining Council	143 514	128 353
Cellphone allowance	2 237 246	2 086 427
Group life insurance	2 346 903	2 311 864
Leave Pay	14 665 926	11 739 636
Standby Allowance	4 365 770	4 493 638
Overtime payments	25 446 571	33 838 250
Acting allowances	10 942 779	13 836 935
Uniform allowance	126 478	108 141
Car allowance	10 805 888	8 999 565
Housing benefits and allowances	1 612 441	1 643 993
Tools allowance	330 432	349 879
Sewerage	46 596	51 586
Performance bonus accrual	1 731 594	1 049 496
Pension fund contributions	41 741 090	40 638 383
Employee benefits obligation: Current service cost	6 080 000	1 385 753
	439 612 357	**414 908 956**

Remuneration of municipal manager

Basic salary	1 563 621	1 442 972
Travel and cellphone allowances	371 210	371 210
Cellphone allowance	359 067	469 792
	2 293 898	**2 283 974**

Remuneration of chief finance officer

Acting allowance	-	154 118
Basic salary(backpay/salary non pensionable)	1 130 371	570 851
Travel and cellphone allowances	471 701	254 202
UIF, pension and medical aid funds	138 549	54 130
	1 740 621	**1 033 301**

Remuneration of Executive Director: Infrastruture Development

Basic salary(backpay/salary non pensionable)	1 423 884	1 119 918
Travel and cellphone allowances	207 183	205 838
UIF, Medical and Pension Funds	336 785	402 684
	1 967 852	**1 728 440**

Remuneration of executive director :Community Services

Basic salary(backpay/salary non pensionable)	1 476 302	1 130 047
Travel and cellphone allowances	154 765	428 478
UIF, Medical and Pension Funds	374 083	1 805 632
	2 005 150	**3 364 157**

Remuneration of executive director; Corporate Servives

Basic salary(backpay/salary non pensionable)	1 279 605	587 981

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

34. Employee - related costs (continued)

Travel and cellphone allowances	322 467	237 141
UIF, pension and medical aid funds	4 251	2 639
Acting allowances	-	47 681
	1 606 323	**875 442**

Remuneration of executive director : Economic Development & Planning

Acting allowance	-	371 469
Basic salary(backpay/salary non pensionable)	1 130 371	471 807
Travel and cellphone allowances	471 701	160 000
UIF, pension and medical aid funds	4 251	1 771
	1 606 323	**1 005 047**

Remuneration of executive director : Chief Operating Officer

Basic salary(backpay/salary non pensionable)	1 130 371	435 265
Travel and cellphone allowances	471 701	196 599
UIF, Medical and Pension Funds	107 571	1 771
	1 709 643	**633 635**

Remuneration of executive director : Public Safety

Acting Allowance	90 863	-
Basic salary(backpay/salary non pensionable)	950 249	-
Travel and cellphone allowances	151 558	-
UIF, pension and medical aid funds	204 091	-
	1 396 761	**-**

Remuneration of executive director : Energy

Acting allowance	63 976	-
Basic salary(backpay/salary non pensionable)	1 086 317	-
Travel and cellphone allowances	280 923	-
UIF, pension and medical aid funds	201 683	-
	1 632 899	**-**

35. Remuneration of councillors

Executive Mayor	1 059 993	1 040 254
Deputy Executive Mayor	836 316	-
Mayoral Committee Members	8 851 106	8 945 944
Speaker	857 576	977 367
Chief Whip	807 408	792 276
Other concillors	14 690 269	14 575 807
	27 102 668	**26 331 648**

35. Remuneration of councillors (continued)

In-kind benefits

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

The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor, Speaker and Chief Whip have use of Council owned vehicles for official duties.

The Executive Mayor has full-time VIP protection personnel.

The Speaker has full-time VIP protection personnel.

36. Inventory consumed

	2025	2024
Material and supplies	1 649 229	6 222 796
Water	337 702 159	353 611 336
	339 351 388	**359 834 132**

37. Lease rentals on operating lease

	2025	2024
Equipment		
Contractual amounts	10 731 703	5 065 977

38. Depreciation and amortisation

	2025	2024
Property, plant and equipment	173 055 949	149 257 576
Intangible assets	4 530 319	2 371 010
	177 586 268	**151 628 586**

Figures in Rand	2025	2024

39. Impairment loss

Impairments		
Property, plant and equipment	70 836 956	50 675 567
Assessment of condition, peformance and utilisation resulted in impairment of propert, plant and equipment assets that showed indication of impairment.Refer to Note 10 for the main classes affected by impairment		
Reversal of impairments		
Property, plant and equipment	(2 974 231)	(79 054 581)
Assets impaired previously but condition changed due to repairs and refurbishment. Refer to Note 10 for the main classes affected by reversal of impairment		
VBS Investment	(9 378 554)	-
During the 2018/2019 financial year end VBS Mutual Bank Investment experienced financial difficulties which led to breach of contracts when some of the matured investments and deposits could not be honoured. The municipality had a short-term deposit of R 50 m. The municipality accounts for short term deposits as financial assets at amortised cost. The curator and National Treasury did not offer any guarantees to the municipality. The Minister of Finance placed VBS Mutual Bank Investment under curatorship with effect from 11 March 2018. SizweNtsalubaGobodo Advisory Services was appointed, in terms of section 81 of the Mutual Banks Act 124 of 1993 ("the Mutual Banks Act"), as the curator to VBS Mutual Bank Investment. The municipality resolved in the 2018/2019 financial year to fully impair the investment of R 50m since there were no future cashflows expected from VBS Mutual Bank Investment. During the current financial year, the municipality was paid an amount of R 9,3m which has been recognised as an impairment loss reversal..]		
	(12 352 785)	**(79 054 581)**
Total impairment losses (recognised) reversed	**58 484 171**	**(28 379 014)**

40. Loss on sale of assets

Property, plant and equipment	(16 806 883)	(67 508 416)
Intangible assets	(170 653)	-
	(16 977 536)	**(67 508 416)**

41. Finance costs

Interest costs- Defined employee benefit Obligations	17 782 000	17 004 580
Interest on borrowings	959 159	1 887 252
Interest on late payments to creditors	207 298 612	177 687 175
Interest on provision of Landfill site	597 589	725 283
Interest on convertible instruments	143 741	-
Interest - Eskom Debt relief	58 928 752	-
	285 709 853	**197 304 290**

42. Debt impairment

Debt impairment	964 676 913	1 215 933 064
Bad debts written off	43 685 161	60 395 281
	1 008 362 074	**1 276 328 345**

Figures in Rand	2025	2024

43. Bulk purchases

Electricity - Eskom	556 457 053	466 244 315

Electricity losses

	30 June 2025 - KWH	30 June 2025- Amount	30 June 2024 KWH	30 June 2024 Amount
Units purchased	257 493 495	556 457 779	236 195 773	466 244 315
Units sold	(114 315 448)	(247 042 049)	(123 486 720)	(243 716 035)
Total loss	**143 178 047**	**309 415 730**	**112 709 053**	**222 528 280**
Comprising of:				
Technical losses	8 590 683	18 564 943	7 091 209	12 051 488
Non-technical losses	134 587 364	290 850 796	111 095 613	188 806 645
Total	**143 178 047**	**309 415 739**	**118 186 822**	**200 858 133**
Percentage Loss:				
Technical losses	3 %	3 %	3 %	3 %
Non-technical losses	53 %	53 %	45 %	45 %
Total	**56 %**	**56 %**	**48 %**	**48 %**

Water losses

	30 June 2025 - Kilo Littres	30 June 2025 Amount	30 June 2024 Amount	30 June 2024 Amount
Opening units	50 637	674 522	78 637	957 802
Units purchased	24 069 938	337 029 457	26 524 830	353 328 056
Units sold	(13 798 611)	(199 090 510)	(15 232 493)	(202 906 759)
Revaluation adjustment on unit price of stock on hand	-	-	(72 682)	(283 279)
Closing balance of water stock	(59 287)	(830 062)	50 637	(674 522)
Total	**10 262 677**	**137 783 407**	**11 348 929**	**150 421 298**
Comprising of:				
Technical losses	615 761	8 620 649	680 936	9 025 278
Non-technical losses	9 646 916	135 056 829	10 667 994	141 396 020
Total	**10 262 677**	**143 677 478**	**11 348 930**	**150 421 298**
Percentage Loss:				
Technical losses	3 %	3 %	3 %	3 %
Non-technical losses	40 %	40 %	40 %	40 %
Total	**43 %**	**43 %**	**43 %**	**43 %**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

44. Contracted services

Outsourced Services		
Administrative and Support Staff	194 165	602 182
Burial Services	1 300 450	1 458 257
Catering Services	1 205 587	542 801
Litter Picking and Street Cleaning	38 939 073	24 215 946
Meter Management	2 081 390	5 293 933
Security Services	51 349 964	48 328 606
Traffic Fines Management	4 512 995	352 371
Transport Services	-	40 400
Consultants and Professional Services		
Business and Advisory	69 516 012	43 586 126
Infrastructure and Planning	56 588 838	157 012
Laboratory Services	1 895 423	611 970
Legal Cost	69 892 346	70 804 464
Contractors		
Artists and Performers	159 000	267 339
Electrical	51 558 644	7 349 169
Employee Wellness	7 320	336 384
Maintenance of Buildings and Facilities	12 332 018	2 962 811
Maintenance of Equipment	10 969 482	29 302 361
Maintenance of Unspecified Assets	33 181 239	3 665 363
Prepaid Electricity Vendors	-	433 623
Traffic and Street Lights	4 544 052	1 081 396
Sewerage Services	21 141 457	10 682 005
	431 369 455	**252 074 519**

44.11 Consultants and Professional Services

Legal Costs		
Issue of Summons	49 664 556	19 661 846
Legal Advice and Litigation	17 877 334	32 872 618
Collection	2 350 457	18 270 000
	69 892 347	**70 804 464**

45. Transfer and subsidies

Transfer to NSPCA	505 558	329 026
Skill Development and Training	-	418 550
	505 558	**747 576**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

46. Operational costs

Audit fees	10 704 030	10 043 285
Advertising	674 422	580 272
Bank charges	1 302 733	1 001 571
Cleaning	715 845	932 993
Commission paid	6 589 651	386 836
Gifts and Promotions	29 500	17 889
Hire	974 664	253 586
Insurance	11 896 447	114 829
Bursaries (Non-employees)	314 913	111 200
IT expenses	1 984 032	7 751 058
Licence and registration fees	1 201 637	-
Fuel and oil	9 582 551	14 579 625
Printing and stationery	4 034 387	2 056 952
Software expenses	25 733 669	22 303 274
Subscriptions and membership fees	4 909 638	4 577 947
Telephone and fax	1 599 757	1 724 824
Transport and freight	226 604	89 181
Travel - local	2 527 290	994 696
Title deed search fees	80 912	81 767
Uniforms	238 304	-
Skills development levy	3 635 888	2 716 232
Bursaries (Employees)	1 339 819	176 116
System Access and Information Fees	3 011 776	53 702
Indigent Relief	-	205 783
Remuneration of ward committees	3 770 000	2 639 879
Workmen's Compensation Fund	3 359 121	-
Rewards Incentives	793 537	-
Performing Arts	593 456	24 540
	101 824 583	**73 418 037**

47. Cash generated from operations

Deficit	(1 135 146 170)	(632 290 205)
Adjustments for:		
Depreciation and amortisation	177 586 268	151 628 586
Loss on sale of assets and liabilities	16 977 536	67 508 416
Impairment deficit	70 836 956	50 675 567
Debt impairment	964 676 913	1 215 933 064
Bad debts written off	43 685 161	60 395 281
Movements in retirement benefit assets and liabilities	15 667 000	11 573 000
Movements in provisions	723 023	714 110
Non-cash donations and other in-kind benefits	(9 670 778)	(10 201 788)
Reversal of impairment loss	(2 974 231)	(79 054 581)
Other non-cash items -municia debt r	(71 849 521)	492 031 546
Changes in working capital:		
Inventories	(155 539)	283 279
Receivables from exchange transactions	(112 578 774)	136 379 750
Debt impairment	(964 676 913)	(1 215 933 064)
Other receivables from non-exchange transactions	(15 893 290)	(15 964 273)
Payables from exchange transactions	1 107 521 962	(72 040 946)
VAT	48 006 644	(17 001 235)
Unspent conditional grants and receipts	(59 062 116)	28 753 826
Consumer deposits	1 077 727	1 396 424
	74 751 858	**174 786 757**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

48. Financial instruments disclosure

Categories of financial instruments

30 June 2025

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	248 142 691	248 142 691
Cash and cash equivalents	84 357 806	84 357 806
	332 500 497	**332 500 497**

Financial liabilities

	At amortised cost	Total
Consumer deposits	27 142 871	27 142 871
Borrowings	7 326 228	7 326 228
Trade and other payables from exchange transactions	2 646 768 267	2 646 768 267
Municipal debt relief	575 569 072	575 569 072
Finance lease obligation	576 424	576 424
	3 257 382 862	**3 257 382 862**

30 June 2024

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	135 563 917	135 563 917
Cash and cash equivalents	171 957 407	171 957 407
	307 521 324	**307 521 324**

Financial liabilities

	At amortised cost	Total
Consumer deposits	26 065 144	26 065 144
Borrowings	17 672 650	17 672 650
Municipal debt relief	516 640 319	516 640 319
Trade and other payables from exchange transactions	1 545 025 024	1 545 025 024
	2 105 403 137	**2 105 403 137**

49. Risk management

Financial risk management

49. Risk management (continued)

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.

At 30 June 2025	Less than 1 year	Between 1 and 5 years	Between 2 and 5 years	Total
Trade and other payables	2 646 768 267	-	-	2 646 768 267
Finance lease obligations	569 568	6 856	-	576 424
Borrowings	2 821 243	4 501 856	-	7 323 099
Consumer deposit	27 142 871	-	-	27 142 871
Municipal debt relief	150 130 738	425 438 334	-	575 569 072

At 30 June 2024	Less than 1 year	Between 1 and 5 years	Between 2 and 5 years	Total
Trade payable and other payables	1 545 025 024	-	-	1 545 025 024
Finance lease obligations	2 485 994	576 425	-	3 062 418
Consumer deposits	26 065 144	-	-	26 065 144
Borrowings	10 349 551	7 323 900	-	17 672 650
Municipal debt relief	150 130 738	366 509 582	-	516 640 320

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	30 June 2025	30 June 2024
Receivables from exchange transactions	247 180 111	135 563 917
Receivables from non-exchange transactions	60 160 008	56 076 884
Cash and cash equivalents	84 357 806	171 957 957

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

Market risk

Interest rate risk

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

50. Commitments

Authorised capital expenditure

Already contracted for and provided for:		
• Capital commitments	248 325 574	170 715 554
• Capital commitments from Internally funded projects	4 745 439	14 151 531
	253 071 013	**184 867 085**
Not yet contracted for and provided for		
• Capital commitment	22 500 000	-
Total capital commitments		
Already contracted and provided for	253 071 013	184 867 085
Not yet contracted for and authorised by accounting officer	22 500 000	-
	275 571 013	**184 867 085**

Authorised operational expenditure

Already contracted and provided for		
• Operational Commitments	24 771 452	50 624 968
Total operational commitments		
Already contracted and provided for	24 771 452	50 624 968

Total commitments

Total commitments		
Authorised capital expenditure	275 571 013	184 867 085
Authorised operational expenditure	24 771 452	50 624 968
	300 342 465	**235 492 053**

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

51. Contingencies

Review Application- Valuation of MIning Properties (Case number: 34205/2015)	10 000 000	10 000 000
High Court- Provision of water to MInes (Case number: HC 23558/2011)	10 000 000	10 000 000
VAB Proceedings - VAB SVR6 - Appeals against valuation of mining properties	10 000 000	-
Notice of Motion: Claim for Pension Benefits (Case number: 16414/20)	1 837 000	1 837 000
Enforcement of Construction Guarantee- Relocation of Khutsong Reservoir with Infrastructure (Case number: 051559/2023)	10 000	500 000
Civil claim- Money stolen (case number: 357/2022)	20 000	20 000
Notice of Motion- Acknowledgement of debts (Case number: 22-060783)	-	200 000
Drafting of policies and by-laws	-	6 300 000
Notice of motion- Joinder application (Case number: JR1100/2022)	-	500 000
Investigation of theft and vandalism of Infrastructure	-	400 000
Recovering of funds paid to VBS Mutual Bank	400 000	-
Investigation of rates and taxes	-	200 000
VAB Proceedings - VAB Hearings GVR 2019. Appeals against valuation of mining properties	2 000 000	-
Legal Support to TKQ Trading: provision of technical support to Municipality	-	652 567
Combined summons : Refund for wayleave - HC 2024-074527	600 000	-
Notice of motion- application to interdict	-	4 250 000
Combined summons : Refund for wayleave - HC 2024-099432l	600 000	-
Financial system dispute (BIQ)	-	1 560 000
Notice of motion: Eviction application	500 000	-
Facilitation of the process for creation of a Special Purpose Vehicle with Rand Water	2 000 000	-
Investigations : Leaking of confidential information	250 000	-
Compilation and legal review of responses to Parliamentary Portfolio Committee	1 050 000	-
Legal opinion: Payment in respect of EBV_New 132kVA (Elijah Barayi)	100 000	-
Review Applikcation - Arbitration award JR803/22	-	300 000
Legal assistance to respond to allegation by Public Protector // Incorrect billing	350 000	-
Response to complaint from OUTA	25 000	-
Civil Matter: WWTW	600 000	-
Combined summons - claim for retention	500 000	-
Consulting and investigations - findings for 21/22 and 22/23 audit findings financial years	1 300 000	500 000
Combined summons: Damage to motor vehicle	164 707	600 000
Legal opinion - legal opinion of Khutsong Waste - Water treatment works	150 000	500 000
Notice of motion: Municipal Bill BLC Twala	600 000	600 000
Notice ito sec 3 : Letter of demand by Rand water	1 122 267	-
Combined summons - recoveries salaries and benefits paid	3 750 000	4 600 000
Legal assistance - legal assistance for lodging a criminal case	950 000	1 600 000
Combined summons - Breach of contract	3 550 000	3 000 000
Legal opinion - legal opinion on EasyPay contract	200 000	800 000
Notice of motion and review application - Labour court restatement and review application against SALGBC Award	180 000	250 000
Review Application - review application against SALGBC Award	150 000	250 000
Review Application - review application against SALGBC Award	110 000	150 000
Condonation - condonation ruling in favour of the Municipality	110 000	50 000
Review application - Application for reviewing the Bargaining Council ruling	10 000	50 000
Condonation - condonation ruling in favour of the Municipality	10 000	50 000
Arbitration - Arbitration in favour of the Municipality	-	300 000
Review application -	120 000	230 000
SALGBC - Application/ interpretation of main collective agreement	-	524 372
Unfair dismissal - unfair dismissal	-	817 713
Unfair dismissal- unfair dismissal	-	6 200 000
Internal disciplinary hearing - Gross insubordination, insolence, bringing name of the employer in disrepute, abusive language	500 000	650 000
Internal disciplinary hearing - use of intoxication liquor or use of drugs while at duty	-	652 242
Internal disciplinary hearing - Irregular authorisation of salaries and failure to execute lawful instructions	-	450 000

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

51. Contingencies (continued)

Internal disciplinary hearing - Irregular and issuing section 53 certificate	-	597 562
Internal disciplinary hearing - procurement of a service provider without internal processes and SCM policies	-	450 000
Internal disciplinary hearing - failing to carry out lawful and reasonable instruction to return to work	-	569 036
Request for legal opinion - The legal implication of Public Protectors Report pertaining to allegations of Irregular appointmnet of Ms Nonceba Nombili by the Municipality	-	475 749
Request for leagal opinion - The committee system competitive Bids in Local Government: A conflict of Interest perspective	-	262 160
Investigation - investigation	-	300 000
Notice of motion : Joinder application (TM Tente and others)	150 000	-
Labour court review application : SJ Segone	450 000	-
Interdictory order: Stopping of honey suck trucks	600 000	-
Gross negligence	150 000	-
SALGBC: Unfair dismissal	250 000	-
SALGBC: Unfair dismissal	205 000	-
Response to NCOP	245 000	-
Response to SIU response to information	350 000	-
Technical report: Panel for consultants ID(PMU)	350 000	-
Defend a notice of motion: Irregular billing at Spar Three Monkeys	300 000	-
Response to the PP: Khutsong Sinkhole	185 000	-
Legal opinion: Traffic Department employees suspended by Province	275 000	-
Response to PP : Complaint against Cllr Tibane	280 000	-
Legal opinion: Wenzile Phaphama annual escalation rate	280 000	-
Litigation management policy and legal standard operating procedure	400 000	-
Interdictory order against illegal occupiers of municipal land in Khutsong Ext 4	600 000	-
Investigations : Displaced former councillors' families	500 000	-
Litigation reduction strategy and terms of reference for contract management	400 000	-
	59 788 974	**62 198 401**

Contingent liabilities incurred relating to interests in other entities

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

52. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' report note
Members of key management:	Municipal Manager: DD Mabuza Chief Financial Officer: MP Makhubela Executive Director: Infrastruture Development: SL Mdletshe Executive Director; Community Services: SE Mantjane Executive Director: Corporate Services - DE Mokoma Executive Director: Economic Development & Planning - N Molefe Chief Operating Officer: Molokwane DP Executive Manager: Energy - N Gubevu
Close family member of key management	S Ndolela (SCM) Uncle of Director Cville ElectricalContractors

Related party transactions

CVille Elecrical Contractors	2025	2024
Invoices	57 674	1 221 768
Payments	57 674	1 173 721
Transfers to water and lights	-	195 000

Remuneration of management

Management class: Councillors

30 June 2025

Name	Basic Salary	Cellphone Allowance	Travelling Allowance	Total
Executive Mayor	759 742	47 004	253 247	1 059 993
Deputy Mayor	542 562	43 087	180 921	766 570
Speaker	607 929	47 004	202 643	857 576
Chief Whip	570 303	47 004	190 101	807 408
Mayoral committee members	5 153 163	387 783	1 701 912	7 242 858
Other Concillors	10 704 222	1 970 251	3 693 790	16 368 263
	18 337 921	**2 542 133**	**6 222 614**	**27 102 668**

30 June 2024

Name	Basic Salary	Cellphone allowance	Travelling allowance	Total
Executive Mayor	742 985	49 608	247 661	1 040 254
Speaker	689 944	57 442	229 981	977 367
Chief Whip	557 001	49 608	185 667	792 276
Mayoral committee members	6 282 084	561 431	2 102 429	8 945 944
Other concillors	9 421 257	1 991 119	3 163 431	14 575 807
	17 693 271	**2 709 208**	**5 929 169**	**26 331 648**

Management class: Executive management

30 June 2025

52. Related parties (continued)

Name	Basic salary(backpay /salary non pensionable)	Travel and cellphone allowances	Bonuses and performance related payments	UIF, pension and medical aid funds	Acting allowances	Total
DD Mabuza	1 563 621	371 210	-	359 067	-	2 293 898
MP Makhubela	1 130 371	471 701	-	138 549	-	1 740 621
SL Mdletshe	1 423 884	207 183	-	336 785	-	1 967 852
SE Mantjane	1 476 302	154 765	-	374 082	-	2 005 149
DE Mokoma	1 279 605	322 467	-	4 251	-	1 606 323
DP Molokwane	1 130 371	471 701	-	107 571	-	1 709 643
N Molefe	1 130 371	471 701	-	4 251	-	1 606 323
W Molotsi	877 405	151 558	72 844	204 091	90 863	1 396 761
N Gubevu	1 086 317	280 923	-	201 683	63 976	1 632 899
	11 098 247	**2 903 209**	**72 844**	**1 730 330**	**154 839**	**15 959 469**

30 June 2024

Name	Basic salary(backpay /salary non pensionable)	Travel and cellphone allowance	Bonuses and performance related payments	UIF, pension and medical aid funds	Acting allowances	Total
DD Mabuza	1 442 973	371 210	-	469 793	-	2 283 976
MP Makhubela	570 851	254 202	-	54 130	-	879 183
MB Dlamini	-	154 118	-	-	-	154 118
SL Mdletshe	1 119 918	205 838	-	402 684	-	1 728 440
SE Mantjane	1 130 047	428 478	-	1 805 632	-	3 364 157
DE Mokoma	587 981	237 141	-	2 639	-	827 761
DP Molokwane	435 265	196 599	-	1 771	-	633 635
N Molefe	471 807	160 000	-	1 771	-	633 578
E Segakweng	836 485	166 392	69 707	239 513	-	1 312 097
B Seatlholo	836 485	153 595	69 707	251 011	-	1 310 798
S Mazibuko	836 485	165 586	69 707	269 135	42 240	1 383 153
	8 268 297	**2 493 159**	**209 121**	**3 498 079**	**42 240**	**14 510 896**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

53. Change in estimate

Property, plant and equipment

Changes in estimates are as a result of useful life adjustment based on the condition of the asset resulting in an overall decrease in depreciation for the year. Furthermore, useful lives were updated based on CIDMS (Cities Infrastructure Delivery Manangement System) guidelines

Heading	Depreciation after chan gesin esti mates	Depreciation before cha ngesin est imates	Changes inestimate s
Community Facilities	(11 192 924)	6 253 580	(4 939 344)
Electrical infrastructure	(29 361 986)	23 858 456	(5 503 530)
Housing	(338 709)	346 480	7 771
Operational buildings	(7 054 248)	4 670 553	(2 383 695)
Road infrastructure	(60 137 378)	69 363 061	9 225 683
Sanitation Infrastructure	(12 249 579)	9 116 693	(3 132 886)
Solid Waste Infrastructure	(1 026 113)	757 418	(268 695)
Sport and Recreational	(2 712 022)	1 883 590	(828 432)
Stormwater infrastructure	(15 007 472)	14 999 828	(7 644)
Computer equipment	(20 376 883)	14 089 293	(6 287 590)
Furniture and office equipment	(2 409 069)	2 308 280	(100 789)
Machinery and equipment	(4 957 656)	5 009 010	51 354
Transport assets	(649 758)	600 277	(49 481)
Water supply infrastrure	(5 163 860)	4 448 501	(715 359)
Computer Software	(280 595)	567 841	287 246
Subtotal	(172 918 252)	158 272 861	(14 645 391)
	(172 918 252)	**158 272 861**	**(14 645 391)**

54. 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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

54. Prior-year adjustments (continued)

30 June 2024

	Note	As previously reported	Prior year adjustments	Re-classification	Restated
Inventories		674 523	-	-	674 523
Receivables from exchange transactions	1	244 878 575	(110 507 181)	-	134 371 394
Receivables from exchange non -transactions		56 076 884	-	-	56 076 884
VAT Receivables	2	96 100 987	(20 001 557)	370 447 445	446 546 875
Cash and cash equivalents		171 957 408	-	-	171 957 408
investment properties	3	201 145 265	27 712 742	-	228 858 007
intangables assets		18 593 242	-	-	18 593 242
Heritages assets		190 360	-	-	190 360
Property, plant and equipment	3	3 226 621 109	21 423 318	-	3 248 044 427
Borrowings		(17 672 650)	-	-	(17 672 650)
Payables from exchange transactions	4	(1 571 855 002)	27 552 363	(31 305 964)	(1 575 608 603)
VAT Payables	2	-	27 225 043	(370 447 445)	(343 222 402)
Consumer deposits		(26 787 528)	-	722 384	(26 065 144)
Unspent conditional grants	5	(76 798 471)	150 888	-	(76 647 583)
finance lease liability		(3 062 418)	-	-	(3 062 418)
Employee benefits obligations		(152 300 000)	-	-	(152 300 000)
Municipal debt relief liability		(516 640 320)	-	-	(516 640 320)
Provisions		(46 172 893)	-	30 583 580	(15 589 313)
Accumulated surplus		(1 604 949 071)	26 444 384	-	(1 578 504 687)
		-	-	-	-

Notes to the Annual Financial Statements

54. Prior-year adjustments (continued)

Statement of financial performance

30 June 2024

	Note	As previously reported	Prior year adjustments	Re-classification	Restated
Service charges	1	887 310 790	(103 780 496)	-	783 530 294
Rental of equipment and facilities		2 903 509	-	-	2 903 509
Agency fees		10 991 348	-	-	10 991 348
Interest from outstanding debtors		310 770 865	-	(765)	310 770 100
Interest fro short-term deposit		19 709 292	-	-	19 709 292
Operational revenue		2 094 795	-	(2 043 628)	51 167
Sale of goods and rendering of services		-	-	2 043 628	2 043 628
Property rates		765 344 212	-	-	765 344 212
Government grant & subsidies		470 969 706	-	-	470 969 706
Public contributions & donations		13 534 071	-	-	13 534 071
Fines & forfeits		34 364 545	-	-	34 364 545
Licence and permits		-	-	765	765
Gains on landfil		429 725	-	-	429 725
Actuarial gains	6	2 480 078	396 420	-	2 876 498
reversal of impairment loss		79 054 581	-	-	79 054 581
Municipal debt relief		213 206 718	-	-	213 206 718
Employee related costs	6	(414 851 365)	(396 420)	338 832	(414 908 953)
Remuneration of concillors		(26 331 648)	-	-	(26 331 648)
Depreciation and amortisations	3	(150 555 335)	(1 073 251)	-	(151 628 586)
Debt impairment		(1 276 300 860)	-	60 395 281	(1 215 905 579)
Bad debts written off		-	-	(60 395 281)	(60 395 281)
Finance costs		(197 304 290)	-	-	(197 304 290)
Inventory consumed	7	(353 611 336)	451 998	(6 674 794)	(359 834 132)
Impairment loss		(50 675 567)	-	-	(50 675 567)
Bulk purchases		(466 244 315)	-	-	(466 244 315)
Transfers and subsidies		-	-	(747 576)	(747 576)
Lease rental on operating lease		-	-	(5 065 977)	(5 065 977)
Contracted services	8	(256 850 363)	(290 133)	5 065 977	(252 074 519)
Operational costs	9	(81 456 566)	1 253 073	7 083 538	(73 119 955)
Loss on disposal of assets		(67 508 416)	-	-	(67 508 416)
Surplus for the year		**(528 525 826)**	**(103 438 809)**	**-**	**(631 964 635)**

Errors

The following prior period errors adjustments occurred:

1. Service charges estimates adjustment

The municipality revised the service charges estimates on consumer accounts were the consumers do not have functional meters and also made adjustments arising from metering disputes with the consumers. The adjustment resulted in the decrease in service charges by R103 780 496, consequently affecting the adjustments to Cosumer debtors(Receivables from exchange) by R110 507 181 and net VAT by R6 726 685.

2. VAT adjustments

Net adjustment to VAT was due to corrections made to service charges as a result of recalcultion of service charges.

54. Prior-year adjustments (continued)

3. Property, plant and equipment, and Investment property

Cost Estimate for omitted Assets
Supporting documentation in the form of invoices to support the cost of assets previously omitted (omissions)was not available,as such, a deemed cost approach was used to determine the cost and carrying value of these assets. These assets were identified through a physical verification exercise performed by the municipality with the assistance of asset management experts- Infratec Advisory (Pty) Ltd. The Municipality used the Depreciated Replacement Cost(DRC) methodology to determine the deemed cost of the omissions.
The Valuation of omitted assets was carried out by asset management expert - Infratec Advisory (Pty) LtdIf retrospective restatement is impracticable for a particular prior period, disclose the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.]
Impairment loss

4. Trade and other payables

Duplicates and errors on takeon balances from BIQ to SAGE were identified resulting in the adjustments of Trade and other payables against accumulated surplus.]

5. Unspent grants

The retention payout for Khutsong Outfall Sewer was erroneously recorded under Human Settlement Grant. An adjustment was processed to correct the error from unspent grant to retention liability.

6. Long Service Awards employee vested costs

Adjustment of actual vested amount which was incorrectly recorded under employee costs

7. Inventory consumed

Changes in inventory consumed due to invoices for the month of June 2024 that were incorrectly recorded in July 2024..

8. Contracted services

Changes to contracted services is due to accrual of certain June 2024 invoices ommitted in the prior year

9. Operational costs

Correction of mapping errors on operational costs.

Notes to the Annual Financial Statements

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54. Prior-year adjustments (continued)

Reclassifications

The following reclassifications adjustment occurred:

In order to align with mSCOA GRAP Template, following reclassification were made.

1. Travel and subsistance amounting to R 338 872 were reclassified from employee cost to operational costs.

2. Transfers and subsdies amounting to R 747 576 were reclasified from operational cost to the face of Statement of financial performance.

3. Lease rental on operation lease amounting to R 5 065 977 were reclassified to the face of financial perfonance from contracted services.

4. Consumables amounting to R 6 674 794 previously classified on operational cost have been presented on inventory consumed.

55. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officers continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note of these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

The followig measures are curretly in place to esure future viable operations of the municiplaity:

The Minister of Finance and MEC of Finance in Gauteng approved the Financial Recovery Plan in May 2024, which mandates the municipality to impliment the 4 pillrs of the turn around strategy, which enforces financial recovery and service delivery key perfornce areas which are mandatory to impliment and report to Provinial Treasury monthly. The 4 pillars are governance, service delivery, fianancial management and instituional performance.

The municipality has been approved into the Debt Relief Programme in terms of circular 124 issued by National Treasury on 4 December 2023, which has 14 pliiars of compliance ,of which the municiplity is monitored and reports monthly to Privincial and National Treasury.

The financial challenges curently being experienced by the municipality are ringfenced to revenue recovery, infrustructure rehabilitation, and revenue enhancement .Serveral strategies are currently being implimented in ensuring the replacemet of key infrustructure to improve billing , liquidity and revenue collection

56. Unauthorised expenditure

Opening balance as previously reported	1 502 774 970	472 720 403
Add: Unauthorised expenditure - current	1 014 092 132	1 030 054 567
Closing balance	**2 516 867 102**	**1 502 774 970**

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

Non-cash	884 947 067	952 789 560
Cash	129 145 064	77 265 006
	1 014 092 131	**1 030 054 566**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

56. Unauthorised expenditure (continued)

Analysed as follows: non-cash

Impairment loss	67 552 326	50 675 567
Depreciation and amortisation	18 677 913	-
Finance charges	61 279 610	50 314 497
Provision of debt impairment	720 630 335	781 896 319
Loss on disposal of assets	16 806 883	69 903 177
	884 947 067	**952 789 560**

Analysed as follows: cash

Finance charges	597 589	-
Contracted services	97 547 971	77 265 006
Other	30 999 648	-
	129 145 208	**77 265 006**

Unauthorised expenditure: Budget overspending – per municipal department:

Other	451 940 579	797 448 023
Community Service	107 674 570	153 955 023
Corporate and Shared Services	35 213 851	76 321 215
Spatial Planning	2 796 674	2 330 305
Infrastructure	416 466 457	-
	1 014 092 131	**1 030 054 566**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

57. Fruitless and wasteful expenditure

Opening balance	464 763 118	320 356 639
Current: Fruitless and wasteful expenditure	207 298 590	144 406 479
Less: Amount written off - FY 2021/2022	(168 540 096)	-
Less: Amount written off - FY 2022/2023	(115 816 543)	-
Closing balance	**387 705 069**	**464 763 118**

Details of fruitless and wasteful expenditure

Eskom
Rand Water
Office of the Auditor General
Telkom
Compensation Fund
Quill

During the year under review the municipality incurred fruitless and wasteful expenditure with a total accumulated value of R 207 298 59
- Council and management are taking appropriate steps into analysing consequences of the above expenditure.

- A detailed list of Fruitless and wasteful expenditure is available at the Municipality for inspection.

- .Fruitless and wasteful expenditure Register has been tabled to Council and sent to MPAC for investigations.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

58. Irregular expenditure

Opening balance as previously reported	676 860 429	467 610 933
Irregular expenditure- current year	138 917 380	176 836 135
Add: Irregular expenditure - prior period	-	32 413 361
Less: Amount written off - 2021/022	(262 315 539)	-
Less: Amount written off - 2022/2023	(62 355 269)	-
Closing balance	**491 107 001**	**676 860 429**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

58. Irregular expenditure (continued)

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

Outdated CSD	-	5 531 532
Three written quotations not invited	-	2 128 550
Deviations not valid	2 145 047	5 126 582
Tax clearances not obtained	-	1 828 078
Discrepencies between BEC and BAC	114 063 944	120 845 539
Tenders incorrectly awarded	19 893 737	32 852 865
Out of contract	2 814 652	8 522 989
	138 917 380	**176 836 135**

Durring the year under review, the municipality incurred irregular expenditure with an accumulative amount of R491 107 001.
- Council and management are taking appropriate steps into analysing consequences of the above expenditure
- A detailed list of irregular expenditure is available at the Municipality for inspection.
- The irregular expenditure has been tabled to Council and referred to MPAC for investigation.

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R324 670 808 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

59. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	12 535 179	10 474 653
Current year subscription fee	4 826 657	4 560 526
Amount paid - current year	(12 543 761)	(2 500 000)
	4 818 075	**12 535 179**

Other material losses

Audit fees

Opening balance	84 527	2 638 910
Current year fee	12 309 634	11 706 483
Amount paid - current year	(12 296 769)	(14 260 866)
	97 392	**84 527**

PAYE and UIF

Current year Payroll Deductions`	73 491 760	67 137 646
Amount paid - current year	(73 491 760)	(67 137 646)
	-	-

Pension and Medical Aid Deductions

Current year Payroll Deductions	112 825 939	109 880 457
Amount paid - current year	(112 825 939)	(109 880 457)
	-	-

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2025:

30 June 2025	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr Baloi AB	166	-	166
Cllr Best NV	2 576	-	2 576
Cllr Fihla WA	947	-	947
Cllr Harman DV	2 164	-	2 164
Cllr Lekgoba MM	2 886	12 961	15 847
Cllr Lubbe MI	6 031	-	6 031
Cllr Makakane TD	2 170	25 305	27 475
Cllr Mangaliso F	136	-	136
Cllr Masipa MM	1 265	-	1 265
Cllr Masiu DV	700	-	700
Cllr Matabane J	4 226	10 549	14 775
Cllr Matse YV	778	3 055	3 833
Cllr Mbecheni C	128	-	128
Cllr Mhlabane SB	2 954	5 598	8 552
Cllr Mnqandi NG	3 307	26 907	30 214
Cllr Moyeni M	808	-	808
Cllr Mphithikezi TE	895	-	895
Cllr Mpupu BN	2 693	4 743	7 436
Cllr Nethwadzi TL	805	-	805
Cllr Nkabinde MP	1 778	-	1 778
Cllr Nkabinde MB	1 555	10 483	12 038
Cllr Ntabeni GW	4 002	-	4 002
Cllr O Riley Pieter EB	8 128	-	8 128
Cllr Pitlele MCL	463	-	463
Cllr Segakweng ME	2 861	18 709	21 570
Cllr Mogomotsi SG	551	-	551
Cllr Rebelo CMD	464	-	464
Cllr Tabane DV	5 512	-	5 512
Cllr Tlhapi TSE	619	-	619
Cllr Van Der Hof DF	10 372	-	10 372
Cllr Wana Nzima Eric	4 764	147 833	152 597
Cllr Zwart JDW	13 045	971	14 016
	89 749	**267 114**	**356 863**

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr AB Baloyi	302	-	302
Cllr WA Fihla	3 064	4 965	8 029
Cllr DH Harman	3 389	-	3 389
Cllr MM Lekgoba	2 937	10 563	13 500
Cllr DV Masiu	2 731	6 821	9 552
Cllr J Matabane	3 191	16 381	19 572
Cllr CYV Matse	1 688	608	2 296
Cllr SB Mbecheni	2 733	-	2 733
Cllr C Mhlabane	3 561	24 036	27 597
Cllr NG Mnqandi	746	-	746
Cllr M Moyeni	1 800	-	1 800

Figures in Rand	2025	2024

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

Cllr TE Mphithikezi	30	-	30
Cllr BN Mpupu	95	-	95
Cllr TL Nethwadzi	2 892	-	2 892
Cllr AT Ngqele	519	1 478	1 997
Cllr M NKabinde	1 593	-	1 593
Cllr MB Nkabinde	771	1 683	2 454
Cllr LG Ntilane	4 325	-	4 325
Cllr MC Pitlele	1 315	-	1 315
Cllr C Rebelo	1 229	-	1 229
Cllr ME Segakweng	3 199	30 217	33 416
Cllr DV Tabane	7 343	-	7 343
Cllr TS Thlapi	173	-	173
Cllr NE Wana	8 153	-	8 153
Cllr AD Zwart	1 945	-	1 945
	59 724	**96 752**	**156 476**

60. Events after the reporting date

No events after the reporting date were identified by management that will affect the operations of the municipality or the results of those operations significantly.

61. Deviations from SCM regulations - SCM Regulation 36

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

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

The majority of items mentioned were due to circumstances where it was impractical or impossible to follow a competitive bidding process

	2025	2024
Single supplier	21 000	11 250
Impractical or impossible to follow process	103 139	123 415
Emergency and Impractical or impossible to follow process	-	8 197 197
	124 139	**8 331 862**

62. Segment information

General information

Identification of segments

Merafong City Local Municipality is a type B municipality in the Province of Gauteng. The municipality renders services to the following communities; Carletonville, Fochville, Khutsong ,Wedela, Kokosi, Greenspark, Welverdied, Blybank.

The performance on the rendering of services is reported in segments.

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.

Reportable segments are identified on activities by the municipality that generate economic benefits or service potential including internal services that contribute to achieving the municipality’s objectives without necessarily generating net cash inflows.

62. Segment information (continued)

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
Community and Public Safety	Primary services providing community s afety, crimeprevention and law e nforcement
Economic and Environmental Services	Urban and developmental planning in a ccordance withthe relevant laws and r egulations. Environmental planningand p rotection for long term sustainability
Trading Service	Primary basic service provision including w ater,electricity, sanitation and refuse
Shared services	Support services in relation to financial m anagement, It services and governance d ecision making.

Notes to the Annual Financial Statements

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62. Segment information (continued)

Segment surplus or deficit, assets and liabilities

30 June 2025

	Community and Public Safety	Economic and Environmental Services	Trading Service	Shared Service	Governance and Administation	Total
Revenue						
Revenue from non-exchange transactions	102 961 948	28 356	336 735 523	2 382 645	620 409 397	1 062 517 869
Revenue from exchange transactions	88 752 266	5 134 842	797 683 020	479 639	29 457 137	921 506 904
Reversal of Impairement	-	-	-	-	12 352 785	12 352 785
Interests on investments	-	-	-	-	11 266 862	11 266 862
Interest earned from receivables	-	-	-	-	323 636 862	323 636 862
Total segment revenue	**191 714 214**	**5 163 198**	**1 134 418 543**	**2 862 284**	**997 123 043**	**2 331 281 282**
Entity's revenue						**2 331 281 282**
Expenditure						
Total segment expenses	315 751 081	19 079 051	1 161 658 012	247 287 957	206 863 827	1 950 639 928
Depreciation and amrtization	2 155 464	177 588	173 893 412	441 861	917 942	177 586 267
Impairment loss	-	-	-	-	70 836 956	70 836 956
Debt impairment	82 460 817	-	226 974 045	-	655 242 050	964 676 912
Interest expense	5 471 360	-	-	8 324 199	271 914 295	285 709 854
Loss on disposal of assets	1 427 916	4 084 238	11 468 695	-	(3 314)	16 977 535
Total segment expenditure	**407 266 638**	**23 340 877**	**1 573 994 164**	**256 054 017**	**1 205 771 756**	**3 466 427 452**
Total segmental surplus/(deficit)	**(215 552 424)**	**(18 177 679)**	**(439 575 621)**	**(253 191 733)**	**(208 648 713)**	**(1 135 146 170)**
Assets						
Segment assets	49 340 236	385 126 841	3 531 370 054	4 460 225	378 215 480	4 348 512 836
Total assets as per Statement of financial Position						**4 348 512 836**

Notes to the Annual Financial Statements

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	Community and Public Safety	Economic and Environmental Services	Trading Service	Shared Service	Governance and Administation	Total
62. Segment information (continued)						
Liabilities						
Segment liabilities	19 377 107	-	-	246 166 050	3 639 645 003	3 905 188 160
Total liabilities as per Statement of financial Position						**3 905 188 160**

	Trading Service	Governance and Administation
Other information		
Capital expenditure (excluding additions to financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts)	152 230 452	3 625 446

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

Notes to the Annual Financial Statements

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62. Segment information (continued)

30 June 2024

	Community and Public Safety	Economic and Environmental Services	Trading Service	Shared Service	Covernance and Administation	Total
Revenue						
Revenue from non-exchange transactions	94 672 992	25 144	318 426 154	2 253 093	1 147 562 378	1 562 939 761
Revenue from exchange transactions	78 582 548	4 454 709	706 173 068	733 034	26 417 645	816 361 004
Interests on investments	-	-	-	-	19 709 292	19 709 292
Interest earned from receivables	-	-	-	-	310 770 100	310 770 100
Total segment revenue	**173 255 540**	**4 479 853**	**1 024 599 222**	**2 986 127**	**1 504 459 415**	**2 709 780 157**
Entity's revenue						**2 709 780 157**
Expenditure						
Total segment expenses	244 816 377	17 863 908	1 033 898 698	200 169 670	162 271 782	1 659 020 435
Depreciation and amortisation	1 840 401	151 630	148 475 513	377 275	783 766	151 628 585
Debt imapirment	103 938 254	-	286 090 859	-	825 903 952	1 215 933 065
Impairment loss	-	-	-	-	50 675 567	50 675 567
Interest expense	3 778 388	-	-	5 748 489	187 777 412	197 304 289
Loss on disposal of assets	5 677 879	16 240 312	45 603 403	-	(13 171)	67 508 423
Total segment expenditure	**360 051 299**	**34 255 850**	**1 514 068 473**	**206 295 434**	**1 227 399 308**	**3 342 070 364**
Total segmental surplus/(deficit)	**(186 795 759)**	**(29 775 997)**	**(489 469 251)**	**(203 309 307)**	**277 060 107**	**(632 290 207)**
Assets						
Segment assets	48 850 072	381 300 851	3 496 288 132	4 415 915	374 424 299	4 305 279 269
Total assets as per Statement of financial Position						**4 305 279 269**
Liabilities						
Segment liabilities	13 530 119	-	-	171 886 125	2 541 392 193	2 726 808 437
Total liabilities as per Statement of financial Position						**2 726 808 437**

Notes to the Annual Financial Statements

Figures in Rand

62. Segment information (continued)

	Trading Service	Covernance and Administation
Other information		
Capital expenditure (excluding additions to financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts)	151 919 041	3 618 030

Measurement of segment surplus or deficit, assets and liabilities

63. Budget differences

Differences between budget and actual amounts basis of preparation and presentation

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

The amounts in the annual financial statements were recast from the accrual basis to the cash basis and reclassified by functional classification to be on the same basis as the final approved budget. In addition, adjustments to amounts in the annual financial statements for timing differences associated with the continuing appropriation and differences in the entities covered (government business enterprises) were made to express the actual amounts on a comparable basis to the final approved budget. The amounts of these adjustments are identified in the following table.

63. Budget differences (continued)

63.1 Service charges - Electricity : Planned target not met because of high distribution losses and the use of estimates for meters that are dysfunctional and broken .

63.2 Service charges - Water : Planned target not met because of high distribution losses and the use of estimates for meters that are dysfunctional and broken .

63.3 Service charges - Waste Management ; Expected revenue was increased after the identification of additional properties during the reconciliation of the valuation roll and the billing system; however, the estimate was more than the actual revenue that was derived from the service.

63.4 Service charges - Waste Water Management; IExpected revenue was increased after the identification of additional properties during the reconciliation of the valuation roll and the billing system; however, the estimate was more than the actual revenue that was derived from the service.

63.5 Interest earned on receivables ; The estimate was based on the interest to be charged for non-payment of municipal accounts. The estimate was more than the actual.

63.6 Agency services - Licensing services of the municipality were not used, other service providers were used for license renewals

66.7 Licence and permits - Few applications of license permits. There was a decrease of businesses applying for licenses and permits which might be attributable to low economic development.

66.8 Interest earned on investments - The projected account balances for investing purposes were lower than the actual

66.9 Property rates- Estimates were more than actual because of tarrif that was approved by councel.

66.10 Public contribution & donations - Donations were not planned but received.

66.11 Fines. Penalties & forfeits - Number of fines issued exceeded what was projected.

66.12 Employee related costs - The increase for remuneration of councillors that was gazetted for was not budgeted for

66.13 Inventory consumed - Quantities purchased exceeded quantities sold, and there were high distribution losses due to infrastructure deterioration

66.14 Depreciation and amortisation - Projects were completed during the current year and transferred from WIP to PPE, which resulted in an increase in depreciation and amortisation

66.15 Impairment loss -There were unforeseen material losses during the current financial year

66.16 Finance costs - Interest charges on outstanding creditors exceeded original projections

66.17 Lease rentals on operating lease - Assets were leased which were not planned at the time of compliling the budget hance the negative budget.

66.18 Bad Debts written off -Actual bad debts written off were less than the estimates.

66.19 Bulk purchases - The actual expenditure was less than the planned purchases, this is a result of lower-than-expected consumption which might be the result of Eskom load reduction.

66.18 Contracted service**s** - Additional contractors were taken in by the municipality to improve internal efficiencies.