Bela Bela local Municipality
Audited Annual Financial Statements
for the year ended 30 June 2025

General Information

Legal form of entity	Municipality in terms of Section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with Section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
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.
Executive Committee	
Honorable Mayor	Hon. Cllr G.M. Seleka
Executive committee members	Cllr. A Van Der Heyde
	Cllr. M.H Ledwaba (Deceased12/06/2025)
Chief Whip	Cllr. K. Sepuru
Councillors	Cllr. M.F. Koover (Chairperson of Infrastructure Sub-Committee)
	Cllr. K.S. Rachidumela (Chairperson of Planning and Economic Development Sub-Committee)
	Cllr. P.V. Mashaba (Chairperson of Social and Community Services Sub-Committee)
	Cllr. F.S. Hlungwane (Chairperson of Governance and Treasury Sub-committee)
	Cllr. J.M.Mabua (Chairperson of Municipal Public Accounts Committee)
	Cllr. J.D. Cloete
	Cllr. M.O. Tlaka
	Cllr. M.J. Makhubela
	Cllr. M.N. Mpunwana (Deceased 09/02/2025)
	Cllr. M.D. Senosha
	Cllr. S.D. Seale
	Cllr. J Roets (Engagement 13/03/2025)
Grading of local authority	Level 3
Accounting Officer	Mr. T.G. Ramagaga
Chief Financial Officer (CFO)	Mr. R.M. Marutha
Registered office	58 Chris Hani Drive Bela Bela 0480
Postal address	Private Bag X1609 Bela Bela 0480
Banker	Absa Limited
Auditors	Auditor-General of South Africa (AGSA) Registered Auditors

General Information

Attorneys	Motalane Incorporated (contract ended in 30 April 2025) Noko Maimela Incorporated (contract ended in 30 April 2025) Mohale Incorporated (contract ended in 30 April 2025) Ndobela and Associates incorporated (contract ended in 30 April 2025) GSM Mohlabi incorporated (contract ended in 30 April 2025)

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
GRAP	Generally Recognised Accounting Practice
IPSAS	International Public Sector Accounting Standards
JSE	Johannesburg Stock Exchange
MFMA	Municipal Finance Management Act
MPAC	Municipal Public Accounts Committee
MSCOA	Municipal Standard Chart of Accounts
NRA	Normal Retirement Age
PAYE	Pay as Your Earn
PPE	Property, Plant and Equipment
RSA	Republic of South Africa
SETA	Sector Education and Training Authority
SDL	Skills Development Levy
SARS	South African Revenue Services
SCM	Supply Chain Management
UIF	Unemployment Insurance Fund
WSIG	Water Service Infrastructure Grant

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The annual financial statements are prepared on the basis that the municipality is a going concern and that the Bela Bela Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

I certify that the salaries, allowances and benefits of councillors as disclosed in Note 32 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

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

Mr. T.G Ramagaga
Accounting Officer

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	3	286 667	480 908
Receivables from exchange transactions	4&5	90 569 651	83 807 565
Receivables from non-exchange transactions	5&6	75 889 282	68 430 225
Cash and cash equivalents	8	52 871 219	25 267 066
VAT receivable (Statutory)	7	-	163 964
		219 616 819	**178 149 728**
Non-Current Assets			
Receivables from exchange transactions	4	136 632	140 580
Investment property	9	82 503 007	74 400 184
Property, plant and equipment	10	1 045 502 927	929 198 457
Intangible assets	11	1 486 201	1 861 787
Heritage assets	12	538 950	538 950
		1 130 167 717	**1 006 139 958**
Total Assets		**1 349 784 536**	**1 184 289 686**
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	102 878 365	118 353 379
Consumer deposits	14	7 444 741	7 236 417
Employee benefit obligation	15	3 617 000	3 443 000
Unspent conditional grants and receipts	16	10 925 338	49 663
Provisions	17	4 942 355	5 505 069
Finance lease obligation	18	3 364 567	4 171 101
Municipal Debt Relief financial liabilities	57	6 262 177	6 982 327
		139 434 543	**145 740 956**
Non-Current Liabilities			
Employee benefit obligation	15	64 910 000	58 439 000
Provisions	17	68 132 774	60 859 937
Finance lease obligation	18	1 691 661	4 014 851
Municipal Debt Relief financial liabilities	57	6 982 327	11 878 479
		141 716 762	**135 192 267**
Total Liabilities		**281 151 305**	**280 933 223**
Net Assets		**1 068 633 231**	**903 356 463**
Accumulated surplus	49	1 068 633 231	903 356 463
Total Net Assets		**1 068 633 231**	**903 356 463**

* See Note 49

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	239 931 590	219 860 802
Rental of facilities and equipment	20	1 171 688	1 195 716
Agency services	21	4 192 641	4 601 547
Sale of goods and rendering of services	22	1 481 506	1 418 360
Other income	23	1 981 169	4 215 002
Interest income from exchange	24	18 693 146	15 404 179
Fair value adjustments	25	8 102 823	6 817 418
Impairment reversal	35	261 703	-
Acturial gains	58	1 198 426	63 000
Change in landfill provision income	60	129 671	3 020 493
Total revenue from exchange transactions		**277 144 363**	**256 596 517**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	107 614 202	95 606 089
Property rates - interest income	26	15 500 819	13 329 795
Licences and Permits (Non-exchange)	27	2 192 711	2 199 648
Availibility charges	28	3 847 563	3 574 838
Debt forgiveness	59	10 335 126	7 718 840
Transfer revenue			
Government grants & subsidies	29	328 031 982	224 819 967
Fines, Penalties and Forfeits	30	95 316 059	31 619 313
Public contributions and donations	42&61	51 423	16 744 000
Total revenue from non-exchange transactions		**562 889 885**	**395 612 490**
Total revenue		**840 034 248**	**652 209 007**
Expenditure			
Employee related costs	31	(161 193 029)	(147 681 591)
Remuneration of councillors	32	(9 033 832)	(8 810 393)
Depreciation and amortisation	34	(44 115 824)	(41 284 799)
Impairment of assets	35	(225 730)	(921 188)
Finance costs	36	(15 784 407)	(15 351 366)
Bulk purchases	37	(156 736 350)	(136 245 642)
Contracted Services	38	(74 151 913)	(49 074 015)
General Expenses	39	(72 863 727)	(67 049 344)
Loss on disposal of assets	62	(5 555 356)	(3 006 097)
Debt Impairment	63	(135 101 540)	(78 440 588)
Total expenditure		**(674 761 708)**	**(547 865 023)**
Surplus for the year		**165 272 540**	**104 343 984**

* See Note 49

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	785 237 962	785 237 962
Adjustments		
Correction of errors 49	13 774 517	13 774 517
Balance at 01 July 2023 as restated*	**799 012 479**	**799 012 479**
Changes in net assets		
Surplus for the year	104 343 984	104 343 984
Total changes	104 343 984	104 343 984
Restated* Balance at 01 July 2024	**903 360 691**	**903 360 691**
Changes in net assets		
Surplus for the year	165 272 540	165 272 540
Total changes	165 272 540	165 272 540
Balance at 30 June 2025	**1 068 633 231**	**1 068 633 231**

Note(s)

* See Note 49

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Customers		311 638 415	259 982 430
Grants		286 521 997	217 428 468
Interest income		30 946 524	34 419 954
		629 106 936	511 830 852
Payments			
Employee costs		(168 013 244)	(159 612 245)
Suppliers		(313 657 108)	(249 675 737)
Finance costs		-	(211 355)
		(481 670 352)	(409 499 337)
Net cash flows from operating activities	41	**147 436 584**	**102 331 515**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(118 283 412)	(86 164 331)
Proceeds from sale of property, plant and equipment	10	2 408 537	-
Purchase of intangible assets	11	-	(552 723)
Net cash flows from investing activities		**(115 874 875)**	**(86 717 054)**
Cash flows from financing activities			
Finance lease payments		(3 957 555)	(1 605 374)
Net increase/(decrease) in cash and cash equivalents		**27 604 154**	**14 009 087**
Cash and cash equivalents at the beginning of the year		25 267 065	11 257 979
Cash and cash equivalents at the end of the year	8	**52 871 219**	**25 267 066**

* See Note 49

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	253 529 430	(239 481)	**253 289 949**	239 931 590	**(13 358 359)**	56
Fair value adjustment	-	63 000	**63 000**	8 102 823	**8 039 823**	56
Rental of facilities and equipment	1 146 719	24 422	**1 171 141**	1 171 688	**547**	56
Agency services	4 905 976	-	**4 905 976**	4 192 641	**(713 335)**	56
Acturial gains	-	-	**-**	1 198 426	**1 198 426**	56
Impairment reversal	-	-	**-**	261 703	**261 703**	56
Sale of goods and rendering of services	1 486 953	279 092	**1 766 045**	1 481 506	**(284 539)**	56
Change in landfill provision income	-	-	**-**	129 671	**129 671**	56
Other income	2 109 833	(1 464 061)	**645 772**	1 981 169	**1 335 397**	56
Interest income	13 468 993	6 239 735	**19 708 728**	18 693 146	**(1 015 582)**	56
Total revenue from exchange transactions	**276 647 904**	**4 902 707**	**281 550 611**	**277 144 363**	**(4 406 248)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	121 076 710	(392)	**121 076 318**	107 614 202	**(13 462 116)**	56
Property rates - interest income	16 613 328	(846 000)	**15 767 328**	15 500 819	**(266 509)**	56
Licences and Permits (Non-exchange)	2 070 298	355 000	**2 425 298**	2 192 711	**(232 587)**	56
Availibility charges	-	3 872 136	**3 872 136**	3 847 563	**(24 573)**	56
Debt forgiveness	-	10 335 128	**10 335 128**	10 335 126	**(2)**	56
Transfer revenue						
Government grants & subsidies	237 914 000	37 658 663	**275 572 663**	328 031 982	**52 459 319**	56
Public contributions and donations	-	-	**-**	51 423	**51 423**	56
Fines, Penalties and Forfeits	33 609 849	24 617 909	**58 227 758**	95 316 059	**37 088 301**	56
Total revenue from non-exchange transactions	**411 284 185**	**75 992 444**	**487 276 629**	**562 889 885**	**75 613 256**	
Total revenue	**687 932 089**	**80 895 151**	**768 827 240**	**840 034 248**	**71 207 008**	
Expenditure						
Employee related costs	(177 222 124)	(1 984 314)	**(179 206 438)**	(161 193 029)	**18 013 409**	56
Remuneration of councillors	(9 236 430)	(195 164)	**(9 431 594)**	(9 033 832)	**397 762**	56
Depreciation and amortisation	(39 862 000)	(3 340 093)	**(43 202 093)**	(44 115 824)	**(913 731)**	56
Finance costs	(17 000 000)	(1 633 828)	**(18 633 828)**	(15 784 407)	**2 849 421**	56
Debt Impairment	(14 686 000)	(20 083 428)	**(34 769 428)**	(135 101 540)	**(100 332 112)**	56
Impairment of assets	-	-	**-**	(225 730)	**(225 730)**	
Bulk purchases	(166 549 751)	9 800 000	**(156 749 751)**	(156 736 350)	**13 401**	56
Contracted Services	(56 492 540)	(18 746 716)	**(75 239 256)**	(74 151 913)	**1 087 343**	56
Loss on disposal of assets	-	-	**-**	(5 555 356)	**(5 555 356)**	56
General Expenses	(90 407 000)	4 452 742	**(85 954 258)**	(72 863 727)	**13 090 531**	56

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
Total expenditure	**(571 455 845)**	**(31 730 801)**	**(603 186 646)**	**(674 761 708)**	**(71 575 062)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**116 476 244**	**49 164 350**	**165 640 594**	**165 272 540**	**(368 054)**	

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	8 709 000	(5 209 000)	**3 500 000**	286 667	**(3 213 333)**	56
Receivables from exchange transactions	161 640 000	(76 221 000)	**85 419 000**	74 529 283	**(10 889 717)**	56
Receivables from non-exchange transactions	122 131 000	(32 368 000)	**89 763 000**	75 889 282	**(13 873 718)**	56
Cash and cash equivalents	33 558 000	34 189 000	**67 747 000**	52 871 218	**(14 875 782)**	56
VAT receivable	(3 757 000)	19 533 000	**15 776 000**	8 698 183	**(7 077 817)**	56
	322 281 000	**(60 076 000)**	**262 205 000**	**212 274 633**	**(49 930 367)**	
Non-Current Assets						
Receivables from exchange transactions	147 000	-	**147 000**	136 632	**(10 368)**	56
Investment property	290 992 000	(222 992 000)	**68 000 000**	82 503 007	**14 503 007**	56
Property, plant and equipment	975 951 000	29 019 000	**1 004 970 000**	1 045 502 927	**40 532 927**	56
Intangible assets	1 265 000	1 207 000	**2 472 000**	1 486 201	**(985 799)**	56
Heritage assets	565 000	-	**565 000**	538 950	**(26 050)**	56
	1 268 920 000	**(192 766 000)**	**1 076 154 000**	**1 130 167 717**	**54 013 717**	
Total Assets	**1 591 201 000**	**(252 842 000)**	**1 338 359 000**	**1 342 442 350**	**4 083 350**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	174 627 088	(41 723 354)	**132 903 734**	95 536 180	**(37 367 554)**	56
Consumer deposits	7 295 861	-	**7 295 861**	7 444 741	**148 880**	56
Employee benefit obligation	2 340 319	-	**2 340 319**	3 617 000	**1 276 681**	56
Unspent conditional grants and receipts	-	10 925 337	**10 925 337**	10 925 338	**1**	56
Provisions	282 749	9 606 470	**9 889 219**	4 942 355	**(4 946 864)**	56
Finance lease obligation	-	-	**-**	3 364 567	**3 364 567**	56
Municipal Debt Relief financial liabilities	-	10 335 125	**10 335 125**	6 262 177	**(4 072 948)**	56
	184 546 017	**(10 856 422)**	**173 689 595**	**132 092 358**	**(41 597 237)**	
Non-Current Liabilities						
Employee benefit obligation	54 059 166	-	**54 059 166**	64 910 000	**10 850 834**	56
Provisions	109 836 597	174 680 734	**284 517 331**	68 132 774	**(216 384 557)**	56
Finance lease obligation	-	-	**-**	1 691 661	**1 691 661**	56
Municipal Debt Relief financial liabilities	31 005 378	(20 670 253)	**10 335 125**	6 982 327	**(3 352 798)**	56
	194 901 141	**154 010 481**	**348 911 622**	**141 716 762**	**(207 194 860)**	
Total Liabilities	**379 447 158**	**143 154 059**	**522 601 217**	**273 809 120**	**(248 792 097)**	
Net Assets	**1 211 753 842**	**(395 996 059)**	**815 757 783**	**1 068 633 230**	**252 875 447**	
Net Assets						
Accumulated surplus	1 211 753 842	(395 996 059)	**815 757 783**	1 068 633 232	**252 875 449**	56

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Customers	379 584 640	(12 770 434)	**366 814 206**	311 638 415	**(55 175 791)**	56
Grants	237 914 000	48 584 000	**286 498 000**	286 521 997	**23 997**	56
Interest income	2 350 000	29 843 277	**32 193 277**	30 946 524	**(1 246 753)**	56
	619 848 640	**65 656 843**	**685 505 483**	**629 106 936**	**(56 398 547)**	
Payments						
Supplier and Employee costs	(509 632 015)	808 250	**(508 823 765)**	(481 670 352)	**27 153 413**	56
Net cash flows from operating activities	**110 216 625**	**66 465 093**	**176 681 718**	**147 436 584**	**(29 245 134)**	
Cash flows from investing activities						
Net Purchase of property, plant and equipment	(97 284 261)	(36 920 380)	**(134 204 641)**	(115 874 875)	**18 329 766**	56
Cash flows from financing activities						
Finance lease payments	-	-	**-**	(3 957 555)	**(3 957 555)**	56
Net increase/(decrease) in cash and cash equivalents	12 932 364	29 544 713	**42 477 077**	27 604 154	**(14 872 923)**	
Cash and cash equivalents at the beginning of the year	20 626 000	4 644 330	**25 270 330**	25 267 065	**(3 265)**	
Cash and cash equivalents at the end of the year	**33 558 364**	**34 189 043**	**67 747 407**	**52 871 219**	**(14 876 188)**	

Significant Accounting Policies

1. Significant accounting policies

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

1.1 Basis of preparation

The audited 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 financial statements have been prepared on an accrual basis of accounting and incorporate the historical cost convention as the basis of measurement, except where indicated otherwise.

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

1.2 Going concern assumption

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

1.3 Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position only when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.4 Materiality

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

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

1.5 Comparative information

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

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior periods.

1.6 Presentation currency

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

Significant Accounting Policies

1.7 Significant judgements and sources of estimation uncertainty

In the application of the municipality's accounting policies, which are described below, management is required to make judgement, estimates and assumptions 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 be 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 revision and future periods if the revision affects both current and future periods.

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

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

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

Water Inventory

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

Impairment of Property, Plant and Equipment, Intangible Assets and Heritage Asset

The municipality classifies all assets held with the primary objective of generating a commercial return as cash generating assets. A commercial return means that the return charged by the entity is commensurate with the risk associated with holding the asset and the asset is intended to generate positive cash inflows. All other assets are classified as non-cash-generating assets.

Impairment of Non-cash-generating Assets

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

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is defined as the value in use of the asset, representing the present value of the asset’s remaining service potential. The municipality does not determine fair value less costs to sell for non-cash-generating assets.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

Significant Accounting Policies

1.7 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions are recognised when the municipality has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, where the provision being measured involves a large population of items; the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Legal obligation - arises when the settlement of the obligation can be enforced by law.

Constructive obligation - arises where past practices create a valid expectation on the part of a third party and the entity may have no realistic alternative but to incur the expense.

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

The best estimate is normally the amount that the entity would rationally pay to settle the obligation or to transfer it to a third party at reporting date. These estimates are based on judgements by management and these judgements are supported by experience of similar transactions and, in some cases, reports from independent experts. Any events after reporting date should also be considered and included.

If the effect of time value of money is material, the provision should be measured at the present value of the expected future outflows of resources.

The discount rate to be used, to determine the present value, should be pre-tax and should take into consideration the current market assessment of the time value of money as well as risk specifically associated with the liability. The entity should be careful not to adjust the discount rate and the future cash flows for the same risks as this will result in double-counting of risks.

Where discounting is used, the balance of the provision will increase with interest in each period to reflect the passage of time. This is also known as unwinding of the discount. The periodic unwinding of the discount should be treated as a finance cost in surplus or deficit as it occurs.

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

Provisions are used only for expenditures for which the provision was originally recognised.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that do not relate to the initial asset are charged to the Statement of Financial Performance.

Significant Accounting Policies

1.7 Significant judgements and sources of estimation uncertainty (continued)

At year end a provision is raised for the rehabilitation of landfill sites. The provision is the net present value of the future cash flows to rehabilitate damaged land at year end.

In applying the principles in the standards of GRAP on Provisions, Contingent liabilities and Contingent assets, the municipality recognises the cost of rehabilitation as part of the landfill rehabilitation provision as the recognition criteria of a provision is met.

The municipality applies the Interpretation of the Standards of GRAP on Changes in Existing Decommissioning, Restoration and Similar Liabilities to account for changes in the landfill rehabilitation provision that results from changes in:

- The estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation,
- A change in the discount rate, and
- An increase that reflects the passage of time.

In applying the principles in the Standards of GRAP on Changes in Existing Decommissioning, Restoration and Similar Liabilities, if the related asset is measured using the cost model:

- Changes in the liability are added to, or deducted from, the cost of the related asset in the current period.
- The amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess shall be recognised immediately in surplus or deficit.
- 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 entity shall test the asset for impairment by estimating its recoverable amount or recoverable service amount, and shall account for any impairment loss, in accordance with the Standards of GRAP on Impairment of Non-cash-generating Assets or Impairment of Cash-generating Assets.

Contingent liabilities

A contingent liability is:

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

The municipality does not recognise contingent liabilities. Contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent liabilities are reviewed continuously to determine if the outflow of resources have become probable. A provision is raised in the financial statements in the period in which the outflow of resources becomes probable.

In measuring a contingent liability relating to a legal claim against the municipality, the municipality does not include an estimate of its own legal costs to be incurred. The reason is that the recognition of a liability or disclosure of a contingent liability is based on past events that give rise to the obligation. In this case, the past event would be the performance of the work by the legal practitioners.

The municipality own legal costs are considered part of its future conduct and are subject to and within the control of the municipality's future actions. As a result, there is no past event at the reporting date that would give rise to a liability or contingent liability in relation to the entity's estimate of its own legal costs.

Significant Accounting Policies

1.7 Significant judgements and sources of estimation uncertainty (continued)

Contingent assets

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

The municipality does not recognise contingent assets. Contingent assets are disclosed where an inflow of economic benefits or service potential is probable.

Contingent assets are assessed on a continuous basis and should an inflow of resources become virtually certain then the related asset should be recognised.

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 post-retirement benefits obligations are based on current market conditions. Additional information is disclosed in Note 15.

Effective interest rate

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

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.

Recognition and Derecognition of Land

The municipality assesses whether it controls or does not control land by considering the principles contained in IGRAP 18.

The municipality is assessed to not control land of which it is the legal owner or the custodian and relevant transactions are accounted for per the requirements of the relevant Standards of GRAP and the required disclosure is made in the relevant Notes to the Financial Statements.

In order to assess that the municipality does not control the land, the following factors are considered in applying its judgement:

- Another entity acts as the custodian of the land in terms of a binding arrangement with the municipality and that entity has the right to direct access to the land, and to restrict or deny the access of others to the land.

- Another entity is required or granted a right to use the land in terms of a binding arrangement with the municipality and that entity has the right to direct access to the land, and to restrict or deny the access of others to the land to meet its service delivery objectives.

1.7 Significant judgements and sources of estimation uncertainty (continued)

Accounting by principals and agent

Management's judgement is required when determining whether it has entered into a principal agent arrangement, as set out in note 45. 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).

The assessment of whether a municipality is a principal or an agent requires the municipality to evaluate rights and obligations of all parties to each binding arrangement to establish whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Impairment of statutory receivables

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.

Significant delays in assets under construction

The municipality regards delays in assets under construction of more than one year as significant.

Material losses

Material losses that occur due to normal production are classified as production costs and factored into the municipality's tariffs. They, therefore, do not constitute material losses. If actual production losses exceed the budgeted production losses factored into the tariff, the difference is considered a material loss.

Materail losses are reported in annual financial statement in the relevant note and the amount is VAT inclusive.

1.8 Investment property

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Investment property also includes land held for an undetermined future use.

Initial recognition

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Subsequent measurement – fair value model

Investment property is subsequently measured using the fair value model. Investment property is carried at fair value, representing open market value determined by professional valuer on the reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that investment property at cost until the fair value can be reliably determined or construction has been completed.

Where the municipality has determined that the fair value of an investment property (other than investment property under construction) is not determinable on a continuing basis, the municipality measures that investment property using the cost model.

Derecognition/Disposal

Significant Accounting Policies

1.8 Investment property (continued)

Investment properties are derecognised (eliminated from the statement of financial position) 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. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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

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

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- Land held for a currently undetermined future use (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of operations, the land is regarded as held for capital appreciation);
- A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality);
- A property owned by the municipality and leased out at a below market rental; and
- Property that is being constructed or developed for future use as investment property.

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property.

The following assets do not fall within the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or assets classified as held for sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (inter alia) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service, and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low-income families, etc; and
- Property held for strategic purposes or service delivery.

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, for rental to others, or for administrative purposes are classified and recognised as intangible assets.

1.9 Intangible assets (continued)

Initial recognition and measurement

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Subsequent measurement

Amortisation is calculated on cost, using the straight-line method, over the useful lives of the assets. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.ing period. The intangible assets's useful life and the amortisation method for intangible assets are reviewed at the end of each reporting report.

Derecognition

Intangible assets 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 on the disposal or retirement of an intangible asset is determined as the difference between the net disposal proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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 as follows:

Item	Depreciation method	Average useful life
Computer software	Straight-line	2-30 years
Servitudes	Straight-line	Indefinite

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

The municipality classifies assets as heritage asset where the significance as a heritage asset can be determined. In regard to land and buildings all graded sites are classified a heritage Assets. Furthermore, land with a natural significance is not componentised but seen as a single heritage Asset due to all parts contributing together to make up its significance.

Land and buildings that qualify as heritage asset, but of which a significant portion of that land and buildings is held for use in the production or supply of goods or services or for administrative purposes, are recognised as property, plant and equipment, rather than heritage asset.

Initial recognition and measurement

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

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Significant Accounting Policies

1.10 Heritage assets (continued)

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired. The cost of an item of heritage assets acquired in exchange for a non-monetary or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Subsequent Measurement

Subsequent expenditure relating to Heritage Assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets (excluding Heritage Assets which are land and buildings) are measured at cost less accumulated impairment losses. Heritage assets are not depreciated.

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 Inventories

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

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

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

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

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

When inventories are consumed, the carrying amounts of those inventories are recognised as an expense. The amount of any write-down of inventories to current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Impairment of cash-generating assets

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

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

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

1.12 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

Identification

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

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

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.

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.

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.

1.12 Impairment of cash-generating assets (continued)

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

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.

1.12 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.

1.13 Provisions and contingencies

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

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

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

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

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

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

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

1.13 Provisions and contingencies (continued)

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

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

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

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

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

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.

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

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.14 Revenue from exchange transactions

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

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

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.

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

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

Interest earned and rentals received

Revenue arising from the use by others of municipality's assets yielding interest and rental or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Income from agency services

Revenue arising from situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of commission or fee payable to the municipality for services performed.

Significant Accounting Policies

1.14 Revenue from exchange transactions (continued)

Revenue recognition of unclaimed deposits

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

Service charges

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. The municipality council approved consumption estimates based on estimates which is used where the inaccessible meters does not have history that could be substantiated. 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.

Pre- paid electricity is only recognised as income once the electricity is consumed. The prepaid electricity balances (included under payables) represent the best estimate of electricity sold at year-end that is still unused.The average pre-paid electricity sold per month/ day during the year under review is used and estimates is calculated using between 9% and 13% worth of unused prepaid electricity.

Service charges relating to Sewerage and refuse removal is recognised monthly in arrears by applying the approved tariff. The municipality use the approved tariff for basic charge and based on the size of the property determine the revenue to be recognised.

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

1.15 Revenue from non-exchange transactions

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

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

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

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.

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

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

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

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

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

1.15 Revenue from non-exchange transactions (continued)

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.

Rates and Taxes

Taxes satisfy the definition of a non-exchange transaction due to the taxpayer transferring resources (tax paid) to government without receiving approximately equal value directly in exchange.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied. Unless laws or regulations specify otherwise, it is likely that the taxable event for the following is:

- Property (rate) tax – 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.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

1.15 Revenue from non-exchange transactions (continued)

Transfers and subsidies

Unconditional grants - The municipality recognises revenue from unconditional grants upon receipt and/or when resources transferred meet the criteria for recognition as an asset and there is also no present obligation to the municipality to refund transferred resources to the transferor. Unconditional grants also includes grants with restrictions since restrictions do not include a requirement that the transferred asset, or future economic benefits or service potential be returned to the transferor if the asset is not deployed as specified. Therefore, gaining control of an asset subject to a restriction does not impose on the municipality a present obligation to transfer future economic benefits or service potential to third parties when control of the asset is initially gained. The municipality recognises grants with restriction and unconditional grants as revenue upon receipt of the grant and no corresponding liability is recognised. Unconditional grants are measured at their fair value.

Conditional grants - Conditions on transferred assets (hereafter referred to as conditions) require that the entity either consume the future economic benefits or service potential of the asset as specified or return future economic benefits or service potential to the transferor in the event that the conditions are breached. Therefore, the municipality incurs a present obligation to transfer future economic benefits or service potential to third parties when it initially gains control of an asset subject to a condition. This is because the municipality is unable to avoid the outflow of resources as it is required to consume the future economic benefits or service potential embodied in the transferred asset in the delivery of particular goods or services to third parties or else to return to the transferor future economic benefits or service potential. Therefore, when a municipality initially recognises an asset that is subject to a condition it also recognises a liability. Revenue on such grants is recognised when the qualifying expenditure has been incurred and to the extent that conditions have been complied with.

Debt forgiveness and assumption of liabilities

The municipality recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

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

Subsequent to initial recognition and measurement, the municipality assesses the collectability of the revenue and recognises a separate impairment loss where appropriate.

1.15 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

Gifts and donations are voluntary transfers of assets that one entity makes to another, normally free from stipulations. Goods in-kind are tangible assets transferred to an entity, without charge, but may be subject to stipulations.

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.

As indicated under the section on Recognition of assets, grants, gifts and donations (other than services in-kind) are recognised when the definition of an asset is met and the recognition criteria of an asset are satisfied. The making of a gift or donation and the transfer of legal title is often simultaneous and in these circumstances there is no doubt as to the future economic benefits flowing to the municipality, however the transfer of legal title does not necessarily have to happen before the municipality will have control over the asset.

For grants, gifts and donations received without conditions attached, revenue is recognised when the asset is recognised. For grants, gifts and donations received that have conditions attached to it, a liability will be recognised to the extent that the conditions have not been met, and will be reduced as the conditions are satisfied with a corresponding increase in revenue.

Goods in-kind are recognised as assets when the goods are received or there is a binding agreement to receive the goods. If the goods in-kind have conditions attached to it, a liability will be recognised to the extent that the conditions have not been met, and will be reduced as the conditions are satisfied with a corresponding increase in revenue.

At initial recognition, gifts and donations including goods in-kind are measured at their fair value. Due to the nature of these transactions, the fair values might not be readily available and consequently it may be obtained with reference to market prices or appraisals.

Services in-kind

Services in kind are recognised at its fair value when it is significant to the operations and/or service delivery objectives and 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. If the services in-kind are not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, only the nature and type of services in-kind received during the reporting period is disclosed.

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.

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.

Service in-kind is recognised when it meets asset the recognition criteria. These assets are, however, immediately consumed and a transaction of equal value is also recognised to reflect the consumption of the service.

Revenue is recognised when the asset is recognised.

The following may lead to the municipality not being able to recognise the services in-kind as an asset:

- The municipality has insufficient control over the services provided; or
- The municipality may have control over the service provided but may not be able to measure it reliably.

1.16 Borrowing costs

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

A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Significant Accounting Policies

1.16 Borrowing costs (continued)

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits or service potential to the municipality, and the costs can be measured reliably. The municipality applies this consistently to all borrowing costs that are directly attributable to the acquisition, construction, or production of all qualifying assets of the municipality. The amount of borrowing costs eligible for capitalisation is determined as follows:

- To the extent that the municipality borrows funds specifically for the purpose of obtaining a qualifying asset, the entity determines the amount of borrowing costs eligible for capitalisation as the actual borrowing costs incurred on that borrowing during the period, less any investment income on the temporary investment of those borrowings.
- To the extent that an municipality borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity determines the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to all borrowings of the municipality that are outstanding during the period. However, the municipality excludes from this calculation borrowing costs applicable to borrowings made specifically for the purpose of obtaining a qualifying asset until substantially all the activities necessary to prepare the asset for its intended use or sale are complete. The amount of borrowing costs that the municipality capitalises during a period does not exceed the amount of borrowing costs it incurred during that period.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets and Inventories as per accounting policy. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is suspended.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the municipality ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Property, plant and equipment

Property, plant and equipment are initially recognised at cost on its acquisition date. 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset 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.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment

1.17 Property, plant and equipment (continued)

Major inspection costs which are a condition of continued 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.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequent measurement – cost model

Subsequently all property plant and equipment, excluding land, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated using the straight line method, to allocate their cost amounts less their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets' future economic benefits or service potential are expected to be consumed by the municipality. 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.

Depreciation of an asset commences when the asset is ready for its intended use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the relevant lease. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use.

Derecognition

The carrying amount of an item of property, plant and equipment is 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 an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying values of assets.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

Site rehabilitation and restoration costs

Where the municipality has an obligation to rehabilitate and restore items of property, plant and equipment such obligations are referred to as rehabilitation provisions’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of rehabilitation and restoring the site on which it is located, the obligation for which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period.

As the related asset is measured using the cost model:

a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;

b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and

c) if the adjustment results in an addition to the cost of an asset, the group 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.

Significant Accounting Policies

1.17 Property, plant and equipment (continued)

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	5-80 years
Machinery and equipment	Straight-line	3-20 years
Furniture and office equipment	Straight-line	3-20 years
Transport assets	Straight-line	3-20 years
Computer equipment	Straight-line	3-20 years
Infrastructure	Straight-line	2-100 years
Community	Straight-line	5-80 years
Recreational facilities	Straight-line	5-100 years
Emergency equipment	Straight-line	2-20 years

The municipality assesses at each reporting date whether there is any indication that the municipality's 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.

1.18 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. Financial instruments are classified into three categories namely: financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost. The municipality determines the classification of its financial instruments at initial recognition.

Initial recognition and measurement

A financial instrument is recognised when the municipality becomes a party to the contractual provisions of the instrument. The municipality recognises financial assets using the trade date accounting.

Subsequent measurement – financial assets

Financial assets consist of cash and cash equivalents, deposits, receivables and investments.

Receivables are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

A provision for impairment of receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Change in the carrying amount of the provision is recognised in the Statement of Financial Performance. When a receivable is considered uncollectible, it is written off against the provision.

Subsequent measurement – financial liabilities

Financial liabilities consist of payables, interest-bearing loans and bank overdrafts. These liabilities are subsequently measured at amortised cost, using the effective interest rate method. Finance costs are expensed in the Statement of Financial Performance in the period in which they are incurred except where stated otherwise (see accounting policy on borrowing costs).

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 using a valuation technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs.

Significant Accounting Policies

1.18 Financial instruments (continued)

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 the 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.

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
Cash and cash equivalent	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non exchange transactions (excluding statutory receivables)	Financial asset measured at amortised cost

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

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

1.19 Statutory receivables

Identification

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

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

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

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

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

The municipality has the following major categories under the ambit of statutory receivables, namely:
- VAT receivables
- Property Rates debtors

Significant Accounting Policies

1.19 Statutory receivables (continued)

- Traffic fine debtors

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- 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.

Significant Accounting Policies

1.19 Statutory receivables (continued)

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

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

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

Derecognition

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

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

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

1.20 Contingent assets and contingent liabilities

Contingent liabilities

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The municipality does not recognise contingent liabilities. contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

The municipality does not recognise contingent assets. Continegnt assets are disclosed where an inflow of economic benefits or servoce potential is probable. Contingencies are disclosed in the notes to the municipality

Significant Accounting Policies

1.21 Value Added Tax

The municipality is registered with the South Afrcan Revenue Service (SARS) for Value Added Tax on the payment basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

The municipality is registered as a category C VAT vendor. VAT receivable or payable is calculated on a monthly basis. VAT receivable is treated as current assets while VAT payable is treated as current liablity.

VAT is accounted for on an accrual basis in the annual financial statements.

The VAT accrual account does not represent amounts to be received or paid, but rather amounts that are associated with transactions that are yet to be settled. There is no money to be received or paid to SARS for these amounts as yet.

VAT input accruals is recognised as receivable from exchange transactions on the expenses incurred.

VAT output accrual is recognised as payable from the exchange transaction. relating to the income.

1.22 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 building elements, the municipality assesses the classification of each element separately.

Finance leases - lessor

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

Significant Accounting Policies

1.22 Leases (continued)

Operating leases - lessee

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

1.23 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried at amortised cost. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are carried at amortised cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

1.24 Councillor and Employee benefits

Short-term employee and councillor benefits

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

Short-term councillor/employee benefits include items such as the following, if expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related services: (a) wages, salaries and social security contributions; (b) paid annual leave and paid sick leave; (c) bonus, incentive and performance related payments; and (d) non-monetary benefits such as medical care, housing, cars and free or subsidised goods or services for current employees. An entity need not reclassify a short-term employee benefit if the entity's expectations of the timing of settlement change temporarily. However, if the characteristics of the benefit change (such as a change from a non-accumulating benefit to an accumulating benefit) or if a change in expectations of the timing of settlement is not temporary, then the entity considers whether the benefit still meets the definition of short-term employee benefits.

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

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

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

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

1.24 Councillor and Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Recognition and measurement

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

(a) as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

(b) as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset. When contributions to a defined contribution plan are not expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service, they will be discounted using the discount rate as specified.

1.24 Councillor and Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Recognition and measurement

The entity determines the net defined benefit liability (asset) with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

Recognition and measurement: Present value of defined benefit obligations and current service cost

Actuarial valuation method

The municipality uses the projected unit credit method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost.

Attributing benefit to periods of service

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the entity attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes benefit on a straight-line basis from:

(a) the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until

(b) the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

Actuarial assumptions: Mortality

The municipality determines its mortality assumptions by reference to its best estimate of the mortality of plan members both during and after employment.

Actuarial assumptions: Discount rate

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

Actuarial assumptions: Salaries, benefits and medical costs

The municipality measures its defined benefit obligations on a basis that reflects:

(a) the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the end of the reporting period;

(b) any estimated future salary increases that affect the benefits payable;

(c) the effect of any limit on the employer's share of the cost of the future benefits;

(d) contributions from employees or third parties that reduce the ultimate cost to the entity of those benefits; and

(e) estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:

1.24 Councillor and Employee benefits (continued)

(i) those changes were enacted before the end of the reporting period; or

(ii) historical data, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

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

Past service cost and gains and losses on settlement

When determining past service cost, or a gain or loss on settlement, the entity remeasures the net defined benefit liability (asset) using the current fair value of plan assets and current actuarial assumptions (including current market interest rates and other current market prices), reflecting:

(a) the benefits offered under the plan and the plan assets before the plan amendment, curtailment or settlement; and

(b) the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement.

Past service cost

The entity recognises past service cost as an expense at the earlier of the following dates:

(a) when the plan amendment or curtailment occurs; and

(b) when the entity recognises related restructuring costs or termination benefits.

Gains and losses on settlement

The municipality recognises a gain or loss on the settlement of a defined benefit plan when the settlement occurs.

1.25 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.

1.26 Investment income

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

1.27 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).

1.27 Accounting by principals and agents (continued)

Identifying whether an entity is a principal or an agent

When the municipality is party a 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 as 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.

1.28 Unauthorised expenditure

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA), defines Unauthorised expenditure as follows:

- Overspending of the total amount appropriated in the municipality’s approved budget;
- Overspending of the total amount appropriated for a vote in the approved budget;
- Expenditure from a vote unrelated to the department or functional area covered by the vote;
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- Spending of an allocation referred to in the above paragraphs of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- A grant by the municipality otherwise than in accordance with this Act.

Expenditure from which unauthorised expenditure arise is either recognised as an expense in the statement of financial performance or capitalized to an asset in the statement of financial position in the year that the expenditure was incurred.

1.28 Unauthorised expenditure (continued)

Where a council resolution to recover the unauthorised expenditure is adopted, the municipality considers whether the definition and recognition criteria of an asset and/or revenue in accordance with the applicable standards of GRAP have been met and satisfied and recognise the asset or revenue accordingly.

Where a council adopts a council committee recommendation to write-off the unauthorised expenditure, the municipality expenses the unauthorised expenditure in surplus/deficit.

1.29 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance.

Expenditure from which fruitless and wasteful expenditure arise is either recognised as an expense in the statement of financial performance or capitalized to an asset in the statement of financial position in the year that the expenditure was incurred.

Fruitless and wasteful expenditure is recorded in the register on the date it is first identified and disclosed in the notes to inclusive of VAT as required in section 125 (d) of the MFMA.

Where a council resolution to recover the fruitless and wasteful expenditure is adopted, the municipality considers whether the definition and recognition criteria of an asset and/or revenue in accordance with the applicable standards of GRAP have been met and satisfied and recognise the asset or revenue accordingly.

Where a council adopts a council committee recommendation to write-off the fruitless and wasteful expenditure, the municipality expenses the fruitless and wasteful expenditure in surplus/deficit.

1.30 Irregular expenditure

Irregular expenditure, in relation to a municipality or municipal entity, means:

- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of MFMA, and which has not been condoned in terms of section 170 of MFMA,
- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act,
- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998, or
- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or any of the municipality’s by laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of “unauthorised expenditure”.

Expenditure from which irregular expenditure arise is either recognised as an expense in the statement of financial performance or capitalized to an asset in the statement of financial position in the year that the expenditure was incurred.

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.

Significant Accounting Policies

1.30 Irregular expenditure (continued)

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

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

Irregular expenditure is recorded in the register on the date it is first identified and disclosed in the notes to inclusive of VAT as required in section 125 (d) of the MFMA.

Where a council resolution to recover the irregular expenditure is adopted, the municipality considers whether the definition and recognition criteria of an asset and/or revenue in accordance with the applicable standards of GRAP have been met and satisfied and recognise the asset or revenue accordingly.

Where a council adopts a council committee recommendation to write-off the irregular expenditure, the municipality expenses the irregular expenditure in surplus/deficit.

1.31 Segment information

A segment is an activity of the municipality:
- 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.

The mandate of the municipality is to provide basic services to the community over which it governs. In order to properly execute its mandate and achieve its strategic goals, internal management reporting is based on each service objective. The components (Item and Fuction aligned to revenue generation) described below have been identified as individually significant segments for purposes of reporting in terms of GRAP 18 (Segment Reporting).

The following Votes are considered significant to the municipality and are accordingly managed separately
- Social and Community Services
- Planning and Economic Development
- Technical Services

The components identified as individually insignificant for internal management reporting purpose in terms of GRAP 18 are aggregated under Unallocated.

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.

Significant Accounting Policies

1.32 Budget information

Municipalities 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 audited 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 audited annual financial statements as the recommended disclosure when the audited annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Comparative information is not required.

In general, a difference of more or less than 10% is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the annual financial statements in determining whether a difference between the budgeted and actual amount is material.

All comparisons of the budget and actual amounts shall be presented on a comparative basis to the budget. Comparative information includes the following:
- the approved and final amounts;
- actual amounts and final budget amounts.

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.

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 audited annual financial statements.

1.34 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

1.35 Change in accounting policies, estimates and errors

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

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements.

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

Details of changes in accounting policies, changes in estimates and correction of errors are disclosed in the notes to the audited annual financial statements where applicable.

1.36 Consumer deposits

The municipality recognises consumer deposits as a current liability when the municipality becomes a party to the contract i.e. when the deposit is made. The consumer deposit is recognised as a liability as the municipality has an obligation to pay the money back to the consumer once the consumer account is closed. As the timing of when a consumer will close their account is unknown, the consumer deposits are classified as a current liability.

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

1.37 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surplus realised during a specific financial year is credited against the accumulated surplus.

Prior year adjustments, relating to income and expenditure are credited and debited against accumulated surplus/(deficit) when retrospective adjustments are made.

1.38 Deviations

In terms of section 36 of the municipal SCM regulations, any deviation from SCM policy needs to be approved by the Accounting Officer and noted by Council.

The Deviations are disclosed as a note to the annual financial statements and the amount are VAT inclusive.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Fact sheet Assessing going concern	To be determined by the Minister of Finance	Unlikely there will be a material impact
• Fact sheet on GRAP 24	To be determined by the Minister of Finance	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	To be determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 107 (as revised) Mergers	To be determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 106 (as revised) Transfer of Functions Between Entities Not Under Common Control	To be determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 105 Transfer of Functions Between Entities Under Common Control	To be determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 2023 Improvements to the Standards of GRAP 2023	To be determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	To be determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 103 (amended): Heritage Assets	To be determined by the Minister of Finance	Unlikely there will be a material impact

Figures in Rand		2025	2024

3. Inventories

Water		286 667	480 908
Carrying value of inventories carried at fair value less costs to sell		286 667	480 908

Water inventory reconciliation

Opening balance		480 908	361 755
System input volume		43 578 645	34 998 933
Authorised consumption		(23 186 839)	(26 393 163)
Water losses	37	(20 586 047)	(8 486 617)
Closing balance		**286 667**	**480 908**

Below are the costs included in the water consumables expenditure:

Employee related cost for the year under review R 19 425 818 (2024: R12 262 306). Ref note 31

Bulk purchase for the year under review R 671 013 (2024: R604 484). Ref note 37

General expense for the year under review R 21 827 960 (2024: R20 417 099). Ref note 39

Contracted services for the year under review R 1 213 276 (2024: R1 045 077). Ref note 38

When determining inventory cost, the cost of conversion is conisdered in the production of the water. Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Water consumables as an expense during the year in the prior year annual financial statement was incorrectly disclosed as R26 329 163

Employee related costs in the prior year annual financial statement was incorrectly disclosed as R 9 463 985

Bulk purchase costS in the prior year annual financial statements was incorrectly disclosed as R 466 692

General expense costS in the prior year annual financial statements was incorrectly disclosed as R 15 744 850

Contracted services costs in the prior year annual financial statements was incorrectly disclosed as R 717 636

Inventory pledged as security

No inventory was pledged as security during the year under review.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

4. Receivables from exchange transactions

Long term agreements	136 632	140 580
Short Term agreements	-	134 368
Agency services	548 697	1 229 081
Other receivables from exchange	20 434 413	15 282 864
VAT Input Accrual	16 040 368	15 781 743
Consumer debtors - Electricity	17 491 863	12 548 245
Consumer debtors - Water	14 441 066	17 166 623
Consumer debtors - Sewerage	6 285 241	4 441 702
Consumer debtors - Refuse	2 716 908	2 053 748
Consumer debtors - Fees	3 174 388	2 554 432
Consumer debtors - Merchandising and jobbing	9 436 707	12 614 759
	90 706 283	**83 948 145**

Non-current assets	136 632	140 580
Current assets	90 569 651	83 807 565
	90 706 283	**83 948 145**

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

Financial asset receivables included in receivables from exchange transactions above	**90 706 283**	**83 948 145**
Total receivables from exchange transactions	90 706 283	83 948 145

No Trade and other receivables was pledged as security during the year under review

Interest Charges

- Interest will be charged on any amount in arrears in accordance to the prime rate of the reserve bank + 2%:

Interest on Arrears

- No interest will be levied on honored payment agreements. No interest will be levied on employees municipal accounts with staff deduction arrangements.
- No interest will be levied on indigent accounts.
- No interest will be levied on fines and penalties.
- No interest will be levied on government accounts.
- Interest is calculated on the monthly principal amount (debt exclusive of unpaid interest)

Trade and other receivables past due but not impaired

Trade and other receivables which are past due but are not considered to be impaired. At 30 June 2025, 37 160 110 (2024: 32 568 636) were past due but not impaired.

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

Long term agreements	136 632	140 580
Short Term agreements	-	134 368
Agency services	548 697	1 229 081
Other receivables from exchange	20 434 413	15 282 864
VAT Input Accrual	16 040 368	15 781 743
	37 160 110	**32 568 636**

Figures in Rand	2025	2024

4. Receivables from exchange transactions (continued)

Trade and other receivables impaired

As of 30 June 2025, trade and other receivables of 196 242 051 (2024: 188 019 412) were impaired and provided for.

The amount of the provision was 142 696 359 as of 30 June 2025 (2024: 137 802 752).

The ageing of these receivables from exchange are as follows:

Current (0 - 30 days)	27 113 370	16 870 128
31 - 60 Days	4 154 085	5 903 421
61 - 90 Days	3 568 980	4 811 113
91 - 120 Days	4 036 686	5 071 268
121 - 365 days	24 321 439	31 160 524
More than 365 days	133 047 491	124 202 958
	196 242 051	**188 019 412**

Reconciliation of provision for impairment of trade and other receivables

Balance at beginning of the year	137 802 752	106 459 753
Debt impairment written off against allowance	(26 961 695)	(13 519 680)
Contributions to allowance (VAT)	(471 502)	2 944 875
Contributions to allowance (expense)	32 326 804	41 917 804
	142 696 359	**137 802 752**

Impairment provision for receivables from exchange and non-exchange have been splitted to ensure that there is a fair presentation.

Figures in Rand	2025	2024
5. Consumer debtors disclosure		
Gross balances		
Consumer debtors - Rates	181 058 037	194 771 401
Consumer debtors - Electricity	25 447 013	23 543 481
Consumer debtors - Water	82 631 193	78 433 414
Consumer debtors - Sewerage	47 850 397	45 364 941
Consumer debtors - Refuse	18 492 083	17 416 907
Consumer debtors - Fees	3 860 688	4 872 536
Consumer debtors - Merchandising and jobbing	17 961 158	19 550 981
Consumer debtors - Availibility charge	4 833 401	10 034 477
	382 133 970	**393 988 138**
Less: Allowance for impairment		
Consumer debtors - Rates	(125 971 323)	(146 556 302)
Consumer debtors - Electricity	(7 955 150)	(10 995 236)
Consumer debtors - Water	(68 190 127)	(61 266 791)
Consumer debtors - Sewerage	(41 565 156)	(40 923 239)
Consumer debtors - Refuse	(15 775 175)	(15 363 159)
Consumer debtors - Fees	(686 300)	(2 318 104)
Consumer debtors - Merchandising and jobbing	(8 524 451)	(6 936 222)
Consumer debtors - Availibility charge	(3 848 908)	(90 181)
	(272 516 590)	**(284 449 234)**
Net balance		
Consumer debtors - Rates	55 086 714	48 215 099
Consumer debtors - Electricity	17 491 863	12 548 245
Consumer debtors - Water	14 441 066	17 166 623
Consumer debtors - Sewerage	6 285 241	4 441 702
Consumer debtors - Refuse	2 716 908	2 053 748
Consumer debtors - Fees	3 174 388	2 554 432
Consumer debtors - Merchandising and jobbing	9 436 707	12 614 759
Consumer debtors - Availibility charge	984 493	9 944 296
	109 617 380	**109 538 904**
Statutory receivables included in consumer debtors above are as follows:		
Consumer debtors - Rates	55 086 714	48 215 099
Financial asset receivables included in consumer debtors above	**54 530 666**	**61 323 805**
Total consumer debtors	109 617 380	109 538 904
Rates		
Current (0 -30 days)	14 822 818	11 234 234
31 - 60 days	4 076 541	5 306 093
61 - 90 days	5 338 668	4 745 238
91 - 120 days	3 801 157	4 568 289
121 - 365 days	27 660 086	33 363 404
More than 365 days	125 358 767	135 554 143
Impairment	(125 971 323)	(146 556 302)
	55 086 714	**48 215 099**
Electricity		
Current (0 -30 days)	14 012 271	8 035 969
31 - 60 days	300 887	809 373
61 - 90 days	225 297	490 080
91 - 120 days	657 587	388 061

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

5. Consumer debtors disclosure (continued)

121 - 365 days	1 720 716	3 059 116
More than 365 days	8 530 255	10 760 882
Impairment	(7 955 150)	(10 995 236)
	17 491 863	**12 548 245**

Water

Current (0 -30 days)	6 995 500	4 916 083
31 - 60 days	2 021 000	2 757 682
61 - 90 days	1 696 245	2 212 865
91 - 120 days	1 792 032	2 182 000
121 - 365 days	11 145 556	13 598 661
More than 365 days	58 980 860	52 766 123
Impairment	(68 190 127)	(61 266 791)
	14 441 066	**17 166 623**

Sewerage

Current (0 -30 days)	3 789 609	2 404 294
31 - 60 days	1 070 829	1 500 410
61 - 90 days	1 001 482	1 329 019
91 - 120 days	975 696	1 232 411
121 - 365 days	6 766 380	7 942 664
More than 365 days	34 246 401	30 956 143
Impairment	(41 565 156)	(40 923 239)
	6 285 241	**4 441 702**

Availibility charge

Current (0 -30 days)	405 137	248 631
31 - 60 days	313 187	352 561
61 - 90 days	170 790	-
91 - 120 days	158 581	-
121 - 365 days	3 662 628	9 433 285
More than 365 days	123 159	-
Impairment	(3 848 908)	(90 181)
	984 574	**9 944 296**

Refuse

Current (0 -30 days)	1 664 758	1 118 971
31 - 60 days	418 770	613 388
61 - 90 days	396 142	524 518
91 - 120 days	388 041	471 655
121 - 365 days	2 618 990	2 999 929
More than 365 days	13 005 382	11 688 446
Impairment	(15 775 175)	(15 363 159)
	2 716 908	**2 053 748**

Fees

Current (0 -30 days)	259 183	75 796
31 - 60 days	129 459	1 948
61 - 90 days	37 802	24 632
91 - 120 days	6	597 171
121 - 365 days	264 828	1 606 787
More than 365 days	3 169 410	2 566 202
Impairment	(686 300)	(2 318 104)
	3 174 388	**2 554 432**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

5. Consumer debtors disclosure (continued)

Merchandising and jobbing		
Current (0 -30 days)	392 050	257 950
31 - 60 days	213 141	220 620
61 - 90 days	212 013	230 000
91 - 120 days	223 324	199 968
121 - 365 days	1 804 969	1 953 367
More than 365 days	15 115 661	16 689 076
Impairment	(8 524 451)	(6 936 222)
	9 436 707	**12 614 759**

Receivables from Traffic fine (Non - consumer debtors)		
Current (0 -30 days)	8 253 400	7 102 300
31 - 60 days	9 424 700	3 988 902
61 - 90 days	9 156 900	5 982 202
91 - 120 days	9 000 400	7 648 161
121 - 365 days	48 239 500	6 417 100
More than 365 days	58 628 301	65 978 936
Impairment	(122 901 096)	(86 861 838)
	19 802 105	**10 255 763**

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	25 674 304	15 152 239
31 - 60 days	5 930 005	8 150 617
61 - 90 days	5 704 571	6 879 378
91 - 120 days	5 206 079	7 133 916
121 - 365 days	39 692 447	54 966 181
More than 365 days	177 231 951	178 077 220
	259 439 357	270 359 551
Less: Allowance for impairment	(198 152 912)	(201 184 616)
	61 286 445	**69 174 935**

Industrial/ commercial		
Current (0 -30 days)	14 039 431	9 855 530
31 - 60 days	1 796 346	2 252 680
61 - 90 days	2 528 351	1 540 236
91 - 120 days	1 929 656	1 376 193
121 - 365 days	12 281 751	10 695 466
More than 365 days	67 502 772	56 824 261
	100 078 307	82 544 366
Less: Allowance for impairment	(58 656 332)	(53 451 370)
	41 421 975	**29 092 996**

National and provincial government		
Current (0 -30 days)	2 627 590	3 353 589
31 - 60 days	817 463	1 159 227
61 - 90 days	845 436	1 136 735
91 - 120 days	860 689	1 130 447
121 - 365 days	3 669 955	8 295 564
More than 365 days	13 794 393	27 296 144
	22 615 526	42 371 706
Less: Allowance for impairment	(15 707 345)	(29 813 248)
	6 908 181	**12 558 458**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

5. Consumer debtors disclosure (continued)

Total		
Current (0 -30 days)	42 341 326	28 361 359
31 - 60 days	8 543 814	11 562 075
61 - 90 days	9 078 357	9 556 350
91 - 120 days	7 996 425	9 639 557
121 - 365 days	55 644 153	73 957 212
More than 365 days	258 529 416	262 197 626
	382 133 491	395 274 179
Less: Allowance for impairment	(272 516 589)	(284 449 236)
	109 616 902	**110 824 943**

6. Receivables from non-exchange transactions

Fines	19 803 008	10 255 763
Other receivables from non-exchange revenue	15 067	15 067
Property rates	55 086 714	48 215 099
Availibility charges	984 493	9 944 296
	75 889 282	**68 430 225**
Non-current assets	-	-
Current assets	75 889 282	68 430 225
	75 889 282	**68 430 225**
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Fines	19 803 008	10 255 763
Consumer debtors - Rates	55 086 714	48 215 099
	74 889 722	**58 470 862**
Financial asset receivables included in receivables from non-exchange transactions above	**999 560**	**9 962 115**
Total receivables from non-exchange transactions	75 889 282	68 438 591

6. Receivables from non-exchange transactions (continued)

Receivables from non-exchange general information

Interest or other charges levied/charged

- Interest will be charged on any amount in arrears in accordance to the prime rate of the reserve bank + 2%.
- No interest will be levied on honored payment agreements.
- No interest will be levied on employees municipal accounts with staff deduction arrangements.
- No interest will be levied on indigent accounts
- No interest will be levied on fines and penalties.
- No interest will be levied on government accounts.
- Interest is calculated on the monthly principal amount (debt exclusive of unpaid interest)

Receivables from non-exchange past due but not impaired

Receivables from non-exchange which are past due but are not considered to be impaired. At 30 June 2025, 15 067 (2024: 15 067) were past due but not impaired.

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

	2025	2024
Other receivables from non-exchange revenue	15 067	15 067

Receivables from non-exchange impaired

As of 30 June 2025, Receivables from non-exchange of 328 450 189 (2024: 301 923 478) were impaired and provided for.The amount of the provision was 252 721 328 as of 30 June 2025 (2024: 233 508 322).

The ageing of these receivables from non-exchange is as follows:

	2025	2024
Current (0 -30 days)	23 440 458	18 585 165
31 - 60 days	13 795 228	9 647 556
61 - 90 days	14 655 377	10 727 440
91 - 120 days	12 957 937	12 216 450
121 - 365 days	78 926 163	49 213 789
More than 365 days	184 675 026	201 533 078
	328 450 189	**301 923 478**

Reconciliation of provision for impairment for receivables from non-exchange

	2025	2024
Balance at beginning of the year	233 508 322	200 779 625
Contributions to allowance (expense)	102 774 736	36 522 785
Debt impairment written off against allowance	(84 049 862)	(3 805 550)
Contributions to allowance (VAT)	488 132	11 462
	252 721 328	**233 508 322**

Receivables from non-exchange transactions pledged as security

No receivables from non-exchange transactions were pledged as security during the year under review.

Impairment provision for receivables from non-exchange and receivables from exchange have been splitted to ensure fair presentation of the financial statements.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

7. VAT receivable (Statutory)

VAT Receivable	-	163 964

VAT Receivables (Statutory) Reconciliation

Balance at the beginning of the year	163 964	-
Restated balance at the begining of the year	163 964	-
Add: Net refunds as per VAT receivable	17 848 784	17 066 474
Less: VAT payment by SARS-Current year	(17 848 784)	(16 902 510)
Less: VAT payment by SARS-prior year	(163 964)	-
	-	**163 964**

The financial statements have been prepared on the accrual basis whilst VAT is receivable/payable to SARS on the payment basis. VAT accrual does not represent amounts to be received or paid, but rather amounts that are associated with transactions that are yet to be declared to SARS. Interest and penalties is charged according to SARS policies. During the current financial year no interest and penalities charged to the municiplity.

VAT Input Accrual	16 040 368	15 781 743
Provision for VAT Payable	(21 194 760)	(24 559 398)
Impairment provision for VAT payables	13 852 575	13 835 945
	8 698 183	**5 058 290**

Statutory VAT receivables relates to receivables that arise from the legislation i.e. VAT Act and are confirmed by SARS.

VAT accrual receivables represent the accrual VAT that is still to be collected from SARS and it is not yet confirmed.

Below are the Notes references related to VAT:

VAT Input Accrual per note no. 4

Provision for VAT payables per note no. 13

Impairment provision for VAT payables per note no. 13

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

8. Cash and cash equivalents

Cash and cash equivalents consist of:

	2025	2024
Bank balances	49 096 683	23 843 448
Short-term deposits	3 774 536	1 423 618
	52 871 219	**25 267 066**

Cash and cash equivalents pledged as collateral

	2025	2024
Limited cession of ABSA fixed deposit account number 206-670-1092. The cession of R500 000 - Guarantee for Raad Van Magalies Water and R300 000 - INCA Infrastructure Finance Corp Limited.	800 000	800 000
Guarantee for Raad Van Magalies Water. Account number 690-020-9994	500 000	500 000

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
ABSA BANK - Account Type(Primary account)- 133-000-0062	48 716 505	23 654 045	6 029 206	49 096 480	23 843 448	6 287 581
ABSA BANK - Call Account - 407-836-0937	2 275 416	31 506	3 697 332	2 296 686	52 573	3 705 560
ABSA BANK - Call Account - 929-574-5884	207 076	192 615	178 346	207 076	192 615	178 346
ABSA BANK - Fixed Account - 206-670-1092	1 270 977	1 178 430	1 089 757	1 270 977	1 178 430	1 089 757
Total	**52 469 974**	**25 056 596**	**10 994 641**	**52 871 219**	**25 267 066**	**11 261 244**

9. Investment property

	Cost	Carrying value	Cost	Carrying value
Investment property	82 503 007	82 503 007	74 400 184	74 400 184

Reconciliation of investment property - 2025

	Opening balance	Fair value adjustments	Carrying Value
Investment property	74 400 184	8 102 830	82 503 007

Reconciliation of investment property - 2024

	Opening balance	Fair value adjustments	Carrying Value
Investment property	67 917 259	6 572 918	74 400 184

Fair value of investment properties	8 102 823	6 572 918

9. Investment property (continued)

Pledged as security

No carrying value of investment properties were pledged as security during the year under review.

Details of property

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

Details of valuation

The effective date of the valuations was Monday, 30 June 2025. Valuations were performed by an independent valuer, Ms Corne Louw. Ms Corne Louw is not connected to the municipality and have recent experience in location and category of the investment property being valued.

The value indicated is established by comparing the subject property with similar properties, called comparable sales. Comparable sales are recent property transactions of property that were sold in accordance with the definition of market value. These comparable sales are judged as being the most comparable to the subject property to indicate a range of value in which the subject property's value could be determined. The subject property is then measured against the comparable sales, in various elements of comparison that might influence and ultimately determine the value of the subject property.

Maintenance of investment property

There were no repairs and maintenance incurred during the year under review.

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	88 051 185	-	88 051 185	88 051 185	-	88 051 185
Machinery and equipment	3 607 540	(2 513 014)	1 094 526	3 664 373	(2 760 955)	903 418
Furniture and office equipment	7 691 436	(6 100 909)	1 590 527	7 856 687	(6 250 168)	1 606 519
Transport assets	26 652 409	(18 010 125)	8 642 284	42 744 127	(25 783 700)	16 960 427
Computer equipment	12 789 543	(9 629 757)	3 159 786	11 043 299	(9 078 743)	1 964 556
Infrastructure	1 418 140 414	(736 499 323)	681 641 091	1 330 474 275	(695 815 747)	634 658 528
Community assets	140 193 034	(70 084 668)	70 108 366	133 933 894	(66 839 328)	67 094 566
Buildings	48 607 405	(31 820 514)	16 786 891	48 598 925	(31 005 266)	17 593 659
Work-in-progress	170 273 399	-	170 273 399	94 132 941	-	94 132 941
Leased assets	8 616 595	(4 461 723)	4 154 872	8 616 595	(2 383 937)	6 232 658
Total	**1 924 622 960**	**(879 120 033)**	**1 045 502 927**	**1 769 116 301**	**(839 917 844)**	**929 198 457**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals: Cost	Transfers	Landfill change	Disposals: Accumulated Depreciation & Impairment	Depreciation	Impairment loss	Impairment reversal	Carrying Value
Land	88 051 185	-	-	-	-	-	-	-	-	88 051 185
Machinery and equipment	903 418	612 644	(669 578)	-	-	629 325	(381 385)	-	-	1 094 526
Furniture and office equipment	1 606 519	501 753	(666 848)	-	-	629 620	(486 937)	-	-	1 590 527
Transport assets	16 960 427	-	(16 091 718)	-	-	9 868 211	(2 094 636)	-	-	8 642 284
Computer equipment	1 964 556	1 864 444	(1 571 750)	-	-	1 553 320	(650 798)	-	-	3 159 786
Infrastructure	634 658 528	50 899 704	(12 060 889)	31 629 252	(40 873)	10 440 250	(34 045 403)	(103 990)	261 679	681 641 091
Community	67 094 566	247 278	(99 292)	6 111 154	-	75 456	(3 190 065)	(130 731)	-	70 108 366
Buildings	17 593 659	8 480	-	-	-	-	(813 260)	(1 989)	-	16 786 891
Work-in-progress	94 132 941	113 880 867	-	(37 740 406)	-	-	-	-	-	170 273 399
Leased Assets	6 232 658	-	-	-	-	-	(2 077 786)	-	-	4 154 872
	929 198 457	**168 015 170**	**(31 160 075)**	**-**	**(40 873)**	**23 196 182**	**(43 740 270)**	**(236 710)**	**261 679**	**1 045 502 927**

Asset not verified and still under investigation:

During the year 2024/25, assets with the carrying amount of R356,464 could not be verified and management is still investigating the existence of those assets.

Below is the property plant and equipment classes affected:.

- Computer equipment - R115,659
- Furniture and office equipment - R71,822
- Machinery and equipment - R168,984

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposal cost	Landfill Site Change	Transfers	Disposal (Accumulated depreciation)	Depreciation	Impairment loss	Carrying Value
Land	88 051 185	-	-	-	-	-	-	-	88 051 185
Machinery and equipment	876 140	349 008	-	-	-	-	(316 491)	-	903 418
Furniture and office equipment	1 831 315	321 792	-	-	-	-	(547 152)	-	1 606 519
Transport assets	19 384 998	-	-	-	-	-	(2 424 571)	-	16 960 427
Computer equipment	1 705 045	917 962	-	-	-	-	(664 314)	-	1 964 556
Infrastructure	564 313 295	24 049 513	(9 977 880)	(667 998)	80 671 986	6 971 783	(30 511 187)	(186 439)	634 658 528
Community	71 486 617	-	-	-	-	-	(3 661 861)	(734 749)	67 094 566
Buildings	18 525 616	-	-	-	-	-	(931 989)	-	17 593 659
Work-in-progress	97 193 913	77 611 011	-	-	(80 671 986)	-	-	-	94 132 941
Leased Assets	1 165 211	7 007 771	-	-	-	-	(1 940 334)	-	6 232 658
	864 533 335	**110 257 057**	**(9 977 880)**	**(667 998)**	**-**	**6 971 783**	**(40 997 899)**	**(921 188)**	**929 198 457**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

10. Property, plant and equipment (continued)

Pledged as security

Leased printers	419 130	628 695
Leased vehicles	3 736 443	5 604 664

No Property Plant Equipment were pledged during the during the year except for municipality's obligation under the finance leases which are secured by the lessors charge over the assets.

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

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Construction of 20MVA Substation	63 606 158	-
Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
Construction of 20MVA Substation	-	45 941 300
The none completion of this project was due to the underperformance of the appointed service providers; hence the termination was realised.		
	-	**45 941 300**

In the current financial year, the entity has enhanced its disclosure of Work-in-Progress (WIP) by presenting balances disaggregated per asset class. This change improves the relevance and transparency of financial reporting.

The prior year WIP balances were presented on a consolidated basis. Comparative figures have not been restated, as the change in presentation does not affect the recognition, measurement, or classification of assets.

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Carrying Value
Opening balance	90 240 550	3 892 391	94 132 941
Additions/capital expenditure	111 662 104	2 218 763	113 880 867
Transferred to completed items	(31 629 251)	(6 111 154)	(37 740 405)
	170 273 403	**-**	**170 273 403**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Carrying Value
Opening balance	97 193 913	-	97 193 913
Additions/capital expenditure	73 718 620	3 892 391	77 611 011
Transferred to completed items	(80 671 983)	-	(80 671 983)
	90 240 550	**3 892 391**	**94 132 941**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

10. Property, plant and equipment (continued)

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		
Property, Plant and Equipment	7 644 236	10 746 498

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.

Change in estimate

During the current financial year, management conducted a review of the useful lives of categories of property, plant and equipment in accordance with GRAP 3. The reassessment was undertaken following the physical verification of assets and the updated information on asset performance which indicated that previously estimated useful life were adjusted by increasing the useful life of the assets to reflect the expected consumption of economic benefits. The change in accounting estimates has been applied prospectively. Management believes that the revised estimates provide a more accurate reflection of the consumption of economic benefits associated with these assets.

The impact on the cash flow statement is Nil.

Current year change in estimate.

Decrease in depreciation expense due to the reassessment of useful life.

Property Plant and Equipment per class	**Amount**
Computer Equipment	(16 349)
Furniture and Office Equipment	(32 989)
Machinery and Equipment	(2 095)
Community Assets	(47 294)
Infrastructure Assets	(73 645)
	(172 372)

The effect of the reassessment of future periods will be an increase in depreciation charge of R172 372.00 over the remaining periods.

11. Intangible assets

	2025			2024		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	3 059 412	(2 218 875)	840 537	3 059 412	(1 843 289)	1 216 123
Servitudes	645 664	-	645 664	645 664	-	645 664
Total	**3 705 076**	**(2 218 875)**	**1 486 201**	**3 705 076**	**(1 843 289)**	**1 861 787**

Reconciliation of intangible assets - 2025

	Opening balance	Amortisation	Carrying Value
Computer software, other	1 216 123	(375 586)	840 537
Servitudes	645 664	-	645 664
	1 861 787	**(375 586)**	**1 486 201**

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Carrying Value
Computer software, other	950 236	552 723	(286 836)	1 216 123
Servitudes	645 664	-	-	645 664
	1 595 900	**552 723**	**(286 836)**	**1 861 787**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

11. Intangible assets (continued)

Pledged as security

No intangible assets were pledged during the year.

Other information

Intangible assets with an indefinite useful life	645 664	645 664

The servitudes recognised in the asset register represent a right of way to land in order to service and maintain municipal infrastructure, such as under ground water networks, and since land is considered to have an indefinite lifespan, the servitude embeds the same lifespan properties.

Notes to the Audited Annual Financial Statements

Figures in Rand

12. Heritage assets

	2025			2024		
	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
Heritage assets	538 950	-	538 950	538 950	-	538 950

Reconciliation of heritage assets 2025

	Opening balance	Carrying Value
Heritage assets	538 950	538 950

Reconciliation of heritage assets 2024

	Opening balance	Carrying Value
Heritage assets	538 950	538 950

Pledged as security

No Heritage assets were pledged during the year.

Expenditure incurred to repair and maintain heritage assets

No expenditure incurred in maintaining heritage assets.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

13. Payables from exchange transactions

Trade payables	42 881 236	57 490 601
Income received in advanced	19 020 927	18 334 444
Retentions	14 644 102	14 055 971
Accrued leave pay	13 292 680	11 331 386
Accrued bonus	3 325 630	2 908 948
Deposits on sale of land	-	2 359
Unkwown (unallocated) deposits	2 303 481	3 506 217
Provision for VAT Payable	21 194 760	24 559 398
Impairment provision for VAT payables	(13 852 575)	(13 835 945)
Accrued payroll expenditure	68 124	-
	102 878 365	**118 353 379**

14. Consumer deposits

Electricity	3 006 102	5 343 307
Water	4 015 626	1 474 056
Refuse	2 034	2 034
Sewerage	394 917	400 072
Housing rental	26 062	16 948
	7 444 741	**7 236 417**

15. Employee benefit obligations

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

Carrying value		
Opening balance of the Post-Employment Medical aid benefit	(53 989 000)	(46 441 000)
Movement in the Post - Employment Medical aid benefit	(5 228 000)	(7 548 000)
Opening balance long service awards	(7 893 000)	(7 324 000)
Movement in Long service awards	(1 417 000)	(569 000)
	(68 527 000)	**(61 882 000)**

Non-current liabilities	(64 910 000)	(58 439 000)
Current liabilities	(3 617 000)	(3 443 000)
	(68 527 000)	**(61 882 000)**

Changes in the present value of the long service awards are as follows:

Opening balance	(7 893 000)	(7 324 000)
Service cost	(644 000)	(601 000)
Interest expense	(825 000)	(806 000)
Benefits Paid	1 999 000	833 000
Actuarial Loss/(Gain)	(1 947 000)	5 000
	(9 310 000)	**(7 893 000)**

Changes in the present value of the post-employment medical aid liabilities are as follows:

Opening balance	(53 989 000)	(46 441 000)
Service cost	(2 491 000)	(2 412 000)
Interest cost	(7 442 000)	(6 653 000)
Benefits Paid	1 559 574	1 459 000
Actuarial Loss/(Gain)	3 145 426	58 000
	(59 217 000)	**(53 989 000)**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

15. Employee benefit obligations (continued)

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

- Current service cost - Long Service Awards	644 000	601 000
- Current service cost - Post-employment Medical Aid	2 491 000	2 412 000
- Interest expense - Long Service Awards	825 000	806 000
- Interest expense - Post-employment Medical Aid	7 442 000	6 653 000
- Actuarial gains and losses arising from - Long Service Awards	1 947 000	(5 000)
- Actuarial gains and losses arising from - Post-employment Medical Aid	(3 145 426)	(58 000)
- Benefits Paid - Long Service Awards	(1 947 000)	(833 000)
- Benefits Paid - Post-employment Medical Aid	(1 559 574)	(1 459 000)
	6 697 000	**8 117 000**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Post-employment medical aid benefit	(3 145 426)	(58 000)
Actuarial (gains) losses – Long service awards	1 947 000	(5 000)
	(1 198 426)	**(63 000)**

Notes to the Audited Annual Financial Statements

15. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Post-employment Medical Aid Liabilities

The expected value of each employee and their spouse’s future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the present date of valuation (calculation). We also allowed for mortality, retirements and withdrawals from service as set out below. The accrued liability is determined on the basis that each employee’s medical aid benefit accrues uniformly over the working life of an employee up until retirement. Further it is assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. We assumed that 100% of all active members on medical aid will remain on medical aid once they retire. We also assumed that all active members will remain on the same medical aid option at retirement.

Valuation of Assets - As at the valuation date, the medical aid liability of the Municipality was unfunded, i.e., no dedicated assets have been set aside to meet this liability. We therefore did not consider any assets as part of our valuation.

Valuation Assumptions

- In estimating the liability for post-employment medical aid benefits a number of assumptions are required. GRAP 25 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 25 and in discussion with the actuary.

- APN 301 states that the assumptions should be realistic and mutually compatible. The difference between the assumptions drives the valuation and it is very important to monitor how this difference changes from one valuation to the next. The most relevant actuarial assumptions used in this valuation are discussed below.

- **Financial Variables** - The two most important financial variables used in our valuation are the discount- and medical aid inflation rates. We have assumed the following values for these variables:

Financial Variable	Assumed Value 30-06-2025 (Current Valuation)	Assumed Value at 30-06-2024 (Preceding Valuation)
Discount Rate	Yield Curve	Yield Curve
CPI (Consumer Price Inflation)	Difference between nominal and real yield curve	Difference between nominal and real yield curve
Normal Salary Increase Rate	Equal to CPI+1%	Equal to CPI+1%
Net Effective Discount Rate	Yield Curve Based	Yield Curve Based

- Discount Rate - GRAP 25 defines the determination of the Discount rate assumption to be used as follows: *“The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.”* We use the nominal and zero curves as at 30 June 2025 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities.

- The following table compares the average values of the financial variables assumed for the subsequent valuations. This is to be used for comparison purposes only and does not reflect the actual rates used as per the explanation above.

Notes to the Audited Annual Financial Statements

15. Employee benefit obligations (continued)

- Although we have used the yield curve for our discount rates and our corresponding inflation rates, for indicative purposes we show the discount rate and CPI that corresponds to the implied duration of our liability. The implied duration of the liability for this valuation is 14,75 years. It is however important to note that this is solely for indicative purposes as we use the entire yield curve to obtain our financial variables.

Financial Variable	Assumed Value 30-06-2025 (Current Valuation)	Assumed Value at 30-06-2024 (Preceding Valuation)
Discount Rate	12,44%	13,69%
CPI (Consumer Price Inflation)	6,89%	8,08%
Normal Salary Increase Rate	7,89%	9,08%
Net Effective Discount Rate	4,22%	4,23%

- **Medical Aid Inflation** - The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period. South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out strip general inflation by 1% per annum over the foreseeable future.

- **Normal Retirement Age** - The normal retirement age (NRA) for all active employees was assumed to be 65 years.

- **Average Retirement Age** - The average retirement age for all active employees was assumed to be 62 years. This assumption implicitly allows for ill-health and early retirements.

- **Mortality Rates** - Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS. Previously mortality before retirement was based on the SA 85-90 mortality tables whilst post employment was based on PA (90) rated down one year.

- **Spouses and Dependants** - We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement and vice versa.

- **Spouses and Dependants** - We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement and vice versa.

Benefit Structure

- **Medical Aid Scheme Arrangements** - The Municipality offers employees and continuation members (pensioners) the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical aid scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical aid scheme.

- **Contribution Rate Structure** - 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. The contribution rate tables used are contained in Appendix of the report.

Notes to the Audited Annual Financial Statements

15. Employee benefit obligations (continued)

- **Subsidy Arrangements** - The Municipality has agreed to subsidise the medical aid contributions of retired members in the following way: Eligible employees will receive a post-employment subsidy of 70% of the contribution payable should they be a member of a medical scheme at retirement; All continuation members and their eligible dependants receive a 70% subsidy; Widow(er)s and orphans of eligible in-service members are not entitled to receive this same subsidy on and after the death in-service of an employee; Upon a member’s death-in-retirement, the surviving dependants will continue to receive the same 70% subsidy.

On the basis of the information supplied and the actuarial assumptions used, the value of the Municipality’s liability for future subsidies of medical aid contributions has been calculated as at the valuation date and is summarised below.

- **Accrued Liability** - The accrued liability is given below and is split between the current employees and continuation members (pensioners).

- **Interest Cost** - The Interest Cost represents the accrual of interest on the Accrued Liability, allowing for benefit payments, over the corresponding year. This arises because the post-employment medical aid scheme contributions are one year closer to payment. This item should be accounted for in the Statement of profit or loss and other comprehensive income (herein after referred to as the “income statement”) according to GRAP 25.

- **Current Service Cost** - The Current Service Cost reflects the additional liability that is expected to accrue in respect of in service members’ service over the corresponding year. This item should be accounted for in the income statement according to GRAP 25.

Membership Changes - Changes to current (in service) membership as at the valuation dates:

	30-06-2025 Valuation	30-06-2024 Valuation	% Change
Number of active employees	226	226	0,0%
Subsidy weighted average age	48,4	47,8	1,4%
Subsidy weighted average past service	13,48	14,82	-9,0%

Changes to continuation membership (pensioners’ membership) as at the valuation dates:

	30-06-2025 Valuation	30-06-2024 Valuation	% Change
Number of principal members	20	20	0,0%
Subsidy weighted average age	75,29	76,18	-1,2%
Subsidy weighted average past service	R 6 740	R 6 080	10,9%

The main reasons for the actuarial gain can be attributed to the following factors:

- **Changes in economic variables** – The nominal and real zero curves as at 30 June 2025 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. As a result, the interest rates, bond yields and inflation figures change. This resulted in an overall decrease in the liability of around R 184 000.

- **Change in Employment Dates** – Following discussions with management, updates were made to the employment dates of some in-service members. A few members were found to have later employment start dates than previously recorded, which led to a decrease in the liability of approximately R 871 000.

- **Changes in membership and other experience items** –There were several changes in the membership data between the two valuation dates. While the number of in-service members remained unchanged, the average years of past service decreased, primarily due to new joiners entering the group and some longer-serving members leaving. The net effect of this, along with a few other factors, resulted in a decrease in the liability of approximately R 2 090 426.

Sensitivity Analysis

15. Employee benefit obligations (continued)

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

- 20% increase/decrease in the assumed level of mortality;
- 1% increase/decrease in the Normal Salary cost inflation;
- 1 year increase/decrease in the average retirement age;
- 1% increase/decrease in the discount rate

Mortality rate - Deviations from the assumed level of mortality experience of the current employees and the continuation members (pensioners) will have a large impact on the actual cost to the Municipality. If the actual rate of mortality turns out higher than the rates assumed in the valuation basis, the cost to the Municipality in the form of subsidies will reduce and vice versa. We have illustrated the effect of higher and lower mortality rates by increasing and decreasing the mortality rates by 20%. The effect is as follows:

	-20% Mortality rate	Valuation Assumption	+20% Mortality rate
Total Accrued Liability	R 63 985 000	R 59 217 000	R 55 270 000
Interest Cost	R 8 040 000	R 7 431 000	R 6 928 00
Service Cost	R 3 246 000	R 2 998 000	R 2 790 00

Medical aid inflation - The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees. We have tested the effect of a 1% p.a. change in the medical aid inflation assumption. The effect is as follows:

	-1% Medical aid inflation	Valuation Assumption	+1% Medical aid inflation
Total Accrued Liability	R 52 017 000	R 59 217 000	R 67 892 000
Interest Cost	R 6 507 000	R 7 431 000	R 8 547 000
Service Cost	R 2 525 000	R 2 998 000	R 3 584 000

Long Service Awards Liabilities

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. We have converted the awarded leave days to a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth. The table below contains a summary of the benefit policy:

Completed Years of Service	Total Long Service Benefit Award (% of Annual Salary)	Formula used to calculate Total Long Service Benefit Award
5	2%	(5/250)*Annual Salary
10	6%	(15/250)*Annual Salary
15	10%	(25/250)*Annual Salary
20, 25, 30, 35, 40 and 45	14%	(35/250)*Annual Salary

The calculated award values are then discounted at the assumed discount interest rate to the date of calculation. We also allowed for mortality, retirements and withdrawals from service as set out in the next section of this report.

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

Valuation of Assets - As at the valuation date, the long service leave award liability of the Municipality was unfunded, i.e., no dedicated assets have been set aside to meet this liability. We therefore did not value any assets as part of our valuation.

Valuation Assumptions

- In estimating the liability for long service leave benefits a number of assumptions are required. GRAP 25 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 25 and in discussion with the actuary.

15. Employee benefit obligations (continued)

- **The assumptions should be realistic and mutually compatible**. The difference between the assumptions drives the valuation and it is very important to monitor how this difference changes from one valuation to the next. The most relevant actuarial assumptions used in this valuation are discussed below.

- **Discount Rate** - GRAP 25 defines the determination of the Discount rate assumption to be used as follows: *"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."* We use the nominal and zero curves as at 30 June 2025 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities.

- **Financial Variables** - The two most important financial variables used in our valuation are the discount rate and salary inflation. We have assumed the following values for these variables:

Financial Variable	Assumed Value 30-06-2025 (Current Valuation)	Assumed Value at 30-06-2024 (Preceding Valuation)
Discount Rate	Yield Curve	Yield Curve
CPI (Consumer Price Inflation)	Difference between nominal and real yield curve	Difference between nominal and real yield curve
Normal Salary Increase Rate	Equal to CPI+1%	Equal to CPI+1%
Net Effective Discount Rate	Yield Curve Based	Yield Curve Based

- The following table compares the average values of the financial variables assumed for the subsequent valuations. This is to be used for comparison purposes only and does not reflect the actual rates used as per the explanation above.

Financial Variable	Assumed Value 30-06-2025 (Current Valuation)	Assumed Value at 30-06-2024 (Preceding Valuation)
Discount Rate	9,31%	10,58%
CPI (Consumer Price Inflation)	4,13%	5,46%
Normal Salary Increase Rate	5,13%	6,46%
Net Effective Discount Rate	3,98%	3,87%

- **Average Retirement Age** - The average retirement age for all active employees was assumed to be 62 years. This assumption implicitly allows for ill-health and early retirements.

- **Normal Retirement Age** - The normal retirement age (NRA) for all active employees was assumed to be 65 years.

- **Mortality Rates** - Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

- **Interest Cost** - The Interest Cost represents the accrual of interest on the Accrued Defined Benefit Obligation, allowing for benefit payments, over the corresponding year. This arises because the long service benefits are one year closer to payment. This item should be accounted for in the Statement of profit or loss and other comprehensive income (herein after referred to as the "income statement") according to GRAP 25.

- **Current Service Cost** - The Current Service Cost reflects the additional liability that is expected to accrue in respect of in service members' service over the corresponding year. This item should be accounted for in the income statement according to GRAP 25.

The main reasons for the actuarial gain can be attributed to the following factors:

15. Employee benefit obligations (continued)

- **Changes in economic variables** – We used the nominal and real zero curves as at 30 June 2025 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. As a result, the interest rates, bond yields and inflation figures changed significantly. This resulted in a higher net effective discount rate and hence an overall decrease in the liability of around R 52 000.

- **Membership Changes and other smaller factors** - Over the past year, there have been several changes in the membership data that differed from expectations, most notably withdrawals being lower than anticipated. These changes, along with a few other minor factors, resulted in an increase in the liability of approximately R 238 000.

- **Change in benefit structure** – There has been a change in the long service award benefit structure since the previous valuation, confirmed through discussions with management. This change resulted in an increase in the liability of approximately R1 761 000.

Sensitivity Analysis

the valuation is only an estimate of the cost of providing Long service leave award benefits. The actual cost to the Municipality will be dependent on actual future levels of assumed variables and the demographic profile of the membership.

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

- 20% increase/decrease in the assumed level of withdrawal rates;
- 1% increase/decrease in the Normal Salary cost inflation;
- 1 year increase/decrease in the average retirement age;
- 1% increase/decrease in the discount rate

Withdrawal rate

Deviations from the assumed level of withdrawal experience of the eligible employees will have a large impact on the actual cost to the Municipality. If the actual rate of withdrawal turns out to be higher than the rates assumed in the valuation basis, then the cost to the Municipality in the form of benefits will reduce and vice versa.

Illustrated below is the effect of higher and lower withdrawal rates by increasing and decreasing the withdrawal rates by 20%. The effect is as follows:

	-20% Withdrawal rate	Valuation Assumption	+20% Withdrawal rate
Total Accrued Liability	R 9 636 000	R 9 310 000	R 9 003 000
Current Service Cost	R 828 000	R 789 000	R 754 000
Interest Cost	R 842 000	R 809 000	R 779 000

Normal salary inflation

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future employees.

We have tested the effect of a 1% p.a. change in the Normal Salary inflation assumption. The effect is as follows:

	-1% Normal salary inflation	Valuation Assumption	+1% Normal salary inflation
Total Accrued Liability	R 8 802 000	R 9 310 000	R 9 862 000
Current Service Cost	R 739 000	R 789 000	R 845 000
Interest Cost	R 760 000	R 809 000	R 863 000

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Water Services Infrastructure Grant (WISG)	-	49 662
Municipal Disaster Response Grant (MDRG)	10 925 337	-
	10 925 337	**49 662**

Movement during the year

Balance at the beginning of the year	49 662	7 441 162
Additions during the year	286 521 990	217 428 166
Income recognition during the year	(275 646 322)	(224 819 666)
	10 925 330	**49 662**

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

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

See note 29 for reconciliation of grants from National/Provincial Government.

Notes to the Audited Annual Financial Statements

17. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	Interest charges	Change in landfill closure provision	Closing balance
Rehabilitation of landfil site	65 774 960	-	6 689 576	(170 544)	72 293 992
Performance bonus	590 046	191 091	-	-	781 137
	66 365 006	**191 091**	**6 689 576**	**(170 544)**	**73 075 129**

Reconciliation of provisions - 2024

	Opening Balance	Additions	Interest charges	Change in landfill closure provision	Closing balance
Rehabilitation of landfil site	62 789 813	-	6 700 678	(3 715 531)	65 774 960
Performance bonus	269 531	320 515	-	-	590 046
	63 059 344	**320 515**	**6 700 678**	**(3 715 531)**	**66 365 006**

	2025	2024
Non-current liabilities	68 132 774	60 859 937
Current liabilities	4 942 355	5 505 069
	73 075 129	**66 365 006**

Landfill provision

The provision for the rehabilitation of the landfill site relates to the legal obligation to rehabilitate landfill sites used for waste disposal. The valuation of the landfill site was performed as at 30 June 2025 by Environmental and Sustainibility Solutions CC (ESS).

The basis for this assessment is limited to information that was available at the time of completion of the report. Where information is not available, the worst case as far as the cost determination is concerned, is assumed.

Location of Landfill - The Warmbad landfill is situated on Portion of the farm Het Bad 465 KR, Bela Bela, Bela Bela Local Municipality, approximately 2 km Southeast of Bela Bela.

Permit or license for the Landfill - A permit referenced B33/2/123/3/P184 for the landfill was issued by the national Department of Water Affairs and Forestry on 06 June 1995. The permit has an unlimited period of validity.

Classification of landfill

- Waste types allowed - This landfill is a General landfill.
- Waste types allowed - This landfill is a General landfill.
- Size class - The size class of the landfill is specified as Medium
- Climatic water balance - The landfill is classified as B

Size of the landfill

- The calculation of the present liability must be based on the area that was used in the past as well as the area that is currently being used for disposing of waste, irrespective of the potential final size of the landfill. This is in line with the accounting concept of present obligation.
- The total area of the landfill is 163,510 m^2.
- The area of the landfill that has already been used for dumping of waste is estimated at 108,471 m^2.

17. Provisions (continued)

Expected remaining life of the landfill

- The expected remaining life of the landfill is critically important for determining for how long the landfill can still be used and for planning the replacement of the landfill. The expected remaining life of the landfill is used in the discounting calculations of the provision for closure.

- The current expected remaining life of the landfill is estimated at 2 year. This is based on an assessment by an expert

Determination of closure cost provision

- **General landfill closure costing model** - ESS has developed a General Landfill Closure Costing Model (GLCCM) to estimate the final rehabilitation and closure costs for general landfills. The GLCCM is being updated in cooperation with Jones and Wagener Consulting Civil Engineers (Pty) Ltd, a company that is actively involved in rehabilitation and closure of landfill sites. The GLCCM standardises the determination of landfill closure costs between different landfills and for the same landfill over time. The GLCCM is based on the Minimum Requirements for Waste Disposal by Landfill of the Department of Water Affairs (1998), as amended by more recent regulations. The GLCCM provides a reliable best possible estimate of closure costs in terms of paragraph 49 of GRAP 19 or paragraph 36 of IAS 37.

Financial assumptions used:

- **Unit costs** - Unit costs for each of the cost elements are obtained annually by means of a commercial quotation.

- **Consumer Price Index (CPI)** - The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end date. The average of the CPI for the last three months amounted to 3.2095%.

- **Discount rate** - GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. The liability for this purpose is in most cases determined for a government entity (municipality). Therefore, government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used.

- The rate most consistent with the remaining life of the landfill published at the end ofthe quarter that includes the financial year-end date was used.

- For this landfill the rate associated with the maximum period of 3 years was used, i.e.5.5% above CPI.

Key financial assumptions used	**2025**	**2024**
CPI	3.2095%	5.1704%
Discount rate	8.7095%	10.1704%
Net effective discount rate	5.5%	5%

Performance bonus

The provision for the performance bonus has been calculated at 14% of the relevant Section 56 Manager's package as per the Department of Provincial and Local Government guidelines on Performance Management and based on the past experience of Section 56 Managers paid out bonuses. In accordance with regulation 32, a performance bonus, based on affordability, may be paid to the employee after:

- the annual report for the financial year under review has been tabled and adopted by municipal council.

17. Provisions (continued)

- the evaluation of performance in accordance with the provisions of regulation 23; and
- approval of such evaluation by the municipal council as a rewards for outstanding performance

18. Finance lease obligation

	2025	2024
Minimum lease payments due		
- within one year	3 749 318	4 109 034
- in second to fifth year inclusive	1 712 423	5 083 334
	5 461 741	9 192 368
less: future finance charges	(405 514)	(1 006 416)
Present value of minimum lease payments	**5 056 227**	**8 185 952**
Present value of minimum lease payments due		
- within one year	3 364 567	4 171 101
- in second to fifth year inclusive	1 691 661	4 014 851
	5 056 228	**8 185 952**
Non-current liabilities	1 691 661	4 014 851
Current liabilities	3 364 567	4 171 101
	5 056 228	**8 185 952**

The average lease term was three years and the average effective implicit rate in the leases was 35% (2024: 35%).

Motor vehicle lease - Interest rates are fixed at the contract date. All leases escalate at determined percentage an per annum and no arrangements have been entered into for contingent rent.

Printers lease- Interest rates are fixed at the contract date. All leases escalate at determined percentage an per annum and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

19. Service charges

	2025	2024
Sale of electricity	167 898 084	147 596 497
Sale of water	39 835 798	39 510 400
Solid waste	10 536 534	10 596 349
Sewerage and sanitation charges	21 661 174	22 157 556
	239 931 590	**219 860 802**

20. Rental of facilities and equipment

	2025	2024
Facilities and equipment		
Rental of facilities	1 171 688	1 195 716

21. Agency services

	2025	2024
Vehicle registration	4 192 641	4 601 547

The agency fee is a revenue generated from the department of transport. The municipality earned 20% and 3% commission of the cash collected for undertaking these activities for the provincial department of transport and ARRTO respectively.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

22. Sale of goods and rendering of services

Application fees for land usage	90 133	169 274
Occupation certificates	9 386	9 848
Removal of restriction	147 966	20 935
Clearance certificate	253 110	211 291
Building plan approval	389 198	437 905
Cemetery and burial	470 014	433 783
Fire services	786	1 150
Sale of goods	120 913	134 174
	1 481 506	**1 418 360**

23. Other income

Administrative handling fees	74 381	132 462
Collection charges	455 025	2 445 792
Incidental Cash	1 319 331	1 505 305
Printing and duplicates	2 674	4 311
Staff and Councillors recoveries	129 758	127 132
	1 981 169	**4 215 002**

24. Interest income from exchange

Interest revenue		
Interest from the bank	4 788 877	2 752 331
Interest charged on trade and other receivables	13 904 269	12 651 848
	18 693 146	**15 404 179**

25. Fair value adjustments

Fair value adjustment Investment properties	8 102 823	6 817 418

Figures in Rand	2025	2024

26. Property rates revenue

Residential properties	42 813 203	41 770 522
Business, Industrail and Commercial properties	28 165 326	23 070 140
Public benefits activities Properties	406 361	372 848
Agricultural properties	12 049 737	12 022 401
State owned properties	16 406 271	15 678 078
Vacant land properties	7 773 305	2 692 100
	107 614 203	95 606 089
Property rates - interest income	15 500 819	13 329 795
	123 115 022	**108 935 884**

Valuations

Business, Industrail and Commercial properties	1 534 332 000	1 448 731 000
Agricultural properties	4 635 098 000	4 745 153 000
Residential properties	5 508 718 299	5 469 925 324
Municiplal properties	606 500 250	595 552 250
Vacant land	857 280 928	907 240 893
Public benefit activities properties	113 878 000	104 778 000
State owned property	288 938 000	288 363 000
	13 544 745 477	**13 559 743 467**

Property rates revenue and valuation of properties have been realligned to ensure coherant comparatives on the the annual financial statements..

Valuations on land and buildings are performed every five (5) years. The general valuation came into effect on 1 July 2022. Valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The rate ranges are as follows:

Valuation per class	**2025**	**2024**
Business, Industrail & Commercial properties	R0.0189	R0.0180
Agricultural properties	R0.0037	R0.0035
State owned properties	R0.0189	R0.0180
Residential properties	R0.0151	R0.0144
Vacant land properties	R0.0140 - R0.0189	R0.0133 - R0.0180
Municipal properties	R0.0189	R0.0180
Public Benefit Activities properties	R0.0037	R0.0035

27. Licences and permits (non-exchange)

Trading	9 216	3 298
Road and Transport	2 183 495	2 196 350
	2 192 711	**2 199 648**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

28. Availability charges

Availability charges - Electricity	16 040	13 342
Availability charges - Solid waste	1 112 732	1 041 844
Availability charges - Sewerage and sanitation charges	2 041 526	1 869 690
Availability charges - Water	677 265	649 962
	3 847 563	**3 574 838**

Availability Charges classified as non-exchange transactions. There is no direct exchange of approximately equal value, and they are levied/ charged in terms of municipal tariffs policy. The transactions relate to Vacant land, in proclaimed or developed areas and covers all trading services.

29. Government grants & subsidies

Operating grants		
Equitable share	137 988 662	129 614 000
Local Government Financial Management Grant (FMG)	1 800 000	1 700 000
Expanded Public Works Programme Integrated Grant (EPWP)	1 502 000	1 302 000
Local Government Sector Education and Training Authority Grant (LGSETAG)	1 749 996	805 468
	143 040 658	**133 421 468**
Capital grants		
Integrated National Electrification Programme Grant (INEP)	20 315 001	153 463
Municipal Disaster Response Grant (MDRG)	634 663	-
Municipal Infrastructure Grant (MIG)	37 509 000	28 257 000
Water Services Infrastructure Grant (WISG)	74 147 000	62 988 036
SMART Meter Grant	52 385 660	-
	184 991 324	**91 398 499**
Total Government grants & subsidies	**328 031 982**	**224 819 967**

Conditional and Unconditional

Included in above are the following grants and subsidies earned:

Conditional grants received	137 988 662	129 614 000
Unconditional grants received	190 043 320	95 205 967
	328 031 982	**224 819 967**

Equitable Share

The Equitable Share is the unconditional share of the revenue raised nationally and is allocated in terms of S214 of the Constitution (Act 108 of 1996) to the to the municipality by the National Treasury. In terms of the constitution, this grant is used to subsidise the provision of basic services to indigent community members.In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Local Government Financial Management Grant (FMG)

Current-year receipts	1 800 000	1 700 000
Conditions met - transferred to revenue	(1 800 000)	(1 700 000)
	-	-

The purpose of the FMG Grant is to promote and support municipal financial management reforms and assist municipalities with the implementation of the MFMA.

Figures in Rand	2025	2024

29. Government grants & subsidies (continued)

Expanded Public Works Programme Integrated Grant (EPWP)

Current-year receipts	1 502 000	1 302 000
Conditions met - transferred to revenue	(1 502 000)	(1 302 000)
	-	-

The grant is to incentivise municipalities to increase labour intensive employment through infrastructure programmes that maximise job creation and skills development in line with the EPWP guidelines.

The Local Government Sector Education and Training Authority (LGSETA)

Current-year receipts	1 749 996	-
Conditions met - transferred to revenue	(1 749 996)	-
	-	-

The Local Government Sector Education and Training Authority (LGSETA) plays a vital role in promoting and coordinating skills development initiatives in the local government sector. Their focus includes conducting skills planning, developing quality learning programs, monitoring training performance, and communicating career advancement opportunities. With the aim of enhancing efficiency and effectiveness, the LGSETA works towards improving the skills and qualifications within the local government sector.

Water Services Infrastructure Grant (WISG)

Balance unspent at beginning of year	49 662	7 287 698
Current-year receipts	74 147 000	55 750 000
Conditions met - transferred to revenue	(74 196 662)	(62 988 036)
	-	**49 662**

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

The purpose of this grant is to ensure that the country's water resources are protected, used, developed, conserved, managed and controlled in a sustainable manner for the benefit of all people and environment, through effective policies, integrated planning, strategies, knowledge based and procedures.

Municipal Infrastructure Grant (MIG)

Current-year receipts	37 509 000	28 257 000
Conditions met - transferred to revenue	(37 509 000)	(28 257 000)
	-	-

The municipal infrastructure grants complement the equitable share grants for local government; however, it is provided conditionally to municipalities.

The key principles underpinning the design of the MIG are outlined below:

The MIG programme is aimed at providing only basic infrastructure.

Municipal Disaster Response Grant (MDRG)

Current-year receipts	11 560 000	805 468
Conditions met - transferred to revenue	(634 663)	(805 468)
	10 925 337	-

To provide for the immediate release of funds for disaster response if an occurrence cannot be adequately addressed in line with section 2(1) of the Disaster Management Act.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

29. Government grants & subsidies (continued)

Integrated National Electrification Programme Grant (INEP)

Balance unspent at beginning of year	-	153 464
Current-year receipts	20 315 000	-
Conditions met - transferred to revenue	(20 315 000)	(153 464)
	-	-

This grant is used for electrification projects as part of upgrading of informal settlement areas.

SMART Meter Grant

Current-year in-direct allocation	52 385 660	-
Conditions met - transferred to revenue	(52 385 660)	-
	-	-

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

The objective of SMART Meter Grant is to enable municipalities to implement bi-drectional smart metering systems.

Smart Meter grant was a Schedule 6 grant-allocations in kind and that the grant was an indirect grant managed by National treasury through transversal contract.

30. Fines, Penalties and Forfeits

Building Fines	8 542	103 304
Illegal Connections Fines	123 920	115 884
Municipal Traffic Fines	95 183 597	31 400 125
	95 316 059	**31 619 313**

31. Employee related costs

Basic salary	88 208 599	81 051 538
Standby allowance	2 430 122	2 285 693
Bonus - 13th Cheque	6 835 639	5 799 493
Perfomance bonus	191 091	320 513
Medical aid - company contributions	8 545 027	7 741 901
Unemployment Insurance Fund - Company Contribution	708 745	687 468
Leave pay	2 566 437	2 262 995
Post employment benefit (continous members)	1 134 387	1 733 994
Overtime payments	12 784 836	12 210 472
Long-service awards	2 249 773	1 101 061
Acting allowances	3 224 729	3 371 654
Car allowance	12 220 108	10 429 675
Housing benefits and allowances	530 505	456 425
Bargaining Council	47 188	43 313
Cellphone allowance	1 901 629	1 723 490
Pension fund contribution - Company Contribution	17 614 214	16 461 906
	161 193 029	**147 681 591**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

31. Employee related costs (continued)

Remuneration of Municipal Manager - T.G. Ramagaga

Basic salary	1 017 445	1 005 950
Car Allowance	373 379	334 616
Contributions to UIF, Medical and Pension Funds	185 266	180 145
Cellphone allowance	42 000	42 000
	1 618 090	**1 562 711**

The Municipal Manager was appointed effectively from the 1st of September 2022 on a fixed term basis.

Remuneration of Chief Financial Officer: R.M Marutha

Basic salary	835 392	872 319
Car Allowance	305 209	238 978
Contributions to UIF, Medical and Pension Funds	152 496	152 897
Cellphone allowance	36 000	36 000
	1 329 097	**1 300 194**

The fixed contract of the Chief Financial Officer ended in March 2023. The incumbant was subsequntly reappointed on a permanent basis effectively from the 1st of July 2023.

Remuneration of Technical Services Senior Manager: H.B. Maswanganyi

Basic salary	778 090	482 876
Car Allowance	305 206	147 140
Contributions to UIF, Medical and Pension Funds	189 817	115 308
Cellphone allowance	36 000	21 000
Leave pay	-	205 188
	1 309 113	**971 512**

The fixed contract of the senior manager technical ended in August 2023. The incumbant was subsequantly reappointed on a permanent basis effectively from the 1st of Februrary 2024.

Remuneration of Planning and Economic Development Senior Manager: N.R Siliga

Basic salary	780 279	727 793
Car Allowance	305 206	219 500
Contributions to UIF, Medical and Pension Funds	201 763	178 369
Cellphone allowance	36 000	33 000
	1 323 248	**1 158 662**

The planning and economic development senior manager was appointed on a permanent basis effectively from the 1st of August 2023.

Remuneration of Social and Community Services Senior Manager: D.S Malope

Basic salary	507 921	-
Car Allowance	187 881	-
Contributions to UIF, Medical and Pension Funds	133 286	-
Cellphone allowance	24 000	-
	853 088	**-**

The council appointed Ms D.S Malope in her capacity as senior manager of social and community services effectively from the 1st of November 2024.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

31. Employee related costs (continued)

Remuneration of the Divisional Manager Human Resource - NM Ramolobeng

Basic salary	630 988	436 955
Car Allowance	221 098	153 108
Bonus	53 106	36 413
Contributions to UIF, Medical and Pension Funds	213 249	155 645
Housing benefits and allowance	12 258	8 531
Acting allowance for position of Corporate Services Senior Manager	358 490	275 503
Cellphone allowance	35 116	24 317
	1 524 305	**1 090 472**

The council appointed divisional manager of Human Resource (Mrs N.M Ramolobeng) to act in capacity of Corporate services Senior manager effectively from the 01st of November 2023 to 30th of October 2024. She further acted in the same position from the 20th of January 2025 the 30th of June 2025 the period of, due to the vacant position.

Remuneration of the Divisional Manager Sports Arts and Culture- D.T. Raborolo

Basic salary	76 103	655 432
Car Allowance	25 440	219 096
Bonus	6 342	54 619
Housing benefits and allowance	1 486	12 797
Contributions to UIF, Medical and Pension Funds	16 995	159 203
Acting allowance for position of Social and Community Services Senior Manager	136 938	322 327
Cellphone allowance	4 235	36 476
	267 539	**1 459 950**

The council appointed divisional manager of sports arts and culture (Mr D.T Raborolo) to act in capacity of senior manager of social and community services effectively from the 1st of March 2023 to the 31st October 2025, due to the vacant position.

Remuneration of Manager Strategic Support: T.J. Mothapo

Basic salary	-	204 240
Car Allowance	-	66 105
Contributions to UIF, Medical and Pension Funds	-	54 584
Acting allowance for position of Corporate Services Senior Manager	-	33 366
Cellphone allowance	-	9 000
Leave pay	-	24 495
	-	**391 790**

The council appointed Manager Strategic Support Services (Mr TJ Mothapo) to act in capacity of corporate services senior manager from the 01st of July to the 30th of September 2023, due to the vacant position.

Remuneration of Intergrated Development and Planning Divisional Manager - L.C. Tshikovhi

Basic salary	-	54 619
Car Allowance	-	19 139
Performance Bonuses	-	4 552
Housing benefits and allowance	-	1 066
Contributions to UIF, Medical and Pension Funds	-	13 907
Acting Allowance	-	44 261
Cellphone allowance	-	3 040
	-	**140 584**

The council appointed divisional manager of Intergrated Development and Planning (Mr L.C. Tshikovhi) to act in capacity of Planning and Economic Development Senior Manager effectively from the 01st of July 2023 to the 31st July 2023 due to the vacant position.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

31. Employee related costs (continued)

Remuneration of Divisional Manager Electrical Services

Basic salary	-	273 097
Car Allowance	-	91 290
Performance Bonuses	-	22 758
Contributions to UIF, Medical and Pension Funds	-	85 882
Acting allowance for position of Technical Services Senior Manager	-	172 189
Cellphone allowance	-	15 198
	-	**660 414**

The council appointed divisional manager of electrical services (Mr TJ Kotsokoane) to act in capacity of Technical Services Senior manager from 01st of Septermber to 31st of January 2024, due to the vacant position.

Employee related cost - Inventory Consumed of Water

Annual Remuneration	19 425 818	12 262 303

Employee related cost used in consumption of water during the year under review.

32. Remuneration of councillors

Honorable Mayor	1 046 307	1 003 680
Speaker	846 449	812 869
Chief Whip	465 121	585 865
Executive Committee Members	1 544 161	1 443 388
Other Councillors	5 131 794	4 964 591
	9 033 832	**8 810 393**

In-kind benefits

The Honorable Mayor, Speaker, MPAC chairperson and Executive members are full-time councillors. The Honorable Mayor and the Speaker are provided with the secretarial support at the cost of the Council. The Honorable Mayor is also provided with the vehicle and driver at the cost of the Council.

33. Related parties

Relationships	
Members of key management	Refer to note 31
Members of council	Refer to note 32

33. Related parties (continued)

Remuneration of councillors

Reconciliation of remuneration of Councillors

2025

Name	Basic salary	Cellphone allowance	Car allowance	Contribution to medical and pension fund	Total
Honourable Mayor - G.M. Seleka	842 615	47 004	-	156 688	1 046 307
Speaker - T.N. Zikhali	464 299	47 004	190 525	144 621	846 449
Chief Whip - K. Seporu	279 479	47 004	99 646	38 992	465 121
Executive committee member - M.H Ledwaba	473 703	43 087	163 434	67 450	747 674
Executive committee member - AF Van Der Heyden	500 972	47 004	178 617	69 893	796 486
MPAC Chairperson Councillor - J.M Mabua	477 498	47 004	178 617	97 202	800 321
Section 79 Member - Councillor M.F. Koover	229 325	47 004	96 716	79 798	452 843
Section 79 Member - Councillor - P.V Mashaba	355 377	47 004	-	50 462	452 843
Section 79 Member - Councillor - F.S Hlungwane	229 325	47 004	96 716	79 798	452 843
Section 79 Member - Councilor K.S. Rachidumela	271 275	47 004	96 716	37 847	452 842
Councillor - M.D Senosha	211 370	47 004	75 364	29 491	363 229
Councilor - M.J. Makhubela	247 493	47 004	-	68 724	363 221
Councillor - M.N Mpunwana	160 547	27 419	-	33 704	221 670
Councillor - M.O Tlaka	276 899	47 004	-	39 321	363 224
Councillor - S.D. Seale	216 346	47 004	-	99 872	363 222
Councillor - JD Cloete	276 899	47 004	-	39 321	363 224
Councillor - J Roets	80 376	15 668	-	12 056	108 100
Councillor - MJ Ngobeni	144 773	47 004	75 364	107 066	374 207
	5 738 571	**791 234**	**1 251 715**	**1 252 306**	**9 033 826**

33. Related parties (continued)

2024

Name	Basic salary	Cellphone allowance	Car allowance	Contribution to medical and pension fund	Total
Honourable Mayor : G.M Seleka	808 747	46 353	-	148 580	1 003 680
Speaker: T.N Zikhali	448 744	46 353	182 394	135 378	812 869
Chief Whip: K Sepuru	417 370	46 353	87 790	34 352	585 865
Executive committee member: M.J Ngobeni	428 823	46 353	170 128	122 231	767 535
Executive committee member - AF Van Der Heyden	414 574	42 653	157 137	61 489	675 853
MPAC Chairperson Councillor - J.M Mabua	453 700	46 353	170 157	86 819	757 029
Section 79 Member - Councillor M.F. Koover	223 580	46 353	92 589	74 554	437 076
Section 79 Member - Councillor - P.V Mashaba	342 419	46 353	92 589	48 309	529 670
Section 79 Member - Councilor - F.SHlungwane	223 529	46 353	92 589	74 546	437 017
Section 79 Member - Councilor K.S. Rachidumela	261 908	46 353	72 150	36 232	416 643
Councillor - M.D Senosha	194 854	46 353	-	28 233	269 440
Councilor -M.J. Makhubela	240 450	46 353	-	64 701	351 504
Councillor - M.N Mpunwana	244 120	46 353	-	55 785	346 258
Councillor - M.O Tlaka	267 540	46 353	-	37 643	351 536
Councillor - S.D. Seale	212 226	46 353	-	92 958	351 537
Councillor - J.D Cloete	267 540	46 353	-	37 643	351 536
Councillor - M.H Ledwaba	218 609	46 353	72 150	28 233	365 345
	5 668 733	**784 301**	**1 189 673**	**1 167 686**	**8 810 393**

34. Depreciation and amortisation

	2025	2024
Property, plant and equipment	43 740 238	40 997 963
Intangible assets	375 586	286 836
	44 115 824	**41 284 799**

35. Impairments of assets

	2025	2024
Impairments		
Property, plant and equipment	225 730	921 188
Reversal of impairments		
Property, plant and equipment	261 703	-

36. Finance costs

	2025	2024
Landfill site	6 689 576	6 700 678
Overdue accounts	-	211 355
Post Employee benefits	8 267 000	7 459 000
Finance leases	827 831	980 333
	15 784 407	**15 351 366**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

37. Bulk purchases

Electricity - Eskom	156 736 350	136 245 642

Electricity used in consumption of water during the year under review was R 671 013 (2024: 604 684)

Electricity losses

	Number 2025 (KVA)	Number 2024 (KVA)		
Units purchased	78 971 335	76 560 440	156 736 350	156 677 557
Units sold	(63 537 725)	(59 553 939)	(134 848 755)	(121 151 825)
Total loss	**15 433 610**	**17 006 501**	**21 887 595**	**35 525 732**
Comprising of:				
Technical losses	7 998 404	7 656 044	11 343 155	15 993 094
Non-technical losses	7 435 206	9 350 457	10 544 439	19 532 638
Total	**15 433 610**	**17 006 501**	**21 887 594**	**35 525 732**
Percentage Loss:				
Technical losses	10 %	10 %	10 %	10 %
Non-technical losses	9 %	12 %	9 %	12 %
Total	**19 %**	**22 %**	**19 %**	**22 %**

Electricity Losses: Technical losses occur when power dissipates in the transmission lines and transformers due to electrical resistance.

Contributing factors to these losses are: power theft, meter tampering, meter bypass, Illegal connections, unpaid bills, non payment, default meters, system failures, unbalanced loading, overloading, low voltage, load shedding and deteriorating infrastructure

Water losses

	Number 2025 (KL)	Number 2024 (KL)		
Units purchased	3 385 374	2 435 739	43 772 886	34 879 780
Units sold	(1 793 259)	(1 843 098)	(23 186 839)	(26 393 163)
Total	**1 592 115**	**592 641**	**20 586 047**	**8 486 617**
Comprising of:				
Technical losses	338 537	246 934	4 377 289	3 536 090
Non-technical losses	1 253 577	345 707	16 208 758	4 950 527
Total	**1 592 114**	**592 641**	**20 586 047**	**8 486 617**
Percentage Loss:				
Technical losses	10 %	10 %	10 %	10 %
Non-technical losses	37 %	14 %	37 %	14 %
Total	**47 %**	**24 %**	**47 %**	**24 %**

Water Losses: Technical losses occur when water is lost in the reticulation lines and in treatment plants due to backwash. Contributing factors to these losses are: system failures, unbalanced networks, high pressure, pipe bursts and deteriorating infrastructure,

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

37. Bulk purchases (continued)

Non-technical losses on water are due to consumers. Contributing factors are: water theft, meter tampering, meter bypass, illegal connections, no billing, unpaid bills, consumer non-payment, faulty meters.

38. Contracted services

Outsourced Services		
Business and Advisory	545 401	839 824
Connection/Dis-connection	483 853	533 789
Security Services	16 584 947	15 333 663
Traffic Fines Management	5 740 158	548 794
Consultants and Professional Services		
Business and Advisory	11 169 589	7 836 219
Infrastructure and Planning	962 440	858 696
Laboratory Services	284 459	184 684
Legal Cost	7 382 184	10 214 671
Contractors		
Catering Services	182 370	131 660
Electrical	889 426	989 407
Event Promoters	539 304	367 012
Gardening Services	24 200	-
Graphic Designers	-	46 913
Repairs and maintenance	28 823 640	10 746 498
Medical Services	-	26 000
Pest Control and Fumigation	26 050	31 000
Transportation	12 133	5 900
Sewerage Services	501 759	379 285
	74 151 913	**49 074 015**

Included in the Consultants and Professional Services: business and advisory is the water inventory consumed amounting to R 246 350 (2024: R524 344)

Included in the contracted service: repairs and maintence is the water inventory consumed amounting to R 768 016 (2024: R520 733)

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

39. General expenses

Advertising	500 028	336 868
Auditors remuneration	6 187 844	7 161 712
Bank charges	1 640 777	1 459 859
Commission paid	3 951 553	3 339 981
Hire	3 521 319	1 766 867
Insurance	1 802 500	1 279 799
IT expenses	8 014 054	6 458 327
Skills levy	1 385 898	1 271 724
Fuel and oil	3 263 774	4 506 762
Consumables expenses	27 544 905	25 206 255
Protective clothing	2 752 716	2 595 612
Ward committee members	995 544	1 032 000
Telephone and fax	508 936	1 274 099
Travel - local	1 139 060	2 484 741
Tools and kits	350 948	474 031
Utilities - Other	2 447 617	2 048 851
Other expenses	6 856 254	4 351 856
	72 863 727	**67 049 344**

Included in the consumables is water inventory consumed amounting to R 21 827 960 (2024: R20 417 099)

40. Auditors' remuneration

Fees	6 187 844	7 161 712

Figures in Rand	2025	2024

41. Cash generated from operations

Surplus	165 272 540	104 343 984
Adjustments for:		
Depreciation and amortisation	44 115 824	41 284 799
Loss on disposal of property plant and equipment	5 555 356	3 006 097
Acturial gains and losses	(1 198 426)	(63 000)
Change in landfill provision income	(129 671)	(3 020 493)
Debt forgiveness	(10 335 126)	(7 718 840)
Fair value adjustments	(8 102 823)	(6 817 418)
Finance costs - Finance leases	827 831	980 333
Government grants & subsidies (SMART Meter revenue)	(52 385 660)	-
Contracted Services (Repairs and maintenance - SMART Meter)	12 507 581	-
Post Employee benefits - interest	8 267 000	7 459 000
Impairment of assets	225 730	921 188
Debt impairment	135 101 540	78 440 588
Public contributions and donations	(51 423)	(16 744 000)
Impairment of assets reversal	(261 703)	-
Net movement in long service award	(1 355 000)	(232 000)
Finance cost - Landfill site	6 689 570	6 700 679
Net movement in employee benefit obligation	931 425	953 000
Leave pay provision	1 961 294	936 276
Performance bonus accrual	191 091	320 515
Changes in working capital:		
Inventories	194 241	(119 153)
Movement in trade and other receivables (including vat receivable)	(149 179 378)	(98 581 361)
Movement in Municipal Debt Relief financial liabilities	4 718 824	26 579 646
Movement in deposits on land	(2 359)	2 359
Payables from exchange transactions (including vat payable)	(27 174 246)	(23 750 611)
Movement in accrued bonus	416 682	(317 857)
Unspent conditional grants and receipts	10 875 675	(7 391 499)
Consumer deposits	208 324	281 354
Movement in payroll accrual	68 124	(4 780 195)
Movement in Income received in advance	686 483	1 117 853
Movement in Unkown (unallocated) deposit	(1 202 736)	(1 459 729)
	147 436 584	**102 331 515**

42. Service in-kind

The below service-in kind were earned in the year under review - 2024/25 financial year

RM Mashaba Projects - Donation of trailer

RM Mashaba Projects donated the a trailer to the value of R51,423 oon the 03rd of December 2024. The donation was intened to support the municipaity in providing repairs and maintenance services to the community.

The below service-in kind were earned in the 2023/24 financial year

Road Agency Limpopo

A formal agreement was entered into between Bela Bela Local Municipality and Road Agency Limpopo to refurbish streets within the boundries around Bela Bela.

Road Agency Limpopo will, on behalf of the Bela-Bela Local Municipality, which falls within the Waterberg District Municipality, implement construction and/or maintenance and/or rehabilitation of road infrastructure projects relating to deteriorated and hazardous roads falling within the ambit of the municipality, as may be identified to from time to time between the parties.

The following streets were refurbished in the current financial year at no costs to the municipality and resulting in a service in kind:

- Luna Street
- Grobler Ave
- Van der Merwe Street
- Pretoria Street
- Mentz Street
- Moffat Street
- Sutter RD
- Reitz Street

The infrastructure refurbished, meet the definition of an asset and satisfy the criteria for recognition and as a result the transaction meet the definition of a service in kind.

The service in kind was recognised as non exchange revenue and the corresponding recognition of infrastructure asses the at fair value of the improvements done.

	2025	2024
Services in-kind that are significant to the entities operations and/or service delivery objectives		
Roads infrastructure Rehabilitation of roads by Road Agency Limpopo (RAL)	-	16 744 000
Donation of a Property Plant and Equipment (Transport Asset) Donation of a trailer by RM Mashaba Projects	51 423	-
	51 423	**16 744 000**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

43. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	110 838 662	39 402 860
Total capital commitments		
Already contracted for but not provided for	110 838 662	39 402 860

Total commitments

Total commitments		
Authorised capital expenditure	110 838 662	39 402 860

This committed expenditure relates to plant and equipment and will be financed by retained surpluses, existing cash resources, funds internally generated, grants from National Treasury.

This commitment register is regularly maintained.

44. Contingent liabilities

Litigants	Brief description	2025	2024
Nakevi Abel Makgatho Damages Claim Case Number - 258/2020	The Plaintiff issued summons in the local magistrate court claiming payment in the sum of R52 683.50. He alleges that he collided with a pothole that was situated at or near R101 Business Park, Potgieter Road. Matter is defended on the basis of lack of Jurisdiction. The road in question belongs to SANRAL and a Special Plea has been raised and filed to this effect. Matter was set for Trial on 16 and 17 November 2022. Matter removed from the roll by the Plaintiff and the Municipality's Attorneys have requested reasons and wasted costs for the removal. The municipality have received a notice of withdrawal of action from the plaintiff dated 21 February 2024 Monetary value cannot be asertained at the date of reporting.	-	-
Masale Marium Morudu Contempt of Court Case Number - 1743/2014	The Applicant brought an application in the Polokwane High Court on 19 January 2021 to declare inter alia, that the Municipality had failed to comply with the court order of 9 December 2014 under Case Number: 1743/2014. The case was finalized and the municipality was ordered to assist Morudu MM to register the stand with the Deed Office. There is no monetary cost implication to the municipality.	-	-
George Aschendorf Patrimonial Loss Case number - 384/2022	George Aschendorf served the Municipality with a letter of demand for payment of the sum of R15 894.00 resulting from damage to his household appliances. Aschendorf alleges negligence on the part of the Municipality for failing to properly maintain the electricity infrastructure with the result that there was a power surge that damaged the appliances. The Municipality denies liability. A letter denying liability was sent to Aschendorf's attorneys. The letter further explained that the fault was caused by a failed piercing clamp which was subsequently replaced. The notice of intention to institute legal proceedings against the Municipality was issued in August 2022, which is more than one year and four months and no further step has been take against the Municipality. The claim can be regarded as abandoned.	-	15 894

Figures in Rand		2025	2024

44. Contingent liabilities (continued)

Ludgijo Holdings (Pty) Ltd) and another Damages Claim Case number - 11013/2022	The Plaintiffs are suing for damages from an alleged wrongful disqualification and irregular appointment of other contractors/suppliers to the disadvantage of their company. The Municipality's attorneys have entered a notice of intention to defend and will arrange for consultations with the Municipal officials in order to prepare and to subsequently file pleadings. In addition, the Plaintiffs' claim has prescribed and was not launched in compliance with the provisions of Section 3 of the Institution of Legal Proceedings Against Certain Organs of State's Act, No 40 of 2002. Further to the above, the Municipality has filed an exception to the plea as it is vague and embarrassing. We are awaiting the Plaintiff's response.	9 481 670	9 481 670
Baroka Funerals Services (Pty) Ltd Damages Claim Case number 47/20	The Plaintiff issued civil claim against the Municipality alleging that damage amounting to R54 138.25 occurred to the Plaintiff's vehicle due to the Plaintiff's vehicle colliding with a large pothole that was situated in the road that falls under the Municipalities area of jurisdiction and maintenance. Avers that the municipality is responsible for the road maintenance. The plaintiff withdrawn the claim after the Municipality raised a special plea that they cited a wrong Defendant, Municipality not responsible for the road in question.	-	54 138
Hosea Thipe Damages Claim Case number - 54/2023	The Plaintiff issued summons against the Municipality alleging that Plaintiff suffered damages in the sum of R48 284.75 when his vehicle was involved in a collision with the Municipality's vehicle on 31 July 2022. The Plaintiff is claiming vicarious liability against the Municipality. The Municipality filed a Special Plea of misjoinder on 29 March 2023 in that the wrong parties to the proceeding were cited (this is based on the discrepancy between the letter of demand and summons). A pre-trial date has been set for 21 July 2023. The municipality received a notice of withdrawal of action dated 31 August 2023. Monetary value cannot be asertained at the date of reporting.	-	-
Motalane Mathopa Erens // BBLM Review Application Case number - J222/23	The Municipality received a Labour Court Review Application from Mr E Motalane alleging constructive dismissal by the Municipality. The matter is opposed by the Municipality on the basis that Mr E Motalane resigned voluntarily. We have served and file a Notice to Oppose and Responding affidavits. Parties held a pre-trial conference and currently waiting for the trial date. On the 23 February 2024 the applicant application was dismissed. Monetary value cannot be asertained at the date of reporting.	-	-

44. Contingent liabilities (continued)

Figures in Rand		2025	2024
Choeu Farming // BBLM Damages Claim Case number - 4115/2023	The Plaintiff issued summons against the Municipality for payment of R1,9 Million Rands in the Polokwane High Court for damages caused by fire. The Plaintiff alleges that the fire was caused by the Municipality's employees. The Municipality is defending the matter and a notice of intention to defend was filed on the 15 June 2023. A Special Plea and Plea dated 30 August 2023 were served and filed. The process of serving and filing of pleadings is in motion. Once the pleadings have closed, we shall receive a notice of a trial date.	1 900 000	1 900 000
BBLM// Dikala Plant Hire Case number - 95187/2015	The Municipality issued an application to set aside the warrant of execution under Case Number: 95187/2015 in terms of which the Sheriff was directed to attach and take into execution the sum of R82 795 796,84 plus interest at the rate of 9% from 18 July 2019 until date of final payment. Further prayers by the Municipality included the setting aside of the Notice of Attachment in Execution dated 09 November 2022, of movable and immovable properties of the Applicant pursuant to the warrant of execution under Case Number 95187/2015, in favour of the First Respondent. The Application was issued on the Department of Justice's case online system and a Case Number: 31630/2023 was allocated. The matter was also allocated a trial date of 14 September 2023 for hearing. On 24 May 2023, a notice to oppose was received by our attorneys from Dikala's legal representatives. On 14 June 2023, our attorneys received an undertaking in a form of a letter from Dikala's legal representatives confirming that they will not proceed with any further attachments pending the finalization of the review application. In addition, Dikala's attorneys indicated that they were of the view that it would be in both parties' interest to settle the matter. The Judge set aside warrant of execution issued under case number 95187/2015. The case was finalized on the 18 November 2024.	-	59 795 796
Earle // Bela-Bela Local Municipality	The Plaintiff instituted legal action in the Bela-Bela Magistrate Court as he alleges that he was involved in an accident after he hit a pothole near Settlers/Bela-Bela offramp and is now claiming damages against the Municipality alongside RAF, SANRAL and MEC of Community Safety. The Plaintiff claims damages of R140 000.00 from all Defendants, jointly and severally, one paying for the other to be absolved. The claim was dismissed 02 August 2024	-	140 000

Figures in Rand		2025	2024

44. Contingent liabilities (continued)

Zutari South African (Pty) Ltd (Formerly known as Aurecon South Africa (Pty) Ltd Damages Claim Case Number - 4930/202 // Bela-Bela Local Municipality	The Plaintiff claims an amount of R509126.01 which is in relation to the appointment of the Plaintiff to render certain professional consultancy engineering services on the project known as Bela-Bela Pave Bus Route Rapotokwane (MIG/LP/2126/R, ST/16/18). Proceedings stayed to pursue possible settlement.	509 126	509 126
Bela-Bela VTS (Pty) Ltd Case number - 10379/2023	The applicant made an application to the Polokwane High Court under case number 10379/2023 requesting the court to compel the Bela-Bela Local Municipality to support their application for private vehicle testing station in Bela-Bela Town. The application was made to MEC for Department of Transport and Community Safety in Limpopo Province. On the 9th of September 2024, the applicant received a judgement in their favour four the municiplaity to support them. On the 20th of September 2024, the attorney's were instructed to appeal the the judgement since it was not possible to implement the judgement outcome on the 9th of September 2024. Monetary value cannot be asertained at the date of reporting.	-	-
Lebelo // Makwakwa Eviction	This is an eviction matter in the Magistrate Court of Bela-Bela and relates to a dispute over the ownership (s) of Erfs (1185 & 1186). The Municipality made an error in allocating the stands by swopping the properties during the transfer process. Initially, the matter was set down for 10 June 2020, but postponed sine dies (indefinitely) pending the outcome of the High Court’s decision in the same matter. The matter was launched in the Polokwane High Court, subsequent to an application for an interdict against the Bela-Bela Municipality to halt the Rectification process over Erf (1185 & 1186). The matter was heard on 12 June 2022 for the revival of the rule nisi order which was granted. The matter was set down for Part B of the Application, which is the main interdict, for 6 March 2023. On 6 March 2023, the matter was removed from the roll and re-enrolled for hearing on 26 February 2024. On the 26 February 2024 the matter was removed from the roll after argument and re-enrolled for 20 March 2025. Monetary value cannot be asertained at the date of reporting.	-	-
Paul and Partners	On the 09 February 2024 the Pretoria High Court granted a default order against the Municipality for payment of R631 801. The Municipality is in a process of settlement negotiations.	631 801	631 801

Notes to the Audited Annual Financial Statements

Figures in Rand		2025	2024

44. Contingent liabilities (continued)

Telkom SA SOC Limited	The plaintiff issued civil claim against the municipality with the Polokwane High Court Case No: 13882/2024 claiming the sum of R1600 839.10. Claiming to be for the professional services rendered at the municipality's special request.	1 600 839	-
		14 123 436	**72 528 425**

45. Accounting by principals and agents

Description of Principal and Agent Arrangement

The municipality is a party to a principal-agent arrangement.

1. The municipality is the agent to the Provincial Department of Transport (Principal of the municipality)

a) The Provincial Government, through the respective Provincial Department of Transport, is mandated to collect motor vehicle licenses on an annual basis. The Provincial Department of Transport determines the fee that is payable annually by motor vehicle owners, which varies depending on the type of motor vehicle owned.

b) To make the payment of the motor vehicle licenses easier, the provincial department entered into a contractual arrangement with the Bela-Bela Local Municipality to undertake this activity on their behalf.in terms of the arrangement:

- The Provincial Department of Transport issues the motor vehicle license renewal form to the respective owners of the motor vehicle, indicating the amount due for the year.
- The municipality provides facilities for owners of motor vehicles to pay their licenses.
- The Provincial Department of Transport provides the municipality with access to its IT systems so that they can capture the amounts received and issue the motor vehicles licenses on their behalf. The system automatically generates the motor vehicle license upon capturing the payment of the fee due.
- The municipality collect the fees due from motor vehicles owners and simultaneously issue the new licenses on behalf of the provincial government.
- The municipality is required to pay over any revenue (cash) collected to the Provincial Department in respect of motor vehicles licenses.
- The municipality is entitled to retain 20% of the cash collected for undertaking this activity of the Provincial Department of Transport.
- No significant risks exist other than risks associated with cash management. The application controls designed within the IT system are adequate to correctly account for such revenues.

2. The municipality is the principal to the Landis+Gyr (agent of the municipality)

a) The Service which Landis+Gyr shall provide for the client shall be the granting of remote access to the system ,to the client or managing agent, to obtain tokens for Consumers; and to Consumers, to purchase tokens for themselves.

b) Landis+Gyr shall keep full and proper accounts and records showing clearly all transactions in relation to the services, which accounts and records shall be separate from those relating to other clients of Landis+Gyr.

c) Landis+Gyr shall provide to the client such number of reports as the client may from time to time require, up to a maximum of four reports per month at no additional charge to the client, and any further reports per month at a fair and reasonable charge payable by the client, on the value of Tokens issued by or for Consumers

d) Landis+Gyr shall remit to the Client, by the fifth business day in each month, all token payments received by Landis+Gyr during the preceding month, less such amount as Landis+Gyr is permitted to deduct in accordance with clause 13 .

e) The Landis+Gyr are entitled to retain 4% for the cash collected for undertaking this activity of the municipality.

f) The Landis+Gyr therefore permits the municipality to utilise its software for undertaking this activity, to issue Tokens for Consumers after purchase and access to reports (monitoring and evaluation) through the SUPRIMA system.

g) No significant risks exist other than risks associated with cash management.

3. **The municipality is the principal to the Syntell (Agent) of the municipality**

Figures in Rand	2025	2024

45. Accounting by principals and agents (continued)

a) Syntell is the agent to the Municipality from 1 September 2023 to 31 August 2026

b) The Service Provider (Syntell) is responsible for provision of the Traffic Management System, collection of Traffic Fines, the supply of digital and red-light cameras related Services.

c) Syntell keeps full and proper accounts and records showing clearly all transactions in relation to the Services, which accounts and records shall be separate from those relating to other clients of Syntell.

d) Syntell provide daily, weekly, monthly, annual financial transaction reports to the Principal, for reconciliation, reporting and budgeting purposes.

e) The Agent render services in accordance with applicable tendered rates.

f) No significant risks exist other than risks associated with cash management.

Additional information

Reconciliation of the statement of financial performance

	2025	2024
Reconciliation of the statement of financial performance: Municipality acting as the Agent - Provincial department of transport		
Agency services: Revenue commission/agency recognized as compensation for the transactions carried out on behalf of the Principal	6 296 879	4 601 547

	2025	2024
Reconciliation of the statement of financial performance : Municipality acting as the principal - Landis+Gyr		
Expense recognised as compensation for the transactions carried out on behalf of the Principal	4 544 240	3 339 981

The commission expense of Landis+Gyr was reported under general expense.

	2025	2024
Reconciliation of the statement of financial performance : Municipality acting as the principal - Syntell		
Expense recognised as compensation for the transactions carried out on behalf of the Principal	5 740 158	-

There are no receivables held on behalf of the principal (i.e. municipality).

The commission expense of Syntell were reported under contracted services.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

46. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1 926 190	1 886 527
Amount paid - current year	(1 926 190)	(1 886 527)
	-	-

Material losses through criminal conduct

The material losses are debit orders which went fraudulently through the bank account. Invetsigation is still ongoing and no amounts were wrtten off in the current year.

Skills Development Levy (SDL)

Opening balance as previously reported	-	97 222
Add: Losses identified - current period	1 385 898	1 271 724
Less: Amounts recovered - current	(1 385 898)	(1 368 946)
	-	-

Audit fees

Opening balance	2 803	170 817
Current year subscription / fee	7 116 019	8 235 969
Amount paid - current year	(7 118 822)	(6 755 340)
Interest written-off	-	(1 648 643)
	-	**2 803**

Pay As You Earn (PAYE) and Unemployment Insurance Fund (UIF)

Opening balance	-	1 684 215
Current year subscription / fee	26 203 425	23 359 501
Amount paid - current year	(26 203 425)	(25 043 716)
	-	-

Pension and Medical Aid Deductions

Opening balance	-	3 052 436
Current year subscription / fee	42 022 939	36 691 106
Amount paid - current year	(42 022 939)	(39 743 542)
	-	-

Councillors' arrear consumer accounts

There were no Councillors with arrear accounts outstanding for more than 90 days as at 30 June 2025.

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Senosha MD	427	-	427

Deviation from supply chain management regulations

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

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

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

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 and includes a note to the annual financial statements.

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Deviation below is in relation to emergency procurement as stipulated in section 36 of the Municipal Supply Chain Management Regulations - Emergency request to procure services and materials to restore power at Noodhulp/Roodepoort. Supply, delivery and installation of 2-3MVA 11Kv/22Kv step up transformer.

Incident		
Emergency procurement	-	1 369 248

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

47. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	90 706 283	90 706 283
Other receivables from non-exchange transactions	999 560	999 560
Cash and cash equivalents	52 871 219	52 871 219
	144 577 062	**144 577 062**

Financial liabilities

	At amortised cost	Total
Municipal Debt Relief financial liabilities	13 244 504	13 244 504
Trade and other payables from exchange transactions	83 888 450	83 888 450
Consumer deposits	7 444 741	7 444 741
	104 577 695	**104 577 695**

2024

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	83 948 145	83 948 145
Other receivables from non-exchange transactions	9 962 115	9 962 115
Cash and cash equivalents	25 267 066	25 267 066
	119 177 326	**119 177 326**

Financial liabilities

	At amortised cost	Total
Municipal Debt Relief financial liabilities	18 860 806	18 860 806
Trade and other payables from exchange transactions	100 606 828	100 606 828
Consumer deposits	7 236 417	7 236 417
	126 704 051	**126 704 051**

Notes to the Audited Annual Financial Statements

48. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of 1 068 633 231 and that the municipality's total assets exceed its liabilities by 1 068 633 231.

This annual financial statements have been prepared on a going concern basis.

Management has prepared an annual budget based on the municipality's collection levels, and applied cost cutting measures to ensure that the municipality operate within its financial limits. Monthly and annual cash flow forecast for the period ending 30 June 2026 are prepared and monitored by senior management team, if necessary budget adjustment process will be initiated. The annual budget for the next financial year has been prepared and approved by council and it is deemed to be fully funded.

The municipality's budget for the 2026 financial year has been assessed to be funded in terms of section 18 of the MFMA.

Management is satisfied that the municpality has, or has access to, adequate resources to continue in operational existence for the foreseeable future. The municipality will continue monitor the budget process and assess risk associated to changes in adverse economic conditions and ensure that its operating activities will be within its financial measures.

There are factors that cast doubt on the municipality’s ability to continue as a going concern, however the municipality has measures in place to address these factors.

Risk idenified	**Future plans to mitigate risks identified**
Revenue collection rate below the norm of 95%	Through the collaboration with DBSA, the municipality is developing a revenue enahancement strategy. The strayegy willl assist in detecting collection rate leakaged and mechanism to improve the collection rate. The municipality intensified credit control measures to recover long outstanding amounts from consumers.
The municipality has a high commitment register	A provision of conditional grant has made on the funded budget for 2025/26 to fund the capital commitment

49. Prior-year adjustments

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

Statement of financial position

2023

	Note	As previously reported	Correction of error	Restated
Receivables from exchange transactions	4&5	60 565 747	(1 206 697)	59 359 050
VAT Receivables	7	7 789 978	30 757	7 820 735
Cash and cash equivalents	8	11 261 243	(3 264)	11 257 979
Investment Property	9	60 717 194	7 119 072	67 836 266
Property Plant and Equipment	10	856 446 494	7 834 649	864 281 143
Accumulated surplus		(785 247 880)	(13 774 517)	(799 022 397)
		211 532 776	**-**	**211 532 776**

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Receivables from exchange transactions	4&5	69 303 501	(1 251 252)	15 755 316	83 807 565
Receivables from non-exchange transactions	5&6	68 438 591	(8 366)	-	68 430 225
VAT Receivables	7	5 155 579	40 248	(5 031 863)	163 964
Investment property	9	67 457 882	6 942 302	-	74 400 184
Cash and cash equivalents	8	25 270 330	(3 264)	-	25 267 066
Property, plant and equipment	10	921 469 381	7 729 076	-	929 198 457
Payables from exchange transactions	13	(106 058 870)	(1 571 056)	(10 723 453)	(118 353 379)
Accumulated surplus		(891 478 775)	(11 877 688)	-	(903 356 463)
		159 557 619	**-**	**-**	**159 557 619**

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges	19	220 651 599	(790 797)	-	219 860 802
Rental of facilities and equipment	20	1 192 390	3 326	-	1 195 716
Other Income	23	4 811 178	(596 176)	-	4 215 002
Fair value adjustment	25	6 803 688	76 730	(63 000)	6 817 418
Availibility charges	28	3 578 310	(3 472)	-	3 574 838
Fines, Penalties and Forfeits	30	31 660 575	(41 267)	-	31 619 308
Depreciation and amortisation	34	(40 925 725)	(359 074)	-	(41 284 799)
General Expenses	39	(66 873 160)	(196 066)	-	(67 069 226)
Acturial gains	58	-	-	63 000	63 000
Surplus for the year		**160 898 855**	**(1 906 796)**	**-**	**158 992 059**

49. Prior-year adjustments (continued)

Cash flow statement

2024

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Service charges		177 200 312	82 782 118	259 982 430
Property rates		104 581 049	(104 581 049)	-
Other receipts		17 987 547	(17 987 547)	-
Employee costs		(156 412 974)	(3 199 271)	(159 612 245)
Suppliers		(264 178 426)	14 519 307	(249 659 119)
Finance costs		-	-	-
		(120 822 492)	**(28 466 442)**	**(149 288 934)**
Cash flow from investing activities				
Purchase of property, plant and equipment		(82 987 137)	(3 177 194)	(86 164 331)
Proceeds of property, plant and equipment		-	(552 723)	(552 723)
		(82 987 137)	**(3 729 917)**	**(86 717 054)**
Cash flow from financing activities				
Finance lease payments		(1 598 006)	(7 368)	(1 605 374)

Receivables from exchange transactions

The following prior period errors adjustments occurred:

Over charging on water due to incorrect reading. The correction of error resulted:

Decrease in Receivables from exchange transactions		(R 16 808)
• Decrease Merchandising Jobbing and Contracts	(R 75)	
• Decrease Fees	(R 72)	
• Decrease Refuse	(R 713)	
• Decrease Sewerage	(R 1 882)	
• Decrease Water	(R 14 064)	
Decrease in Receivables from non exchange transactions - Property rates		(R 4 502)
Decrease in revenue from services charges - water		R 18 531
Increase in VAT Receivables		R 2 780

Availability charges incorrectly levied on debtors account. The correction of error resulted:

Decrease in Receivables from exchange transaction - Water		(R 128)
Decrease in Receivables from non-exchange transactions		(R 3 864)
• Decrease in Property Rates	(R 1 112)	

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

49. Prior-year adjustments (continued)

• Decrease in Service charges	(R 2 752)	
Decrease in Availability charges		R 3 472
Increase in VAT Receivables		R 521

Undercharging of rental levies and incorrect rental charges on suspended service account. The correction of error resulted:

Increase in Receivables from exchange transactions (Merchandising, Jobbing and Contracts)	R 3 326
Increase in revenue from Rental of facilities and equipment	(R 3 326)

Incorrect posting of accounting period of building fines. The correction of error resulted:

Decrease in Receivables from exchange transactions (Merchandising Jobbing and Contract)	(R 47 456)
Decrease in revenue from Fines, Penalties and Forfeits	R 41 266
Increase in VAT Receivables	R 6 190

Receivables from exchange transactions (VAT Input) accounting for in the incorrect financial year. Refer to payables from exchange transactions for narration.

Incorrect classification of VAT receivables (Input VAT). The reclassification of VAT input resulted:

Decrease in VAT receivables (Statutory)	(R 15 755 316)
Increase in receivables from exchange (VAT Input)	R 15 755 316

Receivables from non-exchange transactions

The following prior period errors adjustments occurred:

Refer to Receivables from exchange transactions narration.

Accumulated surplus

The following prior period errors adjustments occurred:

Refer to Receivables from exchange transactions narration.

VAT Receivables

The following prior period errors adjustments occurred:

Refer to Receivables from exchange transactions and Payables from exchange transactions narrations.

Service charges

The following prior period errors adjustments occurred:

Refer to Receivables from exchange transactions and trade payables from exchange receivables narration.

Fines, Penalties and Forfeits

Notes to the Audited Annual Financial Statements

49. Prior-year adjustments (continued)

The following prior period errors adjustments occurred:

Refer to Receivables from exchange transactions narration.

Cash and cash equivalents

The following prior period errors adjustments occurred:

During the previous years Cash and cash equivalent was incorrectly reported with the petty cash balance. The effect of the correction of error is:

Increase in accumulated surplus		R 3 264
Decrease in cash and cash equivalent:		(R 3 264)

Acturial gains

The following reclassification adjustments occurred:

Acturial gains was previously classified as fair value adjustment. This resulted in overstatment of fair value adjustment by R63000. The effect of the reclassification is as follows:

Increase in acturial gains		(R 63 000)
Decrease in fair value adjustment		R 63 000

Payables from exchange transactions

Expenditure recorded in the incorrect accounting period. The correction of error resulted:

Increase in payables from exchange transactions		(R 202 611)
Increase incease in general expenditure		R 202 611
• Increase incease in bank charges	R 51 514	
• Increase incease in utilities others	R 124 669	
• Increase in VAT receivables	R 26 427	

Unused prepaid electricity not accounted for at year end. The correction of error resulted:

Increase in payables from exchange transactions (Advance Payments)		(R 772 266)
Decrease in revenue from Service Charges (electricity)		R 772 266

Incorrect classification of VAT payables (Output VAT). The reclassification of VAT Output resulted:

Increase in VAT receivables (Statutory)		R 10 723 453
Increase in payables from exchnage transactions		(R 10 723 453)
• Increase in Provision for VAT Payable	(R 24 559 398)	
• Increase in Impairment provision for VAT payables	R 13 835 945	

Notes to the Audited Annual Financial Statements

49. Prior-year adjustments (continued)

General Expenses

General expenditure accounting for in the incorrect financial year. Refer to payables from exchange transactions for narration.

Property, plant and equipment

The following prior period errors occurred:

Incorrect valuation of land recognised. The correction resulted in the following:

During the preparation of the annual financial statements, the municipality has identified properties registered in the municipal name which were not accounted for and as a result had to bring those properties into the accounting records. The correction resulted into the following:

Increase in land	R 6 750 243
Increase in accumulated surplus	(R 6 750 243)

Incorrect classification of social housing after change of intention of use:
The municipality had constructed social housing for use by the municipal staff, on further assessment of occupants it was found that the houses are now open for leasing to the general public therefore they no longer fall into the GRAP 17 Property Plant and Equipment. They are now accounted for under GRAP 16 Investment Property. The correction resulted as follows:

Decrease in depreciation	(R 195 572)
Decrease in accumulated depreciation	R 195 572
Decrese in Cost	(R 19 269 552)
Decrease in accmulated depreciation	R18 533 611
Decrease in accumulated surplus	R 735 941
Decrease in land	(R 24 873 159)
Decrease in accmulated Impairment	R 24 873 159

Incorrect reassessment of residual useful life:

During the preparation of the Annual Financial Statement, the municipality identified assets that were still in use but were fully or almost fully depreciated. An exercise of prior period reassessment of useful lives of the assets. The correction resulted into the following:

Decrease in accumulated depreciation	R 1 342 108
Increase in accumulated surplus	(R 1 342 108)
Increase in depreciation	R 403 497
Increase in accumulated Depreciation	(R 403 497)

Asset identified during phyisal verication but previously not reported

During the annual verification, the municipality identified assets which were in use but were not in the accounting records. The municipality then added the identified assets into the accounting records. The correction resulted into the following:

Increase in cost	R 976 412

49. Prior-year adjustments (continued)

Increase in accumulated depreciation	(R 855 166)
Increase in accumulated surplus	(R 121 246)
Increase in depreciation	R 151 147
Increase in accumulated Depreciation	(R 151 147)

Investment Property

During the year, the municipality identified properties that were duplicated on the investment property register. The municipality derecognised these properties. The municipality also identified the properties under Grap 17 were there had been a change in intention of use of the properties. The effects of the prior period adjustment is narrated below.

Understatement of investment property dercognition and recognition:

Increase in fair value gain	(R 76 730)
Increase in Investment property	R 76 730
Increase in Investment property	R 7 119 072
Increase in accumulated surplus	(R 7 119 072)

Cashflow statement

In the prior year cashflow statement was misclassified per activity. The correction resulted in a:

Decrease in net cash flows from operating activities	(R 28 446 442)
Increase in net cash flows from investing activities	(R 3 729 917)
Increase in net cash flows from financing activities	(R 7 368)

50. Events after the reporting date

No events known by council that warrant a disclosure of an adjusting event after the reporting date.

Non-adjusting events after the reporting date:

- Effectively from the 1st of August 2025, Council appointed Mrs NM Ramolobeng as a Senior Manager Corporate Service

51. Risk management

Financial risk management

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

Liquidity risk

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

Credit risk

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

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

Financial instruments exposed to market and credit risk at year end were as follows:

Financial instrument	2025	2024
Cash and cash equivalents	52 871 219	25 270 330
Trade and other receivables from exchange transactions	90 706 283	83 948 145
Other receivables from non-exchange transactions	999 560	9 962 115
Trade and other payables from exchange transactions	(83 888 450)	(100 606 828)
Consumer deposits	(7 444 741)	(7 236 417)
Municipal Debt Relief financial liabilities	(13 244 504)	(18 860 806)

Market risk

Interest rate risk

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

52. Segment information

General information

Identification of segments

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

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

Aggregated segments

The municipality operates throughout the Limpopo Province in Waterberg District. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Limpopo 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**
Planning and Economic Services	Building control, trading/business licensing, issuing, human settlement and housing
Social and Community Services	Law enforcement management services, Driver and motor vehicle licensing, refuse/solid waste removal, sports and recreation, cemetery and burial services
Technical Services	Water, sanitation, electricity and road infrastructure

52. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Planning and Economic Services	Social and Community Services	Technical Services	Unallocated	Total
Revenue					
Service charges	-	10 536 534	229 395 057	-	239 931 591
Rental of facilities and equipment	-	-	-	1 171 688	1 171 688
Agency services	-	4 192 641	-	-	4 192 641
Sale of goods and rendering of services	636 682	470 800	-	374 023	1 481 505
Other income	11 392	-	-	1 969 777	1 981 169
Impairment reversal	-	-	261 703	-	261 703
Interest income	-	1 642 327	10 559 546	6 491 273	18 693 146
Fair value adjustment	8 102 823	-	-	-	8 102 823
Change in landfill provision income	-	129 671	-	-	129 671
Public donation	-	-	51 423	-	51 423
Licences and Permits (Non-exchange)	-	2 192 711	-	-	2 192 711
Government grants & subsidies	-	1 502 000	186 484 780	140 045 200	328 031 980
Actuarial gains	-	-	-	1 198 426	1 198 426
Fines, Penalties and Forfeits	8 542	95 183 597	123 920	-	95 316 059
Availibility charges	-	1 112 732	2 734 831	-	3 847 563
Property rates	-	-	-	107 614 202	107 614 202
Property rates - interest income	-	-	-	15 500 819	15 500 819
Debt forgiveness	-	-	10 335 127	-	10 335 127
Total segment revenue	**8 759 439**	**116 963 013**	**439 946 387**	**274 365 408**	**840 034 247**
Total segment revenue					**840 034 247**
Expenditure					
Employee related costs	8 055 337	29 850 454	60 173 531	63 113 709	161 193 031
Finance costs	-	-	-	15 784 407	15 784 407
Remuneration of councillors	-	-	-	9 033 831	9 033 831
Depreciation and amortisation	-	3 193 517	34 423 336	6 498 970	44 115 823

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	Planning and Economic Services	Social and Community Services	Technical Services	Unallocated	Total
52. Segment information (continued)					
Impairment of assets	-	107 754	117 976	-	225 730
Debt Impairment	-	72 890 741	37 793 008	24 417 791	135 101 540
Bulk purchases	-	-	156 736 350	-	156 736 350
Loss on disposal of assets	-	-	1 682 797	3 872 559	5 555 356
General Expenses	145 867	3 868 685	37 740 495	31 108 677	72 863 724
Contracted services	3 114 078	35 577 391	15 766 411	19 694 033	74 151 913
Total segment expenditure	**11 315 282**	**145 488 542**	**344 433 904**	**173 523 977**	**674 761 705**
Total segmental surplus/(deficit)	**(2 555 843)**	**(28 525 529)**	**95 512 483**	**100 841 431**	**165 272 542**
Assets					
Inventories	-	-	286 667	-	286 667
Receivables from exchange transactions (short term)	1 711	2 554 469	42 381 032	45 635 422	90 572 634
Receivables from non-exchange transactions	-	20 585 780	784 927	54 518 575	75 889 282
Property, plant and equipment	79 498 942	135 678 889	804 225 380	26 099 717	1 045 502 928
Investment property	82 503 007	-	-	-	82 503 007
Receivables from exchange transactions (long term)	-	-	136 632	-	136 632
Cash and cash equivalents	-	-	-	52 871 218	52 871 218
Intangible assets	-	-	-	1 486 201	1 486 201
Heritage assets	-	538 950	-	-	538 950
Total segment assets	**162 003 660**	**159 358 088**	**847 814 638**	**180 611 133**	**1 349 787 519**
Total assets as per Statement of financial Position					**1 349 787 519**
Liabilities					
Consumer deposits	-	(1 946)	(7 416 854)	(25 941)	(7 444 741)
Unspent conditional grants and receipts	-	-	(10 925 338)	-	(10 925 338)
Provisions (short term)	-	(4 161 217)	-	(781 138)	(4 942 355)
Payables from exchange transactions	-	(818 890)	(8 293 648)	(93 788 691)	(102 901 229)
Employee benefit obligation (short)	-	-	-	(3 617 000)	(3 617 000)
Finance lease obligation (Long)	-	-	-	(3 364 567)	(3 364 567)
Employee benefit obligation 1	-	-	-	(64 910 000)	(64 910 000)

Notes to the Audited Annual Financial Statements

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	Planning and Economic Services	Social and Community Services	Technical Services	Unallocated	Total
52. Segment information (continued)					
Municipal Debt Relief financial liabilities (short term)	-	-	(6 262 177)	-	(6 262 177)
Municipal Debt Relief (Long term)	-	-	(6 982 327)	-	(6 982 327)
Finance lease obligation (Long term)	-	-	-	(1 691 661)	(1 691 661)
Provisions (Long term)	-	(68 132 775)	-	-	(68 132 775)
Total segment liabilities	**-**	**(73 114 828)**	**(39 880 344)**	**(168 178 998)**	**(281 174 170)**
Total liabilities as per Statement of financial Position					**(281 174 170)**

Notes to the Audited Annual Financial Statements

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52. Segment information (continued)

2024

	Planning and Economic Services	Social and Community Services	Technical Services	Unallocated	Total
Revenue					
Service charge	-	10 596 348	209 264 454	-	219 860 802
Licences and permits (non-exchange)	-	2 199 648	-	-	2 199 648
Rental of facilities and equipment	-	62 323	-	1 133 393	1 195 716
Agency services	-	4 601 547	-	-	4 601 547
Sale of goods and rendering of services	637 963	434 932	-	345 465	1 418 360
Other income	-	-	-	4 215 002	4 215 002
Interest income from exchange	-	1 315 854	9 410 152	4 678 173	15 404 179
Fair value adjustment	6 817 418	-	-	-	6 817 418
Actuarial gains	-	-	-	63 000	63 000
Change in landfill provision income	-	3 020 493	-	-	3 020 493
Availibility charges	-	1 041 844	2 532 994	-	3 574 838
Government grants and subsidies	-	1 302 000	91 958 209	131 559 758	224 819 967
Fines, penalities and forfeits	103 300	31 400 124	115 884	-	31 619 308
Property rates	-	-	-	95 606 089	95 606 089
Property rates - interest income	-	-	-	13 329 795	13 329 795
Public contributions and donations	-	-	16 744 000	-	16 744 000
Debt forgiveness	-	-	7 718 841	-	7 718 841
Total segment revenue	**7 558 681**	**55 975 113**	**337 744 534**	**250 930 675**	**652 209 003**
Total segment revenue					**652 209 003**
Expenditure					
Employee related costs	6 847 653	25 863 950	57 509 008	57 460 979	147 681 590
Depreciation and Amortization	-	3 687 052	30 802 585	6 795 162	41 284 799
Remuneration of councillors	-	-	-	8 810 393	8 810 393
Debt impairment	-	28 929 202	39 171 362	10 340 025	78 440 589
Impairment of assets	-	734 749	186 438	-	921 187
Bulk purchases	-	-	136 245 642	-	136 245 642
Finance costs	-	14 159 678	-	1 191 688	15 351 366

52. Segment information (continued)

	Planning and Economic Services	Social and Community Services	Technical Services	Unallocated	Total
Contracted services	894 066	22 379 316	5 243 138	20 557 493	49 074 013
Loss on disposal of assets	-	-	3 006 097	-	3 006 097
General expenses	103 821	4 133 603	29 772 673	32 863 062	66 873 159
Total segment expenditure	**7 845 540**	**99 887 550**	**301 936 943**	**138 018 802**	**547 688 835**
Total segmental surplus/(deficit)	**(286 859)**	**(43 912 437)**	**35 807 591**	**112 911 873**	**104 520 168**
Assets					
Inventories	-	-	480 908	-	480 908
Receivables from exchange transactions (short term)	-	2 233 783	37 489 778	44 084 004	83 807 565
Cash and cash equivalents	-	-	-	25 267 069	25 267 069
Receivables from non-exchange transactions	-	13 289 253	6 910 805	48 230 165	68 430 223
VAT receivable	-	(248 999)	(399 754)	812 717	163 964
Receivables from exchange transactions (Long-term)	-	-	140 580	-	140 580
Investment property	74 400 184	-	-	-	74 400 184
Property, plant and equipment	79 498 942	130 168 676	709 727 106	9 803 733	929 198 457
Heritage assets	-	538 950	-	-	538 950
Intangible assets	-	-	-	1 861 787	1 861 787
Total segment assets	**153 899 126**	**145 981 663**	**754 349 423**	**130 059 475**	**1 184 289 687**
Total assets as per Statement of financial Position					**1 184 289 687**
Liabilities					
Payables from exchange transactions	-	(1 245 011)	(17 370 714)	(99 737 654)	(118 353 379)
Consumer deposits	-	(2 034)	(7 217 426)	(16 957)	(7 236 417)
Unspent conditional grants and receipts	-	-	(49 662)	-	(49 662)
Employee benefit obligation (short-term)	-	-	-	(3 443 000)	(3 443 000)
Finance lease obligation - short	-	-	-	(4 171 101)	(4 171 101)
Municipal Debt Relief financial liabilities (Long-term)	-	-	(11 878 479)	-	(11 878 479)
Provision (short-term)	-	(4 941 901)	-	(563 168)	(5 505 069)
Municipal Debt Relief financial liabilities (short-term)	-	-	(6 982 327)	-	(6 982 327)
Employee benefit obligation (Long-term)	-	-	-	(58 439 000)	(58 439 000)

Notes to the Audited Annual Financial Statements

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52. Segment information (continued)

	Planning and Economic Services	Social and Community Services	Technical Services	Unallocated	Total
Finance lease obligation	-	-	-	(4 014 850)	(4 014 850)
Provisions (Long-term)	-	(60 859 937)	-	-	(60 859 937)
Total segment net assets	**-**	**(67 048 883)**	**(43 498 608)**	**(170 385 730)**	**(280 933 221)**
Total liabilities as per Statement of financial Position					**(280 933 221)**

Figures in Rand	2025	2024

53. Fruitless and wasteful expenditure

Opening balance as previously reported	105 752	4 470 743
Add: Fruitless and wasteful expenditure identified - current	-	211 355
Less: Amount written off - current period	-	(844 278)
Add: Amount written off - current period (Reversal**)	-	738 675
Less: Amount written off - prior period	(105 752)	(4 470 743)
Closing balance	**-**	**105 752**

Fruitless and wasteful expenditure is presented inclusive of VAT

The Fruitless and wasteful expenditure amounting to R 105 752 (2024: R 5 315 021) was referred to MPAC for investigation during the year under review

After MPAC investigations, council adopted the MPAC recommendation to write-off an amount of R 105 752 (2024: R 5 315 021) from the total fruitless and wasteful expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

The fruitless and wasteful expenditure was as a result of interest charged on late payments to suppliers, was then referred to MPAC by council for investigation. The fruitless and wasteful expenditure was certified as irrecoverable and written off by council in terms of MFMA Section 32(2)(b) and as guided by MFMA Circular 68.

Details of fruitless and wasteful expenditure

Legislation contravened	Interest Charges due to late payment - Contravention of MFMA section 65(2)(e)	-	211 355

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

54. Irregular expenditure

Opening balance as previously reported	15 971 764	66 421 187
Add: Irregular expenditure - current	6 851 521	28 748 752
Add: Irregular expenditure - prior period	-	412 315
Less: Amount written off - current	(2 621 099)	(12 828 633)
Less: Amount written off - prior period	(15 920 119)	(66 781 857)
Closing balance	**4 282 067**	**15 971 764**

Irregular Expenditure is presented inclusive of VAT.

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

PPPFA Regulations, 2017 Local Content Production not included on the bid document andtender advert	-	302 490
Functionality not objective	2 100 000	-
The functionality was not created in manner that it could be quantified.	-	1 909 006
Non Compliance with PPPFA MBD 6.2 - does not have Annexure C and E. No local content evaluation on BEC and BAC reports	4 567 035	16 980 395
Deviation not justifiable	-	109 825
Non-Compliant with CIDB	184 486	912 814
Winning bidder's funtionality score incorrectly calculated	-	8 946 537
	6 851 521	**29 161 067**

Irregular Expenditure is presented inclusive of VAT.

Details of the Irregular Expenditure contain incidents/cases identified and referred to MPAC by council for investigation.

The irregular expenditure was as a result of non compliance with SCM legislation and other applicable laws, was then referred to MPAC by council for investigation. The irregular expenditure was certified as irrecoverable and written off by council in terms of MFMA Section 32(2)(b) and as guided by MFMA Circular 68.

Amount written-off

After the municipal public accounts committee investigations, council adopted the municipal public accounts committee recommendation to write-off an amount of 17 911 218 (2024: R66 781 587) from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

55. Unauthorised expenditure

Opening balance as previously reported	58 368 129	35 270 541
Add: Unauthorised expenditure - current	128 105 626	58 368 129
Less: Amount written - prior period	(58 368 129)	(35 270 541)
Closing balance	**128 105 626**	**58 368 129**

Amount written off

After the municipal public accounts committee investigations, council adopted the municipal public accounts committee recommendation to write-off an amount of R58 368 129 (2024: R35 270 541) from the total unathorised expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

55. Unauthorised expenditure (continued)

Unauthorised expenditure: Budget overspending – per municipal department:

Budget and Treasury Office	25 277 550	7 386 582
Internal Audit	-	109 354
Social and Community Services	63 898 676	28 463 214
Technical Services	38 929 401	22 341 616
Corporate services	-	67 363
	128 105 627	**58 368 129**

Chief Financial Officer was renamed to Budget and Treasury Office for the fair presentation purposes.

Unauthorised expenditure arose due to actual expenditure incurred exceeding the approved budget. For the 2024/25 financial year, the unauthorized expenditure was mainly attributable to non-cash items i.e. Debt impairment (debtors and traffic fines), Loss on disposal of assets, smart meter grant in-kind, and the year-end reclassification of expenditure from operational (e.g repairs and maintenance) to capital (acquisition of assets).

56. Budget differences

Statement of Financial Position - Material differences between budget and actual amounts

Current Assets

- **Inventories** - A negative 92% variance was due to higher consumption of water and a the year end water count there was lower levels in the reservoirs as had been initialy anticipated.

- **Receivables from exchange transactions** - The negative 13% variance is attributable to correction of estimates in relation to trading service water.

- **Receivables from non-exchange transactions** - A negative 15% variance is attributable to adjustments from queries received on property valuations in terms of MPRA Section 78 which resulted in lower assessment rates being levied than anticipated.

- **VAT receivable** - a negative variance of 45% was attributable to fewer VAT eligible expenses (VAT input) than budgeted for. Additionally, the approved budget assumed that the municipality will transact with suppliers who are generally VAT vendors. However, during the year under review, fewer VAT vendors provided goods and services therefore resulted to a lower VAT receivables amount as compared to the budget.

- **Cash and cash equivalent**s - The negative variance of 22% resulted from the municipality settling most of its creditors accounts at year-end.

Non-Current Assets

- **Investment property** - A positive 21% variance on the investment property was due to fair value gains on the investment properties and during the preration of the annnual financial statements the municipality identified new properties that were added on the account records.

- **Intangible assets** - A negative 40% variance was due to the amortisation of intangible assets in the current financial year and in the current no intangible asset were acquired as had initially budegeted.

Current Liabilities

- **Payables from exchange transactions** - a negative variance of 28% was due to improvement in cash management, compliance with MFMA Section 65(2)(e) and mSCOA chart limitations which resulted in finance lease obligation being budgeted under payables from exchange transactions. Furthermore, the Municipal Debt Relief financial liabilities is budgeted under payables from exchange transactions on the budget (B schedule).

56. Budget differences (continued)

- **Employee benefit obligation** - A negative 50% variance was due to the lower intrest rates determined on the final experts provision calcualtions therefore the intial budgeted amount was significantly overstated.

- **Provisions** - a negative variance of 50% due overestimation of provision for the financial year under review. The variance was due to the lower intrest rates determined on the final experts provision calcualtions therefore the intial budgeted amount was significantly overstated

- **Finance lease obligation** - A positive 100% variance was due to mSCOA chart limitations which resulted in the finance lease obligation being budgeted under payables from exchange transactions.

Non-Current Liabilities

- **Employee benefit obligation** - A 20% positive variance is attributable to due to underestimation of employee benefit obligations during the financial year.

- **Municipal Debt Relief financial liabilities** - The negative of 32% is due to payment arrangement with Eskom prior to the Eskom debt waiver.

- **Finance lease obligation** - A 100% positive variance was due to mSCOA chart limitations which resulted in the finance lease obligation being budgeted under payables from exchange transactions.

- **Provision**s - A negative 76% variance was due to the lower intrest rates determined on the final experts provision calcualtions therefore the intial budgeted amount was significantly overstated.

Statement of Financial Performance - Material differences between budget and actual amounts

Revenue from exchange transactions

- **Agency services** - Agency service income is derived solely from vehicle licensing commission and it dependent on the damand for licensing services.The negative variance of 15% is due lower than anticipated demand for licensing services during the financial year.

- **Acturial gain** - Assessment is prepared during the preparation of the annual finacnial statement. At the time of preparing the budget, the was no sufficient information to determine the valuation hence the 100% variance.

- **Other income** - The positive variance of 207% was as a result of under-budgeting, recognition of revenue from unknown deposit (Incidental Cash Surpluses) and Collection charges**.**

- **Sale of goods and rendering of services** - The negative variance of 16% is demand based and encompasses services such as cemetery (burial, tomb stone unveiling), issuance of clearance certificates (sale of properties).

- **Impairment reversal** - The positive variance of 100% was a result of the annual physical verification assests that were previous impaired were determined to be in a good conditon on assessment of the assets by the engineer it was determined that there was a reversal of the original impairment of the asset.

- **Change in landfill provision income** - The positive 100% variance was due to the increase in the unit cost of the cost componets due to changes in the disocunts rates and the CPI.

- **Fair value adjustment** - The positive variance of 12762% was due to the valuation of investment properties at year end by the valuer, the investment properties increase in value leading to a fair value gain on the statement of financial position.

Revenue from non exchange transactions

- **Property rates** - The negative variance of 11% was attributable to adjustments arising from queries received on property valuations in terms of MPRA Section 78 which resulted in lower assessment rates being levied.

56. Budget differences (continued)

- **Government grants and subsidies** - The positive variance of 19% emanated from the grant-received-kind from the National Treasury for the installation of prepaid electricity smart meters. The grant was not included in the original budget as it was allocated during the financial year.

- **Licences and Permits (Non-exchange)** - The budget amount considered the increase in price for the driver licences and permits however due to lower demand during the financial year, less income of 15% was derived.

- **Fines, Penalties and Forfeits** - The positive variance of 64% is due to the placement of camera mailers in key strategic areas within the municipal juristiction which resulted in high number of fines issued during the financial year, this resulted in more revenue than anticipated.

- **Public contributions and donations** - The positive variance of 100% is attributable to the trailer donated to be utilised in unblocking sewer drainage.

Expenditure

- **Employee related costs** - The negative variance of 10% was due to unfilled budgeted vacancies.

- **Finance costs** - a negative variance of 15% was due to over estimation of the post employment benefits and landfill vaulation in the budget.

- **Loss on disposal of assets** - The positive 100% variance was due to the disposal of assets that were no longer meeting service delivery function via an open bid auction and the derecognition of assets that were damaged and replaced in the financial year.

- **Impairment of assets** - During the annual physical verification of assets, assets that had impairment indicators were noted and upon impairment assessment it was noted the carrying amount exceeded the recoverable service amount therefore the assets were impaired, this resulted in a positive variance of 100% as this was not anticipated in the budget.

- **Debt Impairment** - The positive 289% variance was as a result of higher number of traffic fines issued and not collected. The increasing debtors book due to non-payment of municipal accounts.

- **General Expenses** - The negative 15% variance of was due to lower actual expenditure than the budget thereof.

Cash flow Statement - Material differences between budget and actual amounts

- **Customers** - The negative variance is attributable to the lower collection as a result of non-payment of municipal accounts by consumers.

- **Finance lease payments** - The positive variance of 100% was due to mSCOA chart limitations which resulted in finance obligations being budgeted under payables from exchange transactions.

- **Net Property, Plant and Equipment** - The 14% negative variance is attributable to the lower spending on acquisation of assets.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

57. Municipal Debt Relief financial liabilities

At amortised cost		
Municipal Debt Relief financial liabilities	13 244 504	18 860 806

Bela-Bela Local Muncipality received an approval of municipal debt relief with effect from first of November 2023 in line with MFMA circular 124 for consecutive period of 36 months. The amount approved by national treasury was R31 million. Prior to the approval of the debt relief but post application of the debt relief, the municiplaity had already paid R7 million in line with the previous payment arrangment. This therefore resulted into the debt balance of R23 million that is subject to the debt relief program.

June 2025 constitute the 18th month of the municipality's debt relief compliance cycle. The Limpopo Provincial Treasury monitored and assessed the municipality's compliance with all the debt relief conditions.

The Limpopo Provincial Treasury's assessment shows that the municiplaity achieved an average compliance rate of 95% with the MFMA Circular 124 conditions.

The municipality has successfully qualified for the one-thrid (1/3) debt write-off at the conclusion of its first debt relief comcpliance cycle which amounts to R10.3 million. The Provincial Treasury commended this achievement and encourages the municipality to maintain the same level of commitment to ensure that it qualifies for the two-third (2/3) debt write-off in the next phase of the compliance cycle.

Non-current liabilities		
At amortised cost	6 982 327	11 878 479
Current liabilities		
At amortised cost	6 262 177	6 982 327

58. Acturial gains

Acturial gains and losses	1 198 426	63 000

59. Debt forgiveness

Interest charges waived by creditors	-	3 223 762
Municipal Debt Relief	10 335 126	4 495 078
	10 335 126	**7 718 840**

Refer to note 57 for detailed description on the Municipal Debt Relief financial liability

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

60. Change in landfill provision

Landfill provision	129 671	3 020 493

61. Public contributions and donations

Road improvements by Road Agency Limpopo	-	16 744 000
Donation of a Property Plant and Equipment (Transport Asset)	51 423	-
	51 423	**16 744 000**

62. Loss on disposal of assets

Property, plant and equipment	5 555 356	3 006 097

63. Debt impairment

Contributions to debt impairment provision	135 101 540	78 440 588