Karoo Hoogland Local Municipality
Annual Financial Statements
for the year ended June 30, 2025

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts

Accounting Officer's Responsibilities and Approval

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

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

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

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

The annual financial statements set out on page 3, which have been prepared on the going concern basis, were approved by the accounting officer on August 31, 2025 and were signed on its behalf by:

J Jonkers
Municipal Manager

Accounting Officer's Report

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

1. Incorporation

Karoo Hoogland Municipality is a local municipality (category B) performing the functions as set out in the Constitution, (Act no 108 of 1996).

2. Going concern

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

3. Subsequent events

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

4. Accounting Officer

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

J Jonkers

5. Council members

The Council members of the municipality during the year and to the date of this report are as follows:

VC Wentzel
JE Davids
A Steenkamp
JJ van der Colff
E Oliphant
SA Muller
VT Opperman - Speaker
RvdM Geel
AS Mietas - Mayor
MJ Chadow
CG Steenkamp
AP Willemse

6. Bankers

The municipality`s preferred bankers are:

Standard Bank of South Africa Limited
Williston
8920

7. Auditors

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

Accounting Officer's Report

8. Relevant legislation

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Basic Conditions of Employment Act (Act no 75 of 1997)
Unemployment Insurance Act (Act no 30 of 1966)
Supply Chain Management Regulations, 2005
Collective Agreements
SALBC Leave Regulations
Municipal Budget and Reporting Regulations
mSCOA Regulations
Municipal Cost Containment Regulations, 2019
Employment Equity Act (Act no 55 of 1998)
Local Government: Muncipal Staff Regulations
The Constitution of the Repulic of South Africa Act 108, 1996

9. Jurisdiction

The Karoo Hoogland Local Municipality includes the following areas:

Williston.
Sutherland.
Fraserburg.

The annual financial statements set out on page 3, which have been prepared on the going concern basis, were approved by the accounting officer on August 31, 2025 and were signed on its behalf by:

J Jonkers
Municipal Manager

Statement of Financial Position as at June 30, 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	3	634,320	963,821
Other receivables from exchange transactions	4	1,924,578	1,410,930
Receivables from non-exchange transactions	5	3,803,037	2,728,284
Receivables from exchange transactions	6	4,226,313	4,835,038
VAT receivable		635,449	1,344,727
VAT input accrual		6,126,755	5,752,610
Cash and cash equivalents	7	16,930,618	18,331,628
		34,281,070	**35,367,038**
Non-Current Assets			
Investment property	8	38,094,116	38,372,675
Property, plant and equipment	9	290,257,562	283,508,032
Intangible assets	10	67,525	126,592
Receivables from non-exchange transactions	5	15,400	19,282
Receivables from exchange transactions	6	134,229	66,043
		328,568,832	**322,092,624**
Total Assets		**362,849,902**	**357,459,662**
Liabilities			
Current Liabilities			
Other financial liabilities	11	285,341	271,452
Finance lease obligation	12	69,794	79,939
Payables from exchange transactions	13	6,561,252	12,670,496
VAT Output accrual		4,142,556	3,816,474
Consumer deposits	14	555,094	527,301
Employee benefit obligation	15	353,000	596,000
Unspent conditional grants and receipts	16	5,069,422	8,429,076
		17,036,459	**26,390,738**
Non-Current Liabilities			
Other financial liabilities	11	148,049	433,359
Finance lease obligation	12	55,456	-
Employee benefit obligation	15	3,391,000	3,460,000
Provisions	17	47,190,366	38,950,894
		50,784,871	**42,844,253**
Total Liabilities		**67,821,330**	**69,234,991**
Net Assets		**295,028,572**	**288,224,671**
Accumulated surplus		295,028,577	288,224,673
Total Net Assets		**295,028,577**	**288,224,673**

* See Note 38

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	25,240,982	22,294,274
Rental of facilities and equipment	19	608,674	536,608
Interest received (trading)		3,308,854	3,137,619
Agency services	20	141,230	126,874
Actuarial gains	15	490,172	-
Other income	21	982,875	731,211
Interest received - investment	22	2,122,119	1,851,886
Total revenue from exchange transactions		**32,894,906**	**28,678,472**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	7,656,393	7,320,347
Property rates - penalties imposed	23	819,898	699,857
Transfer revenue			
Government grants & subsidies	24	58,833,640	55,941,178
Debt surrendered		3,921	336,820
Fines, Penalties and Forfeits		220	1,570
Total revenue from non-exchange transactions		**67,314,072**	**64,299,772**
Total revenue		**100,208,978**	**92,978,244**
Expenditure			
Employee related costs	25	(31,510,857)	(27,961,021)
Remuneration of councillors	26	(5,132,940)	(5,073,621)
Assets transferred to households		-	(2,202,549)
Depreciation and amortisation	27	(10,141,322)	(10,227,149)
Impairments		(47,299)	-
Finance costs	28	(4,485,882)	(4,336,517)
Debt Impairment	29	(6,883,704)	(8,161,297)
Bad debts written off		(851,268)	(952,415)
Actuarial losses	15	-	(153,317)
Bulk purchases	30	(14,222,275)	(12,185,754)
Contracted Services	31	(1,192,846)	(2,801,215)
Water inventory consumed		(2,545,486)	(2,195,187)
Assets derecognised		(761,738)	(127,595)
Operating cost	32	(15,629,453)	(15,445,041)
Total expenditure		**(93,405,070)**	**(91,822,678)**
Surplus for the year		**6,803,908**	**1,155,566**

* See Note 38

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	287,055,322	287,055,322
Adjustments		
Prior year adjustments 38	13,785	13,785
Balance at July 1, 2023 as restated*	**287,069,107**	**287,069,107**
Changes in net assets		
Surplus for the year	1,155,566	1,155,566
Total changes	1,155,566	1,155,566
Restated* Balance at July 1, 2024	**288,224,669**	**288,224,669**
Changes in net assets		
Surplus for the year	6,803,908	6,803,908
Total changes	6,803,908	6,803,908
Balance at June 30, 2025	**295,028,577**	**295,028,577**

* See Note 38

Karoo Hoogland Local Municipality
Annual Financial Statements for the year ended June 30, 2025

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Property rates		5,607,031	6,656,189
Service charges		21,497,435	14,053,321
Grants		55,473,946	58,165,000
Interest earned - investments		1,979,882	1,851,886
Interest earned - outstanding debtors		727,265	3,639,053
Property rates - interest received		371,229	818,134
Other receipts		1,683,793	1,397,125
		87,340,581	86,580,708
Payments			
Employee costs		(38,270,925)	(33,263,415)
Suppliers		(32,745,875)	(33,962,971)
Finance costs		(73,341)	(107,397)
Value added tax		1,483,559	(927,309)
		(69,606,582)	(68,261,092)
Net cash flows from operating activities	33	**17,733,999**	**18,319,616**
Cash flows from investing activities			
Purchase of property, plant and equipment	9&34	(18,743,146)	(13,604,510)
Cash flows from financing activities			
Repayment of other financial liabilities		(271,421)	(258,133)
Finance lease payments		(120,442)	(70,702)
Finance costs		-	(49,430)
Net cash flows from financing activities		**(391,863)**	**(378,265)**
Net increase/(decrease) in cash and cash equivalents		**(1,401,010)**	**4,336,841**
Cash and cash equivalents at the beginning of the year		18,331,628	13,994,788
Cash and cash equivalents at the end of the year	7	**16,930,618**	**18,331,629**

* See Note 38

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	25,247,400	-	**25,247,400**	25,240,982	**(6,418)**	
Rental of facilities and equipment	528,230	-	**528,230**	608,674	**80,444**	
Interest received (trading)	3,316,375	-	**3,316,375**	3,308,854	**(7,521)**	
Agency services	67,990	-	**67,990**	141,230	**73,240**	
Other income - (rollup)	885,962	-	**885,962**	1,473,047	**587,085**	
Interest received - investment	1,183,625	-	**1,183,625**	2,122,119	**938,494**	
Total revenue from exchange transactions	**31,229,582**	**-**	**31,229,582**	**32,894,906**	**1,665,324**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	7,800,000	1	**7,800,001**	7,656,393	**(143,608)**	
Property rates - penalties imposed	784,500	-	**784,500**	819,898	**35,398**	
Surcharges and Taxes	2,801,200	-	**2,801,200**	-	**(2,801,200)**	
Transfer revenue						
Government grants & subsidies - Operational	39,889,416	-	**39,889,416**	38,889,000	**(1,000,416)**	
Government grants & subsidies - Capital	31,419,000	-	**31,419,000**	19,944,640	**(11,474,360)**	
Debt surrendered	-	-	**-**	3,921	**3,921**	
Fines, Penalties and Forfeits	10,460	-	**10,460**	220	**(10,240)**	
Total revenue from non-exchange transactions	**82,704,576**	**1**	**82,704,577**	**67,314,072**	**(15,390,505)**	
Total revenue	**113,934,158**	**1**	**113,934,159**	**100,208,978**	**(13,725,181)**	
Expenditure						
Employee related costs	(32,007,648)	20,000	**(31,987,648)**	(31,510,857)	**476,791**	
Remuneration of councillors	(5,329,641)	(90,000)	**(5,419,641)**	(5,132,940)	**286,701**	
Depreciation and amortisation	(1,400,000)	-	**(1,400,000)**	(10,141,322)	**(8,741,322)**	
Impairment loss/ Reversal of impairments	-	-	**-**	(47,299)	**(47,299)**	
Finance costs	(99,370)	-	**(99,370)**	(4,485,882)	**(4,386,512)**	
Debt Impairment	(4,406,498)	-	**(4,406,498)**	(6,883,704)	**(2,477,206)**	
Bad debts written off	(25,000)	(800,000)	**(825,000)**	(851,268)	**(26,268)**	
Bulk purchases	(13,751,840)	-	**(13,751,840)**	(14,222,275)	**(470,435)**	
Contracted Services	(10,804,116)	170,000	**(10,634,116)**	(1,192,846)	**9,441,270**	
Transfers and Subsidies	(340,370)	-	**(340,370)**	-	**340,370**	
Inventory consumed	(2,905,788)	(5,000)	**(2,910,788)**	(2,545,486)	**365,302**	
Assets derecognised	-	-	**-**	(761,738)	**(761,738)**	
Other expenses	(10,547,652)	(95,000)	**(10,642,652)**	(15,629,453)	**(4,986,801)**	
Total expenditure	**(81,617,923)**	**(800,000)**	**(82,417,923)**	**(93,405,070)**	**(10,987,147)**	
Surplus before taxation	**32,316,235**	**(799,999)**	**31,516,236**	**6,803,908**	**(24,712,328)**	

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
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**32,316,235**	**(799,999)**	**31,516,236**	**6,803,908**	**(24,712,328)**	

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	1,061,422	322,634	**1,384,056**	634,320	**(749,736)**	
Other receivables from exchange transactions	787,219	627,847	**1,415,066**	1,924,578	**509,512**	
Receivables from non-exchange transactions	7,501,639	(2,617,082)	**4,884,557**	3,818,437	**(1,066,120)**	
VAT receivable	15,345,368	5,012,870	**20,358,238**	6,762,204	**(13,596,034)**	
Receivables from exchange transactions	5,802,704	268,400	**6,071,104**	4,360,542	**(1,710,562)**	
Cash and cash equivalents	10,348,759	2,258,406	**12,607,165**	16,930,618	**4,323,453**	
	40,847,111	**5,873,075**	**46,720,186**	**34,430,699**	**(12,289,487)**	
Non-Current Assets						
Investment property	38,651,233	(278,558)	**38,372,675**	38,094,116	**(278,559)**	
Property, plant and equipment	370,062,586	(55,463,821)	**314,598,765**	290,257,562	**(24,341,203)**	
Intangible assets	188,374	(61,782)	**126,592**	67,525	**(59,067)**	
	408,902,193	**(55,804,161)**	**353,098,032**	**328,419,203**	**(24,678,829)**	
Total Assets	**449,749,304**	**(49,931,086)**	**399,818,218**	**362,849,902**	**(36,968,316)**	
Liabilities						
Current Liabilities						
Other financial liabilities	328,809	22,582	**351,391**	285,341	**(66,050)**	
Finance lease obligation	-	-	**-**	69,794	**69,794**	
Payables from exchange transactions	2,138,544	6,707,660	**8,846,204**	6,561,252	**(2,284,952)**	
VAT payable	13,720,776	3,289,959	**17,010,735**	4,142,556	**(12,868,179)**	
Consumer deposits	631,544	45,732	**677,276**	555,094	**(122,182)**	
Employee benefit obligation	709,755	3,464,966	**4,174,721**	353,000	**(3,821,721)**	
Unspent conditional grants and receipts	-	8,429,077	**8,429,077**	5,069,422	**(3,359,655)**	
	17,529,428	**21,959,976**	**39,489,404**	**17,036,459**	**(22,452,945)**	
Non-Current Liabilities						
Other financial liabilities	784,750	(351,390)	**433,360**	148,049	**(285,311)**	
Finance lease obligation	-	-	**-**	55,456	**55,456**	
Employee benefit obligation	1,786,000	4,002	**1,790,002**	3,391,000	**1,600,998**	
Provisions	37,952,788	2,668,103	**40,620,891**	47,190,366	**6,569,475**	
	40,523,538	**2,320,715**	**42,844,253**	**50,784,871**	**7,940,618**	
Total Liabilities	**58,052,966**	**24,280,691**	**82,333,657**	**67,821,330**	**(14,512,327)**	
Net Assets	**391,696,338**	**(74,211,777)**	**317,484,561**	**295,028,572**	**(22,455,989)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	391,696,338	(74,211,777)	**317,484,561**	295,028,577	**(22,455,984)**	

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						
Taxation	4,701,540	-	**4,701,540**	5,607,031	**905,491**	
Grants - Capital	31,419,000	-	**31,419,000**	16,585,000	**(14,834,000)**	
Grants - Operational	39,789,000	-	**39,789,000**	38,889,000	**(900,000)**	
Interest income	1,183,625	-	**1,183,625**	3,078,376	**1,894,751**	
Sale of goods and services	39,975,112	2	**39,975,114**	23,181,174	**(16,793,940)**	
	117,068,277	**2**	**117,068,279**	**87,340,581**	**(29,727,698)**	
Payments						
Suppliers and employees	(84,470,051)	(2)	**(84,470,053)**	(71,016,800)	**13,453,253**	
Finance costs	(99,370)	-	**(99,370)**	(73,341)	**26,029**	
Value-added tax	-	-	**-**	1,483,559	**1,483,559**	
	(84,569,421)	**(2)**	**(84,569,423)**	**(69,606,582)**	**14,962,841**	
Net cash flows from operating activities	**32,498,856**	**-**	**32,498,856**	**17,733,999**	**(14,764,857)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(37,184,100)	-	**(37,184,100)**	(18,743,146)	**18,440,954**	
Cash flows from financing activities						
Repayment of other financial liabilities	-	-	**-**	(271,421)	**(271,421)**	
Finance lease payments	-	-	**-**	(120,442)	**(120,442)**	
Net cash flows from financing activities	**-**	**-**	**-**	**(391,863)**	**(391,863)**	
Net increase/(decrease) in cash and cash equivalents	(4,685,244)	-	**(4,685,244)**	(1,401,010)	**3,284,234**	
Cash and cash equivalents at the beginning of the year	13,994,788	3,297,621	**17,292,409**	18,331,628	**1,039,219**	
Cash and cash equivalents at the end of the year	**9,309,544**	**3,297,621**	**12,607,165**	**16,930,618**	**4,323,453**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2025											
Financial Performance											
Property rates	11,385,700	1	11,385,701	-		11,385,701	8,476,291		(2,909,410)	74 %	74 %
Service charges	28,563,775	-	28,563,775	-		28,563,775	28,549,836		(13,939)	100 %	100 %
Investment revenue	1,183,625	-	1,183,625	-		1,183,625	2,122,119		938,494	179 %	179 %
Transfers recognised - operational	39,889,416	-	39,889,416	-		39,889,416	38,889,000		(1,000,416)	97 %	97 %
Other own revenue	1,492,642	-	1,492,642	-		1,492,642	2,227,092		734,450	149 %	149 %
Total revenue (excluding capital transfers and contributions)	**82,515,158**	**1**	**82,515,159**	**-**		**82,515,159**	**80,264,338**		**(2,250,821)**	**97 %**	**97 %**
Employee costs	(32,007,648)	20,000	(31,987,648)	-	-	(31,987,648)	(31,510,857)	-	476,791	99 %	98 %
Remuneration of councillors	(5,329,641)	(90,000)	(5,419,641)	-	-	(5,419,641)	(5,132,940)	-	286,701	95 %	96 %
Depreciation and asset impairment	(1,400,000)	-	(1,400,000)			(1,400,000)	(10,141,322)	-	(8,741,322)	724 %	724 %
Finance charges	(99,370)	-	(99,370)	-	-	(99,370)	(4,485,882)	-	(4,386,512)	4,514 %	4,514 %
Inventory consumed and bulk purchases	(16,657,628)	(5,000)	(16,662,628)	-	-	(16,662,628)	(16,767,761)	-	(105,133)	101 %	101 %
Transfers and grants	(340,370)	-	(340,370)	-	-	(340,370)	-	-	340,370	- %	- %
Other expenditure	(25,783,266)	(725,000)	(26,508,266)	-	-	(26,508,266)	(25,366,308)	-	1,141,958	96 %	98 %
Total expenditure	**(81,617,923)**	**(800,000)**	**(82,417,923)**	**-**	**-**	**(82,417,923)**	**(93,405,070)**	**-**	**(10,987,147)**	**113 %**	**114 %**
Surplus/(Deficit)	**897,235**	**(799,999)**	**97,236**	**-**		**97,236**	**(13,140,732)**		**(13,237,968)**	**(13,514)%**	**(1,465)%**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	31,419,000	-	31,419,000	-		31,419,000	19,944,640		(11,474,360)	63 %	63 %
Surplus (Deficit) after capital transfers and contributions	**32,316,235**	**(799,999)**	**31,516,236**	**-**		**31,516,236**	**6,803,908**		**(24,712,328)**	**22 %**	**21 %**
Surplus/(Deficit) for the year	**32,316,235**	**(799,999)**	**31,516,236**	**-**		**31,516,236**	**6,803,908**		**(24,712,328)**	**22 %**	**21 %**
Capital expenditure and funds sources											
Total capital expenditure	32,334,000	2	32,334,002	-		32,334,002	12,394,391		(19,939,611)	38 %	38 %
Sources of capital funds											
Transfers recognised - capital	31,419,000	1	31,419,001	-		31,419,001	-		(31,419,001)	- %	- %
Internally generated funds	915,000	1	915,001	-		915,001	-		(915,001)	- %	- %
Total sources of capital funds	**32,334,000**	**2**	**32,334,002**	**-**		**32,334,002**	**-**		**(32,334,002)**	**- %**	**- %**
Financial position											
Total current assets	40,847,111	5,873,075	46,720,186	-		46,720,186	29,942,431		(16,777,755)	64 %	73 %
Total non current assets	408,902,193	(55,804,161)	353,098,032	-		353,098,032	328,568,832		(24,529,200)	93 %	80 %
Total current liabilities	(17,529,428)	(21,959,976)	(39,489,404)	-		(39,489,404)	(12,893,903)		26,595,501	33 %	74 %
Total non current liabilities	(40,523,538)	(2,320,715)	(42,844,253)	-		(42,844,253)	(50,784,871)		(7,940,618)	119 %	125 %
Community wealth/Equity	391,696,338	(74,211,777)	317,484,561	-		317,484,561	294,832,489		(22,652,072)	93 %	75 %

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	32,498,856	-	32,498,856	-		32,498,856	17,733,999		(14,764,857)	55 %	55 %
Net cash from (used) investing	(37,184,100)	-	(37,184,100)	-		(37,184,100)	(18,743,146)		18,440,954	50 %	50 %
Net cash from (used) financing	-	-	-	-		-	(391,863)		(391,863)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	**(4,685,244)**	**-**	**(4,685,244)**	**-**		**(4,685,244)**	**(1,401,010)**		**3,284,234**	**30 %**	**30 %**
Cash and cash equivalents at the beginning of the year	13,994,788	3,297,621	17,292,409	-		17,292,409	18,331,628		1,039,219	106 %	131 %
Cash and cash equivalents at year end	**9,309,544**	**3,297,621**	**12,607,165**	**-**		**12,607,165**	**16,930,618**		**(4,323,453)**	**134 %**	**182 %**

1. Significant accounting policies

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

1.1 Basis of preparation

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

The annual financial statements have been rounded to the nearest Rand.

1.3 Going concern assumption

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

1.4 Materiality

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

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

1.5 Significant judgements and sources of estimation uncertainty

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

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

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

1.5 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

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.

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied are as follows:

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

Additional information is disclosed in Note 20.

1.6 Investment property

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

- use in the production or supply of goods or services or for
- administrative purposes, or

1.6 Investment property (continued)

- sale in the ordinary course of operations.

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

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

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

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

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

Cost model

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

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

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

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

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

1.7 Property, plant and equipment

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

Significant Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

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

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	20 - 35 years
Plant and machinery	Straight-line	1 - 6 years
Furniture and fixtures	Straight-line	1 - 17 years
Motor vehicles	Straight-line	1 - 6 years
Tools and loose gear	Straight-line	1 - 11 years
IT equipment	Straight-line	1 - 6 years
Capital restoration cost	Straight-line	1 - 20 years
Infrastructure	Straight-line	2 - 80 years
Community	Straight-line	7 - 77 years
Other property, plant and equipment	Straight-line	3 - 20 years
Office equipment	Straight-line	1 - 8 years
Landfill site	Straight-line	9 - 19 years
Solar panels	Straight-line	12 years

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

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

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

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

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

Land and buildings are recognised according to the systems Deedsweb. Deedsweb is a search function to extract information from the deeds office. The municipality applies the principle of substance over the legal form in the recognition and derecognition of land. For these purposes, land is recognised when the following criteria is satisfied:
- The municipality controls the land as a result of a past event; and
- Future economic benefits or service potential is expected to flow to the municipality; and
- The value of the land can be measured accurately.

Control over land is evidenced by:
- Legal ownership, and/or
- The right to direct access to land, and to restrict or deny access of others to the land

The municipality asseses at the end of every reporting date whether any changes occurred which may impact its assessment of control.

Significant Accounting Policies

1.8 Intangible assets

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

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

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

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

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

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 licences	Straight-line	5 years
Computer software	Straight-line	5 years

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

Significant Accounting Policies

1.9 Financial instruments

Classification

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

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

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

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Trade and other payables	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

1.9 Financial instruments (continued)

Initial recognition

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

The entity recognises financial assets using trade date accounting.

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

The entity measures a financial asset and financial liability initially at its fair value.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component plarts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at amortised cost.

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

Gains and losses

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

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference the asset`s carrying amount at the end present value of estimated future cash flows (excluding future credit losses that have nor been incurred) discounted at the financial asset`s original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

Presentation

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

Dividends or similar distributions relating to a financial instruments or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

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

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

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

1.9 Financial instruments (continued)

basis, or to realise the asset and settle the liability simultaneously.

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

1.10 Statutory receivables

Identification

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

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

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

Accrued interest

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.

1.10 Statutory receivables (continued)

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

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

Derecognition

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

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.

1.11 Leases

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

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

Significant Accounting Policies

1.11 Leases (continued)

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

1.12 Inventories

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

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

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

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

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

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 first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

Significant Accounting Policies

1.13 Employee benefits

Identification

Employee benefits

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

Short-term employee benefits

Recognition and measurement

All short-term employee benefits

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

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

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

(a) 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.
(b) As an expense, unless another Standard of GRAP requires or permits the inclusion of the benefits in the cost of an asset.

Short-term paid absences

The entity recognises the expected cost of short-term employee benefits in the form of paid absences as follows:

(a) in the case of accumulating paid absences, when the employees render service that increases their entitlement to future paid absences; and

(b) in the case of non-accumulating paid absences, when the absences occur.

The entity measures the expected cost of accumulating paid absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

Bonus, incentive and performance related payments

The entity recognises the expected cost of bonus, incentive and performance related payments when, and only when:

(a) the entity has a present legal or constructive obligation to make such payments as a result of past events; and

(b) a reliable estimate of the obligation can be made. A present obligation exists when, and only when, the entity has no realistic alternative but to make the payments.

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:

1.13 Employee benefits (continued)

(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 are be discounted using the discount rate as specified.

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

Post-employment benefits: Defined benefit plans

Recognition and measurement

1.13 Employee benefits (continued)

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.

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

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

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

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

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

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

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is not presented as the net of the amount recognised for a reimbursement.

Significant Accounting Policies

1.13 Employee benefits (continued)

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Termination benefits

Recognition

The entity recognises a liability and expense for termination benefits at the earlier of the following dates: (a) when the entity can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of GRAP 19 and involves the payment of termination benefits.

Measurement

The entity measures termination benefits on initial recognition, and measures and recognise subsequent changes, in accordance with the nature of the employee benefit, provided that if the termination benefits are an enhancement to post-employment benefits, the entity applies the requirements for post-employment benefits. Otherwise:

(a) If the termination benefits are expected to be settled wholly before twelve months after the end of the reporting period in which the termination benefit is recognised, the entity applies the requirements for short-term employee benefits.

(b) If the termination benefits are not expected to be settled wholly before twelve months after the end of the reporting period, the entity applies the requirements for other long-term employee benefits.

1.14 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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

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

Significant Accounting Policies

1.15 Provisions and contingencies

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

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

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

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

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36.
- 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.

1.16 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.17 Impairment of cash-generating assets

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:

1.17 Impairment of cash-generating assets (continued)

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

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

- Does the asset generate positive cashflows or is the intention to generate positive cashflows?
- Is the asset held in order to generate a commercial return?
- Is the objective of holding the asset to generate positive cashflows (from continuing use and its ultimate disposal) that are significantly higher than its cost?

1.18 Revenue from exchange transactions

Measurement

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

Sale of goods

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

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, royalties and dividends

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

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

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

Unallocated deposits

All unallocated deposits are initially recognised as a liability until 12 months expires when all unclaimed deposits into the Municipality`s bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore, the substance of these transactions indicated that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognised all unclaimed monies older that twelve months as revenue. Although unclaimed deposits are recognised as revenue after twelve months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after twelve months.

1.19 Revenue from non-exchange transactions

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

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

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

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

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

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

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.

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.

Significant Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

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.

Taxes

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

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

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

Transfers

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

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

Debt forgiveness and assumption of liabilities

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

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

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

1.20 Borrowing costs

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

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

1.21 Accounting by principals and agents

Identification

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).

Significant Accounting Policies

1.21 Accounting by principals and agents (continued)

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

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

1.22 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.23 Fruitless and wasteful expenditure

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

1.23 Fruitless and wasteful expenditure (continued)

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

1.24 Irregular expenditure

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

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

1.25 Segment information

Management identifies reportable segments in accordance with the monthly section 71 report, which are regularly reviewed by management. Management reviews the performance on an aggregated basis of total revenue and total expenditure.

The municipality manages its assets and liability as a whole and are not reviewed on a segregated basis for each town. Segment reporting per geographical area is not deemed relevant.

The measurement basis per the monthly reports is the same as the annual financial statements.

1.26 Budget information

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

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

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

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

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

The approved budget is the approved A-schedule and the final budget is the B-schedule.

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

Variances between actual and budgeted amounts below 10% are considered acceptable with no explanation provided.

Comparative information is not required.

1.27 Related parties

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

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

Significant Accounting Policies

1.28 Events after 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.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2025 or later periods:

GRAP 2023 Improvements to the Standards of GRAP 2023

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

GRAP1 - Presentation of Financial Statements

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

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

General Improvements

- Provide clarity to the terms "publicly available" and "publicly accountable".

- Remove encouraged disclosures with limited information value.

GRAP2 - Cash Flow Statements

General Improvements

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

GRAP3 - Accounting Policies, Changes in Accounting Estimates and Errors

Narrow scope amendments to IAS 8 Feb 2021

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

General Improvements

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

GRAP5 - Borrowing Costs

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

Add the Illustrative Examples in IPSAS 5 to GRAP 5.

GRAP13 - Leases

General Improvements

Remove encouraged disclosures with limited information value.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP17 - Property, Plant and Equipment

Improvements to IPSAS 2021

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

GRAP19 - Provisions, Contingent Liabilities and Contingent Assets

General Improvements

Remove encouraged disclosures with limited information value.

GRAP20 - Related Party Disclosures

General Improvements

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

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

General Improvements

Remove encouraged disclosures with limited information value.

GRAP24 - Presentation of Budget Information in Financial Statements

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

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

General Improvements

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

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

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

GRAP27 - Agriculture

General Improvements

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

GRAP31 - Intangible Assets

General Improvements

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

- Remove reference to fully depreciated assets.

- Remove encouraged disclosures with limited information value.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP104 - Financial Instruments

Improvements to IPSAS 2021

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

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

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

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

General Improvements

Remove encouraged disclosures with limited information value.

iGRAP20 - Accounting for Adjustments to Revenue

Narrow scope amendments to IAS 8 Feb 2021

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

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

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

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

Guideline on The Application of Materiality to Financial Statements

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

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

General Improvements

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

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

The municipality expects to adopt the standard for the first time in the 2098/2099 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Applicability of going concern in the public sector

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

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

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

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

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

Disclosure on going concern

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

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

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

The municipality expects to adopt the standard for the first time in the 2098/2099 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 104 (as revised): Financial Instruments

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

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

The most significant changes to the Standard affect:

- Financial guarantee contracts issued

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the revisions is not yet set by the Minister of Finance.

The municipality expects to adopt the revisions for the first time when the Minister sets the effective date for the revisions.

The impact of this standard is currently being assessed.

3. Inventories

Consumable stores	543,935	901,301
Water	90,385	62,520
	634,320	**963,821**

Inventories recognised as an expense during the year		
Water inventory consumed	2,545,486	2,195,187
Consumables	531,900	459,454
	3,077,386	**2,654,641**

Inventory pledged as security

No inventory was pledged as security for liabilities.

Karoo Hoogland Municipality obtains control over water inventory by pumping water from boreholes into reservoirs.

Consumable stores were written down to current replacement cost by an amount of R47 299 (2024: R0).

4. Other receivables from exchange transactions

Deposits	1,924,578	1,409,869
Licence fees - Department of transport	-	1,061
	1,924,578	**1,410,930**

5. Receivables from non-exchange transactions

Project Nala	5,193	5,193
Consumer debtors - Rates	3,338,244	2,267,373
Prepayments - SALGA	475,000	475,000
	3,818,437	**2,747,566**

Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Consumer debtors - Rates	3,338,244	2,267,373

Other non-financial asset receivables included in receivables from non-exchange transactions above are as follows:		
Project Nala	5,193	5,193
Prepayments - SALGA	475,000	475,000
	480,193	**480,193**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Receivables from non-exchange transactions (continued)

Non-exchange receivables represent consumers with payment arrangements deferring the payments by more than 12 months. The amount presented is net of impairment loss.

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to historical information about counterparty default rates.

Consumer debtors - Rates Gross Balances

Current (0 - 30 days)	584,820	585,357
31 - 60 days	341,939	342,754
61 - 90 days	296,483	302,553
91 - 120 days	281,478	279,791
+120 days	12,047,938	9,544,169
	13,552,658	**11,054,624**

Consumer debtors - Rates Less: Allowances for Impairment

Current (0 - 30 days)	440,769	463,465
31 - 60 days	257,714	271,380
61 - 90 days	223,454	239,551
91 - 120 days	212,145	221,529
+120 days	9,080,331	7,591,327
	10,214,413	**8,787,252**

Consumer debtors - Rates Net Balances

Current (0 - 30 days)	144,051	121,892
31 - 60 days	84,225	71,374
61 - 90 days	73,029	63,002
91 - 120 days	69,333	58,262
+120 days	2,967,607	1,952,842
	3,338,245	**2,267,372**

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

Opening balance	(8,787,252)	(5,759,535)
Provision for impairment	(1,427,161)	(3,027,717)
	(10,214,413)	**(8,787,252)**

Debts are required to be settled after 30 days. Interest is changed after this date at prime +1%. The fair value of trade and other receivables approximates their carrying value amounts. Discounting of receivables are not performed at initial recognition in terms of GRAP 104.

In determining the recoverability, the Municipality considers any change in the credit quality of the receivable from the date the credit was initialy granted, up to the reporting date. The concentration of credit risk is limited due to the customers base being large and unrelated. Accordingly, management believes no futher credit provisions are required in excess of the present allowance for doubtful debts. All Non-Government debtors were either specifically impaired or subject to collective impairment.

Non-exchange receivables represent consumers with payment arrangements deferring the payments by more than 12 months. The amount presented is net of impairment loss.

Non-exchange receivables are presented as follows (net amounts):

Current assets	3,803,037	2,728,284
Non-current assets	15,400	19,282
	3,818,437	**2,747,566**

Figures in Rand	2025	2024

6. Receivables from exchange transactions

Gross balances		
Electricity	5,162,640	4,799,496
Water	15,792,580	13,450,246
Sewerage	14,045,851	12,176,789
Refuse	11,500,764	9,965,371
Housing rental	629,546	632,368
Other	209,926	582,551
	47,341,307	**41,606,821**
Less: Allowance for impairment		
Electricity	(3,802,414)	(3,003,252)
Water	(14,909,210)	(12,522,934)
Sewerage	(12,639,315)	(11,008,011)
Refuse	(10,846,665)	(9,373,648)
Housing rental	(587,156)	(570,133)
Other	(196,005)	(227,762)
	(42,980,765)	**(36,705,740)**
Net balance		
Electricity	1,360,226	1,796,244
Water	883,370	927,312
Sewerage	1,406,536	1,168,778
Refuse	654,099	591,723
Housing rental	42,390	62,235
Other	13,921	354,789
	4,360,542	**4,901,081**
Electricity		
Current (0 -30 days)	604,211	677,784
31 - 60 days	160,530	181,046
61 - 90 days	113,090	108,542
91 - 120 days	119,456	109,693
121 - 365 days	4,165,353	3,722,432
	5,162,640	**4,799,497**
Water		
Current (0 -30 days)	517,960	549,950
31 - 60 days	435,137	321,979
61 - 90 days	345,599	295,608
91 - 120 days	297,022	290,981
121 - 365 days	14,196,862	11,991,729
	15,792,580	**13,450,247**
Sewerage		
Current (0 -30 days)	377,856	384,595
31 - 60 days	257,665	252,286
61 - 90 days	260,287	227,128
91 - 120 days	227,181	241,757
121 - 365 days	12,922,862	11,071,023
	14,045,851	**12,176,789**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Receivables from exchange transactions (continued)

Refuse		
Current (0 -30 days)	299,389	288,668
31 - 60 days	206,488	200,944
61 - 90 days	208,914	183,190
91 - 120 days	186,067	204,573
121 - 365 days	10,599,906	9,087,997
	11,500,764	**9,965,372**

Housing rental		
Current (0 -30 days)	24,206	45,983
31 - 60 days	12,772	11,111
61 - 90 days	11,336	9,662
91 - 120 days	8,801	9,611
121 - 365 days	572,431	556,001
	629,546	**632,368**

Other		
Current (0 -30 days)	2,695	152,697
31 - 60 days	2,497	4,627
61 - 90 days	656	5,551
91 - 120 days	426	30,561
121 - 365 days	203,651	389,114
	209,925	**582,550**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(36,705,740)	(30,802,121)
Contributions to allowance	(6,275,025)	(5,903,619)
	(42,980,765)	**(36,705,740)**

Non-exchange receivables represent consumers with payment arrangements deferring the payments by more than 12 months. The amount presented is net of impairment loss.

Exchange receivables are presented as follows (net amounts):		
Current assets	4,226,313	4,835,038
Non-current assets	134,229	66,043
	4,360,542	**4,901,081**

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,200	1,200
Bank balances	16,929,418	18,330,428
	16,930,618	**18,331,628**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

7. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2025	June 30, 2024	June 30, 2023
Standard Bank - Account number 08 321 2442 (Primary bank account)	1,446,155	5,372,784	256,648	1,446,155	5,372,784	256,648
ABSA Bank - Account number 24 9000 0065 (Secondary bank account)	2,258,194	7,961,805	2,662,901	2,258,194	7,961,805	2,662,901
Standard Bank Fixed deposit - Account number 28 864 1922	8,014,798	4,389,037	10,497,824	8,014,798	4,389,037	10,497,824
Eskom Investment account - Account number 92 9194 4935	18,050	18,050	18,050	18,050	18,050	18,050
FMG Call Account - Account number 28 8644 204	4,573,860	1,000	1,000	4,573,860	1,000	1,000
Standard Bank fixed deposit	34,750	34,750	34,750	34,750	34,750	34,750
Employee Leave Fund - Account number 405 435 2064	583,612	553,001	522,415	583,612	553,001	522,415
Total	**16,929,419**	**18,330,427**	**13,993,588**	**16,929,419**	**18,330,427**	**13,993,588**

Reconciliation of available cash and investment resources		
Cash and Cash Equivalents	16,929,418	18,330,427
Less: Unspent transfers and subsidies	(5,069,422)	(8,429,076)
Net cash resources available for internal distribution	**11,859,996**	**9,901,351**

8. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	43,100,339	(5,006,223)	38,094,116	43,100,339	(4,727,664)	38,372,675

Reconciliation of investment property - 2025

	Opening balance	Depreciation	Total
Investment property	38,372,675	(278,559)	38,094,116

Reconciliation of investment property - 2024

	Opening balance	Depreciation	Total
Investment property	38,651,233	(278,558)	38,372,675

Pledged as security

None of the above properties have been pledged as security for any liabilities.

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

Investment properties can be categorised as follows:

Figures in Rand	2025	2024

8. Investment property (continued)

Properties - Carrying amount		
Rental purposes	34,132,216	34,410,774
Vacant land - Use to be determined	3,961,900	3,961,900
	38,094,116	**38,372,674**

Amounts recognised in surplus or deficit

Rental revenue from Investment property	608,674	523,029

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

Carrying value of land included in the carrying value of Investment property	2,650,000	2,650,000

The farm number 265 Verjaagfontein farm situated in the Fraserburg region was transferred to the Karoo Hoogland Local Municipality during the amalgamation process in 2001.

The property was never registered in Karoo Hoogland Local Municipality name and therefore Namakwa District Municipality undertake to rectify this and transferred the property in question to the Karoo Hoogland Municipality as soon as possible.

RDP houses are no longer part of Karoo Hoogland Local Municipality`s assets as the municipality is no longer exercising control over the assets. The transfer of ownership is still in process due to the backlog in the administration process of the deeds office.

Notes to the Annual Financial Statements

Figures in Rand

9. 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	2,098,500	-	2,098,500	2,098,500	-	2,098,500
Buildings	6,635,050	(2,318,217)	4,316,833	6,635,050	(2,181,116)	4,453,934
Plant and machinery	533,641	(445,191)	88,450	533,641	(414,416)	119,225
Furniture and fixtures	1,922,573	(1,215,618)	706,955	1,709,412	(1,100,561)	608,851
Motor vehicles	5,719,269	(2,330,641)	3,388,628	5,554,561	(2,162,081)	3,392,480
Office equipment	527,459	(292,092)	235,367	508,826	(335,095)	173,731
IT equipment	1,822,313	(1,374,750)	447,563	1,752,489	(1,182,962)	569,527
Infrastructure	347,150,456	(107,221,957)	239,928,499	336,329,662	(99,568,383)	236,761,279
Community	28,177,079	(4,455,984)	23,721,095	26,671,944	(4,057,700)	22,614,244
Other property, plant and equipment	45,101	(39,695)	5,406	45,101	(36,498)	8,603
Solar panels	1,733,378	(1,042,097)	691,281	1,733,378	(537,195)	1,196,183
Tools and loose gear	127,056	(99,544)	27,512	127,056	(82,910)	44,146
Landfill site	25,661,466	(11,059,993)	14,601,473	21,422,536	(9,955,207)	11,467,329
Total	**422,153,341**	**(131,895,779)**	**290,257,562**	**405,122,156**	**(121,614,124)**	**283,508,032**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	WIP additions	Disposals	Change in estimate	Depreciation	Total
Land	2,098,500	-	-	-	-	-	2,098,500
Buildings	4,453,934	-	-	-	-	(137,101)	4,316,833
Plant and machinery	119,225	-	-	-	-	(30,775)	88,450
Furniture and fixtures	608,851	213,147	-	-	-	(115,043)	706,955
Motor vehicles	3,392,480	1,170,188	-	(760,089)	-	(413,951)	3,388,628
Office equipment	173,731	203,973	-	-	-	(142,337)	235,367
IT equipment	569,527	69,824	-	-	-	(191,788)	447,563
Infrastructure	236,761,279	-	10,791,659	-	-	(7,624,439)	239,928,499
Community	22,614,244	-	1,505,135	-	-	(398,284)	23,721,095
Other property, plant and equipment	8,603	-	-	-	-	(3,197)	5,406
Solar panels	1,196,183	-	-	-	-	(504,902)	691,281
Tools and loose gear	44,146	-	-	-	-	(16,634)	27,512
Landfill sites	11,467,329	-	-	-	4,238,930	(1,104,786)	14,601,473
	283,508,032	**1,657,132**	**12,296,794**	**(760,089)**	**4,238,930**	**(10,683,237)**	**290,257,562**

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	WIP additions	Disposals	Transfers from WIP	Transfers to assets	Change in estimate	Depreciation	Total
Land	2,098,500	-	-	-	-	-	-	-	2,098,500
Buildings	4,591,035	-	-	-	-	-	-	(137,101)	4,453,934
Plant and machinery	152,707	-	-	-	-	-	-	(33,482)	119,225
Furniture and fixtures	724,668	-	-	-	-	-	-	(115,817)	608,851
Motor vehicles	3,820,591	-	-	(127,595)	-	-	-	(300,516)	3,392,480
Office equipment	232,278	38,269	-	-	-	-	-	(96,816)	173,731
IT equipment	648,495	59,506	-	-	-	-	-	(138,474)	569,527
Infrastructure	229,473,701	-	17,895,409	-	(16,383,421)	14,180,872	-	(8,405,282)	236,761,279
Community	19,284,386	-	3,728,142	-	(563,826)	563,826	-	(398,284)	22,614,244
Other property, plant and equipment	10,597	-	-	-	-	-	-	(1,994)	8,603
Solar panels	1,304,927	-	-	-	-	-	-	(108,744)	1,196,183
Tools and loose gear	49,361	2,835	-	-	-	-	-	(8,050)	44,146
Landfill sites	13,624,905	-	-	-	-	-	(1,130,929)	(1,026,647)	11,467,329
	276,016,151	**100,610**	**21,623,551**	**(127,595)**	**(16,947,247)**	**14,744,698**	**(1,130,929)**	**(10,771,207)**	**283,508,032**

Pledged as security

Carrying value of assets pledged as security:

Leased assets	113,116	61,790

Leased assets are classified as office equipment in the summary above.

Restoration cost is financed by way of a provision. Refer to note 17 for futher detail.

9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Total
Opening balance	1,511,988	6,605,765	8,117,753
Additions/capital expenditure	10,791,659	1,505,135	12,296,794
	12,303,647	**8,110,900**	**20,414,547**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	-	3,441,449	3,441,449
Additions/capital expenditure	17,895,409	3,728,142	21,623,551
Transfer to inventory	(2,202,549)	-	(2,202,549)
Transferred to completed items	(14,180,872)	(563,826)	(14,744,698)
	1,511,988	**6,605,765**	**8,117,753**

Expenditure incurred to repair and maintain property, plant and equipment

	2025	2024
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	1,332,333	2,801,215

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

10. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	466,202	(398,677)	67,525	490,991	(364,399)	126,592

Reconciliation of intangible assets - 2025

	Opening balance	Derecognitions	Amortisation	Total
Computer software	126,592	(1,649)	(57,418)	67,525

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software	188,374	(61,782)	126,592

Pledged as security

No intangible assets were pledged as security for liabilities.

Restricted title

There are no intangible assets whose title is restricted.

Other information

There are no internally generated intangible assets at year end.

No intangible assets were assessed having indefinite useful life.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

11. Other financial liabilities

At amortised cost		
Bank loan	433,390	704,811
Payable monthly in arrears at a 5% interest rate per annum.		
Non-current liabilities		
At amortised cost	148,049	433,359
Current liabilities		
At amortised cost	285,341	271,452

12. Finance lease obligation

Minimum lease payments due		
- within one year	79,096	85,383
- in second to fifth year inclusive	79,096	-
	158,192	85,383
less: future finance charges	(32,943)	(5,445)
Present value of minimum lease payments	**125,249**	**79,938**
Present value of minimum lease payments due		
- within one year	125,249	79,938
Non-current liabilities	55,456	-
Current liabilities	69,794	79,939
	125,250	**79,939**

It is municipality policy to lease certain printers and equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 21% (2024: 12%).

No escalation clause is included in the contract. The machines will be returned to the lessor upon expiry of the lease, unless the municipality opts to continue on a month-to-month basis. The leases are used by the municipality for the majority of their useful life.

Interest rates are fixed at the contract date. All leases have fixed repayments 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. Refer note 9.

Market risk

For details of sensitivity of exposures to market risk related to finance lease liabilities, as well as liquidity risk refer to note 40.

The fair value of finance lease liabilities approximates their carrying amounts.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

13. Payables from exchange transactions

Trade payables	1,734,985	6,847,438
Payments received in advance	705,489	427,932
Accrued leave pay	2,498,520	2,777,075
Accrued bonus	783,572	801,653
Deposits received	144,071	150,816
Prepaid sales in advance	78,140	91,217
Unidentified deposits	15,263	86,537
Retentions	601,212	1,487,828
	6,561,252	**12,670,496**

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

Included within Financial liabilities - Note 38		
Trade payables	1,734,985	6,847,438
Deposits received	144,071	150,816
Retentions	601,212	1,487,828
	2,480,268	**8,486,082**

14. Consumer deposits

Electricity	53,234	56,304
Water	501,860	470,997
	555,094	**527,301**

15. Employee benefit obligations

Defined benefit plans - General information

Post retirement medical aid plan

Notes to the Annual Financial Statements

15. Employee benefit obligations (continued)

The Municipality offers employees and continuation members 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 memberhip of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependents may continue membership of the medical scheme.

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

Subsidy Policy
All continuation members receive a 70% subsidy. Upon a member`s death-in-retirement, the surviving dependents will continue to receive the same 70% subsidy.

The effective date of the actuarial valuation of the post employment medical benefit obligation was the 30 June 2025 and performed by independant professional valuators. The next actuarial valuation is expected to be performed on 30 June 2026.

Notable benefit plan risks faced by the Municipality can be summarised as follows:
- Inflation: The risk that future CPI inflation and medical aid contribution inflation are higher than assumed and present in an uncontrolled manner.
- Longevity: The risk that eligible individuals live longer than assumed i.e. their benefits are payable for longer than expected.
- Volatility of open-ended, long-term liability: The risk that the liability may be volatile which is exacerbated by its long-term nature.
- Enforcement of eligibility criteria and rules: The risk that eligibility criteria and rules are not strictly or consistently enforced, to the detriment of the Municipality.
- Future changes in legislation: The risk that changes to legislation with respect to the post-employment medical aid benefit may increase the liability for the Municipality.
- The administration of this obligation poses a burden on the Municipality.

In-service members:

The total in-service member liability reduced to zero since the last valuation because the last eligible employee left the employ of the Municipality since then.

Continuation members:

The average in-service member liability has increased by 4% since the last valuation due to:
- an increase in the proportion of principal members with a subsidised spouse dependant; and
- an increase in the average subsidy;
- decreases in the net discount rates; and
- a decrease in the average age.

These impacts were partially offset by a decrease in the assumed likelihood that the deferred (continuation) member’s subsidy will commence (100% to 50%), and an increase in his assumed commencement age from 62 to 63.9.

The total continuation member liability has also increased by 38% due to the above, combined with an increase in the number of continuation members.

Key assumptions:

Discount Rate:

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

Consequently, a discount rate of 9.7% per annum has been used. The corresponding index-linked yield at this term is 5.09%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained

15. Employee benefit obligations (continued)
from the Johannesburg Stock Exchange after the market close on 30 June 2025.

These yields were obtained by calculating the duration of the DBO and then taking the fixed-interest and index-linked yields from the respective yield curves at that duration using an iterative process (because the yields depend on the duration, which in turn depends on the DBO). The two main components of the liability are as follows:
- Employees post-employment subsidy liability
- Continuation members`liability.

<u>Health Care Cost Inflation Rate:</u>

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A medical aid contribution inflation rate of 5.5% per annum has been assumed. This is 1.8% in excess of expected consumer price index (CPI) inflation over the expected term of the DBO, namely 3.7% per annum. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 4.0% per annum which derives from ((1+9.7%)/(1+5.5%))-1.

The CPI inflation assumption of 3.7% per annum was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the DBO (5.3%) and those of fixed interest bonds (9.7%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.5%).

The next contribution increase was assumed to occur with effect from 1 January 2026.

<u>Maximum Subsidy Inflation Rate</u>

This assumption is required to reflect estimated future changes in the maximum amount to which subsidies are limited. This maximum amount is set at R 5,791.15 per family per month for the year ending 30 June 2026. The annual increases to this maximum amount are periodically specified by the local government bargaining council.

Recent past annual increases balanced with sustainability needs of employees have resulted in this assumption being set at 75% of salary inflation. The future salary inflation assumption of 4.7% per annum was set to be 1.0% above expected CPI inflation. Thus a maximum subsidy inflation assumption of 3.5% per annum was used. The next increase to the maximum subsidy was assumed to occur with effect from 1 July 2026.

<u>Mortality During Employment:</u>

The SA 85-90 ultimate table, adjusted for female lives.

<u>Post-Employment Mortality:</u>

The PA 90 ultimate table, adjusted down by one year of age, and a 1% annual compound mortality improvement from 2010. This means that we expert 1% fewer people to die next year. In the year thereafter, we expect 1.99% fewer people to die i.e 1.99% is derived from [1 - (1 - 1%)], and so on.

<u>Average retirement age:</u>

The normal retirement age of employees is 65. It has been assumed that in-service members will retire at age 62, which then implicitly allows for expected rates of early and ill-health retirement and early retirement.

<u>Continuation of Membership:</u>

It has been assumed that 100% of in-service members will remain on the Municipality’s health care arrangement should they stay until retirement.
It has been assumed that continuation members will remain on the same medical scheme and option.

<u>Withdrawal from Service:</u>

If an in-service member leaves, the employer’s liability in respect of that employee ceases. It is therefore important not to

15. Employee benefit obligations (continued)

overstate withdrawal rates. Since the remaining in-service member is above the age of 55, it is assumed that he will not withdraw before retirement.

Family Profile:

It has been assumed that female spouses will be five years younger than their male counterparts. Furthermore, it was assumed that the remaining eligible in-service member will still have a spouse dependant on his medical aid at retirement. For current retiree members, actual medical aid dependants were used and the potential for remarriage was ignored.

Deferred member:

The last in-service eligible employee was dismissed since the last valuation, but has an ongoing court case that may grant him this subsidy. He is of retirement age (62.9 at this valuation). This assumption is therefore still effectively applicable, and has been reduced to 50% per management's instruction. At the next valuation, this assumption description will read "Commencement of deferred member's subsidy", should the court case still be active at that time.It has been assumed this member's subsidy would commence at age 63.9, in the event of a favourable ruling to the member.

It has been assumed that the deferred member is equally likely to commence with the subsidy or forfeit it.

Maturity Analysis:

Future year	Expected benefit payments	Future year	Expected benefit payments
Year 1:	164,000	Year 21-25	469,000
Year 2:	196,000	Year 26-30	360,000
Year 3:	195,000	Year 31-40	429,000
Year 4:	193,000	Year 41-50	107,000
Year 5:	189,000	Year 51-60	8,000
Year 6-10:	874,000	Year 61-70	0
Year 11-15:	737,000	Year 71-80	0
Year 16-20:	596,000		

The Current-service Cost for the ensuing year is estimated to be R0 whereas the Interest Cost for the next year is estimated to be R152 000.

	2025	2024
Changes in the present value of the net defined benefit obligation are as follows:		
Opening balance	1,997,000	1,786,000
Net expense recognised in the statement of financial performance	(345,000)	211,000
	1,652,000	**1,997,000**

	2025	2024
Net expense recognised in the statement of financial performance		
Current service cost	3,000	22,000
Interest cost	211,000	194,000
Actuarial (gains) losses	(373,503)	140,914
Settlement	(185,497)	(145,914)
	(345,000)	**211,000**

	2025	2024
Calculation of actuarial gains and losses		
Experience adjustments: Subsidy inflationary increases higher than assumed	34,000	95,000
Experience adjustments: Changes to membership profile different from assumed	58,000	55,000
Experience adjustments: Actual benefits vested, greater than expected	(21,503)	2,914
Demographic assumption changes: Changes to deferred member's likelihood of, and age at, commencement	(470,000)	-
Financial assumptions: increases in net discount rates	26,000	(12,000)
	(373,503)	**140,914**

	2025	2024
Key assumptions used		
Discount rates used	9.70 %	11.13 %

15. Employee benefit obligations (continued)

	2025	2024
CPI inflation rate	3.70 %	5.28 %
Medical aid contribution inflation rate	5.50 %	6.78 %

Sensitivity Analysis on the Accrued Liability as at 30 June 2025:	**Change**	**Total Liability**	**% Change**
Central assumptions		1,652,000	- %
Medical aid contribution inflation rate	+ 1%	1,720,000	4%
Medical aid contribution inflation rate	- 1%	1,581,000	(4)%
Discount rate	+ 1%	1,543,000	(7)%
Discount rate	- 1%	(1,777,000)	8 %
Post-employment mortality	+ 1 year	1,591,000	(4)%
Post-employment mortality	- 1 year	1,714,000	4 %

Sensitivity Analysis on Current-Service and Interest Costs for year ending 30 June 2025:	**Change**	**Interest Cost**	**% Change**
Central assumptions		211,000	- %
Medical aid contribution inflation rate	+ 1%	220,000	4 %
Medical aid contribution inflation rate	- 1%	200,000	(5)%
Discount rate	+ 1%	213,000	1 %
Discount rate	- 1%	209,000	(1)%
Post-employment mortality	+ 1 year	204,000	(3)%
Post-employment mortality	- 1 year	218,000	3 %

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

15. Employee benefit obligations (continued)

Long service awards

15. Employee benefit obligations (continued)

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

The Long Service Award liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability.

Notable benefit plan risks faced by the Municipality can be summarised as follows:
- Inflation: The risk that future CPI inflation and earnings inflation are higher than assumed and present in an uncontrolled manner.
- Termination of service: The risk that fewer eligible employees terminate their service at the Municipality i.e. more long service awards vest than expected.
- Volatility of open-ended, long-term liability: The risk that the liability may be volatile which is exacerbated by its long-term nature.
- Enforcement of eligibility criteria and rules: The risk that eligibility criteria and rules are not strictly or consistently enforced, to the detriment of the Municipality.
- Future changes in legislation: The risk that changes to legislation with respect to long service awards may increase the liability for the Municipality.
- The administration of this obligation poses a burden on the Municipality.

The Current-service Cost for the ensuing year is estimated to be R156,000 whereas the Interest Cost for the next year is estimated to be R189,000.

Key assumptions

A general earnings increase of 5.01% as at 1 July 2025, as per SALGBC Circular No.: 01/2025 has been used in this valuation.

<u>Discount rate:</u>

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

Consequently, a discount rate of 9.5% per annum has been used. The corresponding index-linked yield is 5.3%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2025.

These yields were obtained by calculating the duration of the DBO and then taking the fixed-interest and index-linked yields from the respective yield curves at that duration using an iterative process (because the yields depend on the duration, which in turn depends on the DBO). The duration of the DBO was estimated to be 7 years.

<u>Earnings Inflation Rate:</u>

This assumption is required to reflect the estimated growth in earnings of the eligible employees until retirement. It is important in that the LSA are based on an employee’s earnings at the date of the award.
The assumption is traditionally split into two components, namely general earnings inflation and promotional earnings escalation. The latter is considered under demographic assumptions.

<u>General Earnings Inflation Rate</u>

This assumption is more stable relative to the growth in consumer price index (CPI) than in absolute terms. In most industries, experience has shown that over the long term, earnings inflation is between 1.0% and 1.5% above CPI inflation.
The CPI inflation assumption of 3.5% per annum was obtained from the differential between market yields on index-linked bonds (5.3%) consistent with the estimated term of the DBO and those of nominal bonds (9.5%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.5%).
Thus, a general earnings inflation rate of 4.5% per annum over the expected term of the DBO has been assumed, which is 1.0% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 4.8%.

15. Employee benefit obligations (continued)

It was assumed that the next general earnings increase will take place on 1 July 2026.

Average Retirement Age

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement.

Pre-Retirement Mortality

SA85-90 ultimate table, adjusted for female lives.

Maturity Analysis:

Future year	Expected benefit payments	Future year	Expected benefit payments
Year 1:	219,000	Year 6-10:	1,952,000
Year 2:	444,000	Year 11-15:	1,265,000
Year 3:	261,000	Year 16-20:	1,004,000
Year 4:	300,000	Year 21-30:	830,000
Year 5:	424,000	Year 31-40:	51,000

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

	2025	2024
Opening balance	2,059,000	1,752,000
Net expense recognised in the statement of financial performance	33,000	307,000
	2,092,000	**2,059,000**

Net expense recognised in the statement of financial performance

	2025	2024
Current service cost	149,000	143,000
Interest cost	201,000	190,000
Actuarial (gains) losses	(116,669)	12,403
Settlement	(200,331)	(38,403)
	33,000	**307,000**

Calculation of actuarial gains and losses

	2025	2024
Financial assumptions: increase in net discount rate	(15,000)	(20,000)
Experience adjustment: Earnings increases lower than assumed	25,000	(19,000)
Actual benefits vesting, lower than expected	(188,669)	(36,597)
Experience adjustment: Experience adjustment: Changes to employee profile different from assumed	62,000	88,000
	(116,669)	**12,403**

Key assumptions used

	2025	2024
Discount rates used	9.50 %	10.75 %
General Salary Inflation (long-term)	4.50 %	5.94 %
Net effective discount rate	4.80 %	4.54 %

Sensitivity Analysis on the Accrued Liability as at 30 June 2025:	**Change**	**Liability**	**% Change**
Central assumptions	-	2,092,000	- %
General earnings inflation rate	+ 1%	2,198,000	5 %
General earnings inflation rate	- 1%	1,994,000	(5)%
Discount rate	+ 1%	1,992,000	(5)%
Discount rate	- 1%	2,202,000	5 %
Average retirement age (yrs)	+ 2 years	2,236,000	7 %
Average retirement age (yrs)	- 2 years	1,873,000	(10)%
Withdrawal rates (multiply)	2	1,775,000	(15)%
Withdrawal rates (multiply)	0.5	2,296,000	10 %

Figures in Rand	2025	2024

15. Employee benefit obligations (continued)

Sensitivity Analysis on Current-Service and Interest Costs for year ending 30 June 2025:	**Change**	**Current Service Cost**	**Interest Cost**	**Total**	**% Change**
Central assumptions	-	149,000	201,000	350,000	- %
General earnings inflation rate	+ 1%	159,000	212,000	371,000	6 %
General earnings inflation rate	- 1%	140,000	191,000	331,000	(5)%
Discount rate	+ 1%	141,000	208,000	349,000	- %
Discount rate	- 1%	158,000	193,000	351,000	- %
Average retirement age (yrs)	+ 2 years	158,000	216,000	374,000	7 %
Average retirement age (yrs)	- 2 years	139,000	185,000	324,000	(7)%
Withdrawal rates (multiply)	2	115,000	166,000	281,000	(20)%
Withdrawal rates (multiply)	0.5	172,000	224,000	396,000	13 %

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

Carrying value		
Post retirement medical aid plan	(1,652,000)	(1,997,000)
Long service award	(2,092,000)	(2,059,000)
	(3,744,000)	**(4,056,000)**
Non-current liabilities	(3,391,000)	(3,460,000)
Current liabilities	(353,000)	(596,000)
	(3,744,000)	**(4,056,000)**

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	5,069,422	8,429,076

See note 24 for reconciliation of grants from National/Provincial Government.

The Unspent Grants are cash-backed by available funds in the bank accounts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

Figures in Rand	2025	2024

17. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	38,950,894	4,238,930	4,000,542	47,190,366

Reconciliation of provisions - 2024

	Opening Balance	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	36,200,788	(1,130,930)	3,881,036	38,950,894

Environmental rehabilitation provision

In terms of the licencing of the landfill-sites, the municipality will incur licensing and rehabilitation costs of R196 066 465 (2024: R195 907 947) to restore the sites at the end of their useful lives. Provision has been made for the net present value of the future cost, using the government bond rate that reflects the risk for the liability as the municipality is a government institution.

The municipality has an obligation to rehabilitate the following landfill sites at the end of the expected useful life of the asset.

Details of the sites are as follows:

Location and estimated decommision date		
Fraserburg - 2033	15,279,931	14,337,048
Sutherland - 2041	18,989,057	14,462,710
Williston - 2041	12,921,377	10,151,136
	47,190,365	**38,950,894**

Material Assumptions used:

It is assumed that sufficient on-site quantities for the confining layer and topsoil would be available free of charge.

The rate of the levelling layer is based on importing the quantities from commercial sources to ensure good quality materials.

Insufficient quantities of the required quality clay would be available from on-site or nearby sources. As a result the clay will be replaced by a geosynthetic equivalent (GCL).

The average rate of inflation is determined as 4.85%.

The discount rate used to calculate the present value of the rehabilitation costs at each reporting period is based on a calculated rate as determined by the municipality.

Discount rate		
Fraserburg	9.349 %	9.705 %
Sutherland	10.808 %	11.875 %
Williston	10.808 %	11.875 %

Figures in Rand	2025	2024

18. Service charges

Sale of electricity	14,341,874	12,090,743
Sale of water	6,378,535	5,828,545
Sewerage and sanitation charges	5,756,947	5,444,040
Refuse removal	4,640,235	4,403,709
Revenue forgone	(5,876,609)	(5,472,763)
	25,240,982	**22,294,274**

Revenue foregone represents rebates allowed to consumers at transaction date:

Revenue foregone		
Sale of electricity	32,272	19,874
Sale of water	1,792,498	1,599,639
Sewerage and sanitation charges	2,111,207	2,006,536
Refuse removal	1,940,633	1,846,713
	5,876,610	**5,472,762**

19. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	608,674	536,608

It is the municipality's policy to rent out facilities, site rentals, commonage and farms to the community.

The average lease term was between 1 and 3 years.

20. Accounting by principals and agents

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

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

The municipality is the Principal in arrangements with various service providers who sell prepaid electricity on their behalf. Prepaid vendors earn commission on the value of each transaction.

The municipality is the Agent in the Principal-Agent arrangement with the Provincial Department of Transport, Safety and Liason, and collects licencing fees on behalf of themt. The municipality can retain a portion of the fees collected and the net amount is due to the Provincial Department. The amount retained is recorded as Agency Fees income in the Statement of Financial Performance. The amounts due to the Provincial Department at year end is included in the balances reported as Trade and Other Payables from Exchange Transactions in the Statement of Financial Position.

The municipality does not incur any expenses on behalf of the Provincial Department. No significant risks are noted to arise from the arrangement as the municipality merely collects monies on behalf of the department as part of its existing service offering at the traffic department and municipal cashier collection points. No resources are held on behalf of the Provincial Department (other than the receipts).

The municipality is also the Agent in the Principal-Agent arrangements with various third parties for authorised salary deductions from officials. The municipality receives commission on the total funds deducted on a monthly basis. The amount received is recorded Operational Revenue in the Statement of Financial Performance.

In determining whether the municipality is the agent or if not, by default the principal, in the arrangement is evaluated in terms of the specific criteria set out in GRAP 109. The municipality does not have the power to determine significant terms and conditions of the transaction, does not have the ability to use all, or substantially all of the resources resulting from the transaction for its own benefit and is not exposed to variability in the result of the transaction.

Figures in Rand	2025	2024

20. Accounting by principals and agents (continued)

Entity as agent

Revenue recognised

The municipality received 12% commission from the Provincial Department of Transport, Safety and Liason for acting as an agent on their behalf during the financial year.

The municipality received 2.5% commission from various third parties for authorised salary deductions from officials.

Amounts payable at year-end are disclosed in note 14.

Compensation received		
Agency service - Department of Transport, Safety and Liason	87,996	90,128
Agency service - 3rd Parties	53,234	36,746
	141,230	**126,874**

Entity as principal

Fee paid

Fee paid as compensation to the agent	276,797	256,182

The municipality paid 4% commission to various service providers for selling prepaid electricity on its behalf during the year.

21. Other income

LG Seta Skills development	55,570	51,140
Sundry income	840,768	560,243
Unallocated deposits recognised	86,537	119,828
	982,875	**731,211**

22. Investment revenue

Interest revenue		
Bank accounts	1,979,882	1,844,707
Deposits receivable	142,237	7,179
	2,122,119	**1,851,886**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

23. Property rates

Rates received

Residential, commercial property, state and farms	9,723,271	8,545,625
Less: Income forgone	(2,066,878)	(1,225,278)
	7,656,393	7,320,347
Property rates - penalties imposed	819,898	699,857
	8,476,291	**8,020,204**

Valuations

Residential	352,174,000	349,972,000
Commercial	163,813,000	148,001,000
Protected areas	61,583,000	61,583,000
Places of worship	13,963,000	13,300,000
Small holdings and farms	3,699,574,000	3,662,897,000
Public Service Infrastructure (Zero Rated)	1,736,000	1,186,000
Public Benefit Organisations	11,525,000	11,525,000
Vacant land	24,704,000	24,472,000
Public Service Property	65,054,000	57,194,000
	4,394,126,000	**4,330,130,000**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2023. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rebates of 2.5% on all property categories for Property Rates paid in full by 30 September 2024 (2024/25).

Rates are levied on an annual basis with the option to pay a monthly instalment over 12 months. Date for payment of the monthly account is usually on the 15th day of the next month. Interest at prime plus 1% per annum is levied on rates outstanding after due date of the account.

A general rate of R0.01228 (2024: R0.01228) is applied to property valuations to determine assessment rates. Properties used for domestic purposes and consisting of both land and improvements are subject to a R15 000 rebate. There are also different rebates and phased in tariffs for different sectors of the community.

The 2024 rateable category disclosures were corrected due to errors made on the approved valuation roll. As a result the property rates disclosure above has been restated. Disclosed in the table below are the previous valuations, with the correction of error amount.

Valuations	**Correction of error**	**Previously disclosed**
Residential	4,411,000	345,561,000
Commercial	1,077,000	146,924,000
Small holdings and farms	-	3,662,897,000
Public Service Infrastructure (Zero Rated)	-	1,186,000
Public Benefit Organisations	(3,130,000)	14,655,000
Protected areas	-	61,583,000
Vacant land	(803,000)	25,275,000
Public Service Property	(4,574,000)	61,768,000
Places of worship	3,019,000	10,281,000
	-	**4,330,130,000**

Figures in Rand	2025	2024

24. Government grants & subsidies

Operating grants		
Equitable share	34,689,000	32,820,000
Local Government Financial Management Grant	2,600,000	2,650,000
Expanded Public Works Program	300,000	796,000
Library Development Grant	1,300,000	1,252,000
	38,889,000	**37,518,000**
Capital grants		
Municipal Infrastructure Grant	2,193,655	5,925,178
Integrated National Electrification Programme Grant	1,751,000	-
Water Services Infrastructure Grant	15,999,985	12,498,000
	19,944,640	**18,423,178**
	58,833,640	**55,941,178**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	24,110,154	23,121,178
Unconditional grants received	34,689,000	32,820,000
	58,799,154	**55,941,178**

Equitable Share

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

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

Municipal Infrastructure Grant

Balance unspent at beginning of year	8,429,076	6,205,254
Current-year receipts	5,185,000	8,149,000
Conditions met - transferred to revenue	(2,193,654)	(5,925,178)
Surrendered to National revenue fund	(6,351,000)	-
	5,069,422	**8,429,076**

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

This grant was used to construct municipal infrastructure to provide basic services for the benefit of the poor households.

Local Government Financial Management Grant

Current-year receipts	2,600,000	2,650,000
Conditions met - transferred to revenue	(2,600,000)	(2,650,000)
	-	**-**

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

24. Government grants & subsidies (continued)

Integrated National Electrification Programme Grant

Current-year receipts	1,751,000	-
Conditions met - transferred to revenue	(1,751,000)	-
	-	-

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

The INEP grant is a conditional grant to provide capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings and the installation of bulk infrastructure..

Expanded Public Works Program

Current-year receipts	300,000	796,000
Conditions met - transferred to revenue	(300,000)	(796,000)
	-	-

The purpose of this grant is to improve the quality of life of poor people and increase social stability through engaging the previously unemployed in paid and productive activities, to reduce levels of poverty, contribute towards increased levels of employment and improve opportunities for sustainable work through experience and learning.

Library Development Grant

Current-year receipts	1,300,000	1,252,000
Conditions met - transferred to revenue	(1,300,000)	(1,252,000)
	-	-

The grant is being used to support library services.

Water Services Infrastructure Grant

Current-year receipts	16,000,000	12,498,000
Conditions met - transferred to revenue	(16,000,000)	(12,498,000)
	-	-

The purpose of this grant is to develop infrastructure required to connect or a augment a water resource, to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area with the municipality.

Figures in Rand	2025	2024

25. Employee related costs

Basic	25,500,415	21,197,918
Bonus	1,564,813	1,728,408
UIF and pension	2,138,127	2,107,237
SDL	273,820	270,232
Leave pay provision charge	27,161	676,249
Travel, motor car, accommodation, subsistence and other allowances	883,333	1,076,520
Overtime payments	960,469	703,826
Long-service awards	149,000	153,582
Bargaining council contributions	10,719	9,972
Long-term benefits - incentive scheme	3,000	37,077
	31,510,857	**27,961,021**

Remuneration of the Municipal Manager: J Jonkers

Annual Remuneration	1,179,278	799,746
Car Allowance	-	25,600
Performance Bonuses	110,065	-
Cellphone Allowance	43,200	-
	1,332,543	**825,346**

Remuneration of Acting Municipal Manager : A Gibbons

Acting allowance	-	10,217

Remuneration of the Municipal Manager: JJ Fortuin

Performance Bonuses	-	59,035
Other	-	590
	-	**59,625**

Remuneration of the Director Financial Services: SJ Myburgh

Annual Remuneration	528,067	959,205
Car Allowance	138,845	238,020
Performance Bonuses	-	54,096
Cellphone allowance	25,200	25,600
Leave payout	108,463	-
	800,575	**1,276,921**

Remuneration of Acting Director Financial Services: A Haas

Acting allowance	14,735	24,626

Remuneration of the Director Technical Services: FJ Lotter

Annual Remuneration	734,946	804,700
Car Allowance	140,640	140,640
Performance Bonuses	75,050	41,364
Contributions to UIF, Medical and Pension Funds	-	12,184
Cellphone allowance	43,200	33,600
	993,836	**1,032,488**

Remuneration of the Acting Director: Community services: A Gibbons

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

25. Employee related costs (continued)

Acting allowance	30,913	-

Remuneration of the Acting Director: Financial services: T Mohale

Annual Remuneration	181,042	-

Remuneration of the Acting Director: Financial services: G Seas

Annual Remuneration	161,375	-
Cellphone allowance	7,200	-
	168,575	**-**

26. Remuneration of councillors

Executive Major	916,225	1,146,583
Councillors	4,216,715	3,927,038
	5,132,940	**5,073,621**

Figures in Rand	2025	2024

26. Remuneration of councillors (continued)

Additional information

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

	2025	2024
VC Wentzel - (Section 79 chairperson)		
Basic salary	378,920	362,841
Cell phone allowance	47,004	49,613
	425,924	**412,454**

	2025	2024
JJ van der Colff		
Basic salary	354,267	345,661
Cell phone allowance	47,004	49,615
Vehicle allowance	37,231	48,525
	438,502	**443,801**

	2025	2024
J Davids		
Basic salary	548,741	336,426
Cell phone allowance	47,004	46,373
Vehicle allowance	58,914	37,381
	654,659	**420,180**

	2025	2024
E Oliphant		
Basic salary	295,040	282,732
Cell phone allowance	47,004	49,613
	342,044	**332,345**

	2025	2024
SA Muller		
Basic salary	293,155	308,490
Cell phone allowance	36,137	49,613
	329,292	**358,103**

	2025	2024
VT Opperman - Speaker		
Basic salary	727,682	702,730
Cell phone allowance	47,004	49,618
	774,686	**752,348**

	2025	2024
Rvd Merwe Geel		
Basic salary	330,608	291,259
Cell phone allowance	47,004	49,613
	377,612	**340,872**

	2025	2024
AS Mietas - Mayor		
Basic salary	648,808	883,220
Cell phone allowance	47,004	49,619
	695,812	**932,839**

	2025	2024
M.J Chadow		
Basic salary	351,548	363,124
Cell phone allowance	47,004	49,613
	398,552	**412,737**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

26. Remuneration of councillors (continued)

AE Steenkamp		
Basic salary	100,551	282,732
Cell phone allowance	15,668	49,613
	116,219	**332,345**

CG Steenkamp		
Basic salary	296,083	282,737
Cell phone allowance	47,004	49,615
	343,087	**332,352**

A Willemse		
Basic salary	164,865	-
Cell phone allowance	26,914	-
	191,779	**-**

27. Depreciation and amortisation

Property, plant and equipment	9,805,345	9,886,808
Investment property	278,559	278,559
Intangible assets	57,418	61,782
	10,141,322	**10,227,149**

Depreciation reconciliation		
Depreciation per note 10 - Property, plant and equipment	10,683,237	10,771,207
Less: Depreciation capitilised to inventory	(877,892)	(884,399)
	9,805,345	**9,886,808**

28. Finance costs

Provision for the rehabilitation of landfill sites	4,000,541	3,881,036
Trade and other payables	3,928	13,998
Long term borrowings	69,413	57,483
Actuarial interest	412,000	384,000
	4,485,882	**4,336,517**

29. Debt impairment

Exchange receivables	(5,456,543)	(3,027,715)
Non-exchange receivables	(1,427,161)	(5,133,582)
	(6,883,704)	**(8,161,297)**

Debt impairment relates to the contribution to the allowance for debt impairment, exclusive of VAT.

30. Bulk purchases

Electricity - Eskom	14,222,275	12,185,754

31. Contracted services

Contractors		
Maintenance of Equipment	1,192,846	2,801,215

Figures in Rand	2025	2024

32. Operating cost

Administrative penalties	-	85,372
Advertising	28,858	38,018
Audit committee	163,799	203,851
Auditors remuneration	3,332,553	2,939,725
Bank charges	245,206	230,074
Commission paid	276,797	256,182
Consulting and professional fees	1,259,997	1,248,170
Consumables	1,450,377	2,579,051
Derecognised unallocated deposits claimed	331,443	-
Donations	174,002	-
Entertainment	15,468	21,795
Fuel and oil	582,546	961,479
Insurance	293,872	563,456
Library projects	3,141	2,979
Membership fees	475,000	483,250
Other expenses	75,014	56,430
Postage and courier	1,495	164
Printing and stationery	-	3,484
Research and development costs	18,644	16,749
Security	105,697	86,851
Software expenses	3,155,390	2,981,834
Staff welfare	98,899	111,589
Telephone and fax	550,708	347,742
Title deed search fees	23,229	19,677
Training	70,098	123,291
Travel - local	2,897,220	2,083,828
	15,629,453	**15,445,041**

33. Cash generated from operations

Surplus	6,803,908	1,155,566
Adjustments for:		
Depreciation and amortisation	10,141,322	10,227,149
Assets derecognised	761,738	127,595
Debt surrendered	(3,921)	(336,820)
Finance costs	4,412,541	4,314,492
Impairment deficit	47,299	-
Debt impairment	6,883,704	8,161,297
Bad debts written off	851,268	952,415
Movements in retirement benefit assets and liabilities	(286,224)	(19,317)
Inventory adjustment	2,545,486	2,195,187
Actuarial (gain) / loss	(490,172)	153,317
Other non-cash items	(79)	-
Changes in working capital:		
Inventories	(1,385,347)	(1,214,099)
Other receivables from exchange transactions	(513,648)	(623,711)
Consumer debtors	(6,585,754)	(7,718,498)
Other receivables from non-exchange transactions	(2,498,032)	(556,864)
Payables from exchange transactions	(1,097,927)	91,498
VAT	1,479,698	(860,669)
Unspent conditional grants and receipts	(3,359,654)	2,223,822
Consumer deposits	27,793	47,256
	17,733,999	**18,319,616**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

34. Cash flows from investing activities

Reconciliation between additions per note 10 - Property, plant and equipment and Purchase of property, plant and equipment per Cash Flow Statement:

Capital additions - Note 10	1,661,712	100,610
WIP additions - Note 10	12,296,794	21,623,551
Transfers to inventory	-	(2,202,549)
Movement in retention creditors	886,616	(50,996)
Unpaid capital creditors	4,072,304	(5,529,286)
Retentions surrendered	-	(336,820)
Initial recognition of finance lease asset	(169,674)	-
	18,747,752	**13,604,510**

35. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	24,562,857	6,355,646
Total capital commitments		
Already contracted for but not provided for	24,562,857	6,355,646

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources and government grants and subsidies.

36. Contingencies

2025:

KHM vs SJ van Schalkwyk

Review of the arbitration award of setting aside the judgement of dismissal of SJ van Schalkwyk's disciplinary hearing. The municipality may be liable for salaries not paid during dismissal of R1 466 652.

2024:

KHM vs JK Malho

Review the application on the arbitration award ordering the reinstatement of JK Malho. The estimate of the financial exposure amounts to R130 000.

Contingent assets:

A claim against L Nothnagel relating to Labour Court costs amounting to R1 090 911.

Figures in Rand	2025	2024

37. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' report note 4
Members of key management	S Myburgh
	F Lotter
Members of Council	VC Wentzel
	JE Davids
	JJ van der Colff
	E Oliphant
	SA Muller
	VT Opperman
	RvdM Geel
	AS Mietas
	MJ Chadow
	AE Steenkamp
	CG Steenkamp
	AP Willemse

Related party balances

	2025	2024
Amounts included in Trade receivable (Trade Payable) regarding related parties		
SM Davids	534	510
VC Wentzel	571	981
JJ van der Colff	281	281
SA Muller	515	491
VT Opperman	1,045	1,021
CG Steenkamp	1,145	2,184
AS Mietas	2,006	1,989
MJ Chadow	572	573
AP Willemse	1,188	-
SJ Myburgh	-	1,253

Related party transactions

	2025	2024
Rates levied to Councillors 1 July to 30 June		
SM Davids	270	316
JJ van der Colff	3,371	3,397
SA Muller	41	91
VT Opperman	6,447	6,447
CG Steenkamp	10,266	10,266
AS Mietas	11,359	12,495
MJ Chadow	688	775
Rvd Merwe Geel	-	8,261
AP Willemse	48	-
Service charges to Councillors levied 1 July to 30 June		
SM Davids	6,237	6,086
VC Wentzel	7,627	9,148
SA Muller	5,109	6,013
VT Opperman	6,089	5,805
AE Steenkamp	-	43
CG Steenkamp	19,514	17,422
AS Mietas	11,044	7,882
MJ Chadow	6,176	6,151
Rvd Merwe Geel	-	13,392
AP Willemse	5,184	-
Rates levied to Key Management		
SJ Myburgh	3,360	5,111

37. Related parties (continued)

	2025	2024
Services levied to Key Management		
SJ Myburgh	5,318	9,660
Interest levied to related parties		
CG Steenkamp	149	84
MJ Chadow	-	3
AP Willemse	128	-

Transactions with related parties are on the same terms and conditions as the general public.

No councillor accounts were in arrears for more than 30 days at year-end.

Remuneration of management

Remuneration of key management refer to note 25 of the annual financial statements.

Remuneration of councillors refer to note 26 of the annual financial statements.

38. 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:

Positive amounts represent debit accounting entries and negative amounts represent credit accounting entries.

Statement of financial position

2024

	Note	As previously reported	Correction of error	Restated
Receivables from non-exchange transactions	5	2,771,975	(43,691)	2,728,284
Receivables from exchange transactions	6	4,441,492	393,545	4,835,037
VAT receivable		3,347,503	(66,640)	3,280,863
Opening accumulated surplus		(287,055,322)	(13,785)	(287,069,107)
Property, plant and equipment	9	283,635,627	(127,595)	283,508,032
		7,141,275	**141,834**	**7,283,109**

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Restated
Service charges	18	(21,969,890)	(324,382)	(22,294,272)
Property rates	23	(7,323,068)	2,722	(7,320,346)
Interest received (trading)		(3,181,589)	43,970	(3,137,619)
Property rates - Interest received	23	(708,119)	8,262	(699,857)
Assets derecognised		-	127,595	127,595
Surplus for the year		**(33,182,666)**	**(141,833)**	**(33,324,499)**

Errors

The following prior period errors adjustments occurred:

38. Prior-year adjustments (continued)

Correction of billings to customer accounts

Numerous properties were identified which were not billed accurately and completely. The reasons vary in nature, however are not considered individually significant to warrant seperate disclosure in this note and therefore disclosed in aggregate. The Rand-value of the corrections are as follows:

Increase in Receivables from exchange transactions by R57 773
Decrease in Receivables from non-exchange transaction by R43 691
Increase in Service charges by R32 406
Decrease in Property rates by R2 722
Decrease in Interest from exchange debtors by R43 970
Decrease in Interest from non-exchange debtors by R8 262
Decrease in VAT receivable by R22 844
Increase in Opening accumulated surplus by R13 785

Customers billed at incorrect tariff amounts (Sewerage and sanitation)

The entire billing population was scrutinised to identify properties being billed at incorrect tariffs. Numerous properties were identified which were billed at the incorrect amounts.

The correction to the sewerage and sanitation population is as follows:

Increase in Receivables from exchange by R 241 225
Increase in Service charges by R209 760
Decrease in VAT receivable by R31 464

Customers billed at incorrect tariff amounts (Refuse removal)

The entire billing population was scrutinised to identify properties being billed at incorrect tariffs. Numerous properties were identified which were billed at the incorrect amounts.

The correction to the sewerage and sanitation population is as follows:

Increase in Receivables from exchange by R94 548
Increase in Service charges by R82 215
Decrease in VAT receivable by R12 332

Vehicles not dereognised

A vehicle was written off in an accident and was incorrectly retained on the municipality's fixed asset register. The derecognition of this vehicle results in:
Decrease in Property, plant and equipment cost by R204 379
Decrease in Accumulated depreciation by R76 784
Increase in Assets derecognised by R127 595.

39. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	Total
Cash and cash equivalents	16,929,418	16,929,418
Other receivables from exchange transactions	1,924,578	1,924,578
Receivables from exchange transactions	4,360,542	4,360,542
	23,214,538	**23,214,538**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

39. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Consumer deposits	555,094	555,094
Finance lease obligation	125,250	125,250
Other financial liabilities	433,390	433,390
Trade and other payables from exchange transactions	2,480,268	2,480,268
	3,594,002	**3,594,002**

2024

Financial assets

	At amortised cost	Total
Cash and cash equivalents	18,331,628	18,331,628
Other receivables from exchange transactions	1,409,869	1,409,869
Receivables from exchange transactions	4,901,081	4,901,081
	24,642,578	**24,642,578**

Financial liabilities

	At amortised cost	Total
Consumer deposits	527,301	527,301
Finance lease obligation	79,939	79,939
Other financial liabilities	704,811	704,811
Trade and other payables from exchange transactions	8,486,082	8,486,082
	9,798,133	**9,798,133**

40. Risk management

Financial risk management

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

40. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

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

At 30 June 2025	0 - 6 months	6 - 12 months	1 - 2 years	2 - 5 years	Column heading
Other financial liabilities	150,276	150,276	150,049	-	-
Finance lease obligation	39,548	39,548	79,096	-	-
Payables from exchange transactions	1,879,056	601,212	-	-	-
Consumer deposits	555,094	-	-	-	-
	2,623,974	**791,036**	**229,145**	**-**	**-**

At 30 June 2024	0 - 6 months	6 - 12 months	1 - 2 years	2 - 5 years	Column heading
Other financial liabilities	150,276	150,276	300,551	150,049	-
Finance lease obligation	42,692	42,692	-	-	-
Payables from exchange transactions	6,998,254	1,487,828	-	-	-
Consumer deposits	527,301	-	-	-	-
	7,718,523	**1,680,796**	**300,551**	**150,049**	**-**

Credit risk

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

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

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

Financial instrument	2025	2024
Cash and cash equivalents	16,929,418	18,331,628
Receivables from exchange transactions	4,360,542	4,507,535
Other receivables from exchange transactions	1,924,578	1,409,869

Market risk

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

40. Risk management (continued)

Interest rate risk

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

The scenarios are run only for liabilities that represent the major interest-bearing positions. Based on the simulations performed, the impact on post-tax surplus of a 0.1% shift would be a maximum increase of R 105 (2024: R105) or decrease of R (2024: R105), respectively.

The loan with DBSA is at a fixed interest rate. Therefore the municipality is not exposed to an interest rate risk in this regard.

Foreign exchange risk

The municipality does not hedge foreign exchange fluctuations as it does not incur foreign exchange transactions. All revenue is invoiced in home currency and the municipality only sources from South African suppliers.

The municipality reviews its foreign currency exposure, including commitments on an ongoing basis. The municipality expects its foreign exchange contracts to hedge foreign exchange exposure.

41. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding from National Treasury for the on-going operations for the municipality. The municipality is aware that steps such as effective cash management procedures and effective debt collection procedures must be implemented to ensure its ability to meet its obligation and to increase its cash flow.

The municipality still has the ability to levy rates and taxes and will continue to receive funding from government as evident from Equitable Share allocation in terms of the Division of Revenue Act.

42. Events after the reporting date

Management is not aware of any material events after the reporting date that warrant disclosure.

43. Unauthorised expenditure

Opening balance as previously reported	172,111,475	188,505,086
Add: Unauthorised expenditure - current	14,958,564	16,635,059
Less: Amount written off - capital	-	(3,518,267)
Less: Amount written off - operational	-	(29,510,403)
Closing balance	**187,070,039**	**172,111,475**

Unauthorised expenditure can mainly be attributed to the budgeting process not anticipating realistic expenditures.

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

Non-cash	3,214,949	3,378,862
Cash	11,743,615	13,256,197
	14,958,564	**16,635,059**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

43. Unauthorised expenditure (continued)

Analysed as follows: non-cash

Bad debts written off	122,477	135,039
Depreciation and amortisation	1,460,164	1,450,068
Finance charges	634,861	614,858
Assets derecognised	237	-
Debt impairment	990,403	1,157,159
Impairment loss	6,805	-
Actuarial loss	-	21,738
	3,214,947	**3,378,862**

Analysed as follows: cash

Bulk purchases	2,683,468	-
Contracted services	226,688	23,597
General expenditure	2,730,127	4,084,716
Employee related costs	4,514,697	5,419,743
Capital expenditure	1,588,635	3,728,142
	11,743,615	**13,256,198**

Operating Unauthorised expenditure: Budget overspending – per municipal department:

Vote 3 - Directorate Financial Services	5,339,813	10,698,704
Vote 4 - Directorate Infrastructure Services	4,904,195	-
Vote 5 - Community & Social Services	3,125,921	2,208,213
	13,369,929	**12,906,917**

Capital Unauthorised expenditure: Budget overspending – per municipal department:

Vote 1 - Executive and Council	1,588,635	-
Vote 5 - Community & Social Services	-	3,728,142
	1,588,635	**3,728,142**

Recoverability steps taken

The balance of unauthorised expenditure is still being investigated by the municipality.

Figures in Rand	2025	2024

44. Fruitless and wasteful expenditure

Opening balance as previously reported	3,040,733	2,789,988
Add: Fruitless and wasteful expenditure identified - current	166,981	459,528
Less: Amount recovered - current	(5,288)	(10,866)
Less: Amount written off by suppliers - current	(1)	(175,715)
Less: Amount written off by council	-	(22,202)
Closing balance	**3,202,425**	**3,040,733**

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings
Interest - late payments to suppliers	None
Payment to wrong supplier	None
Meeting cancelled without any notice	None
Fruitless travel and subsistence recovered from salaries	None
Meetings not attended	None
Penalty - VAT return not submitted	None
Purchase at uneconomical price	None
Credit note from supplier was paid incorrectly	None
Travel claim overpayment	None

None of the above amounts identified as recoverable.

Amount written-off

No amounts were written off during the year.

45. Irregular expenditure

Opening balance as previously reported	51,198,538	50,662,788
Add: Irregular expenditure - current	8,978	675,553
Less: Amount written off by council	-	(139,803)
Closing balance	**51,207,516**	**51,198,538**

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

	Disciplinary steps taken/criminal proceedings		
Procurement process not followed	None	266,263	430,722
Not a CSD Supplier	None	2,215	30,652
Not a valid tax clearance certificate	None	-	58,683
Supporting documents not attached/requisition not signed	None	-	6,602
Invalid deviation	None	-	99,188
Interest - Family	None	-	49,706
Contract extension not approved by a delegated official	None	1,262,350	-
Employee reinstated in a position that is not part of the approved organisational structure	None	264,435	-
		1,795,263	**675,553**

Amount recovered

None of the above amounts identified as recoverable.

Figures in Rand	2025	2024

45. Irregular expenditure (continued)

Amount written-off

No amounts were written off during the year.

46. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	1,101,767	1,317,767
Current year subscription / fee	475,000	483,250
Amount paid - current year	(475,000)	(483,250)
Amount paid - previous years	(216,000)	(216,000)
	885,767	**1,101,767**

The municipality has committed to pay an amount of R18 000 over 56 equal instalments, with the last instalment on 1 February 2028, in order to settle the outstanding balance.

Other material losses

Electricity distribution losses		
Units purchased (Kwh)	5,170,499	5,296,497
Units lost during distribution (Kwh)	1,066,802	941,874
Percentage lost during distribution	20.63 %	17.78 %
Rand value of loss	2,533,936	1,807,418

Water distribution losses		
Kiloliters raw water input	294,580	367,270
Kiloliters lost during distribution	35,189	123,583
Percentage lost during distribution	11.95 %	33.65 %
Rand value of loss	304,073	738,658

The electricity energy losses can be classified into non-technical losses during the 2024/2025 financial year.

The enitiy`s non-technical losses increased to 20.63% from 17.78%. The non-technical losses are attributable mainly to the following:
- Theft and bypass of meters;
- Illegal decalibration of meters;
- Damaged meters and faulty voltage and current transformers; and
- Customers without meters
- Decrease in purchases due to increase in load shedding

Audit fees

Opening balance	-	165,457
Current year subscription / fee	3,832,436	3,388,176
Amount paid - current year	(3,816,994)	(3,378,097)
Amounts written off	-	(175,536)
	15,442	**-**

PAYE and UIF

Current year subscription / fee	7,123,903	5,515,794
Amount paid - current year	(7,123,903)	(5,515,794)
	-	**-**

Figures in Rand	2025	2024

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

Pension and Medical Aid Deductions

Current year subscription / fee	4,036,550	3,929,582
Amount paid - current year	(4,036,550)	(3,929,582)
	-	-

VAT

VAT receivable	635,449	1,344,727

VAT output payables and VAT input receivables are shown in note .

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

Supply chain management regulations

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 City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident		
Sole suppliers	782,255	904,556
Emergency	83,835	1,819,816
Impractical	360,302	2,265,120
	1,226,392	**4,989,492**

Awards to close family members of persons in the service of the state		
R&S Karoo (Pty) Ltd	-	42,018
Soek `n slapie guesthouse	-	25,110
Manna Restuarant	-	6,905
	-	**74,033**

Mr. S. J van Schalkwyk, the previous Budget and Treasury Officer of the municipality`s spouse is the director of R&S Karoo (Pty) Ltd, Soek `n Slapie guesthouse and Manna Restaurant. He is no longer employed by the municipality.

47. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of governance and administration, technical and community 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.

Financial information relating to assets, liabilities and geographical locations are not readily available and are therefore not disclosed.

47. Segment information (continued)

Aggregated segments

The municipality operates in the Namakwa district in the following towns Williston, Fraserburg and Sutherland. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout the towns were sufficiently similar to warrant aggregation.

Furthermore information regarding the different geographical areas are not readily available and are therefore not disclosed.

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.

Non-segments include Governance and administration.

Reportable segment	**Goods and/or services**
Executive and Council	Governance and Administration
Directorate Financial Services	Governance and Administration
Directorate Infrastructure Services	Technical Services
Community and Social Services	Community Services

47. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Directorate Infrastructure Services	Community and Social Services	Total
Revenue			
Revenue from non-exchange transactions	45,665,440	1,300,220	46,965,660
Revenue from exchange transactions	25,949,080	17,479	25,966,559
Revenue from exchange transactions - interest	3,257,801	-	3,257,801
Total segment revenue	**74,872,321**	**1,317,699**	**76,190,020**
Expenditure			
Employee related cost	10,375,959	1,989,540	12,365,499
Debt impairment	6,868,901	-	6,868,901
Depreciation and amortisation	10,141,321	-	10,141,321
Finance cost	69,413	-	69,413
Bulk purchases	14,222,275	-	14,222,275
Contracted Services	1,151,427	4,994	1,156,421
Water inventory consumed	2,545,486	-	2,545,486
Operating cost	2,172,865	254,752	2,427,617
Bad debts written off	70,931	-	70,931
Total segment expenditure	**47,618,578**	**2,249,286**	**49,867,864**
Total segmental surplus/(deficit)	**27,253,743**	**(931,587)**	**26,322,156**

Notes to the Annual Financial Statements

Figures in Rand

	Directorate Infrastructure Services	Community and Social Services	Total
47. Segment information (continued)			
Non-segment revenue			-
Actuarial gains			490,172
Other Non-segment revenue			23,528,787
Non-segment expenditure			-
Gain on water inventory			(47,299)
Other Non-segment expenditure			(42,728,169)
Assets derecognised			(761,738)
Entity's surplus (deficit) for the period			**6,803,909**

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

2024

	Directorate Infrastructure Services	Community and Social Services	Total
Revenue			
Revenue from non-exchange transactions	43,503,676	1,253,570	44,757,246
Revenue from exchange transactions	23,327,948	15,913	23,343,861
Revenue from exchange transactions - interest	3,031,547	-	3,031,547
Total segment revenue	**69,863,171**	**1,269,483**	**71,132,654**
Entity's revenue			**71,132,654**

Notes to the Annual Financial Statements

Figures in Rand

47. Segment information (continued)

Expenditure			
Employee related cost	10,515,050	1,850,039	12,365,089
Debt impairment	5,079,516	-	5,079,516
Depreciation and amortisation	8,547,530	-	8,547,530
Finance cost	3,923,838	-	3,923,838
Bulk purchases	12,185,754	-	12,185,754
Contracted Services	2,780,789	15,370	2,796,159
Water inventory consumed	2,195,187	-	2,195,187
Operating cost	3,213,084	314,208	3,527,292
Total segment expenditure	**48,440,748**	**2,179,617**	**50,620,365**
Total segmental surplus/(deficit)	**21,422,423**	**(910,134)**	**20,512,289**
Non-segment revenue			-
Other Non-segment revenue			21,845,517
Non-segment expenditure			-
Actuarial losses			(153,317)
Assets derecognised			(127,595)
Other Non-segment expenditure			(40,921,402)
Entity's surplus (deficit) for the period			**1,155,492**

48. Budget differences

Material differences between budget and actual amounts

48. Budget differences (continued)

The following variances exceeding 10% from the budgeted amount are explained:

Statement of Financial Performance

Service charges: Within 10% acceptable variance.

Rental of facilities and equipment: Increased rentals per contract not adequately budgeted.

Agency services: No sufficiently budgeted for, considering the budgeted amount is less than the prior year amount.

Other income: Income on an ad-hoc basis not wholly within the control of the municipality.

Interest on investments: Underspending on grants, resulting in increased bank balances which earn higher interest.

Property rates: Within 10% acceptable variance.

Property rates interest: Within 10% acceptable variance.

Surcharges and taxes: Error in budgeting process resulted in this balance incorrectly being budgeted for. Since no such receipts occurred in the current year or prior years.

Operational grants: Within 10% acceptable variance.

Capital grants: Underspending was not budgeted for.

Debt surrendered: Discount on printer payment, not anticipated.

Fines: Lack of personnel to implement policies.

Employee related costs: Within 10% acceptable variance.

Remuneration of councillors: Within 10% acceptable variance.

Impairment loss: NRV inventory adjustment not anticipated.

Finance costs: Landfill and employee benefit interest not budgeted for.

Debt Impairment: Estimate and not easily determined at budgeting stage.

Bad debts written off: Within 10% acceptable variance.

Bulk purchases: Within 10% acceptable variance.

Contracted Services: Savings on repairs and maintenance.

Inventory consumed: Difficult to estimate water movement due to the various inputs that need to be estimated.

Other expenses: Under budgeted on Audit expenses, Travel cost and other.

Transfers and subsidies: Anticpated expenses did not occur.

Depreciation and amortisation: Errors in budgeting process resulting in insufficient depreciation being budgeted for.

Assets derecognised: Vehicles being written off was not anticipated and therefore not budgeted for.

Statement of Financial Position

Inventories: Difficult to estimate water movement due to the various inputs that need to be estimated.

48. Budget differences (continued)

Other receivables: Increase in Eskom deposits not budgeted for.

Non-Exchange receivables: Improved debt collection.

VAT receivable: Input and output accounts on system not aligned resulted in incorrect input and output amount being budgeted for, net variance is still with in 10%.

Consumer debtors: Improved debt collection.

Cash and cash equivalents: Lower spending on capital grants.

Other financial liabilities (current): Errors made during budgeting process resulted in the incorrect amount being budgeted for. These amounts can be estimated with reasonable certainty, but were budgeted at incorrect amounts.

Other financial liabilities (non-current): Errors made during budgeting process resulted in the incorrect amount being budgeted for. These amounts can be estimated with reasonable certainty, but were budgeted at incorrect amounts.

Finance lease obligation (current): Finance lease recognitions were not anticipated for the new leases. Was therefore not budgeted for as finance lease obligation, but rather normal expenditure.

Finance lease obligation (non-current): Finance lease recognitions were not anticipated for the new leases. Was therefore not budgeted for as finance lease obligation, but rather normal expenditure.

Payables from exchange transactions: Additional creditors were paid during the year, which resulted in a decreased creditor balance.

VAT payable: Input and output accounts on system not aligned resulted in incorrect input and output amount being budgeted for, net variance is still with in 10%.

Consumer deposits: Incorrect estimation as the prior year balance was much lower than the budgeted amount.

Employee benefit obligation (current and non-current): Requires experts to value and makes anticipation during budgeting process difficult.

Unspent conditional grants: Additional unspent grants not anticipated.

Provisions: Requires experts to value and makes anticipation during budgeting process difficult.

Accumulated surplus: Net of above movements.

Intangible assets: Errors in budgeting process resulting in incorrect amortisation being budgeted for.d

Cashflow Statement

Taxation: Increased credit control

Capital grants: Amounts were withheld by NT for prior year unspent grants. The budgeted amounts were also not correct as grant receipts can be estimated with reasonable certainty

Operating grants: Within acceptable 10% variance.

Interest income: Improved credit control.

Sale of goods: Incorrect estimation as the prior year balance was much lower than the budgeted amount.

Suppliers and employees: Errors in budgeting process resulting in overestimated amount. Prior year was only R67m. Additional creditors were also paid, which was not anticipated, which correlates with the decrease in Trade payables.

Finance costs: Errors made during budgeting process resulted in the incorrect amount being budgeted for. These amounts can be estimated with reasonable certainty, but were budgeted at incorrect amounts.

48. Budget differences (continued)

Value-added tax: Not seperately budgeted for in B-schedule.

Purchase of property, plant and equipment: Under spending on the capital grant. Grants were also not appropriately budgeted for as stated above.

Repayment of financial liabilities: Error in budgeting process resulted in amount not being budgeted for.

Repayment of finance lease liability: Printers accounted for as finance leases not anticipated.

Increase in cash: Net of above movements.

Cash opening balance: Within acceptable 10% variance.

Cash closing balance: Net of above movements.

Suppliers and employees:

Changes from the approved budget to the final budget

Statement of Financial Performance

Employee related cost: Incorrect votes were used, budget moved to correct votes and movement of budget to councillor remuneration.

Remuneration of councillors: Additional allowance was made based on 6month actuals, which indicated budgeted amount may be insufficent.

Bad debts written off: Provision for bad debt was under budgeted based on the 6 months actuals of people that passed on.

Contracted Services: Adjustment based on 6 month actuals and movement from on Contracted service to inventory consumed, expenses and council remuneration.

Inventory consumed: Adjustment was made to be in line with 6 month actuals.

Expenses: Adjustment was made to be in line with 6 month actuals.

Statement of Financial Position

The original budget did not include accurate opening balances. The adjustments to Statement of Financial Position were to roll forward the opening balances to the balances.

Cashflow Statement

Cash and cash equivalents at the beginning of the year: The original budget did not include accurate opening balances. The adjustments to Statement of Financial Position were to roll forward the opening balances to the balances.

49. Statutory receivables

Figures in Rand	2025	2024
VAT Receivable	2,615,786	3,280,863
Rates	13,552,658	11,054,624
Less: Provision for Debt impairment	(10,214,413)	(8,787,252)
	5,954,031	**5,548,235**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

49. Statutory receivables (continued)

Property Rates: Ageing		
Current (0 - 30 days)	584,820	585,357
31 - 60 days	341,939	342,754
61 - 90 days	296,483	302,553
91 - 120 days	281,478	279,791
+120 days	12,047,938	9,544,169
Less: Provision for impairment	(10,214,413)	(8,787,252)
	3,338,245	**2,267,372**

Reconciliation of Provision for Debt impairment		
Opening balance	(8,787,252)	(5,759,535)
Provision for impairment	(1,427,161)	(3,027,717)
	(10,214,413)	**(8,787,252)**

For additional information regarding statutory receivables, refer to note 5.