UBUNTU LOCAL MUNICIPALITY

(Registration number NC071)

Audited Annual financial statements
for the year ended 30 June 2025

General Information

Legal form of entity	Local municipality as defined by the Municipal Structures Act (Act no.117 of 1998)
Nature of business and principal activities	Ubuntu Municipality is a local municipality performing the functions as set out in the Constitution (Act no. 105 of 1996)
Mayoral committee	
Mayor	Cllr. CC Jantjies
Speaker	Cllr. GL Yekani
Councillors	Cllr. M Zeekoei
	Cllr. SW Kock
	Cllr. MA Maloi
	Cllr. WRH Olyn
	Cllr. A Verwey
	Cllr. JH Vorster
	Cllr. JJ Tolken
	Cllr. MN Baadjies
	Cllr. AJ Robertson
Grading of local authority	Category B as defined by the Municipal Structures Act (Act number 117 of 1998)
Accounting Officers	Mrs LS Itumeleng
Chief Finance Officer (CFO)	Mr RJ Shuping (Appointed 6 January 2025)
Members of audit committee	J Snyders (Chairperson)
	A Shabalala
	G Morolong
	Z Mtubu
Registered office	78 Church Street Victoria West 7070
Business address	78 Church Street Victoria West 7070
Bankers	First National Bank
Auditors	The Auditor-General of South Africa
Attorneys	Office of the State Attorney
Level of assurance	These audited annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.

General Information

Enabling legislation	Municipal Finance Management Act (Act no. 56 of 2003)
	Division of Revenue Act
	The Income Tax Act (Act no. 58 of 1962)
	The Value-added Tax Act (Act no. 89 of 1991)
	Municipal Structures Act (Act no. 117 of 1998)
	Municipal Systems Act (Act no. 32 of 2000)
	Municipal Planning and Performance Management Regulations
	Housing Act (Act no. 107 of 1997)
	Skills Development Levies Act (Act no. 9 of 1999)
	Employment Equity Act (Act no. 55 of 1998)
	Unemployment Insurance Act (Act no. 30 of 1966)
	Basic Conditions of Employment Act (Act no. 75 of 1997)
	Supply Chain Management Regulations Act, 2005
	Disaster Management Act of 2016
	Spatial Planning and Land Use Management Act (Act no. 16 of 2013)
	Property Rates Act 6 of 2004

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The reports and statements set out below comprise the audited annual financial statements presented to the council:

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
CIGFARO	**Chartered Institute of Government Finance, Audit & Risk Officers**
INEP	**Integrated National Electrification Programme**
NERSA	**National Energy Regulator of South Africa**
MSA	**Municipal Systems Act**
MFMA	**Municipal Finance Management Act**
MIG	**Municipal Infrastructure Grant (Previously CMIP)**
MSIG	**Municipal System Improvement Grant**
PAYE	Pay As You Earn
SALGA	South African Local Government Association
SARS	South African Revenue Services

Accounting Officers' Responsibilities and Approval

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

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

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

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

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

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

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

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

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

The audited annual financial statements set out on pages 5 to 106, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2025 and were signed on its behalf by:

Mrs LS Itumeleng
Accounting officer

Accounting Officers' Report

The accounting officers submit their report for the year ended 30 June 2025.

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services and maintaining the best interests of the local community within the Ubuntu Municipal area and operates principally in South Africa.

Net surplus of the municipality was R 18,551,006 (2024: surplus R 28,278,542).

2. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of R 547,913,901 and that the municipality's total assets exceed its liabilities by R 547,913,901.

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

Furthermore management has reviewed the municipality's cash flow forecast for the year ended 30 June 2024 and, in the light of this review and the current financial position, management is satisfied that the municipality has, or has access to, adequate resources to continue it's operations existing for the foreseeable furture.

The municipality still has the ability to levy services, rates and taxes and will continue to receive funding from government as evident from the Equitable Share allocations as published in terms of the Division of Revenue Act (Act No.9 of 2021).

For details of managements assumptions with respect to the applicability of the going concern assumption refer to note 48

3. Subsequent events

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

4. Accounting Officers' interest in contracts

No matters to report.

5. Accounting policies

The audited annual financial statements prepared in accordance with the South African Generally Recognised Accounting Practices (GRAP), including any interpretations of such statements issued by the Accounting Practices Board, and in accordance with the prescribed Generally Recognised Accounting Practices (GRAP) Standards issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Accounting Officers

The accounting officers of the municipality during the year and to the date of this report are as follows:

Name	Nationality	Changes
Mrs LS Itumeleng	South African	Appointed 1 May 2023

Accounting Officers' Report

7. Corporate governance

General

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

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officers discuss the responsibilities of management in this respect, at Board meetings and monitor the municipality's compliance with the code on a three monthly basis.

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

8. Bankers

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

9. Auditors

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

10. Public Private Partnership

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

11. Non-compliance with applicable legislation

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

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	3	142,664	157,009
Other receivables from exchange transactions	4	1,363,291	631,478
Statutory receivables from non-exchange transactions	5	6,908,294	517,910
VAT receivable	8	22,559,879	21,549,953
Receivable from exchange transactions	6	11,381,810	16,417,315
Receivables from non-exchange transactions	7	48,986	48,986
Cash and cash equivalents	9	34,764,879	13,377,451
		77,169,803	**52,700,102**
Non-Current Assets			
Investment property	10	68,956,259	68,169,777
Property, plant and equipment	11	558,420,448	552,180,320
Intangible assets	12	2,350	3,525
		627,379,057	**620,353,622**
Total Assets		**704,548,860**	**673,053,724**
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	80,608,657	60,701,046
VAT payable	8	15,425,042	9,463,038
Consumer deposits	14	143,309	127,637
Employee benefit obligation	15	439,480	793,000
Unspent conditional grants and receipts	16	14,179,931	113,203
Provisions	18	5,255,982	-
		116,052,401	**71,197,924**
Non-Current Liabilities			
Non-current payables from exchange transactions	17	29,007,473	55,339,602
Employee benefit obligation	15	4,936,334	4,219,000
Provisions	18	6,638,751	12,934,304
		40,582,558	**72,492,906**
Total Liabilities		**156,634,959**	**143,690,830**
Net Assets		**547,913,901**	**529,362,894**
Accumulated surplus		547,913,901	529,362,894
Total Net Assets		**547,913,901**	**529,362,894**

* See Note 51

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	34,337,393	38,383,229
Rental of properties, facilities and equipment	20	400,298	436,930
Interest received (trading)		7,902,618	6,964,355
Licences and permits		566,817	739,575
Other income	21	1,297,361	1,366,674
Interest received - investment	22	1,899,932	2,009,139
Total revenue from exchange transactions		**46,404,419**	**49,899,902**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	17,010,938	19,667,094
Interest received - property rates	24	2,696,467	2,022,553
Transfer revenue			
Government grants & subsidies	25	78,489,272	87,625,685
Public contributions and donations	26	2,301,729	5,656,180
Fines, penalties and forfeits	27	1,073	4,250
Debt relief	28	25,830,905	22,280,860
Total revenue from non-exchange transactions		**126,330,384**	**137,256,622**
Total revenue	29	**172,734,803**	**187,156,524**
Expenditure			
Employee related costs	30	(41,512,003)	(36,669,564)
Remuneration of councillors	31	(5,227,175)	(5,079,445)
Depreciation and amortisation	32	(17,900,639)	(16,971,497)
Finance costs	33	(8,773,481)	(10,568,301)
Debt impairment	34	(17,590,204)	(30,477,600)
Bulk purchases	35	(31,324,553)	(26,978,573)
General expenses	36	(31,616,109)	(29,688,565)
Total expenditure		**(153,944,164)**	**(156,433,545)**
Operating surplus		**18,790,639**	**30,722,979**
Loss on disposal of assets and liabilities		(301,385)	(2,060,352)
Fair value adjustments	57	786,482	723,482
Actuarial gains/losses	15	(431,813)	924,938
Impairment loss	37	(292,917)	(1,735,017)
		(239,633)	**(2,146,949)**
Surplus for the year		**18,551,006**	**28,576,030**

* See Note 51

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2023	**493,286,235**	**493,286,235**
Changes in net assets		
Adjustments in the prior year Note 49	7,500,629	7,500,629
Net income (losses) recognised directly in net assets	7,500,629	7,500,629
Deficit for the year*	28,576,030	28,576,030
Total recognised income and expenses for the year	36,076,659	36,076,659
Total changes	36,076,659	36,076,659
Restated* Balance at 01 July 2024	**529,362,895**	**529,362,895**
Changes in net assets		
Deficit for the year	18,551,006	18,551,006
Total changes	18,551,006	18,551,006
Balance at 30 June 2025	**547,913,901**	**547,913,901**

* See Note 51

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		51,805,552	76,999,760
Grants		92,556,000	76,066,503
Interest income		1,899,932	2,009,139
		146,261,484	155,075,402
Payments			
Employee costs		(46,807,177)	(41,379,071)
Suppliers		(45,339,185)	(76,787,825)
Finance costs		(5,844,786)	(12,048,110)
		(97,991,148)	(130,215,006)
Net cash flows from operating activities	38	**48,270,336**	**24,860,396**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(26,882,909)	(29,459,447)
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		**21,387,427**	**(4,599,051)**
Cash and cash equivalents at the beginning of the year		13,377,451	17,976,502
Cash and cash equivalents at the end of the year	9	**34,764,878**	**13,377,451**

The accounting policies on pages 16 to 47 and the notes on pages 48 to 106 form an integral part of the audited annual financial statements.

Statement of Comparison of Budget and Actual Amounts

Budget on Cash 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	54,826,000	(2,000,000)	**52,826,000**	34,337,393	**(18,488,607)**	56, x1
Rendering of services	984,000	(529,000)	**455,000**	-	**(455,000)**	56, x2
Rental of facilities and equipment	1,027,000	(477,000)	**550,000**	400,298	**(149,702)**	56, x3
Interest received (trading)	9,196,000	(2,321,000)	**6,875,000**	7,902,618	**1,027,618**	56, x4
Licences and permits	488,000	(229,000)	**259,000**	566,817	**307,817**	56, x5
Other income	2,245,000	(1,765,000)	**480,000**	1,297,361	**817,361**	56, x6
Interest received - investment	1,635,396	370,000	**2,005,396**	1,899,932	**(105,464)**	56, x7
Total revenue from exchange transactions	**70,401,396**	**(6,951,000)**	**63,450,396**	**46,404,419**	**(17,045,977)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	28,734,000	-	**28,734,000**	17,010,938	**(11,723,062)**	56, x8
Interest received (trading)	-	2,659,000	**2,659,000**	2,696,467	**37,467**	56, x9
Transfer revenue						
Government grants & subsidies	58,016,000	-	**58,016,000**	78,489,272	**20,473,272**	56, x10
Public contributions and donations	-	-	**-**	2,301,729	**2,301,729**	56, x11
Fines, Penalties and Forfeits	20,639,000	(1,851,000)	**18,788,000**	1,073	**(18,786,927)**	Insignificant
Debt relief	-	-	**-**	25,830,905	**25,830,905**	56, x12
Total revenue from non-exchange transactions	**107,389,000**	**808,000**	**108,197,000**	**126,330,384**	**18,133,384**	
Total revenue	**177,790,396**	**(6,143,000)**	**171,647,396**	**172,734,803**	**1,087,407**	
Expenditure						
Personnel	(53,390,000)	-	**(53,390,000)**	(41,512,003)	**11,877,997**	56, x13
Remuneration of councillors	(4,864,000)	-	**(4,864,000)**	(5,227,175)	**(363,175)**	56, x14
Depreciation and amortisation	(27,518,124)	9,698,467	**(17,819,657)**	(17,900,639)	**(80,982)**	56, x15
Impairment loss/ Reversal of impairments	-	-	**-**	(292,917)	**(292,917)**	56, x16
Finance costs	(5,779,308)	3,003,571	**(2,775,737)**	(8,773,481)	**(5,997,744)**	56, x17
Debt Impairment	-	-	**-**	(17,590,204)	**(17,590,204)**	56, x18
Bulk purchases	(25,221,144)	(6,535,644)	**(31,756,788)**	(31,324,553)	**432,235**	56, x19
General Expenses	(62,510,000)	659,000	**(61,851,000)**	(31,616,109)	**30,234,891**	56, x20
Total expenditure	**(179,282,576)**	**6,825,394**	**(172,457,182)**	**(154,237,081)**	**18,220,101**	
Operating surplus	**(1,492,180)**	**682,394**	**(809,786)**	**18,497,722**	**19,307,508**	
Loss on disposal of assets and liabilities	-	-	**-**	(301,385)	**(301,385)**	56, x21
Fair value adjustments	-	-	**-**	786,482	**786,482**	56, x22
Actuarial gains/losses	-	-	**-**	(431,813)	**(431,813)**	56, x23
	-	**-**	**-**	**53,284**	**53,284**	
Surplus before taxation	**(1,492,180)**	**682,394**	**(809,786)**	**18,551,006**	**19,360,792**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash 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	**(1,492,180)**	**682,394**	**(809,786)**	**18,551,006**	**19,360,792**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash 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	85,968	-	**85,968**	142,664	**56,696**	56, x24
Current tax receivable	7,172,532	-	**7,172,532**	7,134,834	**(37,698)**	
Other receivables from exchange transactions	50,679,000	-	**50,679,000**	1,363,291	**(49,315,709)**	56, x25
Statutory receivables from non-exchange transactions	7,173,000	-	**7,173,000**	6,908,294	**(264,706)**	56, x26
Consumer debtors	76,000	-	**76,000**	11,381,810	**11,305,810**	56, x27
Receivables from non-exchange transactions	100,000	-	**100,000**	48,986	**(51,014)**	56, x28
Cash and cash equivalents	32,259,180	-	**32,259,180**	34,764,879	**2,505,699**	56, x29
	97,545,680	**-**	**97,545,680**	**61,744,758**	**(35,800,922)**	
Non-Current Assets						
Investment property	50,234,292	-	**50,234,292**	68,956,259	**18,721,967**	56, x30
Property, plant and equipment	595,179,168	8,530,605	**603,709,773**	558,420,448	**(45,289,325)**	56, x31
Intangible assets	56,316	-	**56,316**	2,350	**(53,966)**	56, x32
	645,469,776	**8,530,605**	**654,000,381**	**627,379,057**	**(26,621,324)**	
Total Assets	**743,015,456**	**8,530,605**	**751,546,061**	**689,123,815**	**(62,422,246)**	
Liabilities						
Current Liabilities						
Finance lease obligation	244,716	-	**244,716**	-	**(244,716)**	56, x33
Payables from exchange transactions	60,991,000	-	**60,991,000**	80,608,653	**19,617,653**	56, x34
Consumer deposits	93,000	-	**93,000**	143,309	**50,309**	56, x35
Employee benefit obligation	-	-	**-**	439,480	**439,480**	56, x36
Unspent conditional grants and receipts	-	-	**-**	14,179,931	**14,179,931**	56, x37
Provisions	-	-	**-**	5,255,982	**5,255,982**	56, x40
	61,328,716	**-**	**61,328,716**	**100,627,355**	**39,298,639**	
Non-Current Liabilities						
Non-current payables from exchange transactions	117,647,000	-	**117,647,000**	29,007,473	**(88,639,527)**	56, x38
Employee benefit obligation	89,117,000	-	**89,117,000**	4,936,334	**(84,180,666)**	56, x39
Provisions	6,210,000	-	**6,210,000**	6,638,751	**428,751**	56, x40
	212,974,000	**-**	**212,974,000**	**40,582,558**	**(172,391,442)**	
Total Liabilities	**274,302,716**	**-**	**274,302,716**	**141,209,913**	**(133,092,803)**	
Net Assets	**468,712,740**	**8,530,605**	**477,243,345**	**547,913,902**	**70,670,557**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash 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	468,712,740	8,530,605	**477,243,345**	547,913,901	**70,670,556**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash 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						
Property rates	18,093,000	2,250,000	**20,343,000**	17,010,938	**(3,332,062)**	
Sale of goods and services	32,229,000	2,240,000	**34,469,000**	37,268,205	**2,799,205**	
Grants	88,888,000	-	**88,888,000**	78,489,272	**(10,398,728)**	
Other revenue	27,828,000	(2,688,000)	**25,140,000**	42,897,200	**17,757,200**	
	167,038,000	**1,802,000**	**168,840,000**	**175,665,615**	**6,825,615**	
Payments						
Suppliers and employees	(123,178,000)	(6,315,000)	**(129,493,000)**	(104,452,665)	**25,040,335**	
Net cash flows from operating activities	**43,860,000**	**(4,513,000)**	**39,347,000**	**71,212,950**	**31,865,950**	
Net increase/(decrease) in cash and cash equivalents	43,860,000	(4,513,000)	**39,347,000**	71,212,950	**31,865,950**	
Cash and cash equivalents at the beginning of the year	-	-	**-**	13,377,541	**13,377,541**	
Cash and cash equivalents at the end of the year	**43,860,000**	**(4,513,000)**	**39,347,000**	**84,590,491**	**45,243,491**	

Significant Accounting Policies

1. Presentation of Audited Annual Financial Statements

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

1.1 Basis of preparation

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

These audited 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.

1.2 Presentation currency

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

1.3 Going concern assumption

These audited 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.

In assessing whether the going concern assumption is appropriate under the current economic climate resulting from the COVID-19 pandemic, management considered a wide range of factors including the current and expected performance of the municipality, any announced and potential restructuring of organisational units, the likelihood of continued government funding and if necessary potential sources of replacement funding.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the audited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the audited 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 audited annual financial statements. Significant judgements include:

The municipality strives toward ethical reporting thus transparent insights into the applied judgement and financial uncertainties, which the municipality faces as a result of the COVID-19 pandemic have been included in the accounting policies and/or notes to the financial statements.

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.

Fair value estimation

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

Significant Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

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

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

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. In addition, goodwill is tested on an annual basis for impairment. 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 18 - Provisions.

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.

Significant Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Useful lives and residual values

The entity's management determines the estimated useful lives, residual values and related depreciation charges for assets as noted in accounting policy 1.5 Property Plant and equipment. These estimates are based on industry norms.

Management will increase the depreciation charge prospectively where useful lives are less than previously estimated useful lives. Management will decrease the depreciation charge prospectively where useful lives are more than previously estimated useful lives.

Where changes are made to the estimated residual values, management also makes these changes prospectively.

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Property with a currently undetermined use is also classified as investment property.

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 is the amount of cash or cash equivalent or the fair value of the consideration given to acquire an asset at the time of its acquisition or construction.

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.

Fair value

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

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

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

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

Significant Accounting Policies

1.5 Investment property (continued)

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the audited annual financial statements (see note 10).

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

Derecognition

Items of investment property are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of asset.

The gain or loss arising from the derecognition of an item of investment property is included in surplus or deficit when the item is derecognised.

The gain or loss arising from the derecognition of an item of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset.

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

1.6 Property, plant and equipment (continued)

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property plant and equipment are accounted for as property plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent measurement:

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

Depreciation and impairment:

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

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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 shall be depreciated separately. Components of asset that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Subsequent to initial recognition, property plant and equipment on the cost model, is carried at cost less accumulated depreciation and any accumulated impairment losses. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

Item	Depreciation method	Average useful life
Community facilities	Straight line	5 - 100 years
Sport and recreation facilities	Straight line	5 - 100 years
Electricity Network	Straight line	10 - 60 years
Water supply network	Straight line	10 - 100 years
Roads and stormwater network	Straight line	5 - 100 years
Sanitation network	Straight line	5 - 100 years
Community facilities	Straight line	5 - 100 years
Housing	Straight line	7 - 100 years
Operational buildings	Straight line	5 - 100 years
Computer equipment	Straight line	5 years
Electrical equipment	Straight line	5 years
Furniture and fittings	Straight line	7 years
Leased assets - office equipment	Straight line	3 - 5 years
Mechanical equipment	Straight line	5 years
Office machines	Straight line	5 years
Vehicles	Straight line	6 - 10 years

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

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

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

1.6 Property, plant and equipment (continued)

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.

Derecognition:

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

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

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

1.7 Intangible assets

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

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

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

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

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

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

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

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

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

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.

Significant Accounting Policies

1.7 Intangible assets (continued)

Amortisation begins when intangible assets are in the location and condition necessary for it to be capable of operating in the manner intended by management and ceases at the earlier of the date that asset is classified as held for sale (or included a disposal group that is classified as held for sale) in accordance with the standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations and the date that the asset is derecognised.

Internally generated goodwill is not recognised as an intangible asset.

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
Servitudes	Straight line	Infinite
Computer software	Straight line	4 years

Derecognition:

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

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

1.8 Financial instruments

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

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

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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

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

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

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

Significant Accounting Policies

1.8 Financial instruments (continued)

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.8 Financial instruments (continued)

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Other receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost

Initial recognition

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

Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at 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 parts 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

Significant Accounting Policies

1.8 Financial instruments (continued)

- 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.
- Financial instruments at cost.

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

Impairment and uncollectability of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

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

Significant Accounting Policies

1.8 Financial instruments (continued)

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

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

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

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

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

Financial liabilities

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

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

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

Presentation

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

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

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

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

Significant Accounting Policies

1.8 Financial instruments (continued)

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

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

Cash and cash equivalents

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

These are initially and subsequently recorded at amortised cost. Fair value approximates the carrying amount. However, where the asset is not readily convertible into cash amounts for a period exceeding three months these are treated as investments.

1.9 Statutory receivables

Identification

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

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

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

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

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Every effort is made to ensure compliance with the standard, but due to the risk of omission of some items due to a lack of experience with implementing this standard the municipality is utilising the transitional provisions contained within Directive 4 that grant the municipality a period of three years in order to finalise the classification and measurement for Statutory Receivables.

The transitional period commences from 1 June 2019 and will be utilised until the period ending 30 June 2022.

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.

Significant Accounting Policies

1.9 Statutory receivables (continued)

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

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

Significant Accounting Policies

1.9 Statutory receivables (continued)

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.

1.10 Leases

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

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

Finance leases - lessor

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

1.10 Leases (continued)

Operating leases - lessee

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

1.11 Inventories

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

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

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

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

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

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

1.12 Impairment of cash-generating assets

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

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

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

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

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

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

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

Significant Accounting Policies

1.12 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

Classification of plans

A binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to the arrangement as if it were in the form of a contract. It includes rights from contracts or other legal rights.

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

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

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

Multi-employer plans are defined contribution plans (other than state plans) or defined benefit plans (other than state plans) that: (a) pool the assets contributed by various entities that are not under common control; and (b) use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees.

State plans are plans established by legislation that operate as if they are multiemployer plans for all entities in economic categories laid down in legislation.

Net defined benefit liability (asset)

The net defined benefit liability (asset) is the deficit or surplus, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling.

The deficit or surplus is: (a) the present value of the defined benefit obligation; less (b) the fair value of plan assets (if any); plus (c) any liability that may arise as a result of a minimum funding requirement.

Significant Accounting Policies

1.13 Employee benefits (continued)

The asset ceiling is 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 a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Plan assets comprise: (a) assets held by a long-term employee benefit fund; and (b) qualifying insurance policies.

Assets held by a long-term employee benefit fund are assets (other than nontransferable financial instruments issued by the reporting entity) that: (a) are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits; and (b) are available to be used only to pay or fund employee benefits, are not available to the reporting entity’s own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either: (i) the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or (ii) the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in GRAP 20) of the reporting entity, if the proceeds of the policy: (a) can be used only to pay or fund employee benefits under a defined benefit plan; and (b) are not available to the reporting entity’s own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either: (i) the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or (ii) the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Defined benefit cost

Service cost comprises: (a) current service cost, which is the increase in the present value of the defined benefit obligation resulting from employee service in the current period; (b) past service cost, which is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by a plan); and (c) any gain or loss on settlement.

Net interest on the net defined benefit liability (asset) is the change during the period in the net defined benefit liability (asset) that arises from the passage of time.

Remeasurements of the net defined benefit liability (asset) comprise: (a) actuarial gains and losses; (b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and (c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Actuarial gains and losses are changes in the present value of the defined benefit obligation resulting from: (a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and (b) the effects of changes in actuarial assumptions.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less: (a) any costs of managing the plan assets; and (b) any tax payable by the plan itself other than tax included in the actuarial assumptions used to measure the present value of the defined benefit obligation.

A settlement is a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions.

Significant Accounting Policies

1.13 Employee benefits (continued)

Short-term employee benefits

Recognition and measurement

All short-term employee benefits

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: Distinction between defined contribution plans and defined benefit plans

Multi-employer plans

The entity classifies a multi-employer plan as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms). If the entity participates in a multi-employer defined benefit plan, the entity:

(a) accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan; and

(b) disclose the information required. When sufficient information is not available to use defined benefit accounting fora multi-employer defined benefit plan, the entity: (a) accounts for the plan as if it were a defined contribution plan; and (b) disclose the information required.

In determining when to recognise, and how to measure, a liability relating to the wind-up of a multi-employer defined benefit plan, or the entity's withdrawal from a multi-employer defined benefit plan, the entity applies the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets (GRAP 19).

1.13 Employee benefits (continued)

Insured benefits

The entity may pay insurance premiums to fund a post-employment benefit plan. The entity treats such a plan as a defined contribution plan unless the entity will have (either directly or indirectly through the plan) a legal or constructive obligation either to:

(a) pay the employee benefits directly when they fall due; or

(b) pay further amounts if the insurer does not pay all future employee benefits relating to employee service in the current and prior reporting periods. If the entity retains such a legal or constructive obligation, the entity treats the plan as a defined benefit plan.

Post-employment benefits: Defined contribution plans

Recognition and measurement

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

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

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

Post-employment benefits: Defined benefit plans

Recognition and measurement

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

Accounting for the constructive obligation

The entity accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits.

Statement of financial position

The entity recognises the net defined benefit liability (asset) in the statement of financial position. When the entity has a surplus in a defined benefit plan, it measures the net defined benefit asset at the lower of:

(a) the surplus in the defined benefit plan; and

(b) the asset ceiling, determined using the discount rate specified. Any adjustments arising from the limit is recognised in surplus or deficit.

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

Actuarial valuation method

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.

Significant Accounting Policies

1.13 Employee benefits (continued)

Attributing benefit to periods of service

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

Actuarial assumptions: Mortality

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

Actuarial assumptions: Discount rate

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

Actuarial assumptions: Salaries, benefits and medical costs

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

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.13 Employee benefits (continued)

Components of defined benefit cost

The entity recognises the components of defined benefit cost in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset, as follows:

(a) service cost;

(b) net interest on the net defined benefit liability (asset); and

(c) remeasurements of the net defined benefit liability (asset).

Current service cost

The entity determines current service cost using actuarial assumptions determined at the start of the reporting period. However, if the entity remeasures the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement, it determines current service cost for the remainder of the reporting period after the plan amendment, curtailment or settlement using the actuarial assumptions used to remeasure the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement (part b).

Net interest on the net defined benefit liability (asset)

The entity determines net interest on the net defined benefit liability (asset) by multiplying the net defined benefit liability (asset) by the discount rate specified.

To determine net interest, the entity uses the net defined benefit liability (asset) and the discount rate determined at the start of the reporting period. However, if the entity remeasures the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement, the entity determines net interest for the remainder of the reporting period after the plan amendment, curtailment or settlement using:

(a) the net defined benefit liability (asset) determined in accordance with the section on Past service cost gains and losses on settlement (part b); and

(b) the discount rate used to remeasure the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement (part b).

In applying this, the entity also takes into account any changes in the net defined benefit liability (asset) during the period resulting from contributions or benefit payments.

Remeasurements of the net defined benefit liability (asset)

Remeasurements of the net defined benefit liability (asset) comprise:

(a) actuarial gains and losses;

(b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and

(c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Significant Accounting Policies

1.13 Employee benefits (continued)

Presentation

Offset

The entity offsets an asset relating to one plan against a liability relating to another plan when, and only when, the entity:

(a) has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan; and

(b) 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.

Current/non-current distinction

The entity offsets an asset relating to one plan against a liability relating to another plan when, and only when, the entity:

(a) has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan; and

(b) 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.

Components of defined benefit cost

The entity recognises service cost, net interest on the net defined benefit liability (asset) and remeasurements in surplus or deficit.

Other long-term employee benefits

Recognition and measurement

For other long-term employee benefits, 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:

(a) service cost;

(b) net interest on the net defined benefit liability (asset); and

(c) remeasurements of the net defined benefit liability (asset).

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.

Significant Accounting Policies

1.14 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.

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

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

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

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

1.14 Provisions and contingencies (continued)

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measures with sufficient reliability.

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable

Management judgement is required when recognising and measuring contingent liabilities.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.12 and 1.6.

Significant Accounting Policies

1.14 Provisions and contingencies (continued)

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

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

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

1.15 Commitments

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

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, when the following criteria are met and/or is applicable:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services) to the extent that the amount has not been recorded elsewhere in the financial statements.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received.
- If recognition and disclosure is specifically required by the Standards of GRAP .

Capital commitments are disclosed in the notes to the annual financial statements exclusive of Value Added Tax.

1.16 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

Significant Accounting Policies

1.16 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

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

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

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

Pre-paid electricity

Prepaid electricity revenue is recognised at the point of sale. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Pre-paid electricity sales are reconciled on a monthly basis and the sum of the monthly sales provides the total sales for the year. The financial year is divided in two seasons based on the application of tariffs with the seasons being summer (1 September – 31 May) and winter (1 June to 31 August). The deferred portion of revenue is accounted for by an adjustment for units not consumed at year end. This adjustment is based on the average consumption history, multiplied by the weighted average cost of units sold in June. Average consumption in units is determined per active prepaid meter using a trend analysis of historical consumer purchase data per meter for the months of May, June and July. The deferred portion of revenue is the amount by which the actual prepaid electricity sold for the month of June exceeds the average consumption calculated.

1.17 Revenue from non-exchange transactions

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

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

Significant Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

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.

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.

Significant Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

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

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

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

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

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

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

Taxation revenue are not grossed up for the amount of tax expenditures.

Transfers

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

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

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

Fines

Fines 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.

Gifts and donations, including goods in-kind

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

Significant Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Services in-kind

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

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

1.18 Investment income

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

1.19 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.

1.20 Current year comparatives

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

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

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

1.21 Comparative figures

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

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).

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

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. This consists currently mostly of interest and penalties on late payments made.

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).

Significant Accounting Policies

1.23 Fruitless and wasteful expenditure (continued)

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

1.24 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).

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

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

1.25 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.26 Segment information

A segment is an activity that generates economic benefits or service potential, whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity in assessing its performance and for which separate financial information is available. The objective of segment reporting is to provide information about the specific operational objectives and major activities of the municipality as well as the resources devoted to and costs of these objectives and activities.

The municipality operates solely in its area of jurisdiction as determined by the Municipal Demarcation Board. Although the municipality operates in a number of geographical areas, it is irrelevant for users of the financial statements to make decisions about the municipality as the goods or services provided are substantially the same within these geographical areas.

The reportable segments of the municipality are the actual segments which are used for internal reporting requirements which is based on a directorate level within the municipal structure. The identified segments of the municipality is as follows, Executive and Council, Office of the Municipal Manager, Financial Services Directorate, Corporate and Community Services and Infrastructure and Planning.

The factors used to identify reportable segments include the nature as well and the reporting lines and allocation of responsibilities within the municipality. Segments were aggregated for reporting purposes. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. 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.

Significant Accounting Policies

1.26 Segment information (continued)

Management considers the disclosure of the segmental information on non-current assets (property, plant and equipment, investment property and intangible assets), segmental current and non-current liabilities as well as segmental income and expenditure as the key information used by management to determine the allocation of resources to segments and also to evaluate segmental performance

The disclosure of information about these segments is also considered appropriate for external reporting purposes. The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Segmental information on property, plant and equipment, segmental current and non-current liabilities as well as segmental income and expenditure is set out in note 54. This information is based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury.

1.27 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.28 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statement. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

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

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

1.30 Related parties

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

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

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

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

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

Significant Accounting Policies

1.30 Related parties (continued)

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

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

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

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

1.31 Events after reporting date

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

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

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

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

1.32 Value Added Tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate 15% from 1 April 2018 (2017:14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes.

The Municipality accounts for VAT on a bi-monthly basis.

1.33 Accumulated surplus

The municipality's surplus or deficit for the year is accounted for in the accumulated surplus in the statement of changes in net assets.

The accumulated surplus/deficit represents the net difference between total assets and total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments relating to income and expenditure are debited/credited against accumulated surplus when retrospective adjustments are made.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	01 July 2025	Unlikely there will be a material impact
• GRAP 103 (amended): Heritage Assets	01 July 2025	Unlikely there will be a material impact

3. Inventories

Water	142,664	157,009

Inventory pledged as security

No inventory was pledged as security for any financial liability at year-end.

4. Other receivables from exchange transactions

Prepayments	-	27,868
Prepaid expenses	3,610	-
Electricity connection deposit	1,359,681	603,610
	1,363,291	**631,478**

Other receivables from exchange transactions pledged as security

No other receivables from exchange transactions were pledged as security for any financial liability at year-end.

Credit quality of other receivables from exchange transactions

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

Other receivables from exchange transactions past due but not impaired

Other receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2025, R 1,363,291 (2024: R 631,478) were past due but not impaired.

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

3 months past due	1,363,291	631,478

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

5. Statutory receivables from non-exchange transactions

Property Rates	57,495,781	60,407,065
Total Statutory Receivables (before provision)	57,495,781	60,407,065
Less: Provision for Debt impairment	(50,587,487)	(59,889,155)
	6,908,294	**517,910**

Statutory Receivables arises from the following legislation:

Taxes	- Value Added Tax Act (No89 of 1991)
Property Rates	- Municipal Properties Rates Act (No6 of 2004)

Statutory receivables are initially measured at transaction value, and subsequently at cost.

Statutory receivables from non-exchange transactions pledged as security

None of the statutory receivables from non-exchange transactions were pledged as security for any financial liability at year-end.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

5. Statutory receivables from non-exchange transactions (continued)

Property rates: Ageing		
Current (0 - 30 days)	1,380,735	2,864,612
31 - 60 days	1,161,832	1,235,717
61 - 90 days	1,111,832	1,334,743
91 days +	53,841,563	60,014,284
Less: Debt Impairment	(50,587,487)	(59,889,155)
	6,908,475	**5,560,201**

Property rates by classification: consumers		
Current (0 - 30 days)	1,285,834	854,097
31 - 60 days	596,449	365,231
61 - 90 days	521,611	346,841
91 days +	23,986,707	21,935,275
Less: Debt Impairment	(25,853,917)	(22,819,108)
	536,684	**682,336**

Property rates by classification: Industrial / commercial		
Current (0 - 30 days)	1,506,559	1,610,333
31 - 60 days	634,063	676,354
61 - 90 days	633,047	718,377
91 days +	22,273,592	24,869,912
Less: Debt Impairment	(24,454,048)	(26,148,832)
	593,213	**1,726,144**

Property rates by classification: National and Provincial		
Current (0 - 30 days)	205,417	400,181
31 - 60 days	106,533	194,132
61 - 90 days	105,094	269,526
91 days +	5,641,056	13,209,097
Less: Impairment	(279,522)	(10,921,215)
	5,778,578	**3,151,721**

Total		
Current (0 - 30 days)	2,997,809	2,864,612
31 - 60 days	1,337,045	1,235,717
61 - 90 days	1,259,753	1,334,743
91 days +	51,901,355	60,014,284
Less: Debt Impairment	(50,587,487)	(59,889,156)
	6,908,475	**5,560,200**

Credit quality of statutory receivables from non-exchange transactions

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

The credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

5. Statutory receivables from non-exchange transactions (continued)

Statutory receivables from non-exchange transactions past due but not impaired

All statutoruy receivables from non-exchange transactions, excluding government and municipal debtors and debtors who paid more than their charges for the last three months of the financial year, are provided to be impaired in full.

Statutory receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2025, R 3,889,546 (2024: R 5,560,201) were past due but not impaired.

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

Property rates:	-	-
Property rates: Current (0 - 30 days)	172,002	840,182
Property rates: 31 - 60 days	75,214	235,294
Property rates: 61 - 90 days	70,372	269,149
Property rates: 91 days +	3,571,958	4,215,577

Statutory receivables from non-exchange transactions impaired

As of 30 June 2025, statutory receivables from non-exchange transactions of R 50,587,487 (2024: R 59,889,156) were impaired and provided for.

The ageing of these loans is as follows:

Property rates:	-	-
Property rates: Current (0 - 30 days)	1,380,735	2,024,430
Property rates: 31 - 60 days	1,161,832	1,000,424
Property rates: 61 - 90 days	1,111,832	1,065,595
Property rates: 91 days +	52,801,315	55,798,707

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

Opening balance	(59,889,156)	(51,713,314)
Provision for impairment	9,301,668	(8,175,842)
	(50,587,488)	**(59,889,156)**

6. Receivable from exchange transactions

Gross balances		
Electricity	21,185,122	16,775,398
Water	85,048,154	77,554,712
Sewerage	34,979,123	30,296,950
Refuse	38,912,499	34,020,361
Housing and other sundry	3,208,160	2,829,269
	183,333,058	**161,476,690**

Less: Allowance for impairment		
Electricity	(16,775,670)	(11,616,018)
Water	(80,283,733)	(69,398,019)
Sewerage	(33,770,705)	(28,838,165)
Refuse	(38,005,751)	(32,645,237)
Housing and other sundry	(3,115,389)	(2,561,936)
	(171,951,248)	**(145,059,375)**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

6. Receivable from exchange transactions (continued)

Net balance		
Electricity	4,409,452	5,159,380
Water	4,764,421	8,156,693
Sewerage	1,208,418	1,458,785
Refuse	906,748	1,375,124
Housing and other sundry	92,771	267,333
	11,381,810	**16,417,315**

Electricity		
Current (0 -30 days)	3,259,698	2,324,579
31 - 60 days	575,566	628,231
61 - 90 days	1,123,680	374,001
91 days +	16,463,026	13,448,587
Less: Provison for debt impairment	(17,012,518)	(11,616,018)
	4,409,452	**5,159,380**

Water		
Current (0 -30 days)	5,305,054	7,604,939
31 - 60 days	1,342,989	1,296,529
61 - 90 days	1,095,234	1,158,770
91 days +	77,304,877	67,494,474
Less: Provison for debt impairment	(80,283,733)	(69,398,019)
	4,764,421	**8,156,693**

Sewerage		
Current (0 -30 days)	1,004,767	852,672
31 - 60 days	480,345	414,644
61 - 90 days	451,660	404,515
91 days +	33,042,351	28,625,119
Less: Provison for debt impairment	(33,770,705)	(28,838,165)
	1,208,418	**1,458,785**

Refuse		
Current (0 -30 days)	1,325,043	1,054,736
31 - 60 days	568,670	488,741
61 - 90 days	508,833	470,745
91 days +	36,509,953	32,006,139
Less: Provison for debt impairment	(38,005,751)	(32,645,237)
	906,748	**1,375,124**

Housing and other subsidy		
Current (0 -30 days)	157,021	164,934
31 - 60 days	48,755	52,683
61 - 90 days	46,715	52,567
91 days +	2,955,669	2,559,085
Less: Provison for debt impairment	(3,115,389)	(2,561,936)
	92,771	**267,333**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

6. Receivable from exchange transactions (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	6,283,286	5,341,036
31 - 60 days	2,239,880	2,034,077
61 - 90 days	2,659,055	1,965,996
91 days +	147,509,090	128,478,234
	158,691,311	137,819,343
Less: Allowance for impairment	(148,839,476)	(134,504,605)
	9,851,835	**3,314,738**
Industrial/ commercial		
Current (0 -30 days)	2,163,060	1,935,481
31 - 60 days	434,895	573,830
61 - 90 days	257,806	284,738
91 days +	8,075,646	6,898,482
	10,931,407	9,692,531
Less: Allowance for impairment	(10,252,766)	(7,462,598)
	678,641	**2,229,933**
National and provincial government		
Current (0 -30 days)	2,605,236	1,794,531
31 - 60 days	341,550	272,920
61 - 90 days	309,261	209,864
91 days +	10,454,110	8,756,690
	13,710,157	11,034,005
Less: Allowance for impairment	(12,859,006)	(3,092,173)
	851,151	**7,941,832**
Total		
Current (0 -30 days)	11,051,582	9,071,048
31 - 60 days	3,016,325	5,811,639
61 - 90 days	3,226,122	2,460,597
91 days +	166,039,029	144,133,405
	183,333,058	161,476,689
Less: Allowance for impairment	(171,951,248)	(145,059,374)
	11,381,810	**16,417,315**
Less: Allowance for impairment		
Current (0 -30 days)	(6,106,196)	(4,881,817)
31 - 60 days	(1,920,096)	(2,399,229)
61 - 90 days	(2,089,127)	(2,191,478)
91 days +	(161,835,829)	(135,586,851)
	(171,951,248)	**(145,059,375)**

Reconciliation of allowance for impairment

Balance at beginning of the year	(145,059,375)	(122,757,617)
Contributions to allowance	(26,891,873)	(22,301,758)
	(171,951,248)	**(145,059,375)**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

6. Receivable from exchange transactions (continued)

Receivables from exchange transactions pledged as security

No receivables from exchange transactions were pledged as security for any financial liability at year-end.

Credit quality of receivables from exchange transactions

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Receivables from exchange transactions past due but not impaired

All receivables from exchange transactions, excluding government and municipal debtors and debtors which are less than 3months past due are not considered to be impaired.

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2025, R 12,257,303 (2024: R 13,486,503) were past due but not impaired.

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

	2025	2024
Current (0 - 30 days)	440,422	4,189,232
31 - 60 days	138,491	481,598
61 - 90 days	150,683	269,120
91 days +	11,527,707	8,546,554

Receivables from exchange transactions impaired

As of 30 June 2025, receivables from exchange transactions of R 168,932,320 (2024: R 145,059,375) were impaired and provided for.

The ageing of these receivables is as follows:

	2025	2024
Current (0 - 30 days)	6,069,979	4,881,817
31 - 60 days	1,908,708	2,399,229
61 - 90 days	2,076,736	2,191,478
91 days +	158,876,897	135,586,852

7. Receivables from non-exchange transactions

	2025	2024
Deposits paid	48,986	48,986

Receivables from non-exchange transactions pledged as security.

None of the receivables from non-exchange transactions were pledged as security for any financial liability at year-end.

8. VAT receivable

	2025	2024
VAT Output	(15,425,042)	(9,463,038)
VAT Input	22,559,876	21,549,953
	7,134,834	**12,086,915**

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

9. Cash and cash equivalents (continued)

Cash on hand	10,936	7,795
Bank balances	3,520,358	1,274,598
Short-term deposits	31,233,585	12,095,058
	34,764,879	**13,377,451**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating		
F3	33,330,940	13,347,820
F1+	1,423,003	21,836
	34,753,943	**13,369,656**

Cash and cash equivalents pledged as collateral

There were no cash and cash equivalents pledged as security.

9. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2025	Bank statement balances 30 June 2024	Bank statement balances 30 June 2023	Cash book balances 30 June 2025	Cash book balances 30 June 2024	Cash book balances 30 June 2023
First National Bank - Current account (Acc no: 54062338032)	1,214,056	1,252,762	682,689	(1,115,853)	1,252,762	682,689
Standard Bank - Current account (Acc no: 187389179)	1,425,232	24,065	616,514	1,426,237	24,065	616,514
Standard Bank - Current account (Acc no: 083192662)	(2,229)	(2,229)	299	(2,229)	(2,229)	299
First National Bank - Money market (MSIG)(Acc no: 62089843744)	2,896	2,285,372	235,793	2,896	2,285,372	235,793
First National Bank - Call account (Acc no: 62247301708)	692	118	3,208	404,655	118	3,208
First National Bank - Call account (Acc no: 62046110920)	427,140	802,049	907,358	481,939	802,049	907,358
First National Bank - Call account (MIG) (Acc no: 62824012489)	242,230	615	1,000	281,058	615	1,000
First National Bank - Call account (Acc no: 62050017021)	2,711	558,449	820,027	1,455,136	558,449	820,027
First National Bank - Fixed deposit account (Acc no: 71267618613)	192,752	179,162	165,597	194,383	179,162	165,597
First National Bank - Fixed deposit account (Acc no:62209229831)	4,626,994	20,925	3,229,228	4,791,649	20,925	3,229,228
First National Bank - Call account (Acc no: 62242043892)	864,360	2,484,791	3,547,740	883,006	2,484,791	3,547,740
First National Bank - Call account (Acc no: 62086477760)	7,346,917	1,744,918	5,008,825	5,466,876	1,744,918	5,008,825
First National Bank - Call account (WSIG) (Acc no: 62735797667)	13,126,965	16,226	795,115	13,433,798	16,226	795,115
First National Bank - Call account (Acc no: 62735798988)	4,784,336	3,600,390	1,867,508	5,038,517	3,600,390	1,867,508
First National Bank - Call account (Acc no: 62735796924)	432,666	402,041	10,519	2,089,245	402,041	10,519
Total	**34,687,718**	**13,369,654**	**17,891,420**	**34,831,313**	**13,369,654**	**17,891,420**

10. Investment property

	2025 Fair Value	2024 Fair Value
Investment property	68,956,259	68,169,777

Reconciliation of investment property - 2025

	Opening balance	Fair value adjustments	Total
Investment property	68,169,777	786,482	68,956,259

Reconciliation of investment property - 2024

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	67,574,524	(128,229)	723,482	68,169,777

Pledged as security

There are no investment properties pledged as security for any financial liability at year-end.

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. Investment property (continued)

Details of valuation

Property valuations were performed by an independent valuer, Mr Z Van Der Merwe (registered with the South African Council of Property Valuers as a Professional Valuer, with registration number 4973/1), and representing Infratect (Pty) Ltd. Infratec (Pty) Ltd is not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation is based on a unit rate which has been determined from the trends in the general market growth rate as indicated by the FNB housing price index for June 2024. This rate base rate has been adjusted with various factors such as property use, comparability of sales and market activity to determine a fair value under current market conditions at 30 June 2024. The fair value adjustments rate applied was **0.50%** in 2025 and -0.45% in 2024.

Deemed cost

Deemed cost was determined using fair value.

Notes to the Audited Annual Financial Statements

Figures in Rand

11. Property, plant and equipment

	2025			2024		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	113,933,998	(77,348)	113,856,650	113,933,998	(77,348)	113,856,650
Buildings	54,427,802	(47,734,286)	6,693,516	54,427,802	(47,297,300)	7,130,502
Infrastructure	873,218,393	(460,717,049)	412,501,344	857,363,177	(445,593,778)	411,769,399
Community	129,491,384	(108,459,228)	21,032,156	121,460,626	(107,670,697)	13,789,929
Other property, plant and equipment	14,526,954	(10,250,571)	4,276,383	14,776,406	(9,197,973)	5,578,433
Lease assets	1,340,904	(1,280,505)	60,399	1,293,524	(1,238,117)	55,407
Total	**1,186,939,435**	**(628,518,987)**	**558,420,448**	**1,163,255,533**	**(611,075,213)**	**552,180,320**

Notes to the Audited Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Impairment loss	Total
Land	113,856,650	-	-	-	-	-	113,856,650
Buildings	7,130,502	-	-	-	(436,986)	-	6,693,516
Infrastructure	411,769,399	18,188,249	(69,956)	(2,091,338)	(15,067,524)	(227,486)	412,501,344
Community	13,789,929	8,369,085	-	-	(1,119,093)	(7,765)	21,032,156
Other property, plant and equipment	5,578,433	220,518	(231,429)	-	(1,233,473)	(57,666)	4,276,383
Lease assets	55,407	47,380	-	-	(42,388)	-	60,399
	552,180,320	**26,825,232**	**(301,385)**	**(2,091,338)**	**(17,899,464)**	**(292,917)**	**558,420,448**

Notes to the Audited Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Impairment loss	Total
Land	113,856,650	-	-	-	-	-	113,856,650
Buildings	7,478,389	204,189	(9,927)	-	(467,515)	(74,634)	7,130,502
Infrastructure	398,726,268	30,322,722	(1,882,726)	(526,622)	(13,869,218)	(1,001,025)	411,769,399
Community	15,795,539	-	(37,831)	-	(1,340,036)	(627,743)	13,789,929
Other property, plant and equipment	6,295,673	568,262	(320)	-	(1,253,568)	(31,614)	5,578,433
Lease assets	94,331	-	-	-	(38,924)	-	55,407
	542,246,850	**31,095,173**	**(1,930,804)**	**(526,622)**	**(16,969,261)**	**(1,735,016)**	**552,180,320**

Pledged as security

There are no items of property, plant and equipment is pledged as secuirty for any financial liability at year-end.

Assets subject to finance lease (Net carrying amount)

Office equipment	60,399	55,407

Other information

Property, plant and equipment fully depreciated and still in use (Gross carrying amount)

Other property, plant and equipment	-	293

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

11. Property, plant and equipment (continued)

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

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Goutrou electrification:	20,767,517	20,767,517
The project is still under WIP due to the outstanding units that are currently not electrified. Awaiting the completion of the 22kV mini substation.		
MIG1495: Victoria West, Upgrading of existing water infrastructure - Donated project:	7,319,665	7,319,665
The project has stalled due to budget cosntraints in the period under review.		
Victoria West - Upgrading and rehabilitation of Mandela square pumpstation, reservoir and replacement of water reticulation	5,574,504	5,574,504
The project has stalled due to budget cosntraints in the period under review.		
Victoria West - 22KV Switching Station	1,467,365	1,467,365
The project has stalled due to budget cosntraints in the period under review.		
Merriman and Richmond Source development	1,196,559	1,196,559
The project has stalled due to budget cosntraints in the period under review.		
	36,325,610	**36,325,610**

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Total
Opening balance	61,623,269	5,732,189	67,355,458
Additions/capital expenditure	23,827,691	2,636,896	26,464,587
Transferred to completed items	(31,011,125)	(8,369,085)	(39,380,210)
	54,439,835	**-**	**54,439,835**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	66,080,699	-	66,080,699
Additions/capital expenditure	24,501,541	5,732,189	30,233,730
Transferred to completed items	(28,958,972)	-	(28,958,972)
	61,623,268	**5,732,189**	**67,355,457**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Office equipment	337,320	253,777
Motor vehicles	339,363	356,617
Infrastructure	2,429,426	3,537,149
	3,106,109	**4,147,543**

Deemed cost

Deemed cost was determined using depreciated replacement cost.

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

Notes to the Audited Annual Financial Statements

Figures in Rand

12. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software and licenses	49,367	(47,017)	2,350	49,367	(45,842)	3,525

Reconciliation of intangible assets - 2025

	Opening balance	Amortisation	Total
Computer software and licenses	3,525	(1,175)	2,350

Reconciliation of intangible assets - 2024

	Opening balance	Disposals	Amortisation	Total
Computer software and licenses	7,144	(1,383)	(2,236)	3,525

Pledged as security

There are no intangible assets pledged as security for any financial liability at year-end.

Deemed cost

Deemed cost was determined using depreciated replacement cost.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

13. Payables from exchange transactions

Trade payables	28,680,432	14,371,583
Payments received in advanced	7,497,812	5,091,261
Direct deposits not receipted	8,718,107	8,759,481
Accrued leave pay	4,280,476	3,361,444
Accrued bonus	864,268	1,095,845
Payroll creditors	-	41,808
Deferred revenue	170,536	108,893
Retension creditor	4,064,897	3,961,990
Current portion transferred from non-current payables from exchange transactions	26,332,129	23,908,741
	80,608,657	**60,701,046**

14. Consumer deposits

Electricity	34,626	34,649
Water	87,776	73,986
Housing rental	20,907	19,002
	143,309	**127,637**

15. Employee benefit obligations

Defined benefit plan

Post employment medical benefit plan

The plan is a post employment medical benefit plan.

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(2,655,044)	(2,587,000)
Present value of the defined benefit obligation-partly or wholly funded	(2,720,770)	(2,425,000)
	(5,375,814)	**(5,012,000)**

Non-current liabilities	(4,936,334)	(4,219,000)
Current liabilities	(439,480)	(793,000)
	(5,375,814)	**(5,012,000)**

Benefits

Post-retirement medical aid benefit

Long service awards

Figures in Rand	2025	2024

15. Employee benefit obligations (continued)

Post retirement benefits

Post Retirement Medical Aid Benefit		
Balance 1 July	(2,587,000)	(3,451,000)
Interest cost	(265,000)	(363,000)
Expenditure for the year	292,000	386,023
Actuarial Gain	(95,043)	840,977
Total post retirement benefit - 30 June	(2,655,043)	(2,587,000)
Less: Transfer to current portion	289,576	292,000
	(2,365,467)	**(2,295,000)**

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

Members		
Continuation members (e.g. retirees, widows, orphans)	5	5

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

Liability		
Continuation members (e.g. retirees, widows, orphans)	(2,655,043)	(2,587,000)

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

- LA Health
- Keyhealth
- Bonitas

Key actuarial assumptions used:

Assumptions		
Discount rate	9.59	10.83
Health Care Cost Inflation Rate	4.86	6.48
Net Effective Discount Rate	4.02	4.09

Discount Rate:
GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term consistent with the estimated term of the post-employment liabilities. However where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate terms 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 9.59% (2024: 10.83%) per annum has been used. The corresponding index-linked yield at this term is 9.59% (2024: 5.04%). These rates do not reflect any adjustments for taxation. These rates were deducted from the interest rate data obtained from the Johannesburg Stock Exchange.

Yields were determined by looking at the duration of the liability and finding the fixed-interest and index-linked yields at the relevant duration using an iterative process (because the yields depend on the liability which in turn depends on the yields).

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

15. Employee benefit obligations (continued)

A health care cost inflation rate of 4.86%% (2024: 6.48%) has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 3.86% (2024: 4.98%). A larger differential would be unsustainable,eventually forcing members to less expensive options. This implies a net discount rate of 4.02% (2024: 4.09%) which derives from ([1 + 9.59%] / [1 + 5.36%] - 1).

Post-Employment Mortality:
The change in the post-retirement mortality assumption to PA(90) – 2 and PA(90) will result in a 4.21% increase and 4.15% decrease in the accrued liability, respectively.

Changing the mortality assumption from PA(90)-1 to PA(90)–2 implies attributing to each pensioner the mortality of an individual one year younger. This results in lighter mortality rates, meaning that pensioners—and active members who eventually retire and become eligible for subsidies—are expected to live longer, on average. Conversely, changing the mortality assumption from PA(90)-1 to PA(90) implies attributing to each pensioner the mortality of an individual one year older. This results in heavier mortality rates, meaning that pensioners—and active members who eventually retire and become eligible for subsidies—are expected to live shorter, on average. Consequently, the duration over which post-retirement subsidies are payable is shortened, thereby decreasing the accrued liability.

Family Profile:
It has been assumed that female spouses will be five years younger than their male counterparts. Actual medical aid dependants were used and the potential for remarriage was ignored.

Sensitivity Analysis on the Accrued Liability:

Assumption	% Change	Change	Change in interest cost
Central assumptions	-		2,587,000
Health care inflation	7.38%	+1%	2,778,000
Health care inflation	-6.57%	-1%	2,417,000
Discount rate	-6.26%	+1%	2,425,000
Discount rate	7.11%	-1%	2,771,000
Post-employment mortality	-4.15%	PA(90)	2,544,863
Post-employment mortality	4.21%	PA(90)-2	2,766,763

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2024:

Assumption	%Change	Change	Change in Interest Cost
Central assumptions	-		240,764
Health care inflation	7.10%	+1%	257,335
Health care inflation	-7.35%	-1%	223,075
Discount rate	3.13%	+1%	248,301
Discount rate	-4.92%	-1%	228,908
Post employment mortality	-4.97%	+1yr	228,806
Post employment mortality	3.84%	-1yr	250,016

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2025:

15. Employee benefit obligations (continued)

Long service award

Long service award		
Balance 1 July	(2,425,000)	(2,116,000)
Contribution for the year	(221,000)	(217,000)
Interest cost	(239,000)	(233,000)
Expenditure for the year	501,000	117,000
Actuarial gain / (loss)	(336,770)	24,000
Subtotal	(2,720,770)	(2,425,000)
Less: Transfer to current portion	149,904	501,000
Balance 30 June	**(2,570,866)**	**(1,924,000)**

The Long Service Award is a defined benefit plan, of which the members are made up as follows:

Total eligible		
	134	129

Key actuarial assumptions used:

Heading		
Discount rate	9.07%	10.97%
Salary increase rate	4.96%	6.14%
Net Discount Rate	3.91%	4.45%
Average retirement age (years)	62	62

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

Consequently, a discount rate of 9.07% (2024: 10.97%) per annum has been used. This yield was obtained by calculating the duration of the liability and then taking the yield from the yield curve at that duration using an iterative process (because the yield depends on the duration, which in turn depends on the liability). The corresponding liability-weighted index-linked yield is 9.071% (2024: 4.91%).

Earnings Inflation Rate
This assumption is required to reflect the estimated growth in earnings of the eligible employees until retirement. It is important in the LSA are based on an employee`s earnings at the date of the award:

General Earnings Inflation
The methodology of setting the financial assumptions has been updated to be more duration-specific. At the previous valuation report, 30 June 2024, the duration of liabilities was 5.38 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2025 is 9.07% per annum, and the yield on inflation-linked bonds of a similar term was about 4.91% per annum. This implies an underlying expectation of price inflation of 3.96% per annum ([1 + 9.07%-0.5%] / [1 + 4.91%] - 1). The 0.5% deduction is there to account for biases and market frictions that distort the clean nominal–real yield differential due to seasonal CPI lags in index-linked bonds, liquidity premiums, market segmentation and mismatching compounding projections that might be present in the market.

We have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 4.96% per annum.
However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 3.91% per annum ([1 + 9.07%] / [1 + 4.96%] - 1).

It has been assumed that the next general earnings increase will take place on 1 July 2025.

Figures in Rand	2025	2024

15. Employee benefit obligations (continued)

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 down for female lives.

Withdrawal from Service
If an employee leaves, the employer`s liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates.

Assumption	% Change	Change	Liability
Valuation assumptions	- %	-	2,720,770
General earnings inflation rate	6.34 %	1.00	2,893,366
General earnings inflation rate	-5.81 %	-1.00	2,562,817
Discount rate	-5.55 %	1.00	2,569,847
Discount rate	6.15 %	-1.00	2,888,180

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2025

Assumption	% Change	Change	Total
Interest Costs			
Valuation assumptions	- %	- %	240,018
General earnings inflation rate	6.51 %	1.00 %	255,651
General earnings inflation rate	-5.96 %	-1.00 %	225,713
Discount rate	4.70 %	1.00 %	251,301
Discount rate	-5.40 %	-1.00 %	227,051
Current-service			
General earnings inflation rate	6.97 %	1.00 %	252,295
General earnings inflation rate	-6.33 %	-1.00 %	220,914
Discount rate	-6.05 %	1.00 %	221,576
Discount rate	6.76 %	-1.00 %	251,800

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Expanded Public Works Programme Integrated Grant for Municipalities-(EPWP)	-	11,203
Municipal Infrastructure Grant	4,614,853	-
Transformation and Development of Library Grant	200,041	-
Water Services Infrastructure Grant - WSIG	9,365,037	102,000
	14,179,931	**113,203**

Movement during the year

Balance at the beginning of the year	113,203	4,911,888
Additions during the year	40,280,000	87,853,228
Income recognition during the year	(26,100,069)	(87,625,685)
Transferred to Equitable share withheld	(113,203)	(5,026,228)
	14,179,931	**113,203**

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

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

16. Unspent conditional grants and receipts (continued)

See note 25 for reconciliation of grants from National/Provincial Government.

17. Non-current payables from exchange transactions

Municipal Debt Relief from Eskom	55,339,602	79,248,343
Less: transferred to current payables from exchange transactions	(26,332,129)	(23,908,741)
	29,007,473	**55,339,602**

Ubuntu Local Muicipaliaty was approved for debt relief during the 2023/2024 financial year. The outstanding debt will be subject to write off over 3 years.

Notes to the Audited Annual Financial Statements

18. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	12,934,304	(2,091,339)	1,051,768	11,894,733

Reconciliation of provisions - 2024

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	12,253,099	(526,622)	1,207,827	12,934,304

	2025	2024
Non-current liabilities	6,638,751	12,934,304
Current liabilities	5,255,982	-
	11,894,733	**12,934,304**

Environmental rehabilitation provision

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

The change in estimate is mainly due to the following reasons:

- Increase in the inflation rate 2.8% in 2025 and 5.1% in 2024.

		2025 Cost of rehabilitation	2024 Cost of rehabilitation
Loxton	Estimated decommission date - 2032	9,993,978	47,044,082
Victoria West	Estimated decommission date - 2026	10,811,752	34,090,019
Richmond	Estimated decommission date - 2027	9,300,592	32,466,255

Area of landfill site consumed:		
Loxton	69%	63%
Victoria West	99%	98%
Richmond	94%	85%

Discount Rate applied: 9.7% in 2025 and (10.32% in 2024).

The discount rate used to calculate the present value of the rehabilitation costs at each reporting period is based on a calculated risk free rate as determined by the municipality. The rate is considered appropriate given the municipality is in the government sector.

19. Service charges

	2025	2024
Sale of electricity	21,956,826	18,555,960
Sale of water	7,953,345	15,855,290
Sewerage and sanitation charges	6,421,740	5,948,290
Refuse removal	7,083,351	6,605,392
Less: Departmental charges	(5,120,577)	(4,659,280)
Less: Indigents subsidies	(3,957,292)	(3,922,423)
	34,337,393	**38,383,229**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

20. Rental of properties, facilities and equipment

Premises	385,549	421,702
Other	14,749	15,228
	400,298	**436,930**

21. Other revenue

Other income	1,297,361	1,366,674

22. Investment revenue

Interest revenue		
Bank	1,899,932	2,009,139

23. Property rates

Rates received

Residential	6,362,606	4,112,709
Commercial	4,114,113	7,563,059
State	5,257,864	6,231,863
Small holdings and farms	2,088,435	1,920,245
Less: income forgone	(812,080)	(160,782)
	17,010,938	**19,667,094**

Valuations

Residential	325,575,000	324,411,000
Commercial	109,643,000	136,476,000
State	90,925,000	82,992,000
Municipal	47,220,000	60,939,000
Farms	4,294,217,000	4,249,171,000
Public service infrastructure	9,729,000	9,729,000
Public benefit organisations	17,191,000	17,191,000
	4,894,500,000	**4,880,909,000**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an annual basis. Interest at 7% per annum (2024: 7%), is levied on rates outstanding two months after due date.

24. Interest, dividends and Rent on Land

Interest - Receivables	2,696,467	2,022,553

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

25. Government grants & subsidies

Operating grants		
Equitable share	52,389,203	49,595,228
Local Government Financial Management Grant	2,900,000	2,899,999
Transformation and Development of Library Grant	1,315,959	1,404,041
Expanded Public Works Programme Integrated Grant	1,200,000	978,000
	57,805,162	**54,877,268**
Capital grants		
Municipal Infrastructure Grant	4,049,147	21,470,000
Intergrated National Electrification Program Grant	-	2,999,999
Water System Infrastructure Grant	16,634,963	8,278,418
	20,684,110	**32,748,417**
	78,489,272	**87,625,685**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	26,100,069	38,030,457
Unconditional grants received	52,389,203	49,595,228
	78,489,272	**87,625,685**

Equitable share

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

The allocated Equitable share for the year was R 52 389 203 (2024: R 49 595 228).

Balance unspent at the beginning of the year	-	-
Current-year receipts	52,276,000	44,569,000
Conditions met - transferred to revenue	(52,389,000)	(49,595,228)
Capital Grants withheld	113,000	5,026,228
	-	**-**

Municipal Infrastructure Grant

Current-year receipts	8,664,000	21,470,000
Conditions met - transferred to revenue	(4,049,147)	(21,470,000)
	4,614,853	**-**

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

Transformation and Development of Library Grant

Current-year receipts	1,516,000	1,460,000
Conditions met - transferred to revenue	(1,315,959)	(1,460,000)
	200,041	**-**

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

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

25. Government grants & subsidies (continued)

Expanded Public Works Programme Integrated Grant

Balance unspent at beginning of year	11,203	11,203
Current-year receipts	1,200,000	978,000
Conditions met - transferred to revenue	(1,200,000)	(978,000)
Capital Grants withheld	(11,203)	-
	-	**11,203**

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

Integrated National Electrification Programme Grant

Balance unspent at beginning of year	-	5,026,228
Current-year receipts	-	3,000,000
Conditions met - transferred to revenue	-	(3,000,000)
Other	-	(5,026,228)
	-	**-**

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

Local Government Financial Management Grant

Current-year receipts	2,900,000	2,900,000
Conditions met - transferred to revenue	(2,900,000)	(2,900,000)
	-	**-**

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

Water Service Infrastructure Grant

Balance unspent at beginning of year	102,000	-
Current-year receipts	26,000,000	8,450,000
Conditions met - transferred to revenue	(16,634,963)	(8,348,000)
Capital Grants withheld	(102,000)	-
	9,365,037	**102,000**

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

26. Public contributions and donations

Grants in aid - Northern Cape Provincial Treasury	2,301,729	5,656,180

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

27. Fines, Penalties and Forfeits

Speed fines	684	3,650
Library fines	389	600
	1,073	**4,250**

28. Debt relief

Eskom Debt Relief	25,830,905	22,280,860

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

29. Revenue

Service charges	34,337,393	38,383,229
Rental of facilities and equipment	400,298	436,930
Interest received (trading)	7,902,618	6,964,355
Licences and permits	566,817	739,575
Sundry income	1,297,361	1,366,674
Interest received - investment	1,899,932	2,009,139
Property rates	17,010,938	19,667,094
Interest, Dividends and Rent on Land	2,696,467	2,022,553
Government grants & subsidies	78,489,272	87,625,685
Public contributions and donations	2,301,729	5,656,180
Fines, Penalties and Forfeits	1,073	4,250
	146,903,898	**164,875,664**

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	34,337,393	38,383,229
Rental of facilities and equipment	400,298	436,930
Interest received (trading)	7,902,618	6,964,355
Licences and permits	566,817	739,575
Other income	1,297,361	1,366,674
Interest received - investment	1,899,932	2,009,139
	46,404,419	**49,899,902**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	17,010,938	19,667,094
Interest, Dividends and Rent on Land	2,696,467	2,022,553
Transfer revenue		
Government grants & subsidies	78,489,272	87,625,685
Public contributions and donations	2,301,729	5,656,180
Fines, Penalties and Forfeits	1,073	4,250
	100,499,479	**114,975,762**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

30. Employee related costs

Basic	33,106,943	27,388,814
Medical aid - company contributions	463,089	530,316
UIF	264,734	248,975
SDL	44,084	288,871
Other payroll levies	576,319	18,845
Leave pay provision charge	396,154	(249,250)
Pension fund contributions	3,898,340	4,531,731
Overtime payments	977,765	945,372
Long-service awards	191,817	217,000
13th Cheques	1,001,016	2,066,421
Car allowance	325,477	432,000
Housing benefits and allowances	90,118	51,584
Telephone allowance	3,600	3,600
Standby allowance	172,547	195,285
	41,512,003	**36,669,564**

Remuneration of chief finance officer - Mr. RJ Shuping (Appointed January 2025

Annual Remuneration	395,922	-
Travel Allowance	60,000	-
Contributions to UIF, Medical and Pension Funds	2,125	-
Other	70,868	-
	528,915	**-**

Remuneration of the Municipal Manager - Me. LS Itumeleng

Annual Remuneration	1,079,956	938,539
Travel Allowance	150,000	150,000
Contributions to UIF, Medical and Pension Funds	2,125	63,429
Other	151,997	107,238
	1,384,078	**1,259,206**

Remuneration of the Senior Manager Corporate Services - Me. NM Mkontwana:

Annual Remuneration	766,321	750,871
Travel Allowance	60,000	60,000
Bonuses	76,535	-
Contributions to UIF, Medical and Pension Funds	60,095	145,045
Other	151,969	88,048
	1,114,920	**1,043,964**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

30. VAT receivable (continued)

Remuneration of the Senior Manager Technical Services - Mr. T Mthimkulu

Annual Remuneration	281,193	-
Travel Allowance	60,000	-
Contributions to UIF, Medical and Pension Funds	708	-
	341,901	**-**

Mr T Mthimkulu was appionted in Feb 2025 as Senior manager technical manager and resigned in May 2025.

31. Remuneration of councillors

Councillors	5,227,175	5,079,445

Councillors' remuneration consist of the following:

Remuneration of the Mayor - CC Jantjies (Appointed November 2021)

Mayoral allowance	737,375	705,035
Transport allowance	192,000	192,000
Telephone allowance	47,004	45,919
Contribution to pension, medical and SDL	-	7,273
	976,379	**950,227**

Remuneration of other councillors

Councillor allowance	3,406,798	3,223,300
Transport allowance	368,384	408,384
Telephone allowance	470,040	459,190
Contributions to pension, medical and SDL	-	39,440
	4,245,222	**4,130,314**

32. Depreciation and amortisation

Property, plant and equipment	17,899,464	16,969,261
Intangible assets	1,175	2,236
	17,900,639	**16,971,497**

33. Finance costs

Trade and other payables	7,217,713	8,764,474
Employee benefit obligation	504,000	596,000
Landfill sites	1,051,768	1,207,827
	8,773,481	**10,568,301**

34. Debt impairment

Debt impairment	17,590,204	30,477,600

35. Bulk purchases

Electricity - Eskom	29,709,274	25,022,700
Water	1,615,279	1,955,873
	31,324,553	**26,978,573**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

36. General expenses

Advertising	46,439	45,152
Auditors remuneration	5,166,540	4,379,084
Bank charges	181,827	193,942
Commission traffic fine enforcement collections	417,767	517,478
Consulting and professional fees	10,370,467	8,266,210
Entertainment	16,637	1,316
Fleet	-	13,440
Fuel and oil	883,409	1,870,783
Insurance	725,420	607,610
Inventory, spares and materials consumed	3,669,778	4,017,515
Learnerships and internships	1,253,327	1,024,306
Motor vehicle expenses	46,857	132,825
Printing and stationery	257,199	380,289
Protective clothing	476,958	182,524
Rental paid	1,106,108	940,064
Research and development costs	201,512	381,967
Subscriptions and membership fees	50,323	607,705
Security (Guarding of municipal property)	3,617,604	3,601,019
Telephone and fax	560,216	433,498
Training	143,656	6,868
Travel - local	2,424,065	2,084,970
	31,616,109	**29,688,565**

37. Impairment loss

Impairments		
Property, plant and equipment	292,917	1,735,017

38. Cash generated from operations

Surplus	18,551,006	28,576,030
Adjustments for:		
Depreciation and amortisation	17,900,639	16,971,497
Gain on sale of assets and liabilities	301,385	2,060,352
Fair value adjustments	(786,482)	(723,482)
Debt impairment	292,917	1,735,017
Movements in retirement benefit assets and liabilities	363,814	(555,000)
Movements in provisions	(1,039,571)	(1,479,809)
Movement in tax receivable and payable	4,952,081	(1,179,957)
Actuarial Gain	431,813	-
Changes in working capital:		
Inventories	14,345	(28,064)
Other receivables from exchange transactions	(731,813)	29,713
Receivables from exchange transactions	6,554,986	1,840,765
Statutory receivables from non-exchange transactions	(6,390,384)	9,230,131
Payables from exchange transactions	(6,226,800)	(20,092,622)
Unspent conditional grants and receipts	14,066,728	(11,559,182)
Consumer deposits	15,672	35,007
	48,270,336	**24,860,396**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
39. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	9,531,538	13,681,731
Total capital commitments		
Already contracted for but not provided for	9,531,538	13,681,731
Total commitments		
Total commitments		
Authorised capital expenditure	9,531,538	13,681,731

This committed expenditure relates to property, plant and equipment and will be financed by government grants.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

40. Contingencies

2025 Matters

Matter name	Description	Status	Amount
Dan Nkili / Ubuntu Local Municipality	Mr. Nkili issued summons against the Municipality for goods and services supplied. A rule 60 application will be heard on the 3rd of August 2022.	The state attorney raised an exception to the particulars of claim in this matter as the particulars of claim were vague. The plaintiff ammended his particulars of the claim. We have filed a plea on behalf of the municipality. The plaintiff did not file his reply and pleadings are now considered closed. We are awaiting on the plaintiff to take a further step in this matter.	The amount claimed by the applicant amounts to R229 332 inclusive of cost plus interest.
Sedza Mushumo Building and Project (Pty) Ltd/ Ubuntu Local Municipality	This is a claim against the Municipality for service rendered and is alleged that the Municipality failed to pay for services rendered.	The municipality has good prospects of success and no summons has been issued and the claim might have prescribed.	The amount claimed by the applicant amounts to R2 288 970

2024 Matters

Matter name	Description	Status	Amount
Dan Nkili / Ubuntu Local Municipality	Mr. Nkili issued summons against the Municipality for goods and services supplied. A rule 60 application will be heard on the 3rd of August 2022.	The state attorney raised an exception to the particulars of claim in this matter as the particulars of claim were vague. The plaintiff ammended his particulars of the claim. We have filed a plea on behalf of the municipality. The plaintiff did not file his reply and pleadings are now considered closed. We are awaiting on the plaintiff to take a further step in this matter.	The amount claimed by the applicant amounts to R229 332 inclusive of cost plus interest.
Sedza Mushumo Building and Project (Pty) Ltd/ Ubuntu Local Municipality	This is a claim against the Municipality for service rendered and is alleged that the Municipality failed to pay for services rendered.	The municipality has good prospects of success and no summons has been issued and the claim might have prescribed.	The amount claimed by the applicant amounts to R2 288 970
Non-executive board members			

Notes to the Audited Annual Financial Statements

Figures in Rand

41. Related parties

Relationships	
Councillors in arrears	Refer to note 47
Councillors	Refer to note 31
Senior Management	Refer to note 30

Related party relationships	The municipalities key officials declared the followingrelationships with the listed companies. It should benoted that no transactions were entered into betweenthese related parties and the municipality.
CC Jantjies	No business interest, shares and / or directorshipsheld.
GL Yekani	Buyambo Group(Directorship and partnership)
M Zeekoei	No business interest, shares and / or directorshipsheld.
AJ Robertson	No business interest, shares and / or directorshipsheld.
MN Baadjies	No business interest, shares and / or directorshipsheld.
SW Kock	No business interest, shares and / or directorshipsheld.
MA Maloi	No business interest, shares and / or directorshipsheld.
WRH Olyn	25% shares of Lungisani Enterprise-Director
A Verwey	No business interest, shares and / or directorshipsheld.
JH Vorster	No business interest, shares and / or directorshipsheld.
JJ Tolken	No business interest, shares and / or directorshipsheld.
Municipal Manager - LS Itumeleng	No business interest, shares and / or directorshipsheld.
Chief finance officer - Mr. RJ Shuping	No business interest, shares and / or directorshipsheld.

41. Related parties (continued)

Senior Manager Corporate Services - Me. NM Mkontwana	No business interest, shares and / or directorshipsheld.
Senior Manager Technical Services - Mr. T Mthimkulu	No business interest, shares and / or directorshipsheld.

Remuneration of management

Management class: Executive management

2025

Name	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Post-employment benefits	Total
Senior Management	2,386,585	56,172	728,774	140,071	3,311,602

2024

Name	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Post-employment benefits	Total
Senior Management	2,436,744	270,000	218,690	195,285	3,120,719

Notes to the Audited Annual Financial Statements

42. Risk management

Financial risk management

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

The municipality’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality’s financial performance.

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.

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

At 30 June 2025	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposit	143,309	-	-	-
Employee benefit obligation	439,480	-	-	-
Trade and other payables	67,966,097	-	-	-
Unspent conditional grants	14,179,931	-	-	-

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	127,637	-	-	-
Employee benefit obligation	793,000	-	-	-
Trade and other payables	51,152,498	-	-	-
Unspent conditional grants	113,203	-	-	-

Credit risk

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

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net, after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 5 and 6 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 5 and 6 for balances included in receivables that were re-negotiated for the period under review.

Figures in Rand	2025	2024

42. Risk management (continued)

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

Market risk

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.

Price risk

The municipality is not exposed to price risk.

43. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	Total
Receivable from exchange transactions	11,381,810	11,381,810
Cash and cash equivalents	34,764,879	34,764,879
	46,146,689	**46,146,689**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	67,966,101	67,966,101
Consumer deposits	143,309	143,309
Unspent conditional grants and receipts	14,179,931	14,179,931
	82,289,341	**82,289,341**

2024

Financial assets

	At amortised cost	Total
Receivable from exchange transactions	16,417,315	16,417,315
Cash and cash equivalents	13,377,451	13,377,451
	29,794,766	**29,794,766**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	51,110,688	51,110,688
Consumer deposits	127,637	127,637
Unspent conditional grants and receipts	113,203	113,203
	51,351,528	**51,351,528**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

44. Unauthorised expenditure

Opening balance as previously reported	515,523,718	483,398,698
Add: Unauthorised expenditure - current	13,827,837	32,125,020
Closing balance	**529,351,555**	**515,523,718**

Analysed as follows: non-cash

Depreciation and amortisation	(23,651)	-
Loss on disposal of property, plant and equipment	-	2,060,352
Provision of impairment	(17,590,204)	21,388,779
	(17,613,855)	**23,449,131**

Analysed as follows: cash

Bulk purchases	339,978	3,559,588
Finance cost	(5,493,744)	5,116,301
General expenditure	4,862,020	-
Employee related costs	4,077,763	-
	3,786,017	**8,675,889**

Unauthorised expenditure: Budget overspending – per municipal department:

Vote 1- Office of the Municipal Manager	-	-
Vote 2- Financial Services Directorate	271,586	-
Vote 3- Corporate and Community Services	-	-
Vote 4- Infrastructure and Planning	12,507,669	32,125,020
Vote 5- Community and Social Services	-	-
Vote 6- Executive and Council	1,048,582	-
	13,827,837	**32,125,020**

Disciplinary steps taken/criminal proceedings

No cases related to non-compliance with procurement process requirements have been investigated in the current or previous financial period..

No cases related to other non-compliance with laws, regulations, council policies and/or by-laws have been investigated in the current or previous financial period.

Management, with the assistance of the MPAC committee, will review the register and determine the viability of investigations required, in the next financial period..

Notes to the Audited Annual Financial Statements

Figures in Rand

45. Fruitless and wasteful expenditure

Opening balance as previously reported	41,168,852	39,889,321
Opening balance as restated	**41,168,852**	**39,889,321**
Add: Expenditure identified - current	1,745,937	1,279,531
Less: Amount written off - prior period	(5,481,347)	-
Closing balance	**37,433,442**	**41,168,852**

Expenditure identified in the current year include those listed below:

Interest on long outstanding debts	1,745,937	1,279,531

Notes to the Audited Annual Financial Statements

Figures in Rand

45. Fruitless and wasteful expenditure (continued)

Amounts written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 5,481,347 from the total fruitless and wasteful expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

Fruitless and Wasteful Expenditure – Historical Balances Written Off

1. Background

The municipality has carried long-standing qualifications on the completeness of fruitless & wasteful expenditure (FWE) registers dating back to the 2015/16 financial years, respectively.

During the 2023/24 audit cycle, the Auditor-General highlighted that historical opening balances could not be substantiated due to missing registers and supporting documentation. In consultation with AGSA, National Treasury, and MPAC, and in accordance with section 32 of the Municipal Finance Management Act (MFMA), Council considered the matter.

2. Council Resolution

On 28 August 2025, Council resolved as follows (Resolution Nr: 04/01/09/25):

To approve the write-off of fruitless & wasteful expenditure of R5,481,347 (balance as at 30 June 2016);
To refer the remaining balances of R35,687,504.71 (FWE) to MPAC for further investigation.
The resolution was submitted to both National Treasury and the Provincial Treasury in compliance with MFMA section 32(4).

45. Fruitless and wasteful expenditure (continued)

3. Application of GRAP 3 (Impracticability)

The municipality assessed the feasibility of reconstructing UIFW registers for the periods prior to 2016 (FWE). It was concluded that retrospective restatement was impracticable due to:

No general ledger data available for those years (not submitted in AG audit files);
Two financial system changes since 2015 with no migration of legacy data;
Missing invoices, vouchers, and batch records despite extensive search efforts;
Complete turnover of senior finance staff from the period;
Server crash leading to permanent data loss;
Prescription Act implications, rendering recovery after three years unenforceable;
Prohibitive cost of reconstructing historic data relative to potential recovery.
These factors meet the definition of “impracticability” in GRAP 3.23 and GRAP 3.50–53.

4. Treatment Applied

The balances of R5,481,347 (FWE) were written off prospectively, as approved by Council.
Remaining balances were retained in the UIFW registers and referred to MPAC.
From 2016 onwards, UIFW registers have been reconstructed and audited, with completeness re-audited in 2023/24 and 2024/25.

5. Impact on Current and Future Periods

The write-off affects only historical opening balances (pre-2015/16).
No impact on current period transactions or closing balances after 2024/25.
Comparative figures for 2023/24 were not restated, as retrospective application was impracticable.

6. Disclosure Compliance

This note provides disclosure in accordance with:

GRAP 3.50–53: Nature of the balances, explanation of impracticability, treatment applied, and impact on current/future reporting.
MFMA Section 32(2) & (4): Council resolution approving write-off after investigation, and submission to Treasury.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

46. Irregular expenditure

Opening balance as previously reported	143,389,125	93,307,155
Opening balance as restated	**143,389,125**	**93,307,155**
Add: Irregular Expenditure - current	17,786,246	25,220,085
Add: Irregular Expenditure - prior period	-	24,861,885
Less: Amount written off - prior period	(42,540,639)	-
Closing balance	**118,634,732**	**143,389,125**

Cases under investigation

No cases related to non-compliance with procurement process requirements have been investigated in the current or previous financial period..

No cases related to other non-compliance with laws, regulations, council policies and/or by-laws have been investigated in the current or previous financial period.

Management, with the assistance of the MPAC committee, will review the register and determine the viability of investigations required, in the next financial period.

Municipal Finance Management Act	-	-
Municipal Systems Act	-	-
Public Office-Bearers Act	-	-
Municipal Supply Chain Management Policy	-	-
	-	**-**

46. Irregular expenditure (continued)

Amounts written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 42,540,639 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

Irregular Expenditure – Historical Balances Written Off

1. Background

The municipality has carried long-standing qualifications on the completeness of irregular expenditure (IE) registers dating back to the 2014/15.

During the 2023/24 audit cycle, the Auditor-General highlighted that historical opening balances could not be substantiated due to missing registers and supporting documentation. In consultation with AGSA, National Treasury, and MPAC, and in accordance with section 32 of the Municipal Finance Management Act (MFMA), Council considered the matter.

2. Council Resolution

On 28 August 2025, Council resolved as follows (Resolution Nr: 04/01/09/25):

To approve the write-off of irregular expenditure of R42,540,639 (balance as at 30 June 2015);
To refer the remaining balances of R55,356,610 (IE) to MPAC for further investigation.
The resolution was submitted to both National Treasury and the Provincial Treasury in compliance with MFMA section 32(4).

3. Application of GRAP 3 (Impracticability)

The municipality assessed the feasibility of reconstructing UIFW registers for the periods prior to 2015 (IE). It was concluded that retrospective restatement was impracticable due to:

No general ledger data available for those years (not submitted in AG audit files);
Two financial system changes since 2015 with no migration of legacy data;
Missing invoices, vouchers, and batch records despite extensive search efforts;
Complete turnover of senior finance staff from the period;
Server crash leading to permanent data loss;
Prescription Act implications, rendering recovery after three years unenforceable;
Prohibitive cost of reconstructing historic data relative to potential recovery.
These factors meet the definition of "impracticability" in GRAP 3.23 and GRAP 3.50–53.

4. Treatment Applied

The balances of R42,540,639 (IE) was written off prospectively, as approved by Council.
Remaining balances were retained in the UIFW registers and referred to MPAC.
From 2016 onwards, UIFW registers have been reconstructed and audited, with completeness re-audited in 2023/24 and 2024/25.

5. Impact on Current and Future Periods

The write-off affects only historical opening balances (pre-2015/16).
No impact on current period transactions or closing balances after 2024/25.
Comparative figures for 2023/24 was restated.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

46. Irregular expenditure (continued)

6. Disclosure Compliance

This note provides disclosure in accordance with:

GRAP 3.50–53: Nature of the balances, explanation of impracticability, treatment applied, and impact on current/future reporting.
MFMA Section 32(2) & (4): Council resolution approving write-off after investigation, and submission to Treasury.

Non-compliance with MFMA supply chain management regulations	17,786,246	50,081,970

47. Events after the reporting date

There were no significant reporting event after year-end.

48. Going concern

The Municipality continues to experience severe financial pressures, as evidenced by the following indicators identified during the financial viability assessment: Creditor payment days deteriorated from 301 days in 2024 to 386 days in 2025, moving further away from the 30-day legislative requirement (Treasury Regulation 8.2.3). This increases the risk of finance costs and fruitless expenditure.

Debtor days improved from 30.78 – 31 days to 4.47 – 5 days, however the debt-impairment provision remains at 100% of total receivables, indicating that revenue recognised from credit sales is unlikely to be collected, impacting cash availability for critical services, including electricity purchases and Eskom repayment obligations.

Water distribution losses increased from 23% to 31%, reducing billable consumption and negatively affecting revenue-generating capacity.

Debt as a percentage of total operating revenue increased substantially from 149% to 226%, demonstrating a widening gap between revenue generation and the level of obligations.

Cash coverage (excluding unspent grants) worsened from 4 months to 8 months, which is consistent with the deterioration in creditor payment days.

These indicators collectively reflect ongoing liquidity challenges and operational constraints.

Material Uncertainties

Based on the indicators above, management notes that material uncertainties exist that may cast significant doubt on the Municipality’s ability to continue as a going concern without intervention. The key risks are:

Insufficient cash resources to settle obligations as they fall due.

Dependence on equitable share and conditional grants for operational sustainability.

Increasing operational losses within cash-generating units.

High levels of outstanding debtors, with limited recoverability due to a full impairment provision.

Growing creditor arrears posing risks of service interruptions or legal enforcement.

These factors indicate that the Municipality may not be able to meet its financial commitments in the ordinary course of business without corrective action.

Mitigating Actions and Management Response

In accordance with MFMA section 135(2) and 135(3), the Municipality has initiated or is in the process of initiating the following measures:

Figures in Rand	2025	2024

48. Going concern (continued)

Strengthening revenue collection processes, focusing on improving real payment rates and reducing reliance on impairment provisioning.

Implementing strict expenditure management controls to reduce creditor backlogs and finance cost exposure.

Engaging with Provincial Treasury and the MEC for Local Government, where applicable, on financial recovery support mechanisms.

Reviewing and monitoring cash-generating units to enhance sustainability and reduce operational losses.

Implementing measures to reduce water distribution losses, including refurbishment and technical loss assessments.

Management believes these actions, together with ongoing support from National Treasury through equitable share allocations, mitigate the immediate risk to operational continuity.

Although significant financial challenges and material uncertainties exist, management has not resolved to liquidate or cease operations, and therefore the financial statements have been prepared on the going concern basis, as required by GRAP 1.27.

Management will continue to monitor the Municipality’s financial position closely, implement financial recovery actions, and comply with the reporting obligations set out in the MFMA, Treasury Regulations, and applicable GRAP standards.

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2025	2024
Opening balance	1,164,910	1,971,375
Current year subscription / fee	5,000	577,085
Amount paid - current year	(1,169,910)	(1,383,550)
	-	**1,164,910**

Figures in Rand	2025	2024

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

Distribution losses

Electricity distribution losses		
kWh purchased	11,370,725	10,486,505
Less: kWh sold	(7,357,578)	(6,995,689)
kWh Losses	**4,013,147**	**3,490,816**
% losses	35.29%	33.29%
Average cost per unit	2.298	2.336
Loss on Rand value	9,222,212	8,154,546
Water distribution losses (Kilo litres)		
Kilo litres purchased	911,580	764,104
Less: Kilo litres sold	(630,396)	(589,385)
	281,184	**174,719**
(Gain) / Loss %	30.85%	22.87%
Average cost per kilo litre	2.503	2.537
(Gain) / loss in rand value	703,805	443,262

Audit fees

Opening balance	7,069,843	9,192,000
Current year subscription / fee	5,941,521	6,568,727
Amount paid - current year	(3,814,749)	(3,034,704)
Amount paid - previous years	-	(5,656,180)
	9,196,615	**7,069,843**

PAYE, UIF and SDL

Opening balance	500,215	414,633
Current year subscription / fee	6,482,009	5,439,441
Amount paid - current year	(6,482,009)	103,496
Amount paid - previous years	-	(5,457,355)
	500,215	**500,215**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

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

Pension and Medical Aid Deductions

Opening balance	584,688	1,683,826
Current year subscription / fee	6,186,726	7,862,714
Amount paid - current year	(5,963,662)	(8,961,852)
	807,752	**584,688**

VAT

VAT output payables and VAT input receivables are shown in note 5.

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

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

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

Councillors' arrear consumer accounts

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

30 June 2025	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor D Yekani	1,392	305	1,697
Councillor WRH Olyn	1,398	8,727	10,125
Councillor SW Kock	2,305	59,605	61,910
Councillor CC Jantjies	(2,149)	-	(2,149)
Councillor JH Vorster	1,448	-	1,448
Councillor A Verwey	1,042	2,314	3,356
Councillor MA Maloi	(5,384)	-	(5,384)
Councillor AJ Robertson	(19,441)	6,331	(13,110)
Councillor SJ Riegert	3,042	53,426	56,468
Councillor MN Baadjies	1,595	7,100	8,695
	(14,752)	**137,808**	**123,056**

30 June 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor MA Maloi	(2,195)	-	(2,195)
Councillor GL Yekani	1,441	10,773	12,214
Councillor WRH Olyn	1,663	29,608	31,271
Councillor SW Kock	2,264	77,069	79,333
Councillor CC Jantjies	1,544	8,718	10,262
Councillor AJ Robertson	(10,684)	17,426	6,742
Councillor MN Baadtjies	1,474	1,046	2,520
Councillor JH Vorster	1,123	-	1,123
Councillor A Verwey	986	1,777	2,763
Councillor SJ Riegert	2,672	61,040	63,712
	288	**207,457**	**207,745**

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

30 June 2025	Highest outstanding amount	Aging (in days)
Councillor GL Yekani	463	60
Councillor WRH Olyn	8,727	180
Councillor SW Kock	57,146	180
Councillor A Verwey	1,251	180
Councillor JJ Tolken	925	120
Councillor AJ Robertson	4,152	180
Councillor SJ Riegert	50,353	180
	123,017	**1,080**

30 June 2024	Highest outstanding amount	Aging (in days)
Councillor CC Jantjies	7,108	180
Councillor AJ Robertson	6,743	30

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

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

Councillor GL Yekani	6,715	180
Councillor A Verwey	809	180
Councillor SJ Riegert	58,297	180
Councillor SW Kock	74,658	180
	154,330	**930**

50. Change in estimate

Property, plant and equipment

In terms of GRAP 17, the useful lives of all assets were reviewed by management at year-end. The remaining useful life expectation of some of the asset items differed from previous estimates. This resulted in a revision of some of the previous estimates which were accounted for as a change in accounting estimate. The effect of this revision is a decrease in depreciation charges for the current period of 2025:.

Statement of financial position	
Increase in property, plant and equipment	150,023
Statement of financial performance	
Decrease in depreciation and amortization	(150,023)

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

51. Prior period errors

The municipality corrected the following prior period errors retrospectively and restated the comparative amounts in terms of GRAP 3 - Accounting policies, Changes in Estimates and Errors.

The correction of the error(s) results in adjustments as follows:

51.1. Prior period error - Understatement of fixed asset property:

During the period under review it was noted that the fixed property & intangle asset register was understated due to various misallocations in the financial system. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase in Accumelated Surplus	(51,130)
Decrease in Property Plant & Equipment	(10,785)
Increase in Depreciation and Ammortisation and impairment	160,499
Decrease in Repairs and Maintenance	(98,584)
	-

51.2. Prior period error - Overstatement of revenue from non exchange transactions due to billing errors:

During the period under review it was noted that prior years revenue from exchange transactions (service charges and revenue from non-exchange property rates was overstated due to billing errors that relate to the classification of properties The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Decrease in receivables from non-exchange transactions	(4,924,636)
Decrease in receivables from exchange transactions	(41,830)
Increase in Trade and other payable	(75,826)
Decrease in accumulated surplus	3,025,707
	-

Statement of financial performance	
Decrease in Property rates revenue	2,016,586
	-

51.3. Prior period error - Derecognition of grants with zero balances

During the period under review it was noted Capital Grants was incorrectly accounted for in the 2023/24 period and have already been spent in the respective period. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Decrease in Unconditional Grants and receipts	6,760,496
Increase in accumulated surplus	(6,760,496)
	-

51.4. Prior period error - VAT correction of prior period balances

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

51. Prior period errors (continued)

During the period under review it was noted that the cumalative VAT balances was understated in the 2023/24 period. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Decrease in Receivables from non-exchange transactions	(11,418)
Increase in Payables from exchange transactions	(167,325)
Increase in Property, Plant & Equipment	364,576
Statement of financial performance	
Decrease in employee related cost	(1,096)
Decrease in general expenditure	(184,737)
	-

51.5. Prior period error - Landfill provision opening balance correction:

During the period under review it was noted that the opening balance for the landfill site provision was overstated. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase in AccumulateSurplus	(2,687,637)
Decrease in Landfill site provision	2,687,637
	-

49.6. Prior period error - Trade Payables correction:
During the period under review it was noted that Trade Payables balance was overstated. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:text

Statement of financial position	
Decrease in Receivables from exchange transactions	(54,442)
Decrease in Payables from exchange transactions	340,857
Increase in Accumulated Surplus	(286,415)
	-

52. Comparative figures

The following comparative figures have been restated in the 2025 financial period.

	Comparative figures previously reported	Adjustments	After Correction
Irregular Expenditure	97,987,249	46,257,061	144,244,310

Certain comparative amounts have been adjusted due to UIFW investigations that have taken place during the 2025 financial period. These investigations have resulted in additional irregular expenditure being identified in prior periods. To ensure accurate disclosure these amounts have been included in their respective notes. .

53. Deviation Section 36(2) 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 by the Accounting Officer and noted by Council.

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

For the period under review there were instances where goods and services were procured via a deviation from the normal Supply Chain Management Regulations.

The reasons for these deviations were documented and reported to the Accounting Officer, who considered them and subsequently approved the deviation from the normal Supply Chain Management Regulations.

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Reason for deviation:	Number of deviations 2025	Rand value 2025	Number of deviations 2024	Rand value 2024
Sole supplier	12	210,227	9	156,414
Emergency	1	175,000	7	179,474
Other	1	27,801	-	-
	14	**413,028**	**16**	**335,888**

54. Segment information

General information

Identification of segments

The municipality is organised according to functions and reports on a monthly basis on their actuals. Decisions are made regularly regarding resources to be allocated to different functions. Segments are therefore identified as the different municipal functions as on Schedule B of the budget.

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

Aggregated segments

The municipality operates throughout the Victoria West, Loxton, Richmond and Hutchinson area. Segments have been aggregated based on the organisational structure as on the budget.

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Executive and Council	Governing the municipality
Finance and Administation	Providing support functions to the municipality
Community and Social Services	Providing other services to the community
Planning and Development	Town planning and administration
Road and Transport	Economic development and protections services
Energy Sources	Providing basic services to the community such as water, electricity, sewerage and refuse
Waste Management	Providing basic services to the community such as water, electricity, sewerage and refuse
Waste Water Management	Providing basic services to the community such as water, electricity, sewerage and refuse
Water Management	Providing basic services to the community such as water, electricity, sewerage and refuse

Types of assets and liabilities per segment:

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

Reportable segment	Goods and/or services
Finance and Administration	Assets and Liabilities linked to the finance and administrative support function of the municipality.
Community and Social Services	Assets and Liabilities linked to the community and social services function of the municipality.
Infrastructure and Planning	Assets and Liabilities linked to the provision of basic services function of the municipality.
Segment 4	Goods and/or services 1
Segment 5	Goods and/or services 2
Segment 6	Goods and/or services 3
Segment 7	Goods and/or services 4
Segment 8	Goods and/or services 5
Segment 9	Goods and/or services 6

54. Segment information (continued)

Segment surplus or deficit

2025

	Finance and Administration	Community and Social Services	Waste Management	Energy Sources	Water Management	Waste Water Management	Executive and Council	Total
Revenue								
Revenue from exchange transactions	11,666,728	400,298	7,083,351	21,956,826	10,884,157	6,421,740	-	58,413,100
Revenue from non-exchange transactions	60,106,891	19,708,451	-	25,830,905	16,634,963	4,049,147	-	126,330,357
Inter-segment transfers	(3,506,080)	(982,295)	(346,015)	(2,334,390)	(1,344,285)	(511,493)	-	(9,024,558)
Total segment revenue	**68,267,539**	**19,126,454**	**6,737,336**	**45,453,341**	**26,174,835**	**9,959,394**	**-**	**175,718,899**
Entity's revenue								**175,718,899**
Expenditure								
General expenses	37,324,385	4,804,485	279,172	30,325,650	2,094,558	219,892	5,482,725	80,530,867
Bulk purchases	-	-	-	-	-	-	-	-
Finance costs	8,269,481	-	-	504,000	-	-	-	8,773,481
Salaries and wages	18,483,582	12,235,490	2,528,108	1,582,890	1,935,001	2,492,455	7,481,652	46,739,178
Other	-	-	-	-	-	-	-	-
Gains and losses	-	-	-	-	-	-	-	-
Debt impairment	-	-	-	-	-	-	-	-
Depreciation	3,431,679	1,119,093	1,528,556	614,943	3,131,547	8,310,407	-	18,136,225
Total segment expenditure	**67,509,127**	**18,159,068**	**4,335,836**	**33,027,483**	**7,161,106**	**11,022,754**	**12,964,377**	**154,179,751**
Total segmental surplus/(deficit)	**758,412**	**967,386**	**2,401,500**	**12,425,858**	**19,013,729**	**(1,063,360)**	**(12,964,377)**	**21,539,148**

Notes to the Audited Annual Financial Statements

Figures in Rand

54. Segment information (continued)

Segment assets and liabilities

2025

	Finance and Administration	Infrastructure & Planning	Community and Social Services	Total
Assets				
Current assets	61,744,757	-	-	61,744,757
Non Current Assets	141,508,811	464,895,420	21,032,156	627,436,387
Total segment assets	**203,253,568**	**464,895,420**	**21,032,156**	**689,181,144**
Total assets as per Statement of financial Position				**689,181,144**
Liabilities				
Non-current liabilities	-	45,838,540	-	45,838,540
Current liabilities	95,371,372	-	-	95,371,372
Total segment liabilities	**95,371,372**	**45,838,540**	**-**	**141,209,912**
Total liabilities as per Statement of financial Position				**141,209,912**

Notes to the Audited Annual Financial Statements

Figures in Rand

54. Segment information (continued)

Segment surplus or deficit

2024

	Finance and Administration	Community and Social Services	Waste Management	Planning and Development	Energy Sources	Road Transport	Water Management	Waste Water Management	Executive and Council	Total
Revenue										
Revenue from exchange transactions	10,836,762	-	6,638,341	428,748	19,606,922	820,474	8,486,634	1,799,629	-	48,617,510
Revenue from non-exchange transactions	57,278,211	4,764,682	8,470,000	3,000,000	25,280,859	2,500,000	8,278,418	5,517,357	22,167,094	137,256,621
Total segment revenue	**68,114,973**	**4,764,682**	**15,108,341**	**3,428,748**	**44,887,781**	**3,320,474**	**16,765,052**	**7,316,986**	**22,167,094**	**185,874,131**
Entity's revenue										**185,874,131**
Expenditure										
General expenses	15,555,129	5,285,091	219,224	2,237,939	2,913,058	132,549	4,051,993	490,853	758,602	31,644,438
Bulk purchases	-	-	-	-	25,022,700	-	-	-	-	25,022,700
Finance costs	10,568,301	-	-	-	-	-	-	-	-	10,568,301
Salaries and wages	6,903,336	7,537,747	2,556,758	8,438,679	1,165,454	3,856,534	1,929,019	2,528,336	1,753,701	36,669,564
Remuneration of councillors	-	-	-	-	-	-	-	-	5,079,445	5,079,445
Gains and losses	2,060,352	-	-	-	-	-	-	-	-	2,060,352
Debt impairment	3,047,760	3,047,760	-	-	9,143,280	-	9,143,280	6,095,520	-	30,477,600
Depreciation and Impairment	3,908,765	1,340,036	814,489	-	621,919	1,132,174	2,771,054	8,118,077	-	18,706,514
Total segment expenditure	**42,043,643**	**17,210,634**	**3,590,471**	**10,676,618**	**38,866,411**	**5,121,257**	**17,895,346**	**17,232,786**	**7,591,748**	**160,228,914**
Total segmental surplus/(deficit)	**26,071,330**	**(12,445,952)**	**11,517,870**	**(7,247,870)**	**6,021,370**	**(1,800,783)**	**(1,130,294)**	**(9,915,800)**	**14,575,346**	**25,645,217**

Notes to the Audited Annual Financial Statements

Figures in Rand

54. Segment information (continued)

Segment assets and liabilities

2024

	Finance and Administration	Infrastructure & Planning	Community and Social Services	Total
Assets				
Current assets	40,306,252	-	-	40,306,252
Non-Current Assets	194,192,738	412,381,742	13,789,929	620,364,409
Total segment assets	**234,498,990**	**412,381,742**	**13,789,929**	**660,670,661**
Total assets as per Statement of financial Position				**660,670,661**
Liabilities				
Non-current liabilities	-	72,492,906	-	72,492,906
Current liabilities	61,734,886	-	-	61,734,886
Total segment liabilities	**61,734,886**	**72,492,906**	**-**	**134,227,792**
Total liabilities as per Statement of financial Position				**134,227,792**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

55. Compensation received for agency activities

Agent in arrangement

The Ubuntu Local Municipality is the Agent in the Principal-Agent arrangement with Department of Transport, Safety and Liaison. The municipality is responsible for the issuing of vehicle and drivers licences on behalf of Department of Transport, Safety and Liaison in exchange for commission of 12%. No significant judgements are applied in determining that the municipality was the agent in the arrangement. The responsibility of issuing vehicle licences was removed from the municipality effective 01 September 2018.

Ubuntu Local Municipality was paid 12% commission by Department of Transport, Safety and Liaison for acting as an agent on its behalf during the financial year.

Resources under custodianship of agent

There are no resources of the principal under the custodianship of Ubuntu Local Municipality, nor have they been recognised as such.

	2025	2024
Commission	59,585	68,409

Reconciliaiton of Agency Funds and Disbursements - 2025

Principal name	Total agency funds received	Amount remitted to the principal	Variance
Department of Transport Safety and Liaison	466,043	(313,254)	152,789

The reason for the above variance is due to 12% commission witheld by the municipality and cashflow contraints.

Reconciliaiton of Agency Funds and Disbursements - 2024

Principal name	Total agency funds received	Amount remitted to the principal	Variance
Department of Transport Safety and Liaison	539,766	(101,769)	437,997

The reason for the above variance is due to 12% commission witheld by the municipality and cashflow contraints.

56. Budget differences

Material differences between budget and actual amounts

x1: High levels of non payment. Increased indigent households qualifying for free basic electricity.

x2: Fewer service requests than anticipated.

x3: The municipality experienced reduced bookings of rentable facilities compared to budget assumptions. This was due to fewer community events, conferences & private functions taking place during the year..

x4:Financial difficulties among residents increased non-payment, indirectly increasing interest billed. Delayed collection efforts allowed arrears to accumulate, generating higher interest income.

x5:Initial projections may have been based on overestimated demand or growth in business activity.

x6:The budgeted figure for Other Income was based on optimistic projections & historical trends that did not repeat in the current year.

56. Budget differences (continued)

x7: Available surplus funds for investment were lower than anticipated due to higher operational spending. Funds that could have been invested had to be used to cover day-to-day operations, debt obligations and urgent service delivery needs.

x8: The budget was prepared using overly optimistic projections for property growth & collections.

x9: Refer to above.

x10: The budget had assumed higher grant amounts than were allocated, reflecting optimistic assumptions about government funding levels..

x11: The funding is solely at the discretion of Treasury, therefore it was not budgeted for as there was no guarantee on it..

x12: The figures included in the budget were estimates, pending the final determination issued by Treasury.

x13:Several budgeted posts remained unfilled for a portion of the year due to delays in recruitment resulting in lower-than-budgeted salary expenditure..

x14: The salaries, allowances, and benefits of councillors are determined by the Minister of Cooperative Governance and Traditional Affairs. Any adjustments or increases prescribed by the Minister are mandatory and may exceed amounts originally budgeted by the municipality.

x15: The original budget slightly underestimated depreciation costs based on assumptions regarding asset acquisition, disposal, or impairment.

x16: The approved budget did not make any provision for impairment, as the need for such adjustments was unforeseen at the time of budgeting.

x17:The original budget underestimated the cost of existing debt.

x18:The approved budget did not include any allocation for debt impairment, as the need for such adjustments was unforeseen at the time of budgeting.

x19: Actual consumption of bulk resources was slightly lower than originally projected, leading to reduced expenditure.

x20: The original budget overestimated the costs of general operations based on assumptions that were not fully realized during the year.

x21: Not budgeted for, year end adjustement.

x22: Not budgeted for, year end adjustement.

x23: Not budgeted for, year end adjustement.

x24: Actual consumption was lower than expected, leading to a higher closing inventory balance.

x25: Primarily attributable to interest accrued on deposits held with Eskom. This income was not anticipated in the original budget assumptions, resulting in a higher receivable balance being recognised.

x26: Lower than anticipated collections on property rates, resulted in a higher receivable balance being recognised at year-end..

x27: The impairment of consumer debtors was not factored into the budget assumptions.

x28: The receivables from non exchange was not factored into the budget assumptions

x29: This variance is attributable to cash-backed unspent conditional grants

x30: Impairments, and fair value adjustments were not incorporated into the budget process

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

56. Budget differences (continued)

x31: Impairments, and fair value adjustments were not incorporated into the budget process.

x32: Impairments, and fair value adjustments were not incorporated into the budget process

x33: Not budgeted for, year end adjustement..

x34: This variance is due to the Eskom debt relief write-off, which was not factored into the budget process, as confirmation of the write-off was only communicated to the municipality towards year-end

x35: The variance is due to the use of optimistic assumptions and strong budget projections for consumer deposits

x36: Newly appionted service provider resulted in new methodoligies applied therefer leading to higher that expented expenditure in the current period.

x37: This variance is attributable to additional grant funding received during the year.

x38: This item was not incorporated into the budgeting process

x39: Newly appionted service provider resulted in new methodoligies applied therefer leading to higher that expented expenditure in the current period.

x40: Newly appionted service provider resulted in new methodoligies applied therefer leading to higher that expented expenditure in the current period.

57. Fair value adjustments

	2025	2024
Investment property (Fair value model)	786,482	723,482

58. Unauthorised, Irregular and Fruitless and Wasteful Expenditure

***Refer to reconciling notes in the annual report**