Umsobomvu Municipality
Continuously Rising

Umsobomvu Local Municipality
Annual Financial Statements
for the year ended 30 June 2025

General Information

Legal form of entity	A municipality, which is an organ of state within the local sphere of government exercising legislative and executive authority.
Nature of business and principal activities	A local authority providing municipal services and maintaining the best interest of the community in the Umsobomvu municipal area.
Mayoral committee	
Executive Mayor	MS Toto
Councillors	SND Stafa
	JP Matthee
	GMH Douw
	T Matebese
	AP Poyo
	B Mangaliso
	W Minnie
	L Tyindyi
	VP Harmse
	SA Yabo
	L Zakhe
	NS Mlungwana
Grading of local authority	Grade 2
Chief Finance Officer (CFO)	N Thiso (Acting Chief Financial Officer)
Accounting Officer	TW Msengana
Business address	21A Church Street Colesberg Northern Cape 9765
Postal address	Private Bag X6 Colesberg Northern Cape 9795
Bankers	Absa Bank Limited Standard Bank of South Africa Limited First National Bank Limited
Auditors	Auditor General of South Africa (AGSA)

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Abbreviations used:

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

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

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

The annual financial statements set out on page 4 - 74, 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:

TW Msengana
Accounting Officer

Accounting Officer's Report

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

1. Review of activities

Main business and operations

Net deficit of the municipality was R 14 045 338 (2024: deficit R 6 073 698)

2. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of R 512 548 567 and that the municipality's total assets exceed its liabilities by R 535 074 077.

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

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

3. Subsequent events

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

4. Accounting Officers' interest in contracts

The accounting officer had no interest in any contracts.

5. Accounting policies

The annual financial statements prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations of such statements issued by the Accounting Practices Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003)..

6. Corporate governance

General

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

Internal audit

The municipality is in shared service arrangement with Pixley-Ka Seme District Municipality. This is in compliance with the Municipal Finance Management Act, 2003.

7. Auditors

Auditor General of South Africa (AGSA) will continue in office for the next financial period.

TW Msengana
Accounting Officer

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	3	3 173 406	3 167 533
Other receivables from exchange transactions	4	5 266 652	5 393 395
Consumer debtors	5	107 250 598	100 039 366
Statutory receivables from non-exchange transactions	6	17 331 592	16 492 292
Availability charges	7	2 826 830	1 818 889
VAT receivable	17	51 000 820	41 473 688
VAT accrual	17	160 371	1 119 358
Cash and cash equivalents	8	5 541 817	2 420 922
		192 552 086	**171 925 443**
Non-Current Assets			
Investment property	9	45 805 199	45 814 199
Property, plant and equipment	10	475 894 175	479 536 835
Intangible assets	11	16 490	26 278
Heritage assets	12	60 000	60 000
		521 775 864	**525 437 312**
Total Assets		**714 327 950**	**697 362 755**
Liabilities			
Current Liabilities			
Finance lease obligation	13	276 131	1 078 547
Payables from exchange transactions	14	50 332 428	35 800 287
Payables from non-exchange transactions	15	244 394	218 492
VAT payable	17	79 926 767	64 645 756
VAT accrual	17	5 351 584	5 502 719
Consumer deposits	18	1 009 342	906 063
Employee benefit obligation	16	1 452 000	1 860 000
Unspent conditional grants and receipts	19	7 909 299	6 877 649
Payables from exchange transactions	20	2 330 675	2 115 723
		148 832 620	**119 005 236**
Non-Current Liabilities			
Finance lease obligation	13	-	263 580
Employee benefit obligation	16	10 782 460	10 758 460
Provisions	21	17 070 671	13 317 858
Trade and other payables from exchange transactions	20	2 568 121	4 898 208
		30 421 252	**29 238 106**
Total Liabilities		**179 253 872**	**148 243 342**
Net Assets		**535 074 078**	**549 119 413**
Reserves			
Revaluation reserve	50	22 525 510	22 525 510
Accumulated surplus		512 548 567	526 593 903
Total Net Assets		**535 074 077**	**549 119 413**

* See Note 46

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	22	85 906 196	82 887 266
Rental of facilities and equipment	23	127 933	188 371
Agency services	24	974 438	1 045 471
Other income	25	1 001 257	2 810 999
Interest received - investment	26	29 421 987	25 858 408
Total revenue from exchange transactions		**117 431 811**	**112 790 515**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	19 448 656	17 668 121
Availability charges		1 912 989	1 798 957
Eskom Debt Relief	28	2 232 562	1 764 461
Interest - Taxation revenue		4 104 928	4 062 107
Transfer revenue			
Government grants & subsidies	29	105 802 351	92 699 223
Public contributions and donations	30	110 628	-
Fines, Penalties and Forfeits	31	22 438 203	17 436 205
Total revenue from non-exchange transactions		**156 050 317**	**135 429 074**
Total revenue		**273 482 128**	**248 219 589**
Expenditure			
Employee related costs	32	(64 296 192)	(57 373 849)
Remuneration of councillors	33	(6 184 168)	(5 762 276)
Repairs and maintenance	34	(5 282 210)	(5 253 603)
Depreciation and amortisation	35	(30 150 287)	(27 967 408)
Impairment of PPE	36	(98 096)	(933 839)
Finance costs	37	(5 626 322)	(4 755 920)
Debt Impairment	38	(89 294 149)	(77 005 621)
Bulk purchases	39	(54 874 988)	(46 426 179)
Contracted services	40	(7 687 077)	(7 977 454)
Loss on disposal of assets and liabilities	10	(1 445 931)	(2 059 764)
Travel and subsistence		(2 490 551)	(1 944 192)
Auditors remuneration		(4 993 781)	(3 725 412)
General Expenses	41	(15 103 714)	(13 107 770)
Total expenditure		**(287 527 466)**	**(254 293 287)**
Deficit for the year		**(14 045 338)**	**(6 073 698)**

* See Note 46

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2023	**22 525 510**	**532 667 601**	**555 193 111**
Changes in net assets			
Surplus for the year	-	(6 073 698)	(6 073 698)
Total changes	-	(6 073 698)	(6 073 698)
Opening balance as previously reported	22 525 510	510 001 764	532 527 274
Adjustments			
Correction of errors 46	-	17 236 115	17 236 115
Prior year adjustments	-	(643 974)	(643 974)
Restated* Balance at 01 July 2024 as restated*	**22 525 510**	**526 593 905**	**549 119 415**
Changes in net assets			
Surplus for the year	-	(14 045 338)	(14 045 338)
Total changes	-	(14 045 338)	(14 045 338)
Balance at 30 June 2025	**22 525 510**	**512 548 567**	**535 074 077**
Note(s)	50		

* See Note 46

Cash Flow Statement

Figures in Rand	2025	2024 Restated*
Cash flows from operating activities		
Receipts		
Taxation	1 923 953	15 005 638
Sale of goods and services	50 153 172	48 239 843
Grants	106 834 001	92 977 006
Interest income	6 343 141	3 117 054
	165 254 267	159 339 541
Payments		
Employee costs	(73 047 113)	(64 983 689)
Suppliers	(60 911 245)	(70 623 093)
Finance costs	(2 019 764)	(1 056 565)
	(135 978 122)	(136 663 347)
Net cash flows from operating activities	**29 276 145**	**22 676 194**
Cash flows from investing activities		
Purchase of property, plant and equipment	(25 089 250)	(18 262 953)
Cash flows from financing activities		
Repayment of other financial liabilities	(1 065 996)	(677 870)
Net increase/(decrease) in cash and cash equivalents	**3 120 899**	**3 735 371**
Cash and cash equivalents at the beginning of the year	2 420 922	(1 314 449)
Cash and cash equivalents at the end of the year	**5 541 821**	**2 420 922**

The accounting policies on pages 13 to 34 and the notes on pages 35 to 68 form an integral part of the annual financial statements.

* See Note 46

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
Statement of Financial Performance					
Revenue					
Revenue from exchange transactions					
Service charges	96 905 000	2 997 000	**99 902 000**	86 262 847	**(13 639 153)**
Rental of facilities and equipment	175 000	112 000	**287 000**	127 933	**(159 067)**
Licences and permits	36 000	36 300	**72 300**	974 438	**902 138**
Other income - (rollup)	2 281 000	(923 000)	**1 358 000**	1 001 257	**(356 743)**
Interest received	22 028 000	186 000	**22 214 000**	29 421 987	**7 207 987**
Total revenue from exchange transactions	**121 425 000**	**2 408 300**	**123 833 300**	**117 788 462**	**(6 044 838)**
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	20 249 000	(655 000)	**19 594 000**	19 448 656	**(145 344)**
Licences and Permits	820 000	53 000	**873 000**	-	**(873 000)**
Interest - Taxation	4 302 000	544 000	**4 846 000**	4 104 928	**(741 072)**
Transfer revenue					
Government grants & subsidies	98 603 000	12 000 000	**110 603 000**	105 802 351	**(4 800 649)**
Operational Revenue	-	1 189 000	**1 189 000**	3 581 625	**2 392 625**
Fines and penalties	26 166 000	-	**26 166 000**	22 438 203	**(3 727 797)**
Total revenue from non-exchange transactions	**150 140 000**	**13 131 000**	**163 271 000**	**155 375 763**	**(7 895 237)**
Total revenue	**271 565 000**	**15 539 300**	**287 104 300**	**273 164 225**	**(13 940 075)**
Expenditure					
Personnel	(84 424 000)	2 972 000	**(81 452 000)**	(64 296 192)	**17 155 808**
Remuneration of councillors	(6 121 000)	-	**(6 121 000)**	(6 184 168)	**(63 168)**
Depreciation and amortisation	(26 919 000)	-	**(26 919 000)**	(30 165 963)	**(3 246 963)**
Impairment loss	-	-	**-**	(98 096)	**(98 096)**
Finance costs	(1 350 000)	-	**(1 350 000)**	(6 087 720)	**(4 737 720)**
Debt Impairment	(17 953 000)	-	**(17 953 000)**	(89 294 149)	**(71 341 149)**
Bulk purchases	(57 798 000)	(200 000)	**(57 998 000)**	(54 874 988)	**3 123 012**
Contracted Services	(16 669 000)	(1 638 000)	**(18 307 000)**	(13 823 921)	**4 483 079**
General Expenses	(32 801 000)	(5 028 000)	**(37 829 000)**	(22 384 366)	**15 444 634**
Total expenditure	**(244 035 000)**	**(3 894 000)**	**(247 929 000)**	**(287 209 563)**	**(39 280 563)**
Deficit before taxation	**27 530 000**	**11 645 300**	**39 175 300**	**(14 045 338)**	**(53 220 638)**

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
Statement of Financial Position					
Assets					
Current Assets					
Inventories	4 192 000	4 068 000	**8 260 000**	3 173 406	**(5 086 594)**
Operating lease asset	-	-	**-**	51 000 820	**51 000 820**
Other receivables from exchange transactions	17 380 000	(1 236 000)	**16 144 000**	16 695 080	**551 080**
VAT receivable	30 994 000	8 635 000	**39 629 000**	-	**(39 629 000)**
Consumer debtors	107 366 000	13 312 000	**120 678 000**	107 250 598	**(13 427 402)**
Availability charges	4 438 000	(1 261 000)	**3 177 000**	6 949 657	**3 772 657**
VAT accrual	-	-	**-**	160 371	**160 371**
Cash and cash equivalents	42 952 000	(25 680 000)	**17 272 000**	5 541 817	**(11 730 183)**
	207 322 000	**(2 162 000)**	**205 160 000**	**190 771 749**	**(14 388 251)**
Non-Current Assets					
Investment property	43 581 000	(2 044 000)	**41 537 000**	45 805 199	**4 268 199**
Property, plant and equipment	469 282 000	2 740 000	**472 022 000**	475 894 175	**3 872 175**
Intangible assets	-	-	**-**	16 490	**16 490**
Heritage assets	-	-	**-**	60 000	**60 000**
	512 863 000	**696 000**	**513 559 000**	**521 775 864**	**8 216 864**
Total Assets	**720 185 000**	**(1 466 000)**	**718 719 000**	**712 547 613**	**(6 171 387)**
Liabilities					
Current Liabilities					
Finance lease obligation	2 026 000	(1 756 000)	**270 000**	276 131	**6 131**
Payables from exchange transactions	33 448 000	43 003 000	**76 451 000**	50 332 428	**(26 118 572)**
Payable (non-exchange)	6 469 000	1 746 000	**8 215 000**	244 394	**(7 970 606)**
Consumer deposits	705 000	(61 000)	**644 000**	1 009 342	**365 342**
Employee benefit obligation	4 758 000	310 000	**5 068 000**	1 452 000	**(3 616 000)**
Unspent conditional grants and receipts	-	-	**-**	7 909 299	**7 909 299**
VAT accrual	-	-	**-**	5 351 584	**5 351 584**
Payables from exchange transactions	-	-	**-**	2 330 675	**2 330 675**
VAT payable	51 929 000	18 555 000	**70 484 000**	33 500 298	**(36 983 702)**
	99 335 000	**61 797 000**	**161 132 000**	**102 406 151**	**(58 725 849)**
Non-Current Liabilities					
Finance lease obligation	-	1 079 000	**1 079 000**	-	**(1 079 000)**
Employee benefit obligation	-	-	**-**	10 782 460	**10 782 460**
Provisions	12 985 000	333 000	**13 318 000**	17 070 671	**3 752 671**
Trade and other payables from exchange transactions	-	-	**-**	2 568 121	**2 568 121**
Trade and other payables from exchange transactions	8 516 000	1 390 000	**9 906 000**	-	**(9 906 000)**
Other liability	-	4 709 000	**4 709 000**	-	**(4 709 000)**
	21 501 000	**7 511 000**	**29 012 000**	**30 421 252**	**1 409 252**
Total Liabilities	**120 836 000**	**69 308 000**	**190 144 000**	**132 827 403**	**(57 316 597)**
Net Assets	**599 349 000**	**(70 774 000)**	**528 575 000**	**579 720 210**	**51 145 210**

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
Net Assets					
Net Assets Attributable to Owners of Controlling Entity					
Reserves					
Revaluation reserve	23 127 000	4 554 000	**27 681 000**	22 525 510	**(5 155 490)**
Accumulated surplus	576 222 000	(75 328 000)	**500 894 000**	512 548 567	**11 654 567**
Total Net Assets	**599 349 000**	**(70 774 000)**	**528 575 000**	**535 074 077**	**6 499 077**

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
Cash Flow Statement					
Cash flows from operating activities					
Receipts					
Taxation	17 097 000	(629 000)	**16 468 000**	42 691 692	**26 223 692**
Sale of goods and services	76 502 000	3 777 000	**80 279 000**	(971 920)	**(81 250 920)**
Grants	98 603 000	12 000 000	**110 603 000**	106 834 001	**(3 768 999)**
Interest income	14 106 000	513 000	**14 619 000**	33 526 916	**18 907 916**
Other receipts	29 777 000	(681 000)	**29 096 000**	-	**(29 096 000)**
	236 085 000	**14 980 000**	**251 065 000**	**182 080 689**	**(68 984 311)**
Payments					
Suppliers	(190 551 000)	(4 028 000)	**(194 579 000)**	(149 218 714)	**45 360 286**
Finance costs	(1 350 000)	-	**(1 350 000)**	(1 474 569)	**(124 569)**
	(191 901 000)	**(4 028 000)**	**(195 929 000)**	**(150 693 283)**	**45 235 717**
Net cash flows from operating activities	**44 184 000**	**10 952 000**	**55 136 000**	**31 387 406**	**(23 748 594)**
Cash flows from investing activities					
Purchase of property, plant and equipment	(21 676 000)	(12 360 000)	**(34 036 000)**	(25 158 652)	**8 877 348**
Finance lease repayments	-	-	**-**	(596 517)	**(596 517)**
Repayment of other financial liabilities	-	-	**-**	(2 504 127)	**(2 504 127)**
Net cash flows from investing activities	**(21 676 000)**	**(12 360 000)**	**(34 036 000)**	**(28 259 296)**	**5 776 704**
Net increase/(decrease) in cash and cash equivalents	22 508 000	(1 408 000)	**21 100 000**	3 128 110	**(17 971 890)**
Cash and cash equivalents at the beginning of the year	26 691 000	(24 288 000)	**2 403 000**	2 420 922	**17 922**
Cash and cash equivalents at the end of the year	**49 199 000**	**(25 696 000)**	**23 503 000**	**5 549 032**	**(17 953 968)**

Significant Accounting Policies

1. Significant accounting policies

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

1.1 Basis of preparation

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Significant judgements and sources of estimation uncertainty

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

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.

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.

Significant Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21 - Provisions.

Useful lives of waste and water network and other assets

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

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

Effective interest rate

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

Allowance for doubtful debts

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

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.

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

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

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

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

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

1.5 Investment property (continued)

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.

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.

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

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements.

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, 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 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.

1.6 Property, plant and equipment (continued)

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Infinite
Buildings	Straight-line	25 -30 years
Roads and paving	Straight-line	10 - 50 years
Electricity	Straight-line	5 - 50 years
Water	Straight-line	15 - 100 years
Sewerage	Straight-line	15 - 60 years
Landfill sites	Straight-line	23 - 25 years
Recreational facilities	Straight-line	20 - 25 years
Security measures	Straight-line	20 - 25 years
Specialist vehicles	Straight-line	1 - 5 years
Other vehicles	Straight-line	1 - 5 years
Office equipment	Straight-line	3 - 7 years
Furniture and fixtures	Straight-line	7 - 10 years
Plant and machinery	Straight-line	2 - 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.

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements.

1.6 Property, plant and equipment (continued)

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements.

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.

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.

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

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

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

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

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

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	3 - indefinite
Website	Straight-line	5 years

1.8 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

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

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

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.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

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

1.9 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 uncollectibility.

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.

1.9 Financial instruments (continued)

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.

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.

1.9 Financial instruments (continued)

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.

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

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

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

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

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

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

Significant Accounting Policies

1.10 Statutory receivables

Identification

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

Carrying amount is the amount at which an asset is recognised in the inventories.

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

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

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

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

Impairment losses

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

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

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

1.10 Statutory receivables (continued)

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

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.
Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:
- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or Ÿ 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.

Significant Accounting Policies

1.11 Leases

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

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

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the inventories. 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 inventories 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 inventories as a finance lease obligation.

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

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.

1.12 Inventories

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

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

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

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

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

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

The cost of inventories 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 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.

1.13 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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

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

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

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

1.14 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.

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

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

Identification

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

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

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

1.14 Impairment of cash-generating assets (continued)

Value in use

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

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.15 Provisions and contingencies

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

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

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

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

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

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

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

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

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

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

1.15 Provisions and contingencies (continued)

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 an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 48.

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.

Significant Accounting Policies

1.15 Provisions and contingencies (continued)

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 1.14 and .

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

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

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

1.16 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

Significant Accounting Policies

1.17 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.

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 .

Interest, royalties and dividends

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

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

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

Significant Accounting Policies

1.17 Revenue from exchange transactions (continued)

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.

Significant Accounting Policies

1.18 Revenue from non-exchange transactions

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

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

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

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

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.

Significant Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

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.

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.

1.19 Investment income

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

1.20 Borrowing costs

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

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

1.21 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

Significant Accounting Policies

1.21 Accounting by principals and agents (continued)

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:
- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

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

Recognition

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

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

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

1.22 Comparative figures

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

1.23 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.

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.

1.24 Fruitless and wasteful expenditure

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

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

Significant Accounting Policies

1.25 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).

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008): Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements. Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is
required with the exception of updating the note to the financial statements.

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

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

1.26 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.27 Segment information

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

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

1.28 Budget information

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

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

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

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

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

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

1.29 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 influenceover the other party, or vice versa, or an entity that is subject to common control, or joint control.

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

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

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged. Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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

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

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

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

1.30 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.

Figures in Rand	2025	2024

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 April 2099	Unlikely there will be a material impact

3. Inventories

	2025	2024
Water	36 406	30 533
Property stock	3 137 000	3 137 000
	3 173 406	**3 167 533**

Inventories are held for own use and measured at the lower of cost or current replacement value.

The cost of water production for the year amounted to R3.69 (2024: R2.82) per kilolitre.

Inventory pledged as security

No inventory was pledged as security for overdraft facilities of the municipality.

4. Other receivables from exchange transactions

	2025	2024
Eskom security held	1 881 859	1 789 829
Under/(over) banking	1 068 145	1 379 364
Sundry debtors	1 951 895	1 859 449
Recoverable amount from employee pension	364 753	364 753
	5 266 652	**5 393 395**

None of the other receivables from exchange transactions have been pledged as security for the municipality's financial liabilities.

Electricity deposits relate to the deposits held for the bulk Eskom accounts. Sundry debtors relate to Conlog sales transactions.

5. Consumer debtors

	2025	2024
Gross balances		
Electricity	34 593 179	28 289 784
Water	127 533 515	119 450 879
Sewerage	73 127 891	66 601 280
Refuse	73 311 346	67 635 811
Housing rental	4 091 931	4 112 691
Interest	106 304 761	79 120 987
	418 962 623	**365 211 432**

Figures in Rand	2025	2024

5. Consumer debtors (continued)

Less: Allowance for impairment		
Electricity	(25 549 221)	(15 095 793)
Water	(94 873 961)	(89 581 589)
Sewerage	(54 597 633)	(48 441 042)
Refuse	(54 636 093)	(50 527 473)
Housing rental	(3 162 232)	(3 108 126)
Interest	(78 892 885)	(58 418 043)
	(311 712 025)	**(265 172 066)**

Net balance		
Electricity	9 043 958	13 193 991
Water	32 659 554	29 869 290
Sewerage	18 530 258	18 160 238
Refuse	18 675 253	17 108 338
Housing rental	929 699	1 004 565
Interest	27 411 876	20 702 944
	107 250 598	**100 039 366**

Electricity		
Current (0 -30 days)	959 555	2 462 030
31 - 60 days	623 391	1 232 444
61 - 90 days	567 534	849 976
91 - 120 days	1 776 597	2 479 302
> 121 days	5 116 881	6 170 239
	9 043 958	**13 193 991**

Water		
Current (0 -30 days)	763 383	622 895
31 - 60 days	631 268	448 890
61 - 90 days	598 231	445 240
91 - 120 days	2 938 768	2 780 591
> 121 days	27 727 904	25 571 674
	32 659 554	**29 869 290**

Sewerage		
Current (0 -30 days)	435 231	590 177
31 - 60 days	318 678	453 318
61 - 90 days	278 472	378 663
91 - 120 days	1 891 490	2 293 289
> 121 days	15 606 387	14 444 791
	18 530 258	**18 160 238**

Refuse		
Current (0 -30 days)	286 099	286 063
31 - 60 days	211 873	219 028
61 - 90 days	189 933	193 826
91 - 120 days	1 621 127	1 459 287
> 121 days	16 366 221	14 950 134
	18 675 253	**17 108 338**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Consumer debtors (continued)

Housing rental		
Current (0 -30 days)	7 179	11 637
31 - 60 days	3 493	6 914
61 - 90 days	3 402	2 717
91 - 120 days	18 582	12 017
> 121 days	897 043	971 280
	929 699	**1 004 565**

Interest		
Current (0 -30 days)	742 671	708 624
31 - 60 days	708 839	686 150
61 - 90 days	683 248	683 077
91 - 120 days	5 267 505	5 075 434
> 121 days	20 009 613	13 549 659
	27 411 876	**20 702 944**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(265 172 066)	(245 647 748)
Contributions to allowance	(46 539 959)	(19 524 318)
	(311 712 025)	**(265 172 066)**

Consumer debtors pledged as security

None of the consumer debtors have been pledged as security for the municipality's financial liabilities.

Credit quality of consumer debtors

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:

In determining the recoverability of Consumer debtors, the municipality has pledged strong emphasis on verifying the indigent status of consumers. The provision for impairment in respect of the consumer debtors have been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the provision for impairment. Refer to details in the accounting policy for further details.

6. Statutory receivables from non-exchange transactions

Gross balances		
Rates	51 184 616	45 763 986
Traffic fines	7 753 170	5 248 306
	58 937 786	**51 012 292**

Less: Allowance for impairment		
Rates	(35 432 304)	(30 064 189)
Traffic fines	(6 173 890)	(4 455 831)
	(41 606 194)	**(34 520 020)**

Net balance		
Rates	15 752 312	15 699 817
Traffic fines	1 579 280	792 475
	17 331 592	**16 492 292**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

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

Rates		
Current (0-30 days)	488 564	527 815
31-60 days	280 908	323 458
61 - 90 days	230 257	284 939
91 - 120 days	1 549 159	2 529 049
> 121 days	13 203 425	12 034 556
	15 752 313	**15 699 817**

Traffic fines		
Current (0-30 days)	349 439	12 598
31-60 days	307 940	3 004
61 - 90 days	216 340	24 940
91 - 120 days	270 450	12 664
> 121 days	528 990	739 270
	1 673 159	**792 476**

Reconciliation of allowance for traffic fines impairment		
Balance at beginning of the year	34 520 000	43 667 643
Unused amounts reversed	(5 739 274)	(9 147 643)
	28 780 726	**34 520 000**

7. Receivables from availability charges

Gross balances		
Availability charges	9 306 142	6 569 070
Less: Allowance for impairment		
Availability charges	(6 479 312)	(4 750 181)
Net balance		
Availability charges	2 826 831	1 818 889

Availability charges		
31-60 days	96 040	82 486
61 - 90 days	81 324	69 976
91 - 120 days	78 578	68 628
> 121 days	2 570 889	1 597 799
	2 826 831	**1 818 889**

Reconciliation of allowance for debtors from availability charges impairment		
Balance at beginning of the year	(4 750 180)	(3 178 664)
Unused amounts reversed	(1 729 131)	(1 571 516)
	(6 479 311)	**(4 750 180)**

Figures in Rand	2025	2024

8. Cash and cash equivalents

Cash and cash equivalents consist of:

	2025	2024
Cash on hand	3 750	3 750
Bank balances	1 541 544	1 108 409
Short-term deposits	3 996 523	1 308 763
	5 541 817	**2 420 922**

The municipality held a fleet card facility at year-end.

	2025	2024
The total amount of undrawn facilities available for future operating activities and commitments	200 000	200 000

Cash and cash equivalents pledged as collateral

	2025	2024
Total financial assets pledged as collateral	6 000	6 000

In addition to the above, the municipality has issued a bank guarantee in favour of Eskom for an increased electricity demand to 40 MVA required to meet the consumers' increasing electricity demand.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
ABSA - Current account - 2440000005	289 202	498 456	410 348	321 618	496 280	(2 271 444)
ABSA - Current account - 4052875289	11 766	419 039	30 554	11 766	419 039	30 554
Standard Bank- Current account - 280412835	1 088 397	137 382	134 064	1 088 397	137 382	134 064
ABSA - Current account - 4061642031	123 513	55 707	58 710	123 513	55 707	58 710
Standard Bank- Notice Deposit - 288901606	83 637	83 637	83 637	83 637	83 637	83 637
Standard Bank- Notice Deposit - 288901541001	151 485	151 485	151 485	151 485	151 485	151 485
First National Bank - Notice Deposit - 74107295062	23 760	23 760	23 761	23 760	24 356	24 355
ABSA - Deposit Plus - 9355227534	3 737 641	1 049 881	474 190	3 737 641	1 050 092	474 190
Total	**5 509 401**	**2 419 347**	**1 366 749**	**5 541 817**	**2 417 978**	**(1 314 449)**

9. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	45 880 199	(75 000)	45 805 199	45 880 199	(66 000)	45 814 199

Reconciliation of investment property - 2025

	Opening balance	Impairments	Total
Investment property	45 814 199	(9 000)	45 805 199

Reconciliation of investment property - 2024

	Opening balance	Transfers	Impairments	Total
Investment property	48 976 199	(3 136 000)	(26 000)	45 814 199

Pledged as security

All of the municipality's investment property is held under freehold interests and investment property had been pledged as security for any liabilities for the municipality.

There are no restrictions on the reliability of investment property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on investment property.

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

9. Investment property (continued)

The following criteria was used to determine whether a property should be classified as an investment property:

A building owned by the municipality and leased out to third parties under one or more operating leases.

Land held for a current undeterminable future use.

Property being constructed or developed for future use as investment property.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality has to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	20 417 814	(5 300)	20 412 514	21 862 413	(1 444 600)	20 417 813
Buildings	8 594 191	(7 177 550)	1 416 641	8 594 191	(7 092 725)	1 501 466
Community	43 786 707	(13 478 078)	30 308 629	37 301 848	(13 204 799)	24 097 049
Infrastructure	1 054 914 557	(639 050 072)	415 864 485	1 038 009 352	(613 048 174)	424 961 178
Computer equipment	5 639 766	(4 947 197)	692 569	5 667 307	(4 805 627)	861 680
Furniture and fixtures	4 566 975	(3 426 636)	1 140 339	4 406 248	(3 417 440)	988 808
Motor vehicles	10 678 970	(5 296 001)	5 382 969	11 936 925	(6 213 732)	5 723 193
Plant and machinery	3 421 256	(2 745 227)	676 029	5 573 683	(4 588 035)	985 648
Total	**1 152 020 236**	**(676 126 061)**	**475 894 175**	**1 133 351 967**	**(653 815 132)**	**479 536 835**

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Completed projects transferred from WIP	Donations	Transferred to completed assets- WIP	Disposals	Revaluations	Depreciation	Impairment	Total
Land	20 417 813	-	-	-	-	-	-	-	(5 299)	20 412 514
Buildings	1 501 466	-	-	-	-	-	-	(84 273)	(552)	1 416 641
Community	24 097 049	7 217 893	-	-	-	(151 002)	-	(853 464)	(1 847)	30 308 629
Infrastructure	424 961 178	17 312 960	40 004 306	-	(40 004 306)	(245 475)	2 278 969	(28 308 889)	(134 258)	415 864 485
Computer equipment	861 680	17 940	-	-	-	(1 658)	-	(181 151)	(4 242)	692 569
Furniture and fixtures	988 808	283 541	-	-	-	(20 050)	-	(209 294)	97 334	1 140 339
Motor vehicles	5 723 193	727 283	-	110 628	-	(761 603)	-	(368 942)	(47 590)	5 382 969
Plant and machinery	985 648	83 650	-	-	-	(266 142)	-	(134 486)	7 359	676 029
	479 536 835	**25 643 267**	**40 004 306**	**110 628**	**(40 004 306)**	**(1 445 930)**	**2 278 969**	**(30 140 499)**	**(89 095)**	**475 894 175**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Completed projects transferred from WIP	Disposals	Transferred to completed assets- WIP	Revaluations	Depreciation	Impairment loss	Total
Land	20 418 813	-	-	(1 000)	-	-	-	-	20 417 813
Buildings	1 578 647	-	-	-	-	-	(84 665)	7 484	1 501 466
Community	19 856 660	5 291 963	-	(184 559)	-	-	(864 920)	(2 095)	24 097 049
Infrastructure	441 905 723	12 596 555	13 555 439	(1 850 260)	(13 555 439)	(1 189 887)	(25 886 674)	(614 280)	424 961 178
Computer equipment	1 131 950	-	-	(10 044)	-	-	(259 677)	(549)	861 680
Furniture and fixtures	1 196 634	27 440	-	(5 637)	-	-	(228 159)	(1 470)	988 808
Motor vehicles	6 527 448	-	-	-	-	-	(507 214)	(297 041)	5 723 193
Plant and machinery	1 053 808	76 100	-	(8 264)	-	-	(136 099)	103	985 648
	493 669 683	**17 992 058**	**13 555 439**	**(2 059 764)**	**(13 555 439)**	**(1 189 887)**	**(27 967 408)**	**(907 848)**	**479 536 835**

Pledged as security

None of the tangible assets were pledged as security during the current and previous financial years.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

10. Property, plant and equipment (continued)

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

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Buildings	-	6 230 800
Infrastructure	-	39 188 947
	-	**45 419 747**

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Noupoort electrification project	-	5 205 133
Project development costs were incurred, but due to funding problems, the project was stopped. Project commenced in the current year and project no longer slow moving.		
	-	**5 205 133**

*Projects listed above include projects that were not completed at the contract completion date.

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Total
Opening balance	25 396 320	6 230 801	31 627 121
Additions/capital expenditure	17 312 958	7 217 893	24 530 851
Transferred to completed items	(40 004 306)	-	(40 004 306)
	2 704 972	**13 448 694**	**16 153 666**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	26 355 204	938 838	27 294 042
Additions/capital expenditure	12 596 555	5 291 963	17 888 518
Transferred to completed items	(13 555 439)	-	(13 555 439)
	25 396 320	**6 230 801**	**31 627 121**

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		
Buildings	533 171	367 551
Contracted services	4 798 535	4 868 919
	5 331 706	**5 236 470**

11. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 042 345	(2 025 855)	16 490	2 042 345	(2 016 067)	26 278

Reconciliation of intangible assets - 2025

	Opening balance	Impairment loss	Total
Computer software	26 278	(9 788)	16 490

Reconciliation of intangible assets - 2024

	Opening balance	Total
Computer software	26 278	26 278

Pledged as security

All of the municipality's intangible assets are held under freehold interests and no intangible assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the intangible assets of the municipality.

Other information

The municipality amortises all its intangible assets and no intangible assets are regarded as having indefinite useful lives. The amortisation expense has been included in the line item depreciation and amortisation in the Statement of financial performance. Amortisation is charged on a straight-line basis over the intangible assets' useful lives.

12. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Chain of office	60 000	-	60 000	60 000	-	60 000

Reconciliation of heritage assets 2025

	Opening balance	Total
Chain of office	60 000	60 000

Reconciliation of heritage assets 2024

	Opening balance	Total
Chain of office	60 000	60 000

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

13. Finance lease obligation

Minimum lease payments due		
- within one year	307 233	1 722 588
- in second to fifth year inclusive	-	289 290
	307 233	2 011 878
less: future finance charges	(31 102)	(669 751)
Present value of minimum lease payments	**276 131**	**1 342 127**

Present value of minimum lease payments due		
- within one year	276 131	263 580
- in second to fifth year inclusive	-	1 078 547
	276 131	**1 342 127**

Non-current liabilities	-	263 580
Current liabilities	276 131	1 078 547
	276 131	**1 342 127**

The average lease term was 5 years (2024: 5 years) and the average effective borrowing rate was between 9% and 16% (2024: 9% and 16%).

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

14. Payables from exchange transactions

Trade payables	36 821 376	23 758 097
Unallocated deposits	1 304 547	1 450 468
Accrued leave pay	4 945 720	4 187 640
Accrued bonus	1 321 988	1 114 188
Retentions	1 424 678	988 095
Performance bonus provision	793 387	559 588
Debtors with credit balances	3 545 721	3 581 690
Wellness programme	150 560	136 520
Sports programme	24 451	24 001
	50 332 428	**35 800 287**

Included in Trade payables are balances owed to ESKOM. During the financial year the municipality entered into a debt write-off agreement with ESKOM. ESKOM undertakes to assess(for the next 12 months) if the municipality meets stipulated conditions relating to this agreement in order to consider if the municipality qualifies for debt write-off. No debt has been written-off during the financial year.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter the interest is charged in accordance with the credit of the various individual creditors that the municipality deals with.

The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe. received in advance is due to payments received for hall hire and prepaid electricity. Payments in advance are consumer debtors' accounts paid in advance.

Accrued leave and bonuses accrue to the staff of the municipality on an annual basis, subject to certain conditions.

15. Taxes and transfers payable (non-exchange)

Consumer debtors with credit balances (non-exchange)	1 284 460	1 468 194
Salary control accounts	(1 040 066)	(1 249 702)
	244 394	**218 492**

Figures in Rand	2025	2024

16. Employee benefit obligations

Defined benefit plan

Post retirement benefit plan

The municipality provides for certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to those employees.

The most recent actuarial valuation of the present value of the defined benefit obligation was carried out on 30 June 2025 by Arch Actuarial Consulting, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service and past service costs, were measured using the Projected Unit Credit Method.

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

- Bonitas

- Hosmed

- LA Health

- Samwumed

The members of the post employment medical aid benefit obligation are made up as follows:

In-service members(eligible employees on medical aid)	23	18
In-service non-members (eligible employees w/o medical aid)	174	145
Continuation members (retirees and surviving dependents)	6	7
	203	**170**

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

In service memebrs(employees)	4 831 000	3 113 000
Continuation (retiree and widow) members	4 557 000	6 738 000
	9 388 000	**9 851 000**

Movements in the present value of the defined benefit obligation were as follows:

Balance at the beginning of the year	9 851 000	8 931 000
Current service cost	207 000	277 000
Interest cost	1 134 000	1 040 000
Benefits paid	(679 000)	(527 000)
Actuarial gains/ (losses)	(1 125 000)	130 000
	9 388 000	**9 851 000**

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

Current service cost	207 000	277 000
Interest cost	1 134 000	1 040 000
Benefits paid	(679 000)	(527 000)
Actuarial gains / losses	(1 125 000)	130 000
	(463 000)	**920 000**

16. Employee benefit obligations (continued)

The current service cost of the year ending 30 June 2025 is estimated to be R (207,000), whereas the cost for the ensuing year is estimated to be R (296,000).

Long service award

The municipality operates an continuous defined benefit plan for all of its employees. Thereafter, a long service award is payable after 10 years of continuous service, and every 5 years of continuous service thereafater. The provision is an estimate of the log service award based on the historical staff turnover. No other long service benefits are provided to employees.

Movement in the long service award provision was as follows:

Figures in Rand	2025	2024
Opening accrued liability	2 768 000	2 454 000
Current-service cost	241 000	240 000
Interest Cost	273 000	254 000
Actuarial Loss/ (gain)	75 000	182 000
Expected benefits vesting	(510 000)	(362 000)
	2 847 000	**2 768 000**

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

Figures in Rand	2025	2024
Current-service cost	241 000	240 000
Interest cost	273 000	254 000
Expected benefits vesting	(510 000)	(362 000)
Actuarial (gain) /loss	75 000	182 000
	79 000	**314 000**

The current service cost of the year ending 30 June 2025 is estimated to be R 241 000, whereas the cost for the ensuing year is estimated to be R 301,000.

Current Liabilities

Figures in Rand	2025	2024
Post-employment medical aid benefit liability	(519 000)	(679 000)
Long-service award	(312 000)	(510 000)
	(831 000)	**(1 189 000)**

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

Figures in Rand	2025	2024
Carrying value		
Post-employment medical aid benefit liability	(9 388 000)	(9 851 000)
Long service award	(2 846 460)	(2 767 460)
	(12 234 460)	**(12 618 460)**
Non-current liabilities	(10 782 460)	(10 758 460)
Current liabilities	(1 452 000)	(1 860 000)
	(12 234 460)	**(12 618 460)**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

16. Employee benefit obligations (continued)

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

Current service cost	(805 000)	(2 123 000)
Interest cost	(1 855 000)	(1 811 000)
Current service cost	(448 000)	(517 000)
Interest cost	(1 407 000)	(1 294 000)
Actuarial (gains) losses	1 050 000	(312 000)
	(805 000)	**(2 123 000)**

Key assumptions used

Assumptions used at the reporting date:

Discount rate used: Post employment medical aid benefit liability	11,00 %	11,91 %
Discount rates used: Long service award	9,80 %	10,83 %
Healthcare cost inflation rate	6,80 %	7,43 %
General salary inflation	4,80 %	6,50 %
Net discount rate: Post employment medical aid benefit liability	3,90 %	4,06 %
Net discount rate : long service award	4,80 %	4,17 %
Maximum subsidy: inflation rate	4,80 %	6,50 %
Net discount rate: Maximum subsidy inflation rate	3,90 %	4,06 %
Expected retirement age (in years)	62	62

The basis used to determine the overall expected rate of return on assets is as follow: [provide details]

The effect of the major categories of plan assets is as follow: [state effect]

Salaries - Changes in an index or other variable specified in the formal or constructive terms of a plan as the basis for future benefit increases: [provide details]

The basis on which the discount rate has been determined is as follow: [state basis]

The basis used to determine the overall expected rate of return on assets, including the effect of the major categories of plan assets, is as follows:

17. VAT receivables/(payable)

VAT receivable	51 000 820	41 473 688
Vat receivable accrual	160 371	1 119 358
Vat payable	(79 926 767)	(64 645 756)
Vat payable accrual	(5 351 584)	(5 502 719)
	(34 117 160)	**(27 555 429)**

18. Consumer deposits

Electricity	582 937	582 906
Water	426 405	323 157
	1 009 342	**906 063**

Consumer deposits are paid by consumers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts, the municipaliity can utilise the deposit for the outstanding account. No interest is paid on consumer deposits held.

Figures in Rand	2025	2024

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	394 134	-
Integrated National Electrification Progarmme (INEP)	2 694 019	1 137 179
Department Water Affairs and Forestry	1 519 388	1 519 388
Electricity Efficiency Demand Side Management Grant (EEDSM)	1 258 581	1 258 581
Department Water Affairs and Forestry (2)	942 072	942 072
Water Services Infrastructure Grant (WSIG)	332 027	1 251 351
National Lottery Development Trust Fund (NLDTF)	280 258	280 258
Department Housing	130 852	130 852
Department Safety	124 919	124 919
Development Bank of South Africa	6 337	6 337
Institutional Re-organisation Grant	226 712	226 712
	7 909 299	**6 877 649**

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

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

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

20. Trade and other payables from exchange transactions

Eskom Debt Relief		
Opening Balance	4 898 148	-
Municipal Debt Relief and other movement from Eskom	-	7 013 871
Less: Current portion transferred to current Trade and Other payables	(2 330 675)	(2 115 723)
	2 567 473	**4 898 148**

Umsobomvu Local Municipality was approved for debt relief during 2023/2024 financial year. The outstanding debt will be subject to write-off over 3 year. Current portion written off has been transferred to revenue on the statement of financial performance and in note 28

21. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	13 317 858	2 278 970	1 473 843	17 070 671

Reconciliation of provisions - 2024

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	12 985 498	(1 189 887)	1 522 247	13 317 858

The provision of landfill sites relates to the obligation, in terms of the National Environmental: Waste Management Act, 2008 (Act No. 59 of 2008), whereby the municipality is required to execute the environmental management program to restore the landfill sites at Colesberg, Norvalspont and Noupoort to comply with the permit requirements.

21. Provisions (continued)

The provision was determined by an independant expert as at 30 June 2024 and approximates the discounted expected future cash flows using reasonable estimation techniques. The discount rate used for the landfill sites is based on the bond rate that measures as close as possible to the future date of the rehabilitation. The final rehabilitation of the landfill sites are expected to at the end of the useful lives of the individual landfill sites. No uncertainties were listed in the engineer's report.

The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

The value of the provision is based on the expected future cost to rehabilitation the various sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site om which it is located, the obligation for which a municipality incure as a consequence of having used the property during a particular period for landfill purposes. The municipality estimates the useful lives and makes assumptions as to the useful lives of these, assets, which influence the provision for future costs.

Key assumptions used:

Total area expected to be rehabilitated: 89 845 square meters.

Average rate per square metre: R 671 (excl. VAT)

The area to be rehabilitated can be reconciled to the different sites as follow:

Colesberg: 66 586 square metres

Norvalspont: 29 280 square metres

Noupoort: 27 182 square metres

The Norvalspont landfill site has adequate footprint and airspace available for the disposal of solid waste until the end of its useful life in 14 years (2038). Colesberg is estimated to reach capacity during the 17th year of operation (2041). Noupoort is estimated to reach capacity during the 10th year of operation (2034).

Employee benefit cost provision

A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.

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

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

22. Service charges

	2025	2024
Sale of electricity	43 732 580	42 582 304
Sale of water	19 067 734	18 045 727
Sewerage and sanitation charges	13 777 741	13 352 695
Refuse removal	9 199 085	8 872 683
Other service charges	129 056	33 857
	85 906 196	**82 887 266**

The amounts disclosed above for revenue generated from service charges are in respect to services rendered and billed to the consumers on a monthly basis in accordance with the approved tariffs, except in the case of service rendered to consumers registered as indigent debtors. Its the municipality's practice not to bill indigent consumer debtors for services rendered.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

23. Rental of facilities and equipment

Facilities and equipment		
Halls	126 486	182 589
Machinery	1 447	5 782
	127 933	**188 371**

24. Agency services

Department of Transport, Safety and Liaison	974 438	1 045 471

25. Other income

Building plan fees	54 247	23 045
Cemetery fees	26 191	21 573
Commission earned	243 957	253 915
Connection and re-connection fees	173 670	208 851
Other income	500 257	803 654
Photocopies	2 544	2 708
Application for land use	391	1 497 253
	1 001 257	**2 810 999**

26. Investment revenue

Interest revenue		
Bank	717 941	660 130
Interest charged on trade and other receivables	28 612 016	25 099 021
Eskom deposit	92 030	99 257
	29 421 987	**25 858 408**

27. Property rates

Rates received

Rates	20 265 535	18 264 935
Less: Income forgone	(816 879)	(596 814)
	19 448 656	**17 668 121**

Valuations

Residential	717 627 300	717 627 300
Commercial	2 562 839 530	2 562 839 530
State	224 240 300	224 240 300
Municipal	12 792 000	12 792 000
	3 517 499 130	**3 517 499 130**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2020. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

28. Eskom Debt Relief

Revenue	2 232 562	1 764 461

The revenue recognised is a result of the eskom debt portion written off in the current year, as a result of the muncipality adhereing to the criteria set for the eskom debt relief.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

29. Government grants & subsidies

Operating grants		
Equitable share	73 653 351	69 562 538
Finance Management Grant (FMG)	1 900 000	1 920 000
Library Development Grant	1 740 000	1 669 000
Municipal Infrastructure Grant (MIG)	1 232 800	599 350
	78 526 151	**73 750 888**
Capital grants		
Expanded Public Works Programme (EPWP)	1 200 000	787 000
Municipal Infrastructure Grant (MIG)	23 029 067	11 709 537
Integrated National Electrification Programme (INEP)	879 160	-
Water Services Infrastructure Grant (WSIG)	2 167 973	6 451 798
	27 276 200	**18 948 335**
	105 802 351	**92 699 223**

Equitable Share

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

All registered indigents receive a monthly subsidy of R 759 (2024: R 661.44), which is funded from the grant. All registered indigent households receive 6kl water and 50kWh electricity free every month and to informal areas paraffin matches and candles are supplied. Unspent EPWP and MIG grants from the prior year was withheld from Equitable Share R 652,000 (2024: R 496,000), which is funded from the grant.

National: Integrated National Electrification Programme (INEP)

Balance unspent at beginning of year	1 137 179	1 137 179
Current-year receipts	2 436 000	-
Conditions met - transferred to revenue	(879 160)	-
	2 694 019	**1 137 179**

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

The grant is paid by National Treasury in order to implement the Integrated National Electrification Programme by addressing the electrification backlog of all existing and planned residential dwellings and the installation of relevant bulk infrastructure.

National: Department of Water Affairs and Forestry

Balance unspent at beginning of year	1 519 388	1 519 388

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

National: Energy Efficiency and Demand Side Management Grant (EEDSM)

Balance unspent at beginning of year	1 258 581	1 258 581

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

Provincial: Library Development Grant

Current-year receipts	1 740 000	1 669 000
Conditions met - transferred to revenue	(1 740 000)	(1 669 000)
	-	-

Figures in Rand	2025	2024

29. Government grants & subsidies (continued)

National: Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	-	321 887
Current-year receipts	24 656 000	11 987 000
Conditions met - transferred to revenue	(24 261 867)	(12 308 887)
	394 133	**-**

The Municipal Infrastructure Grant (MIG) was allocated by National Treasury for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure.

National: Department of Water Affairs and Forestry (2)

Balance unspent at beginning of year	942 072	942 072

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

Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	1 251 351	385 148
Current-year receipts	2 500 000	7 703 000
Conditions met - transferred to revenue	(2 167 973)	(6 451 797)
Other	(1 251 351)	(385 000)
	332 027	**1 251 351**

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

To facilitate the planning and implementation of various water projects water and on-site sanitation projects to accelerate backlog reduction and enhance the sustainability of services, especially in rural areas.

During the 2024/25 financial year National Treasury invoked section 18 of the 2024 DORA and subsequently stopped an amount of R 2 500 000 from the WSIG allocation.

Other: National Lottery Development Trust Fund

Balance unspent at beginning of year	280 258	280 258

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

Provincial: Department of Housing

Balance unspent at beginning of year	130 852	130 852

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

29. Government grants & subsidies (continued)

Provincial: Department of Safety

Balance unspent at beginning of year	124 919	124 919

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

Other: Development Bank of Southern Africa

Balance unspent at beginning of year	6 337	6 337

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

Other: Institutional Re-organisational Grant

Balance unspent at beginning of year	226 712	226 712

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

30. Public contributions and donations

Public contributions and donations	110 628	-

31. Fines, Penalties and Forfeits

Law Enforcement Fines	22 358 129	17 392 118
Other	80 074	44 087
	22 438 203	**17 436 205**

The full amount of traffic fines issued during the year is recognised at the initial transaction date as revenue in accordance with iGRAP 1.

The fines issued, but not yet collected at 30 June 2025 amounted to R 19 113 700 (2024: R 19 883 800).

Figures in Rand	2025	2024

32. Employee related costs

Basic	42 937 131	40 774 098
Performance bonus	481 006	198 611
Bonus	3 305 954	2 800 329
Medical aid - company contributions	906 219	806 509
UIF	1 689 152	310 365
Pension fund - company contributions	7 229 549	6 761 290
Industrial council	27 321	25 596
Leave pay provision charge	1 067 911	470 132
Housing benefits	438 076	365 933
Expenses	-	2 913
Overtime payments	3 708 278	3 078 082
Long-service awards	323 849	255 639
Allowances	2 091 078	1 524 352
Skills Development Levy	90 668	-
	64 296 192	**57 373 849**

Remuneration of municipal manager

Annual Remuneration	885 834	851 585
Car Allowance	186 237	186 237
Performance Bonuses	234 416	70 965
contributions to UIF, Medical and Pension Funds	279 406	266 205
Other	117 136	148 930
	1 703 029	**1 523 922**

Remuneration of Acting chief finance officer

Annual Remuneration	667 680	627 672
Car Allowance	142 789	135 002
Annual Bonuse	55 971	52 306
Contributions to UIF, Medical and Pension Funds	103 169	194 400
Other	65 274	78 459
Acting Allowance	84 376	59 648
Back pay	7 330	-
	1 126 589	**1 147 487**

The post was vacant for the period 01 July 2024 to 30 June 2025, during which time Mr. N Thiso acted as the Chief financial manager. He received an acting allowance totalling R84 376 during this period.

Remuneration of the Manager: Corporate Services

Annual Remuneration	640 228	255 045
Car Allowance	240 000	100 000
Performance Bonuses	58 941	-
Contributions to UIF, Medical and Pension Funds	249 847	93 934
Other	101 848	733
	1 290 864	**449 712**

Figures in Rand	2025	2024

32. Employee related costs (continued)

Remuneration of the Manager: Technical Services

Annual Remuneration	426 819	612 108
Car Allowance	160 000	240 000
Performance Bonuses	131 858	127 646
Contributions to UIF, Medical and Pension Funds	9 294	169 417
Other	-	286 165
Other Allowances	51 426	62 587
Leave Pay	105 487	-
	884 884	**1 497 923**

Mr S Nkcithiso was Technical Services Manager from 1 July 2024 - 31 October 2024. Mr T Mthimkulu acted as Manager from 1 November 2024 - January 2025 .The post was vacant for a period of a month February 2025 - 2 March 2025. Mr L Mthembu was appointed on 3 March 2025 as the Technical services manager.

33. Remuneration of councillors

Executive Major	1 720 130	1 275 050
Mayoral Committee Members	1 634 649	1 630 102
Speaker	785 221	774 277
Councillors	2 044 168	2 082 847
	6 184 168	**5 762 276**

34. Repairs and maintenance

Other	5 282 210	5 253 603

35. Depreciation and amortisation

Property, plant and equipment	30 140 499	27 967 408
Intangible assets	9 788	-
	30 150 287	**27 967 408**

36. Impairment of PPE

Impairments		
Property, plant and equipment	98 096	933 839
Property, plant and equipment (buildings, infrastructure - and movable assets) have been impaired due to condition assessments that indicated a decrease in the value in use since the last assessment.		

37. Finance costs

Non-current borrowings	3 606 558	3 699 355
Trade and other payables	2 019 764	1 056 565
	5 626 322	**4 755 920**

38. Debt impairment

Debt impairment	58 264 534	53 081 314
Bad debts written off - Traffic fines	31 029 615	23 924 307
	89 294 149	**77 005 621**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

39. Bulk purchases

Electricity	54 880 861	46 433 246
Water	(5 873)	(7 067)
	54 874 988	**46 426 179**

40. Contracted services

Contractors		
Financial management	6 012 637	6 583 300
Legal costs	857 132	634 892
Other	387 743	389 661
Security	429 565	369 601

41. General expenses

Advertising	80 806	167 470
Analysis of water samples	190 160	283 001
Bank charges	381 764	349 914
Cleaning	95 101	35 484
Consumables	595 078	620 045
Electricity	3 434 522	1 781 447
Employee wellness	38 759	15 180
Entertainment	395 621	303 356
Fuel and oil	1 635 492	1 920 716
Insurance	575 330	938 393
Library expenditure	17 690	4 015
Licence fees	833 834	949 437
Management fees	1 002 166	1 002 764
Materials and supplies	145 537	167 939
Postage and courier	594	2 668
Printing and stationery	325 005	284 542
Refuse removal	176 882	99 999
Registration Fees	73 966	87 700
Remuneration of ward committees	381 000	358 300
Rental	250 471	194 506
Special programme - community participation	1 455 848	1 165 934
Subscriptions and membership fees	1 095 712	943 390
Telephone and fax	933 522	844 719
Title deed search fees	6 170	3 614
Training	28 942	31 315
Uniforms	571 770	236 860
Workmens compensation	381 972	315 062
	15 103 714	**13 107 770**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

42. Cash generated from operations

Deficit	(14 045 338)	(6 073 698)
Adjustments for:		
Depreciation and amortisation	30 150 287	27 967 408
Gain on sale of assets and liabilities	1 445 931	2 059 764
Impairment deficit	98 096	933 839
Debt impairment	89 294 149	77 005 621
Movements in retirement benefit assets and liabilities	(384 000)	1 234 000
Movements in provisions	1 473 843	1 522 247
Donations received	(110 628)	-
Eskom debt relief-non cash	(2 232 562)	(1 764 461)
Interest income disclosed separately	(33 526 916)	(29 920 516)
Interest income actually received	6 343 141	3 117 054
Changes in working capital:		
Inventories	(5 873)	(8 067)
Consumer debtors	(29 476 687)	(47 505 789)
Other receivables from non-exchange transactions	126 743	1 839 316
Statutory receivables from non-exchange transactions	(38 955 089)	(19 730 803)
Availability charges	(2 737 072)	(2 134 062)
Payables from exchange transactions	14 095 558	6 460 814
VAT	6 561 731	7 456 417
Taxes and transfers payable (non-exchange)	25 902	(465)
Unspent conditional grants and receipts	1 031 650	277 778
Consumer deposits	103 279	(60 203)
	29 276 145	**22 676 194**

43. Unauthorised expenditure

Opening balance as previously reported	-	56 787 904
Add: Unauthorised expenditure - current	88 429 279	(56 787 904)
Closing balance	**88 429 279**	**-**

44. Fruitless and wasteful expenditure

Opening balance as previously reported	1 428 824	2 470 071
Add: Fruitless and wasteful expenditure identified - current	1 481 596	681 771
Less: Amount written off - current	(1 086 866)	(186 541)
Less: Amount written off - prior period	(1 428 824)	(1 536 477)
Closing balance	**394 730**	**1 428 824**

45. Irregular expenditure

Opening balance as previously reported	9 953 822	32 163 806
Add: Irregular expenditure - current	1 330 596	1 137 653
Less: Amount written off - current	(1 136 395)	(964 105)
Less: Amount written off - prior period	(9 665 183)	(22 383 532)
Closing balance	**482 840**	**9 953 822**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

46. Prior period errors

During the current financial year, a physical verification of assets was conducted, which revealed that the useful lives of certain assets were not appropriately estimated in prior periods.

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

Statement of Financial Position		
Property, plant and equipment	12 687 523	-
Investment Property	4 277 000	-
Accumulated Surplus	(16 964 523)	-

Project 9 the upgrading of Murray street traddic circle in Noupoort was completed in 2021 however not transferred.The project has been transferred, the correction has an effect on depreciation of the asset.

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

Statement of Financial Position		
Accumulated Surplus	54 661	-
Accumulated depreciation	(54 661)	-

Projecct 9 the upgrading of Murrary street traffic circle in Nouport was completed in 2021, however not transferred.The project has since been transferred and the correction has an effect on depreciation. Project 10 was practical completed in 2024 financial yeat and should have been transferred in the prior year, the correction has an effect on depreciation.

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

Statement of Financial Position		
Accumulated depreciation	(205 647)	-
Statement of financial performance		
Depreciation	205 647	-

During the 2022/23 financial year the unallocated deposits were overstated with inter bank transfers that have already been allocated on the financial system.

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

Statement of Financial Position		
Unallocated deposits	42 218 391	42 218 391
Accumulated surplus	(42 218 391)	(42 218 391)

A 30 June 2024 invoice was not captured in the correct financial year, therefore it was payables from exchange in the prior year should be adjusted.

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

Statement of Financial Position		
Payables from exchange	24 035	(24 035)
Input vat	(3 135)	3 135
Accumulated Surplus	-	20 900
Statement of financial performance		
Contracted Services	(20 900)	-

During the current financial year, a reclassification of interest earned from non-exchange, from interest from exchange transactions to interest revenue- taxation (non-exchange transaction).

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

Figures in Rand	2025	2024

46. Prior period errors (continued)

Statement of financial performance		
Interest revenue exchange	4 062 107	-
Interest revenue- taxation	(4 062 107)	-

During the current financial year, receivables from non- exchange was reclassified to other receivables from exchange transactions as the transactions within this line item result from exchange transactions

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

Statement of Financial Position		
Receivables from non-exchange	(5 395 419)	-
Other receivables from exchange transactions	5 395 419	-

47. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	12 442 355	27 471 558
Total capital commitments		
Already contracted for but not provided for	12 442 355	27 471 558

This committed expenditure relates to plant and equipment and will be financed by government grants. The commitment amounts disclosed are inclusive of VAT

48. Contingencies

Contingent liabilities

Komanisi //Umsobomvu Local Municipality: Litigation is in the process against the municipality relating to a dispute with a supplier who alleges that it suffered financial loss and stock on a housing project. Due to the fact that there had been no developments in the case since 2013, management is of the opinion that there will be no financial impact as at 30 June 2025. Should there be any developments management will reassess and disclose appropriately.

Umsobomvu Local Municipality// NE Lufele & NM Mxhosana & NE Takayi: The insurance claim is still pending at year end: Three children swam in the municipal quarry and drowned. Damages of R1 286 100 (2024: R1 286 100) is claimed by the family and still in progress.

Dept of Environmental Affairs//Umsobomvu Local Municipality: Legal Rep. S. Foster Attorneys (Criminal case - spillage of sewerage in Noupoort). The amount will be based on the outcome of the court case and cannot be estimated yet

Notes to the Annual Financial Statements

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49. Related parties

Name	Designation	Enterprise
W Minnie	Councillor	Jashwill contractors
JP Mathee	Councillor	JM Compsol
JP Mathee	Councillor	CBG Consultants
GMH Douw	Councillor	Enkosi Marli Bongs Consulting
B Mangaliso	Councillor	K2013186624(South Africa)
B Mangaliso	Councillor	Silubonono
B Mangaliso	Councillor	Tugela Legacy Development
L Tyindyi	Councillor	Wavefront Trading
L Tyindyi	Councillor	Umsobomvu Residence Association
NS Mlungwana	Councillor	Sisokola Sonke Colesberg Primary Cooperative Limited
S Yabo	Councillor	Yabocon Construction
L Zakhe	Councillor	Lindi Rose Trading Enterprise
T Matebese	Councillor	Umsobomvu Residence Association
MS Toto	Councillor	None
ND Stafa	Councillor	None
AP Poyo	Councillor	None
VP Harmse	Councillor	None
TW Msengana	TW Msengana	Bakhangele Kuwe Enteprise
S Nkcithiso	Technical Manager	Uhamboluhle Construction CC
S Nkcithiso	Technical Manager	Sida Engineering Solutions (Pty) Ltd
N Thiso	Acting Chief Financial Officer	None
S.T. Felix	Corporate Services Manager	None
T Mthimkulu	PMU Manager	Colesburg Cosmos Sports Academy
T Mthimkulu	PMU Manager	We Even Logistics
S Mtubu	PMU Manager	None
L Mthembu	Manager Technical Services	Yellow Clouds Construction
L Mthembu	Manager Technical Services	Double Stars Trading 355
L Mthembu	Manager Technical Services	Minango Consulting and projects managers
L Mthembu	Manager Technical Services	DZN Maintenance and engineering
L Mthembu	Manager Technical Services	Servimix 179
L Mthembu	Manager Technical Services	Minango Consulting Engineers
L Mthembu	Manager Technical Services	Lethu Themba Funeral Scheme
L Mthembu	Manager Technical Services	Eqinisweni Life cover
SE James	Manager Community Services	None

Related party transactions

	2025	2024
Property rates levied against related parties		
Councillors	13 547	13 279
Service charges levied against related parties		
Councillors	71 942	57 370
Other charges levied against related parties		
Councillors	3 423	13 786

Figures in Rand	2025	2024

49. Related parties (continued)

Remuneration of councillors

Related parties

2025

Name	Basic salary	Cellphone and data allowances	Travel and subsistence	Back pay	Total
MS Toto	684 303	47 004	333 606	36 949	1 101 862
ND Stafta	708 657	47 004	55 554	29 560	840 775
B Mangaliso	370 630	47 004	72 132	15 459	505 225
W Minnie	359 757	47 004	20 259	15 006	442 026
L Tyindyi	370 630	47 004	19 163	15 459	452 256
L Zakhe	370 630	47 004	7 032	15 459	440 125
JP Mathee	280 330	47 004	2 027	11 693	341 054
VP Harmse	280 330	47 004	7 785	11 693	346 812
GMH Douw	280 330	47 004	507	11 693	339 534
NS Mlungwana	280 330	47 004	-	11 693	339 027
SA Yabo	280 330	47 004	18 053	11 693	357 080
T Matabese	280 330	47 004	-	11 693	339 027
AP Poyo	280 330	47 004	338	11 693	339 365
	4 826 917	**611 052**	**536 456**	**209 743**	**6 184 168**

2024

Name	Basic salary	Cellphone and data allowances	Travel and subsistence	Total
MS Toto	698 368	45 970	208 922	953 260
ND Stafta	721 215	45 970	7 092	774 277
B Mangaliso	380 317	45 970	1 449	427 736
W Minnie	382 813	45 970	3 220	432 003
L Tyindyi	380 317	45 970	2 262	428 549
L Zakhe	380 317	45 970	1 127	427 414
JP Mathee	274 743	45 970	169	320 882
VP Harmse	289 250	45 970	483	335 703
GMH Douw	289 250	45 970	-	335 220
NS Mlungwana	289 250	45 970	-	335 220
SA Yabo	289 250	45 970	2 415	337 635
T Matabese	289 250	45 970	-	335 220
AP Poyo	289 250	45 970	1 328	336 548
	4 953 590	**597 610**	**228 467**	**5 779 667**

Remuneration of key management personnel
*Refer to note "Employee related costs"

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

50. Revaluation reserve

The municipality identified Property Plant and Equipment (specifically land) that was incorrectly classified that the end of 2022 financial year. Consequently, management revalued the assets before being transferred to the Investment Property from Property Plant and Equipment

Opening balance	22 525 510	22 525 510

51. Financial instruments disclosure (At Cost)

2025

Financial assets

Other Receivables from non-exchange transactions	4 122 827
Consumer debtors	106 234 261
Statutory receivables from non-exchange transactions	16 695 080
Receivables from availability charges	2 826 830
Cash and cash equivalents	5 541 817
	135 420 815

2025

Financial liabilities

Finance lease obligation	(276 131)
Payables from exchange transactions	(82 174 582)
Provisions	(17 070 671)
	(99 521 384)

2024

Financial assets

Other Receivables from non-exchange transactions	5 393 396
Consumer debtors	100 039 366
Statutory receivables from non-exchange transactions	16 492 292
Receivables from availability charges	1 818 889
Cash and cash equivalents	2 420 922
	126 164 865

2024

Financial liabilities

Finance lease obligation	1 342 127
Payables from exchange transactions	33 871 111
Provisions	13 317 858
	48 531 096

Figures in Rand	2025	2024

52. Deviation from supply chain management regulations

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

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

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

Type

Sole Supplier 36 (1) (a) (ii)	13 970	607 960
Emergency 36 (1) (a) (i)	56 459	909 953
Acquisition of special works of art or historical objects where specifications are difficult to compile. 36 (1) (a) (iii)	-	113 561
Exceptional case and it is impractical or impossible to follow the official procurement processes. 36 (1) (a) (v)	2 605 634	978 456
Written Quotations awarded without obtaining three quotations (SCM Regulations 16 (c)) & 17 (c)	413 015	278 410
	3 089 078	**2 888 340**

53. Accounting by principals and agents

Incident

Commission income paid	411 680	433 119

Incident

Utility Management debtors included in trade & other receivables	1 951 895	1 859 197

Umsobomvu Local Municipality paid 4.2% commission and other administrative cost to Conlog for acting as the agent on its behalf during the financial year. Umsobomvu Local Municipality paid 1.4% commission and other administrative cost to Utility Management for acting as the agent on its behalf during the financial year.

Resources under custodianship of the agent, nor have they been recognised as such. All resources provided to third party vendors are that of the agent and not the municipality. There is no direct resource or cost implications for the principal if the principal-agent arrangement is terminated, however this will directly impact on service delivery continuity and revenue generation negatively, due to the reduction in service points.

Details of the arrangement are as follows:

The Umsobomvu Local Municipality is the Agent in the Principal-Agent arrangement with various personal insurance companies, unions and legal firms. The municipality deduct specified amounts from salaries of municipal employees on behalf of the principals in exchange for commission of 2.50%. No significant judgements are applied in determining that the municipality was the agent in the arrangement. There have been no significant changes in the terms and conditions of the arrangements during the reporting period. There are no significant risks and benefits associated with the principal-agent arrangements.

The Umsobomvu 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 the 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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

53. Accounting by principals and agents (continued)

Compensation received for agency activities

Conlog - Commission	338 310	433 119
Department of Transport, Safety and Liaison - Commission	49 899	78 512
Utility Managment	73 370	-
	461 579	**511 631**

Umsobomvu Local Municipality paid 4.2% commission and other administrative cost to Conlog for acting as the agent on it its behalf during the financial year. Umsobomvu Local Municipality paid 1.4% commission and other administrative cost to Utility Management for acting as the agent on its behalf during the financial year.

Resources under custodianship of the agent, nor have they been recognised as such. All resources provided to third party vendors are that of the agent and not the municipality. There is no direct resource or cost implications for the principal if the principal-agent arrangement is terminated, however this will directly impact on service delivery continuity and revenue generation negatively, due to the reduction in service points

Umsobomvu Local Municipality is the Agent in the Principal-Agent arrangement with various personal insurance companies, unions and legal firms. The municipality deduct specified amounts from salaries of municipal employees on behalf of the principals in exchange for commission of 2.50%. No significant judgements are applied in determining that the municipality was the agent in the arrangement. There have been no significant changes in the terms and conditions of the arrangements during the reporting period. There are no significant risks and benefits associated with the principal-agent arrangements.

54. Budget differences

Material differences between budget and actual amounts
Material differences are deemed material where the differences differ with 15% or more of the final budget.
Statement of financial performance

Service Charges The variance in service charges revenue is attributed to lower-than-expected consumption of municipal services, particularly water and electricity. This resulted in reduced billing volumes compared to the budgeted projections.

Rental of facilities & equipment The budgeted revenue was based on prior-year performance, during which rental income exceeded expectations. However, this trend did not continue in the current year due to a noticeable decline in demand for rental of community halls

Other Income The municipality based their budget on the prior year other income figures, however the municipality was unable to obtain the budgeted figure due to not receiving income on some line items classified under other income, such as application of land use income.

Interest received The interest received relates to investments and interest charged on outstanding debtors. The variance indicates that the municipality had a significant amount of outstanding debtors that were charged interest on their accounts.

Availability Charges Management did not budget separately for the debtors and revenue between service charges & availability charges.

Government Grants & Subsidies, The variance is not a material difference, which indicates that the municipality budgeted for government grants & subsidies effectively.

Fines, Penalties This is attributable to the increase in collection of license fees. Licences and permits were budgeted as a separate line item, but the actual amount was included in Agency services on the financial statements

Employee Cost The costs were lower than budgeted due to a combination of delayed filling of vacant posts and reduced obligations to third parties. In particular, fewer employees than anticipated were enrolled in medical aid schemes and other optional employee benefits, resulting in cost savings.

54. Budget differences (continued)

Repairs & Maintenance the costs were budgeted for under contracted services.

Finance Cost Due to cashflow constraints experienced during the period the municipality incurred interest on outstanding creditor balances.

Debt Impairment Increase in impairment of debtors is due to the increase in aging of customer debtor accounts that are not being settled by customers. Management also ensured that all fines issued have been accounted for in terms of GRAP 1 and have provided for the portion deemed irrecoverable, which was not budgeted for.

55. Risk management

Financial risk management

Liquidity risk

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

Credit risk

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

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

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

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

56. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of 512 548 567 and that the municipality's total liabilities exceed its assets by 535 074 077.

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

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