Renosterberg Local Municipality
Annual financial statements
for the year ended 30 June 2025
Auditor-General South Africa

General Information

Nature of business and principal activities	Renosterberg Local Municipality is a local municipality performing the functions as set out in the Constitution, Act 105 of 1996.
Mayoral committee	
Executive Mayor	Cllr. AI Samson (Mayor)
	Cllr. TK Ramakwa (Speaker)
	Cllr. VS Niewenhuisen (Chief Whip)
Councillors	Cllr. JMZ Posthumus
	Cllr. CS Papashe-Hugo
	Cllr. D Kellem
	Cllr. N Booysen
	Cllr. W Fillies
	Cllr. EG Bekkers
Grading of local authority	Low Capacity (Grade 2)
Accounting Officer	Mr. Lulamile Jojiyasi-Appointed to act on 01 August 2025 (Seconded by COHGTA)
Chief Finance Officer (CFO)	Mr I Johanne- Appointed on 01 February 2024-January 2025 (Seconded by NCPT), Mr Kagiso Rasitoke - Acting CFO appointed in February 2025
Registered office	555 School Street Petrusville 8770
Business address	School Street Petrusville 8770
Postal address	PO Box 112 Petrusville 8770
Bankers	Standard Bank of South Africa Limited
Auditors	Auditor-General South Africa
Attorneys	Mjila and Partners
Other 1	

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Abbreviations used:

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

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 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 external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

Accounting Officer's Responsibilities and Approval

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

Mr Lulama Jojiyasi
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 surplus of the municipality was 19 230 209 (2024: deficit 65 869 632).

2. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of 278 011 718 and that the municipality's total assets exceed its liabilities by 278 011 718.

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 municipality received DoRA allocation funding for the ongoing operations for the municipality

Furthermore management has reviewed the municipalitiy's cash flow forecast for the year ended 30 June 2025 and, in the light of this review and the current financial position, management is satisfied that the municipality has, or has access to, adequate resources to continue it's operational existence for the foreseeable future.

The municipality still has the ability to levy services, rates and taxes and will continue to receive funding from government as evident from the Equitable Share allocations published in terms of the Division of Revenue Act (Act 1 of 2016).

For details of managements assumptions with respect to the municipality to the going concern assumption refer to note 42.

Management have evaluated all material going concern risks. Presented below are the major areas evaluated:

The municipality's current liabilities exceed its current assets by R117,336,794 (R161,521,200 in 2024) which indicates a current asset ratio is below the required norm of between 1.5 2.

The municipality incurred a surplus of R19,230,209 during the year (a deficit of R65,869,632) in 2024)

The creditors payment days of the municipality is currently 1,085 days (1,659 days in 2025).

Outstanding amounts owed to Eskom at year end is currently R144,070,948 (R127,464,741 in 2024) and to DWA R9,279,968 (R8,682,329 in 2024).

The municipality has entered into paymemt arrangements with its major creditors, being Eskom, Municipal Workers Retirement Fund, AGSA and BCX,

Accounting Officer's Report

2. Going concern (continued)

Unspent conditional grants balance of R16,732,936 (R49,613 in 2024) the available Cash and cash equivalents balance of R14,441,312 (R830,545 in 2024) is currently not enough to cater for unspent conditional grants, however the municipality is not anticipating to return back the unspent contional grants to the sponsor. Irregular expenditure in the current year decreased by R16,419,454.

The 2025/26 MTREF reflects a surplus of R1,825,000.00 excluding transfers for capita projects.

There is an increase of R5 815 000.00 from the prior year budget of R3,990,000.00.

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

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3. Event after reporting date

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

Refer to the note 43 for further details with regards to the High Court Rulling on electricity taffis increament.

4. Accounting Officers' interest in contracts

No matters to report.

5. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Accounting Officer

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

Name	Nationality	Changes
Mr Lulama Jojiyasi	South African	Appointed Friday, 01 August 2025

7. Auditors

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

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	3	11 448	24 486
Receivables from non-exchange transactions	5	1 544 935	746 390
VAT receivable	6	19 723 962	11 159 233
Consumer receivables from exchange transactions	7	7 608 090	3 217 730
Cash and cash equivalents	8	14 441 312	830 545
		43 329 747	**15 978 384**
Non-Current Assets			
Investment property	9	44 690 839	41 606 999
Property, plant and equipment	10	445 857 926	441 629 801
Intangible assets	11	7 226	12 999
		490 555 991	**483 249 799**
Total Assets		**533 885 738**	**499 228 183**
Liabilities			
Current Liabilities			
Other financial liabilities	50	104 816 713	68 213 544
Finance lease obligation	12	1 400 000	7 515 943
Payables from exchange transactions	13	69 868 486	64 853 918
Accruals and other liabilities		27 307 855	22 009 403
Consumer deposits	14	1 114 123	1 038 708
Employee benefit obligation	15	313 387	686 000
Unspent conditional grants and receipts	16	16 732 936	49 613
Provisions	17	1 902 695	22 927 957
		161 500 589	**148 548 051**
Non-Current Liabilities			
Other financial liabilities	50	79 599 198	68 213 544
Finance lease obligation	12	-	1 400 000
Employee benefit obligation	15	1 699 028	1 863 000
Provisions	17	13 075 205	13 075 205
		94 373 431	**84 551 749**
Total Liabilities		**255 874 020**	**233 099 800**
Net Assets		**278 011 718**	**266 128 383**
Accumulated surplus		278 011 718	266 128 383
Total Net Assets		**278 011 718**	**266 128 383**

* See Note 40

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	21 085 218	11 885 871
Rental of facilities and equipment		559 719	506 120
Other income	19	297 171	335 932
Interest received - investment	20	702 865	487 712
Total revenue from exchange transactions		**22 644 973**	**13 215 635**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	21	9 415 549	5 895 585
Availability charges	22	5 072 215	4 746 504
Interest - Taxation revenue		6 630 817	-
Transfer revenue			
Government grants & subsidies	23	79 812 456	66 793 539
Public contributions and donations	24	8 093 406	32 170 546
Total revenue from non-exchange transactions		**109 024 443**	**109 606 174**
Total revenue	25	**131 669 416**	**122 821 809**
Expenditure			
Employee related costs	26	(33 031 706)	(30 175 598)
Remuneration of councillors	27	(4 302 779)	(4 114 665)
Depreciation and amortisation	28	(17 786 467)	(18 963 887)
Finance costs	30	(11 190 354)	(23 987 658)
Lease rentals on operating lease		(4 974 329)	(263 713)
Debt Impairment	31	(28 643 405)	(10 638 492)
Bulk purchases	32	(16 104 742)	(18 325 352)
General Expenses	33	(1 398 356)	(10 996 800)
Total expenditure		**(117 432 138)**	**(117 466 165)**
Operating surplus		**14 237 278**	**5 355 644**
Loss on disposal of assets and liabilities		(2 994)	(70 836 444)
Fair value adjustments	36	4 973 840	11 272 020
Actuarial gains/losses	15	118 415	103 000
Impairment loss	29	(96 330)	(11 763 852)
		4 992 931	**(71 225 276)**
Surplus (deficit) for the year		**19 230 209**	**(65 869 632)**

* See Note 40

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2023	**341 867 881**	**341 867 881**
Changes in net assets		
Deficit for the year	(65 869 632)	(65 869 632)
Total changes	(65 869 632)	(65 869 632)
Opening balance as previously reported	297 293 620	297 293 620
Adjustments		
Prior year adjustments	(38 512 111)	(38 512 111)
Restated* Balance at 01 July 2024 as restated*	**258 781 509**	**258 781 509**
Changes in net assets		
Surplus for the year	19 230 209	19 230 209
Total changes	19 230 209	19 230 209
Balance at 30 June 2025	**278 011 718**	**278 011 718**
Note(s)		

* See Note 40

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		30 316 836	18 627 007
Grants		95 680 915	66 243 546
Interest income		702 865	487 712
		126 700 616	85 358 265
Payments			
Employee costs		(36 474 117)	(31 070 480)
Suppliers		(50 744 341)	(46 557 870)
Finance costs		(464 303)	(527 561)
		(87 682 761)	(78 155 911)
Net cash flows from operating activities	35	**39 017 855**	**7 202 354**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(19 779 374)	(4 906 404)
Proceeds from sale of property, plant and equipment	10	(1 771)	390 085
Proceeds from sale of investment property	9	1 890 000	-
Net cash flows from investing activities		**(17 891 145)**	**(4 516 319)**
Cash flows from financing activities			
Finance lease payments		(7 515 943)	(2 750 483)
Net increase/(decrease) in cash and cash equivalents		**13 610 767**	**(64 448)**
Cash and cash equivalents at the beginning of the year		830 545	894 993
Cash and cash equivalents at the end of the year	8	**14 441 312**	**830 545**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	33 981 204	(2 629 839)	**31 351 365**	21 085 218	**(10 266 147)**	
Rendering of services	41 829	2 800 264	**2 842 093**	-	**(2 842 093)**	
Rental of facilities and equipment	517 394	151 045	**668 439**	559 719	**(108 720)**	
Interest received (trading)	350 000	3 895 417	**4 245 417**	-	**(4 245 417)**	
Other income - (rollup)	-	-	**-**	297 171	**297 171**	
Interest received - investment	-	-	**-**	702 865	**702 865**	
Total revenue from exchange transactions	**34 890 427**	**4 216 887**	**39 107 314**	**22 644 973**	**(16 462 341)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	6 534 227	7 986 278	**14 520 505**	9 415 549	**(5 104 956)**	
Availability charges	-	-	**-**	5 072 215	**5 072 215**	
Interest - Taxation revenue	-	-	**-**	6 630 817	**6 630 817**	
Transfer revenue						
Government grants & subsidies	41 682 000	-	**41 682 000**	79 812 456	**38 130 456**	
Public contributions and donations	-	-	**-**	8 093 406	**8 093 406**	
Interest - Transfer revenue	-	1 000 000	**1 000 000**	-	**(1 000 000)**	
Gain on disposal of assets	9 325 516	-	**9 325 516**	-	**(9 325 516)**	
Total revenue from non-exchange transactions	**57 541 743**	**8 986 278**	**66 528 021**	**109 024 443**	**42 496 422**	
Total revenue	**92 432 170**	**13 203 165**	**105 635 335**	**131 669 416**	**26 034 081**	
Expenditure						
Personnel	(32 158 914)	(1 283 505)	**(33 442 419)**	(33 031 706)	**410 713**	
Remuneration of councillors	(4 213 323)	(270 089)	**(4 483 412)**	(4 302 779)	**180 633**	
Inventory consumed	(4 499 019)	-	**(4 499 019)**	-	**4 499 019**	
Depreciation and amortisation	(9 613 937)	-	**(9 613 937)**	(17 786 467)	**(8 172 530)**	
Impairment loss/ Reversal of impairments	-	-	**-**	(96 330)	**(96 330)**	
Finance costs	-	-	**-**	(11 190 354)	**(11 190 354)**	
Lease rentals on operating lease	-	-	**-**	(4 974 329)	**(4 974 329)**	
Debt Impairment	(10 858 000)	1 140 000	**(9 718 000)**	(28 643 405)	**(18 925 405)**	
Irrecoverable debts written off	(7 650 389)	900 000	**(6 750 389)**	-	**6 750 389**	
Bulk purchases	(11 045 970)	(7 954 030)	**(19 000 000)**	(16 104 742)	**2 895 258**	
Contracted Services	(4 569 940)	(3 243 912)	**(7 813 852)**	(6 072 758)	**1 741 094**	
Operational costs	(8 783 898)	(2 822 215)	**(11 606 113)**	(8 448 332)	**3 157 781**	
General Expenses	93 393 390	13 533 751	**106 927 141**	13 122 734	**(93 804 407)**	
Total expenditure	**-**	**-**	**-**	**(117 528 468)**	**(117 528 468)**	
Operating surplus	**92 432 170**	**13 203 165**	**105 635 335**	**14 140 948**	**(91 494 387)**	
Loss on disposal of assets and liabilities	-	-	**-**	(2 994)	**(2 994)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Fair value adjustments	-	-	-	4 973 840	**4 973 840**	
Actuarial gains/losses	-	-	-	118 415	**118 415**	
	-	**-**	**-**	**5 089 261**	**5 089 261**	
Surplus before taxation	**92 432 170**	**13 203 165**	**105 635 335**	**19 230 209**	**(86 405 126)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**92 432 170**	**13 203 165**	**105 635 335**	**19 230 209**	**(86 405 126)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	-	-	11 448	**11 448**	
Receivables from exchange transactions	-	-	-	2 663 241	**2 663 241**	
Receivables from non-exchange transactions	-	-	-	1 544 935	**1 544 935**	
VAT receivable	-	-	-	19 723 962	**19 723 962**	
Consumer debtors	-	-	-	7 608 090	**7 608 090**	
Cash and cash equivalents	-	-	-	14 441 312	**14 441 312**	
	-	**-**	**-**	**45 992 988**	**45 992 988**	
Non-Current Assets						
Investment property	-	-	-	44 690 839	**44 690 839**	
Property, plant and equipment	-	-	-	445 857 926	**445 857 926**	
Intangible assets	-	-	-	7 226	**7 226**	
	-	**-**	**-**	**490 555 991**	**490 555 991**	
Total Assets	**-**	**-**	**-**	**536 548 979**	**536 548 979**	
Liabilities						
Current Liabilities						
Other financial liabilities	-	-	-	42 861 107	**42 861 107**	
Finance lease obligation	-	-	-	1 400 000	**1 400 000**	
Payables from exchange transactions	-	-	-	69 868 486	**69 868 486**	
Accrual and other liabilities	-	-	-	27 307 855	**27 307 855**	
Consumer deposits	-	-	-	1 114 123	**1 114 123**	
Employee benefit obligation	-	-	-	313 387	**313 387**	
Unspent conditional grants and receipts	-	-	-	16 732 936	**16 732 936**	
Provisions	-	-	-	1 902 695	**1 902 695**	
	-	**-**	**-**	**161 500 589**	**161 500 589**	
Non-Current Liabilities						
Other financial liabilities	-	-	-	79 599 198	**79 599 198**	
Employee benefit obligation	-	-	-	1 699 028	**1 699 028**	
Provisions	-	-	-	13 075 205	**13 075 205**	
	-	**-**	**-**	**94 373 431**	**94 373 431**	
Total Liabilities	**-**	**-**	**-**	**255 874 020**	**255 874 020**	
Net Assets	**-**	**-**	**-**	**280 674 959**	**280 674 959**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	-	-	-	278 011 718	**278 011 718**	

1. Significant accounting polices

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.

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:

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

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

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

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

Significant Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

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

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

The carrying amount of available-for-sale financial assets would be an estimated - lower or - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

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 [name a key assumption] 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. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

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

Contingent provisions on entity combinations

Contingencies recognised in the current year required estimates and judgments, refer to note on entity combinations.

Post-retirement benefits

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

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

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

1.4 Significant judgements and sources of estimation uncertainty (continued)

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.

Impairment of statutory receivables

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

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

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

Other

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.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature OR type of properties classified as held for strategic purposes are as follows:

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

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

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 its fair value as at date of acquisition.

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset’s carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

Significant Accounting Policies

1.6 Property, plant and equipment (continued)

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	5, 15 - 80 years, someindefinite
Furniture and fixtures	Straight-line	7 - 10 years
Motor vehicles	Straight-line	5 - 7 years
Office equipment	Straight-line	3 - 5 years
IT equipment	Straight-line	3 - 5 years
Infrastructure	Straight-line	5 - 100 years, someindefinite
Community	Straight-line	5 - 100 years, someindefinite
Bins and containers	Straight-line	5 - 7 years
Landfill sites	Straight-line	10 - 20 years
Specialised vehicles	Straight-line	5 - 7 years
Infrastructure asset - Wastewater network	Straight-line	12 - 100 years, someindefinite
Infrastructure asset - Water network	Straight-line	7 - 100 years, someindefinite
Infrastructure asset - Roads and stormwater network	Straight-line	55 - 100 years, someindefinite
Infrastructure asset - Electricity network	Straight-line	10 - 60 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.

1.6 Property, plant and equipment (continued)

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment 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).

1.7 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
(c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.8 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.

1.8 Intangible assets (continued)

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

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

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

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

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

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.

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	3 years
Servitudes	Straight-line	Indefinite

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.

1.9 Financial instruments (continued)

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.

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.

1.9 Financial instruments (continued)

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

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

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

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

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

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

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

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.

1.9 Financial instruments (continued)

Classification

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

Class	Category
Loan1	Financial asset measured at amortised cost
Loan2	Financial asset measured at amortised cost
Other receivables1	Financial asset measured at amortised cost
Other financial asset2	Financial asset measured at fair value

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

Class	Category
Loan1	Financial liability measured at amortised cost
Loan2	Financial liability measured at amortised cost

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

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 statement of financial position.

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

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

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

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:

1.10 Statutory receivables (continued)

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

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

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

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

1.10 Statutory receivables (continued)

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

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

1.11 Leases

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

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

Finance leases - lessor

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

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

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

1.13 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.

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

1.13 Impairment of cash-generating assets (continued)

Designation

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

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

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

Identification

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

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

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

Value in use

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

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

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.

1.13 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

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

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

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

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

Redesignation

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

1.14 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

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

Designation

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

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

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

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

Identification

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

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Service units approach

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

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

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

Redesignation

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

1.15 Employee benefits

Identification

Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide postemployment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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

Short-term employee benefits include items such as:

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

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

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

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

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

Significant Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

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

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

Post-employment benefits: Defined contribution plans

Recognition and measurement

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

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

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

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

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

Significant Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Recognition and measurement

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

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

Actuarial valuation method

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

Attributing benefit to periods of service

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

Actuarial assumptions: Mortality

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

Actuarial assumptions: Discount rate

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

Past service cost and gains and losses on settlement

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

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

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

Past service cost

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

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

Significant Accounting Policies

1.15 Employee benefits (continued)

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

Gains and losses on settlement

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

Components of defined benefit cost

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

(a) service cost;

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

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

Current service cost

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

Other post retirement obligations

Recognition and measurement

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.15 Employee benefits (continued)

Termination benefits

Recognition

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

Measurement

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

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

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

1.16 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.

Significant Accounting Policies

1.16 Provisions and contingencies (continued)

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

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

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

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

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of 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 51.

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

1.16 Provisions and contingencies (continued)

- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.18 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.

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

Sale of goods

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

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

1.18 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

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

Interest, royalties and dividends

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

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

Interest is recognised 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.

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.

1.19 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.

Significant Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

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

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.

1.19 Revenue from non-exchange transactions (continued)

Taxes

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

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

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

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

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

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

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

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

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

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

Transfers

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

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

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

Significant Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Services in-kind

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

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

1.20 Investment income

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

1.21 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.

1.22 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.

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

1.24 Fruitless and wasteful expenditure

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

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

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).

1.26 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

Significant Accounting Policies

1.27 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.

1.28 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 influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

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

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

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

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

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

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

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

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

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:

Significant Accounting Policies

1.30 Events after reporting date (continued)

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

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

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

1.31 Unspent conditional grants and receipts

Conditional government grants are subjected to specific conditions. If these specific conditions are not met, the money received are repayable

Unspent conditional grants are financial liabilities that are separately disclosed in the Statement of Financial Position.

2. New standards and interpretations

2.1 Standards and interpretations issued , but not yet effective

At the date of authorisation of this annual financial statements, there are GRAP standards and interpretations which were amended but not yet effective for the financial year under review.

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 107 (as revised) Mergers	01 April 2023	The impact of the is not material.
• GRAP 106 (as revised) Transfer of Functions Between Entities Not Under Common Control	01 April 2023	The impact of the is not material.
• GRAP 105 Transfer of Functions Between Entities Under Common Control	01 April 2023	The impact of the is not material.

2.2 Standards and interpretations effective and adopted in the current year

The municipality has not adopted new 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.

3. Inventories

	2025	2024
Consumables	7 884	21 059
Water for distribution	3 564	3 427
	11 448	**24 486**

Inventory pledged as security

No inventory was pledge as security.

4. Receivables from exchange transactions

Receivables from exchange transactions pledged as security

No receivables from exchange transactions were pledged as security.

5. Statutory receivables from non-exchange transactions

	2025	2024
Gross balances		
Consumer debtors - Rates	24 858 642	16 915 601
Less: Allowance for impairment		
Consumer debtors - Rates	(23 313 707)	(16 169 211)
Net balance		
Consumer debtors - Rates	1 544 935	746 390

Figures in Rand	2025	2024

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

Rates

	2025	2024
Current	497 290	316 239
30 days	450 623	297 571
60 days	432 926	285 779
90 days	423 945	274 136
> 90 days	23 053 858	17 795 037
Less impairment	(23 313 707)	(18 222 372)
	1 544 935	**746 390**

Summary of debtors by customer classification

Consumers

	2025	2024
Current	2 281 346	231 948
30 days	1 660 812	217 848
60 days	1 441 241	207 299
90 days	2 790 360	200 950
> 90 days	67 953 050	7 622 317
	76 126 809	8 480 362
Less: Allowance for impairment	(71 395 621)	(8 332 407)
	4 731 188	**147 955**

Industrial/ commercial

	2025	2024
Current	299 437	55 009
30 days	263 853	50 612
60 days	238 420	49 707
90 days	257 793	46 515
>90 days	17 895 779	8 016 399
	18 955 282	8 218 242
Less: Allowance for impairment	(17 777 234)	(7 610 380)
	1 178 048	**607 862**

National and provincial government

	2025	2024
Current	135 402	29 282
30 days	132 390	29 112
60 days	129 191	28 772
90 days	130 109	26 671
> 90 days	8 814 149	2 156 321
	9 341 241	2 270 158
Less: Allowance for impairment	(8 760 695)	(226 424)
	580 546	**2 043 734**

Total

	2025	2024
Current	2 716 185	316 239
30 days	2 057 055	297 571
60 days	1 808 852	285 779
90 days	3 178 263	274 136
> 90 days	94 662 978	17 795 037
	104 423 333	18 968 762
Less: Allowance for impairment	(97 933 551)	(18 222 372)
	6 489 782	**746 390**

Figures in Rand	2025	2024

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

Reconciliation of allowance for impairment		
Balance at beginning of the year	(18 222 372)	(19 133 380)
Contributions to allowance	(5 091 335)	(4 838 337)
Debt impairment written off against allowance	-	5 749 345
	(23 313 707)	**(18 222 372)**

Collection rate of consumer receivables

Statutory receivables general information

Transaction(s) arising from statute

Statutory receivables from exchange transactions relates to revenue receivable from sale of water and electricity, services charges, waste water management and property rates.

Determination of transaction amount

The revenue derived is determined in terms of the approved tarrif structure applicable to the services rendered by the municipality

Basis used to assess and test whether a statutory receivable is impaired

The municipality considered all factors disclosed in the accounting policy of the financial statements as at 30 June 2025 and use of available information. The application of judgement is inherent in the formation of estimates for impairment.

The following factors were taken into account with the assessment of impairment of receivables.

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.

6. VAT receivable

VAT Control	19 723 962	11 159 233

VAT Receivable and VAT Payable are statutory arrangements

VAT receivables and payable from exchange transactions relates to amount derived from VAT Input and Output transactions as and when the entity process transactions, the entity compile the VAT input and Output schedule for submission to SARS on a monthly basis.

7. Consumer receivables from exchange transactions

Gross balances		
Electricity	22 273 024	20 695 729
Water	28 677 445	21 998 930
Sewerage	16 027 270	13 475 001
Refuse	8 615 124	7 366 281
Sundry services	6 635 070	2 369 741
	82 227 933	**65 905 682**

7. Consumer receivables from exchange transactions (continued)

Less: Allowance for impairment		
Electricity	(18 391 058)	(18 452 952)
Water	(26 895 177)	(21 543 875)
Sewerage	(15 031 195)	(13 152 601)
Refuse	(8 079 704)	(7 246 405)
Sundry services	(6 222 709)	(2 292 119)
	(74 619 843)	**(62 687 952)**

Net balance		
Electricity	3 881 966	2 242 777
Water	1 782 268	455 055
Sewerage	996 075	322 400
Refuse	535 420	119 876
Sundry services	412 361	77 622
	7 608 090	**3 217 730**

Electricity		
Current	248 686	287 681
30 days	224 898	227 294
60 days	224 919	229 173
90 days	217 876	230 475
> 90 days	18 693 405	17 709 402
Less: Allowance for impairment	(18 391 059)	(18 452 952)
	3 881 966	**2 242 777**

Water		
Current	1 108 140	1 669 771
30 days	558 019	318 793
60 days	332 979	445 356
90 days	1 720 212	418 699
> 90 days	24 958 095	19 146 311
Less allowance for impairment	(26 895 177)	(21 543 875)
	1 782 268	**455 055**

Sewerage		
Current	291 047	276 356
30 days	277 241	267 799
60 days	274 607	262 476
90 days	272 034	259 084
> 90 days	14 912 341	12 300 591
Less allowance for impairment	(15 031 195)	(13 152 601)
	996 075	**322 400**

Refuse		
Current	143 280	138 799
30 days	135 394	133 120
60 days	133 639	129 903
90 days	131 623	127 220
> 90 days	8 071 188	6 837 239
Less allowance for impairment	(8 079 704)	(7 246 405)
	535 420	**119 876**

Figures in Rand	2025	2024

7. Consumer receivables from exchange transactions (continued)

Sundry debtors		
Current	427 743	16 809
30 days	410 879	12 249
60 days	409 781	21 280
90 days	412 572	16 106
> 90 days	4 974 095	2 303 296
Less allowance for impairment	(6 222 709)	(2 292 118)
	412 361	**77 622**

Summary of debtors by customer classification

Consumers		
Current	2 281 346	2 125 756
30 days	1 660 812	802 536
60 days	1 441 241	913 896
90 days	2 790 360	870 114
> 90 days	67 953 050	46 287 261
	76 126 809	50 999 563
Less: Allowance for impairment	(71 395 622)	(50 165 448)
	4 731 187	**834 115**

Industrial/ commercial		
Current	299 437	164 727
30 days	263 853	98 468
60 days	238 420	128 061
90 days	257 793	124 035
>90 days	17 895 779	6 525 046
	18 955 282	7 040 337
Less: Allowance for impairment	(17 777 234)	(6 925 190)
	1 178 048	**115 147**

National and provincial government		
Current	135 402	98 933
30 days	132 402	58 251
60 days	129 191	46 231
90 days	130 109	57 435
> 90 days	8 814 149	5 429 531
	9 341 253	5 690 381
Less: Allowance for impairment	(8 760 695)	(5 597 312)
	580 558	**93 069**

Total		
Current	2 716 185	2 389 416
30 days	2 057 055	959 255
60 days	1 808 852	1 088 188
90 days	3 178 263	1 051 584
> 90 days	93 118 045	58 296 839
	102 878 400	63 785 282
Less: Allowance for impairment	(97 933 551)	(62 687 951)
	7 608 090	**3 217 730**

Figures in Rand	2025	2024

7. Consumer receivables from exchange transactions (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	62 687 952	(91 092 626)
Contributions to allowance	(137 307 795)	3 683 170
Debt impairment written off against allowance	-	24 721 504
	(74 619 843)	**(62 687 952)**

Consumer debtors pledged as security

No consumer debtors were pledged as security for overdraft facilities.

8. Cash and cash equivalents

The Municipality uses Standard Bank of South Africa to conduct its banking activities. As at year end the Municipality's Cash and cash equivalents consist of:

Bank balances	2 904 082	504 392
Short-term deposits	11 537 230	326 153
	14 441 312	**830 545**

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

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

Credit rating		
AAA	14 441 312	830 545

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
Business current account-041811496	2 904 081	504 392	-	2 904 081	504 392	-
Retail\wholesale call deposit - 048480371 (001)	5 837	101 441	-	5 837	101 441	-
Retail\wholesale call deposit - 048480371 (002)	188 361	138 667	-	188 361	138 667	-
Retail\wholesale call deposit - 048480371 (003)	11 194 048	79 006	-	11 194 048	79 006	-
Retail\wholesale call deposit - 048480371 (004)	1 787	1 787	-	1 787	1 787	-
Retail\wholesale call deposit - 048480371 (005)	1 828	1 136	-	1 828	1 136	-
Retail\wholesale call deposit - 048480371 (006)	144 248	2 994	-	144 248	2 994	-
Retail\wholesale call deposit - 048480371 (007)	1 122	1 122	-	1 122	1 122	-
Total	**14 441 312**	**830 545**	**-**	**14 441 312**	**830 545**	**-**

Cash and cash equivalents pledged as collateral

No cash and cash equivalent were pledged as security

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	46 952 603	(2 261 764)	44 690 839	43 868 763	(2 261 764)	41 606 999

Reconciliation of investment property - 2025

	Opening balance	Disposals	Impairments	Fair value adjustments	Total
Investment property	41 606 999	(1 890 000)	(2 261 764)	4 973 840	44 690 839

Reconciliation of investment property - 2024

	Opening balance	Disposals	Impairments	Fair value adjustments	Total
Investment property	34 482 987	(1 886 244)	(2 261 764)	11 272 020	41 606 999

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

9. Investment property (continued)

Details of valuation

The effective date of the revaluations was Saturday, 01 June 2024. Revaluations were performed by an independent valuer, P Rynners property valuer, from Pierrerynners Valuers. Piere R is not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

Amounts recognised in surplus and deficit for the year.

Rental revenue from investment property	559 719	506 120

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	141 256 595	(716 960)	140 539 635	141 256 595	(716 960)	140 539 635
Buildings	149 857 363	(117 879 355)	31 978 008	149 857 363	(115 235 532)	34 621 831
Infrastructure	605 723 677	(338 963 555)	266 760 122	587 840 785	(330 910 843)	256 929 942
Other property, plant and equipment	4 914 909	(4 425 485)	489 424	4 800 844	(4 279 647)	521 197
Lease assets	22 476 680	(16 385 943)	6 090 737	22 476 680	(13 459 484)	9 017 196
Total	**924 229 224**	**(478 371 298)**	**445 857 926**	**906 232 267**	**(464 602 466)**	**441 629 801**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Impairment loss	Total
Land	140 539 636	-	-	-	-	-	140 539 636
Buildings	34 621 831	-	-	-	(2 583 886)	(59 937)	31 978 008
Infrastructure	256 929 942	19 661 092	-	2 326 999	(12 123 343)	(34 568)	266 760 122
Other property, plant and equipment	521 197	118 282	(1 223)	-	(147 006)	(1 826)	489 424
Leased Assets	9 017 196	-	-	-	(2 926 459)	-	6 090 737
	441 629 802	**19 779 374**	**(1 223)**	**2 326 999**	**(17 780 694)**	**(96 331)**	**445 857 927**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Impairment loss	Total
Land	215 543 039	-	(69 615 114)	-	-	(5 388 289)	140 539 636
Buildings	37 639 954	-	(114 492)	2 790	(2 656 521)	(249 900)	34 621 831
Infrastructure	272 639 083	4 551 404	(481 112)	(4 105 200)	(11 828 343)	(3 845 889)	256 929 942
Other property, plant and equipment	303 767	355 000	(978)	-	(118 583)	(18 009)	521 197
Leased Assets	13 371 848	-	-	-	(4 354 652)	-	9 017 196
	539 497 691	**4 906 404**	**(70 211 696)**	**(4 102 410)**	**(18 958 099)**	**(9 502 087)**	**441 629 802**

Pledged as security

No property, plant and equipment has been pledged as security for any financial liability at year-end.

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

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
NC075_002:Electrification of Philipstow	7 264 282	-
Awaiting for completion certificates		
NC075-007: Retrofit LED streetlights in Renosterberg	2 283 255	-
Awaiting for completion certificates		
NC075-015: Petrusville of Replacement of AC Pipes	18 941 314	-
Funding constraints		
	28 488 851	**-**

10. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Total
Opening balance	42 947 839	42 947 839
Additions/capital expenditure	30 349 419	30 349 419
Transferred to completed items	(19 060 048)	(19 060 048)
	54 237 210	**54 237 210**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Total
Opening balance	21 809 961	21 809 961
Additions/capital expenditure	25 407 719	25 407 719
Transferred to completed items	(4 269 841)	(4 269 841)
	42 947 839	**42 947 839**

Expenditure incurred to repair and maintain property, plant and equipment

No repairs and maitenance on property, plant and equipement were incurred during the period under review.

The following is the list of long outstanding project

NC075_002	Electrification of Philliptown
NC075_007	Retrofit LED streetlights in Renosterberg
NC075_010	Upgrading of Petrusville Gravity Water Lin

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.

11. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 005 665	(998 439)	7 226	1 005 665	(992 666)	12 999

Reconciliation of intangible assets - 2025

	Opening balance	Amortisation	Total
Computer software, other	12 999	(5 773)	7 226

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software, other	18 787	(5 788)	12 999

Pledged as security

No carrying value of intangible assets pledged as security for any financial liability at year-end.

Figures in Rand	2025	2024

12. Finance lease obligation

Minimum lease payments due		
- within one year	1 400 000	1 567 302
	1 400 000	1 567 302
less: future finance charges	-	(165 269)
Present value of minimum lease payments	**1 400 000**	**1 402 033**
Present value of minimum lease payments due		
- within one year	1 400 000	1 402 033
Non-current liabilities	-	1 400 000
Current liabilities	1 400 000	7 515 943
	1 400 000	**8 915 943**

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

The average lease term was 3-5 years and the average effective borrowing rate was 25% (2024: 25%).

Interest rates are fixed at the contract date. All leases escalate at 10% to 15% p.a and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. The Municipality entered into a finance lease arrangement for a fleet of vehicles. The agreement, originally ended on 31 January 2024 and was extended for a further 24 months (from 1 February 2024 to 31 March 2026) to enable the settlement of outstanding balances.

The Municipality has since exercised the purchase option contained in the lease agreement, and ownership of the vehicles was transferred into the Municipality's name subsequent to settlement of the final instalment.

The lease agreement did not contain any escalation clauses other than the agreed instalment payments over the lease term. There are no contingent rent payable on this lease.

13. Payables from exchange transactions

Trade payables	32 618 110	70 373 630
Payments received in advanced - contract in process	4 823 590	4 795 262
Operating lease payables (if immaterial)	-	-
Retentions payable	2 053 513	1 931 089
Suspense accounts	30 373 273	9 277 340
	69 868 486	**86 377 321**

Accruals and other liabilities

Leave accruals	3 791 381	3 315 733
13th cheque	834 048	628 679
Other liabilities	22 682 426	18 064 991
	27 307 855	**22 009 403**

14. Consumer deposits

Electricity	332 127	332 127
Water	781 996	706 581
	1 114 123	**1 038 708**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

15. Employee benefit obligations

Defined benefit plans - General information

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

	2025	2024
Carrying value		
Present value of Long Service Bonus	(2 012 415)	(2 206 000)
Present value of Post Employment Medical Aid Benefits	-	(343 000)
	(2 012 415)	**(2 549 000)**
Non-current liabilities	(1 699 028)	(1 863 000)
Current liabilities	(313 387)	(686 000)
	(2 012 415)	**(2 549 000)**

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

	2025	2024
Opening balance	2 549 000	2 282 000
Service cost	147 000	163 000
Interest cost	227 000	207 000
Payments from the plan	(686 000)	-
Actuarial loss / (gains)	118 415	(103 000)
payment medical aid plan	(343 000)	-
	2 012 415	**2 549 000**

Key assumptions used

Assumptions used at the reporting date:

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

Discount rate

GRAP25 requires that the discount rate be set with regards to the market yield on government bonds at the reporting date. Where there is no deep market in government bonds with sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses the current market rates of the appropriate term to discount short term payments and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

In accordance with the requirements of GRAP25, the Projected Unit Credit method has been applied. Accrued liabilities are defined as the actuarial present value of all benefits expected to be paid in the future based on service accrued to the valuation date and awards projected to the retirement date. In determining these liabilities, due allowance has been made for future award increases.

Inflation rate

We assumed that inflation is determined by the difference between the nominal yield curve and the real yield curve. This is consistent with the previous valuation.

Salary increases

The salary increases, which we provided for in the valuation basis, consist of:

Escalation in the general level of salaries as a result of inflation and real salary increases. The general trend is for salaries to increase faster than the increase in inflation. Maintaining consistency with the previous valuation, we assumed that salary escalation is 1% above the implied inflation rate, and for the shorter terms set the salary inflation rate to a minimum of 5.25% p.a. In the calculations, we assume that the salary increases are given on 1 July of each year.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

15. Employee benefit obligations (continued)

Sensitivity analysis

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

The methods and assumptions used in preparing the sensitivity analyses and the limitations of those methods are [Provide details]

Changes from the previous period in the methods and assumptions used in preparing the sensitivity analyses, and the reasons for such changes are [Provide details]

Assumed discount rate have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed discount rate would have the following effects:

The methods and assumptions used in preparing the sensitivity analyses and the limitations of those methods are [Provide details]

Changes from the previous period in the methods and assumptions used in preparing the sensitivity analyses, and the reasons for such changes are [Provide details]

Assumed assumption have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed assumption would have the following effects:

The methods and assumptions used in preparing the sensitivity analyses and the limitations of those methods are [Provide details]

Changes from the previous period in the methods and assumptions used in preparing the sensitivity analyses, and the reasons for such changes are [Provide details]

Assumed assumption have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed assumption would have the following effects:

The methods and assumptions used in preparing the sensitivity analyses and the limitations of those methods are [Provide details]

Changes from the previous period in the methods and assumptions used in preparing the sensitivity analyses, and the reasons for such changes are [Provide details]

Asset-liability matching strategies used by the plan or the entity, including the use of annuities and other techniques, such as longevity swaps, to manage risk, are as follows: [Provide details]

Funding arrangements and funding policy that affect future contributions are as follows: [Provide details].

The expected contributions to the plan for the next reporting period is -.

The following table presents information about the distribution of the timing of benefit payments:

The following table presents information about the weighted average duration of the defined benefit obligations:

[Provide additional information about the maturity profile of each defined benefit obligation]

The entity participates in a multi-employer defined benefit plan.

The funding arrangements, including the method used to determine the entity's rate of contributions and any minimum funding requirements, are as follows: [Describe]

The extent to which the entity can be liable to the plan for other entities' obligations under the terms and conditions of the multi-employer plan, is as follows: [Describe]

Agreed allocation of a deficit or surplus on:

15. Employee benefit obligations (continued)

- Wind-up of the plan [Provide details]

- The entity’s withdrawal from the plan [Provide details]

The entity accounted for the multi-employer plan [Describe] as a defined contribution plan, seeing as sufficient information is not available to enable the entity to account for the plan as a defined benefit plan.

The reason why sufficient information is not available to enable the entity to account for the plan as a defined benefit plan, is [Provide details].

The expected contributions to the plan for the next reporting period is -.

Deficit or surplus in the plan that may affect the amount of future contributions, including the basis used to determine that deficit or surplus and the implications for the entity is as follows [Provide details].

The level of participation of the entity in the plan compared with other participating entities is [Provide details]

The entity participates in a defined benefit plan that shares risks between entities under common control.

The binding arrangement for charging the net defined benefit cost (or the fact that there is no such arrangement), is [Provide details]

The policy for determining the contribution to be paid by the entity is [Provide details].

The results in the valuation are only estimates of the cost of providing long service leave award benefits. The actual cost to the Municipality will depend on actual future levels of assumed variables and demographic profile of the membership.

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

- 11.55% & 13.83% increase/decrease in the assumed level of withdrawal rates;
- 1% increase/decrease in the normal salary cost inflation.

Withdrawal rate:

The liabilities calculated using different withdrawal rates compare as follows:

	-11.55% Withdrawal rate	Valuation assumptions	+13.83% Withdrawal rate
Defined Benefit Obligation	1 779 940	2 012 415	2 290 804
Service cost	149 137	165 278	183 326
Interest cost	138 993	158 896	181 835
	2 068 070	**2 336 589**	**2 655 965**

When the actual rates of withdrawal are assumed to be higher than the valuation assumptions, then the cost to the Municipality in the form of benefits will reduce and vice versa.

Normal salary inflation:

The liabilities calculated using different normal salary inflation rates compare as follows:

	-1% Salary inflation rate	Valuation assumptions	+1% Salary inflation
Defined Benefit Obligation	1 906 436	2 012 415	2 127 343
Service cost	155 941	165 278	175 465
Interest cost	149 863	158 896	168 696
	2 212 240	**2 336 589**	**2 471 504**

Figures in Rand	2025	2024

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	12 586 678	-
Extended Public Works Programme	170 483	-
FMG Grant	109 607	-
INEP Unspent Grant	46 482	-
Water Service Infrastructure Grant	3 819 686	49 613
	16 732 936	**49 613**

Movement during the year

Balance at the beginning of the year	49 613	599 606
Additions during the year	60 710 778	65 898 324
Income recognition during the year	(44 027 455)	(66 069 380)
Transfered to the national revenue fund	-	(378 937)
	16 732 936	**49 613**

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

See note 23 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Figures in Rand	2025	2024

17. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Reversed during the year	Total
Environmental rehabilitation	36 003 162	(21 025 262)	14 977 900

Reconciliation of provisions - 2024

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation	36 967 744	2 156 002	(3 120 584)	36 003 162

	2025	2024
Non-current liabilities	13 075 205	13 075 205
Current liabilities	1 902 695	22 927 957
	14 977 900	**36 003 162**

Element that led to the reversals for landfil provisions

The 2025 elemental closure cost estimates were built on a revised and updated set of unit rates from recent construction projects (landfill closure and geosynthetic installation projects). The construction costs estimates are higher as compared to 2024, due to adjusted construction unit rates (reflecting the currently high inflationary environment).

The warranty provision represents management's best estimate of the municipality's liability under one period warranties granted on (electrical) (products), based on (prior experience) (and) (industry averages for defective products).

The municipality does not have a permit of licence for any of the landfill sites currently in use and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act.

Liabilities are present obligations arising from past events, the settlement of which is expected to result in an outflow from the municipalities resources embodying economic benefits. The operation of a landfill results in an obligation to rehabilitate the landfill and prevent any further pollution after closure thereof in terms of section 28 of the National Environment Management Act, Act 107 of 1998, section 3(14)-(16) and 4(10) of Government Notice 718 of 3 July 2009 and the landfill permits issued under section 50 of the National Environmental Management: Waste Act, Act 59 of 2008.

18. Service charges

	2025	2024
Sale of electricity	7 492 369	5 507 537
Sale of water	6 338 707	3 691 229
Sewerage and sanitation charges	5 071 829	4 725 692
Refuse removal	2 405 992	2 266 102
Revenue forgone	(223 679)	(4 304 689)
	21 085 218	**11 885 871**

19. Other income

	2025	2024
Building plans	(260)	10 913
Burial fees	3 029	335
Clearence certificates	52 192	11 613
Connection fees	87 496	304 095
Copies	5 140	2 726
Tender document fees	149 574	6 250
	297 171	**335 932**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

20. Interest received - investment

Interest revenue		
Interest received - investment	702 865	487 712

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to Rxxx (PY: Rxxx).

21. Property rates

Rates received

Residential	5 818 804	3 594 614
Commercial	3 643 697	746 357
State	344 974	341 724
Small holdings and farms	4 732	1 826 073
Less: Income forgone	(396 658)	(613 183)
	9 415 549	**5 895 585**

Valuations

Residential	2 374 366 600	354 389 000
Commercial	284 969 000	24 922 000
Small holdings and farms	686 932 000	801 000
	3 346 267 600	**380 112 000**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2024. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

22. Availability charges

Electricity availability charge	3 094 724	2 906 086
Water availability charge	1 977 491	1 840 418
	5 072 215	**4 746 504**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

23. Government grants & subsidies

Operating grants		
Equitable share	35 785 000	34 138 937
Financial Management Grant	2 890 393	3 100 000
Library Grant (Provincial Government)	1 526 000	1 460 000
Extended Public Works Programme	1 029 517	-
INEP Grant	4 389 518	-
	45 620 428	**38 698 937**
Capital grants		
Municipal Infrastructure Grant	23 340 322	19 635 056
Water Service Infrastructure Grant	10 851 706	8 459 546
	34 192 028	**28 094 602**
	79 812 456	**66 793 539**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	44 027 456	32 654 602
Unconditional grants received	35 785 000	34 138 937
	79 812 456	**66 793 539**

Equitable Share

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

Current year receipts	35 785 000	33 760 000
Transfer from surrendered conditional grants	-	378 937
Recognised revenue	(35 785 000)	(34 138 937)
	-	**-**

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	171 056
Current-year receipts	35 927 000	19 464 000
Conditions met - transferred to revenue	(23 340 322)	(19 635 056)
	12 586 678	**-**

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

Extended Public Works Programme

Balance unspent at beginning of year	-	378 937
Current-year receipts	1 200 000	-
Conditions met - transferred to revenue	(1 029 517)	-
Other	-	(378 937)
	170 483	**-**

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

23. Government grants & subsidies (continued)

Financial Management Grant

Current-year receipts	3 000 000	3 100 000
Conditions met - transferred to revenue	(2 890 393)	(3 100 000)
	109 607	**-**

Conditions met - there are no remain liabilities (see note 16).

Water Service Infrastructure Grant

Balance unspent at beginning of year	49 613	49 613
Current-year receipts	14 621 780	8 459 546
Conditions met - transferred to revenue	(10 851 707)	(8 459 546)
	3 819 686	**49 613**

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

Library Grant (Provincial Government)

Current-year receipts	1 526 000	1 460 000
Conditions met - transferred to revenue	(1 526 000)	(1 460 000)
	-	**-**

Conditions met - there are no remain liabilities (see note 16).

INEP GRANT

Current-year receipts	4 436 000	-
Conditions met - transferred to revenue	(4 389 518)	-
	46 482	**-**

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

24. Public contributions and donations

Northern Cape Provincial Government	-	2 599 512
National treasury (AGSA Audit fees support)	8 093 406	7 035 310
Eskom Municipal Debt Relief	-	21 128 753
DWA Payable Debt Relief	-	1 406 971
	8 093 406	**32 170 546**

25. Revenue

Service charges	21 085 218	11 885 871
Rental of facilities and equipment	559 719	506 120
Other income - (rollup)	297 171	335 932
Interest received - investment	702 865	487 712
Property rates	9 415 549	5 895 585
Surcharges and Taxes	5 072 215	4 746 504
Government grants & subsidies	79 812 456	66 793 539
Public contributions and donations	8 093 406	32 170 546
	125 038 599	**122 821 809**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

25. Revenue (continued)

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

Service charges	21 085 218	11 885 871
Rental of facilities and equipment	559 719	506 120
Other income - (rollup)	297 171	335 932
Interest received - investment	702 865	487 712
	22 644 973	**13 215 635**

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

Taxation revenue		
Property rates	9 415 549	5 895 585
Surcharges and Taxes	5 072 215	4 746 504
Transfer revenue		
Government grants & subsidies	79 812 456	66 793 539
Public contributions and donations	8 093 406	32 170 546
	102 393 626	**109 606 174**

Figures in Rand	2025	2024

26. Employee related costs

Basic	23 429 554	19 672 778
Bonus	2 324 671	1 439 012
UIF	217 387	151 486
SDL	76 189	41 870
Contributions to bargaining council	14 842	13 073
Leave pay provision charge	-	1 914 703
Defined contribution plans	333 944	-
Travel, motor car, accommodation, subsistence and other allowances	55 493	55 320
Overtime payments	953 166	453 632
Acting allowances	804 542	133 947
Housing benefits and allowances	1 247 925	1 211 256
NCPG Service in Kind	-	2 599 512
Termination benefits	3 573 993	2 489 009
	33 031 706	**30 175 598**

Remuneration of the acting municipal manager (Mr. TM Bernard)

Annual Remuneration	1 234 838	268 296
Susistance and travelling	53 938	-
	1 288 776	**268 296**

The acting municipal manager, has been seconded by Provincial COHGTA. The municipality does not bear the cost of his employment, except for compensating him on subsistance and travelling allowance. Council took a decision of apointing him to act as the Municipal Manager commencing on 08 April 2024. He acted an a technical manager from 01 July 2022.

Remuneration of the former acting municipal manager (Mr. JJ Fortuin)

Annual Remuneration	-	804 887
Other	-	31 745
	-	**836 632**

The acting municipal manager, was seconded by Provincial COHGTA. The municipality did not bear the cost of his employment, except for compensating him on subsistance and travelling allowance. Council took a decision of apointing him to act as the municipal Manager commencing on 06 July 2022 which was terminated on 28 March 2024

Remuneration of the Chief Financial Officer (Mr. I Johane)

Annual Remuneration	-	338 150
Subsistence and travelling	26 948	-
	26 948	**338 150**

The acting chief financial officer is a secondee from the Provincial Treasury. The municipality does not bear the cost of his employment, except for compensating him on subsistance and travelling allowance. He commenced on 01 February 2024.

Remuneration of the former Chief Financial Officer (Ms. A Thibedi)

Annual Remuneration	-	383 292
Other	-	82 928
	-	**466 220**

The former acting chief financial officer was a secondee from the Provincial Treasury. The municipality does not bear the cost of her employment, except for compensating her on subsistance and travelling allowance. She commenced her services to the municipality on 02 March 2022 and were terminated on 31 December 2024.

Remuneration of the former Technical Manager (Mr. TM Bernard)

Figures in Rand	2025	2024

26. Employee related costs (continued)

Annual Remuneration	-	804 887
Other	-	30 548
	-	**835 435**

Remuneration of the Acting Chief Financial Officer

Annual Remuneration	709 719	-
Subsistence allowance	27 921	-
	737 640	**-**

Figures in Rand	2025	2024

27. Remuneration of councillors

Councillors	4 302 779	4 114 665

Remuneration of the Mayor - AI Samson

Annual remuneration	849 384	806 066
Cell phone allowance	45 919	44 400
Contribution to Bargaining Council	287	137
Back pay	32 026	-
	927 616	**850 603**

Remuneration of the Speaker - TK Ramakwa

Annual remuneration	684 836	644 853
Cell phone allowance	45 919	44 400
Contribution to Bargaining Council	287	137
Backpay	29 644	47 518
	760 686	**736 908**

Remuneration of the Chief Whip - VS Niewenhuizen

Annual remuneration	356 118	337 261
Cell phone allowance	45 919	44 400
Contribution to Bargaining Council	287	137
Back pay	14 555	-
	416 879	**381 798**

Remuneration of councillor EG Bekker

Annual remuneration	269 158	261 114
Cell phone allowance	45 919	44 400
Contribution to Bargaining Council	287	137
Backpay	11 133	72 276
	326 497	**377 927**

Remuneration of councillor JMZ Posthumus

Annual remuneration	269 158	255 091
Cell phone allowance	45 919	44 400
Contribution to Bargaining Council	287	137
Backpay	11 133	-
	326 497	**299 628**

Remuneration of councillor CS Papashe Hugo

Annual remuneration	345 671	327 367
Cell phone allowance	45 919	44 400
Contribution to Bargaining Council	287	137
Backpay	14 159	-
	406 036	**371 904**

Remuneration of councillor D Kelem

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

27. Remuneration of councillors (continued)

Annual remuneration	345 671	315 321
Cell phone allowance	45 919	41 000
Contribution to Bargaining Council	287	137
Backpay	14 159	-
	406 036	**356 458**

Remuneration of councillor W Fillies

Annual remuneration	269 158	255 091
Cell phone allowance	45 919	44 400
Contribution to Bargaining Council	287	137
Backpay	11 133	-
	326 497	**299 628**

Remuneration of councillor NB Booysen

Annual remuneration	27 280	321 344
Cell phone allowance	3 700	44 400
Contribution to Bargaining Council	24	137
Backpay	-	72 276
	31 004	**438 157**

28. Depreciation and amortisation

Property, plant and equipment	17 780 694	18 958 099
Intangible assets	5 773	5 788
	17 786 467	**18 963 887**

29. Impairment loss

Impairments		
Property, plant and equipment	-	9 502 088
Investment property	96 330	2 261 764
	96 330	**11 763 852**

30. Finance costs

Provisions	(424 303)	2 156 002
Trade and other payables	7 880 384	3 884 694
Finance leases	40 000	9 451 818
Employee benefits	-	207 000
Eskom debt relief	3 694 273	8 288 144
	11 190 354	**23 987 658**

31. Debt impairment

Contributions to debt impairment provision	28 643 405	10 638 492

Figures in Rand	2025	2024

32. Bulk purchases

Electricity - Eskom	15 790 968	18 078 126
Water	313 774	247 226
	16 104 742	**18 325 352**

33. General expenses

Advertising	120 115	33 015
Auditors remuneration	4 962 884	4 897 759
Bank charges	95 264	81 879
Catering expense	6 200	7 226
Chemicals	25 259	69 963
Consulting and professional fees	6 092 758	1 815 045
Electricity	-	277 076
Fuel and oil	524 552	385 916
Hire	-	146 453
IT expenses	35 654	17 983
Landfill provision expense	(20 600 958)	984 616
Motor vehicle expenses	-	204 527
Postage and courier	11 985	6 467
Printing and stationery	130 908	251 497
Protective clothing	-	8 052
Repairs and maintenance	6 279 289	345 446
Subscriptions and membership fees	-	500 000
Telephone and fax	2 936 896	425 838
Travel - local	777 550	538 042
	1 398 356	**10 996 800**

34. Auditors' remuneration

Expenses	4 962 884	4 897 759

35. Cash generated from operations

Surplus (deficit)	19 230 209	(65 869 632)
Adjustments for:		
Depreciation and amortisation	17 786 467	18 963 887
Gain on sale of assets and liabilities	2 994	70 836 444
Fair value adjustments	(4 973 840)	(11 272 020)
Impairment deficit	96 330	11 763 852
Debt impairment	30 696 566	10 638 492
Movements in retirement benefit assets and liabilities	(536 585)	267 000
Movements in provisions	(21 025 262)	(964 582)
Public cash contribution and donations	(8 093 406)	-
Changes in working capital:		
Inventories	13 038	(7 970)
Receivables from exchange transactions	-	239
Consumer debtors	(6 510 759)	(7 967 457)
Other receivables from non-exchange transactions	(798 545)	1 360 200
Payables from exchange transactions	4 936 639	(15 586 628)
VAT	(8 564 729)	(4 515 796)
Unspent conditional grants and receipts	16 683 323	(549 993)
Consumer deposits	75 415	106 318
	39 017 855	**7 202 354**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

36. Fair value adjustments

Investment property (Fair value model)	4 973 840	11 272 020

37. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	Total
Consumer receivable from exchange transactions	7 608 090	7 608 090
Cash and cash equivalents	14 441 312	14 441 312
	22 049 402	**22 049 402**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	65 044 896	65 044 896
Other accruals	22 682 426	22 682 426
	87 727 322	**87 727 322**

2024

Financial assets

	At amortised cost	Total
Consumer receivables from exchange transactions	3 217 730	3 217 730
Cash and cash equivalents	830 545	830 545
	4 048 275	**4 048 275**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	78 942 952	78 942 952
Other accruals	18 064 991	18 064 991
	97 007 943	**97 007 943**

38. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	47 819 852	33 923 001
Total capital commitments		
Already contracted for but not provided for	47 819 852	33 923 001

This commited expenditure relates to property, plant and equipment and will be financed through various grant funding.

Figures in Rand	2025	2024

39. Related parties

Relationships	
Accounting officer	Refer to accounting officers' report note 6
Interest in related parties	Municipal services rendered to Related Parties are charged at approved tarrifs that were advertised to the public. This information is aunder the heading Councilors
Related party relationship	Municipality's senior officials made the following declarations relating to interest, relationships,directorship and securities held with listed and non-listed companies.
Councilor AI Samson (Mayor)	Business Interest,shares and /directorships held in Sharpville Enterprise
Councillor Ramakwa (Speaker)	No business interest, sahres and / or directorships held
Councillor VS Niewenhuisen (Chief Whip)	No business interest, shares and / or directorships held
Councillor NB Booysen	No business interest, shares and / or directorships held
Councillor JMZ Posthumus	No business interest, shares and / or directorships held
Councillor CS Papashe-Hugo	No business interest, shares and / or directorships held
Councillor D Kelem	No business interest, shares and / or directorships held
Councillor W Fillies	No business interest, shares and / or directorships held
Councillor EG Bekkers	No business interest, shares and / or directorships held
Members of Key Management	No business interest, shares and / or directorships held

Related party balances

	2025	2024
Loan accounts - Owing (to) by related parties		
Councillor AI Samson (Mayor)	52 986	50 827
Councillor TK Ramakwa (Speaker)	31 411	31 473
Councilor VS Niewenhuisen (Chief Whip)	10 542	9 584
Councillor JMZ Posthumus	-	(17 712)
Councillor CS Papashe-Hugo	803	669
Councillor D Kelem	42 070	36 484
Councillor NB Booysen	21 121	17 058
Councillor EG Bekkers	9 053	4 764

The above receivables/payables are at arms length, on comsumer services accounts with the municipality. There are no guarantees on the balances.

	2025	2024
Provision for doubtful debts related to outstanding balances with related parties		
Councillor AI Samson (Mayor)	42 389	45 745
Councillor TK Ramakwa (Speaker)	25 129	21 846
Councilor VS Niewenhuisen (Chief Whip)	8 433	7 995
Councillor D Kelem	33 656	31 390
Councillor NB Booysen	16 897	15 352
Councillor Papashe Hugo	642	-
Councillor EG Bekkers	7 243	4 288

Related party transactions

39. Related parties (continued)

Revenue derived from Service charges levied to related parties

Councillor AI Samson (Mayor)	9 500	376
Councillor TK Ramakwa (Speaker)	14 400	1 187
Councillor VS Niewnhuisen (Chief Whip)	6 284	505
Councillor JMZ Posthumus	-	659
Councillor CS Papashe-Hugo	150	38
Councillor D Kelem	3 357	553
Councillor N Booysen	3 050	553
Councillor EG Bekkers	-	311

Remuneration of management

Management class: Councillors

Refer to note 27 "Remuneration of councillors"

Management class: Executive management

*Refer to note 26 "Employee related costs"

40. Prior period errors

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

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

Statement of financial position	As previously stated	Correction	Reclassification	Restated
Consumer receivable from exchange transactions	10 580 657	(7 362 927)	-	3 217 730
Investment property	41 542 000	64 999	-	41 606 999
Property, plant and equipment	476 032 684	(34 402 882)	-	441 629 802
Payable from exchange transactions and other accruals and liabilities	(106 965 964)	20 102 643	-	(86 863 321)
Accumulated surplus	(297 293 622)	23 651 328	7 513 911	(266 128 383)
Finance lease obligation-Current	(1 402 033)	-	(6 113 911)	(7 515 944)
Finance lease obligation -Non Current Liability	-	-	(1 400 000)	(1 400 000)
Receivable from non-exchange transactions	2 799 551	(2 053 161)	-	746 390
	125 293 273	**-**	**-**	**125 293 273**

Statement of financial performance	As previously stated	Correction	Reclassification	Restated	Total
Depreciaition and amortisation	16 162 758	2 801 129	-	-	18 963 887
Debt impairment	(897 995)	11 536 487	-	-	10 638 492
Bulk Purchases	14 793 019	3 532 333	-	-	18 325 352
General Expenses	13 581 581	(2 584 781)	-	-	10 996 800
Loss on disposal of assets and liabilities	71 630 095	(793 651)	-	-	70 836 444
Services charges	9 765 472	2 120 399	-	-	11 885 871
Finance cost	15 063 401	8 924 257	-	-	23 987 658
	140 098 331	**25 536 173**	**-**	**-**	**165 634 504**

40.1 Nature of Prior Period Adjustments

Consumer receivables - The adjustments relates to the impaitment of debtors previously calculated using the methodollogy that was not in compliant to GRAP 104, the adjustments were made were for two previous financial years, these includes the impairment for rates..

Investment Property - The adjustments relates to correction of opening balances previously understated.

40. Prior period errors (continued)

P**roperty,plant and equipmen**t - The adjustments relates to addition of finance leased assets previously not disclosed separatley which also affected the accumulated depreciation of the finance leased assets, other adjustments on PPE were for opening balance adjustments. These errors were identified during the review of current year fixed asset register.

Payables from exchange transactions - The adjustments relates to correction of classification of finance lease obligations incorrectly classified under payables from exchange transactions in the prior year, other changes were to adjust the finance cost as a result of interest charged on outsatnding ampount payable to suppliers preciously not disclosed The opening balances previously over/understated in the prior year based on the statements received from suppiers.

Finance lease obligations **(Current and Non-Current liability)** - The adjustments relates to correction of classification of finance lease obligation incorrectly classified under payables from exchange transactions in the prior year,

Depreciation - The adjustments relates to recognition of depreciation for additional assets perviously not depreciated as well as the adjustment made on accumulated depreciation that affected depeciation.

Bulk Purchases - The adjustments relates to accruals previously not recognised, this is based on the statement received from the suppliers.

General expenses - The adjustments relates to accruals previously not recognised, this is based on the statement received from the suppliers.

Service charges - The adjustments relates to the service charges previously understated as identifed during prior year's audit,

41. Risk management

Financial risk management

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

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

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.

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

41. Risk management (continued)

Credit risk

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

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

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

Financial instrument	2025	2024
Vat Receivable	19 723 962	10 580 657
Cash and cash equivalents	14 441 312	830 545

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.

42. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of 278 011 718 and that the municipality's total assets exceed its liabilities by 278 011 718.

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 municipality received DoRA allocation funding for the ongoing operations for the municipality.

Furthermore management has reviewed the municipalitiy's cash flow forecast for the year ended 30 June 2025 and, in the light of this review and the current financial position, management is satisfied that the municipality has, or has access to, adequate resources to continue it's operational existence for the foreseeable future.

The municipality still has the ability to levy services, rates and taxes and will continue to receive funding from government as evident from the Equitable Share allocations published in terms of the Division of Revenue Act (Act 1 of 2016).
Management have evaluated all material going concern risks. Presented below are the major areas evaluated:

The municipality's current liabilities exceed its current assets by R117,336,794 (R161,521,200 in 2024) which indicates a current asset ratio is below the required norm of between 1.5 2.

The municipality incurred a surplus of R19,230,209 during the year (a deficit of R65,869,632) in 2024.

The creditors payment days of the municipality is currently 1,085 days (1,659 days in 2025)..

Outstanding amounts owed to Eskom at year end is currently R144,070,948 (R127,464,741 in 2024) and to DWA R9,279,968 (R8,682,329 in 2024).

The municipality has entered into paymemt arrangements with its major creditors, being Eskom, Municipal Workers Retirement Fund, AGSA and BCX,

Unspent conditional grants balance of R16,732,936 (R49,613 in 2024) the available Cash and cash equivalents balance of R14,441,312 (R830,545 in 2024) is currently not enough to cater for unspent conditional grants, however the municipality is not anticipating to return back the unspent contional grants to the sponsor. Irregular expenditure in the current year decreased by R16,419,454.

The 2025/26 MTREF reflects a surplus of R1,825,000.00 excluding transfers for capita projects..

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

42. Going concern (continued)

There is an increase of R5 815 000.00 from the prior year budget of R3,990,000.00.

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

43. Events after the reporting date

Non-adjusting events after the reporting date:

On 29 August 2025, council retrospectively exempt interest charged on all consumer accounts in arrears. The municipality was not charging interest previously, therefore this is a non-adjusting event. No other events were identified after reporting date.

44. Unauthorised expenditure

Opening balance as previously reported	311 800 434	270 472 984
Add: Unauthorised expenditure - current	34 673 998	41 327 450
Closing balance	**346 474 432**	**311 800 434**

45. Fruitless and wasteful expenditure

Opening balance as previously reported	18 907 260	9 819 695
Add: Fruitless and wasteful expenditure identified - current	11 688 186	9 087 565
Closing balance	**30 595 446**	**18 907 260**

Notes to the Annual Financial Statements

Figures in Rand		2025	2024

45. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Interest on overdue account	Managment is initiating an investigation into the nature and completeness of the fruitless and wasteful expenditure as disclosed and as required in the MFMA	11 688 186	8 556 001
SARS interest and penalties	Management is initiating an investigation into the nature and completeness of the fruitless and wasteful expenditure as disclosed and as required in the MFMA	-	531 564
		11 688 186	**9 087 565**

The opening balances were restated, since in the previous year the registers were not maintained, upon council aproval.

46. Irregular expenditure

Opening balance as previously reported	30 034 558	18 017 326
Add: Irregular expenditure - current	16 982 674	5 102 942
Add: Irregular expenditure identified by AG- prior period	-	19 575 905
Less: Amount adjusted- prior period	-	(12 661 615)
Closing balance	**47 017 232**	**30 034 558**

Figures in Rand	2025	2024

46. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
Competitive bidding not invited	Management is initiating an investigation into the nature and completeness of the irregular expenditure as disclosed and as required in the MFMA	16 982 674	5 102 942

Amount written-off

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

The opening balances were restated, since in the previous year the registers were not maintained, upon council aproval.

47. 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.

Reason for deviation	Less than R30 000	Between R30 001 and R100 000	Between R100 001 and R2 000 000
Sole Provider	48 250	78 428	-
Emergency	30 768	40 000	559 009
	79 018	**118 428**	**559 009**

Figures in Rand	2025	2024

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

	2025	2024
Opening balance	5 777 053	5 325 609
Current year subscription / fee	500 000	500 000
Task Job Evaluation	-	8 250
Amount paid - current year	(350 000)	(56 806)
	5 927 053	**5 777 053**

Disctribution losses

	2025	2024
Electricity distribution losses (KWh)		
KWh purchased	5 685 264	5 473 498
KWh sold	(3 542 957)	(374 338)
KWh losses	**2 142 307**	**5 099 160**
% losses	37,68	93,16
Average cost per KWh unit	2,80	2,51
Losses in Rand value	5 957 839	12 790 443
Water distribution losses (Mega litres)		
Mega litres purchased	649 300	2 153 282
Mega litres sold	(9 002 935)	(1 881 029)
Mega litres losses	**(8 353 635)**	**272 253**
% losses	(1 286,56)	12,64
Average cost per unit	0,750	0,25
Loss in rand value	(6 248 349)	68 375

Audit fees

	2025	2024
Opening balance	15 120 545	14 955 077
Current year subscription / fee	7 409 222	8 700 778
Amount paid - current year	(200 000)	(1 500 000)
Amount paid - previous years	(8 093 406)	(7 035 310)
	14 236 361	**15 120 545**

PAYE and UIF

	2025	2024
Opening balance	-	8 085 341
Current year subscription / fee	4 685 623	4 162 600
Amount paid - current year	(3 684 112)	(12 247 941)
	1 001 511	**-**

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

Pension and Medical Aid Deductions

	2025	2024
Opening balance	28 317 514	23 539 862
Current year subscription / fee	5 214 162	4 777 652
	33 531 676	**28 317 514**

VAT

	2025	2024
VAT receivable	19 723 962	11 159 233

VAT output payables and VAT input receivables are shown in note 6.

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

Councillors' arrear consumer accounts

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

30 June 2025	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor VS Niewenhuisen (Chief Whip)	1 117	9 424	10 541
Councillor N Ramakwa (Speaker)	6 142	25 269	31 411
Councillor NB Booysen	1 381	19 740	21 121
Councillor EG Bekkers	736	8 317	9 053
Councillor D Kelem	1 587	40 483	42 070
Councillor AI Samson (Mayor)	2 013	50 973	52 986
Councillor CS Papashe -Hugo	47	756	803
	13 023	**154 962**	**167 985**

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor VS Niewenhuisen (Chief Whip)	1 516	7 368	8 884
Councillor N Ramakwa (Speaker)	3 510	19 643	23 153
Councillor NB Booysen	934	3 447	4 381
Councillor EG Bekkers	934	3 830	4 764
Councillor D Kelem	533	13 352	13 885
Councillor AI Samson (Mayor)	952	49 111	50 063
Councillor CS Papashe -Hugo	952	95 755	96 707
	9 331	**192 506**	**201 837**

49. Segment information

General information

49. Segment information (continued)

Information about geographical areas

The municipality operates in the Northern Cape Province in three towns. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout the towns were sufficiently similar.

Management has, as per GRAP standards, decided to report on municipality as a single geograpgical area. Management is of the opinion that, as per paragraph 31-32, These three towns are providing similar services, and it would therefore not be in the interest of the users of the financial statements to develop geographical information for reporting.

50. Other financial liabilities

	2025	2024
At amortised cost		
Eskom Payable	104 816 713	97 680 053
Due to Eskom Debt Relief, monies owing to Eskom are to be paid over a period of 3 years.		

The municipality entered into a debt relief agreement, effective from 01 August 2023, for the Eskom debt. The agreement sets conditions which need to be met by the municipality for the agreement to be effective until the end.

As part of the agreement:

a) A total debt with a value of R108 141 318.64 owed by Renosterberg will be written-off over 3 years if all conditions are met and permanent interest suppression on the said amount there-off as at the end of March 2023.

b) The interest to be reversed on “new” arrears as from 1 April 2023 until 07 August 2023, being the effective date, amounts to R3 694 273

In terms of the National Treasury (NT) approval, the municipality must comply with conditions 6.1 – 6.14 of MFMA Circular 124 read together with the additional conditions specific to the municipality set-out in its National Treasury debt relief approval letter. From the Provincial Treasury’s assessment, the municipality achieved an 51% poor compliance with the MFMA Circular 124 conditions during June 2025 – refer the performance sheet in the table below that shows the municipality’s overall relief compliance performance across the months of its debt relief cycle. Considering the municipality’s overall debt relief performance since 01 August 2023, and that the conditions carry equal weighting, the municipality has failed to comply with the conditions of the Debt Relief Programme at end of its first debt relief compliance cycle on 30 July 2024. The National Treasury has issued the municipality with final warning to rectify non-compliance within three month of 16 December 2024 or else face termination from the Municipal Debt Relief Programme.The National Treasury will only request Eskom to write-off a municipality’s arrear debt, if the municipality demonstrates to the National Treasury’s satisfaction, that the municipality complied with the aforementioned conditions for a consecutive period of 12 months. During the previous months of the debt relief cycle (August 2023 – May 2025), the municipality did not fully adhere to all the conditions of MFMA Circular 124 and / or the additional conditions required in terms of the NT approval letter.

	2025	2024
Non-current liabilities		
At amortised cost	104 816 713	68 213 544
Current liabilities		
At amortised cost	-	29 466 509

51. Contingent laibilities

Litgation cases against the municipality

The following are the litigation cases and financial exposure the municipaility had as at year-end:

Litigation claims	Financial exposure	Total
Payment of employees contribution for the retirement fund for the period between (July	2021 and December 2023)-	

Notes to the Annual Financial Statements

Legal costs	1 100 000	1 100 000
Audit fees	500 000	500 000
Attachment of the bank account for the municipality by retirement fund and n=municipal workers retirement fund	200 000	200 000
Payment of water and sanitation	11 745 003	11 745 003
Edwin Boer vs Municipality	266 985	266 985
	13 811 988	**13 811 988**

52. Change in estimates

Property, plant and equipment

During the review of the remaining useful lives (RUL) of assets, we identified 513 assets deemed for adjustment. These assets were identified at the beginning of the reportingperiod and are either in use with zero RUL or expected to depreciate to zero within the next 24 months. The assets meeting this criterion were adjusted to reflect condition rating as of year end. Adjusting the RUL of assets is considered a subsequent measurement,(as it constitute a change in estimates) in accordance with GRAP 3, paragraph 38 - 40, a change in an accouting estimate may affect only the current period's surplus or deficit or the surplus or deficit of both current period and future periods. -

The impact on current year depreciation and future prospected depreciation based on the remaining useful life resulted in a decrease in depreciation by (R71,109.00).

Landfill sites

The 2025 elemental closure cost estimates were built on a revised and updated set of unit rates from recent construction projects (landfill closure and geosynthetic installation projects), the review revealed that the construction cost estimates for three sites (Philipstown, Petrusville and Vanderkloof) are higher by R25,526,264 as compared to 2024, due to adjusted construction units rates (reflecting the currently high inflationary enviroment). -

The impact of future periods cannot be disclosed as it is impractical to reliably determine the variable for future periods relating to population growth, amount of waste dumped, airspace consumed and change in costs.

53. Budget differences

Material differences between budget and actual amounts

Differences between budget and actual amounts basis of preparation and presentation

The budget and the accounting bases differ. The annual financial statements for the whole-of-government are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance. The annual financial statements are consolidated statements that include all controlled entities, including government business enterprises for the fiscal period from 2024/07/30 to 2025/06/30. The annual financial statements differ from the budget, which is approved on the cash basis and which deals only with the general government sector that excludes government business enterprises and certain other non-market government entities and activities.

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

Explanation material budget variances

Service charges decreased by 32,74%: the municipality had budgeted for hire service charges, because it expected that there would be new prepaid water meters installed which would have led to an increase in billing for water services.

Property rates - the over expenditure of 35,16% is due to the final budget anticipated an increase in property rates billing due to the newly implemented valuation roll. The actual values for property rates ended up being lower than anticipated with the implementation of the new valuation roll.

Government Grant - An increase of 91,48% is due to the the additional funds received for the Municipal Infrastructure Grant

Depreciation and amortisation - An increase of 85% is due to the fact that the municipality was expecting a significant decrease in depreciation because of the aging of the PPE and there was no significat new PPE purchased. The depreciation did not decrease as much because there were projects completed during the year which added to the depreciation.

Impairment loss and reversals - The impairment of assets was not budgeted for.

53. Budget differences (continued)

Finance cost - The municipality did not budget for finance costs, because they were not recognised in the financial system in the 2023/24 financial year, which led to the error when preparing the budget

Debt impairment - There was a change in the methodology for debt impairment, which led to an increase in the amount recognised for debt impairment.