!Kheis Local Municipality
(Registration number NC084)
Annual Financial Statements for the year ending 30 June 2025

Financial statements

for the year ended 30 June 2025

!Kheis Local Municipality
(Registration number NC084)
Annual Financial Statements for the year ending 30 June 2025

General Information

General information		Details
Country of incorporation and domicile	**:**	South Africa
Legal form of entity	**:**	!Kheis Local Municipality is a category B municipality (local) in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	**:**	!Kheis Local Municipality is a local municiplity performing its functions as set out in the Constitution (Act no, 105 of 1996) The provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development: and to promote a
Area of Jurisdiction	**:**	!Kheis Municipality includes the areas Grootdrink, Gariep, Topline, Wegdraai, Opwag, Groblershoop and Boegoeberg
Legislation governing the municipality's	**:**	Constitution of the Republic of south Africa (Act 108 of 1998)
		Local Government: Municipal Finance Management Act (Act no.56 of 2003)
		Local Government: Municipal Systems Act (Act 32 of 2000)
		Local Government: Municipal Structures Act (Act 117 of 1998)
		Municipal Property Rates Act (act of 6 2004)
		Division of Revenue Act (Act 1 of 2007)
Executive/Mayoral committee	:	
Portfolio	**Councillor**	**Name**
Executive Mayor/Mayor	**:**	Cllr. D Jacobs
Deputy Executive Mayor/Mayor	**:**	None
Speaker	**:**	Cllr. A Ludick
Chief WIP	**:**	Cllr J Lodewyk
MMC (Please specify)	**:**	!Kheis municipality does not have a mayoral committee in place.

!Kheis Local Municipality
(Registration number NC084)
Annual Financial Statements for the year ending 30 June 2025

General Information

General information		**Details**
Council Members		
Appointed		Wednesday, 03 November 2021
Nr	Surname	Initials
1	Jacobs	D
2	Ludick	A
3	Lodewyk	J
4	Boer	K
5	Ludick	N
6	Van Wyk	H
7	Ballies	J
8	Malgas	M
9	Vries	P
10	Esau	K
11	Christie	RV
Section 79 Committee		
Chairperson	Jacobs	D
Executive Management		
Position	Surname	Name
Municipal Manager (MM)	Dichaba	Moeketsi
Chief Financial Officer (CFO)	Block	Donovan
Technical Director	Dolopi	Desmond
Human Capital and Client Service (Acting)	George	Solomon
Members of the Audit Committee		
Position	Surname	Name
Chairperson	Buys	Petrus
Members	September	Juliana
Members	September	Chantel

Grading of local authority	Grade 1
Demarcation Code	NC084
Registered office	79 Orange Street Groblershoop 8850
Physical address	79 Orange Street Groblershoop 8850
Postal address	Private Bag X2 Groblershoop 8850
Telephone Number	(054) 833 9500
E-mail address	mpdichaba@yahoo.com

Municipal Website	https://kheis.co.za/
Bankers	First National Bank Grobershoop 8850
Auditors	Auditor-General of South Africa (AGSA) Private Bag X5013 Kimberley 8300
Preparer	Chief Financial Officer
Legal representative	FJ Senekal Incorporated

Abbreviations

ASB	Accounting Standards Board
CIGFARO	Chartered Institute of Government, Finance, Audit and Risk Officers
COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
DORA	Division of Revenue Act
DSACR	Department of Sport, Arts, Culture and Recreation
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
LGSETA	Local Government Services Sector Education and Training Authority
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MPAC	Municipal Public Accounts Committee
MPRA	Municipal Property Rates Act
MSIG	Municipal System Improvement grant
m SCOA	Municipal Standard Chart of Accounts
SALGA	South African Local Government Association
COGTA	Cooperative Governance and Traditional Affairs
SAPS	South African Police Services
SCM	Supply Chain Management
MSA	Municipal Structures Act
MSA	Municipal System Act
NDPG	Neighbourhood Development and Partnership Grant
SRAC	Sports, Recreation, Arts and Culture

Index

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

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.

It is acknowledged that the accounting officer 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, standards are set 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.

In my opinion as accounting officer and based on the information and explanations given by management, 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.

I reviewed the municipality’s cash flow forecast for the year to 30 June 2023 and its financial position as at 30 June 2022, and, in my opinion, the municipality is sound enough financially to be able to continue its service obligations to its community. The mandate of the municipality in encapsulated in Section 152 of the Constitution of the Republic of South Africa. In my opinion the municipality still falls short of delivering services in accordance with its Constitutional injunction, however it being a not for profit entity gives me comfort that it will continue to be able to deliver on its mandate. This is moreso that we have improved on efficiencies, reduced employee costs and have improved our control envronment.

The accounting officer is responsible for the preparation of these financial statements, which are set out on all pages in terms of section 126 (1) of the Municipal finance Management Act and which I have signed on behalf of the municipality. In the yeare under review and after many years of using external consultant to prepare and compile the AFS, the Accouting Officer took a bold decision that these statementment will be compiled internally.

I certify that salaries, allowances and benefits of Councillors as disclosed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the constitution, read with the remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on all pages which have been prepared on the going concern basis, were approved by the accounting officer on 30 September 2025 and were signed on its behalf by:

MP Dichaba
Acting Municipal Manager

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

The municipality is engaged in providing municipal services in accordance with the objects of local government as encapsulated in Section 152 of the Constitution and operates principally in the Northern Cape Province in South Africa.

The operating results and the state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comments.

2. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. Key among these is the quality and caliber of senior management charged with implementing the Service Delivery and Budget Implementation Plans of the municipality. The ability to take stock of the processes in place to identify, evaluate, monitor and control risks associated with successful delivery of strategic and operational objectives which ensure sustainability is of utmost importance. The most significant of this is the delibetate action that must be taken is to reduce employee costs, enhance revenue and

Cash flow was an impediment to delivery services in accordance with the Constitutional injunction moreso that over R6million had to be returned to the National Revenue Fund due to non-compliane with DORA by my predecesor. This also had a direct impact on the ability of the municipality to service third party debt.

3. Accounting policies

The annual financial statements are 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.

4. Accounting Officer

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

Name	Nationality
MP. Dichaba	RSA Citizen

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	Restated 2024
Assets			
Current assets			
Other financial assets	5	168 726	154 916
Inventories	6	323 973	218 097
Other receivables from non-exchange transactions	7	1 608 803	1 092 994
VAT receivable	8	-	-
Trade and other receivables from exchange transactions	9	3 056 645	6 995 270
Cash and cash equivalents	10	1 783 535	203 519
		6 941 681	**8 664 795**
Non-current assets			
Property, plant and equipment	3	175 563 862	196 494 988
Investment Property	4	22 076 525	46 133 371
		197 640 387	**242 628 359**
Total assets		**204 582 069**	**251 293 154**
Liabilities			
Current liabilities			
Unspent conditional grants and receipts	12	2 024 017	6 301 517
Employee benefit obligation	14	198 000	236 000
Payables from exchange transactions	15	89 873 473	81 169 754
VAT payable	8	8 372 390	8 020 875
Consumer deposits	16	116 716	116 716
		100 584 595	**95 844 861**
Non-current liabilities			
Employee benefit obligation	14	2 086 000	1 894 000
Provisions	13	23 559 152	21 091 453
		25 645 152	**22 985 452**
Total liabilities		**126 229 747**	**118 830 314**
Net assets		**78 352 321**	**132 462 841**
Accumulated surplus		78 352 322	132 462 841
Total net assets		**78 352 322**	**132 462 841**

Statement of Changes in Net Assets

Figures in Rand	Accumulated Surplus	Total net assets
Balance at 30 June 2022	**153 530 316**	**153 530 316**
Changes in nett assets	375 359	375 359
Effect of correction of errors for prior years	(36 643 189)	(36 643 189)
Restates opening Balance at 30 June 2022	**117 262 487**	**117 262 487**
Changes in nett assets	-	-
Surplus for the year	17 024 886	17 024 886
Net Surplus as previously reported	18 058 551	18 058 551
Effects of Corrections of errors: Note 39	(1 033 665)	(1 033 665)
Total changes	17 024 886	17 024 886
Balance at 30 June 2023	**134 287 373**	**134 287 373**
Changes in nett assets	(7 549 152)	(7 549 152)
Surplus for the year	5 724 621	5 724 621
Net Surplus as previously reported	17 731 844	17 731 844
Effects of Corrections of errors: Note 39	(12 007 223)	(12 007 223)
Total changes	(1 824 532)	(1 824 532)
Balance at 30 June 2024	**132 462 841**	**132 462 841**
Changes in nett assets	47 260	47 260
Surplus for the year	(54 157 780)	(54 157 780)
Net Surplus as previously reported	-	-
Effects of Corrections of errors: Note 39		
Total changes	(54 110 519)	(54 110 519)
Balance at 30 June 2025	**78 352 322**	**78 352 322**

!Kheis Local Municipality

(Registration number NC084)

Annual Financial Statements for the year ending 30 June 2025

Statement of Financial Performance

Figures in Rand	Note (s)	2025	Restated 2024
Revenue			
Revenue from exchange transactions			
Sale of goods	17	168 960	263 399
Rental of facilities and equipment	21	255 070	260 564
Service charges	19	12 616 657	11 053 674
Licenses and permits	27	405 965	107 076
Other income	22	1 126 959	869 124
Interest received - Exchange transactions	27	7 515 831	7 399 681
Interest received - investment	27	44 057	70 016
Total revenue from exchange transactions		**22 133 498**	**20 023 534**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	18	5 633 540	5 805 007
Interest received - Non exchange transactions	17	2 657	3 801
Other Revenue			
Actuarial (Gain)/Loss	17	34 000	314 364
Licences and permits		2 398 765	-
Transfer revenue			
Government grants & subsidies	20	45 806 421	58 275 399
Total revenue from non-exchange transactions		**53 875 382**	**64 398 571**
Total revenue		**76 008 880**	**84 422 104**
Expenditure			
Employee related cost	24	(35 312 558)	(33 297 162)
Remuneration of councillors	25	(5 027 393)	(4 747 013)
Debt impairment	26	(23 922 778)	(8 314 844)
Depreciation and amortisation	28	(11 178 576)	(14 237 420)
Asset Impairments	49	(6 108 525)	(224 999)
Finance costs	29	(6 810 206)	(4 480 523)
Water inventory consumed	31	(1 285 674)	(1 457 327)
General expenses	23	(12 820 078)	(12 167 713)
Total expenditure		**(102 465 789)**	**(78 927 003)**
Operating (deficit) surplus		**(26 456 909)**	**5 495 101**
Gains/loss on sale of Fixed assets	50	(3 644 025)	-
Gains/(loss) on fair value adjustment	51	-24 056 846	229 519
(Deficit) surplus for the year		**(54 157 780)**	**5 724 621**

!Kheis Local Municipality
Annual Financial Statements for the year ending 30 June 2025

Cash Flow Statement

Figures in Rand	Note (s)	2025	Restated 2024
Cash flows from operating activities			
Receipts			
Taxation		5 120 388	19 092 943
Sale of goods and services		(2 732 139)	44 820 863
Grants and subsidies received		41 528 920	53 019 475
Dividends received		-	-
Interest income		7 559 887	7 469 697
		51 477 056	124 402 978
Payments			
Employee costs		(40 757 680)	(27 112 901)
Suppliers		14 069 160	(23 146 455)
Finance costs		(4 792 073)	(4 571 700)
Other payments		-	
		(31 480 594)	**(54 831 056)**
Net cash flows from operating activities	53	**19 996 462**	**69 571 922**
Cash flows from investing activities			
Purchase of property. plant and equipment	4	(17 931 468)	(52 763 118)
Proceeds from sale of property, plant and equipment	4	-	(16 998 122)
Movement in investment property	5	(471 168)	-
Movement in intangible assets	5	-	
Net cash flows from investing activities		**(18 402 636)**	**(69 761 239)**
Cash flows from financing activities			
Repayment of other financial liabilities		(13 810)	-
Repayment of finance lease liabilities		-	-
Finance lease payments		-	-
Net cash flows from financing activities		**(13 810)**	**-**
Net increase / (decrease) in net cash and cash equivalents		**1 580 016**	**(189 318)**
Cash and cash equivalents at beginning of year		203 519	392 837
Cash and cash equivalents at end of the year	10	**1 783 535**	**203 519**

!Kheis Local Municipality (NC084)
Statement of Comparison of Budget and Actual Amounts
BUDGETED STATEMENT OF FINANCIAL POSITION 30 JUNE 2025

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Explanation of the variance between Approved and Final budget
Assets						
Current Assets						
Cash and cash equivalents	-10 529 203	2 052 402	-8 476 801	6 362 352	**-2 114 449**	Dire cahs flow situation of the municipality in terms of collection of revenue
Trade and other receivables from exchange transactions	31 630 718	65 310	31 696 028	15 463 898	**-16 232 130**	Failure of debtors to pay outstanding accounts
Receivables from non-exchange transactions	18 722 449	-2 063 122	16 659 327	6 314 278	**-10 345 049**	Failure of debtors to pay outstanding accounts
Current portion of non-current receivables	967 352	-	967 352	874 830	**-92 522**	
Inventory	3 571	-328 225	-324 654	304 774	**629 428**	
VAT	18 560 199	-	18 560 199	13 393 045	**-5 167 154**	Accruel accounting system as well as accumulation of aged analysis
Other current assets	-253 952	-	-253 952		**253 952**	
Total current Assets	**59 101 134**	**-273 635**	**58 827 499**	**42 713 177**	**-33 067 924**	
Non-Current Assets						
Property, Plant and Equipment	328 268 387	-	328 268 387	-34 149 904	**294 118 483**	
Biological	-	-	-	100 983	**100 983**	
Intangible	-	-	-		**-**	
Trade and other receivables from exchange transactions	1 956 861	-	1 956 861		**-1 956 861**	
	330 225 248	**-**	**330 225 248**	**-34 048 921**	**292 262 605**	
Total Assets	**389 326 382**	**-273 635**	**389 052 747**	**8 664 256**	**259 194 681**	
Liabilities						
Current Liabilities						
Bank overdraft	-	-	-		**-**	
Financial liabilities	-4 209 513	-	-4 209 513	-	**4 209 513**	Unspent conditional grants from prior periods not yeat cleared
Consumer deposits	122 435	-	122 435	-	**-122 435**	
Trade and other payables from exchange transactions	42 922 843	1 802 740	44 725 583	47 848 065	**3 122 482**	Outstanding employee related costs, third part payments as well as trade payables for 30 June 2025
Trade and other payables from non-exchange transactions	12 042 707	-	12 042 707	-5 796 867	**6 245 840**	
Provision	55 409 553	-	55 409 553	8 458 025	**-46 951 528**	Landfill site and employee costs for employee benefits
VAT	15 093 227	-	15 093 227	7 203 806	**-7 889 421**	
Other current liabilities	-	-	-		**-**	
	121 381 252	**1 802 740**	**123 183 992**	**57 713 030**	**-41 385 548**	

!Kheis Local Municipality (NC084)
Statement of Comparison of Budget and Actual Amounts
BUDGETED STATEMENT OF FINANCIAL POSITION 30 JUNE 2025

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Non-Current Liabilities						
Financial liabilities	1 636 176	-	1 636 176	-1 559 747,99	**76 428**	
Provision	2 075 000	-	2 075 000	236 000	**1 839 000**	
Total Non-current Liabilities	**3 711 176**	**-**	**3 711 176**	**-1 323 748**	**1 915 428**	
Total Liabilities	**125 092 428**	**1 802 740**	**126 895 168**	**56 389 282**	**-39 470 120**	
Nett Assets	**264 233 954**	**-2 076 375**	**262 157 579**	**-47 725 026**	**298 664 801**	
Community wealth/equity						
Accumulated Surplus/(deficit)	265 800 840	-	265 800 840	177 541 187	**88 259 653**	
Total community wealth/equity	**265 800 840**	**-**	**265 800 840**	**177 541 187**	**88 259 653**	

!Kheis Local Municipality (NC084)
Statement of Comparison of Budget and Actual Amounts
BUDGETED STATEMENT OF FINANCIAL POSITION 30 JUNE 2025

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Explanation of the variance between Approved and Final budget
Revenue						
Exchange Revenue	**28 619 319**	**64 590**	**28 683 909**	**21 504 162**	**-7 179 747,17**	
Service charges - Electricity		-	-			
Service charges - Water	6 769 813	**10 000,00**	**6 779 813**	**4 653 888**	**-2 125 925**	Low collection rate
Service charges - Waste Water Management	3 724 968	**100 000,00**	**3 824 968**	**3 287 825**	**-537 143**	Low collection rate
Service charges - Waste Management	5 321 571	**-45 410,00**	**5 276 161**	**4 712 859**	**-563 302**	Low collection rate
Sale of Goods and Rendering of Services	817 491	-	**817 491**	**401 770**	**-415 721**	
Agency services	-	-	-		-	
Interest	-	-	-	-	-	
Interest earned from Receivables	8 756 112	-	**8 756 112**	**7 515 831**	**-1 240 281**	
Interest earned from Current and Non Current Assets	359 286	-	**359 286**	44 057	**-315 229**	
Dividends	-	-	-		-	
Rent on Land	21 694	-	**21 694**	25 012	**3 318**	
Rental from Fixed Assets	1 916 436	-	**1 916 436**	255 070	**-1 661 366**	Not all contracts had been honoured aspecially the small farmers
Licence and permits	455 411	-	**455 411**	121 041	**-334 370**	
Operational Revenue	476 537	-	**476 537**	486 809	**10 272**	
Non - Exchange Revenue	54 506 831	-	**54 506 831**	**49 723 236**	**-4 783 595**	
Property rates	10 314 259	-	**10 314 259**	5 633 540	**-4 680 719**	Low collection rate
Surcharges and Taxes	-	-	-	2 758 579	**2 758 579**	Incorrect allocation, relates to SPLUMA receipt
Fines, penalties and forfeits	-	-	-		-	
Licences or permits	-	-	-		-	
Transfer and subsidies - Operational	42 156 000	-	**42 156 000**	41 159 501	**-996 499**	Equitable Shares withheld for non compliance with conditional grant
Interest	1 550 854	-	**1 550 854**	2 657	**-1 548 197**	Less investment, due to financial situation
Fuel Levy	-	-	-		-	
Operational Revenue	-	-	-		-	
Gains on disposal of Assets	485 718	-	**485 718**	168 960	**-316 758**	
Other Gains	-	-	-		-	
Discontinued Operations	-	-	-		-	
Total revenue (excluding capital transfers and contributions)	**83 126 150**	**64 590**	**83 190 740**	**71 227 398**	**-11 963 342**	

Expenditure						
Employee related costs	36 510 316	**-**	**36 510 316**	33 121 718	**3 388 598**	
Remuneration of councillors	4 634 244	**-**	**4 634 244**	5 027 393	**-393 149**	Increase in the allowances paid to council. The MEC approves the payment for the 2023/24 and the 2024/25 financial year allowances
Bulk purchases - electricity	-	**-**	**-**		**-**	
Inventory consumed	1 762 725	**302 000,00**	**2 064 725**	1 877 969	**186 756**	
Debt impairment	13 065 307	**-2 062 852,00**	**11 002 455**	46 674 728	**-35 672 273**	Impairment had been calculated on the current collection rate, using the historical aged analysi to obtain a true reflection of debtors' collection for all pior years
Depreciation and amortisation	8 359 976	**-**	**8 359 976**	10 819 392	**-2 459 416**	Recalculation of Depreciation after the audit queries from the previous financial year
Interest	-	**-**	**-**		**-**	
Contracted services	2 646 842	**928 300,00**	**3 575 142**	308 147	**3 266 995**	Cash flow prohibit the municipality to enter into contracts
Transfers and subsidies	533 894	**-**	**533 894**	-2 826 830	**3 360 724**	Transfers incorrectly recognised against the expenditure vote
Irrecoverable debts written off	-	**-**	**-**		**-**	
Operational costs	8 214 260	**2 973 517,00**	**11 187 777**	16 252 020	**-5 064 243**	The outstanding payments for Eskom and Boegoeberg Water User Association
Losses on disposal of Assets	-	**-**	**-**		**-**	
Other Losses	-	**-**	**-**		**-**	
Total expenditure	**75 727 564**	**2 140 965**	**77 868 529**	**111 254 537**	**-33 386 008**	
Surplus/(Deficit)	**7 398 586**	**-2 076 375**	**5 322 211**	**-40 027 139**	**21 422 666**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Transfers recognised - capital	21 662 000	-	**21 662 000**		**21 662 000**	Transfers withheld by National Treasury
Surplus (Deficit) after capital transfers and contributions	**29 060 586**	**-2 076 375**	**26 984 211**	**77 659 043**	**-50 674 832**	
Surplus/(Deficit) for the year	**29 060 586**	**-2 076 375**	**26 984 211**	**77 659 043**	**-50 674 832**	

!Kheis Local Municipality (NC084)
Statement of Comparison of Budget and Actual Amounts
BUDGETED STATEMENT OF FINANCIAL POSITION 30 JUNE 2025

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Explanation of the variance between Approved and Final budget
CASH FLOW FROM OPERATING ACTIVITIES						
Receipts	**82 815 307**	**2 062 402**	**84 877 709**	**49 486 503**	**-35 391 206**	
Property rates	5 156 859	2 063 122	7 219 981	2 239 871	-4 980 110	Collection rate of the municiplity is still the biggest challenge
Service charges	7 908 897	-720	7 908 177	1 190 603	-6 717 574	Collection rate of the municiplity is still the biggest challenge
Other revenue	5 572 265	-	5 572 265	9 171 871	3 599 606	
Transfers and Subsidies - Operational	42 156 000	-	42 156 000	35 255 000	-6 901 000	Unspent conditional grants deduct
Transfers and Subsidies - Capital	21 662 000	-	21 662 000	1 627 000	-20 035 000	Withheld of MIG and DWS grants
Interest	359 286	-	359 286	2 157	-357 129	
Dividends	-	-	-		-	
Payments	**-71 440 926**	**-**	**-71 440 926**		**71 440 926**	
Suppliers and employees	-71 440 926	-	-71 440 926	696 145	72 137 071	
Interest	-	-	-		-	
Transfers and Subsidies	-	-	-		-	
					-	
NET CASH FROM/(USED) OPERATING ACTIVITIES	**11 374 381**	**2 062 402**	**13 436 783**	**50 182 648**	**108 186 791**	
CASH FLOWS FROM INVESTING ACTIVITIES						
Receipts	**-**	**-**	**-**		**-**	
Proceeds on disposal of PPE		-	-		**-**	
Decrease (increase) in non-current receivables	-	-	-		**-**	
Decrease (increase) in non-current investments	-	-	-		**-**	
Payments	**-21 662 000**	**-**	**-21 662 000**		**21 662 000**	
Capital assets	-21 662 000	-	-21 662 000	-472 892	**21 189 109**	
Other expenditure		-			**-**	
NET CASH FROM/(USED) INVESTING ACTIVITIES	**-21 662 000**	**-**	**-21 662 000**	**-472 892**	**42 851 109**	

!Kheis Local Municipality (NC084)
Statement of Comparison of Budget and Actual Amounts
BUDGETED CASH FLOW STATEMENT 30 JUNE 2025

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
CASH FLOWS FROM FINANCING ACTIVITIES						
Receipts						
Short term loans	-	-	-		-	
Borrowing long term/refinancing	-	-	-		-	
Increase (decrease) in consumer deposits	-	-	-		-	
Payments		-			-	
Repayment of borrowing	-	-	-		-	
NET CASH FROM/(USED) FINANCING ACTIVITIES	-	-	-	-	-	
NET INCREASE/ (DECREASE) IN CASH HELD	**-10 287 619**	**2 062 402**	**-8 225 217**	**49 709 342**	**57 934 559**	
Cash/cash equivalents at the year begin:	616 366	-	616 366	28 470 528	**27 854 162**	
Cash/cash equivalents at the year end:	-9 671 253	2 062 402	-7 608 851	78 179 870	**85 788 721**	

1.1. Presentation of Annual Financial Statements

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

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

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

1.1.1 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2014 and 30 June 2015 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

(a) Is required by a Standard of GRAP; or
(b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has realigned items in the financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the annual financial statements.

1.1.2 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 statement. Significant judgement include:

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

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

1.1.2.2 Allowance for slow moving, damaged and obsolete stock

An allowance is made for slow-moving, damaged and obsolete inventory to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the statement of financial performance.

1.1.2.3. Statutory Receivables

Statutory receivables are measured at each reporting date using the cost method as outlined in GRAP 108. Applying the cost method means that the initial transaction amount is only adjusted for the following:

Interest or other penalties. Interest is charged based on the nominal rate outlined in the credit and debt collection policy.
Payments received and other amounts that are derecognised by the entity, for example amounts waived by the entity.
Impairment losses:
The municipality assesses at each reporting date whether there is any indication that an impairment loss should be recognised by comparing the carrying amount of the receivable to the cash flows the entity expects to receive. The cash flows are discounted if the time value of money is material.

1.1.2 Significant judgements and sources of estimation uncertainty (Continued)
1.1.2.3 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 carrying less impairment provision of trade receivebles and payables are assumed to approximate their fair values. The fair value of financial laibilities for disclosure purposes is estimated by discounting the future conctractual cash flows at the current market interest rate that is available to the municipality for similiar financail instruments.

1.1.2.4 Provisions and contingent liabilities

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

1.1.2.5 Useful lives of property, plant and equipment and intangible assets

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

1.1.2.6 Allowance for doubtful debts

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

1.1.2.7 GRAP 24: Presentation of Budget information

The municipality is required to present a comparison of the budget amounts for which it is held publicy accountable. The comparison of budget and actual amounts present seperately for each level of legislative oversight:

- the approved and final budget
- the adjustment budget
- the actual amounts on a comparitive basis

1.1.2.8 Revenue Recognition

Accounting Policy 11.2 on *Revenue from Exchange Transactions* and Accounting Policy 11.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.
In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GRAP 23 (*Revenue from Non-exchange Transactions*). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.1.2.9 Financial Assets and Liabilities
The classification of Financial Assets and Liabilities, into categories, is based on judgement by management. Accounting Policy 8.1 on *Financial Assets Classification* and Accounting Policy 8.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.
In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of Financial Instruments as set out in GRAP 104 (*Financial Instruments*).

1.1.2 Significant judgements and sources of estimation uncertainty (Continued)

1.1.2.10 Impairment of Financial Assets

Accounting Policy 8.4 on *Impairment of Financial Assets* describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of Financial Assets as set out in GRAP 104 (*Financial Instruments*) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

- Impairment of Trade Receivables:
  The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

1. 1.2.11 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 3.3, 4.2 and 5.2, the municipality depreciates its Property, Plant & Equipment and Investment Property, and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.
The useful lives of assets are based on management’s estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management’s judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1.1.2.12 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, Investment Property, Heritage Assets and Inventories

Accounting Policy 7 on *Impairment of Assets*, Accounting Policy 4.2 on *Intangible Assets – Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 9.2 on *Inventory – Subsequent Measurement* describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (Impairment of Non-cash Generating Assets) and GRAP 26 (Impairment of Cash Generating Assets). In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

1.1.2.13 Water Inventory
The estimation of the Water Inventory in reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Accounting Policy 6 - Inventory.

1.1.2.14 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.1.2 Significant judgements and sources of estimation uncertainty (Continued)

1.1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Basis* .

1.1.5 Offsetting

Assets, Liabilities, Revenues and Expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1. 1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The ASB Directive 5, paragraph 29, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors* .

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate Accounting Policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate Accounting Policies dealing with the following transactions, but have not early adopted these Standards:

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2017/18 financial year and municipalities are not required to apply or early adopt GRAP 18. The implementation date of GRAP 18 is 1 April 2019.

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

REFERENCE	TOPIC	EFFECTIVE DATE	Expected impact:
• GRAP 1	Amendments to GRAP 1 on Presentation of Financial Statements.	01 April 2023	Early adopt amendments
• GRAP STANDARDS	Improvements to Standards of GRAP 2021	01 April 2023	Early adopt amendments (per standard)
• GRAP 17	Effective date of improvement, particularly improvement to GRAP 17 on Property, Plant and Equipment		No significant impact is expected
• GRAP 104	Financial Instruments	01 April 2025	Early adoption of entire Standard permited
• GRAP 25	Employee benefts	01 April 2024	Early adoption of entire Standard permited
• IGRAP 17	Service Concession Arrangement Grantor	Unknown	No significant impact is expected

1.2. Property, plant and equipment (Continued)

1.2.1 Initial Recognition

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

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Property, Plant and Equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value

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 alsoincluded 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.

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

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.

1.2.2 Subsequent Measurement

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

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

1.2.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method* , to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. 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. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

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

Operational Buildings	
- Farms	15-50 Years
- Municipal Offices	10-30 Years
Infrastructure	
- Roads	
Road Furniture	7-10 Years
Road Structure	7-60 Years
- Pedestrian malls	15-30 years
- Electricity	
LV Networks	5-45 years
- Water resevoirs	
Boreholes	15-50 Years
Dams and Weirs	20-80 Years
Distribution	10-50 Years
Reservoirs	7-80 Years
Water Pump Stations	10-30 Years
Water Treatment Works	5-80 Years
- Sewerage pump stations	
Outfall Sewers	15-80 Years
Reticulation	15-50 Years
Sewer Pump Stations	5-70 Years
Waste Water Treatment Works	15-80 Years
- Housing	25-30 years
Other property, plant and equipment	
- Specialist vehicles	5-10 years
- Other vehicles	4-7 years
- Office equipment	5-7 years
- Furniture and Fittings	5-7 years
- Bins and containers	5 years
- Specialized plant and equipment	10-15 years
- Other plant and equipment	2-5 years
- Landfill sites	7 - 25 years
- Lease hold property	3-5 years
- Security	3-5 years
Community assets	
Cemeteries/Crematoria	5-30 Years
Halls	5-30 Years
Libraries	20 Years
Sport and Recreation Facilities - Outdoor Facilities	5-50 Years

The assets' residual values, estimated useful lives and depreciation method are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

1.2.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

1.2.5 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure Assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure Assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

1.2. Property, plant and equipment (continued)

1.2.6 Incomplete Construction Work

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

1.2.7 Leased Assets

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the municipality or, where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

1.2.8 Derecognition

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposals are included in the Statement of Financial Performance as a gain or loss on disposal of Property, Plant and Equipment.

1.3. Intangible assets

An asset is identified as an intangible asset when it:

- 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, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

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 (continued)

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

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

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

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

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

Item	**Useful life**
Computer software, other	5 years

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

1.4. Financial Instruments Classification

The municipality classifies financial assets and financial liabilities into the following categories:
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

1.4. Financial Instruments Classification (continued)

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Consumer deposits are subsequently recorded in accordance with the accounting policy of trade and other payable.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

Fair value information for trade and other receivables is determined as the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The fair values of quoted investment are based on current bid prices

If the market for a financial asset is not active (and for unlisted securities) , municipality established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs.

The Effective Interest Rate Method

The Effective Interest Method is a method of calculating the amortised cost of a Financial Asset or a Financial Liability 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.

Amortised Cost

Amortised Cost 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 Rate Method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

1.4.1 Impairment of financial assets

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-forsale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

1.4. Financial Instruments Classification (continued)

1.4.1 Impairment of financial assets (Continued)

- **Financial Assets measured at Amortised Cost** are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the *Effective Interest Rate Method* less a provision for impairment.

- **Financial Assets measured at Fair Value** are financial assets that meet either of the following conditions:

  (i) Derivatives;
  (ii) Combined instruments that are designated at fair value;
  (iii) Instruments held for trading;
  (iv) Non-derivative Financial Instruments with fixed or determinable payments that are designated at fair
  (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised Cost or

- **Financial Assets measured at Cost** are investments in residual Interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The municipality has the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	assification in terms of GRAP 1
Non-current Investments	Financial Assets at Amortised Cost
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Notice Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Bank	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Cash	Financial Assets at Fair Value
Current Portion of Non-current Investments	Financial Assets at Amortised Cost
Current Portion of Long-term Receivables	Financial Assets at Amortised Cost

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Amortised Cost.

1.4. Financial Instruments Classification (continued)

1.4.2 Financial Liabilities – Classification (Continued)

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial Liabilities may be measured at:

(i) Financial Liabilities measured at Fair Value;
(ii) Financial Liabilities measured at Amortised Cost; or
(iii) Financial Liabilities measured at Cost.

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	assification in terms of GRAP 1
Long-term Liabilities	Financial Liabilities at Amortised Cost
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Payables from Non-exchange Transactions	Financial Liabilities at Amortised Cost
Bank Overdraft	Financial Liabilities at Amortised Cost
Short-term Loans	Financial Liabilities at Amortised Cost
Current Portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

Financial Liabilities that are measured at Fair Value are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Bank Overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1.4.3 Initial and Subsequent Measurement

1.4.3.1 Financial Assets:

Financial Assets measured at Amortised Cost

Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis* .

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost* .

Financial Assets measured at Fair Value

Financial Assets at Fair Value are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

1.4.3.2 Financial Liabilities:

Financial Liabilities measured at Fair Value

Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

1.4. Financial Instruments Classification (continued)
Financial Liabilities held at Amortised Cost (Continued)

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank Borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the *Accrual Basis* and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

1.4.3.3 Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncorrectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

1.4.3.4 Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

1.4.3.5 Cash and cash equivalents

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

1.4.3.6 Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

1.4.3.7 Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit - held for trading.

1.4. Financial Instruments Classification (continued)
1.4.3.8 Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

1.4.3.9 Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on an available - for - sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until financial assets is derecognised, at time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process

1.4.3.10 Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.5. Leases

1.5.1 Classification

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.

1.5. Leases (Continued)

1.5.2 The Municipality as Lessee

1.5.2.1 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.

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.

1.5.2.2 Operating leases - lessor

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

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

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

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

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

1.5.3 The Municipality 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. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred

1.5.4 Determining whether an Arrangement contains a Lease

At inception of an arrangement, the municipality determines whether such an arrangement is, or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the municipality the right to control the use of the underlying asset. At inception, or upon reassessment of the arrangement, the municipality separates payments and other considerations required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the municipality's incremental borrowing rate.

1.6. 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.

1.6. Inventories (continued)

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.

1.7. Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset’s recoverable amount.

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation 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 shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

1.7. Impairment of cash-generating assets (continued)

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

1.7.2 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.

1.7.3 Discount rate

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

1.7.4 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.

1.7.5 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 cashgenerating 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:

1.7. Impairment of cash-generating assets (Continued)

1.7.5 Cash-generating units (Continued)

- 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

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 noncash-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.

The municipality assess 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.

1.7.6 Reversal of impairment loss

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.

1.7. Impairment of cash-generating assets (continued)
1.7.7 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.

1.7.8 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return.

When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Useful life is either:
(b) the number of production or similr units expected to be obtained from the asset by the municipality.

1.7.9 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 test 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.

1.7.10 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:

1.7.11 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 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.

1.7. Impairment of cash-generating assets (continued)

1.7.12 Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

1.7.13 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.

1.7.14 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.

1.7.15 Reversal of an impairment loss

The municipality assess 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.

1.7.18 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.

1.8. 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.

1.8.1 Short-term employee benefits

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

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be sttled 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 recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

1.8. Employee benefits (continued)

1.8.1 Short-term employee benefits (continued)

- 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 recognise 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 measure 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 recognise 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.

1.8.2 Long Service Awards

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

- pay the employee benefits directly when they fall due; or
- pay further amounts if the insurer does not pay all future employee benefits relating to employee service in the current and prior reporting periods.

If the entity retains such a legal or constructive obligation, the entity treats the plan as a defined benefit plan.

1.8.3 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.

1.8. Employee benefits (continued)

1.8.3 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.

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

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

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

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

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

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

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

1.8. Employee benefits (continued)

1.8.3 Provisions and contingencies (continued)

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date.

Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

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

1.9. REVENUE RECOGNITION

1.9.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from Exchange Transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from Non-exchange Transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

1.9.2 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.

Revenue consists primarily of grants of National- and Provincial Government, service charges, rentals, interest received and other service rendered

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.

When considering the probability of the future economic benefits that will flow to the entity, consideration is given to the requirements as outlined in IGRAP 1

1.9. REVENUE RECOGNITION (Continued)

1.9.2.1 Measurement

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

1.9.2.2 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.

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

Rendering of services consist out of solid waste, sanitation, sewerage and water.

1.9.2.4 Interest

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

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

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

1.9. REVENUE RECOGNITION (Continued)

1.9.2.5 Service Charges

Service Charges are levied in terms of approved tariffs.

Service Charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the number of refuse collections on each property during the week.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

1.9.2.6 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a *Straight-line Basis* over the term of the lease

1.9.2.7 Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on Trust Funds is allocated directly to the fund.
- Interest earned on unutilised Conditional Grants is allocated directly to the Creditor: Unutilised Conditional

1.9.2.8 Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

1.9.2.9 Royalties

Royalties are recognised on an *Accrual Basis* in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a *Straight-line Basis* over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

1.9.2.10 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

1.9.2.11 Revenue from Agency Services

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

1.9. REVENUE RECOGNITION (Continued)
1.9.2.12 Sale of Goods (including Houses)

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

(a) The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
(b) The municipality retains neither continuing managerial involvement to the degree usually associated with
(c) The amount of revenue can be measured reliably;
(d) It is probable that the economic benefits or service potential associated with the transaction will flow to the
(e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.9.2.13 Investment income

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

1.9.3 Revenue from Non-exchange Transactions

An inflow of resources from a Non-exchange Transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a Non-exchange Transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

1.9.3.1 Rates and Taxes

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

1.9.3.2 Fines

Fines constitute both spot fines and summonses. Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably.

There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

An estimate is made for revenue from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue is recognised when the public prosecutor pays the cash collected over to the municipality.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not be made at the time of initial recognition.

1.9. REVENUE RECOGNITION (Continued)
1.9.3.3 Public Contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

1.9.3.4 Government Grants and Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

1.10. Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

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

1.11. Comparative figures

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

1.12. Unauthorised expenditure

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

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

1.13. Fruitless and wasteful expenditure

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

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

1.14. Irregular expenditure

Irregular expenditure as defined in section 32 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

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

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

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.15. Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors. The methodology for the calculation of the impairment had been done on the payment percentage for the period. The final amount is calculated on the outstanding amount as on 30 June 2025. There are exclusions in the form of government departments, etc.

1.16. Use of estimates

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

1.17. Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.18. 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.

1.19. Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.20. Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Note 51, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.21. 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 2013/07/01 to 2016/06/30.

The annual financial statements and the budget are not 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.

1.22. Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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.

Related party disclosures for transactions between government entities that took place on terms and conditions that are considered to be at arms length and in the ordinary course of business are not disclosed in accordance with IPSA 20 Related Party Disclosure.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling, the activities of the entity, We regard all individuals from the level of Accounting Officer and Council members as well as managers and directors reporting directly to the municipal manager as key management per the definition of the financial reporting standard.

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

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

1.25. Provisions

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

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

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

1.25.1 Provision for Environmental Rehabilitation

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

26. TAXATION

26.1 Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

26.2 Deferred tax assets and liabilities

Deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

26.3 Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus/deficit for the period.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

27. INVESTMENT PROPERTY [note 4]

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Investment property also includes land held for an undetermined future use.

27.1 Initial recognition

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

Where the classification of an investment property is based on management's judgement, the following criteria have been applied to distinguish investment properties from owner-occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties.

- Land held for a currently undetermined future use;
- A building owned (or held by under a finance lease) and leased out under one or more operating leases;
- Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held;
- A building that is vacant but is held to be leased out under one or more operating leases;
- Property that is being constructed or developed for future use as investment property.

27.2 Subsequent measurement – fair value model

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

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

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

27.3 Derecognition/Disposal

Investment properties are derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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

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

27. 4 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2025 is as follows:

2.1) Investment property

Investment property has been recognised in the 2025 financial statements and the accounting policy has been amended to make prosvision for it. Recognition, subsequent measurement at fairvalue and the disposal of the investment property has been disclosed in the accounting policy in line with GRAP.

3. Property, plant and equipment

	2025			Restated 2024		
	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land & Buildings	64 150 091	-6 112 053	58 038 038	64 150 091	-6 059 254	**58 090 837**
Infrastructure	201 524 233	-138 208 269	63 315 964	226 989 867	-143 842 296	**83 147 570**
Community	16 972 829	-9 776 546	7 196 283	19 721 753	-11 981 191	**7 740 562**
Other property, plant and equipment	2 877 142	-1 686 706	1 190 436	9 356 534	-7 663 655	**1 692 879**
Lease hold assets	-	-	-	-	-	**-**
Total	**285 524 295**	**-155 783 573**	**129 740 721**	**320 218 244**	**-169 546 397**	**150 671 847**

	2025	Restated 2024
Work in progress	**45 823 141**	**45 823 141**
- Buildings	-	-
- Infrastructure Assets	*45 823 141*	*45 823 141*
- Community Assets	-	-
- Other Property Plant and Equipment	-	-
Total	**175 563 862**	**196 494 988**

3.1 Reconciliation of property, plant and equipment

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Other changes, movements	Total
Land	57 705 172	-	-		-	-		**57 705 172**
Buildings	385 665	-	-		-51 938	-861		**332 866**
Transport Assets	725 647	-	-93		-127 650	-3 868		**594 036**
Office equipment	205 258	-	-3		-48 681	-75		**156 499**
IT equipment	726 155	-	-58 976		-248 037	-4 654		**414 489**
Infrastructure	63 728 809	-	-3 527 940		-8 494 770	-6 072 380		**45 633 719**
Community	7 740 562	-	-53 836		-463 754	-26 689		**7 196 283**
Machinery and Equipment	35 818	-	-3 176		-7 230			**25 413**
Landfill Asset	19 418 761	-			-1 736 516		-	**17 682 245**
Other lease assets	-	-			-			**-**
Work in progress	45 823 141	-		-				**45 823 141**
								-
	196 494 988	**-**	**-3 644 025**	**-**	**-11 178 576**	**-6 108 525**	**-**	**175 563 862**

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Prior period error correction	Total
Land	56 990 550		-				714 622	**57 705 172**
Buildings	131 841				-62 441		316 265	**385 665**
Transport Assets	210	786 522			-122 550		61 465	**725 647**
Office equipment	1 706				-56 345		259 898	**205 258**
IT equipment	116 942	182 142	-		-251 178		678 249	**726 155**
Infrastructure	23 691 740	3 067 340	-		-9 951 062	-2 151	46 915 727	**63 721 593**
Community	11 311 390	-	-		-3 410 933	-222 848	62 953	**7 740 562**
Machinery and Equipment	6 848		-		-7 581		36 551	**35 818**
Landfill Asset	2 554 756	17 246 551			-375 330		-7 216,11	**19 418 761**
Previously Reported	2 554 756	-			-363 367		-	**2 191 389**
Correction of Error	-				-11 963		-7 216,11	**-19 179**
Other lease assets	-		-		-		-	**-**
Work in progress	72 349 870	12 312 277		-3 067 340			-35 771 667	**45 823 141**
Previously Reported	72 349 870	12 730 566		-3 067 340			-	**82 013 097**
Correction of Error	-	-418 289		-	-		-35 771 667	**-36 189 956**
	167 155 853	**33 594 832**	**-**	**-3 067 340**	**-14 237 420**	**-224 999**	**13 266 847**	**196 487 772**

Assets subject to finance lease (net carrying value)

No assets have been pledged as collateral for liabilities of the municipality for the current year and prior years.

Reconciliation of Work-in-Progress - 2025

	Included within Infrastructure	Buildings	Community assets	Total
Opening balance	45 823 141	-	-	45 823 141
Additions/capital expenditure	-	-	-	-
Transferred to completed items	-	-	-	-
	45 823 141	-	-	45 823 141

The following projects were identified as taking a significantly longer period of time to complete than expected:

	Reasons	2025	Restated 2024
Project 1: Construction of Sewer Reticulation Pump station and rising main in Gro	Funding not availible to complete the project	9 611 556	9 611 556
Project 2: Refurbishment of Bulk Water supplu - Groblershoop	Funding not availible to complete the project	6 261 899	6 261 899
Project 3: Upgrading of Bulk Water Supply in Gariep	Municipality was placed on Cost reimbursement	7 297 467	7 297 467
Project 4: Construction of Sewer Reticulation - Wegdraai	Municipality was placed on Cost reimbursement	19 609 109	19 609 109
		42 780 031	**42 780 031**

The anaylsis for WIP shown above exclude retention amounting to R3 043 110.

In accordance with GRAP 17, the assessment had been done for the above mentioned projects for impairment and the projects were deemed not to be impaired.

Expenditure incurred to repair and maintain property, plant and equipment

Included in Statement of Financial Performance

Buildings	3 887	10 808
Infrastructure	28 004	31 496
Vehicles	10 560	167 450
Other Property, plant and Equipment	1 616	51 071
	44 067	**260 825**

3.2 Disclosure Note: Fleet Seized by Sheriff Due to Pending Litigation

We wish to inform stakeholders about a unique circumstance involving our fleet of assets. The fleet has been seized by the Sheriff as part of an ongoing litigation process. This note provides details about the situation, the accounting treatment, and the potential impact on our financial statements.

Background:
The fleet of assets, which remains a part of our asset register, has been seized by the Sheriff in connection with pending litigation. This action was taken in an effort to address legal claims against the entity.

Ownership and Pending Case:
Despite the seizure by the Sheriff, legal ownership of the fleet still rests with our entity. The assets remain listed in our asset register because we maintain legal title. The pending case on the fleet is indicative of the uncertainty surrounding the ownership and usage of these assets.

Economic Benefits and Pending Resolution:
While the entity is not currently deriving economic benefits from the fleet due to the ongoing litigation, potential future economic benefits could arise if the case is resolved in our favor. The assets' economic potential remains contingent upon the resolution of the litigation process.

Accounting Treatment:
Given the unique circumstances surrounding the seized fleet, we have carefully considered the accounting treatment in accordance with relevant accounting standards. As ownership is retained and there remains a possibility of future economic benefits, the fleet has been maintained within our asset register. However, it's important to note that the carrying value of the fleet may be subject to reassessment based on the outcome of the litigation.

Transparency and Disclosure:
We are committed to transparency in financial reporting. This disclosure is intended to provide stakeholders with a clear understanding of the situation and the related accounting treatment. The future resolution of the litigation will likely have an impact on our financial statements, and we will continue to monitor the situation closely.

Future Developments:
We will continue to closely monitor the progress of the pending litigation and will adjust our accounting treatment as necessary based on the final outcome. Any updates or changes will be communicated to stakeholders as appropriate.

We appreciate your understanding and support as we navigate this unique situation. Should you have any inquiries or require further information, please do not hesitate to contact our financial reporting team.

3.3 Valuation of newly found assets

The municipality identified additional assets during the current financial year, through physical verification procedures performed in the field, which were not previously recorded in the Fixed Asset Register. These assets constitute newly identified infrastructure and/or community assets that existed prior to the current reporting period but were omitted from historical records. In line with the transitional provisions of Directive 7 issued by the Accounting Standards Board, and due to the absence of reliable historical cost information, these assets have been recognised at deemed cost. The deemed cost was determined in accordance with the municipality's approved valuation methodology and are disclosed at their respective carrying amounts as at 30 June 2025. The total carrying amount of these newly identified assets (valued per Directive 7 principles) included in the balances shown above are as shown below:

Details	**Restated 2024**
Infrastructure Assets	113 069
Land	31 141 888
Movable assets	214 161
	31 469 117

4. Investment Property

	2025			Restated 2024		
	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	22 076 525	-	22 076 525	46 133 371	-	**46 133 371**
Total	**22 076 525**	**-**	**22 076 525**	**46 133 371**	**-**	**46 133 371**

Reconciliation Investment Property - 2025

	Opening balance	Prior period error correction	Fair Value adjustment	Total
Investment Property	46 133 371	-	-24 056 846	22 076 525 -
Total	46 133 371	-	-24 056 846	22 076 525

Reconciliation Investment Property - 2024

	Opening balance	Prior period error	Fair Value	Total

Investment Property	-	45 903 851	229 519	46 133 371
				-
Total	-	45 903 851	229 519	46 133 371

Investment property

Signficant Assumptions
The following assumptions were used/made as part of the determination for the fair valus:
(a) The municipality used the market value to determine the fair value
(b) The market value was determined using the FNB Barometer as there were no reasonable number of local sales to make refeerence to.

The municipality identified additional assets during the current financial year, through physical verification procedures performed in the field, which were not previously recorded in the Fixed Asset Register. These assets constitute newly identified investment proerties that existed prior to the current reporting period but were omitted from historical records. In line with the transitional provisions of Directive 7 issued by the Accounting Standards Board, and due to the absence of reliable historical cost information, these assets have been recognised at deemed cost. The deemed cost was determined in accordance with the municipality's approved valuation methodology and are disclosed at their respective carrying amounts as at 30 June 2025. The total carrying amount of these newly identified assets (valued per Directive 7 principles) included in the balances shown above are as shown below:

Details	Restated 2024
Newly found Investment Property	7 909 799

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

Per accounting policy note 26.2 the municipality is on the fair value (FV) model of mesuring Investment Property. No Investment Properties are pledged as a security and there are no restrictions on all the Investment Properties. There are no contractual obligation to purchase, construct or development investment property or for repairs, maintenance or enhancements.

Rental income from investment properties in respect of monthly and annual leases amounted to R 230 550, (2024: R 217 772).

There were no repairs and maintenance conducted on municipal investment properties for the current and previous financial year.

Valuations were done based on three valuation methodologies.

5. Other financial assets

At amortised cost		
Unlisted Investments		
First National Bank - Branch: Groblershoop, Account number 711297993876	168 726	154 916
Interest rate: 8,890%:2025,(8,890%:2024) Investment term is 12 months		
	168 726	**154 916**

No investment have been pledged as collateral for liabilities of the municipality

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30-Jun-25	30-Jun-24	30-Jun-23	30-Jun-25	30-Jun-24	30-Jun-23
First National Bank. Branch: Groblershoop Account number 71129793876 - BUSS Eff	168 726	154 916	143 372	168 726	154 916	143 372
	168 726	**154 916**	**143 372**	**168 726**	**154 916**	**143 372**

6. Inventories

Inventories	-	-
Water: Inventory	323 865	216 216
Previously Reported	-	216 216
Correction of Error - Incorrectly capitalised	-	-
Electricity	108	1 881
Previously Reported	-	1 881
Correction of Error - From expense account.	-	-
	323 973	**218 097**

As the municipality do not made use of a formal inventory system, and inventory are determined via a stock take at year end of all unused materials. Inventory are recorded throught the adjustment journals set off against repairs and maintenance expenses. The inventory in the store is part of a project that had been stored at the municipality by GCS. Electricity not sold at year end forms part of the inventory component.

Inventory pledged as security

No inventories have been pledged as collateral for liabilities of the municipality

7. Receivables from non-exchange transactions

Rates and other taxes	-	-
Property Rates	25 522 852	20 214 358
Impairment	-23 914 049	-19 121 364
Previously reported	-	-6 600 135
Correction of error: Note 39	-	-12 521 229
Housing Suspense Debtor	-	-
Various controls	-	-
Sundry Debtors	-	-
Previously reported		884 362
Correction of error: Note 39		-884 362
Debtors not yet allocated	-	-
Previously reported		-273 589
Correction of error: Note 39		273 589
	1 608 803	**1 092 994**

8. VAT receivable/ (payable)

VAT receivable	-	-
Previously reported		9 762 103
Correction of error: Note 39		-9 762 103
VAT payable	-8 372 390	-8 020 875
Previously reported		-
Correction of error: Note 39		-8 020 875
	-8 372 390	-8 020 875

The municipality is registered at SARS on the payments basis. Only once payment is received from debtors, VAT is paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

9. Trade and other receivables from exchange transactions

Gross balances

Water	46 652 942	39 916 002
Previously reported		40 619 416
Correction of error: Note 39		-703 415
Sewerage	29 589 365	24 679 272
Previously reported		25 680 064
Correction of error: Note 39		-1 000 792
Refuse	42 368 536	35 460 385
Previously reported		37 017 361
Correction of error: Note 39		-1 556 976
Debtors suspence account	-6 462 097	-992 999
Previously reported		2 939 095
Correction of error: Note 39		-3 932 094
Other debtors	19 719 263	19 371 050
Previously reported		4 522 852
Correction of error: Note 39		14 848 198
VAT debtors	12 612 972	10 855 804
	144 480 981	**129 289 513**

Less: Allowance for impairment		
Water	-47 482 223	-41 145 565
Previously reported		-23 866 905
Correction of error: Note 39		-17 278 660
Sewerage	-30 606 566	-25 818 086
Previously reported		-14 703 107
Correction of error: Note 39		-11 114 978
Refuse	-43 806 108	-37 076 215
Previously reported		-21 671 278
Correction of error: Note 39		-15 404 936
Other debtors	-19 529 439	-18 254 379
Previously reported		-9 787 696
Correction of error: Note 39		-8 466 683
Net balance	**-141 424 337**	**-122 294 244**

Water	-829 281	-1 229 563
Sewerage	-1 017 201	-1 138 814
Refuse	-1 437 572	-1 615 830
Other debtors	-6 272 274	123 673
Unallocated Debtors	-	-
	3 056 645	**6 995 270**
Less: Debtors with credit balances	**-**	**-**
Net balance of trade and receivables from exchange transaction	**3 056 645**	**6 995 270**

Age analysis as per services (segments) excluding debtors with crediit balances.

Rates		
Current (0 -30 days)	1 242	56 068
31 - 60 days	-	38 883
61 - 90 days	-	38 807
91 - 120 days	-	38 788
> 120 days	25 522 262	20 042 464
Less Impairment		
	25 523 504	**20 215 010**
Water		
Current (0 -30 days)	400 379	392 887
31 - 60 days	391 474	341 645
61 - 90 days	406 675	371 313
91 - 120 days	420 588	388 216
> 120 days	49 792 383	42 570 471
Less Impairment		
	51 411 499	**44 064 533**
Sewerage		
Current (0 -30 days)	293 183	248 231
31 - 60 days	295 209	247 533
61 - 90 days	302 817	251 170
91 - 120 days	304 125	261 697
> 120 days	31 471 103	26 286 121
Less Impairment		
	32 666 438	**27 294 751**
Refuse		
Current (0 -30 days)	425 246	354 766
31 - 60 days	421 343	349 069
61 - 90 days	432 101	353 508
91 - 120 days	433 743	370 219
> 120 days	45 041 898	37 769 226
Less Impairment		
	46 754 331	**39 196 788**
Other (specify)		
Current (0 -30 days)	21 894	20 870
31 - 60 days	29 825	18 798
61 - 90 days	29 984	18 466
91 - 120 days	30 143	18 597
> 120 days	13 536 215	18 656 059
Less Impairment		-
	13 648 061	**18 732 790**
Total	**170 003 833**	**149 503 871**

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	939 533	847 722
31 - 60 days	934 192	794 584
61 - 90 days	962 452	781 609
91 - 120 days	971 357	870 766
> 120 days	146 533 460	127 121 993
	150 340 994	**130 416 674**
Industrial/Commercial		
Current (0 -30 days)	94 089	98 290
31 - 60 days	74 654	88 085
61 - 90 days	78 294	83 309
91 - 120 days	83 180	91 922
> 120 days	7 695 817	6 562 269
	8 026 035	**6 923 874**
Churches		
Current (0 -30 days)	14 428	15 503
31 - 60 days	12 794	12 271
61 - 90 days	12 437	12 314
91 - 120 days	12 347	12 221
> 120 days	1 329 457	1 121 924
	1 381 463	**1 174 233**
Agriculture		
Current (0 -30 days)	2 406	5 989
31 - 60 days	2 423	4 533
61 - 90 days	2 441	4 548
91 - 120 days	2 458	4 562
> 120 days	5 776 977	5 002 042
	5 786 704	**5 021 674**
National and provincial government		
Current (0 -30 days)	32 031	36 633
31 - 60 days	33 091	27 560
61 - 90 days	34 224	82 462
91 - 120 days	37 056	27 207
> 120 days	1 298 775	889 320
	1 435 177	**1 063 182**
Total		
Schools		
Current (0 -30 days)	2 238	2 298
31 - 60 days	2 344	2 466
61 - 90 days	2 588	2 805
91 - 120 days	2 960	2 832
> 120 days	575 455	457 250
Total	**585 585**	**467 651**
Other		
Current (0 -30 days)	78 117	66 386
31 - 60 days	78 353	66 428
61 - 90 days	79 142	66 216
91 - 120 days	79 241	68 009
> 120 days	2 133 022	4 169 544
Total	**2 447 875**	**4 436 583**

Current (0 -30 days)	1 162 842	1 072 822
31 - 60 days	1 137 852	995 928
61 - 90 days	1 171 577	1 033 262
91 - 120 days	1 188 599	1 077 518
> 120 days	165 342 963	145 324 342
	170 003 833	**149 503 871**
	170 003 833	**149 503 871**
Less: Allowance for impairment	-165 338 386	-141 415 608
	4 665 447	**8 088 264**

Reconciliation of allowance for impairment		
Balance at beginning of the year	-141 415 608	-68 314 277
Contributions to allowance	-23 922 778	-8 314 844
Less: Bad debts written-off/Corrections	-	-
	-165 338 386	**-76 629 121**

Receivables from Non-Exchange transactions

Other debtors include outstanding debtors for various other services, e.g. rentals, sundry, etc.

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

In determining the recoverability of a Receivable, the municipality considers any change in the credit quality of the Receivable from the date credit was initially granted up to the reporting date. Furthermore, the municipality has also placed a strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers and is not concentrated in any particular sector or geographical area. Accordingly, management believe that there is no further credit provision required in excess of the Provision for Impairment.

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.

Consumer debtors pledged as security

None of the consumer debtors were pledged as security for any finanial liability.

Interest on consumer accounts

Interest were charged/levied on arrear consumer (debtors) accounts.

Consumer debtors impaired

As of 30 June 2025, consumer debtors of R 138 856 212 (2024: R76 629 121) were impaired and provided for. In determining the recoverability of a consumer debtor, the municipality consider any change in the credit quality of the trade receivable from the date credit was granted up to the end of the reporting period.

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 367	119
Bank balances	51 919	112 520
Previously reported		139 541
Correction of error: Note 39		-27 021
Short-term deposits	1 730 250	90 880
	1 783 535	**203 519**

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:

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30-Jun-25	**30-Jun-24**	**30-Jun-23**	**30-Jun-25**	**30-Jun-24**	**30-Jun-23**
First National Bank Branch: Groblershoop Account number: 62026193441	43 450	112 063	31 335	51 919	112 520	14 199
First National Bank: Branch: Groblershoop Account number 62150559486 - FMG/MSIG	74 312	5 692	371 014	1 730 250	90 880	378 260
First National Bank. Branch: Groblershoop Account number 62304431828 - Library Account	2 898	6 217	5 750			
First National Bank. Branch: Groblershoop Account number 62304432123 - LOTTO account	593	5 459	1 082			
First National Bank. Branch: Groblershoop Account number 62102417567 - MIG Account	1 651 616	67 832	74			
First National Bank. Branch: Groblershoop Account number 62364746580 - EPWP Account	831	5 680	341			
Total	**1 773 700**	**202 943**	**409 595**	**1 782 169**	**203 400**	**392 460**

12. Unspent conditional grants and receipts

	2025	Restated 2024
Unspent conditional grants and receipts comprises of:		
Water Service Infrastructure Grant	-0	-
Previously reported		1 900 251
Correction of error: Note 39		-1 900 251
Library Grant	96 499	-
Previously reported		127 602
Correction of error: Note 39		-127 602
EPWP grant	-	-
MIG Grants	1 927 517	6 301 517
Previously reported		8 516 399
Correction of error: Note 39		-2 214 882
FMG grant	-	-
	2 024 017	**6 301 517**

Movement during the year

Balance at the beginning of the year	6 301 517	7 313 000
Additions during the year	6 017 000	21 229 000
Transfer te Revenue'	-4 293 501	-17 732 483
Roll-over denied and refunded	-6 001 000	-4 508 000
	2 024 016	**6 301 517**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

The municipality has complied with all the conditions set by the transferring organs of state or the conditions set by the other institutions who made allocations to the municipality. The unspent portion of conditional allocations are disclosed as unspent conditional grants on the face value of the Statement of Financial Position of the municipality.

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

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

13. Provisions

Opening balance	21 091 453	3 348 546
Contribution for the year	2 467 700	402 734
Previously reported		493 911
Correction of error: Note 39		-91 177
Prior period error correction	-	93 622
Change in Provision for Rehabilitation costs	-	17 246 551
Total provision	**23 559 152**	**21 091 453**

Reconciliation of provisions – 2025

	Opening Balance	Prior period error correction	Additions	Total
Environmental rehabilitation	-21 091 453	-	-2 467 700	-23 559 152
	-21 091 453		**-2 467 700**	**-23 559 152**

Reconciliation of provisions – 2024

	Opening Balance	Prior period error correction	Additions	Total
Environmental rehabilitation	-3 348 546	-93 622	-17 649 285	-21 091 453
	-3 348 546	**-93 622**	**-17 649 285**	**-21 091 453**

COST ITEM	Brandboom	Groblershoop	Grootdrink	Topline	Wegdraai	
RUL (years)	*20*	*20*	*3*	*20*	*6*	

WACC calculated on the 5 sites with RUL: **11,700%**

Changes in the present value of provision for landfill rehabilitation are as follows

Opening balance	21 091 453	3 348 546
Change in landfill closure	-	17 340 172
Interest Charge	2 467 700	402 734
	23 559 152	**21 091 453**
Restatement		
Balance as previously reported	**-**	**3 842 457**
Prior Period adjustments: See note 39	**-**	**17 248 996**
Restated Balance	**-**	**21 091 453**

Signficant Assumptions

The following assumptions were used/made as part of the determination for the provision for landfill sites

(a) The estimates are based on single site visits (snapshot view) and rely on the information provided by the Municipality.

(b) Where information is lacking, assumptions based on first principles have been applied.

(c) The rehabilitation works are based on prevailing legislation and regulations.

(d) Prices in the elemental estimates exclude VAT.

(e) The unit rates for the direct construction items were determined based on recent projects of similar scope.

(f) The cost of professional fees was based on the most recent fee scales (ECSA) and typical costs for environmental impacts assessments/closure waste management licenses.

14. Employee benefit obligations

The amount recognosed in the statement of financial position are as follows:

Carrying value		
Long term portion to current liabilities	-2 086 000	-1 894 000
Previously reported		-1 921 000
Correction of error: Note 39		27 000
Current portion to current liabilities	-198 000	-236 000
	-2 284 000	**-2 130 000**
Non- current Liabilities	-2 086 000	-1 894 000
Previously reported		-1 921 000
Correction of error: Note 39		27 000
Current liabilities	-198 000	-236 000
	-2 284 000	**-2 130 000**
Net expense recognised in the statement of financial performance		
Current service cost	**198 000**	**236 000**
Interest cost	**236 000**	**257 000**
Actuarial (gains) losses	**-34 000**	**-314 364**
Previously reported		-212 559
Correction of error: Note 39		-101 805
	400 000	**178 636**
Key assumptions used		
Assumptions used at the reporting date:		
Discount rates used	**9,53%**	**11,04%**
Previously reported		10,96%
Correction of error		0
General earnings inflation rate (long-term)	**4,29%**	**5,70%**
Previously reported		5,66%
Correction of error		-
Net Effective discount rate	**4,03%**	**4,07%**
Previously reported		4,03%
Correction of error		0

NON-CURRENT EMPLOYEE BENEFITS

Long Service Awards

Balance 1 July	**2 130 000**	**2 261 000**
Contribution for the year	**434 000**	**493 000**
Benefits paid	**-246 000**	**-309 636**
Previously reported		-384 441
Correction of error: Note 39		74 805
Actuarial Gain	**-34 000**	**-314 364**
Previously reported		-212 559
Correction of error: Note 39		-101 805
Total provision 30 June 2025	**2 284 000**	**2 130 000**
Less : Transfer of Current Portion to Current Provisions	**-198 000**	**-236 000**
Balance 30 June 2025	**2 086 000**	**1 894 000**

15. Payables from exchange transactions

Accrued leave pay	2 959 952	3 524 245
Previously reported		3 524 245
Correction of error: Note 39		-
Accrued bonus	887 139	894 575
Unknown Deposits	2 159 987	2 059 450
Previously reported		2 051 658
Correction of error: Note 39		7 792

Payment received in advanced - Unallocated deposits		
Retention creditors	3 919 358	3 919 358
Previously reported		5 543 663
Correction of error: Note 39		-1 624 305
Suspense creditors	-	0
Previously reported		2 009 196
Correction of error: Note 39		-2 009 196
Trade payables	39 467 024	33 317 706
Previously reported		34 768 710
Correction of error: Note 39		-1 451 004
3rd Party payments	40 480 013	37 454 420
Previously reported		27 613 450
Correction of error: Note 39		9 840 970
	89 873 473	**81 169 754**

Payables are being recognised nett of any discounts. The carrying value of trade and other payables approximates its fair value. All payables are unsecured. Debtors with credit balances represents payments received in advance.

Staff Bonuses

Balance at beginning of year	894 575	926 641
Contribution to current portion	887 139	894 575
Expenditure incurred	-894 575	-926 641
Balance at end of year	887 139	894 575

Bonuses are being paid to all municipal staff. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle.

Staff Leave

Balance at beginning of year	3 524 245	3 505 917
Contribution to current portion	-265 943	139 918
Expenditure incurred	-298 349	-121 590
Balance at end of year	2 959 952	3 524 245

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.

16. Consumer deposits		
Water	116 716	116 716

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts

17. Revenue

Sale of goods	168 960	263 399
Service charges	12 616 657	11 053 674
Rental of facilities and equipment	255 070	260 564
Previously reported		260 564
Correction of error: Note 39		-
Interest received - Consumer accounts	7 518 488	7 403 482
Previously reported		7 403 482
Correction of error: Note 39		-
Licences and permits	2 804 729	107 076
Previously reported		109 026
Correction of error: Note 39		-1 950
Other income	1 126 959	869 124
Previously reported		1 325 511
Correction of error: Note 39		-456 387
Interest received - investment	44 057	70 016
Property rates	5 633 540	5 805 007
Government grants & subsidies	45 806 421	58 275 399
Previously reported		58 275 399
Correction of error: Note 39		-
Actuarial (Gain)/Loss	34 000	314 364
Previously reported		-212 559
Correction of error: Note 39		526 923
	76 008 880	**84 422 104**

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

Interest received - Consumer accounts	7 515 831	7 399 681
Interest received - investment	44 057	70 016
Licences and permits	405 965	107 076
Other income	1 126 959	869 124
Rental of facilities and equipment	255 070	260 564
Sale of goods	168 960	263 399
Service charges	12 616 657	11 053 674
	22 133 498	**20 023 534**

The amount included in revenue arising from non-exchange transaction are as follows:

Taxation revenue		
Property rates	5 633 540	5 805 007
Interest received - Consumer accounts	2 657	3 801
Other revenue		
Actuarial (Gain)/Loss	34 000	314 364
Previously reported		-212 559
Correction of error: Note 39		526 923
Licences and permits	2 398 765	-
Transfer revenue		
Government grants & subsidies	45 806 421	58 275 399
	53 875 382	**64 712 935**

18. Property rates

Rates received		
Commercial	1 283 936	1 183 157
Residential	1 618 321	1 963 246
State	186 544	179 476
Small holdings and farms	2 544 738	2 479 128
	5 633 540	**5 805 007**

Valuations		
Residential	128 378 100	128 378 100
Commercial	30 287 800	30 287 800
State	47 408 000	47 408 000
Municipal	35 015 900	35 015 900
Small holdings and farms	2 296 872 100	2 296 872 100
Public Worship	12 513 000	12 513 000
Other - Vacant land	5 443 000	5 443 000
	2 555 917 900	**2 555 917 900**

Property rates are levied on the value of land and improvements. Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2021.

No supplementary valuations had been processed on an properties for the financial year under review.

Rates are levied on an annual basis with the final date for payment being 30 June 2025

An general rate is applied as follows to property valuations to determine property rates:
Residential Properties: 0.0142c/R (2024: 0.0135c/R)
Business Properties: 0.0177c/R (2024: 0.0169c/R)
Agricultural Properties: 0.00083c/R (2024: 0.000788c/R)
State Properties: 0.0035c/R (2024: 0.0034,c/R)

The first R 15 000 (2024: R 15 000) of the valuation of all residentual properties are exempted from the calculation of rates, inline with the the property rates act.

19. Service charges

Refuse removal	4 712 859	4 085 634
Sale of water	4 653 798	4 136 595
Sewerage and sanitation charges	3 249 999	2 831 446
Previously reported	-	3 059 203
Correction of error: Note 39	-	-227 757
	12 616 657	**11 053 674**

The amount disclosed above for revenue from service charges are in respect of services rendered which are billed to the customers on a monthly basis according to approved tariffs

20. Government grants and subsidies

Operating grants and subsidies		
Equitable Share	36 866 000	35 007 000
Finance Mangement Grant	3 000 000	3 100 000
Library Grant	993 501	1 044 707
EEDSM Grant	-	-
Expanded Public Works Programme (EPWP)	300 000	-
Auditor General - National Treasury	3 380 206	4 591 353
Coghsta: Donation of Water meters	-	-
Allocation in-kind Acting municipal Managers	1 266 714	942 856
	45 806 421	44 685 916
Capital grants		
Municipal Infrastructure Grant (MIG)	-	13 589 483
Water Service Infrastructure Grant	-	-
Expanded Public Works Programme (EPWP)	-	-
	-	13 589 483
	45 806 421	**58 275 399**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	4 293 501	17 734 190
Unconditional grants and subsidies received	41 512 920	40 541 209
	45 806 421	**58 275 399**

Equitable Share

Balance unspent at beginning of year		
Current-year receipts	30 865 000	30 499 000
Withheld funds: rollover denied	6 001 000	4 508 000
Conditions met - operational	-36 866 000	-35 007 000
	-	**-**

In terms of the Division of Revenue Act, the annual equitable share allocated to the municipality is an unconditional grant. A portion of this grant is used to subsidise the provision of basic services to indigent community members in line with national policy. In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R518,22 (2024: R 494,01), which is funded from the grant.

MIG Grant

Balance unspent at beginning of year	6 301 517	6 313 000
Previously reported	-	8 527 882
Correction of error: Note 39	-	-2 214 882
Current-year receipts	1 627 000	17 086 000
National Treasury repayment	-6 001 000	-3 508 000
Conditions met - transferred to revenue	-	-13 589 483
	1 927 517	**6 301 517**

The grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households. The grant was used to construct roads infrastructure as part of the upgrading of informal settlement areas. The grant was also allocated for the readication of the bucket system by building UDS toilets for the community of !Kheis. The municipality did not received any funds for the first half of the financial year as published in the DORA. NT has decided to place the municipality on cost reimbursement.

Water Service Infrastructure Grant

Balance unspent at beginning of year	-	1 000 000
Previously reported	-	2 900 251
Correction of error: Note 39	-	-1 900 251
Current-year receipts	-	-
National Treasury repayment	-	-1 000 000
Conditions met - transferred to revenue	-	-
	-	**-**

The purpose of the grant is to fund internal infrastructure for water services at a basic level of service.

Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	-	-
Current-year receipts	300 000	-
National Treasury repayment	-	-
Conditions met - transferred to revenue	-300 000	-
	-	**-**

The purpose of the grant is for job creation. The municipality did not receive the Expanded Public Works Program grant for the previous financial year(2023/24) as published in the Division of Revenue Act(DORA). For the 2024/25 financial year the grant was utilised for salary expenses, and cleaning and greening projects

Finance Management Grant

Balance unspent at beginning of year	-	100 000
Current-year receipts	3 000 000	3 000 000
National Treasury repayment	-	-
Conditions met - transferred to revenue	-3 000 000	-3 100 000
	-	**-**

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

Library Grant

Balance unspent at beginning of year	-0	1 707
Previously reported	-	129 309
Correction of error: Note 39	-	-127 602
Current-year receipts	1 090 000	1 043 000
National Treasury repayment	-	-
Conditions met - transferred to revenue	-993 501	-1 044 707
	96 499	**-0**

The grant is to utilised for the programme cost of the library and other costs as per the library proposal.

In-kind benefits and/or government grants

The following salaries is being recognised as inikind benefits, although not a direct expense, either not claimed or paid by Coghsta:

Name	**Position**	**Amount**	
1. Desmond Dolopi	Director Technical Services	-	131 640
2. M. P. Dichaba	Unasigned	1 266 714	811 216
Total		**1 266 714**	**942 856**

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 5 of 2013), no significant changes in the level of government grant funding are expected over the forthcoming 2 financial years.

21. Rental of facilities and equipment

Property, Plant and Equipment	24 520	42 792
Previously reported	-	260 564
Correction of error: Note 39	-	-217 772
Investment Property	230 550	217 772
Previously reported	-	-
Correction of error: Note 39	-	217 772
	255 070	**260 564**

22. Other revenue

Other income	1 126 959	869 124
Previously reported	-	1 325 511
Correction of error: Note 39	-	-456 387
	1 126 959	**869 124**

22.1 Other income

Administrative handling fees	-	-
Building Plan fees	8 672	3 620
Bursary repayment	15 042	42 183
Cemetaries	2 530	1 722
Previously reported	-	1 722
Correction of error: Note 39	-	-
Commission	600	2 894
Clearance Certificates	14 435	17 562
Rezoning certificates	-	-
Grazing fees	25 012	7 388
Previously reported	-	-
Correction of error: Note 39	-	7 388
Staff recoveries	-	-
Hawkers Licenses/Market fees	265 254	331 611
Previously reported	-	331 611
Correction of error: Note 39	-	-
Decrease in leave provision	564 292	27 694
Previously reported	-	-
Correction of error: Note 39	-	27 694
Decrease in bonus provision	7 437	32 066
Previously reported	-	-
Correction of error: Note 39	-	32 066
Prepaid electricity	158 322	289 042
Previously reported	-	289 042
Correction of error: Note 39	-	-
Photocopies/ Printing	-	43
Prove of residence	10 617	7 922
Sewerage	37 826	36 694
Previously reported	-	36 694
Correction of error: Note 39	-	-
Stone and gravel	2 409	803
Previously reported	-	-
Correction of error: Note 39	-	803
Tender documents	4 321	41 887
Water cash sales	90	-
Previously reported	-	-
Correction of error: Note 39	-	-
Valuation Certificates	10 102	25 992
Previously reported	-	25 992
Correction of error: Note 39	-	-
	1 126 959	**869 124**

23. General expenses

Administrative Costs	-	-
Advertising	12 654	11 388
Auditors remuneration	4 473 754	3 065 196
Bank charges	49 684	50 606
Previously reported	-	50 606
Correction of error: Note 39	-	-
Chemicals	628 922	544 990
Previously reported	-	600 401
Correction of error: Note 39	-	-55 411
Cleaning materials and supplies	-	11 486
Previously reported	-	-
Correction of error: Note 39	-	11 486
Computer expenses	67 877	174 672
Previously reported	-	162 852
Correction of error: Note 39	-	11 820
Consulting and professional fees	264 201	425 459
Previously reported	-	984 241
Correction of error: Note 39	-	-558 782
Community development and training	-	-
Previously reported	-	2 753
Correction of error: Note 39	-	-2 753
Learnerships and interships	19 968	291 280
Previously reported	-	-
Correction of error: Note 39	-	291 280
Electricity	2 643 318	3 277 191
Previously reported	-	3 354 500
Correction of error: Note 39	-	-77 309
Entertainment	40	6 492
Previously reported	-	3 740
Correction of error: Note 39	-	2 753
Fuel and oil	248 811	318 386
Insurance		
Prepaid electricity	154 843	322 014
Previously reported	-	322 014
Correction of error: Note 39	-	-
Daily Alowances	72 374	128 234
Other expenses	887 704	453 362
Previously reported	-	453 183
Correction of error: Note 39	-	179
Postage and courier	-	2 409
Printing and stationery	71 474	61 663
Previously reported	-	68 800
Correction of error: Note 39	-	-7 137
Uniforms and Protective clothing	2 821	26 852
Previously reported	-	26 852
Correction of error: Note 39	-	-
Royalties and license fees	84 537	20 777
Repairs and maintenance	44 067	260 825
Fraudulent Payment (Refer to note 38)	951 939	1 009 295
Idigent Relief & Temporary workers	228 050	37 081
Security (Guarding of municipal property)	5 435	11 409
Subsistance Allowances	49 726	117 265

Subscriptions and membership fees	506 377	520 700
Previously reported	-	674 169
Correction of error: Note 39	-	-153 469
Operating lease	819 770	432 978
Previously reported	-	-
Correction of error: Note 39	-	432 978
Telephone and fax	374 684	332 247
Previously reported	-	107 890
Correction of error: Note 39	-	224 356
Transfers and grants: Operational expenditure	-	-
Travel - local	157 051	253 458
Previously reported	-	253 458
Correction of error: Note 39	-	-
	12 820 078	**12 167 713**

24. Employee related costs

Basic	23 149 872	22 507 530
Previously reported	-	22 432 725
Correction of error: Note 39	-	74 805
Bonus	1 877 737	1 712 367
Previously reported	-	1 680 300
Correction of error: Note 39	-	32 066
Housing benefits and allowances	174 408	165 081
Leave pay provision charge	167 349	-47 464
Previously reported	-	-75 158
Correction of error: Note 39	-	27 694
Medical aid-company contributions	790 666	886 876
Pensionfund Contributions	3 195 640	3 084 718
Acting allowance in-kind	1 266 714	942 856
Previously reported	-	-
Correction of error: Note 39	-	942 856
Skills Development Levies	352 397	338 907
In service cost: Long service awards	198 000	236 000
Travel, motor car, accomodation, subsistence and other allowances	3 083 685	3 096 371
UIF	225 009	219 549
Bargaining Allowance	15 584	15 258
Standby Allowance	786 922	139 115
Overtime	28 575	-
	35 312 558	**33 297 162**

Remuneration of Acting Municipal Manager

The following salaries is being recognised as inikind benefits, although not a direct expense, either not claimed or paid by Coghsta:

Name	**Position**	**Amount**	
1. Desmond Dolopi	Director Technical Services	-	131 640
2. C. S. van Eck	Director Community Service	-	-
3. M. P. Dichaba	Unasigned	1 266 714	811 216
Total		**1 266 714**	**942 856**

The Acting municipal manager has a secondment agreement through the provincial Coghsta. The municipality does not contribute to his remuneration. Mr Dolopi and Mr van Eck acted as municipal managers without additional compensation as agreed with council.

Remuneration of Chief Finance Officer - JD Block

Annual Remuneration	788 230	765 803
Arrears Salary Payment		15 147
Bonus	63 961	63 961
Car Allowance	261 391	261 391
Cellphone Allowance	14 400	14 400
Skils Development Levy	11 212	11 116
Bairgaining Council	143	137
Unemployment Insurance	2 125	2 125
	1 141 462	**1 134 079**

Remuneration of Technical Director - D Dolopi

Annual Remuneration	770 787	766 331
Arrears Salary Payment		17 828
Bonus	63 737	63 513
Car Allowance	261 391	261 391
Cellphone Allowance	14 400	14 400
Skils Development Levy	10 701	10 886
Bairgaining Council	143	137
Unemployment Insurance	2 125	2 125
	1 123 285	**1 136 611**

Remuneration of Community Service Director - F van Eck

Annual Remuneration	555 078	818 543
Arrears Salary Payment	-	-
Bonus	-	-
Car Allowance	197 844	296 765
Cellphone Allowance	9 600	14 400
SDL	7 230	10 704
Bairgaining Council	96	137
Unemployment Insurance	1 417	2 125
	771 264	**1 142 675**

25. Remuneration of councillors

Mayors: Salary	688 528	657 459
Mayor: Travelling Allowance	165 580	160 568
Mayor: Cellphone and other allowance	45 696	44 400
Councillors: Salary	2 998 050	2 738 577
Council:Travelling Allowance	683 679	687 209
Council: Cellphone and other allowance	445 860	458 800
	5 027 393	**4 747 013**

25.1 Executive Mayor / Mayor

Cllr. D. Jacobs (December 2024 - June 2025)	**2025**	**Restated 2024**
Allowances and Service-Related Benefits		
Basic Salary	414 587	
Cell phone Allowance	27 196	
Motor Vehicle Allowance	98 408	
Skils Development Levy	5 202	
Unemployment Insurance	1 240	
Total	546 633	-

Cllr. R. Christie (July 2024 - November 2024)	**2025**	**Restated 2024**
Allowances and Service-Related Benefits		
Basic Salary	273 941	657 459
Cell phone Allowance	18 500	44 400
Motor Vehicle Allowance	67 172	160 568
Skils Development Levy	3 462	8 303
Unemployment Insurance	886	2 125
Total	363 961	872 856

25.2 Speaker

Cllr. A Ludick (December 2024 - June 2025)	2025	Restated 2024
Allowances and Service-Related Benefits		
Basic Salary	343 175	
Cell phone Allowance	27 196	
Motor Vehicle Allowance	79 237	
Skils Development Levy	4 338	
Unemployment Insurance	1 240	
Total	455 185	-

25.2 Speaker

Cllr. K. Esau (July 2024 - November 2024)	2025	Restated 2024
Allowances and Service-Related Benefits		
Basic Salary	197 201	515 882
Cell phone Allowance	18 500	44 400
Motor Vehicle Allowance	50 337	128 455
Skils Development Levy	2 212	6 630
Unemployment Insurance	886	2 125
Total	269 135	697 493

In-kind benefits

The Mayor is full-time. He is provided with an office and secretarial support at the cost of the Council.

26. Debt impairment

Debt impairment	23 922 778	8 314 844
Previously reported	-	8 314 844
Correction of error: Note 39	-	-

27. Interest earned - External invest

Interest received from receivables		
Receivables	7 518 488	7 403 482
Previously reported	-	7 403 482
Correction of error: Note 39	-	-
Interest revenue		
Bank	44 057	70 016
	7 562 544	**7 473 498**

28. Depreciation and amortisation

Property, plant and equipment	**11 178 576**	**14 237 420**
Previously reported	-	2 773 508
Correction of error: Note 39	-	11 463 913

29. Finance costs

Payables	4 106 506	3 820 790
Previously reported	-	3 460 080
Correction of error: Note 39	-	360 709
Non-current employee benefits	236 000	257 000
Provision for rehabilitaion of landfill sites	2 467 700	402 734
Previously reported		493 911
Correction of error: Note 39		-91 177
	6 810 206	4 480 523

30. Auditors' remuneration

Fees	4 473 754	3 065 196

31. Water inventory consumed

Water	1 285 674	1 457 327
Previously reported	-	1 594 860
Correction of error: Note 39	-	-137 533

32. Cash generated from operations

Refer to cash flow

33. Impairment of assets
Impairments

Property, plant and equipment	**6 108 525**	**224 999**

34. Commitments

Authorised capital expenditure

Already contracted for but not provided for

Commitment as at 30 June 2025 (VAT inclusive)	12 904 830	15 091 327
Previously reported.	-	15 091 327
Correction of error: contract amounts incorrectly accounted for.	-	-

Total capital commitments

Already contracted, but not provided for (VAT Inclusive)	12 904 830	15 091 327

This committed expenditure relates to construction of property, plant and equipment and will be financed by available bank facilities, accumulated surplus, existing cash resources, funds internally generated and funding received from National Treasury and other government institutions.

35. Contingencies

35. Contigent Liability

The Municipality is currently involve in the following court cases relating to claims against the municipality. These matters deals with litigations against the municipality for the following:

1) SAMWU obo Baster and Jacobs: The estimated cost as received for the lawyer handling the cas had been estimated to amount of R7 695 835. 60. No other confirmation had been received for the 2024/25 financial year.

36. Related parties

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

36.1 Interest of Related Parties

Councillors and/or management of the municipality have relationship with businesses as indicated below:

Name of Related Person	Designation	Relationship	Related Party
Newly elected council 2021			
Cllr D Jacobs	Mayor	Member of municipal council	None
Cllr RV Christie	Councillor	Member of municipal council	None
Cllr K Esau	Councillor	Member of municipal council	None
Cllr A Ludick	Speaker	Member of municipal council	None
Cllr K Boer	Councillor	Member of municipal council	
Cllr H van Wyk	Councillor	Member of municipal council	None
Cllr J Lodewyk	Councillor	Member of municipal council	None
Cllr J Ludick	Councillor	Member of municipal council	None
Cllr P Vries	Councillor	Member of municipal council	None
Cllr M Malgas	Councillor	Member of municipal council	None
Cllr J Ballies	Councillor	Member of municipal council	None
Cllr CJJ Jooste	Councillor	Member of municipal council	None
Senior managers			
JD Block	Chief Financial Officer	Member of key management	Shya's financial services: Director
D Dolopi	Technical Director	Member of key management	Member of Press A Phanda Solutions
SC van Eck	Community Service Director	Member of key management	None

Related Person

Employee cost	Related to:		2025	2024
C. Silo	Cllr. P. Vries	Suster	182 786	178 324
C Ludick	Cllr. J. Ludick	Brother	141 588	-
D Ludick	Cllr. J. Ludick	Brother	169 757	-
R Jansen	Cllr. J. Lodewyk	Daughter	179 344	171 101
			673 475	**349 425**

36.2 Service rendered to Related Parties.

The municipality did not render any service other than the normal municipal billings (service charges, rates etc) on the approved tariff structure of the municipality to councillors and top management. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

Related party transactions

Related Party Council arrear accounts		
Cllr. K Esau	92 889	84 437
Cllr M Malgas	1 056	-4 283
Cllr J Lodewyk	82 473	73 867
Cllr P Vries	53 861	55 545
Cllr H van Wyk	69 670	65 876
Cllr K Boer	346 947	314 439
Cllr CJJ Jooste	130 762	107 397
Total	**777 660**	**697 278**

36.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No loans were granted to Councillors, Management, Staff and Public by !Kheis Municipality.

37. Going concern

The following had been taken into account regarding the going concern indicated in the AFS:
1. The position of Municipal Manager had been vacant since the dismissal of the Municipal Manager during December 2021 stalling continuanity in the administration of the municipality. Coghsta appointed an Acting Municipal Manager from 17 October 2023 till currently for better completeness of the admin function of the municipality.

2. The municipality suffers a financial loss with the payment of Boegoeberg Water Users' Association invoices into a fraudulent account. This cause the municipality to suffers losses to an amount of R1 mil during this financial year.

3. Salaries are not being paid on a regular bassis. This is very negative for the moral of the employees due to personal commitments not being met

4. The debtors age analysis is growing without any positive response from the communities. The current debt collection in the municipality is 25%, with an increase in the provision for badt debts as a non-cash item amounting R138 mil.
5.Projects of the municipality are progressing very slow, due to non and/ or slow payment of service providers involved in the projects.
6. The Municipality's application for roll over to National Treasury had been rejected for the fith consecutive year which results in a additional deduction of R3.5 million from this year's equitable shares.
7. The costs of litigations as well the legal fees pertaining to that is draining the municipality.
8. The municipality alienate a farm to a third party for rental during the current financial year. However, the rental had not been calculated on market related prices and resulted in a financial loss of R7 million.
9. The outstanding creditors list of the municipality is also a going concern, because of the increase of Fruiless and Wastefull expenditure for non payment or inconsistent paymets towards these outstanding accounts.
10. Assets of the municipality used to provide basic services are still attached by the court as a result of a litigation judgement against the municipality rendering the municipality incapable of fulfilling its mandate to provide basic services.
11.The municipality suffers severe staff shortages during the financial year due to resignations and capable staff with the necessary skills and experience are very diificult to recruit because of the prevailing circumstances.
12. Cost to cover ratio: The ratio is currently over 960 days according to the debt impairment analysis, making it impossibe for the municipality to maitain it's operations within the MFMA framework. Service creditors cannot be paid within the required legislative framework.
13. The current assets/ current liabilities ratio is also of great concorn, because it's negative and not even 1/1.
14. The current version of the financial operating system is making it very difficult to comply with mSCAO and GRAP requirements. The municipality is not financially viable to obtain the latest version and/ or migration of the financial system.
15. The current budget challenges on the operational budget v/s employee related costs remains a big challenge in achieving the objectives on service delivery of the municipality. The current ratio on salaries v/s operations is 54%
In light of the foregoing we would also want to draw attention to the fact that at 30 June 2025, the municipality's current liabilities exceeded its current assets by R93 642 914 (2024: R87 180 066). Further, the municipality recorded a deficit of R40 251 850 for the financial year ended 30 June 2025, from a surplus of R5 462 039 in 2024. The major contributors to the deficits are increases in depreciation, finance costs, debt impairment and employee related costs. We would also want to draw attention to the fact that at 30 June 2025, the following additional factors, among others, existed at the reporting date. These factors do not, however, cause any material uncertainty regarding the ability of the municipality to continue as a going concern. Management decided to include them to provide more information to the users.

1. The provisions for rehabilitation of landfill sites and employee benefit provisions are not cash backed.
2. The municipality relies on grant funding. These constitute over 60% of the municipality's revenue.
3. The municipality continues to experience cash flow problems, which resulted in major creditors e.g. `Boegoeberg Water not being paid timeously and it's balance balloming.
4. Increase in water distribution losses (technical and non-technical). These increased to 75.91% (2024: 75.02. this is significantly above the norm.

Due to the fact that there is no material uncertainty about the municipality's ability to continue as a going concern, the annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

It should, however, be noted that the ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the Accounting Officer continues to procure funding for the ongoing operations of the municipality. Furthermore the municipality should ensure that they embark on implementing strategies which will strengthen its ability to continue as a going concern. The most significant of these is that the municipality is currently implementing a system to enhance revenue collection (credit control and cost containment measures), minimising distribution losses and Council approved initiatives.

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."

38. Events after the reporting date

There were no material events subsequent to the reporting period that require adjustment to, or disclosure in, the financial statement.

39. Prior period errors

The following prior period errors were identified and the corrections have now been made to amounts previously reported in the annual financial statements of the Municipality:

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

Statement of financial position	As Previously reported	Correction of error	Re-Classification	2024 Restated
Property, plant and equipement	177 856 576	28 000 423	-9 362 012	196 494 988
Investment property	-	36 771 359	9 362 012	46 133 371
Vat receivable	9 762 103	-9 762 103	-	-
Receivables from exchange transactions'	40 749 802	-34 365 304	610 772	6 995 270
Cash and cash Equivalents- restate cash book balance	230 540	-27 021	-	203 519
Other receivables from non-exchange transactions	16 113 104	-14 409 337	-610 772	1 092 994
Inventory	218 097	-	-	218 097
Payables from exchange transactions	-76 405 497	-4 764 256	-	-81 169 754
Vat Payable	-	-8 020 875		-8 020 875
Unspent conditional grants	-10 544 251	4 242 734		-6 301 517
Non-current employee benefits obligation	-1 921 000	27 000	-	-1 894 000
Provision for landfill site Rehabilitation	-3 842 457	-17 248 996	-	-21 091 453
Accumulated surplus restate opening balance	-134 287 373	7 549 152	-	-126 738 221
	17 929 643	**-12 007 224**	**0**	**5 922 419**
			-	-

Statement of financial performance	As Previously reported	Correction of error	Re-Classification	2024 Restated
Rental of facilities and equipment				
Property, Plant and Equipment	260 564		-217 772	42 792
Investment Property	-		217 772	217 772
Licenses and permits	109 026	-1 950		107 076
Other income	1 325 511	-516 147	59 760	869 124
Actuarial (Gain)/Loss	212 559	101 805		314 364
Grants and subsidies and in-kind benefits	58 275 399	-		58 275 399
Gain/(Loss) on Fair value adjustment'	-	229 519		229 519
Interest received from consumer accounts	7 399 681	-	-	7 399 681
Employee related Costs	-33 162 597	-74 805	-59 760	-33 297 162
Debt impairment	-8 314 844	-		-8 314 844
Depreciation and armortisation	-2 773 508	-11 463 913		-14 237 420
Water inventory consumed	-1 594 860	137 533	-	-1 457 327
General expenditure	-12 017 981	-149 733	-	-12 167 713
Finance Costs	-4 210 991	-269 532	-	-4 480 523
	5 507 959	**-12 007 223**	**-0**	**-6 499 264**

Disclosures	As Previously reported	Correction of error		2024 Restated
Unauthorised expenditure	52 373 515	6 109 471		58 482 986
Fruitless expenditure	17 385 145	-708 741		16 676 404
Irregular expenditure	38 729 934	-1 760 219		36 969 714
MFMA additional disclosure notes SALGA	4 408 112	-		4 408 112
MFMA additional disclosure notes Pension Fund	24 569 719	-		24 569 719
Deviations from supply chain management regulations	449 615	-13 593		436 022
Statutory Receivables	23 451 291	-22 358 297		1 092 994
Financial Instruments - Financial Assets	124 338 133	7 395 688		131 733 822
Financial Instruments - Financial Liabilities	76 405 497	4 764 256		81 169 754
Commitments	15 091 327	-		15 091 327
	377 202 288	**-6 571 435**	**-**	**370 630 853**

39.2 Property, plant and equipement

	2025	2024
Cost		335 513 893
Balance previously reported		369 985 832
Water infrastructure: correction of water infrastructure cost after the asset register has been reporformed		284 338
Buildings - Correction of cost and reclassification from community assets		2 854 023
Land cost - Reclassification and recognition of land		714 622
Work in progress - Correction of cost after WIP has been fully reperformed		-35 771 667
Leased assets: Lease assets has been recognised for the first time		-
Computer equipment: Correction of computer equipment cost		181 169
Furniture and Office equipment: Correction of cost after the reperformance of the FAR		279 052
Community assets: Correcton on cost and reclassification to Buildings		-2 989 377
Machinery and Equipment: Correction on the cost overstated		-24 100
Accumulated depreciation and impairment losses		-155 083 977
Balance previously reported		-202 829 979
Water infrastructure: correction of water infrastructure cost after the asset register has been reporformed		6 880 974
Sewerage main and purifaction plant: Correction on the accum depreciation		5 648 657
Electricity streets and highmaslight: Correction on the accum depreciation		385 797
Roads: Correction on the accum opening balance		33 723 178
Buildings - Correction of Accum depreciation and reclassification from community assets		-2 537 758
Leased assets: Lease assets has been recognised for the first time		-
Computer equipment: Correction of accum depreciation		497 080
Furniture and Office equipment: Correction of cost after the reperformance of the FAR		-19 154
Transport assets: Correction of accum depreciation		61 465
Community assets: Correction on accum depreciation and reclassification to buildings		3 052 330
Machinery and Equipment: Correction of accum depreciation		60 650

39.3 Accumulated Surplus/deficit

	2025	2024
Accumulated surplus new opening balance 2024		-126 738 221
Opening as previously reported		-134 287 373
PPE cost: Correction of PPE cost after FAR has been reperformed		-1 355 251
General expenditure: Correction of Trade and other payables prior 2023 financial year		1 822 511
Trade and other payables: Writte off suspence creditors		-5 442 810
Investment Property: Recognition of investment property		-36 541 840
Land: Recognition of land not previously recognised		-32 361 556
PPE cost: Correction of PPE Accumulated depreciation after FAR has been reperformed		-47 407 798
Work in progress: Restated after complete reperformance of the WIP register and all supporitng schedules		32 652 609
Unspent grants: Historical unspent has been confirmed by NT in our books not a liability anymore		-4 242 734
Debt impairment: Restate opening balance of debt impairment receivable of exchange and non-exchange		64 786 486
Trade and other receivable from exchange transactions		1 094 437
Trade and other payables: Third party pension fund corrected for prior prior years		8 985 236
Cash and cash equivalent: Receipts of prior year overstated		73
Work in progress: Invoices duplicated removed.		1 254 703
Provision for landfill site opening balance restate		93 622
Restate cost of Community assets land and lease assets		22 716 863

Narratives on Prior period errors

Investment Prperty

Reclassificaionof Invetsment property from PPE. Fair value adjustment correctly accounted for

Vat receivable

Correction of prior year amount disclosed as outstanding

Receivables from exchange transactions'

Align aged analysis and receivables account

Cash and cash Equivalents- restate cash book balance

Clearing of all reconciling itesm

Other receivables from non-exchange transactions

Align aged analysis and receivables account

Payables from exchange transactions

Clearing of all suspense accounts. Third party payments and creditors aligned with statements

Vat Payable

Disclosure of VAT as payable and not recievable.

Unspent conditional grants

Correction of all old outstanding roll overs cleared with National Treasury, indicating that the municipality is not having any prior year outstading conditional grants

Non-current employee benefits obligation

Correction of error on employee benefits

Provision for landfill site Rehabilitation

Landfill sites had been evaluated by a new consultant resulting in the increase of liandfill sites provision

Other income

Reclassification of disclosure of provision for leaveand bonus transactions. Correction of of staff recoveries

Actuarial (Gain)/Loss

Restatement of the provision of emplyee benefits

Gain/(Loss) on Fair value adjustment'

Recogntion of fair value adjustment for Investment properties

Employee related Costs

Reclassification of disclosure of provision for leave and bonus transactions. Correction of the actuar benefits paid

Depreciation and armortisation

FAR had been reperformed and depreciation restated

Water inventory consumed

The payables had been provided for 13 invoices instead of 12 for the financial period, but had been corrected

General expenditure

Recognition of all invoices not previously recorded

Finance Costs

Interests not previously recogniased as well as the provision for the finance costs on landfill sites

Unauthorised expenditure

Registers reperformed, based on prior year's audit and correct amounts disclosed

Fruitless expenditure

Registers reperformed, based on prior year's audit and correct amounts disclosed

Irregular expenditure

Registers reperformed, based on prior year's audit and correct amounts disclosed

Deviations from supply chain management regulations

Registers reperformed, based on prior year's audit and correct amounts disclosed

Statutory Receivables

VAT restatement

Financial Instruments - Financial Assets

Restatement of assets and liabilities

Financial Instruments - Financial Liabilities

Restatement of assets and liabilities

40. Changes in estimates

Property, plant and equipment

A change in the estimated useful life of various assets of the municipality has resulted in the following decreases (increases) in

		Depreciation 2024/2025	Depreciation 2023/2024	2025
Other property, plant and equipment		14 219,15	39 678,90	25 460
	Computer Equipment	13 930,89	38 576,08	24 645
	Furniture And Office Equipment	182,73	551,86	369
	Machinery And Equipment	84,64	481,05	396
	Transport Assets	20,90	69,91	49
Infrastructure assets		141 623,25	339 416,14	197 793
	Coastal	-	-	-
	Electrical	108,00	622,64	515
	Network and Communication	-	-	-
	Roads	137 913,43	316 983,51	179 070
	Sanitation	135,35	721,60	586
	Solid waste	-	-	-
	Storm water	-	-	-
	Water supply	3 466,47	21 088,39	17 622
Land, buildings and community assets		2 749,31	14 275,31	11 526
	Operational buildings	-	-	-
	Community	2 749,31	14 275,31	11 526
Total change in estimate for useful life of property, plant and equipment		**158 591,71**	**393 370,35**	**234 779**

The change in estimate effect amount relating to future periods is not disclosed, as it is impracticable to do so. (GRAP 3.42)

41. Unauthorised expenditure

Opening balance	49 797 771	50 029 730
Prior year restatment opening balance	-	-2 575 744
Opening balance as restated	**49 797 771**	**47 453 986**
Add: Unauthorised expenditure - Current year	34 671 046	2 343 785
Add: Unauthorised expenditure - prior year restatement	8 605 216	-
Unauthorised expenditure written-off	-58 402 987	
Closing balance	**34 671 045**	**49 797 771**

Analysed as follows: non-cash	**38 131 689**	**-**
Employee related cost (e.g. actuarial valuations)	-	-
Depreciation and amortisation	2 459 416	-
Finance charges (e.g. interest charge on the provision	-	-
for the rehabilitation)	-	-
Loss on disposal of property, plant and equipment	-	-
Provision of impairment	35 672 273	-
Other (disaggregate or list these)	-	-
Analysed as follows: cash	**5 457 392**	**-**
Bulk purchases	-	-
Contracted services	-	-
General expenditure	-	-
Employee related costs	-	-
Other (disaggregate or list these)	-	-
Remuneration of Councilors	393 149	-
Operational Costs	5 064 243	-

Detail Summary of Unauthorised Expenditure per department

	R	**R**	**R**	**R**
	(Actual)	**(Budget)**	**(Variance)**	**(Unauthorised)**
Office of the Municipal Manager	**-**	**-**	**-**	
Corporate Services	**-**	**-**	**-**	
Financial Services	**56 954 017**	**34 908 608**	**(22 045 409)**	**(22 045 409)**
Technical Services	**636 807**	**694 628**	**-**	
Planning & Development	**1 122 846**	**973 261**	**(149 585)**	**(149 585)**
Waste Management	**11 041 137**	**6 388 486**		**(4 652 651)**
Council	**13 996 944**	**10 393 104**	**(3 603 840)**	**(3 603 840)**
Water Management	**16 226 431**	**12 432 484**	**(3 793 947)**	**(3 793 947)**
Community Services	**1 169 676**	**1 295 744**	**126 068**	
Waste WaterMnagement	**7 308 517**	**6 882 904**	**(425 613)**	**(425 613)**
Energy Services	**2 798 161**	**3 899 310**	**1 101 149**	
	111 254 537	**77 868 529**	**(28 791 178)**	**(34 671 046)**

No unathorised expenditure is being disclosed for the year under review

42. Fruitless and wasteful expenditure

Opening balance as previously reported	16 676 404	13 924 929
Prior year restatment opening balance		-1 374 449
Opening balance as restated	**16 676 404**	**12 550 480**
Add: Expenditure identified - current	4 106 506	3 460 216
Add: Expenditure identified - Prior year	-	665 708
Condoned		
	20 782 910	16 676 404

Incident	**Disciplinary steps/ criminal proceedings**	Amount	
Interests and panelties - Telkom - Ineterst and panelties	*None*	-	-
Interests and panelties - SARS - Interests and panelties on outstanding PAYE and VAT 201	*None*	1 028 306	858 857
Interests and panelties - Escom - Interests and panelties	*None*	228 999	420 976
Interests and panelties -Pension Fund	*None*	271 603	756 978
Interests and panelties - Auditor General	*None*	604 396	698 438
Interests and panelties - Other	*None*	1 973 203	1 390 675
Total		**4 106 506**	**4 125 924**

The amount of fruitless and wasteful expenditure consists of interest and understatement penalties levied by The South African Revenue Services, BWV, Pension Fund, Auditor General, Eskom and other Creditors.

43. Irregular expenditure

Opening balance as previously reported	36 969 714	36 654 057
Correction of prior period error	-	-1 925 199
Opening balance as restated	**36 969 714**	**34 728 857**
Add: Irregular expenditure - current	590 940	2 075 877
Prior period error	-	-
Add: Irregular expenditure identified in Prior year	-	164 980
Less: Amounts condoned or transferred to debtors		-
	37 560 654	**36 969 714**

Details of irregular expenditure - current year and prior year

Incident	**Disciplinary steps/ criminal procedings**	**Amount**	
Suppliers not registered on CSD	*None*	3 354	1 205 697
Preferred service provider: SCM processes not followed	*None*	587 586	715 949
2024:Preferred service provider: SCM processes not followed		-	164 980
Fraudulant company used for procurement of services	*Disciplinary steps taken and employees dismissed*	-	-
Irregular appointment of consultants, etc	*None*	-	-
Council resolution: SCM processes not followed		-	154 231
Conditional grant not met	*None*	-	-
Transferred:			-
		590 940	**2 240 857**

44. Additional disclosure in terms of Municipal Finance Management Act

44.1 Contributions to organised local government (SALGA)

Opening balance	4 408 112	3 899 862
Current year fee	500 000	500 000
Additional fees	-	8 250
Amount paid - current year	-	-
	4 908 112	**4 408 112**

44.2 Audit fees - [MFMA 125 (1)(c)]

Opening balance	4 998 741	5 846 695
Current year audit fee	5 144 817	3 524 976
Interest Charged	604 396	698 438
Credit note	-3 380 206	-4 591 353
Amount paid - current year	-	-480 015
	7 367 748	**4 998 741**

44.3 PAYE and UIF - [MFMA 125 (1)(c)]

Opening Balance	2 478 585	-5 101
Current year fee	5 917 940	5 469 441
Amount paid - current year	-7 014 391	-2 383 631
Adjusted amount - current year	-	-602 124
Current year intersts	211 555	
	1 593 689	**2 478 585**

44.4 Pension Deductions - [MFMA 125 (1)(c)]

Opening Balance	24 569 719	23 180 972
Current year fee	4 793 460	4 627 077
Interest Charged	7 184 798	97 666
Amount paid - current year	-3 453 444	-3 335 996
	33 094 533	24 569 719

44.5 Medical Aid Deductions - [MFMA 125 (1)(c)]

Opening Balance	338 993	220 618
Current year fee	1 422 015	1 517 315
Amount paid - current year	-1 636 982	-1 398 941
	124 025	338 993

44.6 VAT - [MFMA 125 (1)(c)]

VAT Receivable	-634 586	-3 063 646
Amount refunded - current year	634 586	3 063 646
	-	-0

VAT output payables and VAT input receivables are shown in note 9.
VAT returns have been submitted from July 2024 till June 2025. The VAT returns outstanding at the time of compiling the AFS for 2024/25.

44.7 Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by

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
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
Goods and Services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph

2025	**Total**	**Single Supplier**	**Impossible**	**Impractical**	**Emergency**
	285 646,85	40 779,00	47 625,54	6 217,04	191 025,27
	285 646,85	40 779,00	47 625,54	6 217,04	191 025,27

2024	**Total**	**Single Supplier**	**Impossible**	**Impractical**	**Emergency**
	436 022,41	153 950,50	10 666,90	40 341,33	231 063,68
Previously reported	449 615,41	167 543,50	10 666,90	40 341,33	231 063,68
Correction of error: Note 39	-13 593,00	-13 593,00	-	-	-
	436 022,41	153 950,50	10 666,90	40 341,33	231 063,68

45. Material losses

Water distribution losses	**2025**	**Restated 2024**
Units Purchases | WATER PUMPED	-	-
Total Units Purchases	-	-
Average Price per Unit	-	-
No of Units Billed	-	-
No of Units Lossed	-	-

46. Financial Instruments

	2025	**Restated 2024**

In accordance with GRAP 104.45 the financial liabilities and assets of the municipality are classified as follows:

<u>Financial Assets</u>	**<u>Classification</u>**	**2025**	**Restated 2024**
Investments			
Unlisted Investments	Financial Instruments at fair value	-	-
Fixed Deposits - FNB	Financial Instruments at cost	168 726	154 916
FNB	Financial Instruments at amortised cost	-	-

Long-term Receivables				
Receivables with repay arrangements	Financial Instruments at amortised cost	-	-	
Receivables from Exchange Transactions				
Water	Financial Instruments at amortised cost	46 652 942	39 916 002	Impairment excluded
Sewerage	Financial Instruments at amortised cost	29 589 365	24 679 272	Impairment excluded
Refuse	Financial Instruments at amortised cost	42 368 536	35 460 385	Impairment excluded
Other debtors	Financial Instruments at amortised cost	19 719 263	19 371 050	Impairment excluded
VAT debtors	Financial Instruments at amortised cost	12 612 972	10 855 804	
Receivables from Non-Exchange Transactions				
Various controls	Financial Instruments at amortised cost	1 608 803	1 092 994	
Sundry Debtors	Financial Instruments at amortised cost	-	-	
Cash and Cash Equivalents				
Bank Balances	Financial Instruments at amortised cost	51 919	112 520	
Call Deposits	Financial Instruments at amortised cost	1 730 250	90 880	
Total Financial Assets		**154 502 775**	**131 733 822**	

		2025	Restated 2024
SUMMARY OF FINANCIAL ASSETS			
Financial Instruments at amortised cost:			
Investments	FNB	168 726	154 916
Investments	Fixed Deposits - FNB	-	-
Receivables from Exchange Transactions	Water	46 652 942	39 916 002
Receivables from Exchange Transactions	Sewerage	29 589 365	24 679 272
Receivables from Exchange Transactions	Refuse	42 368 536	35 460 385
Receivables from Exchange Transactions	Other debtors	19 719 263	19 371 050
Receivables from Exchange Transactions	VAT debtors	12 612 972	10 855 804
Receivables from Non-exchange Transactions	Various controls	1 608 803	1 092 994
Receivables from Non-exchange Transactions	Sundry Debtors	-	-
Cash and Cash Equivalents	Bank Balances	51 919	112 520
Cash and Cash Equivalents	Call Deposits	1 730 250	90 880
Total Financial Assets		**154 502 775**	**131 733 822**

Financial Liabilities	**Classification**	2025	Restated 2024
Long-term Liabilities			
DBSA loan	Financial Instruments at amortised cost	-	-
Capitalised Lease Liability	Financial Instruments at amortised cost	-	-
Trade and Other Payables			
Trade Creditors	Financial Instruments at amortised cost	39 467 024	33 317 706
Payments received in advance	Financial Instruments at amortised cost	-	-
Retentions	Financial Instruments at amortised cost	3 919 358	3 919 358
Other Creditors	Financial Instruments at amortised cost	46 487 091	43 932 690
Total Financial Liabilities		**89 873 473**	**81 169 754**

SUMMARY OF FINANCIAL LIABILITIES

		2025	Restated 2024
Financial instruments at amortised cost:			
Long-term Liabilities	DBSA loan	-	-
Long-term Liabilities	Capitalised Lease Liability	-	-
Trade and Other Payables	Trade Creditors	39 467 024	33 317 706
Trade and Other Payables	Payments received in advance	-	-
Trade and Other Payables	Retentions	3 919 358	3 919 358
Trade and Other Payables	Other Creditors	46 487 091	43 932 690
Total Financial Liabilities		**89 873 473**	**81 169 754**

47. FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

b) Price Risk

The municipality is not exposed to price risk.

c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

d) Credit Risk

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

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

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

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers, Handed over to Attorneys and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

All rates and services are payable within 30 days from invoice date. Refer to note 9 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

		2025		Restated 2024
Non-exchange Receivables				
Rates	100,00%	25 522 852	100,00%	20 214 358

		2025		Restated 2024
Exchange Receivables				
Water	30,91%	46 652 942	30,64%	39 916 002
Sewerage	19,60%	29 589 365	18,94%	24 679 272
Refuse	28,07%	42 368 536	27,22%	35 460 385
Other debtors	13,06%	19 719 263	14,87%	19 371 050
VAT debtors	8,36%	12 612 972	8,33%	10 855 804
	100,00%	**150 943 078**	**100,00%**	**130 282 513**

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in note 17 and 18 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of receivables as follow:

e) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

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

The municipality is facing serious risk challenges, because of the cash flow challenges. Current liquidity is showing negative.

47.1 Financial Indicators

The extremely high cost associated with the Delivery of Basic Services and Infrastructure needs to communities due to the vast distances between several

Unless sustainable job creation is achieved, !Kheis Municipality will not be able to function as a independent municipality without Government Grants and

48. Statutory Receivables

In accordance with the principles of GRAP 108, Statutory Receivables of the municipality is classified as follows:

	2025	Restated 2024
Taxes:		
Vat Receivables	-	-
Receivables from non-excahnge transactions	25 522 852	20 214 358
Property rates	25 522 852	20 214 358
Total Statutory Receivables (before provisions)	25 522 852	20 214 358
Less: Provisions for debt impairment	(23 914 049)	(19 121 364)
Total Statutory Receivables (after provisions)	1 608 803	1 092 994

Statutory Receivables arises from the following legislation:

Taxes: - Value added tax Act (No, 89 of 1991)
Rates: - Municipal Property Rates Act (No. 06 of 2004)
Fines: - Criminal Procedures Act

(Rates): Ageing

	2025	Restated 2024
Current 0 - 30 days	1 242	56 068
31 - 60 Days	-	38 883
61 - 90 Days	-	38 807
91 - 120 days	-	38 788
121 - 365 days	25 522 262	20 042 464
> 365 days	-	-
Total	**25 523 504**	**20 215 010**

Reconciliation of Rates Provision for debt impairment

	2025	Restated 2024
Balance at beginning of the year	15 258 741	2 737 511
Contribution to provision	4 792 685	12 521 229
Balance at year end	**20 051 426**	**15 258 741**

49. IMPAIRMENTS

	2025	Restated 2024
Property, Plant and Equipment		
During the asset count and evaluation of assets, it had been found that certain infrastructure assets were damaged beyond repair and are to be impaired as the are broken and cannot be used. The recoverable amount (or recoverable service amount) of these assets were based on it's fair value.	**6 108 525**	**224 999**
Total Impairment Loss/ (Reversal of Impairment Loss)	**6 108 525**	**224 999**

50. Gain/(Loss) on disposal of PPE

	2025	Restated 2024
Property plant and equipment	-3 644 025	-
	-3 644 025	**-**

51. Gain/(Loss) on Fair value adjustment'

Investment Property	-24 056 846	229 519
Total	**-24 056 846**	**229 519**

52. SEGMENTAL INFORMATION

Reportable Segments for the year ended 30 June 2025 (continued)

[A2]	2024/2025 (R)					
	Community and public safety	**Economic and environmental services**	**Trading services**	**Total Allocated**	**Total Unallocated**	**Total**
Revenue						
Exchange Revenue						
Service charges - Electricity				-		-
Service charges - Water			9 436 622	9 436 622		9 436 622
Service charges – Waste Water Management			5 989 142	5 989 142		5 989 142
Service charges – Waste Management			8 626 882	8 626 882		8 626 882
Sale of Goods and Rendering of Services				-		-
Agency services				-		-
Interest earned from receivables				-		-
Interest earned from current and non-current assets				-		-
Dividends				-		-
Licences and permits				-		-
Rent on land				-		-
Rental from fixed assets				-		-
Operational revenue		1 594 444		1 594 444		1 594 444
Intercompany/Parent subsidiary transactions				-		-
Special Rating Levies				-		-
Construction Contract Revenue				-		-
Development Charges				-		-
Total Exchange Revenue	-	1 594 444	24 052 646	25 647 090	-	25 647 090
Non-Exchange Revenue						0
Property rates by Usage				-		-
Surcharges and taxes				-		-
Fines, penalties and forfeits				-		-
Licences and permits				-		-
Transfers and Subsidies – Operational	1 090 774			1 090 774		1 090 774
Transfers and subsidies – Capital				-		-
Interest earned from receivables				-		-
Fuel levy				-		-
Gains				-		-
Service Charges - Availability Charges				-		-
Total Non-Exchange Revenue	1 090 774	-	-	1 090 774	-	1 090 774
Total Segment Revenue	1 090 774	1 594 444	24 052 646	26 737 864	-	26 737 864

Expenditure						
Employee related costs	3 874 116	1 111 865	9 773 756	14 759 737		14 759 737
Remuneration of councillors				-		-
Bulk Purchases				-		-
Inventory consumed			1 938 452	1 938 452		1 938 452
Debt impairment				-		-
Depreciation and amortisation	239 646			239 646		239 646
Impairment losses				-		-
Interest				-		-
Dividends				-		-
Rent on Land				-		-
Operating Leases				-		-
Contracted services			167 968	167 968		167 968
Transfers and subsidies			554 403	554 403		554 403
Irrecoverable debts written off				-		-
Operational costs	76 062	10 982	2 601 411	2 688 455		2 688 455
Losses						-
Total Segment Expenditure	4 189 824	1 122 847	15 035 990	20 348 661	-	20 348 661
Surplus/(Deficit)	**(3 099 050)**	**471 597**	**9 016 656**	**6 389 203**	**-**	**6 389 203**
						-
Capital Expenditure	10 000 000	700 000	11 662 000	22 362 000		22 362 000
Actual Expenditure						-
Total Capital Expenditure	-	-	-	-	-	-
						-
Other Information						-
Segment assets				-		-
Segment liabilities				-		-
Additions to non-current assets				-		-
Non-cash revenue (included above)				-		-
Non-cash expenses (included above)				-		-
Cash flows from operating activities				-		-
Cash flows from investing activities				-		-
Cash flows from financing activities				-		-
						-

Reportable Segments for the year ended 30 June 2024 (continued)

[A2]	2023/2024 (R)					
	Community and public safety	Economic and environmental services	Trading services	Total Allocated	Total Unallocated	Total
Revenue						
Exchange Revenue						
Service charges - Electricity			3 219 200	3 219 200		3 219 200
Service charges - Water			11 286 794	11 286 794		11 286 794
Service charges – Waste Water Management			5 444 702	5 444 702		5 444 702
Service charges – Waste Management			4 534 875	4 534 875		4 534 875
Sale of Goods and Rendering of Services				-		-
Agency services				-		-
Interest earned from receivables				-		-
Interest earned from current and non-current assets				-		-
Dividends				-		-
Licences and permits				-		-
Rent on land				-		-
Rental from fixed assets				-		-
Operational revenue		987 874		987 874		987 874
Intercompany/Parent subsidiary transactions				-		-
Special Rating Levies				-		-
Construction Contract Revenue				-		-
Development Charges				-		-
Total Exchange Revenue	-	987 874	24 485 571	25 473 445	-	25 473 445
Non-Exchange Revenue						-
Property rates by Usage				-		-
Surcharges and taxes				-		-
Fines, penalties and forfeits				-		-
Licences and permits				-		-
Transfers and Subsidies – Operational	1 043 738			1 043 738		1 043 738
Transfers and subsidies – Capital				-		-
Interest earned from receivables				-		-
Fuel levy				-		-
Gains				-		-
Service Charges - Availability Charges				-		-
Total Non-Exchange Revenue	1 043 738	-	-	1 043 738	-	1 043 738
Total Segment Revenue	1 043 738	987 874	24 485 571	26 517 183	-	26 517 183

Expenditure						
Employee related costs	4 011 106	203 508	9 145 303	13 359 917		13 359 917
Remuneration of councillors				-		-
Bulk Purchases				-		-
Inventory consumed			2 176 056	2 176 056		2 176 056
Debt impairment				-		-
Depreciation and amortisation			545 585	545 585		545 585
Impairment losses				-		-
Interest				-		-
Dividends	3 718 425			3 718 425		3 718 425
Rent on Land				-		-
Operating Leases				-		-
Contracted services	18 612		273 572	292 184		292 184
Transfers and subsidies				-		-
Irrecoverable debts written off				-		-
Operational costs	45 984	2 323		48 307		48 307
Losses				-		-
Total Segment Expenditure	7 794 127	205 831	12 140 516	20 140 474	-	20 140 474
Surplus/(Deficit)	**(6 750 389)**	**782 043**	**12 345 055**	**6 376 709**	**-**	**6 376 709**
Capital Expenditure			17 935 000	17 935 000		17 935 000
Actual Expenditure			13 353 918	13 353 918		13 353 918
Total Capital Expenditure	-	-	13 353 918	13 353 918	-	13 353 918
Other Information						
Segment assets				-		-
Segment liabilities				-		-
Additions to non-current assets				-		-
Non-cash revenue (included above)				-		-
Non-cash expenses (included above)				-		-
Cash flows from operating activities				-		-
Cash flows from investing activities				-		-
Cash flows from financing activities				-		-

53. 'Cash generated from operations

	2025	Restated 2024
Surplus (deficit) for the year	40 251 850	-5 294 207
Adjustments for:		
Depreciation and amortisation	-10 819 392	14 245 333
Gain on sale of assets and liabilities	-	-
Fair value adjustments	471 168	-109 262
Impairment of assets	-22 751 950	224 999
(Loss) gain on biological assets and agricultural produce	-	-
Debt impairment	-23 922 778	8 314 844
Movements in retirement benefit assets and liabilities	154 000	117 000
Movement in provisions	18 899 464	-493 911
Non-cash movement in property, plant and equipment	-	-
Finance costs	-	4 571 700
Prior year adjustments	-	
Changes in working capital:		
Other financial assets	-13 810	
Inventories	-105 876	-661
Other receivables from non-exchange transactions	-515 809	13 284 135
Receivables from exchange transactions	-	24 469 989
VAT receivable	-	
Trade and other receivables from exchange transactions	3 938 625	25 528 933
Payables from exchange transactions	8 703 720	
Unspent conditional grants and receipts	-4 277 501	-6 301 517
VAT payable	351 515	-958 739
Consumer deposits	-	-116 716
	10 363 225	**77 481 921**