Dikgatlong Local Municipality
(Registration Number NC092)
Annual Financial Statements
for the year ended 30 June 2025

General Information

Grading of local authority	Category B Municipality as defined by the Municipal Structures, (Act no. 117 of 1998)
Legal form of the Municipality	Local municipality as defined in the Municipal Structures Act (Act no. 117 of 1998)
Nature of Business and Principal Activities	Dikgatlong Local Municipality perfoming the functions as set out in the Constitution, Act no. 105 of 1996
Accounting Officer	B Tsinyane
Registered Office	33 Campbell Street Barkly West 8375
Business Address	33 Campbell Street Barkly West 8375
Postal Address	Private Bag Barkley West 8375
Bankers	First National Bank
Auditors	The Auditor General
Attorneys	Matthews and Partners
Enabling legislation	Municipal Finance Management Act (Act no. 56 of 2003) Division Revenue Act The Income Tax Act (Act no. 58 of 1962) Value Added Tax Act (Act no. 89 of 1991) Municipal Structures Act no. 117 of 1998) Municipal Systems Act (Act 32 of 2000) Municipal Planning and Performance Management Regulations Housing Act (Act no. 107 of 1997) Skills Development Levies Act (Act no. 9 of 1999) Employment Equity Act (Act no. 30 of 1966) Unemployment Equity Act (Act no. 30 of 1966) Basic Conditions of Employment Act (Act no. 75 of 1997) Supply Chain Management Regulations Act, 2005 Disaster Management Act of 2016 Spatial Planning and Land Use Management Act (Act 16 of 2013) Property Rates Act 6 of 2004

General Information

Mayoral Committee	J Tswanagae (Mayor) L.G Phetlhane (Speaker) M.N Jacobs W.A Hendricks I Raadt D.T Pitso M.M Bezuidenhout (Deceased) S Blom B.P Thobi S.I Metswi L.D Leeuw D.P Papers C.J Mostert I D.A Lemon R.T Springbok J. Rooi
Members of the audit committee	Mr GR Botha (Chairperson) Mr T Mudamburi (Member) Mr Masikela (Member)
Chief Finance Officer	C.B Mokeng

Index

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DoRA	Division of Revenue Act
DBSA	Development Bank of South Africa
EPWP	Expanded Public Works Programme
GRAP	Generally Recognised Accounting Practice
FMG	Finance Management Grant
CIGFARO	Chattered Institute of Government Finance, Audit & Risk Officers
INEP	Integrated National Electrification Programme
IPSAS	International Public Sector Accounting Standards
PAYE	Pay As You Earn
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal System Improvement Grant
SALGA	South African Local Government Association
SARS	South African Revenue Services

Accounting Officer Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act no. 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

The Accounting Officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2025 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

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

The annual financial statements set out on page 7, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2025 and were signed on its behalf by:

B Tsinyane
Accounting Officer

Report of the Accounting Officer

The accounting Officer submits her report for the year ended 30 June 2025.

1. Review of activities

Main business and operations

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

2. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of R 427 211 551 and that the municipality's total assets exceed its liabilities by R 427 211 551.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting Officer continue to procure funding for the ongoing operations for the municipality.

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

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

For details of managements assumptions with respect to the applicability of the going concern assumption refer to note 45.

3. Subsequent events

Non-Compliance with Eskom Debt Relief Programme

Nature of Event

After the reporting date, the municipality did not comply with certain conditions of the Eskom Municipal Debt Relief Programme, including payment terms and installation of prepaid meters.

Impact on Financial Position

As a result of this non-compliance, the municipality may not qualify for the scheduled Eskom debt write-off. The outstanding Eskom debt as at 30 June 2025 was R130 598 885.

Financial Effect

The financial impact of this non-compliance cannot be reliably estimated at this stage. Management is engaging with Eskom and National Treasury to address compliance gaps and mitigate potential consequences.

Management Response

The municipality is implementing corrective measures to restore compliance and safeguard its eligibility for future relief.

4. Accounting Officer's interest in contracts

No matters to report on.

5. Accounting policies

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

6. Accounting Officer

The Accounting officer of the Municipality during the year and to the date of this report is as follows:

Name	
B Tsinyane	South African

7. Auditors

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

B Tsinyane
Accounting Officer

Statement of Financial Position

Figures in R	Note	2025	2024 Restated
Current assets			
Inventories	3	2,109,892	1,921,992
Operating lease asset	4	59,016	65,101
Statutory Receivables (VAT)	5	147,042,954	129,772,690
Other receivables from exchange transactions	6	1,728,934	2,383,446
Statutory Receivables from Non Exchange Transactions	7	3,594,942	1,314,572
Receivables from exchange transactions	8	22,091,692	28,745,703
Cash and cash equivalents	9	1,302,915	2,087,263
Total current assets		**177,930,345**	**166,290,767**
Non-current assets			
Property, plant and equipment	10	647,661,046	623,549,195
Investment property	11	47,607,077	48,184,752
Intangible assets	12	87,390	116,669
Heritage assets	13	12,971,081	12,971,081
Other receivables from exchange transactions	6	781,450	-
Total non-current assets		**709,108,044**	**684,821,697**
Total assets		**887,038,389**	**851,112,464**
Liabilities			
Current liabilities			
Payables from exchange transactions	14	257,675,849	188,489,632
Finance lease obligations	15	35,649	29,408
Consumer deposits	16	687,175	654,511
Employee benefit obligation	17	927,000	996,000
Unspent conditional grants and receipts	18	472,894	248,232
Total current liabilities		**259,798,567**	**190,417,783**
Non-current liabilities			
Finance lease obligations	15	6,638	42,287
Payables from exchange transactions	14	144,783,574	139,017,374
Employee benefit obligation	17	5,994,000	5,713,000
Provisions	19	49,244,057	35,662,025
Total non-current liabilities		**200,028,269**	**180,434,686**
Total liabilities		**459,826,836**	**370,852,469**
Total net assets and liabilities		**427,211,553**	**480,259,995**
Net assets represented by:			
Accumulated surplus		**427,211,551**	**480,259,993**
Total Net Assets		**427,211,551**	**480,259,993**

Statement of Financial Performance

Figures in R	Note	2025	2024 Restated
Revenue from exchange transactions			
Service charges	20	76,086,459	89,990,874
Interest received	21	58,716,565	55,609,176
Rental income	22	899,221	840,438
Interest received-investment	23	682,591	847,640
Licence and permits	24	212,836	-
Other Income	25	832,943	562,026
Total revenue from exchange transactions		**137,430,615**	**147,850,154**
Revenue from non-exchange transactions			
Taxation revenue			
Property Rates	26	37,590,855	34,054,165
Revenue from non-exchange transactions - Other Income	27	-	47,957,691
Transfer revenue			
Interest received - Property Rates	21	20,535,134	16,862,809
Fines, penalties and forfeits	28	1,530,850	112,343
Public contributions and donations	29	-	110,628
Government grants and subsidies	30	161,635,405	155,534,449
Total revenue from non-exchange transactions		**221,292,244**	**254,632,085**
Total revenue		**358,722,859**	**402,482,239**
Expenditure			
Employee related cost	31	(82,831,354)	(76,476,349)
Remuneration of councillors	32	(5,852,276)	(6,023,956)
Depreciation and amortisation	33	(24,348,907)	(23,063,109)
Finance cost	34	(22,637,716)	(31,997,194)
Debt impairment	35	(145,517,717)	(377,347,649)
Bulk purchases	36	(52,603,480)	(46,857,787)
Contracted services	37	(38,663,278)	(34,253,429)
General expenses	38	(36,270,123)	(34,425,811)
Total expenditure		**(408,724,851)**	**(630,445,284)**
Other gains and losses			
Actuarial gain or (Losses)	39	(143,968)	54,933
Impairment loss	40	(1,238,828)	(12,855,456)
Decrease in the landfill Provision		-	14,257,513
Gain or (loss) on disposal of assets and liabilities	41	(1,663,651)	(9,143,909)
Total other gains and losses		**(3,046,447)**	**(7,686,919)**
Deficit for the year		**(53,048,439)**	**(235,649,964)**

Dikgatlong Local Municipality
(Registration Number NC092)
Financial Statements for the year ended 30 June 2025

Statement of Changes in Net Assets

Figures in R	Accumulated surplus	Total
Balance at 1 July 2023 as previously reported	713,510,918	713,510,918
Effects of prior period errors - Refer to Note 50	2,399,039	2,399,039
Balance at 1 July 2023	715,909,957	715,909,957
Changes in net assets		
Surplus (deficit) for the year	(235,649,964)	(235,649,964)
Balance at 30 June 2024 as restated	**480,259,993**	**480,259,993**
Balance at 1 July 2024 as previously reported	121,411,518	121,411,518
Increase (decrease) due to corrections of prior period errors	358,848,475	358,848,475
Balance at 1 July 2024 as restated	480,259,993	480,259,993
Changes in net assets		
Surplus (deficit) for the year	(53,048,439)	(53,048,439)
Balance at 30 June 2025 as restated	**427,211,554**	**427,211,554**

Statement of Cash Flows

Figures in R	Notes	2025	2024 Restated
Cash flow from operating activities			
Receipts			
Cash receipts from customers		28,656,071	26,051,224
Interest from receivables		9,362,548	7,723,982
Other receipts		1,945,000	1,402,464
Grants and subsidies		161,860,067	151,159,316
Interest received		682,591	847,640
		202,506,276	**187,184,626**
Payments			
Compensation of employees		(87,568,847)	(81,298,856)
Suppliers		(71,265,664)	(68,436,212)
Finance costs		(1,034,983)	(1,843,582)
Value Added Tax		(2,336,270)	(1,652,480)
Net cash flows from operations	42	**40,300,512**	**33,953,496**
Interest paid		-	-
Net cash flows from operating activities		**40,300,512**	**33,953,496**
Cash flows used in investing activities			
Purchase of Property Plant and Equipment		(38,970,863)	(31,438,326)
Intangible assets		-	(10,288)
Cash flows used in investing activities		**(38,970,863)**	**(31,448,614)**
Cash flows used in financing activities			
Repayments of loans/ borrowings		(29,408)	-
Cash flows used in financing activities		**(29,408)**	**-**
Net increase in cash and cash equivalents		**1,300,241**	**2,504,882**
Cash and cash equivalents at beginning of the year		2,087,263	(433,418)
Cash and cash equivalents at end of the year	**9**	**1,302,915**	**2,087,263**

Dikgatlong Local Municipality

(Registration Number NC092)
Financial Statements for the year ended 30 June 2025

Statement of Comparision of Budget and Actual Amounts
Figures in R **Notes**
Statement of financial performance

Budget on accrual basis	Notes	Approved budget	Adjustments	Virement	Final budget	Actual amounts on comparable basis	Difference between final budget and actual
Revenue from exchange transactions							
Service charges	20	85,344,641	19,066,430	-	104,411,071	76,086,459	28,324,612
Sale of Goods and rendering of services		495,942	259,846		755,788	-	755,788
Rental income	22	961,035	-	-	961,035	899,221	61,814
Interest received	21	47,359,859	(773,158)	-	46,586,701	58,716,565	(12,129,864)
Interest earned - Investment	23	1,181,708	303,692		1,485,400	682,591	802,809
Operational revenue	25	550,954	696,183	-	1,247,137	832,943	414,194
Licence and permits	24	360,000	-	-	360,000	212,836	147,164
Total revenue from exchange transactions		136,254,139	19,552,993	-	155,807,132	137,430,615	18,376,517

Dikgatlong Local Municipality

(Registration Number NC092)
Financial Statements for the year ended 30 June 2025

Statement of Comparision of Budget and Actual Amounts

Figures in R	**Notes**						
Revenue from non-exchange transactions							
Property Rates	26	40,559,922	4,159,769	-	44,719,691	37,590,855	7,128,836
Transfer revenue							
Interest received - Property Rates	21	6,596,004	11,403,996	-	18,000,000	20,535,134	(2,535,134)
Fines, penalties and forfeits	28	15,725		-	15,725	1,530,850	(1,515,125)
Government grants and subsidies	30	155,637,433		-	155,637,433	161,635,405	(5,997,972)
Total revenue from non-exchange transactions		202,809,084	15,563,765	-	218,372,849	221,292,244	(2,919,395)
Total revenue		**339,063,223**	**35,116,758**	**-**	**374,179,981**	**358,722,859**	**15,457,122**
Expenditure							
Employee benefit costs	31	(78,049,749)	(9,518,354)	-	(87,568,103)	(82,831,354)	(4,736,749)
Remuneration of councillors	32	(6,138,423)	(1,050,000)	-	(7,188,423)	(5,852,276)	(1,336,147)
Bulk purchases - electricity	36	(41,162,664)	(20,037,336)	-	(61,200,000)	(52,603,480)	(8,596,520)
Debt Impairment	35	(26,326,043)	(13,436,762)		(39,762,805)	(145,517,717)	105,754,912
Depreciation and armotisation	33	(27,996,992)	(20,990,863)		(48,987,855)	(24,348,907)	(24,638,948)
Interest	34	(8,065,574)	(17,879,594)		(25,945,168)	(22,637,716)	(3,307,452)
Contracted services	37	(37,011,461)	(8,350,021)		(45,361,482)	(38,663,278)	(6,698,204)
Irrecoverable debts written off	21	(3,734,263)	1,329,016		(2,405,247)	-	(2,405,247)
Operational costs	38	(20,861,563)	(9,381,517)	-	(30,243,080)	(36,270,123)	6,027,043
Transfers and subsidies		-	-	(397,559)	(397,559)	-	(397,559)
Total Expenditure		**(249,346,732)**	**(99,315,431)**	**(397,559)**	**(349,059,722)**	**(408,724,851)**	**60,062,688**
Actuarial gain or (Losses)						(143,968)	143,968
Impairment loss	40					(1,238,828)	1,238,828
Decrease in the landfill provision						-	
Gain or loss ( ) on disposal of assets and liabilities	41	(1,878,900)			(1,878,900)	(1,663,651)	(215,249)
		-	-	-	-	-	-
Other gains or () losses		**(1,878,900)**	**-**	**(397,559)**	**(1,878,900)**	**(3,046,447)**	**1,167,547**
Surplus / (deficit) for the year		**87,837,591**	**(64,198,673)**	**(397,559)**	**23,241,359**	**(53,048,439)**	**76,687,357**

Dikgatlong Local Municipality

(Registration Number NC092)
Financial Statements for the year ended 30 June 2025

Statement of Comparision of Budget and Actual Amounts

Figures in R	**Notes**					
Statement of Financial Position						
Current assets						
Cash and cash equivalents	9	11,056,159	(262,643,433)	(251,587,274)	1,302,915	(252,890,189)
Trade and other receivables from exchange transactions	8	232,290,183	36,609,775	268,899,958	22,091,692	246,808,266
Receivables from non exchange transactions	7	52,868,597	(17,096,602)	35,771,995	3,594,942	32,177,053
Inventory	3	4,195,167	2,200,005	6,395,172	2,109,892	4,285,280
VAT	5	192,996,787	(740,144)	192,256,643	147,042,954	45,213,689
Other current assets	6	875,957	40,502	916,459	1,787,950	(871,491)
Total current assets		**494,282,850**	**(241,629,897)**	**252,652,953**	**177,930,345**	**74,722,608**
Non current assets						
Investments		1,572	1	1,573	-	1,573
Investment property	11	47,490,132	(352,119)	47,138,013	47,607,077	(469,064)
Property, plant and equipment	10	628,369,802	14,974,241	643,344,043	647,661,046	(4,317,003)
Heritage assets	13	12,222,699	8,999,999	21,222,698	12,971,081	8,251,617
Intangible assets	12	218,358	(852,079)	(633,721)	87,390	(721,111)
Total non current assets		**688,302,563**	**22,770,043**	**711,072,606**	**708,326,594**	**2,746,012**
Total assets		**1,182,585,413**	**(218,859,854)**	**963,725,559**	**886,256,939**	**77,468,620**
Liabilities						
Current Liabilities						
Financial liabilities		494,351	(60,001)	434,350	-	434,350
Consumer deposits	16	612,657		612,657	687,175	(74,518)
Trade and other payables from exchange transactions	14	(24,823,134)	273,674,300	248,851,166	257,675,849	(8,824,683)
Trade and other payables from non exchange transactions	18	3,493,561	(2,474,423)	1,019,138	472,894	546,244
Provisions	17	898,001	(46,899)	851,102	927,000	(75,898)
VAT	5	90,804,992	186,290	90,991,282	-	90,991,282
Total current liabilities		**71,480,428**	**271,279,267**	**342,759,695**	**259,762,918**	**82,996,777**

Statement of Comparision of Budget and Actual Amounts

Figures in R	Notes						
Non current liabilities							
Payables from exchange transactions	14	-			-	130,598,885	(130,598,885)
Long term portion of trade payables		-	101		101		101
Finance lease obligation	15	-			-	6,638	(6,638)
Borrowing		780,301	1		780,302	-	780,302
Provisions	19	53,400,592	100		53,400,692	49,244,057	4,156,635
Other non current liabilities	17	1,839,000	-		1,839,000	5,994,000	(4,155,000)
Total non current liabilities		**56,019,893**	**202**		**56,020,095**	**185,843,580**	**(129,823,485)**
Total liabilities		**127,500,321**	**271,279,469**		**398,779,790**	**445,606,498**	**(46,826,708)**
Net Assets		**1,055,085,092**	**(490,139,323)**		**564,945,769**	**440,650,441**	**124,295,328**

CASH FLOW FROM OPERATING ACTIVITIES

	Approved budget	Adjustments	Virement	Final budget	Actual amount on comparative basis	Difference between final budget and actual
Receipts						
Property rates	34,800,000	(20,473,809)	-	14,326,191	28,656,071	(14,329,880)
Service charges	73,157,849	(14,505,574)	-	58,652,275	9,362,548	49,289,727
Other revenue	2,309,119	26,978,709	-	29,287,828	1,945,000	27,342,828
Transfers and Subsidies	148,761,000	667,874	-	149,428,874	161,860,067	(12,431,193)
Interest	768,110	4,047,019		4,815,129	682,591	4,132,538
Suppliers and employees	(442,426,981)	181,294,949	-	(261,132,032)	(158,834,511)	(102,297,521)
Finance charges	(6,340,178)	(3,659,823)	-	(10,000,001)	(1,034,983)	(8,965,018)
Net cash from/(used) Operating activities	**(188,971,081)**	-	-	**(14,621,736)**	**42,636,782**	**(57,258,518)**

Cash flow from investing activities

Statement of Comparision of Budget and Actual Amounts

Figures in R	**Notes**						
Decrease (increase) non current investments		(327)	-	-	(327)	-	(327)
Capital assets		(13,991,214)	(17,805,401)	-	(31,796,615)	(38,970,863)	7,174,248
Net increase/ (decrease) in cash held		**(13,991,541)**	**(17,805,401)**	-	**(31,796,942)**	**(38,970,863)**	**7,173,921**
Net (decrease) / Increase in cash and cash equivalents		**(46,418,025)**			(46,418,025)	**3,636,511**	(50,054,536)
Cash/ cash equivalent at the year begin		859,593	-	-	859,593	2,087,263	(1,227,670)
Cash/ cash equivalent at the year end		**(45,558,432)**	**-**	-	**(45,558,432)**	**5,723,774**	**(39,834,658)**

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 1 of 2003).

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management applies judgement and makes estimates and assumptions that affect the amounts reported in the financial statements and related disclosures. Actual outcomes may differ from these judgements, estimates and assumptions, and such differences may be material. Significant judgements and key sources of estimation uncertainty are presented separately below.

Significant judgements

Significant judgements are those decisions made in applying accounting policies that have the most material effect on the annual financial statements. These include:

Assessment of control over land disclosed – Investment Property

The municipality holds legal title to certain land parcels; however, based on assessments performed at reporting date, management concluded that it does not have the ability to direct the use of these properties, restrict access to them, or derive economic benefits or service potential from them. Accordingly, these land parcels are not recognised as investment property in terms of GRAP 16, despite legal ownership.

Classification of assets as cash-generating or non-cash-generating

Judgement is applied in determining whether property, plant and equipment are cash-generating or non- cash-generating for impairment purposes. In line with GRAP and the municipality’s impairment methodology, assets are classified as non-cash-generating when they are used primarily to deliver municipal services or provide social and economic benefits, and any cash inflows are incidental to this purpose. These assets are assessed for impairment in accordance with GRAP 21.

Assets are classified as cash-generating only when they are held with the primary objective of earning commercial revenue from significant independent cash inflows. Such assets are assessed for impairment in accordance with GRAP 26.

Presentation of Annual Financial Statements continued...

Based on this methodology, the municipality determined that its infrastructure, community, heritage and operational assets are non-cash-generating.

Assessment of impairment indicators for receivables

Judgement is applied in determining whether observable evidence exists indicating a measurable decrease in the estimated future cash flows of trade and other receivables, including payment default trends, indigent status, account inactivity and adverse economic conditions.

1.3.2 Sources of estimation uncertainty

Sources of estimation uncertainty relate to assumptions that may result in material adjustments to the carrying amounts of assets and liabilities within the next financial year. These include:

Impairment of trade and other receivables

The allowance for impairment is determined using a municipality-specific methodology that incorporates:
- historical collection and default rates,
- debtor risk categorisation (high, medium, low),
- expected future cash flows based on past payment behaviour,
- post–year-end collections,
- average receivable days to determine expected repayment terms, and
- discounting using the prime lending rate adjusted for risk premiums per debtor category.

Changes in economic conditions, unemployment levels, indigent register updates or payment trends may result in material adjustments to the allowance.

Useful lives and residual values of property, plant and equipment

Useful lives and residual values are estimated based on asset condition assessments, historical replacement cycles, expected usage patterns and municipal service delivery requirements. These estimates are reviewed annually and adjusted prospectively when expectations change.

Post-retirement benefit obligations

The valuation of post-retirement medical and pension obligations requires actuarial assumptions relating to discount rates, inflation, mortality rates, expected retirement ages and future benefit costs. Material changes in these assumptions may significantly affect the liability

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

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

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

Presentation of Annual Financial Statements continued...

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions are based on the best estimate of expected future outflows, considering past settlement history, legal correspondence, probability of success, inflation-adjusted cost estimates and expected timing of settlement.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 17.

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.

Useful lives and residual values

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

Presentation of Annual Financial Statements continued...

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

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

1.4 Investment property

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

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

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

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

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

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

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

Cost model

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

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

Item	**Useful life**
Property - land	indefinite
Property - buildings	15 - 80 years

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

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

Presentation of Annual Financial Statements continued...

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

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

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

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

Presentation of Annual Financial Statements continued...

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	7 - 80 years
Landfill sites	Straight-line	1 - 20 years
Other Assets	Straight-line	4 - 15 years
Community assets	Straight-line	7 - 100 years
Infrastructure	Straight-line	7 - 100 years

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

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

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

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

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

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

Presentation of Annual Financial Statements continued...

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 11).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

1.6 Non-living Resources

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted.

Non-living resources, other than land, are not recognised as assets in the financial statements of the Municipality.

1.7 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

Presentation of Annual Financial Statements continued...

1.8 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

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

Presentation of Annual Financial Statements continued...

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

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

Item	**Depreciation method**	**Average useful life**
Computer software, other	Straight-line	3 - 5 years

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

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

1.9 Heritage assets

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

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

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

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

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

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

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

Presentation of Annual Financial Statements continued...

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

For a transfer from investment property carried at fair value, on inventories to heritage assets at a revalued amount, any
difference between the fair value of the asset at that date and its previous carrying amount shall be recognised in surplus or deficit.

Derecognition

The municipality derecognises heritage asset 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 a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

Application of deemed cost - Derivative 7

The Municipality opted to take advantage of the transitional provision as contained in the 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 2010.

1.10 Financial instruments

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

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

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

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

Presentation of Annual Financial Statements continued...

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

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

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

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

A financial asset is:

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

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

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

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

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

Presentation of Annual Financial Statements continued...

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

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

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

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

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

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

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

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

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

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

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

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

Presentation of Annual Financial Statements continued...

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

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

Classification

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

Class	**Category**
Receivables from exchange transactions	Financial asset measured at amortised cost
Statutory receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at amortised cost

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

Class	**Category**
Payables from exchange transactions	Financial liability measured at amortised cost
Cash and cash equivalents	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost

Cash includes physical money and bank account balances, while cash equivalents are short-term, highly liquid investments like Treasury bills or money market funds that are easily convertible to cash with insignificant risk of value change. Other financial assets are distinct because they are not held for the purpose of meeting short-term cash commitments; they include investments held for different purposes, like equities, long-term bonds, or other less liquid instruments that may have a higher risk or longer maturity.

Initial recognition

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

Initial measurement of financial assets and financial liabilities

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

Presentation of Annual Financial Statements continued...

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

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

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

Subsequent measurement of financial assets and financial liabilities

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

1) Financial instruments at fair value.
2) Financial instruments at amortised cost.
3) Financial instruments at cost.

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

Derecognition

Financial assets

Presentation of Annual Financial Statements continued...

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

1) the contractual rights to the cash flows from the financial asset expire, are settled or waived;
2) the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
3) the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :

- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

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

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

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

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

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

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

Financial liabilities

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

Presentation of Annual Financial Statements continued...

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

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

Presentation

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

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

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

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

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

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

1.11 Statutory receivables

Identification

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

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

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

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

Recognition

Presentation of Annual Financial Statements continued...

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

The entity assess statutory receivables individually, when assets are individually significant, and individually or collectively for statutory receivables that are not individually significant. Where no objective evidence of impairment exists for an individually assessed debtor (whether individually significant or not), an entity includes the assets in a group of statutory receivables with similar credit risk characteristics and collectively assesses them for impairment.

Presentation of Annual Financial Statements continued...

Statutory receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment of impairment.

For collective assessments of impairment, statutory receivables with similar credit risk characteristics are grouped together. The credit risk characteristics are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

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

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

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

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

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

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

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

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

Presentation of Annual Financial Statements continued...

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

1.12 Leases

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

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

Entity as lessee - Finance leases

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

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

Presentation of Annual Financial Statements continued...

1.13 Inventories

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

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

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

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

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

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

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

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

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

1.14 Impairment of cash-generating assets

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

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

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

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

Presentation of Annual Financial Statements continued...

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

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

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

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

Useful life is either:

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

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

1.15 Employee benefits

Employee benefits are all forms of consideration given by an municipality 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 municipality, 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 municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, 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 municipality to reimburse it for employee benefits already paid.

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

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

Presentation of Annual Financial Statements continued...

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 theabsences is due to be settled within twelve months after the end of the reporting period in which the employeesrender the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

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

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

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

The entity recognises the expected cost of bonus, incentive and performance related payments when the municipality 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.

Post-employment benefits

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

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

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

Post-employment benefits: Defined contribution plans

Presentation of Annual Financial Statements continued...

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

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

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

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

Post-employment benefits: Defined benefit plans

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

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial
assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by a municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the
benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Presentation of Annual Financial Statements continued...

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

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

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

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

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

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

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

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

Presentation of Annual Financial Statements continued...

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

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are
  conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

Presentation of Annual Financial Statements continued...

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

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

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

Other post retirement obligations

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

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

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Presentation of Annual Financial Statements continued...

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

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

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

1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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.

Presentation of Annual Financial Statements continued...

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

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

Presentation of Annual Financial Statements 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.

1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.18 Revenue from exchange transactions

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

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

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

Measurement

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

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

Sale of goods

Presentation of Annual Financial Statements continued...

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

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

Rendering of services

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

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

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

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

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

Interest revenue

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

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

Presentation of Annual Financial Statements continued...

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

Pre-paid electricity

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

1.19 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

Presentation of Annual Financial Statements continued...

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

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

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

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

Recognition

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

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

Measurement

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

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

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

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

Taxes

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

Presentation of Annual Financial Statements continued...

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

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

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

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

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

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

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

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

Transfers

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

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

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

1.20 Investment income

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

Presentation of Annual Financial Statements continued...

1.21 Borrowing costs

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

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

1.22 Comparative figures

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

1.23 Unauthorised expenditure

Unauthorised expenditure", in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with or, and includes—

a) overspending of the total amount appropriated in the municipality's approved budget;
b) overspending of the total amount appropriated for a vote in the approved budget;
c) expenditure from a vote unrelated to the department or functional area covered by the vote.
d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose.
e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
f) a grant by the municipality otherwise than in accordance with this Act;"

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

1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Irregular expenditure

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.

Presentation of Annual Financial Statements continued...

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

1.26 Segment information

A segment is an activity of an entity:

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

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

1.27 Budget information

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

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

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

The approved budget covers the fiscal period from 2023/07/01 to 2024/06/30.

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

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

1.28 Related parties

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

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

Presentation of Annual Financial Statements continued...

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

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

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

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

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

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

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

1.29 Events after reporting date

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

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

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

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

1.30 Value added Tax (VAT)

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

Presentation of Annual Financial Statements continued...

1.31 Accumulated Surplus

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

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

2. New standards and interpretations

Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 103 - Heritage Assets	Beginning on or after a date to be determined by the Minister of Finance in a regulation to be published in accordance with section 91(1)(b) of the Public Finance Management Act, Act No. 1 of 1999, as amended.	Unlikely there will be a material impact
GRAP 105 - Transfer of Functions Between Entities Under Common Control	Beginning on or after a date to be determined by the Minister of Finance in a regulation to be published in accordance with section 91(1)(b) of the Public Finance Management Act, Act No. 1 of 1999, as amended.	Unlikely there will be a material impact
GRAP 107- Mergers	Beginning on or after a date to be determined by the Minister of Finance in a regulation to be published in accordance with section 91(1)(b) of the Public Finance Management Act, Act No. 1 of 1999, as amended.	Unlikely there will be a material impact

Figures in R	2025	2024 Restated

3. Inventories

Inventory - Water	148,854	143,683
Consumables	1,961,038	1,778,309
	2,109,892	**1,921,992**

The municipality recognised only purification costs in respect of non-purchased purified water inventory.

Inventory recognised as an expense during the year.

Water	9,351,190	11,565,849
Material and supplies	4,280,261	2,286,143
Inventory consumed	**13,636,411**	**13,851,992**

The amount of write-down of inventories recognised as an expense:

Opening balance	143,683	184,771
Water purchased	9,343,065	11,573,076
Water sold	(7,877,486)	(9,508,619)
Material loss	(1,460,408)	(2,105,545)
Closing balance	**148,854**	**143,683**

No inventories were pledged as security for liabilities.

4. Operating lease asset

Operating lease asset comprise the following balances

Current asset	59,016	65,101
	59,016	**65,101**

The municipality recognises rental income on the straight-line basis over the lease term. This results in an equal impact in the financial performance in the reporting period regardless of the cash flows. Differences between the straight-line amounts and the cash flow amounts are recognised in the financial position as lease assets or lease liabilities.

The municipality is a lessor in respect of premises being leased to Vodacom.

The municipality recognized the straight line portion resulting from lease accounting.

	Not later than one year	Later than one year and not later than five years	Later than 5 year	Total
Vodacom Barkley West	5,501	3,723	-	9,224
Vodacom Delportshoop	3,421	46,371	-	49,793
	8,922	50,095		59,017

Figures in R	2025	2024 Restated

5. Statutory Receivables (VAT)

Statutory Receivables (VAT) comprise the following balances

VAT payable	(76,464,555)	(79,886,069)
VAT receivable	223,507,509	209,658,759
Net VAT (Payable) receivable	**147,042,954**	**129,772,690**

6. Other Receivables from exchange transactions

Net other receivables from exchange transactions comprise:

Other receivables from exchange transactions	3,104,252	3,758,764
Deposits held	899,942	899,942
	4,004,194	**4,658,706**
Less Allowance for Impairment	(2,275,260)	(2,275,260)
		-
Net Other receivables	**1,728,934**	**2,383,446**

Other receivables from exchange transactions comprise of deposits held, recoveries from staff. The impact of discounting was evaluated as immaterial.

Accumulated impairment reconciliation

Opening Accumulated impairment	2,275,260	-
Changes during the year		2,275,260
Closing Accumulated impairment	**2,275,260**	**2,275,260**

The municipality did not have any receivables from exchange transactions that were past due but not impaired at year-end.

7. Statutory Receivables from Non Exchange Transactions

Net statutory receivables from non exchange transactions comprise:

Gross balances		
Consumer debtors - Rates	260,242,281	212,505,362
Fines	1,369,900	103,600
Less: Allowance for Impairment		
Consumer debtors - Rates	(257,148,541)	(211,190,790)
Fines	(868,698)	(103,600)
	3,594,942	**1,314,572**

For fines liabilities, there are no principal-agent arrangements.

Figures in R	2025	2024 Restated

Statutory Receivables from Non Exchange Transactions continued...

Age Analysis

	2025	2024 Restated
Rates		
Current (0 - 30 days)	40,036,924	7,253,349
31 - 60 days	3,124,080	3,038,682
61 - 90 days	3,096,240	3,007,952
91 days+	213,985,036	199,205,216
Less Impairment	(257,148,541)	(211,190,786)
	3,093,739	**1,314,413**

	2025	2024 Restated
Consumers		
Current (0 - 30 days)	13,079,720	3,311,435
31 - 60 days	1,298,820	1,354,519
61 - 90 days	1,335,570	1,337,267
91 days+	66,089,947	61,467,853
	81,804,057	**67,471,073**
Less Impairment	**(81,706,122)**	**(66,832,946)**
	97,934	**638,127**

	2025	2024 Restated
Industrial / Commercial		
Current (0 - 30 days)	6,541,643	1,907,666
31 - 60 days	701,688	706,910
61 - 90 days	641,848	698,113
91 days+	49,982,984	48,030,404
	57,868,163	**51,343,093**
Less Impairment	**(56,688,233)**	**(50,942,275)**
	1,179,931	**400,818**

	2025	2024 Restated
National and provincial government		
Current (0 - 30 days)	20,415,561	2,034,258
31 - 60 days	1,123,572	977,253
61 - 90 days	1,118,822	972,562
91 days+	97,912,105	89,706,959
Less Impairment	(118,754,186)	(93,415,565)
	1,815,874	**275,467**

Reconciliation of allowanace for impairment 2025	**Consumer debtors**	**Fines**
Opening allowance for impairment	(211,190,790)	(103,600)
Movements for the year ended 30 June 2025		
Current year impairment	(45,957,751)	(765,098)
Accumulated impairment at the end of the year	**(257,148,541)**	**(868,698)**

Statutory Receivables from Non Exchange Transactions continued...

Reconciliation of allowance for impairment 2024	Consumer debtors	Fines
Opening allowance for impairment	(90,749,657)	-
Movements for the year ended 30 June 2024		
Current year impairment	(120,441,133)	(103,600)
Accumulated impairment at the end of the year	**(211,190,790)**	**(103,600)**

Statutory receivables general information

A discount rate of 11.5 % was applied to the estimated future cash flows. The discount rate was derived from prevailing prime rates.

Statutory receivables were grouped together and assessed collectively for impairment as they exhibit similar characteristics, whose ageing is more than 90 days which provided information about the possible collectability of the amounts owing to the municipality. Ageing more than 90 days is considered an indicator of significant financial difficulty of the receivable.

Transaction(s) arising from the statute

Rates - Municipal Property Rates Act (MPRA) Section 2 states that a local municipality may levy a rate on property in its area.

Fines - Fines are issued in terms of the National Road Traffic Regulations of 2000 and the National Road Traffic Act (Act No93 of 1996)

Determination of transaction amount

Rates - Rates amount are determined in terms of Section 11 of the MPRA and the approved policy of the municipality.

Fines - All fines are governed by the specific regulation which is applicable to the offence.

Interest or other charges levied / charged

Rates - Interest is raised on past due balances at the prime interest rate.

Fines - No interest or other charges are raised on outstanding fines.

Figures in R	2025	2024 Restated

8. Receivables from exchange transactions

	2025	2024 Restated
Gross balances		
Electricity	89,022,719	77,416,479
Water	461,133,014	404,239,720
Sewerage	71,092,383	62,641,276
Refuse	217,468,017	191,655,506
Sundry	77,817,948	73,713,117
	916,534,081	**809,666,098**
Less: Allowance for Impairment		
Electricity	(76,941,307)	(68,346,508)
Water	(457,454,960)	(390,964,120)
Sewerage	(71,074,664)	(62,455,716)
Refuse	(216,860,542)	(191,475,700)
Sundry	(72,110,916)	(67,678,351)
	(894,442,389)	**(780,920,395)**
Net balance		
Electricity	12,081,412	9,069,971
Water	3,678,054	13,275,600
Sewerage	17,719	185,560
Refuse	607,475	179,806
Sundry	5,707,032	6,034,766
	22,091,692	**28,745,703**

Age Analysis

	2025	2024 Restated
Electricity		
Current (0 -30 days)	11,794,232	7,909,598
31 - 60 days	1,588,282	1,489,669
61 - 90 days	1,657,255	1,298,395
91 days +	73,982,951	66,718,817
Less:impairment	(76,941,307)	(68,346,508)
	12,081,412	**9,069,971**
Water		
Current (0 -30 days)	21,508,400	23,176,087
31 - 60 days	5,019,491	5,212,845
61 - 90 days	5,168,213	4,753,868
91 days +	429,436,910	371,096,920
Less:impairment	(457,454,960)	(390,964,120)
	3,678,054	**13,275,600**
Sewerage		
Current (0 -30 days)	1,451,899	1,378,494
31 - 60 days	720,261	686,717
61 - 90 days	716,885	683,227
91 days +	68,203,339	59,892,838
Less:impairment	(71,074,664)	(62,455,716)
	17,719	**185,561**

Notes to the Financial Statements

Figures in R	2025	2024 Restated
Receivables from exchange transactions continued...		
Refuse		
Current (0 -30 days)	4,911,426	4,231,929
31 - 60 days	2,343,906	2,208,926
61 - 90 days	2,387,025	2,207,237
91 days +	207,825,660	183,007,414
Less:impairment	(216,860,542)	(191,475,700)
	607,475	**179,807**
Sundry		
Current (0 -30 days)	6,706,525	6,854,431
31 - 60 days	425,161	424,313
61 - 90 days	418,771	415,642
91 days +	70,267,491	66,018,730
Less:impairment	(72,110,915)	(67,678,350)
	5,707,033	**6,034,766**

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	16,307,453	31,252,285
31 - 60 days	7,170,240	7,205,471
61 - 90 days	7,372,791	6,858,661
91 days +	647,833,792	557,983,805
	678,684,277	603,300,222
Less: Allowance for impairment	**(662,325,600)**	**(581,881,159)**
	16,358,676	**21,419,063**
Industrial/ commercial		
Current (0 -30 days)	2,557,515	2,785,864
31 - 60 days	763,967	743,212
61 - 90 days	727,349	769,704
91 days +	51,423,682	46,836,303
	55,472,514	51,135,084
Less: Allowance for impairment	(54,135,431)	(49,319,626)
	1,337,083	**1,815,458**
National and provincial government		
Current (0 -30 days)	12,780,020	10,118,880
31 - 60 days	2,162,893	2,073,593
61 - 90 days	2,467,522	1,727,412
91 days +	164,966,855	141,310,908
	(177,981,357)	(149,719,610)
	4,395,934	**5,511,183**

Figures in R	2025	2024 Restated

Receivables from exchange transactions continued...

Total		
Current (0 -30 days)	31,644,988	44,157,029
31 - 60 days	10,097,101	10,022,276
61 - 90 days	10,567,663	9,355,777
91 days +	864,224,329	746,131,016
	916,534,081	**809,666,099**
	(894,442,388)	(780,920,395)
	22,091,693	**28,745,704**

Reconciliation of allowance for impairment		
Balance at beginning of the year	780,920,394	521,106,660
Contributions to allowance	113,521,994	259,813,734
Debt impairment written off against allowance	-	-
	894,442,388	**780,920,394**

Sundry receivables from exchange transactions comprise of property rental debtors and miscellaneous charges.

9. Cash and cash equivalents

Cash and cash equivalents comprise:

Cash on hand	4,677	5,439
Balances with banks	792,127	1,466,060
Call Deposits and Investments	506,111	615,764
Total cash	**1,302,915**	**2,087,263**

9.2 Cash and cash equivalents where availability is restricted

Conditional grants received by the municipality entity can only be used for a specified purpose.

Cash and cash equivalents continued...

The entity had the following bank accounts

Account number / description	Bank Statement balances			Cash book balances		
	30 June 2025.	30 June 2024.	30 June 2023.	30 June 2025.	30 June 2024.	30 June 2023.
First National Bank- Current Account (62022662468)	637,946	1,466,066	63,448	640,624	1,466,066	64,227
First National Bank- Current Account (62345563911)	151,509	-	-	151,509	-	-
First National Bank- Call Account (62256156318)	21,981	8,506	138,983	21,981	8,506	138,983
First National Bank- Call Account (62279967643)	109,063	138,762	129,835	109,063	138,762	129,835
First National Bank- Call Account (62287817393)	359,719	15,766	14,997	359,719	15,766	14,997
First National Bank- Call Account (62345563911)	-	436,194	62,810	-	436,194	62,810
First National Bank- Call Account (71045321107)	5,663	5,339	5,016	5,663	5,339	5,016
Standard Bank- Fixed Deposit Account (146018273)	9,684	11,196	12,231	9,684	11,196	12,231
Total	**1,295,564**	**2,081,829**	**427,320**	**1,298,242**	**2,081,829**	**428,099**

10. Property, plant and equipment

Balances at year end and movements for the year

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated	Carrying value
Land	85,346,177	(992,204)	84,353,973	85,346,176	(136,983)	85,209,193
Buildings	18,665,075	(15,220,990)	3,444,085	23,056,306	(19,286,060)	3,770,246
Infrastructure	935,386,608	(413,608,028)	521,778,580	907,974,097	(397,602,504)	510,371,593
Community	34,256,565	(20,783,607)	13,472,958	37,101,335	(23,712,341)	13,388,994
Other property, plant and equipment	30,180,503	(15,680,911)	14,499,592	22,848,283	(14,059,822)	8,788,461
Landfill Site Asset	16,654,107	(6,542,249)	10,111,858	6,703,360	(4,682,652)	2,020,708
	1,120,489,035	**(472,827,989)**	**647,661,046**	**1,083,029,557**	**(459,480,362)**	**623,549,195**

Property, plant and equipment continued...

	Land	Buildings	Infrastructure	Community Assets	Landfill Site Asset	Other PPE	Total
Reconciliation for the year ended 30 June 2025							
Balance at 1 July 2024							
At cost	85,346,176	23,056,306	907,974,097	37,101,335	6,703,360	22,848,283	**1,083,029,557**
Accumulated depreciation and impairment	(136,983)	(19,286,060)	(397,602,504)	(23,712,341)	(4,682,652)	(14,059,822)	**(459,480,362)**
Net book value	**85,209,193**	**3,770,246**	**510,371,593**	**13,388,994**	**2,020,708**	**8,788,461**	**623,549,195**
Movements for the year ended 30 June 2025							
Additions from acquisitions	-	377,200	36,018,327	9,960,126	9,950,746	7,605,657	**63,912,056**
Depreciation	-	(445,991)	(19,245,193)	(697,050)	(1,859,597)	(1,855,835)	**(24,103,665)**
Impairment loss recognised in surplus or deficit	(855,220)	-	5,330	(1,854)	-	(25,425)	**(877,169)**
Change in landfill closure provision	-	-	-	-	-	-	**-**
Disposals	-	(257,370)	(1,261,955)	(131,118)	-	(13,267)	**(1,663,710)**
Transfers out	-	-	(4,109,522)	(9,046,141)	-	-	**(13,155,663)**
Property, plant and equipment at end of year	**84,353,973**	**3,444,085**	**521,778,580**	**13,472,958**	**10,111,858**	**14,499,591**	**647,661,045**
Closing balance at 30 June 2025							
At cost	85,346,177	18,665,075	935,386,608	34,256,565	16,654,107	30,180,503	**1,120,489,035**
Accumulated depreciation and impairment	(992,204)	(15,220,990)	(413,608,028)	(20,783,607)	(6,542,249)	(15,680,911)	**(472,827,989)**
Net book value	**84,353,973**	**3,444,085**	**521,778,580**	**13,472,958**	**10,111,858**	**14,499,592**	**647,661,046**

Property, plant and equipment continued...

Reconciliation for the year ended 30 June 2024							
Balance at 1 July 2023							
At cost	92,251,885	24,989,522	887,150,244	56,546,756	11,257,808	28,184,874	**1,100,381,089**
Accumulated depreciation and impairment	(133,133)	(20,557,159)	(375,235,149)	(45,618,335)	(5,290,104)	(18,594,349)	**(465,428,229)**
Net book value	**92,118,752**	**4,432,363**	**511,915,095**	**10,928,421**	**5,967,704**	**9,590,525**	**634,952,860**
Movements for the year ended 30 June 2024							
Additions from acquisitions	-	-	28,849,290	2,939,744	-	1,269,003	**33,058,036**
Depreciation	-	(394,495)	(19,164,992)	(620,321)	(1,069,333)	(1,487,941)	**(22,737,082)**
Impairment loss recognised in surplus or deficit	(4,890)	(267,357)	(9,534,415)	339,302	-	-	**(9,467,360)**
Change in landfill closure provision	-	-	-	-	(2,395,152)	-	**(2,395,152)**
Disposals	(6,904,669)	(265)	(1,693,385)	(198,152)	(482,511)	(583,126)	**(9,862,108)**
Transfer out	-	-	-	-	-	-	**-**
Property, plant and equipment at end of year	**85,209,193**	**3,770,246**	**510,371,593**	**13,388,994**	**2,020,708**	**8,788,461**	**623,549,195**
Closing balance at 30 June 2024							
At cost	85,346,176	23,056,306	907,974,097	37,101,335	6,703,360	22,848,283	**1,083,029,557**
Accumulated depreciation and impairment	(136,983)	(19,286,060)	(397,602,504)	(23,712,341)	(4,682,652)	(14,059,822)	**(459,480,362)**
Net book value	**85,209,193**	**3,770,246**	**510,371,593**	**13,388,994**	**2,020,708**	**8,788,461**	**623,549,195**

Additions analysed as follows:

Additions from acquisitions - Cash	44,567,060	32,644,007
Additions from acquisitions -Non Cash	19,344,966	414,029
	63,912,026	**33,058,036**

Included in Other PPE are the following movable assets :

Property, plant and equipment continued...

Emergency Equipment
Furniture and Fittings
Motor Vehicles
Office Equipment
Plant and Equipment

Reassessment of remaining useful life was conducted for all asset classes including Other PPE however no need to revise the remaining useful life for other PPE was identified.

Figures in R	2025	2024 Restated

Property, plant and equipment continued...

Pledged as security

No items of Property, Plant and Equipment has been pledged as security.

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

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Windsorton Provision of Water and Sewer Networks	20,397,967	20,397,967
Windsorton Waste Water Treatment Plant	442,816	442,816
Windsorton New Oxidation ponds	26,340,540	26,340,540
Windsorton / Holpan Regional Bulk Water Supply Scheme (Part A and Part B)	42,943,188	42,943,188
	90,124,511	**90,124,511**

The projects listed are taking longer than expected due to the insufficient funds that the municipality is facing making it impossible to complete these projects in the current year.

Reconciliation of Work-in-Progress 2025

	Infrastructure	Included within Community Assets	Total
Opening balance	136,148,386	8,132,383	144,280,769
Additions/capital expenditure	34,094,458	913,872	35,008,330
Transferred to completed items	(4,109,522)	(9,046,254)	(13,155,776)
	166,133,323	**-**	**166,133,323**

Reconciliation of Work-in-Progress 2024

	Infrastructure	Included within Community Assets	Total
Opening balance	112,906,143	5,192,639	118,098,782
Additions/capital expenditure	26,315,280	2,939,744	29,255,024
Transferred to completed items	(3,073,037)	-	(3,073,037)
	136,148,386	**8,132,383**	**144,280,769**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Infrastructure	3,504,343	4,122,229
Motor Vehicles	2,174,437	1,992,337
Other assets	90,618	547,400
Buildings	54,341	691,012
	5,823,739	**7,352,978**

Property, plant and equipment continued...

Deemed cost

Deemed cost was determined using the depreciated replacement cost.

10.3 Change in estimate

Property, plant and equipment

Dikgatlong Local Municipality performed condition assessment on Other PPE which is one of the indicators to determine the Remaining Useful life of an asset . This has resulted in the subsequent change of depreciation expense in all the respective current financial year. The effect of the change in estimate shall be disclosed as follows:

Effect on SOCI	
Decrease in depreciation	(220,149)
	(220,149)

Effect on SOFP	
Increase in Other PPE	220,149
Decrease in Accumulated Depreciation Other PPE	(220,149)
	-

Dikgatlong Local Municipality performed condition assessment on Immovable Assets which is one of the indicators to determine the Remaining Useful life of an asset . This has resulted in the subsequent change of depreciation expense in all the respective current financial year. The effect of the change in estimate shall be disclosed as follows:

Effect on SOCI	
Increase in depreciation	706,974
Decrease in surplus	**(706,974)**

Effect on SOFP	
Decrease in Immovable Assets	**(706,974)**
Increase in Accumulated Depreciation Immovable Assets	**706,974**

Figures in R	2025	2024 Restated

11. Investment property

Balances at year end and movements for the year

Reconciliation for the year		
Balance at start of year		
At cost	53,769,014	55,430,383
Accumulated depreciation	(5,584,262)	(3,554,772)
Net book value	**48,184,752**	**51,875,611**
Movements for the year		
Depreciation	(216,166)	(279,797)
Impairment loss recognised in surplus or deficit	(361,509)	(3,387,599)
Disposals	-	(23,463)
Investment property at end of year	**47,607,077**	**48,184,752**
Closing balance at end of year		
At cost	53,769,014	53,769,014
Accumulated depreciation	(6,161,937)	(5,584,262)
Net book value	**47,607,077**	**48,184,752**

Investment property includes Land and buildings

The rental revenue earned from investment property amounted to R 899 221 (2025) and R 840 438 (2024). No operating expenses were incurred in respect of investment property for the 2025 and 2024 financial year.

Pledged as security

No Investment Property has been pledged as security.

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

Assets legally owned but not recognised

The investment property note excludes certain land parcels for which the municipality holds legal title but does not exercise control. A field verification and deed search assessment performed at year-end identified instances where:

- the municipality does not have the right to direct the use of the land,
- the municipality does not receive the economic benefits or service potential from the properties, and/or
- the land was previously sold or disposed of, but transfer has not yet been finalised.

As the municipality does not control these assets as defined by GRAP 16, they are not recognised as investment property, despite the continuation of legal ownership.

Deemed cost

Deemed cost was determined using depreciated replacement cost.

12. Intangible assets

Reconciliation of changes in intangible assets

	Computer software	Total
Reconciliation for the year ended 30 June 2025		
Balance at 1 July 2024		
At cost	269,271	**269,271**
Accumulated amortisation	(152,999)	**(152,999)**
Net book value	**116,272**	**116,272**
Movements for the year ended 30 June 2025		
Amortisation	(29,289)	**(29,289)**
Disposals	(90)	**(90)**
Intangible assets at end of period	**86,893**	**86,893**
Closing balance at 30 June 2025		
At cost	253,204	**253,204**
Accumulated amortisation	(166,311)	**(166,311)**
Net book value	**86,893**	**86,893**
Reconciliation for the year ended 30 June 2024		
Balance at 1 July 2023		
At cost	525,303	**525,303**
Accumulated amortisation	(367,435)	**(367,435)**
Net book value	**157,868**	**157,868**
Movements for the year ended 30 June 2024		
Acquisitions	9,790	**9,790**
Amortisation	(46,241)	**(46,241)**
Impairment loss recognised in surplus or deficit	(498)	**(498)**
Disposals	(4,647)	**(4,647)**
Intangible assets at end of period	**116,272**	**116,272**
Closing balance at 30 June 2024		
At cost	269,271	**269,271**
Accumulated amortisation	(152,999)	**(152,999)**
Net book value	**116,272**	**116,272**

Pledged as security

No intangible assets are pledged as security for any financial liability at year end.

Deemed cost

Deemed cost was determined using depreciated replacement cost.

13. Heritage assets

	Historic Buildings	Historic Structure	Mayoral Chain	Total
Reconciliation for the year ended 30 June 2025				
Balance at 1 July 2024				
At Cost	1,321,955	12,170,037	38,947	13,530,939
Accumulated impairment	(559,859)		-	(559,859)
Net carrying amount	**762,096**	**12,170,037**	**38,947**	**12,971,080**
Closing balance at 30 June 2025				
Gross carrying amount	1,321,955	12,170,037	38,947	13,530,939
Accumulated impairment	(559,859)		-	(559,859)
Net carrying amount	**762,096**	**12,170,037**	**38,947**	**12,971,080**
Reconciliation for the year ended 30 June 2024				
Balance at 1 July 2023				
Gross carrying amount	1,321,955	12,170,037	38,947	13,530,939
Accumulated impairment	(559,859)		-	(559,859)
Net carrying amount	**762,096**	**12,170,037**	**38,947**	**12,971,080**
Closing balance at 30 June 2024				
Gross carrying amount	1,321,955	12,170,037	38,947	13,530,939
Accumulated impairment	(559,859)		-	(559,859)
Net carrying amount	**762,096**	**12,170,037**	**38,947**	**12,971,080**

Pledged as security

No heritage assets are pledged as security for any financial liability at year end.

Figures in R	2025	2024 Restated

14. Payables from exchange transactions

Payables from exchange transactions comprise:

Trade payables	229,669,830	161,151,897
Payments received in advance	9,209,064	11,988,438
Sundry creditors	1,373,694	847,133
Sundry control	564,528	1,103,173
Accrued leave pay	6,918,892	6,872,574
Accrued bonus	2,461,968	2,301,165
Retentions	5,833,838	3,590,185
Long service awards	1,644,035	635,067
	257,675,849	**188,489,632**

Non-current liabilities

Eskom Debt Relief	130,598,885	124,832,685
Department of transport safety and liason	14,184,689	14,184,689
Total payables from exchange transactions	**402,459,423**	**327,507,006**

Included within Financial liabilities - Note 54

Trade payables	229,669,830	161,151,897
Payments received in advance	9,209,064	11,988,438
Sundry control	564,528	1,103,173
Retentions	5,833,838	3,590,185
Eskom Debt Relief	130,598,885	124,832,685
Department of transport safety and liason	14,184,689	14,184,689
	390,060,834	**316,851,067**

Figures in R	2025	2024 Restated

15. Finance lease obligations

Finance lease obligations comprise:

Non-current liabilities	6,638	42,287
Current liabilities	35,649	29,408
	42,287	**71,695**

The carrying amounts of leased assets included in Property Plant and Equipment.

Other PPE	53,370	66,713

2025

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

Year	Minimum Lease Payments	Interest Portion
Within one year	40,793	5,144
One to five years	6,799	161
Total minimum lease payments	47,592	-
Less: future finance charges	-	5,305
Present value of minimum lease payments	42,287	

2024

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

Year	Minimum Lease Payments	Interest Portion
Within one year	40,793	11,386
One to five years	47,593	5,306
Total minimum lease payments	88,386	-
Less: future finance charges	-	16,692
Present value of minimum lease payments	71,694	-

16. Consumer deposits

Electricity	321,300	307,252
Water	364,169	345,553
Housing rental	1,706	1,706
	687,175	**654,511**

17. Employee benefit obligation

Defined benefit plan - Employee benefit obligation

The plan a post employment medical benefit plan.

Post retirement medical aid plan

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

The following figure shows the DBO’s maturity analysis (undiscounted expected benefits vesting) for the next 30 years. The expected benefits vesting thereafter are relatively insignificant and thus add little information to the graph.

It is important to note that this graph does not show the total benefits vesting in each future year, but just the expected benefits vesting in respect of the current eligible employees i.e. no allowance has been made for future new eligible employees.

Table A4.2 shows the maturity analysis for the next 40 years.

Table A4.2: Maturity analysis of the DBO (up to 40 years, R millions)

Future year	**Expected Benefits Vesting**	**Future year**	**Expected Benefits Vesting**
1	0.7	6 to 10	4.379
2	1.24	10 to 15	3.121
3	0.619	16 to 20	2.301
4	0.4	21 to 30	1.601
5	0.786	31 to 40	0

Information on Characteristics of Plan and Associated Risks

The characteristics of the plan are discussed in detail in Section 3 of this report.

Notable benefit plan risks faced by the Municipality can be summarised as follows:

Inflation:
The risk that future CPI inflation and medical aid contribution inflation are higher than assumed and present in an uncontrolled manner.

Longevity
The risk that eligible individuals live longer than assumed i.e. their benefits are payable for longer than expected.

Volatility of open-ended, long-term DBO
The risk that the DBO may be volatile which is exacerbated by its long-term nature.

Enforcement of eligibility criteria and rules
The risk that eligibility criteria and rules are not strictly or consistently enforced, to the detriment of the Municipality.

Employee benefit obligation continued...

Future changes in legislation

The risk that changes to legislation with respect to the post-employment medical aid benefit, including tax legislation, may increase the DBO for the Municipality.

The administration of this DBO poses a burden on the Municipality.

The post-employment health care benefit is not a funded arrangement i.e. there is no plan asset in place to meet this defined benefit obligation (DBO).

PEMA Reconciliation

Table A5.1: Past year and future projected defined benefit obligation

	Year Ending 30/06/2025	Year Ending 30/06/2026	Year Ending 30/06/2027
Opening DBO	2,041,000	2,097,000	2,026,000
Service cost			
Past service cost	66,000	-	-
Current service cost	-	-	-
Interest cost	206,000	187,000	181,000
Subsidy (benefit) payments	(267,968)	(258,000)	(251,000)
Projected closing DBO	**2,045,032**	**2,026,000**	**1,956,000**
Actuarial loss / (gain)	51,968	-	-
Actual closing DBO	2,097,000	2,026,000	1,956,000
Current portion (due in next 12 months)	246,000	239,000	234,000
Non-current portion	1,851,000	1,787,000	1,722,000
Members			
Continuation members (pensioners)		3	3

Figures in R	2025	2024 Restated
Employee benefit obligation continued...		
Carrying value		
Post Employment Medical Aid	2,097,000	2,041,000
Long service award liability	5,063,000	4,668,000
	7,160,001	**6,709,001**
Included in current assets	-	-
Non - current liabilities	6,233,000	5,713,000
Current liabilities	927,000	996,000
	7,160,000	**6,709,000**
Long Service Awards		
Current portion	651,000	741,000
Non Current Portion	4,173,000	3,927,000
	4,824,000	**4,668,000**
Post Employment Medical Aid		
Current portion	246,000	255,000
Non Current Portion	1,851,000	1,786,000
	2,097,000	**2,041,000**

Post Retirement Health Care Benefits

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

Key financial assumptions used:

	2025	2024 Restated
Discount rate	9.5%.	10.75%.
CPI (Consumer Price Inflation)	3.5%.	4.94%.
Medical aid contribution inflation rate	5.3%.	6.44%.
Net discount rate	**4.0%.**	**4.05%.**

It is difficult to predict future investment returns and inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at this valuation for the period over which the DBO is to be settled.

Discount Rate

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

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

Employee benefit obligation continued...

Yields were determined by looking at the duration of the DBO and finding the fixed-interest and index-linked yields at the relevant duration using an iterative process (because the yields depend on the DBO, which in turn depends on the yields). The DBO's duration has been estimated to be 7.25 years.

Medical Aid Contribution Inflation Rate

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

A medical aid contribution inflation rate of 5.3% per annum has been assumed. This is 1.8% in excess of expected consumer price index (CPI) inflation over the expected term of the DBO, namely 3.5% per annum. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 4.0% per annum which derives from ((1+9.5%)/(1+5.3%))-1.

The CPI inflation assumption of 3.5% per annum was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the DBO (5.3%) and those of fixed interest bonds (9.5%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.5%).

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

Demographic Assumptions

Demographic assumptions are required to estimate the changing profile of retirees who are eligible for the post-employment medical aid subsidy.

Post-Employment Mortality:

PA(90) ultimate table, adjusted down by one year of age, and a 1% annual compound mortality improvement from 2010. This means that we expect 1% fewer people to die next year. In the year thereafter, we expect 1.99% fewer people to die, i.e. 1.99% is derived from [1 - (1 - 1%)2], and so on.

Family Profile

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

SENSITIVITY ANALYSIS

Introduction

The results presented in Section 6 are based on a number of assumptions. The extent to which the actual DBO faced in the future by the Municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made.

The assumption which tends to have the greatest impact on the results is the medical aid contribution inflation rate relative to the discount rate.

Sensitivity Analysis Results

Employee benefit obligation continued...

The DBO at this valuation was recalculated to show the effect of:

a one percentage point increase and decrease in the assumed rate of health care cost inflation;
a one percentage point increase and decrease in the discount rate; and
a one-year age increase and decrease in the assumed rates of post-employment mortality.

Table 7.1 summarises the results of the sensitivity analysis.

Table 7.1: Sensitivity analysis on the defined benefit obligation (R Millions)

Assumption	Change	Total DBO	% Change
Central assumptions		2,097,000.	
Medical aid contribution inflation rate	+1%.	2,252,000.	7%
	-1%.	1,960,000.	-7%
Discount rate	+1%.	1,966,000.	-6%
	-1%.	2,247,000.	7%
Post-employment mortality	+1 yr	2,014,000.	-4%
	-1 yr	2,182,000.	4%

Net expense recognised in the statement of financial performance.

	2025	2024 Restated
Interest cost	206,000	204,000
Actuarial (gains) losses	51,968	112,067
Benefits Vesting	(267,968)	(246,067)
	(10,000)	**70,000**

Long Service Award

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

	30 June 2025	30 June 2024
Number of eligible employees	164	166
Average annual earnings	R293 860	R269 299
Average age	47.5	46.6
Average past service	15	14

Table below describes the benefits awarded.

Completed service (In Years)	Long Service Award (% of Annual Earnings)	Description
10	7.0%	(10/250 +3%) x annual earnings
15	8.0%	(10/250 +4%) x annual earnings
20	11.0%	(15/250 +5%) x annual earnings
25, 30, 35, 40, 45	12.0%	(15/250 +6%) x annual earnings

In the month that each “completed service” milestone is reached, the employee is granted an LSA. Working days awarded are valued at 1/250th of annual earnings per day.

Employee benefit obligation continued...

Assumptions used at the reporting date:

	30 June 2025	30 June 2024
Discount rate	9.3%.	10.67%.
CPI inflation rate	3.5%.	4.9%.
General earnings inflation rate	4.5%.	5.9%.
Net discount rate	**4.6%.**	**4.5%.**

Information on Characteristics of Plan and Associated Risks

The characteristics of the plan are discussed in detail in Section 3 of this report.

Notable benefit plan risks faced by the Municipality can be summarised as follows:

Inflation:
The risk that future CPI inflation and earnings inflation are higher than assumed and present in an uncontrolled manner.

Termination of service:
The risk that fewer eligible employees terminate their service at the Municipality i.e. more long service awards vest than expected.

Volatility of open-ended, long-term DBO
The risk that the DBO may be volatile which is exacerbated by its long-term nature.

Enforcement of eligibility criteria and rules
The risk that eligibility criteria and rules are not strictly or consistently enforced, to the detriment of the Municipality.

Future changes in legislation:
The risk that changes to legislation with respect to long service awards, including tax legislation, may increase the DBO for the Municipality.

The administration of this DBO poses a burden on the Municipality.

Financial Assumptions

It is difficult to predict future investment returns and inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at this valuation for the period over which the DBO is to be settled.

Discount Rate

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

Consequently, a discount rate of 10.68% per annum has been used. The corresponding index-linked yield is 5.03%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 28 June 2024.

Figures in R	2025	2024 Restated

Employee benefit obligation continued...

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

Earnings Inflation Rate

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

The assumption is traditionally split into two components, namely general earnings inflation and promotional earnings escalation. The latter is considered under demographic assumptions.

General Earnings Inflation Rate

This assumption is more stable relative to the growth in consumer price index (CPI) than in absolute terms. In most industries, experience has shown that over the long term, earnings inflation is between 1.0% and 1.5% above CPI inflation.

The CPI inflation assumption of 4.91% per annum was obtained from the differential between market yields on index-linked bonds (5.03%) consistent with the estimated term of the DBO and those of nominal bonds (10.68%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected CPI inflation is determined as ((1+10.68%-0.50%)/(1+5.03%))-1.

Thus, a general earnings inflation rate of 5.91% per annum over the expected term of the DBO has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 4.51%.

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

Net expense recognised in the statement of financial performance.

Current service cost	345,000	370,000
Interest cost	460,000	463,000
Actuarial (gains) losses	331,000	(167,000)
Benefits Vesting	(741,000)	(389,000)
	395,000	**277,000**

Reconciliation: Long Service Awards

Past year and future projected defined benefit obligation

	Year Ending 30/06/2025	Year Ending 30/06/2026	Year Ending 30/06/2027
Opening DBO	4,668,000	4,824,000	4,915,000
Service cost			
Current service cost	345,000	342,000	374,000
Interest cost	460,000	418,000	403,000
Expected benefits vesting	(741,000)	(669,000)	(1,181,000)
Projected closing DBO	4,732,000	4,915,000	**4,511,000**

Figures in R		2025	2024 Restated
Employee benefit obligation continued...			
Actuarial loss / (gain)	92,000	-	-
Actual closing DBO	**4,824,000**	**4,915,000**	**4,511,000**
Current portion (due in next 12 months)	651,000	1,149,000	573,000
Non-current portion	4,173,000	3,766,000	3,938,000

SENSITIVITY ANALYSIS

Introduction

The results presented in Section 6 are based on a number of assumptions. The extent to which the actual DBO faced in the future by the Municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made.

The assumptions which tend to have the greatest impact on the results are:

i) the general earnings inflation rate assumption;
ii) the discount rate assumption;
iii) the average retirement age of employees; and
iv) assumed service termination rates.

Sensitivity Analysis Results

The DBO at this valuation was recalculated to show the effect of:

i) a one percentage point increase and decrease in the assumed general earnings inflation rate;
ii) a one percentage point increase and decrease in the assumed discount rate;
iii) a two-year increase and decrease in the assumed average retirement age of eligible employees; and
iv) a two-fold increase and a 50% decrease in the assumed rates of termination of service.

Table 7.1 summarises the results of the sensitivity analysis.

Table 7.1: Sensitivity analysis on the DBO

Assumption	Change	DBO	% Change
Central assumptions		4,824,000	
General earnings inflation rate	.+1%	5,054,000	5%
	.-1%	4,611,000	-4%
Discount rate	.+1%	4,610,000	-4%
	.-1%	5,058,000	5%
Average retirement age	.+2 yrs	5,352,000	11%
	.-2 yrs	4,380,000	-9%
Rates of termination of service	x2	4,161,000	-14%
	x0.5	5,242,000	9%

18. Unspent conditional grants and receipts

Figures in R	2025	2024 Restated

Unspent conditional grants and receipts continued...

Unspent conditional grants and receipts comprise the following balances

Unspent conditional grants and receipts		
Intergrated National Electrification Grant	360,645	-
Capacity Building Grant	54,932	54,932
Library Grant	2,023	2,023
Local Government Sector Education and Training Authority (SETA)	43,703	191,277
EPWP	11,591	-
	472,894	**248,232**

Movement during the year

Balance at the beginning of the year	248,232	4,733,993
Additions during the year	38,637,067	41,982,417
Income recognition during the year	(38,412,405)	(41,895,113)
Funds Withheld	-	(4,573,065)
	472,894	**248,232**

19. Provisions

Provisions continued...

Details of other provisions

Reconciliation of provisions - 2025

	Opening Balance	Change in estimates	Change in discount factor	Total
Environmental rehabilitation	35,662,025	9,950,746	3,631,286	49,244,057

Reconciliation of provisions - 2024

	Opening Balance	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	46,211,443	(16,740,033)	6,190,615	35,662,025

Environmental rehabilitation provision

The following landfills are included in this consolidated report:

- Windsorton
- Barkly West
- Koopmansfontein
- Delportshoop

Discount Rate:

In accordance with GRAP 19, where the effect of the time value of money is material, the amount of a provision should be the present value of the expenditure expected to be required to settle the obligation. As a result of the long operational life of landfill sites, in general, time value of money is material and therefore considered in the calculation of the landfill rehabilitation provision. The period over which the landfill rehabilitation provision is discounted, is based on the timing of the cash flows required to settle the obligation. The discount rate to be used in calculating the landfill rehabilitation provision is a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability.

The change in estimate was as a result of change in the estimated future cash flows, service potential required to settle the landfill rehabilitation provision, and a change in the discount rate as a result of changes in the time value for money.

20. Service Charges

	2025	2024 Restated
Sale of electricity	36,069,443	35,082,667
Sale of water	24,490,898	39,878,183
Sewerage and sanitation charges	3,374,270	3,281,946
Refuse removal	12,151,848	11,748,078
	76,086,459	**89,990,874**

Figures in R	2025	2024 Restated

21. Interest received

Property rates	20,535,134	16,862,809
Service charges	58,716,565	55,609,176
	79,251,699	**72,471,985**

22. Rental Income

Rental Income-third party	899,221	840,438
	899,221	**840,438**

23. Interest Received - Investments

Bank	416,364	314,165
Short term investments and call accounts	266,227	533,475
	682,591	**847,640**

24. Licence and permits

Trading	212,836	-
	212,836	**-**

25. Other Income

Building Plans	69,973	45,780
Clearance Certificate	105,851	136,395
Sundry Income	641,919	354,451
Reconnection fees	-	-
Sale of property	15,200	25,400
	832,943	**562,026**

26. Property rates

Residential	11,953,322	11,047,561
Commercial	6,065,601	5,973,605
State	19,571,932	17,032,999
	37,590,855	**34,054,165**

Valuations

Residential	910,218,000	864,771,000
Commercial	2,141,480,000	2,135,615,524
State	286,386,000	285,525,000
Municipal	207,435,400	241,545,000
Small holdings and farms	2,065,000	2,065,000
	3,547,584,400	**3,529,521,524**

Valuations on land and buildings are performed every 5 years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Figures in R	2025	2024 Restated

27. Revenue from non-exchange transactions - Other Income

Revenue from non-exchange transactions - Other Income	-	**47,957,691**
	-	**47,957,691**

28. Fines, penalties and forfeits

Traffic fines	1,530,850	112,343
	1,530,850	**112,343**

29. Public contributions and donations

Public contributions and donations	-	110,628
	-	**110,628**

Figures in R	2025	2024 Restated

30. Government grants and subsidies

Operating grants

Equitable share	123,223,000	111,787,915
Finance Management Grant	3,000,000	3,100,000
Local Government Sector Education and Training Authority (SETA)	284,326	22,176
Frances Baard District Municipality Operational Grant	2,418,223	2,378,901
Expanded Public Works Program (EPWP)	1,266,409	920,000
Library Grant	1,300,000	1,252,000
	131,491,958	**119,460,992**

Capital grants

Municipal Infrastructure Grant (MIG)	22,032,000	23,775,644
Integrated National Electrification Programme (INEP)	4,228,355	6,851,421
Frances Baard District Municipality Capital Grant	3,604,268	4,637,186
	29,864,623	**35,264,251**
	161,356,581	**154,725,243**

Allocations In-kind: Operational

National Treasury - Contribution to Audit Fees	278,824	809,206
	278,824	**809,206**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	38,637,068	41,982,417
Unconditional grants received	123,223,000	111,787,915
	161,860,068	**153,770,332**

Equitable Share

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

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

Equitable Share

Current-year receipts	123,223,000	111,787,915
Conditions met - transferred to revenue	(123,223,000)	(111,787,915)
Amounts granted as set off against Unspent Grants	-	-
	-	**-**

Conditions still to be met - remain liabilities (see note 18).

Government grants and subsidies continued...

Finance Management Grant

Figures in R	2025	2024 Restated
Current-year receipts	3,000,000	3,100,000
Conditions met - transferred to revenue	(3,000,000)	(3,100,000)
	-	-

Conditions still to be met - remain liabilities (see note 18).

Frances Baard District Municipality Grants Operational

Figures in R	2025	2024 Restated
Current-year receipts	2,418,223	2,378,901
Conditions met - transferred to revenue	(2,418,223)	(2,378,901)
	-	-

Conditions still to be met - remain liabilities (see note 18).

Expanded Public Works Program (EPWP)

Figures in R	2025	2024 Restated
Current-year receipts	1,278,000	920,000
Conditions met - transferred to revenue	(1,266,409)	(920,000)
	11,591	-

Conditions still to be met - remain liabilities (see note 18).

National Treasury - Contribution to Audit Fees

Figures in R	2025	2024 Restated
Current-year receipts	278,824	809,206
Conditions met - transferred to revenue	(278,824)	(809,206)
	-	-

Conditions still to be met - remain liabilities (see note 18).

Frances Baard District Municipality Capital

Figures in R	2025	2024 Restated
Balance unspent at beginning of year	-	-
Current-year receipts	3,604,268	4,637,186
Conditions met - transferred to revenue	(3,604,268)	(4,637,186)
	-	-

Municipal Infrastructure Grant

Figures in R	2025	2024 Restated

Government grants and subsidies continued...

Balance unspent at beginning of year	-	2,721,644
Current-year receipts	22,032,000	23,775,644
Conditions met - transferred to revenue	(22,032,000)	(23,775,644)
Transfer to Equitable Share as per Letter from Treasury	-	(2,721,644)
	-	**-**

Conditions still to be met - remain liabilities (see note 18).

Integrated National Electrification Programme (INEP)

Balance unspent at beginning of year	-	1,851,421
Current-year receipts	4,589,000	5,000,000
Conditions met - transferred to revenue	(4,228,355)	(5,000,000)
Transfer to Equitable Share as per Letter from Treasury	-	(1,851,421)
	360,645	**(0)**

Conditions still to be met - remain liabilities (see note 18).

Capacity Building Grant

Balance unspent at beginning of year	**54,932**	**54,932**

Conditions still to be met - remain liabilities (see note 18).

Library Grant

Balance unspent at beginning of year	2,023	2,023
Current-year receipts	1,300,000	1,252,000
Conditions met - transferred to revenue	(1,300,000)	(1,252,000)
	2,023	**2,023**

Conditions still to be met - remain liabilities (see note 18).

Local Government Sector Education and Training Authority (SETA)

Balance unspent at beginning of year	191,277	103,973
Current-year receipts	136,752	109,480
Conditions met - transferred to revenue	(284,326)	(22,176)
	43,703	**191,277**

Conditions still to be met - remain liabilities (see note 18).

Figures in R	2025	2024 Restated

31. Employee related costs

Basic	51,568,495	50,230,250
Bonus	3,910,972	3,742,658
Medical aid - company contributions	5,287,161	4,431,164
UIF	391,533	356,143
SDL	713,032	580,189
Leave pay provision charge	637,533	672,329
Other short term costs	25,059	26,346
Pension	8,198,416	7,829,172
Travel, motor car, accommodation, subsistence and other allowances	178,243	62,189
Overtime payments	9,146,249	6,231,052
Long-service awards	294,582	143,025
Acting allowances	1,479,806	1,627,133
Housing benefits and allowances	109,462	116,239
Non-pensionable allowance	263,595	18,645
Standby Allowance	627,216	409,815
	82,831,354	**76,476,349**

Remuneration of acting municipal manager - BH Tsinyane

Annual Remuneration	341,868	1,053,246
Car Allowance	16,510	66,042
Leave encashment	215,747	-
Acting Allowance	32,628	94,917
Contributions to UIF and other contributions	8,691	34,818
	615,444	**1,249,023**

Remuneration of municipal manager - BH Tsinyane

Annual Remuneration	785,344	-
Car Allowance	49,532	-
Leave encashment	-	-
Acting Allowance	-	-
Contributions to UIF and other contributions	27,939	-
	862,815	**-**

Remuneration acting of chief financial officer - CB Mokeng

Annual Remuneration	234,976	865,905
Annual bonus	86,762	72,159
Housing Allowance	3,247	12,797
Acting Allowance	27,692	107,575
Leave pay	177,903	-
Contributions to UIF, Medical and Pension Funds	60,403	231,893
	590,983	**1,290,329**

Remuneration of chief financial officer - CB Mokeng

Figures in R	2025	2024 Restated
Employee related costs continued...		
Annual Remuneration	685,477	-
Contributions to UIF, Medical and Pension Funds	25,511	-
	710,988	**-**

Remuneration of technical services director - PA Nthoba

Annual Remuneration	1,316,946	1,304,015
Contributions to UIF, Medical and Pension Funds	15,440	15,304
	1,332,386	**1,319,319**

Remuneration of acting technical services director - DV Makaleni

Annual Remuneration	-	473,001
Annual bonus	-	39,884
Acting Allowance	-	97,040
Contributions to UIF, Medical and Pension Funds	-	176,034
	-	**785,959**

Figures in R	2025	2024 Restated

32. Remuneration of councillors

Councillors	**5,852,276**	**6,023,956**

2025

	Annual Remuneration	Cellphone Allowance	Contributions to UIF, Medical and Pension Funds	Total
Mayor J Tswanagae	909,844	3,600	1,063	**914,506**
Speaker LG Phetlhane	727,875	-	1,063	**728,937**
Chief whip - MN Jacobs	380,681	-	1,063	**381,743**
Councillor - WAS Hendricks	287,934	5,246	1,063	**294,243**
Councillor - I Raadt	369,514	3,600	1,063	**374,176**
Councillor - DT Pitso	287,934	3,600	1,063	**292,597**
Councillor - S Blom	287,934	1,200	1,063	**290,197**
Councillor - SI Metswi	287,934	-	1,063	**288,997**
Councillor - LDK Leeuw	380,681	3,600	1,063	**385,343**
Councillor - CJ Mostert	369,514	44,400	1,063	**414,976**
Councillor BP Thobi	287,934	-	1,063	**288,997**
Councillor - MM Bezuidenhout	92,379	6,300	685	**99,364**
Councillor - R.T Springbok	321,926	-	1,063	**322,989**
Councillor - D Papers	267,074	-	1,063	**268,137**
Councillor ID Lemoen	296,120	-	1,063	**297,183**
Councillor J Rooi	202,860	6,672	354	**209,886**
	5,758,138	**78,218**	**15,917**	**5,852,273**

2024

	Annual Remuneration	Cellphone Allowance	Contributions to UIF, Medical and Pension Funds	Total
Mayor J Tswanagae	919,209	3,600	9,822	**932,631**
Speaker LG Phetlhane	737,172	1,500	8,288	**746,960**
Chief whip - MN Jacobs	384,635	1,500	5,346	**391,481**
Councillor - WAS Hendricks	290,896	3,600	4,586	**299,082**
Councillor - I Raadt	373,314	3,600	5,273	**382,187**
Councillor - DT Pitso	290,896	3,600	4,586	**299,082**
Councillor - S Blom	290,896	14,400	4,694	**309,990**
Councillor - SI Metswi	290,896	1,500	4,565	**296,961**
Councillor - LDK Leeuw	383,279	3,600	5,353	**392,232**
Councillor - CJ Mostert	379,878	13,600	5,474	**398,952**
Councillor BP Thobi	290,745	4,556	4,556	**299,857**
Councillor - MM Bezuidenhout	373,313	5,400	5,489	**384,202**
Councillor - R.T Springbok	285,073	1,500	4,506	**291,079**
Councillor - D Papers	311,756	1,500	4,790	**318,046**
Councillor ID Lemoen	275,222	1,500	4,490	**281,212**
	5,877,180	**64,956**	**81,818**	**6,023,954**

Figures in R	2025	2024 Restated

33. Depreciation and amortisation

Property, plant and equipment	24,103,553	22,737,071
Investment property	216,166	279,797
Intangible assets	29,188	46,241
	24,348,907	**23,063,109**

34. Finance costs

Landfill rehabilitation	3,631,286	5,357,776
Employee Benefits	1,077,000	1,037,000
Trade and other payables	17,929,430	25,588,956
DBSA Loan	-	13,462
	22,637,716	**31,997,194**

35. Debt Impairment

Debt Impairment	145,517,717	377,347,649

36. Bulk purchases

Electricity	52,603,480	46,857,787

37. Contracted Services

Consultant and Professional Services	13,437,593	15,625,662
Contractors	5,833,639	7,595,394
Outsourced services	19,392,046	11,032,373
	38,663,278	34,253,429

Contracted Services continued...

37.1 Consultant and Professional Services

Figures in R	2025	2024 Restated
Business Advisory Services		
Accounting and Auditing	2,436,317	2,525,774
Businessand Financial Management	6,338,622	5,533,777
Qualification Verification	1,013	31,835
Valuer and Assessor	1,370,652	3,092,257
Legal Costs		
Legal Advice and Litigation	172,851	1,074,037
Infrastructure and Planning Services		
Town Planner	111,500	-
Land and Quantity Surveyors	3,006,638	3,367,982
Total Consultant and Professional Services	**13,437,593**	**15,625,662**

37.2 Contractors

Figures in R	2025	2024 Restated
General Services		
Building	54,341	691,012
Electrical	743,940	3,077,525
Medical Services	-	7,498
Transportation	2,174,437	1,992,337
Sewerage services	1,052,899	505,507
Stage and Sound Crew	9,900	13,520
Maintanance Services		
Maintanance of buildings and facilities	-	550
Maintanace of Equipment	90,618	547,400
Maintanance of unspecified assets	1,707,504	760,595
Total Contractors	**5,833,639**	**7,595,944**

Figures in R	2025	2024 Restated

Contracted Services continued...

37.3 Outsourced Services

Catering Services	99,950	138,162
Event promoters	3,300	-
Meter management	1,067,003	1,100,337
Personnel and labour	86,400	171,700
Post mortem	77,200	76,486
Removal of structures and illegal signs	-	1,023,330
Security services	6,938,417	5,774,178
Transport services	32,695	54,600
Hygiene services	5,372,718	360,410
Sports and recreaction	-	20,250
Water tankers	5,195,516	2,312,920
Printing services	518,847	-
Total Outsourced services	**19,392,046**	**11,032,373**
	38,663,278	**34,253,979**

38. General expenses

Advertising	69,114	2,095
Assessment rates and municipal charges	1,136,230	157,094
Auditors remuneration	4,622,858	3,722,071
Bank charges	559,618	517,936
Computer expenses	3,225,671	3,755,915
Commission paid	1,536,234	581,368
Licences	291,564	253,240
Fuel and oil	2,473,976	3,241,576
Printing and stationery	368,964	567,677
Protective clothing	485,841	664,835
Inventory, spares and materials consumed	13,636,411	13,851,992
Vehicle tracking	216,679	184,887
Staff Welfare	320,779	294,884
Subscriptions and membership fees	897,256	926,295
Telephone and fax	1,865,868	2,148,890
Travel - Local	1,401,176	1,235,308
Other expenses	3,161,884	2,319,748
	36,270,123	**34,425,811**

39. Acturial gain /(loss)

Acturial gain/ loss	(143,968)	54,933

40. Impairment of assets

Property, plant and equipment	1,238,828	8,907,998
Investment Property	-	3,387,599
Heritage assets	-	559,859
	1,238,828	12,855,456

Figures in R	2025	2024 Restated

41. Gain or loss ( ) on disposal of assets and liabilities

Property, plant and equipment	1,663,651	9,143,909

42. Cash generated from operations

Surplus	(53,048,439)	(235,649,964)
Non - cash items		
Depreciation and amortisation	24,349,120	23,063,109
Debt Impairment	99,727,256	377,685,514
Impairment of assets	1,238,678	12,855,456
Decrease in landfill provisions	-	(14,257,513)
Finance cost	3,631,286	6,190,615
Increase in provisions relating to employee cost	1,077,000	1,384,000
Profit / Loss on sale of asset	1,663,651	9,862,108
Movement in provisions:	708,326	(4,099,768)
Changes in non-cash component of working capital		
Movement in Statutory Receivables from Non Exchange Transactions , Trade and Other receivables from exchange transactions (Including Vat	(157,559,045)	(157,002,656)
Movement in Operating lease asset	(6,085)	3,857
Movement in Statutory Receivables (VAT)	(2,336,270)	(1,652,480)
Movement in Other Receivables from exchange transactions	654,512	(3,217,051)
Movement in Statutory Receivables from Non Exchange Transactions	(49,003,219)	(40,843,730)
Movement in Receivables from exchange transactions	(106,867,983)	(111,293,252)
Movement in Inventory	(187,900)	(1,069,733)
Movement in trade and other payables (including vat)	71,082,855	19,439,084
Movement in Unspent conditional grant	(224,662)	(4,485,761)
Movement in Consumer deposits	(32,664)	38,993
Net cash flow from operating activities	**40,300,512**	**33,953,496**

Figures in R	2025	2024 Restated

43. Contingent Liabilities

Dikgatlong Municipality / Legal Aid on behalf of E Lebogang	300,000	300,000
Dikgatlong Municipality /Department of Water and Sanitation	40,390,949	40,390,949
Dikgatlong Local Municipality /S. Hendricks	15,000	15,000
Dikgatlong Local Municipality/Danie Dry	11,887	11,887
Dikgatlong Local Municipality /Anna Jammer	11,598	11,598
Dikgatlong Local Municipality /Pamodzi Revenue and Energy Solutions (Pty) Ltd	10,243,813	10,243,813
Closing balance	**50,973,247**	**50,973,247**

Contingent Liabilities

Dikgatlong Municipality / Legal Aid on behalf of E Lebogang
A civil claim pending against Dikgatlong Municipality pertaining to a child, E Lebogang, that was electrocuted by an electric pole in the jurisdiction of the municipality. A civil claim pending is currently pending at court against Dikgatlong Municipality. The assesment of the uncertainities was impracticable.

Dikgatlong Municipality /Department of Water and Sanitation
The Plantiff has committed to provide the defended (Dikgatlong) with Invoices of alleged services rendered in the municipality. This has not been provided as yet. The parties are busy with the exchange of documents for court proceeding. The assesment of the uncertainities was impracticable.

Dikgatlong Local Municipality /S. Hendricks
Claim to property dispute REF: DIK 076.Municipality to settle the matter with Hendricks. The assesment of the uncertainities was impracticable.

Dikgatlong Local Municipality/Danie Dry
Mr Dry made an application to the magistrate court claiming damages allegedly suffered when his car hit a pothole in our jurisdiction. It was not practical to disclose uncertainities relating to the contingent liability. The processes are being followed between the parties in order to get the matter trial ready. The assesment of the uncertainities was impracticable.

Dikgatlong Local Municipality /Anna Jammer
There is a letter of demand and we have requested client to give instructions on the way forward. There is uncertainities with regards to the estimated amount. The matter is at finalization stage. The assesment of the uncertainities was impracticable.

Dikgatlong Local Municipality/ Pamodzi Revenue and Energy Solutions (Pty) Ltd
The Municipality has entered an appearance to defend the matter and disputes the claim. The legal process is still in early stage. There is uncertainities with regards to the estimated amount. Plaintiff has submitted a claim at court for an against the municipality for debt collection. The assesment of the uncertainities was impracticable.

Figures in R	2025	2024 Restated

44. Related parties

Relationships

Accounting Officer	Refer to accounting officers' report note
Members of key management	C.B Mokeng P.A Nthoba
Members of Council	J Tswanagae (Mayor) L.G Phetlhane (Speaker) M.N Jacobs W.A Hendricks I Raadt D.T Pitso M.M Bezuidenhout (Deceased) S Blom B.P Thobi S.I Metswi L.D Leeuw D.P Papers C.J Mostert I D.A Lemon R.T Springbok J. Rooi

Related party balances

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

	2025	2024 Restated
MN Jacobs	119,064	104,156
SI Metswi	170,398	150,932
I Raadt	39,547	35,074
MM Bezuidenhout	92,029	88,127
WAS Hendrick	26,713	22,996
	447,750	**401,284**

For Remuneration of Councillors, please refer to Note 32

For Detailed Remuneration of Key Management, please refer to Note 31

45. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of R 427 211 551 and that the municipality's total assets exceed total liabilities by R 427 211 551.

We draw attention to the fact that at 30 June 2025, a material uncertainty exists regarding the ability of the municipality to continue as a going concern. These factors are listed below:

1. The provisions for rehabilitation of landfill sites and employee benefit provisions are not cash backed.
2. The municipality experienced cash flow problems during the year, which resulted in major creditors not being paid timeously.
3. Consumer debtors’ days outstanding increased to 2,942.85 days (2024: 2,382 days), indicating a continued challenge in revenue collection. Includes date like this point it’s for going concern.
4. Electricity distribution losses electricity have increased to 43% (2024: 35%) and the water distribution losses has decreased to 16% from (2024: 18%).
5. The municipality’s current liabilities exceed its current assets by (R81 868 222) (2024: R24 127 016), indicating a current ratio that remains below the required norm of 1.5–2.
6. The municipality realised a deficit for the year of (R 53 048 439) (2024: (R 235 649 964)), with the main contributors being increases in Debt Impairment, indicating a negative financial position.

Even though the above uncertainties exist regarding 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.

The ability of the municipality to continue as a going concern is dependant 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 has embarked 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 and cash flow by improving on the debt recoverability.

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.

Figures in R	2025	2024 Restated

46. Unauthorised expenditure

Opening balance as previously reported	253,935,658	253,935,658
Opening balance as restated	253,935,658	253,935,658
Add: Expenditure identified - current	-	-
Less: Condoned by council	(253,935,658)	-
Closing balance	**-**	**253,935,658**

Disciplinary steps taken/criminal proceedings

No disciplinary steps have been taken as no individual or group of individuals have been identified to be guilty of the expenses incurred. Based on the nature of the expenditure items, the expenditure is not recoverable. No criminal or disciplinary steps have been taken as a result of the expenditures / losses.

47. Fruitless and wasteful expenditure

Opening balance as previously reported	36,585,431	31,101,415
Opening balance as restated	**36,585,431**	**31,101,415**
Add: Expenditure identified - current	18,791,771	5,484,016
Closing balance	**55,377,202**	**36,585,431**

Details of fruitless and wasteful expenditure – current year

Interest on late payment of suppliers	Management is initiating an investigation in to the nature and completeness of the Fruitless and Wasteful expenditure as disclosed and as required in the MFMA.
Interest and penalties on late payment - SARS PAYE	Management is initiating an investigation in to the nature and completeness of the Fruitless and Wasteful expenditure as disclosed and as required in the MFMA.

Details of fruitless and wasteful expenditure – Prior Year

Interest on late payment of suppliers	Management is initiating an investigation in to the nature and completeness of the Fruitless and Wasteful expenditure as disclosed and as required in the MFMA.
Interest and penalties on late payment - SARS PAYE	Management is initiating an investigation in to the nature and completeness of the Fruitless and Wasteful expenditure as disclosed and as required in the MFMA.
Interest and penalties on late payment - SARS VAT	Management is initiating an investigation in to the nature and completeness of the Fruitless and Wasteful expenditure as disclosed and as required in the MFMA.

Disciplinary steps taken/criminal proceedings

-

No disciplinary steps have been taken as no individual or group of individuals have been identified to be guilty of the expenses incurred. Based on the nature of the expenditure items, the expenditure is not recoverable. No criminal or disciplinary steps have been taken as a result of the expenditures / losses.

Figures in R	2025	2024 Restated

48. Irregular expenditure

Opening balance as previously reported	38,226,079	178,416,116
Add: Irregular Expenditure - Prior periods	-	29,166,401
Opening balance as restated	**38,226,079**	**207,582,517**
Add: Irregular Expenditure - current	12,933,788	9,059,678
Condoned or written off by Council	-	(178,416,116)
Closing balance	**51,159,867**	**38,226,079**

The amounts disclosed is inclusive of VAT.

Grap 3 Application on Impracticability in respect of retrospective application and retrospective restatement

GRAP 3 requires retrospective correction of prior period errors. The municipality reconstructed the irregular expenditure register, restatements were made as the prior amounts were restated. Management performed all that was humanly possible to retrieve applicable information per each financial year relating to the remaining population. The retrieved information has been sorted per financial year. However, the retrieved information is limited due to unavailability of whole population of information.

In line with GRAP 3.47–.50, the municipality reconstructed the register using the communication of findings, management reports and audit reports to restate comparative amounts and adjust opening balances. However, from 2008 to 2018 the source documents, payment batches, deviation registers are not available. This is because of a municipal building that was destroyed by fire in the 2018 financial year. Therefore, the municipality reconstructed the irregular register using the management reports and audit reports, it is impractical to visit the whole population as there are no records from 2008 to 2019.

Disciplinary steps taken/criminal proceedings

No disciplinary steps have been taken as no individual or group of individuals have been identified to be guilty of the expenses incurred. Based on the nature of the expenditure items, the expenditure is not recoverable. No criminal or disciplinary steps have been taken as a result of the expenditures / losses.

Figures in R	2025	2024 Restated

49. Deviation from supply chain management regulations

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

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

2025

Reason for deviation	Less than R30 000	Between R30 000 and R100 000	Between R100 001 and R2 000 000	Total
Emergency	53,349	205,976	431,670	**690,995**
Other	198,253	957,517	4,243,025	**5,398,795**
	251,602	**1,163,493**	**4,674,695**	**6,089,790**

2024

Reason for deviation	Less than R30 000	Between R30 000 and R100 000	Between R100 001 and R2 000 000	Total
Sole Provider	79,101	30,018	-	**109,119**
Emergency	-	97,243	242,635	**339,878**
Other	313,732	1,816,332	1,726,043	**3,856,107**
	392,833	**1,943,593**	**1,968,678**	**4,305,104**

Deviations are inclusive of VAT.

50. Prior period adjustments

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

50.1 Operating Lease Asset

During the 2024/2025 financial period the municipality’s management realised that the operating lease assets were understated by R3730 due to underlying schedule not agreeing with annual financial statements in 2024 financial year. The prior period was adjusted retrospectively. The effect of the error on the individual line items in the financial statements is as follows:

Operating lease assets	3,730
Exchange Revenue:Rental from Fixed Assets	(3,730)

Prior period adjustments continued...

50.2 Property, Plant and Equipment

During the 2024/2025 financial year, management realised that a capital project that was completed and handed over to the community was not expensed in the 2022/2023 financial year. The prior period error was adjusted for retrospectively.The effect of the error on the individual line items of the annual financial statements is as follows:

	2024
Decrease in Non-current Assets:Property, Plant and Equipment	(4,930,450)
Decrease in Net Assets:Accumulated Surplus	4,930,450

During the 2024/2025 financial year, management realised that some movable assets bought in the year 2024 had been expensed . The prior period error was adjusted for retrospectively.The effect of the error on the individual line items of the annual financial statements is as follows:

Increase in Expenditure: Depreciation	1,578
Increase in Accumulated Depreciation	(1,578)

During the 2024/2025 financial year, management realised that retention had been incorrectly capitalised to a project (Mataleng Sports Facility). The prior period error was adjusted for retrospectively.The effect of the error on the individual line items of the annual financial statements is as follows:

Decrease in Non-current Assets:Property, Plant and Equipment	(21,778)
Decrease in Payables from exchange transactions	21,778

During the 2024/2025 financial year, management realised that there was an invoice ommited in the year 2023. The prior period error was adjusted for retrospectively.The effect of the error on the individual line items of the annual financial statements is as follows:

Increase in Non-current Assets:Property, Plant and Equipment	57,683
Increase in Net Assets:Accumulated Surplus	(57,683)

During the 2024/2025 financial year, management realised that there was an invoice not processed in the accounting system in the year 2023. The prior period error was adjusted for retrospectively.The effect of the error on the individual line items of the annual financial statements is as follows:

Increase in Non-current Assets:Property, Plant and Equipment	78,366
Increase in StatutoryReceivables(VAT)	11,755
Increase in Payables from exchangetransactions	(90,121)

During the 2024/2025 financial year, management realised that a prior period community WIP amount had been misclassified as an Infrastructure amount in 2024. The prior period error was adjusted for retrospectively.The effect of the error on the individual line items of the annual financial statements is as follows:

Increase in Non-current Assets:Property, Plant and Equipment	436,405
Decrease in Non-current Assets:Property, Plant and Equipment	(436,405)

Prior period adjustments continued...

50.3 Gain or Loss on disposal of assets and liabilities

During the 2024/2025 financial year, management realised that auction revenue relating to 2024 financial year was erroneously not recognised in 2024 financial year. The prior period error was adjusted for retrospectively. The effect of the error on the individual line items of the annual financial statements is as follows:

Increase in Other receivables from exchange transactions	650,441
Increase in Gainor(loss) on disposal of assets and liabilities	(650,441)

50.4 Landfill Site Provisions

During the 2024/2025 financial year, management realised that Longlands landfill site did not meet the recognition criteria of a landfill site from inception. The prior period error was adjusted for retrospectively.The effect of the error on the individual line items of the annual financial statements is as follows:

Increase in Gains and Losses:Disposal of assets and liabilities	453,178
Decrease in Assets:Non-current Assets:Property, Plant and Equipment	983,702
Decrease in Assets:Non-current Assets:Property, Plant and Equipment	(1,436,880)
Net Assets:Accumulated Surplus/(Deficit):Correction of Prior Period Error	(7,357,470)
Decrease in Non-current Liabilities:Provisions	8,255,600
Decrease in Expenditure: Finance Costs	(898,130)

50.5 Total Expenditure

During the 2024/2025 financial year, management realised that expenditure was not classified according to the category of expense and mSCOA in the 2024 financial year. Furthermore, during the 2024/2025 financial year, management identified that expenditure relating to Contracted Services of R43,200, General Expenses of R165,997, and Interest Paid of R45,291 was not accounted for in the correct financial year. Contracted Services and General Expenses were overstated by R39,630 and R446,074 respectively, which relate to Finance Liabilities and Property, Plant and Equipment in the 2024 financial year.

In addition, in the 2024/2025 financial year management identified that commission relating to the sale of prepared electricity was not accounted for in the 2023/2025 financial year amounting R581 368.

The prior period errors were adjusted retrospectively. The effects of the errors on the individual line items in the financial statements are as follows:

Contracted Services	173,152
General Expenses	(444,021)
Trade Payable	(254,488)
Finance Lease Obligation	20,533
Finance Cost	13,462
Property Plant and Equipment	446,074
Finance cost	45,291
Service charge	(581,368)

Prior period adjustments continued...

50.6 Debt Impairment

During 2025 financial year management identified Debts Impairment relating to 2024 financial year was was not calculated according to the methdology,and the error was adjusted for retrospectively. The effect of the error on the individual line items of the annual financial statement is as follows:

Decrease in receivable from non exchange Transaction	(108,472,917)
Decrease in receivable from exchange Transactions	(259,813,735)
Increase in debts impairment	368,286,651

During 2025 financial year management identified property rentals relating to 2024 financial year was was incorrecly mapped to other receivables weas the item relationg to sundry debtors,and the error was adjusted for retrospectively. The effect of the error on the individual line items of the annual financial statement is as follows:

Decrease other receivables from exchange transaction	(698,452)
Increase in receivable from exchange transaction	698,452

50.7 Revenue from exchange transactions

During 2025 financial year management identified revenue was from exchange transaction relating to 2024 financial year was was not supported by the by the sales reports,and the error was adjusted for retrospectively. The effect of the error on the individual line items of the annual financial statement is as follows:

Increase in receivable from exchange transactions	5,947,249
Vat Receivable	1,928,167
Service Charges	(8,482,184)
Increase in expenditure	581367.77
Other income	25,400

50.8 Other Receivables from exchange

During 2025 financial year management identified that other receivable relating to 2024 financial year was was mistated for the following: property rental was classified as other receivable,sales relating to aution was not recognised and the balance was not assessed for impairment ,and the error was adjusted for retrospectively. The effect of the error on the individual line items of the annual financial statement is as follows:

Decrease in other receivable from exchange Transactions	(2,973,711)
Increase in debts impairment	2,275,260
Sundry Receivable	698,451

During the 2025 financial year the management discovered that other receivable from exchange transaction was mistated by dranage service amount, the error was corrected retrospectively. The impact of the mistatement of the financial statement

Decrease in other receivable	(60,690)
Increase in other revenue	60,690

Prior period adjustments continued...

50.9 Contingent liabilities

During the 2025 financial year management assessed all the contingent liabilities and realised that 2 contingent liabilities disclosed in 2024 were not supposed to have been disclosed as they do not meet the definition of contingent liability. The case of Barkley Wes Slaghuis of R150 000, it was an interdict that was launched to stop the electricity disconnection. The second case is for Katrina Africa, a settlement was reached in January 2024 hence year end 2024 it was a liability as part of the settlements were partly paid.

50.10 Irregular Expenditure

Current year 2025 financial year, management reconstructed the irregular register from 2009. The municipality had been qualified on opening balances, hence the management reconstructed the register and restated the prior years balances.

50.11 Commitments

During the 2024/2025 financial year, management realised that the commitment register had issues with the formula as some of totals were no casting correctly . The prior period error was adjusted for retrospectively.

50.12 Financial Instruments

During the 2024/2025 financial year, management realised that the financial instruments disclosure note was not presented correctly as it ommitted the long term liability for payables. The prior period error was adjusted for retrospectively.

50.13 Cashflow statement

The cashflow statement for the 2023/24 financial year was restated for the effects of the errors above. In addition the cash receipts from operating activities were restated, reason being the cash receipts was overstated because amount included in the receipts was not actual cash received. Payments to suppliers and finance costs were overstated, hence the amounts had been restated.

The prior period errors were adjusted retrospectively. The effects of the errors on the individual line items in the financial statements are as follows:

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

Prior period adjustments continued...

Statement of financial position

	Previously reported	Correction of Prior Period Error	Restated
Operating lease asset	61,371	3,730	65,101
Statutory receivables (VAT)	89,327,985	1,924,268	91,252,253
Other receivables from exchange	4,588,225	(2,323,271)	2,264,954
Statutory receivables from non exchange	109,787,490	(108,472,918)	1,314,572
Receivables from exchange transactions	281,854,419	(253,108,716)	28,745,703
Property Plant and Equipment	628,374,065	(4,824,870)	623,549,195
Payables from exchange transactions	(202,073,577)	(322,831)	(202,396,408)
Finance lease obligations	(92,228)	20,533	(71,695)
Provisions	(43,917,625)	8,255,600	(35,662,025)
Accumulated Surplus	(800,747,454)	358,848,475	(441,898,979)
	67,162,671	**-**	**67,162,671**

Statement of financial perfomance

	Previously reported	Correction of Prior Period Error	Restated Balance
Service charges	(81,503,137)	(8,487,737)	(89,990,874)
Rental income	(836,708)	(3,730)	(840,438)
Other income	(653,669)	91,643	(562,026)
Depreciation	(23,061,522)	(1,587)	(23,063,109)
Finance cost	32,836,571	(839,377)	31,997,194
Debt Impairment	45,306,174	370,561,911	415,868,085
Contracted services	34,080,280	173,149	34,253,429
General expenses	34,288,464	137,347	34,425,811
Travel, motor car, accommodation, subsistence and other allowances	80,834	(18,645)	62,189
Non-pensionable allowance	-	18,645	18,645
Gain or (loss) on disposal	(9,341,172)	197,263	(9,143,909)
	31,196,115	**361,828,882**	**393,024,997**

51. Budget differences

Material differences between budget and actual amounts

All variances greater than 10% will be explained on the annual financial statements for the year ended 30 June 2025.

Service Charges
The decline in service charges than anticipated was as a result of reduced water consumption by the consumers.

Operational Revenue
The decline in operational revenue than anticipated was due to reduced income from building plans and clearance certificates as a result of a general decline in operational activities.

Bulk purchases
The municipality experienced cash flow constraints in paying Eskom, and the constraints were not anticipated.

Interest earned from receivables
The receivables balance increased in the current year as a result of new billings and reduced collections resulting in increased interest earned.

Interest received- Investment
The municipality experienced a cashflow constraint which resulted in reduced investments.

Employee benefit costs
Increase in operational activities resulting in increased overtime incurred than anticipated.

Non-Exchange Interest Revenue
The receivables balance increased in the current year as a result of new billings and reduced collections resulting in increased interest earned.

Licences and permits
Decline in operational activities as a result of unfavourable macro-economic conditions.

Fines and penalties
The municipality acquired resources which resulted in increased capacity.

Property Revenue
Anticipated favourable factors not realised.

Remuneration of councillors
Budget provision too high

Contracted services
Reduced operational activities than anticipated resulting in reduced contracted services during the year.

Interest
Reduced operational activities than anticipated resulting in reduced purchases during the year.

Debt Impairment
Non-financial transaction calculated at year end and actual amounts flauctuate in terms of the budget

Budget differences continued...

Depreciation and armotisation
Non-financial transaction calculated at year end and actual amounts flauctuate in terms of the budget

Irrecoverable debts written off
Nothing written off during the year

Transfers and subsidies
Transfers did not materialise

Operational costs
Cost containment measures reduced operational costs.

Statement of Financial Position

Cash and cash equivalents
Erroneous budget on the financial system

Receivables from exchange and non-exchange transactions
Erroneous budget on the financial system

Inventory
Utilisation of inventory during the year for service delivery related.

VAT
VAT claimed during the year from SARS and susequently reduced the current balance.

Other non current assets
Increase in other current assets

Heritage assets
Budget provision understated and will be corrected in the follwing the year.

Intangible assets
Budget provision understated and will be corrected in the follwing the year

Trade and other payables from exchange transactions
Erroneous budget on the financial system

Consumer deposits
Increase in consumer deposit

Trade payables from exchange transactions.
Payment honoured to suppliers.

Borrowings
No borrowing during the year.

Budget differences continued...

Other non current liabilities
Increased creditors balance at year.

Cashflow Statement

Property rates and service charges cash receipts
Increased payment during allocation of payments.

Service charges
Reluctancy of consumers to pay accounts on service charges.

Other revenue
Unforseen decline in other revenue.

Interest
No payment allocation to interest line item

Suppliers and employees
Payment not made to eskom as anticipated

Finance charges
Increase of interest due to increased balance of creditors.

Capital assets
Increase of acquisition of assets during the year. Virement was done

52. Events after the reporting date

Non-Compliance with Eskom Debt Relief Programme

Nature of Event

After the reporting date, the municipality did not comply with certain conditions of the Eskom Municipal Debt Relief Programme, including payment terms and installation of prepaid meters.

Impact on Financial Position

As a result of this non-compliance, the municipality may not qualify for the scheduled Eskom debt write-off. The outstanding Eskom debt as at 30 June 2025 was R130 598 885.

Financial Effect

The financial impact of this non-compliance cannot be reliably estimated at this stage. Management is engaging with Eskom and National Treasury to address compliance gaps and mitigate potential consequences.

Management Response

The municipality is implementing corrective measures to restore compliance and safeguard its eligibility for future relief.

53. Risk management

Financial risk management

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

Liquidity risk

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

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

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

At 30 June 2025	Less than 1 year	Between 1 and 2 years
Payables from exchange transaction	245,277,260	144,783,574
	245,277,260	**144,783,574**

At 30 June 2024	Less than 1 year	Between 1 and 2 years
Payables from exchange transaction	177,833,693	139,017,374
	177,833,693	**139,017,374**

Credit risk

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

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

Risk management continued...

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

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

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

Financial instrument	2025	2024
Receivables from exchange transactions	22,091,692	28,745,703
Cash and Cash Equivalents	1,302,915	2,087,263
Other receivables from exchange transactions	1,728,934	2,383,446
Operating lease asset	59,016	65,101
	25,182,557	**33,281,513**

Market risk

Interest rate risk

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

Foreign exchange risk

The municipality does not hedge foreign exchange fluctuations.

Price risk

The municipality is not exposed to price risk.

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

Figures in R			2025	2024 Restated

54. Financial Instruments

In accordance with GRAP104.45 the financial liabilities and assets of the municipality are classified as follows:

Financial Assets	Classification	2025	2024 Restated
Receivables from Exchange Transactions			
Electricity	Financial Instruments at amortised cost	12,081,412	9,069,971
Water	Financial Instruments at amortised cost	3,678,054	13,275,600
Property Rentals	Financial Instruments at amortised cost		
Waste Management	Financial Instruments at amortised cost	607,475	179,806
Waste Water Management	Financial Instruments at amortised cost	17,719	185,560
Sundry receivables	Financial Instruments at amortised cost	5,707,032	6,034,766
Other receivables from exchange transactions	Financial Instruments at amortised cost	1,728,934	2,383,446
Cash and Cash Equivalents			
Bank Balances	Financial Instruments at amortised cost	792,127	1,466,060
Cash	Financial Instruments at amortised cost	506,111	615,764
Cash on hand	Financial Instruments at amortised cost	4,677	5,439
Cash and cash equivalents		**25,123,541**	**33,216,412**

Summary of financial assets
Financial Instruments at amortised cost:

		2025	2024 Restated
Receivables from Exchange Transactions	Electricity	12,081,412	9,069,971
Receivables from Exchange Transactions	Water	3,678,054	13,275,600
Receivables from Exchange Transactions	Sundry receivables	5,707,032	6,034,766
Receivables from Exchange Transactions	Waste Management	607,475	179,806
Receivables from Exchange Transactions	Waste Water Management	17,719	185,560
Other Receivables from Exchange Transactions	Accrued Income	3,104,252	3,758,764
Other Receivables from Exchange Transactions	Deposits held	899,942	899,942
		26,095,886	**33,404,409**
Cash on hand	Cash on hand	4,677	5,439
Cash and Cash Equivalents	Bank Balances	792,127	1,466,060
Cash and Cash Equivalents	Call Deposits	506,111	615,764
		1,302,915	**2,087,263**
Total Financial Assets		**27,398,801**	**35,491,672**

Financial Liabilities	Classification
Long-term Liabilities	
Capitalised Lease Liability	Cost

Figures in R		2025	2024 Restated

Financial Instruments continued...

Trade and Other Payables

Trade payables	Financial Instruments at amortised cost	369,477,779	297,973,020
Sundry control	Financial Instruments at amortised cost	564,528	1,103,173
Retentions	Financial Instruments at amortised cost	5,833,838	3,590,185
Department of transport safety and liason	Financial Instruments at amortised cost	14,184,689	14,184,689
		390,060,834	**316,851,067**

Summary of financial liabilities

Trade Payables	Trade payables	360,268,715	285,984,582
Trade Payables	Sundry control	564,528	1,103,173
Trade Payables	Retentions	5,833,838	3,590,185
Trade Payables	Department of transport safety and liason	14,184,689	14,184,689
		380,851,770	**304,862,629**

55. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	58,268,333	65,014,338
	58,268,333	**65,014,338**
Total capital commitments		
Already contracted for but not provided for	58,268,333	65,014,338
Total commitments	**58,268,333**	**65,014,338**

This committed expenditure relates to property, plant and equipment and will be financed via government grants and subsidies

The commitments are inclusive of VAT.

Figures in R	2025	2024 Restated

56. Additional disclosure in terms of Municipal Finance Management Act

Audit Fees

Opening Balance	1,110,749	359,114
Current year Audit Fees	5,316,286	4,280,382
Interest charge	210,879	130,297
Amount Paid - current year	(1,725,683)	(3,299,931)
Amount Paid - Previous years	(1,110,748)	(359,114)
	3,801,483	**1,110,749**

PAYE and UIF

Opening Balance	836,697	684,591
Current year payroll deductions	12,298,087	10,459,050
Interest and Penalty	1,015,593	-
Amount Paid - current year	(12,284,022)	(9,622,353)
Amount Paid - Previous years	(836,697)	(684,591)
	1,029,658	**836,697**

Pension and Medical Aid Contributions

Opening Balance	921,306	1,667,792
Current year payroll deductions	22,024,888	23,243,815
Amount Paid - current year	(22,024,888)	(22,322,509)
Amount Paid - Previous years	(921,306)	(1,667,792)
	0	**921,306**

Contribution to SALGA

Opening Balance	884,288	859,850
Current year subscriptions	878,923	891,993
Amount Paid - Previous years	(884,288)	(867,555)
	878,923	**884,288**

For disclosure of VAT kindly refer to Note 5

Figures in R	2025	2024 Restated

57. Distribution Losses

Electricity

KWh purchased (units)	18,744,618	17,861,769
KWh sold	(10,695,311)	(11,689,060)
	8,049,307	**6,172,709**
Loss in %	43	35
Average cost per unit (R)	3.15	2.25
Losses in rand	25,349,748	13,888,595

Electricity losses for the financial year is 43% (2024: %35). The electricity losses for the current year is 8 049 307 KWh (2024: 6 172 709 KWh). The rand value of electricity losses for the current financial year is R25 349 748,01 (2024: R13 888 595,95)

Water

Water (KL) purchased	1,017,216	1,254,084
Water (KL) sold to customers	(850,576)	(1,022,504)
	166,640	**231,580**
Loss in %	16	18
Average cost per unit (R)	8.97	9.09
Losses in rand	1,495,388	2,105,545

Water losses for the financial year is 16% (2024: 18%). The water losses for the current year is 158 247KL (2024: 231 580KL). The rand value of water losses for the current financial year is R1 465 579 (2024: R2 105 545)

Non technical losses were incurred in the current year.

58. Segment information

General information

The segments were organised based on the type and nature of service delivered by the Municipality. These services are delivered in various municipal departments, which for reporting purposes are allocated to a standardised functional area (guided by mSCOA regulations). Budgets are prepared for each functional area and the budget versus actual amounts are reported on a monthly basis. Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Identification of segments

The municipality is organised and reports to management on the basis of five major functional segments. The segments are organised around the functions and these are Budget and Treasury, Planning and Development, Executive and Council, Community Services, Technical Services.. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Description of Segments and Principal activites

Reportable Segment	Principal activities and Operations
Technical Services	This segment consists of various departments with aligned objectives. It is responsible for providing residents, business and industry with clean, safe and reliable drinking water, treatment of waste water, distribution of electricity to residential to residential, commercial and industrial customers in Dikgatlong and provide the link between Eskom and electricity consumers and also road maintanance.
Community Services	This segment consists of various departments with aligned objectives. It is responsible for community and social service, sport and recreation facilitie, crime prevention and traffic enforcement.
Planning Developmnent	This segment consists of various departments with aligned objectives. It is responsible for urban planning and development. This segment also deals with administration and human resources.
Executive and Council	This segment is responsible for all aspects of governance of municipality.
Budget and Treasury	This segment is responsible for all aspects fo financial administration of the municipality. Various transactions are managed and administered centrally.

Segment information continued...

2025

	Financial Services	Community Services	Planning Developmnent	Executive and Council	Technical Services	Total
Revenue						
Revenue from non-exchange transactions	221,505,083		-	-	-	**221,505,083**
Revenue from exchange transactions	33,475,030	-	69,973	-	103,672,773	**137,217,776**
Total segment revenue	**254,980,113**	**-**	**69,973**	**-**	103,672,773	**358,722,859**
Expenditure						
Salaries and wages	(13,519,497)	(5,062,450)	(18,190,580)	(6,030,115)	(42,508,541)	**(85,311,183)**
Other expenses	(241,843,840)	(123,581)	(8,715,023)	(3,166,381)	(25,624,667)	**(279,473,492)**
Interest cost	(22,637,716)					**(22,637,716)**
Depreciation and Armotisation	(1,541,284)	-			(22,807,623)	**(24,348,907)**
Total segment expenditure	**(279,542,336)**	**(5,186,031)**	**(26,905,602)**	**(9,196,496)**	**(90,940,832)**	**(411,771,298)**
Total Municipality Segmental surplus						**(53,048,439)**

2024

	Financial Services	Community Services	Planning Developmnent	Executive and Council	Technical Services	Total
Revenue						
Revenue from non-exchange transactions	262,290,136	-	-			**262,290,136**
Revenue from exchange transactions	32,355,432	-	45,780		107,790,891	**140,192,103**
Total segment revenue	**294,645,568**	**-**	**45,780**	**-**	**107,790,891**	**402,482,239**

Segment information continued...

Expenditure						
Salaries and wages	(12,388,668)	(3,927,059)	(18,241,339)	(5,846,117)	(39,520,924)	**(79,924,107)**
Other expenses	(465,601,129)	(53,259)	(11,680,385)	(3,018,630)	(22,795,977)	**(503,149,380)**
Interest cost	(31,997,194)					**(31,997,194)**
Depreciation and Armotisation	(1,156,297)		-		(21,905,225)	**(23,061,522)**
Total segment expenditure	**(511,143,288)**	**(3,980,318)**	**(29,921,724)**	**(8,864,747)**	**(84,222,126)**	**(638,132,203)**
Total Municipality Segmental surplus					**-**	**(235,649,964)**