Magareng Local Municipality
(Registration number NC093)
Annual financial statements
for the year ended 30 June 2025

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Magareng Municipality is a local municipality performing functions as set out in the Constitution, Act 105 of 1996
Mayoral committee	
Mayor	Ms N Mase
Speaker	BG Plata (Ward 6)
Councillors	B Mokomela (Ward 1)
	MF Mokitimi (Ward 2)
	CM Mere (Ward 3)
	LO Amose (Ward 4)
	WJ Potgieter (Ward 5)
	BC Mahapa (P.R Councillor EFF)
	KC Mekhoa (P.R Councillor EFF)
	L Valtyn (P.R Councillor PA)
	D Watson (P.R Councillor DA) - Until January 2025
	JC Isaacs (P.R Councillor DA) - from February 2025
Grading of local authority	Category B as defined by the Municipal Structures Act, Act no 117 of 1998
Accounting Officer	Mr T Thage - Acting since 1 July 2022
Chief Finance Officer (CFO)	Ms KV Khaziwa - Appointed 1 November 2024
Registered office	Magrieta Prinsloo Street Warrenton 8530
Business address	Magrieta Prinsloo Street Warrenton 8530
Postal address	PO Box 10 Warrenton 8530
Bankers	Absa Bank of South Africa
Auditors	The Auditor-General of South Africa
Attorneys	Matthews and Partners Frances Baard DM Legal and Compliance department State Attorney
Members of Audit Committee	Mr GR Botha (Chairperson) Mr Masikela SP Mr T Mudamburi

General Information

Enabling Legislation	Municipal Finance Management Act (Act no.56 of 2003) Division of Revenue Act The Income Tax Act (Act no. 58 of 1962) Value Added Tax Act (Act no. 89 of 1991) Municipal Structures Act (Act no. 117 of 1998) Municipal Systems Act (Act no. 32 of 2000) Municipal Planning and Performance Management Regulations Housing Act (Act no. 107 of 1997) Employment Equity Act (Act no. 55 of 1998) Unemployment Insurance Act (Act no. 30 of 1966) Basic Conditions of Employment Act (Act no. 75 of 1997) Supply Chain Management Regulations, 2005 Disaster Management Act of 2016 Spatial Planning and Land Use Management Act (Act 16 of 2013) Property Rates Act 6 of 2004 Municipal Regulations on Standard Chart of Accounts Municipal Budget and Reporting Regulations

Index

Index

Abbreviations used:

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
IAS	International Accounting Standards
IDP	Integrated Development Plan
CIGFARO	Chartered Institute of Government Finance, Audit & Risk Officers
INEP	Integrated National Electrification Programme
NERSA	National Energy Regulator of South Africa
MSA	Municipal Systems Act
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal System Improvement Grant
PAYE	Pay As You Earn
SARS	South African Revenue Services
SALGBC	South African Bargaining Council
VAT	Value Added Tax

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on 29 August 2025 and were signed on its behalf by:

Mr T Thage
Acting Municipal Manager

Accounting Officer's Report

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

1. Review of activities

Main business and operations

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

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

Net surplus of the municipality was 20 249 129 (2024: surplus 6 489 830)

2. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of 228 790 796 and that the municipality's total liabilities exceed its assets by 228 790 796.

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.

Furthermore, management has reviewed the municipality's cash flow forecast for the year ended 30 June 2025 and in 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 is 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 43

3. Subsequent events

Matters arising since the end of the financial year have been disclosed on note 53.

4. Accounting Officers' interest in contracts

No matters to report.

5. Accounting policies

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

6. Accounting Officer

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

Name	Nationality	Changes
Mr T Thage	South African	Acting since 1 July 2022

7. Auditors

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

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024
Assets			
Current Assets			
Inventories	3	6 314	5 238
Statutory receivables from non-exchange transactions	4	11 864 876	10 280 108
Statutory receivables from exchange transactions	5	42 708 325	42 391 083
Receivables from exchange transactions	6	7 667 012	4 617 564
Cash and cash equivalents	7	1 413 857	1 086 754
		63 660 384	**58 380 747**
Non-Current Assets			
Investment property	8	21 079 462	25 007 500
Property, plant and equipment	9	497 318 261	449 536 086
Intangible assets	10	1 830 772	2 426 914
Heritage assets	11	370 999	370 999
		520 599 494	**477 341 499**
Total Assets		**584 259 878**	**535 722 246**
Liabilities			
Current Liabilities			
Finance lease obligation	12	224 723	140 157
Payables from exchange transactions	13	335 609 193	308 314 193
Consumer deposits	14	1 093 133	1 050 498
Employee benefit obligation	15	8 096 777	7 391 945
Unspent conditional grants and receipts	16	1 450 713	805 453
		346 474 539	**317 702 246**
Non-Current Liabilities			
Finance lease obligation	12	122 975	268 755
Employee benefit obligation	17	4 971 000	4 390 000
Provisions	18	3 900 568	4 819 576
		8 994 543	**9 478 331**
Total Liabilities		**355 469 082**	**327 180 577**
Net Assets		**228 790 796**	**208 541 669**
Accumulated surplus		228 790 796	208 541 669
Total Net Assets		**228 790 796**	**208 541 669**

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024
Revenue			
Revenue from exchange transactions			
Service charges	19	38 474 458	32 084 703
Interest received (trading)	20	21 670 016	19 766 642
Agency services	21	58 118	75 602
Rental income	22	38 983	14 448
Commission	22	49 839	43 318
Other income	23	1 017 885	1 404 311
Interest received - investment	24	384 513	357 474
Total revenue from exchange transactions		**61 693 812**	**53 746 498**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	13 246 627	12 915 506
Licences and Permits (Non-exchange)	26	472 649	178 782
Interest - Taxation revenue	27	6 680 562	5 530 323
Transfer revenue			
Government grants & subsidies	28	147 605 096	131 956 144
Public contributions and donations	31	2 160 282	-
Fines, Penalties and Forfeits	29	225 450	394 732
Services in-kind	30	252 086	207 600
Contributed Property, plant and equipment	59	560 754	1 166 879
Debt Relief	32	-	5 936 376
Total revenue from non-exchange transactions		**171 203 506**	**158 286 342**
Total revenue		**232 897 318**	**212 032 840**
Expenditure			
Employee related costs	33	(54 559 497)	(50 978 319)
Remuneration of councillors	34	(5 282 655)	(5 262 464)
Depreciation and amortisation	35	(15 003 039)	(17 024 395)
Finance costs	36	(5 666 895)	(1 957 502)
Debt Impairment	37	(50 155 967)	(63 729 369)
Bulk purchases	38	(39 894 323)	(30 079 024)
Contracted services	39	(15 065 339)	(8 540 095)
General Expenses	40	(15 655 806)	(14 363 186)
Inventory consumed	41	(6 239 732)	(8 132 714)
Total expenditure		**(207 523 253)**	**(200 067 068)**
Operating surplus		**25 374 065**	**11 965 772**
Loss on disposal of assets and liabilities	9	(3 928 038)	(4 236 042)
Actuarial gains/losses	17	(300 719)	175 147
Impairment loss	9	(896 179)	(1 415 047)
		(5 124 936)	**(5 475 942)**
Surplus for the year		**20 249 129**	**6 489 830**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	207 737 078	207 737 078
Adjustments		
Correction of errors 48	(5 685 239)	(5 685 239)
Balance at 01 July 2023 as restated*	**202 051 839**	**202 051 839**
Changes in net assets		
Surplus for the year	6 489 830	6 489 830
Total changes	6 489 830	6 489 830
Balance at 01 July 2024	**208 541 667**	**208 541 667**
Changes in net assets		
Surplus for the year	20 249 129	20 249 129
Total changes	20 249 129	20 249 129
Balance at 30 June 2025	**228 790 796**	**228 790 796**

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024
Cash flows from operating activities			
Receipts			
Sale of goods and services		26 604 081	28 078 405
Grants		148 250 356	124 909 029
Interest income		265 716	357 474
		175 120 153	153 344 908
Payments			
Employee costs		(63 144 542)	(55 788 558)
Suppliers		(47 235 327)	(38 646 381)
Finance costs		(948 075)	(1 507 442)
		(111 327 944)	(95 942 381)
Net cash flows from operating activities	44	**63 792 209**	**57 402 527**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(63 788 405)	(54 912 462)
Purchase of other intangible assets	10	-	(2 427 730)
Interest received - investments		384 513	-
Net cash flows from investing activities		**(63 403 892)**	**(57 340 192)**
Cash flows from financing activities			
Finance lease payments		(61 214)	290 836
Net increase/(decrease) in cash and cash equivalents		**327 103**	**353 171**
Cash and cash equivalents at the beginning of the year		1 086 754	733 583
Cash and cash equivalents at the end of the year	7	**1 413 857**	**1 086 754**

The accounting policies on pages 18 to 52 and the notes on pages 53 to 112 form an integral part of the annual financial statements.

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	40 708 613	(467 492)	**40 241 121**	38 474 458	**(1 766 663)**	62, x1
Interest received (trading)	24 388 737	-	**24 388 737**	21 670 016	**(2 718 721)**	62, x2
Agency services	-	-	**-**	58 118	**58 118**	62, x3
Rental income	4 852	179 876	**184 728**	38 983	**(145 745)**	62, x4
Commission	-	-	**-**	49 839	**49 839**	62, x5
Other income	1 070 800	398 373	**1 469 173**	1 017 885	**(451 288)**	62, x6
Interest received - investment	-	43 990	**43 990**	384 513	**340 523**	62, x7
Total revenue from exchange transactions	**66 173 002**	**154 747**	**66 327 749**	**61 693 812**	**(4 633 937)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	14 607 875	-	**14 607 875**	13 246 627	**(1 361 248)**	62, x8
Licences and Permits (Non-exchange)	-	-	**-**	472 649	**472 649**	62, x9
Interest - Taxation revenue	7 146 219	-	**7 146 219**	6 680 562	**(465 657)**	62, x10
Transfer revenue						
Government grants & subsidies	115 200 000	40 282 489	**155 482 489**	147 605 096	**(7 877 393)**	62, x11
Public contributions and donations	-	-	**-**	2 160 282	**2 160 282**	62, x12
Fines, Penalties and Forfeits	586 325	-	**586 325**	225 450	**(360 875)**	62, x13
Revenue from service concession arrangements	-	-	**-**	252 086	**252 086**	62, x14
Contributed Property, plant and equipment	-	-	**-**	560 754	**560 754**	62, x15
Total revenue from non-exchange transactions	**137 540 419**	**40 282 489**	**177 822 908**	**171 203 506**	**(6 619 402)**	
Total revenue	**203 713 421**	**40 437 236**	**244 150 657**	**232 897 318**	**(11 253 339)**	
Expenditure						
Personnel	(54 351 668)	(612 329)	**(54 963 997)**	(54 559 497)	**404 500**	62, x16
Remuneration of councillors	(5 587 041)	222 230	**(5 364 811)**	(5 282 655)	**82 156**	62, x17
Depreciation and amortisation	(23 540 691)	-	**(23 540 691)**	(15 003 039)	**8 537 652**	62, x18
Impairment loss/ Reversal of impairments	-	-	**-**	(896 179)	**(896 179)**	62, x19
Finance costs	(1 887 312)	471 828	**(1 415 484)**	(5 666 895)	**(4 251 411)**	62, x20
Debt Impairment	(17 055 574)	(14 809 110)	**(31 864 684)**	(50 155 967)	**(18 291 283)**	62, x21
Inventory consumed	(13 332 812)	204 889	**(13 127 923)**	(6 239 732)	**6 888 191**	62, x22
Bulk purchases	(25 000 000)	-	**(25 000 000)**	(39 894 323)	**(14 894 323)**	62, x23
Contracted Services	(7 750 234)	(3 641 940)	**(11 392 174)**	(15 065 339)	**(3 673 165)**	62, x24
General Expenses	(15 824 025)	(3 409 878)	**(19 233 903)**	(15 655 806)	**3 578 097**	62, x25
Total expenditure	**(164 329 357)**	**(21 574 310)**	**(185 903 667)**	**(208 419 432)**	**(22 515 765)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Operating surplus	**39 384 064**	**18 862 926**	**58 246 990**	**24 477 886**	**(33 769 104)**	
Loss on disposal of assets and liabilities	(578 708)	-	**(578 708)**	(3 928 038)	**(3 349 330)**	62, x26
Actuarial gains/losses	-	-	**-**	(300 719)	**(300 719)**	62, x27
	(578 708)	**-**	**(578 708)**	**(4 228 757)**	**(3 650 049)**	
Surplus before taxation	**38 805 356**	**18 862 926**	**57 668 282**	**20 249 129**	**(37 419 153)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**38 805 356**	**18 862 926**	**57 668 282**	**20 249 129**	**(37 419 153)**	

Magareng Local Municipality

(Registration number NC093)
Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	(993 604)	-	**(993 604)**	6 314	**999 918**	62, x28
Statutory receivables from non-exchange transactions	16 277 154	(198 671)	**16 078 483**	11 864 876	**(4 213 607)**	62, x29
VAT receivable	25 051 149	(7 488 811)	**17 562 338**	42 708 325	**25 145 987**	62, x30
Receivables from exchange transactions	32 176 174	32 750 214	**64 926 388**	7 667 012	**(57 259 376)**	62, x31
Other current assets	(1 813 781)	(48 477)	**(1 862 258)**	-	**1 862 258**	62, x32
Cash and cash equivalents	63 860 717	(42 816 212)	**21 044 505**	1 413 857	**(19 630 648)**	62, x33
	134 557 809	**(17 801 957)**	**116 755 852**	**63 660 384**	**(53 095 468)**	
Non-Current Assets						
Investment property	23 831 200	-	**23 831 200**	21 079 462	**(2 751 738)**	62, x34
Property, plant and equipment	371 544 472	23 358 854	**394 903 326**	497 318 261	**102 414 935**	62, x35
Intangible assets	9 894	(2 884)	**7 010**	1 830 772	**1 823 762**	62, x36
Heritage assets	371 000	-	**371 000**	370 999	**(1)**	62, x37
Statutory receivables from non-exchange transactions	1	-	**1**	-	**(1)**	
	395 756 567	**23 355 970**	**419 112 537**	**520 599 494**	**101 486 957**	
Total Assets	**530 314 376**	**5 554 013**	**535 868 389**	**584 259 878**	**48 391 489**	
Liabilities						
Current Liabilities						
Other financial liabilities	1	-	**1**	-	**(1)**	
Finance lease obligation	-	-	**-**	224 723	**224 723**	62, x38
Payables from exchange transactions	347 262 743	(21 553 882)	**325 708 861**	335 609 194	**9 900 333**	62, x39
Taxes and transfers payable (non-exchange)	3 235 595	8 180 968	**11 416 563**	-	**(11 416 563)**	62, x40
Consumer deposits	1 308 700	-	**1 308 700**	1 093 133	**(215 567)**	62, x41
Employee benefit obligation	794 000	64 000	**858 000**	8 096 777	**7 238 777**	62, x42
Unspent conditional grants and receipts	-	-	**-**	1 450 713	**1 450 713**	62, x43
Provisions	7 403 988	-	**7 403 988**	-	**(7 403 988)**	62, x44
	360 005 027	**(13 308 914)**	**346 696 113**	**346 474 540**	**(221 573)**	
Non-Current Liabilities						
Finance lease obligation	-	-	**-**	122 975	**122 975**	62, x45
Employee benefit obligation	-	-	**-**	4 971 000	**4 971 000**	62, x46
Provisions	7 284 732	-	**7 284 732**	3 900 568	**(3 384 164)**	62, x47
	7 284 732	**-**	**7 284 732**	**8 994 543**	**1 709 811**	
Total Liabilities	**367 289 759**	**(13 308 914)**	**353 980 845**	**355 469 083**	**1 488 238**	
Net Assets	**163 024 617**	**18 862 927**	**181 887 544**	**228 790 795**	**46 903 251**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	163 024 617	18 862 927	**181 887 544**	228 790 796	**46 903 252**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	268 256 560	(219 907 347)	**48 349 213**	-	**(48 349 213)**	
Grants	115 200 000	40 282 489	**155 482 489**	-	**(155 482 489)**	
Interest income	-	436 650	**436 650**	-	**(436 650)**	
	383 456 560	**(179 188 208)**	**204 268 352**	**-**	**(204 268 352)**	
Payments						
Suppliers	(67 168 568)	32 358 046	**(34 810 522)**	-	**34 810 522**	
Finance costs	(1 887 312)	471 828	**(1 415 484)**	-	**1 415 484**	
	(69 055 880)	**32 829 874**	**(36 226 006)**	**-**	**36 226 006**	
Net cash flows from operating activities	**314 400 680**	**(146 358 334)**	**168 042 346**	**-**	**(168 042 346)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(42 258 000)	(40 223 009)	**(82 481 009)**	-	**82 481 009**	
Cash flows from financing activities						
Increase in consumer deposits	5 421	-	**5 421**	-	**(5 421)**	
Repayment of borrowing	319 270	-	**319 270**	-	**(319 270)**	
Net cash flows from financing activities	**324 691**	**-**	**324 691**	**-**	**(324 691)**	
Net increase/(decrease) in cash and cash equivalents	272 467 371	(186 581 343)	**85 886 028**	-	**(85 886 028)**	
Cash and cash equivalents at the beginning of the year	69 218	-	**69 218**	-	**(69 218)**	
Cash and cash equivalents at the end of the year	**272 536 589**	**(186 581 343)**	**85 955 246**	**-**	**(85 955 246)**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2025											
Financial Performance											
Property rates	14 607 875	-	14 607 875	-		14 607 875	13 246 627		(1 361 248)	91 %	91 %
Service charges	40 708 613	(467 492)	40 241 121	-		40 241 121	38 474 458		(1 766 663)	96 %	95 %
Investment revenue	-	43 990	43 990	-		43 990	384 513		340 523	874 %	DIV/0 %
Transfers recognised - operational	72 942 000	447 680	73 389 680	-		73 389 680	73 680 884		291 204	100 %	101 %
Other own revenue	33 196 933	578 249	33 775 182	-		33 775 182	31 026 342		(2 748 840)	92 %	93 %
Total revenue (excluding capital transfers and contributions)	**161 455 421**	**602 427**	**162 057 848**	**-**		**162 057 848**	**156 812 824**		**(5 245 024)**	**97 %**	**97 %**
Employee costs	(54 351 668)	(612 329)	(54 963 997)	-	-	(54 963 997)	(54 559 497)	-	404 500	99 %	100 %
Remuneration of councillors	(5 587 041)	222 230	(5 364 811)	-	-	(5 364 811)	(5 282 655)	-	82 156	98 %	95 %
Depreciation and asset impairment	(23 540 691)	-	(23 540 691)			(23 540 691)	34 256 749	-	57 797 440	(146)%	(146)%
Finance charges	(1 887 312)	471 828	(1 415 484)	-	-	(1 415 484)	(5 666 895)	-	(4 251 411)	400 %	300 %
Inventory consumed and bulk purchases	(38 332 812)	2 574 889	(35 757 923)	-	-	(35 757 923)	(39 894 323)	-	(4 136 400)	112 %	104 %
Other expenditure	(41 208 541)	(24 230 928)	(65 439 469)	-	-	(65 439 469)	(41 189 634)	-	24 249 835	63 %	100 %
Total expenditure	**(164 908 065)**	**(21 574 310)**	**(186 482 375)**	**-**	**-**	**(186 482 375)**	**(112 336 255)**	**-**	**74 146 120**	**60 %**	**68 %**
Surplus/(Deficit)	**(3 452 644)**	**(20 971 883)**	**(24 424 527)**	**-**		**(24 424 527)**	**44 476 569**		**68 901 096**	**(182)%**	**(1 288)%**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	42 258 000	39 834 809	82 092 809	-		82 092 809	73 924 212		(8 168 597)	90 %	175 %
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)	-	-	-	-		-	2 160 282		2 160 282	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**38 805 356**	**18 862 926**	**57 668 282**	**-**		**57 668 282**	**120 561 063**		**62 892 781**	**209 %**	**311 %**
Surplus/(Deficit) for the year	**38 805 356**	**18 862 926**	**57 668 282**	**-**		**57 668 282**	**120 561 063**		**62 892 781**	**209 %**	**311 %**

Significant Accounting Policies

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 56 of 2003).

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

These accounting policies are consistent with the previous period.

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. Management considers key financial metrics and approved medium-term budgets to conclude that the going concern assumption used in the compiling of the Annual Financial Statements is appropriate.

1.3 Significant judgements and sources of estimation uncertainty

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

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

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

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

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

Significant Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

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

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

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Post-retirement benefits

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

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

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

Significant Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives and residual values

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

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

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

1.4 Investment property

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Investment property also includes land held for an undetermined future use.

Initial recognition

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

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

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties.
- Land held for a currently undetermined future use;
- A building owned (or held by under a finance lease) and leased out under one or more operating leases;
- Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held;
- A building that is vacant but is held to be leased out under one or more operating leases;
- Property that is being constructed or developed for future use as investment property.
- use in the production or supply of goods or services or for.

Subsequent measurement – cost model

Subsequent to initial measurement investment property is measured using the cost model.

Derecognition/Disposal

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

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

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

Significant Accounting Policies

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.

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

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

Subsequent measurement

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

Depreciation and impairment

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

Land, except for landfill and quarry sites, is not depreciated as it has an indefinite useful life.

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

Each part of an item of property plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. Components of asset that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Significant Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	10 - 30 years
Infrastructure	Straight-line	5 - 90 years
Community assets	Straight-line	7 - 30 years
Landfill sites	Straight-line	10 - 15 years
Heritage assets	Straight-line	N/A
Other assets	Straight-line	4 -15 years

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

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

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

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

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

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

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

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 10).

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

Commitments:

Where the municipality has a contractual commitment in respect of the acquisition of property, plant and equipment, these are disclosed in note 42. The commitments as disclosed are the contractual amount less any payment made in respect of the contract.

Significant Accounting Policies

1.6 Site restoration and dismantling cost

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

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

1.7 Intangible assets

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

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

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

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

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

Intangible assets are initially recognised at cost.

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.

Subsequent measurement

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.

Significant Accounting Policies

1.7 Intangible assets (continued)

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.

Amortisation begins when intangible assets are in the location and condition necessary for it to be capable of operating in the manner intended by management and ceases at the date that the asset is derecognised.

Internally generated goodwill is not recognised as an intangible asset.

The depreciable amount of an intangible asset with a finite useful life is allocated on a systematice basis over its useful life. The amortisation method used shall reflect the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. If that pattern cannot be determined reliably, the straight-line method shall be used. The amortisation charge for each period shall be recognised in surplus or deficit unless this or another Standard permits or requires it to be included in the carrying amount of another asset.

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	3 -10 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).

1.8 Heritage assets

Initial measurement

A heritage asset that qualifies for recognition as an asset is measured at cost.

A heritage asset shall be recognised as an asset if, and only if:

(a) it is probably that future economic benefits or service potential associated with the asset will flow to the municipality; and
(b) the cost or fair value of the asset can be measured reliably.

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.

If a heritage asset is not recognised, any initial costs to assess the state of the heritage asset and any costs incurred subsequently is recognised in surplus or deficit as incurred.

The entity does not recognise in the carrying amount of a heritage asset the day-to-day operating costs of the heritage asset, or the costs to maintain or to hold the heritage asset. These costs are recognised in surplus or deficit as incurred.

Subsequent measurement

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

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

If a heritage asset’s carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

1.8 Heritage assets (continued)

Impairment

The heritage assets of the municipality shall not be depreciated but, 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, 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 - Directive 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.

1.9 Financial instruments

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

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

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

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

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

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

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

Significant Accounting Policies

1.9 Financial instruments (continued)

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

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

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

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Significant Accounting Policies

1.9 Financial instruments (continued)

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

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

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

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

Significant Accounting Policies

1.9 Financial instruments (continued)

Classification

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

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

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

Class	**Category**
Consumer deposits	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

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, unless the financial asset or liability is subsequently measured at fair value, in which case the municipality initially measures the financial asset or liability at its fair value.

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

The entity accounts for that part of a concessionary loan that is:
- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements,where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Impairment and uncollectibility of financial assets

The entity assess 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:

1.9 Financial instruments (continued)

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

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

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

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.

1.9 Financial instruments (continued)

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.

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.

Cash and cash equivalents

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

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

1.10 Leases

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

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

1.10 Investment property (continued)

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.11 Inventories

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

Inventories shall be recognised as an asset if, and only if:

(a) It is probable that future economic benefits or service potential associated with the asset will flow to the entity; and
(b) the cost of the inventories can be measured reliably.

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

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

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

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

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

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

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

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

1.12 Impairment of cash-generating assets

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

1.12 Impairment of cash-generating assets (continued)

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

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

Identification

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

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

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information:

(i) During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;

(ii) Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;

(iii) Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information:

(i) Evidence is available of obsolescence or physical damage of an asset;

(ii) Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;

(iii) A decision to halt the construction of the asset before it is complete or in a usable condition

(iv) Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

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

Value in use

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

Discount rate

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

Significant Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

Significant Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

Redesignation

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

1.13 Impairment of non-cash-generating assets

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

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

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

Identification

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

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

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information:

(i) Cessation, or near cessation, of the demand or need for services provided by the asset;

(ii) Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information:

(i) Evidence is available of physical damage of an asset;

(ii) Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;

(iii) A decision to halt the construction of the asset before it is complete or in a usable condition;

(iv) Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

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

Value in use

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

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

Depreciated replacement cost approach

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

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.14 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:

- an 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.

1.14 Employee benefits (continued)

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 post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an 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.

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the 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.

Significant Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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 an 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.

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.

Significant Accounting Policies

1.14 Employee benefits (continued)

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.

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 entity 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).

1.14 Employee benefits (continued)

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 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.

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

Significant Accounting Policies

1.14 Employee benefits (continued)

Termination benefits

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

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

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

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

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

Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end, capped at a maximum of 48 days, and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods, if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they are accrued to employees. The liability at year-end is based on bonus accrued at year-end for each employee.

1.15 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.

1.16 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.

1.16 Provisions and contingencies (continued)

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

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

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

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

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

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

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

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

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

A 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 47.

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.

Significant Accounting Policies

1.16 Provisions and contingencies (continued)

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

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

1.17 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

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

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

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

1.17 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

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

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

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

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

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.

1.18 Revenue from non-exchange transactions

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

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

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

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

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

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

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

Significant Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

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

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

1.18 Revenue from non-exchange transactions (continued)

Taxes

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

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

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

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

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

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

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

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

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

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

Transfers

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

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

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

Significant Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Services in-kind

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

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

1.19 Investment income

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

1.20 Borrowing costs

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

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

1.21 Comparative figures

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

1.22 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.23 Fruitless and wasteful expenditure

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

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

1.24 Irregular expenditure

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

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

Significant Accounting Policies

1.24 Irregular expenditure (continued)

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

1.25 Changes in accounting policies, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to notes for details of changes in accounting policies. Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to the notes to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

1.26 Conditional grants and receipts

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

1.27 Materiality

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

The entity does not retrospectively adjust the accounting of past items (or group of items) that were previously assessed as immaterial, unless an error occurred.

1.28 Budget information

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

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

The approved budget is prepared on a 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.

Significant Accounting Policies

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 to the South African Revenue Services for VAT on the Cash basis at the standard rate ,except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12, or are out of scope for VAT.

VAT is recognised in the municipality's accounting records on the accrual basis of accounting, in accordance with GRAP 1, paragraph 31. Under the accrual basis of accounting, VAT is recognised when the related expenditure or revenue transaction qualifies for recognition in the accounting records, and not when the related cash flow occurs.

1.31 Accumulated surplus

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.

1.32 Statutory receivables

Identification

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

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

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

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

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

Recognition

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

Significant Accounting Policies

1.32 Statutory receivables (continued)

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

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

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

Significant Accounting Policies

1.32 Statutory receivables (continued)

Derecognition

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

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

1.33 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Significant Accounting Policies

1.33 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

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

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

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

Recognition

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

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

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

1.34 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.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity’s financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment’s surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment’s assets and segment’s liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment’s surplus or deficit, the segment’s assets or the segment’s liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment’s surplus or deficit, the segment’s assets or the segment’s liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity’s financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

GRAP 1 (amended): Presentation of Financial Statements (Going Concern)

The Board undertook a project in 2021 to consider the guidance and disclosure requirements on going concern in the relevant Standards of GRAP. As an outcome of this project, the Board agreed to include additional guidance and disclosures on going concern in this Standard. Consequential amendments are also made to the Standard of GRAP on Events After the Reporting Date.

Applicability of going concern in the public sector

An entity prepares its financial statements on a going concern basis unless there is an intention to liquidate the entity, to cease operating, or if there is no realistic alternative but to do so. A liquidation or cessation of an entity’s operations will result in the termination of all its functions.

In South Africa, specific legislative requirements need to be followed before a decision is taken to liquidate a public sector entity, to cease or scale back its operations, to transfer some or all of its functions to another entity, or to merge one or more entities. The “intention” to liquidate an entity, to cease or scale back its operations, to transfer some or all of its functions to another entity, or to merge one or more entities needs to be established. This intention can be reflected in a number of ways and may encompass legislation passed in Parliament or a provincial legislature, cabinet decision, ministerial order, a decision made by a municipal council, board, council or equivalent, a regulation or a notice, or other official means.

The liquidation or cessation of a public sector entity’s operations is rare, and only in the case of dissolution without any continuation of the entity’s operations will the going concern basis cease to apply. When all, or some of the functions of an entity are transferred to another entity, or when a decision is taken to merge one or more entities, the application of the going concern basis remains appropriate. This is because the entity’s functions will continue to be provided in a modified form, even though they are executed by another entity.

The Board agreed to include explanatory guidance in this Standard on the application of the going concern assumption by public sector entities.

Where some of an entity’s functions are transferred in a transfer of functions, and the remaining functions are discontinued, there are two separate transactions. The Board concluded that management should assess these transactions separately based on the functions transferred, those to be discontinued (if any), and those that may be retained and continued (if any), to determine if preparing the entity’s financial statements on a going concern basis remains appropriate.

Disclosure on going concern

The Board’s project highlighted a need for specific disclosures on going concern, material uncertainties relating to going concern, and actions taken by management to mitigate these uncertainties. Consideration was also given to the practices, guidance and requirements in other countries and/or from other standard-setting bodies on these matters.

To address the diversity in the information disclosed on going concern, the Board agreed to expand the disclosure requirements in this Standard to ensure that consistent disclosures are provided.

The effective date of these revisions have not yet been set.

The municipality expects to adopt the standard for the first time in the 2098/2099 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 103 (as revised): Heritage Assets

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Background

The Accounting Standards Board (the Board) completed its post-implementation review of the Standard of GRAP on Heritage Assets (GRAP 103) (hereafter referred to as “the review”) in 2020. Based on the feedback received as part of the review, the Board agreed to reconsider certain principles in GRAP 103.

The objective of the project was to revise and clarify principles in GRAP 103 following feedback received from the review and actions agreed by the Board.

Key amendments to GRAP 103

The Board agreed that the definition of a heritage asset in GRAP 103 should be reconsidered to better align it with the legislative explanation of a heritage resource in the National Heritage Resources Act, 1999, and the classification by the South African Heritage Resources Agency.

The proposed definition focuses on assets that have “cultural significance” and defines a heritage asset as “an asset that has cultural significance, and is held indefinitely for the benefit of present and future generations”. “Cultural significance” has also been defined and described in GRAP 103 based on legislation.

The characteristics displayed by heritage assets, and the range of assets that could be heritage assets, have also been aligned with legislation.

The amendments further relate to the Classification of dual purpose heritage assets, Determining a reliable value for a heritage asset, Protective rights imposed on heritage assets, Re-assessing if a reliable value becomes available subsequently, Aggregation of individually insignificant heritage assets, Impairment of heritage assets, Mandatory disclosures of heritage assets borrowed or on loan.

The effective date of these revisions have not yet been set.

The effective date of the standard is for years beginning on or after 01 April 2023.

The municipality expects to adopt the standard for the first time in the 2022/2023 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 104 (as revised): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:
- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the revisions is not yet set by the Minister of Finance.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the revisions for the first time when the Minister sets the effective date for the revisions.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

3. Inventories

Water for distribution	6 314	5 238

4. Statutory receivables from non-exchange transactions

Fines	32 155 655	31 999 355
Government grants and subsidies	145 480	1 013 552
Other receivables	729 944	687 579
Property rates	104 926 088	90 690 213
Less: Impairment	(126 092 291)	(114 110 591)
	11 864 876	**10 280 108**

Statutory receivables from non-exchange transactions pledged as security

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

Traffic fines: Ageing		
91 days +	32 155 655	31 999 355
Subtotal	32 155 655	31 999 355
Less: debt impairment	(32 136 606)	(31 974 171)
	19 049	**25 184**

Property rates: Ageing		
Current (0-30 days)	3 316 512	2 958 309
31 - 60 days	1 486 618	1 309 475
61 - 90 days	1 448 294	1 383 542
91 days +	98 674 663	85 038 888
Subtotal	104 926 087	90 690 214
Less: debt impairment	(93 955 685)	(82 136 420)
	10 970 402	**8 553 794**

Statutory receivables arises from the following:

Assesment rates - Municipal Properties Rates Act (No.6 of 2004).

Traffic fines - Criminal Procedures Act

Government grants and subsidies – Section 18 and 19 of the Division of Revenue Act, 2024 (Act 24 of 2024)

Credit quality of statutory receivables from non-exchange transactions

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

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

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

The ageing of amounts for statutory receivables from non-exchange transactions due but not impaired is as follows:

1 month past due	831 734	741 926
2 months past due	266 275	221 096
3 months past due	9 872 394	7 590 772

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

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

Statutory receivables from non-exchange transactions impaired

As of 30 June 2025, statutory receivables from non-exchange transaction of 93 955 685 (2024: 82 136 420) were impaired and provided for.

The ageing of the amounts relating to property rates are as follws:

0 to 3 months	2 484 779	2 216 383
3 to 6 months	1 220 343	1 088 380
Over 6 months	90 250 563	78 831 658

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

Balance at the beginning of the year	(114 110 591)	(103 759 280)
Contribution (to) / from allowance property rates	(11 819 265)	(11 922 557)
Bad debt written off	-	1 878 373
Provision for impairment - traffic fines	(162 435)	(307 127)
	(126 092 291)	**(114 110 591)**

5. Statutory receivables from exchange transactions

VAT Control	42 708 325	42 391 083

VAT is payable on the payment basis. Only once payment is received from debtors, VAT is paid over to SARS. No interest is payable to SARS if VAT is paid over timeously, but interest is for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are effected before due date. Statutory receivables arises from the following:

Taxes - Value added Tax Act (No.89 of 1991).

6. Receivables from exchange transactions

Gross balances		
Electricity	47 344 875	43 751 366
Water	121 391 254	110 381 170
Sewerage	118 218 574	100 923 530
Refuse	87 094 658	75 216 395
Sundry	2 106 296	2 104 040
	376 155 657	**332 376 501**

Less: Allowance for impairment		
Electricity	(43 132 277)	(41 490 193)
Water	(119 817 509)	(109 264 453)
Sewerage	(117 364 420)	(100 291 159)
Refuse	(86 143 571)	(74 682 422)
Sundry	(2 030 868)	(2 030 710)
	(368 488 645)	**(327 758 937)**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Receivables from exchange transactions (continued)

Net balance		
Electricity	4 212 598	2 261 173
Water	1 573 745	1 116 717
Sewerage	854 154	632 371
Refuse	951 087	533 973
Sundry	75 428	73 330
	7 667 012	**4 617 564**

Electricity		
Current (0 -30 days)	2 980 786	1 713 454
31 - 60 days	495 850	326 364
61 - 90 days	317 405	295 538
91+ days	43 550 834	41 416 009
Less: impairment	(43 132 277)	(41 490 192)
	4 212 598	**2 261 173**

Water		
Current (0 -30 days)	2 169 932	1 929 445
31 - 60 days	974 047	960 144
61 - 90 days	1 020 073	870 892
91 days +	117 227 202	106 620 689
Less: impairment	(119 817 509)	(109 264 453)
	1 573 745	**1 116 717**

Sewerage		
Current (0 -30 days)	3 056 277	2 607 691
31 - 60 days	1 509 435	1 283 067
61 - 90 days	1 488 793	1 288 128
91 days +	112 164 069	95 744 644
Less: impairment	(117 364 420)	(100 291 159)
	854 154	**632 371**

Refuse		
Current (0 -30 days)	2 390 359	1 859 536
31 - 60 days	1 062 831	902 043
61 - 90 days	1 044 138	904 746
91 days +	82 597 330	71 550 071
Less: impairment	(86 143 571)	(74 682 423)
	951 087	**533 973**

Sundry		
Current (0 -30 days)	57 539	32 180
31 - 60 days	21 998	12 886
61 - 90 days	21 926	9 245
91 days +	2 004 832	2 049 730
Less: impairment	(2 030 867)	(2 030 711)
	75 428	**73 330**

6. Receivables from exchange transactions (continued)

Reconciliation of allowance for impairment

	2025	2024
Balance at beginning of the year	(327 758 937)	(275 907 615)
Contributions to allowance	(40 729 708)	(55 144 714)
Bad debt written off	-	3 293 392
	(368 488 645)	**(327 758 937)**

Receivables from exchange transactions pledged as security

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

Credit quality of receivables from exchange transactions

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

Receivables from exchange transactions past due but not impaired

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

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2025, 7 667 012 (2024: 4 162 728) were past due but not impaired.

The ageing of amounts for receivables from exchange transactions due but not impaired is as follows:

	2025	2024
1 month past due	2 758 810	1 006 602
2+ months past due	4 908 202	3 156 126

Receivables from exchange transactions impaired

As of 30 June 2025, receivables from exchange transactions of 368 488 645 (2024: 327 758 938) were impaired and provided for.

The ageing of these receivable from exchange transactions is as follows:

	2025	2024
0 to 3 months	7 486 998	13 177 283
3 to 6 months	3 659 978	9 930 421
Over 6 months	364 779 652	304 651 234

7. Cash and cash equivalents

Cash and cash equivalents consist of:

	2025	2024
Cash on hand	119	600
Bank balances	456 295	891 230
Short-term deposits	903 004	140 485
Cash in transit	54 439	54 439
	1 413 857	**1 086 754**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

7. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
ABSA Bank - Current Account - 4096525022	456 295	891 230	495 903	456 295	891 230	495 903
Absa Bank - 7 day notice account - 9351945669	-	-	162 891	-	-	162 891
Absa Bank - 7 day notice account - 9355869912	-	966	966	-	966	966
Absa Bank - 7 day notice account - 9355871747	-	20 779	19 384	-	20 779	19 384
Absa Bank - 7 day notice account - 9380541602	903 004	118 740	-	903 004	118 740	-
Cash in transit	54 439	54 439	54 439	54 439	54 439	54 439
Petty cash	119	600	-	119	600	-
Total	**1 413 857**	**1 086 754**	**733 583**	**1 413 857**	**1 086 754**	**733 583**

8. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	21 079 462	-	21 079 462	25 007 500	-	25 007 500

Reconciliation of investment property - 2025

	Opening balance	Disposals	Total
Investment property	25 007 500	(3 928 038)	21 079 462

Reconciliation of investment property - 2024

	Opening balance	Total
Investment property	25 007 500	25 007 500

Pledged as security

There are no investment properties pledged as security.

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

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows.

8. Investment property (continued)

Deemed cost

Deemed cost was determined using fair value.

Land owned by the municipality which are not under the control of the municipality

In a number of instances, the municipality are not able to illustrate a substantive right over the land parcels as a result of social housing development, development of educational facilities and incompleted ownership transfers.

As a result, 120 land parcels are retained in a listing of land, but considered to carry no fair value in the hands of the municipality.

Key judgments made and assumptions applied to conclude that the municipality does not controls such land include:

Custodianship taken over by another organ of state for the social housing development.

The municality does not have access to the land, nor is it able to restrict or deny access of other parties to the land.

The municipality has not implimented any action or remedial measures to regain access to the land for a significant period of time.

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	87 070 463	-	87 070 463	87 070 463	-	87 070 463
Buildings	62 598 514	(30 641 966)	31 956 548	62 469 353	(28 765 237)	33 704 116
Other assets	17 740 416	(12 182 219)	5 558 197	16 435 569	(10 824 171)	5 611 398
Infrastructure	451 360 000	(304 565 128)	146 794 872	445 654 066	(292 597 673)	153 056 393
Landfill sites	2 055 999	(1 047 548)	1 008 451	3 319 907	(946 703)	2 373 204
Work in progress	224 929 730	-	224 929 730	167 720 512	-	167 720 512
Total	**845 755 122**	**(348 436 861)**	**497 318 261**	**782 669 870**	**(333 133 784)**	**449 536 086**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Transfers from Work in progress	Other changes, movements	Depreciation	Impairment loss	Total
Land	87 070 463	-	-	-	-	-	87 070 463
Buildings	33 704 116	129 161	-	-	(1 634 541)	(242 188)	31 956 548
Other property, plant and equipment	5 611 398	1 304 848	-	-	(1 289 828)	(68 221)	5 558 197
Infrastructure assets	153 056 393	721 000	4 984 934	-	(11 381 683)	(585 772)	146 794 872
Landfill sites	2 373 204	-	-	(1 263 908)	(100 845)	-	1 008 451
Work in progress	167 720 512	62 194 152	(4 984 934)	-	-	-	224 929 730
	449 536 086	**64 349 161**	**-**	**(1 263 908)**	**(14 406 897)**	**(896 181)**	**497 318 261**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers from Work in progress	Other changes, movements	Depreciation	Impairment loss	Total
Land	87 070 463	-	-	-	-	-	-	87 070 463
Buildings	28 181 545	-	(742 522)	9 177 444	-	(1 666 684)	(1 245 667)	33 704 116
Other property plant and equipment	5 319 846	1 751 349	(3 583)	-	-	(1 441 014)	(15 200)	5 611 398
Infrastructure assets	167 027 628	1 570 441	(3 489 937)	1 771 107	-	(13 668 666)	(154 180)	153 056 393
Landfill sites	2 949 811	-	-	-	(339 287)	(237 320)	-	2 373 204
Work in progress	127 078 391	51 590 672	-	(10 948 551)	-	-	-	167 720 512
	417 627 684	**54 912 462**	**(4 236 042)**	**-**	**(339 287)**	**(17 013 684)**	**(1 415 047)**	**449 536 086**

Pledged as security

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

Assets subject to finance lease (Net carrying amount)

Other property, plant and equipment	335 378	351 049

Included in other property, plant and equipment are the following categories of assets:

Computer equipment	1 477 552	1 424 922
Office equipment	121 071	31 338
Plant and equipment	602 073	481 457
Furniture and fittings	216 849	205 437
Vehicles	3 140 653	3 468 244
	5 558 198	**5 611 398**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

9. Property, plant and equipment (continued)

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

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Water Infrastructure	224 929 730	167 720 512

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Upgrading of water treatment works (RBIG) project in Warrenton: BK092 - Reason for delay: The supplier was terminated and the project was re-advertised as Upgrading and extention of WTP (Tech Bid 03/19/20)/(01/19/20)	85 024 142	85 024 142
Ikutseng Bulk water (MIG)) - Phase 2 TECH07/17/18. Reason for delay: There is currently a dispute between the municipality and the supplier, the matter is still unresolved	20 271 703	20 271 703
Refurbishment of Warrenton waste water treatment plant and N12 pump station. Reason for delay: Water pumps purchased and awaiting installation	273 252	273 252
Upgrade and extention of Warrenton WTP (Tech Bid 03/19/20)/(01/19/20). Reasons for delay: Project restarted in the 2025 financial year	-	10 927 414
	105 569 097	**116 496 511**

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Total
Opening balance	167 720 512	167 720 512
Additions/capital expenditure	62 194 152	62 194 152
Transferred to completed Items	(4 984 934)	(4 984 934)
	224 929 730	**224 929 730**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	127 078 391	-	127 078 391
Additions/capital expenditure	42 413 228	9 177 444	51 590 672
Transferred to completed items	(1 771 107)	(9 177 444)	(10 948 551)
	167 720 512	**-**	**167 720 512**

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		
Inventory, spares and parts consumed	2 818 686	1 570 984

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

10. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	3 312 974	(1 482 202)	1 830 772	3 312 974	(886 060)	2 426 914

Reconciliation of intangible assets - 2025

	Opening balance	Amortisation	Total
Computer software, other	2 426 914	(596 142)	1 830 772

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software, other	9 895	2 427 730	(10 711)	2 426 914

Pledged as security

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

Deemed cost

Deemed cost was determined using depreciated replacement cost.

Notes to the Annual Financial Statements

Figures in Rand

11. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	370 999	-	370 999	370 999	-	370 999

Reconciliation of heritage assets 2025

	Opening balance	Total
Art Collections, antiquities and exhibits	370 999	370 999

Reconciliation of heritage assets 2024

	Opening balance	Total
Art Collections, antiquities and exhibits	370 999	370 999

Restrictions on heritage assets

There are no restrictions on the realisability of heritage assets or the remittance of revenue and proceeds of disposal.

Pledged as security

There are no heritage assets pledged as security.

Figures in Rand	2025	2024

11. Heritage assets (continued)

Revaluations

Art collections

The effective date of the revaluation was 2017/06/30.

No revaluations were performed during the year as there were no significant changes in the market.

12. Finance lease obligation

Minimum lease payments due		
- within one year	303 176	316 129
- in second to fifth year inclusive	135 321	343 545
	438 497	659 674
less: future finance charges	(90 799)	(250 762)
Present value of minimum lease payments	**347 698**	**408 912**

Present value of minimum lease payments due		
- within one year	224 723	140 157
- in second to fifth year inclusive	122 975	268 755
	347 698	**408 912**

Non-current liabilities	122 975	268 755
Current liabilities	224 723	140 157
	347 698	**408 912**

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

The average lease term was 2-3 years and the average effective borrowing rate was 11.25% (2024: 11.75%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 9.

13. Payables from exchange transactions

Trade payables	308 641 473	278 713 633
Payments received in advanced	4 140 799	4 230 219
Deferred revenue	210 179	185 058
Unknown deposits	6 481 315	6 223 522
Salary control	2 324 340	6 344 927
Retention creditor	13 689 867	12 617 139
Sundry creditors	121 220	(305)
	335 609 193	**308 314 193**

14. Consumer deposits

Electricity	283 257	243 765
Water	679 554	676 411
Land sales	130 322	130 322
	1 093 133	**1 050 498**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

15. Employee benefit obligation - current

Staff bonuses	1 702 238	1 538 905
Staff leave	5 725 539	5 123 040
Current Portion of Post Retirement Benefits - Note 17	260 000	250 000
Current Portion of Long-Service Provisions - Note 17	409 000	480 000
	8 096 777	**7 391 945**

Staff Bonuses		
Balance at the beginning of the year	1 538 905	1 456 875
Contribution to current portion	2 962 568	2 789 842
Expenditure incurred	(2 799 235)	(2 707 812)
	1 702 238	**1 538 905**

Bonuses have been paid to all Municipal staff including the Section 57 Managers as per their package structures. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement

Staff Leave		
Balance at the beginning of the year	5 123 040	4 849 990
Contribution to current portion	694 501	656 772
Expenditure incurred	(92 002)	(383 722)
	5 725 539	**5 123 040**

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Library Development Fund	325 331	300 413
Municipal Infrastructure Grant (MIG)	545 629	505 040
Regional Bulk Infrastructure Grant (RBIG)	518	-
Water Services Infrastructure Grant (WSIG)	579 235	-
	1 450 713	**805 453**

Movement during the year

Balance at the beginning of the year	805 453	9 019 446
Additions during the year	148 250 355	125 633 394
Income recognition during the year	(147 605 095)	(131 956 662)
Funds forfeited	-	(1 890 725)
	1 450 713	**805 453**

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

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

See note 28 for reconciliation of grants from National/Provincial Government.

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

17. Employee benefit obligations

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(2 492 000)	(2 340 000)
Present value of the defined benefit obligation-partly or wholly funded	(3 148 000)	(2 780 000)
	(5 640 000)	**(5 120 000)**
Non-current liabilities	(4 971 000)	(4 390 000)
Current liabilities	(669 000)	(730 000)
	(5 640 000)	**(5 120 000)**

Benefits

Post-retirement medical aid benefit	(2 232 000)	(2 090 000)
Long service awards	(2 739 000)	(2 300 000)
	(4 971 000)	**(4 390 000)**

Figures in Rand	2025	2024

17. Employee benefit obligations (continued)

Post retirement benefits

Post Retirement Medical Aid Benefit		
Balance 1 July	(2 340 000)	(2 266 000)
Interest cost	(240 000)	(240 000)
Benefits paid during the year	366 266	336 011
Actuarial gains/(losses)	(278 266)	(170 011)
.	(2 492 000)	(2 340 000)
Less: Transfer to current portion	260 000	250 000
	(2 232 000)	**(2 090 000)**

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

Members		
Current (In service) members	-	-
Continuation members (pensioners)	5	5
	5	**5**

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

Liability		
Current (In service) members	-	-
Continuation members (pensioners)	2 492 000	2 340 000
	2 492 000	**2 340 000**

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

- LA Health
- Keyhealth
- Bonitas
- Hosmed
- Samwumed

Key actuarial assumptions used:

Discount rate	9,60%	10,83%
CPI (Consumer Price Inflation)	3,60%	4,98%
Health Care Cost Inflation Rate	5,40%	6,48%
Net discount rate	4,00%	4,09%

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 9.60% per annum has been used. The corresponding index-linked yield at this term is 5.30%. 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.

17. Employee benefit obligations (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 7.5 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 5.4% 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 3.6% 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+9.6%)/(1+5.4%))-1.

The CPI inflation assumption of 3.6% 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 (9.6%) 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

The liability at the Valuation Date was recalculated to show the effect of:

- a one percentage point increase and decrease in the assumed medical aid contribution inflation rate;
- 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.

Sensitivity Analysis on the Accrued Liability

17. Employee benefit obligations (continued)

Assumption	Change	% Change	Continuation members
Central assumptions			2 492 000
Medical aid contribution inflation rate	+1%	7%	2 678 000
Medical aid contribution inflation rate	-1%	-7%	2 326 000
Discount rate	+1%	-6%	2 333 000
Discount rate	-1%	7%	2 672 000
Post-employment mortality	+1yr	-4%	2 392 000
Post-employment mortality	-1yr	4%	2 593 000

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

Assumption	Change	% Change	Interest cost
Central assumptions			226 000
Medical aid contribution inflation rate	+1%	8%	244 000
Medical aid contribution inflation rate	-1%	-7%	211 000
Discount rate	+1%	2%	233 000
Discount rate	-1%	-2%	218 000
Post-employment mortality	+1yr	-4%	217 000
Post-employment mortality	-1yr	4%	236 000

Long service award

Long service award	2025	2024
Balance 1 July	(2 780 000)	(2 932 000)
Current service cost	(257 000)	(294 000)
Interest cost	(279 000)	(130 000)
Benefits paid during the year	190 453	230 842
Actuarial gains/(losses)	(22 453)	345 158
Subtotal	(3 148 000)	(2 780 000)
Less: Transfer to current portion	409 000	480 000
Balance 30 June	**(2 739 000)**	**(2 300 000)**

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

Total eligible	2025	2024
As at year end, the following number of employees were eligible for long service bonuses	133	126

Key actuarial assumptions used:

	2025	2024
Discount rate	9,7%	10,97%
General earnings inflation rate	4,8%	6,14%
Net Effective Discount Rate	4,7%	4,55%

In estimating the LSA net defined benefit liability of the Municipality a number of actuarial assumptions are required. The GRAP 25 standard places the responsibility on management to set these assumptions, as guided by the principles set out in the standard and in discussion with the actuary.

17. Employee benefit obligations (continued)

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the LSA arrangement – this is determined by actual experience and by the benefits provided. The method and assumptions influence how the DBO and current service costs are recognised over time.

Key Demographic assumations

Table below summarises the key demographic assumptions used

Mortality during employment: SA 85-90

Age Band	Withdrawal rate males	Withdrawal rate females
20	9%	9%
30	6%	6%
40	5%	5%
50	3%	3%
55	0%	0%

Sensetivity analysis

The results presented in Section 6 are based on a number of assumptions. The extent to which the actual liability 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:

- the general earnings inflation rate assumption;
- the discount rate assumption;
- the average retirement age of employees; and
- assumed rates of withdrawal of employees from service.

The liability at the Valuation Date was recalculated to show the effect of:

- a one percentage point increase and decrease in the assumed general earnings inflation rate;
- a one percentage point increase and decrease in the discount rate;
- a two-year increase and decrease in the assumed average retirement age of eligible employees; and
- a two-fold increase and a 50% decrease in the assumed rates of withdrawal from service.

Sensitivity Analysis on the Accrued Liability

Assumption	Change	% Change	Liability
Central assumptions			3 148 000
General earnings inflation rate	+1%	5%	3 312 000
General earnings inflation rate	-1%	-5%	2 996 000
Discount rate	+1%	-5%	2 992 000
Discount rate	-1%	5%	3 320 000
Average retirement age	+2yrs	8%	3 400 000
Average retirement age	-2yrs	-12%	2 778 000
Withdrawal rates age	x2	-17%	2 622 000
Withdrawal rates age	x0,5	11%	3 496 000

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

Notes to the Annual Financial Statements

17. Employee benefit obligations (continued)

Assumption	Change	% Change	Current service cost	Interest cost	Total liability
Central assumptions			257 000	279 000	536 000
General earnings inflation rate	+1%	6%	275 000	295 000	570 000
General earnings inflation rate	-1%	-6%	241 000	265 000	506 000
Discount rate	+1%	-1%	243 000	288 000	531 000
Discount rate	-1%	1%	273 000	269 000	542 000
Average retirement age	+2yrs	8%	275 000	304 000	579 000
Average retirement age	-2yrs	-10%	235 000	246 000	481 000
Withdrawal rates	x2	-21%	196 000	228 000	424 000
Withdrawal rates	x0,5	15%	301 000	313 000	614 000

18. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Change in discount factor	Interest	Total
Environmental rehabilitation	4 819 576	(1 263 908)	344 900	3 900 568

Reconciliation of provisions - 2024

	Opening Balance	Change in discount factor	Interest	Total
Environmental rehabilitation	4 708 803	(339 287)	450 060	4 819 576

Environmental rehabilitation provision

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

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

- Decrease in the inflation rate 2.8% in 2025 and 5.1% in 2024.
- Increase in the upgrading and rehabilitation costs from R6 425 410.73 at 30 June 2024 to R6 604 886.04 at 30 June 2025.
- Increase in the post closure monitoring costs from R5 901 857.74 at 30 June 2024 to R6 067 109.76 at 30 June 2025.

Warrenton	Cost of rehabilitation	Cost of rehabilitation
Rehabilitation costs at estimated decommission date - 2033	8 705 555	10 566 425
Post closure monitoring - 2064	18 310 763	43 161 584
	27 016 318	**53 728 009**

Warrenton		
Area of landfill site consumed	17,00%	17,00%
Discount rate used	9,70%	10,30%

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

19. Service charges

Sale of electricity	17 730 314	14 585 611
Sale of water	4 867 558	3 510 578
Sewerage and sanitation charges	13 237 910	8 829 943
Refuse removal	3 014 002	6 518 433
Other service charges	(375 326)	(1 359 862)
	38 474 458	**32 084 703**

20. Interest received (trading)

Electricity	1 642 876	1 619 863
Water	7 346 891	7 065 016
Sewerage	7 533 819	6 561 840
Refuse	5 146 430	4 519 923
	21 670 016	**19 766 642**

21. Agency services

Licences and other	58 118	75 602

22. Other revenue

Rental income	38 983	14 448
Commission received from third parties	49 839	43 318
Other income	1 017 885	1 404 311
	1 106 707	**1 462 077**

23. Other income

Valuation services	623 470	9 530
Burial fees	110 950	109 685
Clearance certificates	41 773	30 661
Sale of goods	23 500	250 500
Recovery of unauthorised debit orders	218 192	1 003 935
	1 017 885	**1 404 311**

24. Investment revenue

Interest revenue		
Bank	384 513	357 474

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

25. Property rates

Rates received

Residential	5 574 147	5 339 526
Commercial	2 082 112	1 986 965
State	2 466 271	2 667 444
Small holdings and farms	3 124 097	2 921 571
	13 246 627	**12 915 506**

Valuations

Residential	520 135 500	519 288 500
Commercial	111 032 010	93 402 010
State	124 589 000	125 360 000
Municipal	108 121 400	108 121 400
Small holdings and farms	960 743 000	938 213 000
Acquired - communal property association	23 620 000	23 620 000
PBO - Public Benefit Organisations	49 530 000	49 530 000
	1 897 770 910	**1 857 534 910**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on a monthly basis and payable within 30 days. Interest at 12.75% per annum (2024: 12.75%) is levied on rates outstanding two months after due date.

The new general valuation will be implemented on 01 July 2025.

26. Licences and permits (non-exchange)

Road and Transport	472 649	178 782

27. Interest from non-exchange receivables

Property rates	6 680 562	5 530 323

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

28. Government grants & subsidies

Operating grants		
Equitable share	65 001 000	59 940 725
Finance Management Grant	3 000 000	3 000 000
Frances Baard District Municipality Operating Grant	3 199 284	6 220 682
Municipal Disaster Relief Fund	-	5 145 000
SETA Grant	64 518	-
Library Development Fund	1 174 082	1 180 026
Expanded Public Works Programme (EPWP)	1 242 000	712 000
	73 680 884	**76 198 433**
Capital grants		
Municipal Infrastructure Grant	22 197 411	18 764 242
Francis Baard District Municipality Capital Grant	2 000 000	4 745 000
Regional Bulk Infrastructure Grant (RBIG)	25 306 036	12 733 469
Water Services Infrastructure Grant (WSIG)	24 420 765	19 515 000
	73 924 212	**55 757 711**
	147 605 096	**131 956 144**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	82 604 096	37 306 969
Unconditional grants received	65 001 000	57 991 452
	147 605 096	**95 298 421**

Equitable share

Current-year receipts	65 001 000	58 050 000
Conditions met - transferred to revenue	(65 001 000)	(59 940 725)
Surrendered	-	1 890 725
	-	-

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

Finance Management Grant (FMG)

Current-year receipts	3 000 000	3 000 000
Conditions met - transferred to revenue	(3 000 000)	(3 000 000)
	-	-

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

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

28. Government grants & subsidies (continued)

Frances Baard District Municipality Capital and Operating Grant

Current-year receipts - capital	1 900 000	4 492 055
Current-year receipts - O&M	3 168 804	6 220 682
Conditions met - transferred to revenue	(5 199 284)	(10 965 682)
Raised to grants receivable	130 480	252 945
	-	-

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

The Frances Baard Operational Grant is paid by Frances Baard District Municipality to the municipality to subsidise operational maintenance of infrastructure. Furthermore the Frances Baard District Municipality is co-funding certain infrastructure projects.

Municipal Disaster Relief Grant (MDR)

Balance unspent at beginning of year	-	5 145 001
Conditions met - transferred to revenue	-	(5 145 001)
	-	-

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

Library Development Fund

Balance unspent at beginning of year	300 413	333 439
Current-year receipts	1 199 000	1 147 000
Conditions met - transferred to revenue	(1 174 082)	(1 180 026)
	325 331	**300 413**

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

Provide explanations of conditions still to be met and other relevant information.

Expanded Public Works Programme (EPWP)

Current-year receipts	1 242 000	712 000
Conditions met - transferred to revenue	(1 242 000)	(712 000)
	-	-

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

The EPWP grant was used for road infrastructure development in the Warrenton area.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	505 040	1 650 282
National Revenue Fund allocation correction	22 238 000	17 619 000
Conditions met - transferred to revenue	(22 197 411)	(18 764 242)
	545 629	**505 040**

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

The Municipal Infrastructure Grant (MIG) is a conditional grant to support municipal capital budgets to fund municipal infrastructure and to upgrade existing infrastructure, primarily benefiting poor households.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

28. Government grants & subsidies (continued)

Regional Bulk Infrastructure Grant (RBIG)

Current-year receipts	25 306 554	12 010 804
Conditions met - transferred to revenue	(25 306 036)	(12 733 987)
Raised to grants receivable	-	723 183
	518	**-**

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

The Regional Bulk Infrastructure Grant is a conditional grant to supplement financing for the development of the regional bulk water infrastructure and regional bulk sanitation collection as well as regional water and waste water treatment works.

Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	-	1 890 725
Current-year receipts	25 000 000	19 515 000
Conditions met - transferred to revenue	(24 420 765)	(19 515 000)
Surrendered	-	(1 890 725)
	579 235	**-**

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

The Water Services Infrastructure Grant (WSIG) is a conditional grant to assist water services authorities to reduce water and sanitation backlogs.

SETA Grant

Current-year receipts	64 518	-
Conditions met - transferred to revenue	(64 518)	-
	-	**-**

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

Provide explanations of conditions still to be met and other relevant information.

29. Fines, Penalties and Forfeits

Traffic fines	225 450	394 732

30. Services in-kind

Frances Baard District Municipality	252 086	207 600

Frances Baard District Municipality provided internal audit services to Magareng Local Municipality at no cost to the municipality.

31. Public contributions and donations

1% Audit fee assistance	2 160 282	-

The municipality received assistance during the period under review relating to payments made to the Auditor-General by the Northern Cape Provincial Treasury.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

32. Debt relief

Department of Water and Sanitation	-	5 936 376

33. Employee related costs

Basic	38 507 552	35 984 263
Bonus	2 962 568	2 789 840
Medical aid - company contributions	2 617 791	2 319 139
UIF	314 250	315 410
SDL	386 949	369 137
Other payroll levies	16 348	14 930
Leave pay provision charge	694 501	656 773
Pension contributions	6 398 556	6 151 655
Travel, motor car, accommodation, subsistence and other allowances	1 051 433	926 262
Overtime payments	1 131 935	996 686
Long-service awards	257 000	130 000
Acting allowances	142 109	253 841
Housing benefits and allowances	78 505	70 383
	54 559 497	**50 978 319**

Remuneration of acting municipal manager - TM Thage (1 July 2022 - 30 June 2024)

Acting allowance	105 771	105 258

Remuneration of acting Chief Financial Officer - KV Khaziwa (13 December 2022 to 30 June 2024)

Acting allowance	23 992	71 976
Annual Remuneration	471 000	-
Car Allowance	108 170	-
Remote Allowance	24 372	-
Contributions to UIF, Medical and Pension Funds	60 745	-
	688 279	**71 976**

Remuneration of the HOD Corporate Services - CD Lentsoe (1 July 2022 to 30 June 2024)

Annual Remuneration	771 733	717 555
Travel allowance	178 788	204 435
Contributions to UIF, Medical and Pension Funds	194 401	177 620
	1 144 922	**1 099 610**

Remuneration of the HOD Technical Services - TM Thage (1 July 2022 to 30 June 2024)

Annual Remuneration	709 340	689 000
Travel allowance	467 937	448 146
Remote allowance	46 363	44 747
Contributions to UIF, Medical and Pension Funds	14 619	14 191
Cell phone	13 500	9 000
	1 251 759	**1 205 084**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

34. Remuneration of councillors

Annual remuneration	5 282 655	5 262 464
	5 282 655	**5 262 464**

Remuneration of Mayor- NL Mase

Councillor salary	567 171	561 290
Medical aid contributions	41 446	37 862
Pension contributions	81 642	76 187
Travel allowance	229 431	227 582
Cellphone allowance	43 200	45 600
	962 890	**948 521**

In-kind benefits

The mayor is provided with an office at the cost of the Council.

The Mayor has the use of Council owned vehicles and a driver for official duties.

Remuneration Councillor - WJ Potgieter

Councillor salary	252 385	250 368
Pension contributions	36 421	33 943
Travel allowance	96 748	95 974
Cellphone allowance	43 200	45 600
Data allowance	3 804	4 008
Contributions to pension, medical and SDL	3 434	3 456
	435 992	**433 349**

Remuneration of Councillor - BC Mahapa (from October 2023)

Councillor salary	270 483	177 866
Pension contributions	39 390	25 913
Cellphone allowance	43 200	32 400
Data allowance	3 804	2 853
Contributions to pension, medical and SDL	-	177
	356 877	**239 209**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

34. Remuneration of councillors (continued)

Remuneration of Councillor - LR Namelang (July 2023 to September 2023)

	2025	2024
Councillor salary	-	68 624
Medical aid contributions	-	14 319
Cellphone allowance	-	13 200
Data allowance	-	1 155
Other contributions	-	1 682
	-	**98 980**

Remuneration of Councillor - JC Isaacs (March 2025 to June 2025)

	2025	2024
Councillor salary	62 594	-
Pension contributions	9 389	-
Travel allowance	23 994	-
Cellphone allowance	14 400	-
Data allowance	1 268	-
Other contributions	889	-
	112 534	**-**

Remuneration of Councillor - KC Mekhoa

	2025	2024
Councillor salary	254 527	252 491
Pension contributions	36 730	34 231
Cellphone allowance	43 200	45 600
Data allowance	3 804	4 008
	338 261	**336 330**

Remuneration of Councillor - L Valtyn

	2025	2024
Councillor salary	308 908	324 030
Pension contributions	44 477	43 930
Cellphone allowance	43 200	45 600
Data allowance	3 804	4 008
	400 389	**417 568**

Remuneration of Councillor - MF Mokitimi

	2025	2024
Councillor salary	326 643	324 030
Pension contributions	47 137	43 030
Cellphone allowance	43 200	45 600
Data allowance	3 804	4 008
	420 784	**416 668**

Remuneration of Councillor - B Mokomela

	2025	2024
Councillor salary	252 385	250 368
Pension contributions	36 421	33 943
Travel allowance	96 748	95 974
Cellphone allowance	43 200	45 600
Data allowance	3 804	4 008
	432 558	**429 893**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

34. Remuneration of councillors (continued)

Remuneration of Councillor - LO Amose

Councillor salary	326 643	324 030
Medical contributions	-	-
Pension contributions	47 137	43 930
Cellphone allowance	43 200	45 600
Data allowance	3 804	4 008
	420 784	**417 568**

Remuneration of Councillor - CM Mere

Councillor salary	244 982	243 023
Pension contributions	35 353	32 948
Travel allowance	93 910	93 159
Cellphone allowance	43 200	45 600
Data allowance	3 804	4 008
	421 249	**418 738**

Remuneration of Councillor - D Watson (July 2024 to January 2025)

Councillor salary	112 652	189 368
Pension contributions	15 811	25 674
Travel allowance	43 163	72 591
Cellphone allowance	25 200	45 600
Data allowance	2 219	4 008
	199 045	**337 241**

Remuneration of Councillor - BG Plata

Councillor salary	608 273	608 839
Medical aid contributions	40 427	30 502
Pension contributions	87 578	82 556
Cellphone allowance	43 200	45 600
	779 478	**767 497**

35. Depreciation and amortisation

Property, plant and equipment	14 406 897	17 013 684
Intangible assets	596 142	10 711
	15 003 039	**17 024 395**

36. Finance costs

Trade and other payables	4 312 918	973 442
Employee benefit liability	1 009 077	534 000
Landfill rehabilitation provision	344 900	450 060
	5 666 895	**1 957 502**

37. Debt impairment

Contributions to debt impairment provision	50 155 967	63 729 369

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

38. Bulk purchases

Electricity	31 321 989	26 694 259
Water	8 572 334	3 384 765
	39 894 323	**30 079 024**

39. Contracted services

Outsourced Services		
Burial Services	-	5 000
Business and Advisory	4 577 484	1 293 911
Catering Services	358 167	171 526
Printing services	73 236	228 975
Security Services	4 307 418	4 185 299
Consultants and Professional Services		
Business and Advisory	5 170 617	2 467 760
Legal Cost	464 941	-
Contractors		
Event Promoters	113 476	122 317
Medical Services	-	65 307
	15 065 339	**8 540 095**

40. General expenses

Advertising	98 787	88 318
Auditors remuneration	3 788 986	2 709 970
Bank charges	375 156	345 741
Bursaries	98 636	424 959
Commission paid	4 932 923	3 801 640
Communication	977 235	1 072 937
Computer expenses	534 757	1 970 585
Drivers licences and permits	252 601	175 056
Gifts	25 000	31 700
Hire	3 656	10 573
Insurance	1 478 553	839 694
Internal audit	247 018	203 300
Postage and courier	236	11 414
Printing and stationery	403 512	348 405
Protective clothing	282 348	629 242
Subscriptions and membership fees	630 950	634 196
Training	442 238	86 420
Travel and accomodation	1 083 214	477 645
Utilities - Other	-	501 391
	15 655 806	**14 363 186**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

41. Inventory consumed

Materials and spares	1 446 605	1 112 742
Cleaning materials	3 026	7 271
Building and structures	-	167 000
Maintenance of assets	495 978	-
Water chemicals	2 741 726	1 498 264
Fuel and oil	675 304	695 026
Motor vehicle spares	499 976	291 242
Water tanker services	-	4 340 400
Stationery	990	417
Office equipment	376 127	20 352
	6 239 732	**8 132 714**

42. Auditors' remuneration

Fees	3 788 986	2 709 970

43. Going concern

We draw attention to the fact that at 30 June 2025, a the following factors were considered by management in their assessment of the ability of the municipality to continue as a going concern.

Factors that indicate an uncertainty regarding the municipality to continue as a going concern:

- Provision for landfill site and employee benefits not cash backed;
- Increase in payables from exchange transactions;
- The municipality experienced cash flow problems during the year, which resulted in certain creditors not being paid on time;
- Debtors are outstanding for 2,496 days (2024: 2,486 days); and
- Significant increase in the deficit report from the prior financial year.
- Electricity distribution losses (technical and non-technical) have increased to 41% (2024: 33%) and the water distribution losses has decreased to 96% from (2024: 97%).

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

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

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

44. Cash generated from operations

Surplus	20 249 129	6 489 830
Adjustments for:		
Depreciation and amortisation	15 003 039	17 024 395
(Profit) / loss on disposal of property, plant and equipment	3 928 038	4 236 042
Contributed PPE	(560 754)	-
Interest on investments	(384 513)	-
Impairment loss	896 179	1 415 047
Debt impairment	50 155 967	63 729 369
Movements in retirement benefit assets and liabilities	1 285 832	277 079
Movements in provisions	344 900	450 060
Changes in working capital:		
Inventories	(1 076)	(5 238)
Receivables from exchange transactions	(41 223 715)	(44 492 583)
Statutory receivables from non-exchange transactions	(13 566 470)	139 463
Statutory receivables from exchange transactions	(317 242)	-
Payables from exchange transactions	27 295 000	23 494 437
VAT	-	(7 164 538)
Unspent conditional grants and receipts	645 260	(8 213 994)
Consumer deposits	42 635	23 158
	63 792 209	**57 402 527**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

45. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	Total
Receivable from exchange transactions	7 667 012	7 667 012
Cash and cash equivalents	1 413 857	1 413 857
	9 080 869	**9 080 869**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	335 609 193	335 609 193
Consumer deposits	1 093 133	1 093 133
	336 702 326	**336 702 326**

2024

Financial assets

	At amortised cost	Total
Receivable from exchange transactions	4 617 564	4 617 564
Cash and cash equivalents	1 086 754	1 086 754
	5 704 318	**5 704 318**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	308 314 193	308 314 193
Consumer deposits	1 050 498	1 050 498
	309 364 691	**309 364 691**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

46. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	62 805 833	84 739 299
Total capital commitments		
Already contracted for but not provided for	62 805 833	84 739 299

Total commitments

Total commitments		
Authorised capital expenditure	62 805 833	84 739 299

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

47. Contingencies

Contingent liabilities

Mokgwaro Electrical vs Magareng LM This relates to non-payment for work done.	2 232 300	-
Manuael Soares t/a Imperial Supermarket vs LM - This relates to billing dispute, the applicant is challenging method of calculating the amount owed.	173 615	-
Exellent Minds vs LM - This relates to oder termination dispute relating to MFMP training.	187 450	-
Imperial Supermarket vs Magareng LM Applicant refuting the accounts of services owed to the Municipality	-	50 000
IS Kgadiete vs Magareng LM A lawsuit from Mr IS Kgadiete against the Municipality as a second respondent claiming unlawful detention, for loss of money allegedly stolen from the taxi and loss of income	-	198 000
	2 593 365	**248 000**

48. Prior period errors

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

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

48.1. Prior period error - Misstatement in the commitments disclosure::

During the period under review it was noted that commitments were understated due to omitted contract and incorrect value used in the year ended 30 June 2024. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Commitments disclosure	
Commitments - as previously stated	35 847 993
Correction of error	48 891 306
Restated	**84 739 299**

Figures in Rand	2025	2024

48. Prior period errors (continued)

48.2. Prior period error - General expenditure misallocations:

During the period under review it was noted that various items were misposted in the general ledger at 30 June 2023. The comparative statements for 2022/23 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Decrease in statutory receivables from exchange transactions - VAT control	514

Statement of financial performance	
Increase in contracted services	11 295
Decrease in general expeses - advertising	(12 886)
Decrease in general expenses - entertainment	(8 505)
Increase in general expenses - travel and accomodation	8 694
Increase in general expenses - Gifts	31 700
Decrease in general expenses - Hire	(31 700)
Increase in general expenses - Postage and courier	435
Increase in general expenses - Printing and stationery	1 440
Increase in general expeses - subscriptions	41
	514

48.3. Prior period error - Contracted services misallocations:

During the period under review it was noted that various items were misposted in the general ledger within contracted services at 30 June 2024. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase in payables from exchange transactions	(2 757)
Increase in statutory receivables from exchange transactions - Vat control	360
Decrease in accumulated surplus	2 397
	-

Statement of financial performance	
Increase in general expenses - Printing and stationery	1 995
Increase in general expenses - Travel and accomodation	56 266
Increase in general expenses - Subscriptions and membership fees	3 032
Increase in general expenses - Communication	3 327
Increase in general expenses - qualifications verification	6 261
Decrease in contracted services	(70 881)
	-

48.4. Prior period error - Petty cash transactions not accounted for in the accounting records:

During the period under review it was noted that expenditure incurred via the petty cash register was not recorded in the accounting records at 30 June 2024. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Decrease in cash and cash equivalents - Cash on hand	(17 400)
Increase in statutory receivables from exchange transactions - Vat control	785
	(16 615)

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

48. Prior period errors (continued)

Statement of financial performance	
Increase in inventory consumed - Fuel	7 842
Increase in inventory consumed - Spares and materials	4 814
Increase in inventory consumed - Motor vehicle expenses	3 255
Increase in general expenses - Stationery	416
Increase in general expenses - entertainment	288
	16 615

48.5. Prior period error - Consumer deposits misstated:

During the period under review it was noted that Housing rental deposits were misstated at 30 June 2023 due to the incorrect recgonition of rental revenue.The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Decrease in consumer deposits - Housing rentals	12 598
Increase in accumulated surplus	(12 598)
	-

48.6. Prior period error - Capital work in progress misstated:

During the period under review it was noted that retention withheld on the Ikhutseng Sports Complex Project was not correctly recorded in the general ledger at 30 June 2024. Furthermore Capital work in progress was overstated with a capital grant receivable from Frances Baard Districy Municipality.The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase property, plant and equipment - Capital work in progress	41 203
Increase in statutory receivables from exchange transactions - Vat control	6 180
Increase in payables from exchange transactions - Retention creditor	(338 270)
Increase in statutory receivables from non-exchange transactions - Vat control	290 887
	-

48.7. Prior period error - Land misstated

During the period under review it was noted that the Land Asset Register was misstated due to the incorrect inclusion of certian land parcels at 30 June 2023. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Decrease in property, plant and equipment - Land	(5 773 339)
Decrease in accumulated surplus	5 773 339
	-

48. Prior period errors (continued)

48.8. Prior period error - Investment property misstated

During the period under review it was noted that the Investment Property Register was misstated due to the incorrect exclusion of certain vacant erven at 30 June 2023. Furthermore Capital work in progress was overstated with a capital grant receivable from Frances Baard Districy Municipality.The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase in Investment property	140 000
Increase in accumulated surplus	(140 000)
	-

48.9. Prior period error - Revenue and receivables from exchange transactions misstated

During the period under review and in reponse to various finding raised in the 2024 year end audit the Municipality performed a detaield CAATS audit on the entire municipal debtors database and billing. Various misstatements were indentified in the service charges levied at 30 June 2024.The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Decrease in receivables from exchange transactions	(23 417)
Increase in statutory receivables from exchange transactions - Vat control	3 054
	(20 363)
Statement of financial performance	
Decrease in service charges	20 363

48.10. Prior period error - Buildings FAR mistated

During the period under review it was noted that a Council Resolution to derecognise certain properties was not accruately accounted for in the fixed asset register at 30 June 2024.Furthermore it was noted that retention withheld on the Ikhutseng Sports Complex Project was not correctly recorded in the general ledger at 30 June 2024 and this had an impact on the value capitilised in 30 June 2024. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Decrease in property, plant and equipment - buildings	(448 870)
Increase property, plant and equipment - capital work in progress	(294 148)
	(743 018)
Statement of financial performance	
Increase in depreciation and amortisation	6 442
Decrease in impairment loss	(4 730)
Increase in loss on disposal of assets	741 306
	743 018

48.11. Prior period error - Inventory Unsold Properties Held for Resale misstated

During the period under review it was noted that a Unsold Properties Held for Resale was misstated as a deeds search performed indicated that teh ownership of these properties had transferred from the municipality at 30 June 2024.Furthermore it was noted that retention withheld on the Ikhutseng Sports Complex Project was not correctly recorded in the general ledger at 30 June 2024 and this had an impact on the value capitilised in 30 June 2024. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

48. Prior period errors (continued)

Statement of financial position

Decrease in Inventories - unsold properties held for resale	(115 736)
Decrease in accumulated surplus	115 736
	-

48.12. Prior period error - Contracted services misstated due to expenditure not capitalised

During the period under review it was noted that expenditure incurred to implement an MSCOA aligned financial system was incorrectly expensed as contracted services at 30 June 2024.Furthermore it was noted that retention withheld on the Ikhutseng Sports Complex Project was not correctly recorded in the general ledger at 30 June 2024 and this had an impact on the value capitilised in 30 June 2024. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Increase in Intangible assets	2 414 135

Statement of financial performance

Decrease in contracted services - consulting and professional services	(2 414 135)

48.13. Prior period error - Regional Bulk Infrastructure Grant (RBIG) revenue misstated

During the period under review it was noted that payment number 77009642 for RBIG project expenditure was not recognised as conditional revenue from government grants & subsidies at 30 June 2024. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Increase in Statutory receivables from non-exchange transactions - Government grants and subsidies	722 665

Statement of financial performance

Increase in revenue from non-exchange transactions - government grants and subsidies	(722 665)

48.14. Prior period error - Infrastructure FAR misstated

During the period under review it was noted that the infrastructure asset register was misstated due to the incorrect treatment of various derecognitions at 30 June 2024. Furthermore infrastructure additions was misstated due to expenditure being incorrectly allocated to inventory consumed when such expenditure met the criteria for capitalisation at 30 June 2024. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Increase in property, plant and equipment - Infrastructure assets	349 843
Increase in accumulated surplus	(53 636)
	296 207

Statement of financial performance

Increase in depreciation and amortisation	15 065
Increase in loss on disposal of assets	389 393
Decrease in inventory consumed	(700 665)
	(296 207)

48. Prior period errors (continued)

48.15. Prior period error - Cancelled payment not reversed from expenditure

During the period under review it was noted a payment cancelled during the 2024 financial year was not correctly accounted for in the general ledger leading to an overstatment of inventory consumed at 30 June 2024. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Decrease in payables from exchange transactions - trade payables	21 549
Increase in statutory receivables from exchange transactions - Vat control	(2 811)
	18 738

Statement of financial performance	
Decrease in inventory consumed	(18 738)

48.16. Prior period error - Misstatement in irregular expenditure disclosure:

During the period under review it was noted that irregular expenditure was understated due certain expenditure qualifying as irregular not being included in the year ended 30 June 2024. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Irregular expenditure disclosure	
Irregular expenditure - as previously stated	45 806 429
Correction of error	28 756 965
Restated	**74 563 394**

48.17. Prior period error - Other property, plant and equipment register misstated

During the period under review it was noted other property, plant and equipments additions was misstated due to expenditure being incorrectly allocated to inventory consumed when such expenditure met the criteria for capitalisation at 30 June 2024. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase in other property, plant and equipment	1 673

Statement of financial performance	
Decrease in inventory consumed	(1 730)
Increase in depreciation and amortisation	57
	(1 673)

48.18. Prior period error - Misstatements inventory consumed

During the period under review it was noted that various items of expenditure had been incorrectly calssified and disclosed within the inventory consumed category at 30 June 2024. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial performance	
Decrease in inventory consumed	(452 526)
Increase in general expenditure - printing and stationery	106 211
Increase in contracted services - labour for maintenance	203 262
Increase in general expenditure - training	1 295
Increase in general expenditure - postage and courier	9 000
Increase in depreciation and amortisation	124 835

48. Prior period errors (continued)

Increase in general expenditure - hire	10 573
Increase in other income - clearance certificates	(2 650)
	-

48.19. Prior period error - Misstatement in unauthorised expenditure disclosure:

During the period under review it was noted that unauthorised expenditure was understated due certain expenditure qualifying as unauthorised not being included in the year ended 30 June 2024. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Unauthorised expenditure disclosure	
Unauthorised - as previously stated	33 782 010
Correction of error	3 320 397
Restated	**37 102 407**

49. Comparative figures

Certain comparative figures have been reclassified.

During the year under review it was noted that the prior year account balances and totals were misstated due missmapping of various general ledger account. That error has since been rectified in the current year.

The effects of the reclassification are as follows:

Statement of financial position - extract	Comparative figures previously reported	Reclassification	After reclassification
Receivables from non-exchange transactions	9 989 223	290 885	10 280 108
Payables from exchange transactions	(308 311 078)	(3 115)	(308 314 193)
Statutory receivables from exchange transactions - VAT	42 678 853	(287 770)	42 391 083
	(255 643 002)	**-**	**(255 643 002)**

Statement of financial performance - extract	Comparative figures previously reported	Reclassification	Total
Employee related costs	(51 783 046)	804 726	(50 978 320)
Remuneration of councillors	(4 457 738)	(804 726)	(5 262 464)
Contracted services	(8 428 937)	(111 158)	(8 540 095)
General expenses	(14 474 759)	111 574	(14 363 185)
Inventory consumed	(8 132 298)	(416)	(8 132 714)
	(87 276 778)	**-**	**(87 276 778)**

Notes to the Annual Financial Statements

Figures in Rand

50. Change in estimate

Property, plant and equipment

A change in estimated useful life of various assets of the municipality has resulted in the following decreases (increases) in depreciation for the mentioned asset categories for the financial year.

Other property, plant and equipment	2025
Infrastructure assets	1 600 747
Land, buildings and community assets	4 381
	1 605 128

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

Notes to the Annual Financial Statements

Figures in Rand

51. Related parties

Relationships	
Interest in related parties	Councillors and /or management of the municipality 6
Services rendered to related parties	The services rendered to related parties are charged at the approved tarrifs that were advertised to the public. We have disclosed this information under the heading councillors arrear consumer accounts. Refer to 57
Compensation of related parties	Compensation of key management personnel. Refer to note 33
Compensation of related parties	Compensation of councillors. Refer to note 34
Joint ventures	Municipality has no joint venture arrangement
Associates	Municipality has no associates in their business arrangement
Related party relationship	The municipalities officials declared the following reationship with the listed companies. It should be noted that no transactions were entered into between these related parties and the municipality
Mayor	No business interest, shares and / or directorships held
Speaker	No business interest, shares and / or directorships held
Councillors	No business interest, shares and / or directorships held
Acting Municipal Manager	No business interest, shares and / or directorships held
Chief Financial Officer	No business interest, shares and / or directorships held
HOD Corporate Services	No business interest, shares and / or directorships held

Related party balances

2025 **Councillors**	Rates - Levied	Service charges	Other - Levied	Outstanding balance
WJ Potgieter	19	(333)	86	585
L Valtyn	(388)	(555)	(86)	30 430
N Mase	44	(668)	96	1 036
KC Mekhoa	-	2 866	1 875	18 598
LO Amose	-	(2 785)	(184)	2 263
CM Mere	327	4 223	18 153	267 422
MF Mokitimi	-	(2 304)	(831)	23 676
BC Mahapa	391	4 223	4 855	61 353
JC Isaacs	2 242	1 080	283	5 855
	2 635	**5 747**	**24 247**	**411 218**

51. Related parties (continued)

2024 **Councillors**	Rates - Levied	Service charges	Other - Levied	Outstanding balance
D Watson	(1 520)	-	12	20
WJ Potgieter	4 544	16 705	2 506	814
L Valtyn	4 171	2 884	437	31 458
N Mase	4 918	4 530	733	1 563
KC Mekhoa	-	2 732	1 501	13 856
LO Amose	-	4 026	641	5 232
CM Mere	311	4 026	17 561	244 719
MF Mokitimi	-	4 026	604	26 812
BC Mahapa	374	4 026	4 255	51 883
	12 798	**42 955**	**28 250**	**376 357**

2024 **Municipal Manager and Section 57 Employees**	Rates - Levied	Service charges	Other - Levied	Outstanding balance
C Lentsoe (HOD Corporate services)	4 046	1 869	-	1 032

51. Related parties (continued)

Remuneration of management

Management class: Executive management

2025

Name	Annual remuneration	Acting allowance	Travel allowance	Contribution to UIF, Medical and pension funds	Remote allowance	Other	Total
Senior Management	1 952 073	129 763	754 895	269 765	70 735	13 500	3 190 731

2024

Name	Annual remuneration	Acting allowance	Travel allowance	Contribution to UIF, Medical and pension funds	Other benefits received	Total
Senior Management	1 451 302	177 234	652 581	191 811	9 000	2 481 928

52. Risk management

Financial risk management

Liquidity risk

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

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

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

2025	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	335 609 193	-	-	-
Consumer Deposits	1 093 133	-	-	-
Employee benefit obligations	8 096 777	-	-	-
	344 799 103	**-**	**-**	**-**

2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	308 314 193	-	-	-
Consumer Deposits	1 050 498	-	-	-
Employee benefit obligations	7 391 945	-	-	-
	316 756 636	**-**	**-**	**-**

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.

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 term 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.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

52. Risk management (continued)

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 as the municipality does not own any equity securities.

53. Events after the reporting date

The accounting officer is not aware of any material event which occured after the reporting date and up to the date of this report.

54. Unauthorised expenditure

Opening balance as previously reported	264 091 139	226 988 732
Add: Unauthorised expenditure - current	33 142 722	37 102 407
Closing balance	**297 233 861**	**264 091 139**

Operating expenditure per vote

Vote 01 - Executive & council	-	1 961 341
Vote 04 - Financial services	9 873 258	-
Vote 05 - Municipal infrastructure	23 269 464	35 141 066
	33 142 722	**37 102 407**

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	22 757 523	33 814 340
Cash	24 119 557	8 186 526
	46 877 080	**42 000 866**

Analysed as follows: non-cash

Losses on disposal of assets	3 928 038	4 236 042
Debt impairment	18 290 967	28 338 398
Other losses	538 518	1 239 900
	22 757 523	**33 814 340**

Analysed as follows: cash

Bulk purchases	17 154 323	6 229 024
Finance costs	4 251 895	1 957 502
Contracted services	2 713 339	-
	24 119 557	**8 186 526**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

55. Fruitless and wasteful expenditure

	2025	2024
Opening balance as previously reported	26 527 410	25 553 968
Add: Fruitless and wasteful expenditure identified - current	4 344 997	973 442
Closing balance	**30 872 407**	**26 527 410**

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings	2025	2024
Interest on late payments - suppliers	Awaiting council decision	4 278 644	559 343
SARS interest & penalties - PAYE	Awaiting council decision	66 353	414 099
		4 344 997	**973 442**

56. Irregular expenditure

	2025	2024
Opening balance as previously reported	212 570 943	129 519 806
Add: Irregular expenditure - current	77 638 293	83 051 137
Add: Irregular expenditure - prior period	578 395	-
Closing balance	**290 787 631**	**212 570 943**

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

	Disciplinary steps taken/criminal proceedings	2025	2024
Various contraventions of procurement transcripts	Awaiting council desicion	77 638 293	83 051 137
Various contraventions of procurement transcripts - prior year identified in the current year	Awaiting council desicion	578 395	-
		78 216 688	**83 051 137**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

57. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	628 520	750 272
Current year subscription / fee	625 763	628 520
Amount paid - current year	(628 520)	(750 272)
	625 763	**628 520**

Material losses

Electricity distribution losses (KWh)		
KWh purchased	11 093 704	9 993 626
KWh sold	(6 561 271)	(6 720 741)
KWh losses	**4 532 433**	**3 272 885**
% losses	41	33
Average cost per KWh unit	2,63	2,43
Loss in Rand value	**4 532 432**	**7 948 018**
Water distribution losses (Mega litres)		
Mega litres purchased	1 574 897	1 579 660
Mega litres sold	(64 334)	(41 794)
Mega litres losses	**1 510 563**	**1 537 866**
% losses	96	97
Average cost per unit	4,05	1,92
Loss in Rand value	**6 116 015**	**2 949 455**

Audit fees

Opening balance	2 333 175	3 372 972
Current year subscription / fee	4 606 305	3 404 150
Amount paid - current year	(2 677 161)	(1 070 975)
Amount paid - previous years	(2 333 175)	(3 372 972)
	1 929 144	**2 333 175**

PAYE and UIF

Opening balance	1 167 871	651 708
Current year subscription / fee	7 622 403	7 310 429
Amount paid - current year	(6 998 831)	(6 142 558)
Amount paid - previous years	(1 167 937)	(651 708)
	623 506	**1 167 871**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

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

Pension and Medical Aid Deductions

Opening balance	4 462 590	4 179 562
Current year subscription / fee	15 446 184	14 484 604
Amount paid - current year	(14 159 925)	(9 749 606)
Amount paid - previous years	(4 454 991)	(4 451 970)
	1 293 858	**4 462 590**

VAT

VAT receivable	42 708 325	42 391 083

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

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

Councillors' arrear consumer accounts

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

30 June 2025	Outstanding less than 90 days	Outstanding more than 90 days	Total
Mayor N Mase	1 036	-	1 036
Councillor WJ Potgieter	585	-	585
Councillor L Valtyn	2 952	27 478	30 430
Councillor KC Mekhoa	1 621	16 977	18 598
Councillor LO Amose	1 689	575	2 264
Councillor CM Mere	7 632	259 790	267 422
Councillor MF Mokitimi	405	23 272	23 677
Councillor BC Mahapa	3 222	58 131	61 353
Councillor JC Isaacs	2 180	3 675	5 855
	21 322	**389 898**	**411 220**

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Mayor N Mase	1 563	-	1 563
Councillor D Watson	20	-	20
Councillor WJ Potgieter	814	-	814
Councillor L Valtyn	1 580	29 878	31 458
Councillor KC Mekhoa	1 450	12 407	13 857
Councillor LO Amose	1 566	3 666	5 232
Councillor CM Mere	7 361	237 359	244 720
Councillor MF Mokitimi	757	26 055	26 812
Councillor LR Mamelang	2 947	48 936	51 883
	18 058	**358 301**	**376 359**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

58. Deviation from supply chain management regulations

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

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

Regulation 36(2) - Details of deviations (amounts include Value added tax) approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b):

2025	Amount	Single supplier	Impractical	Emergency
July	16 320	1	-	1
September	53 960	-	1	1
October	702 455	2	1	2
November	60 452	-	2	4
January	399 856	-	-	1
February	24 966	2	-	-
March	9 204	1	-	-
April	253 264	-	-	1
May	378 010	1	-	2
June	51 845	-	-	1
	1 950 332	**7**	**4**	**13**

2024	Amount	Single supplier	Impractical	Emergency
July	248 400	-	-	1
August	1 386 086	4	-	3
September	14 055	2	-	-
October	64 557	1	-	-
November	25 953	3	-	1
December	132 444	2	-	1
January	8 191	2	-	-
March	4 825	1	-	-
April	213 736	-	-	1
	2 098 247	**15**	**-**	**7**

59. Contributed Property, Plant and Equipment

	2025	2024
Computer equipment	-	790 801
Transport assets	220 809	336 078
Tools and equipment	339 945	40 000
	560 754	**1 166 879**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

60. Accounting by principals and agents

The entity is a party to a principal-agent arrangement(s).

Principal in other Principal-Agent Arrangements (non-material)

Magareng Municipality is the Principal in arrangements with various service providers who sell prepaid electricity on their behalf. Prepaid vendors earn commission on the value of each transaction.

Compensation paid for agency activities

Commission	2 708 249	3 801 640

Magereng Municipality paid 6% commission to various service providers for acting as an agent on its behalf during the financial year.

Agent in arrangement

Magareng Municipality is the Agent in the Principal-Agent arrangement with the Provincial Department of Transport, and collects licencing fees on behalf of the Provincial Department of Transport. The municipality can retain a portion of the fees collected and the net amount is due to the Provincial Department. The amount retained is recorded as Agency Fees income in the Statement of Financial Performance. The amounts due to the Provincial Department at year end is included in the balances reported as Trade and Other Payables from Exchange Transactions in the Statement of Financial Position.

The municipality does not incur any expenses on behalf of the Provincial Department. No significant risks are noted to arise from the arrangement as the municipality merely collects monies on behalf of the department as part of its existing service offering at the traffic department and municipal cashier collection points. No resources are held on behalf of the Provincial Department (other than the receipts).

Magareng Municipality is also the Agent in the Principal-Agent arrangements with various third parties for authorised salary deductions from officials. The municipality receives commission on the total funds deducted on a monthly basis. The amount received is recorded Operational Revenue in the Statement of Financial Performance.

In determining whether the municipality is the agent or if not, by default the principal, in the arrangement is evaluated in terms of the specific criteria set out in GRAP 109. The municipality does not have the power to determine significant terms and conditions of the transaction, does not have the ability to use all, or substantially all of the resources resulting from the transaction for its own benefit and is not exposed to variability in the result of the transaction.

Compensation received for agency activities		
Commission	49 839	43 318
Agency services	58 118	75 602
	107 957	**118 920**

Magareng Municipality received 12% commission from the Provincial Department of Transport for acting as an agent on their behalf during the financial year. The municipality also receives commission based on third parties.

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

Notes to the Annual Financial Statements

61. Segment information

General information

Identification of segments

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

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

Aggregated segments

The municipality operates throughout the Warrenton area. Segments have been aggregated based on the organisational structure as on the budget.

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Executive and Council	Governing the municipality
Office of the Municipal Manager	Head of administration
Corporate Services	Providing support functions such as Human resources to the municipality
Financial Services	Providing support functions to the municipality
Municipal Infrastructure	Providing basic services to the community such as water, electricity, sewerage and refuse
Community Services	Providing other services to the community
Public Safety and Transport	Ensuring public safety and providing services such as traffic law enforcement
Sports, Arts, Parks, Culture	Providing cultural activities for the community
Planning & Development	Town planning, economic development etc

Notes to the Annual Financial Statements

Figures in Rand

61. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Executive & Council	Office Of The Municipal Manager	Corporate Services	Financial Services	Municipal Infrastructure	Community Services	Planning & Development	Total
Revenue								
Revenue from exchange transactions	-	-	-	1 034 583	34 637 994	3 966 706	-	39 639 283
Interest received - investment	-	-	-	384 513	-	-	-	384 513
Interest received (trading)	-	-	-	-	18 764 376	2 905 640	-	21 670 016
Revenue from non-exchange transactions	66 243 000	-	64 518	18 967 664	79 197 564	50 199	-	164 522 945
Interest - Taxation revenue	-	-	-	6 680 562	-	-	-	6 680 562
Total segment revenue	**66 243 000**	**-**	**64 518**	**27 067 322**	**132 599 934**	**6 922 545**	**-**	**232 897 319**
Entity's revenue								**232 897 319**
Expenditure								
Remuneration of Council	5 282 655	-	-	-	-	-	-	5 282 655
Salaries and wages	5 744 199	754 204	8 275 908	12 086 000	14 223 114	9 409 641	4 066 432	54 559 498
Bulk purchases	-	-	-	-	39 894 320	-	-	39 894 320
Debt impairment	-	-	-	11 823 034	38 332 933	-	-	50 155 967
Depreciation and amortisation	-	-	613 074	596 142	12 150 064	-	1 643 759	15 003 039
Contracted services	416 823	-	4 876 303	9 743 524	-	-	28 690	15 065 340
General expenses	1 181 126	94 629	2 548 743	11 768 562	(110 201)	51 748	121 199	15 655 806
Finance costs	-	-	-	5 321 996	344 900	-	-	5 666 896
Gains and losses	-	-	300 719	-	4 824 218	-	-	5 124 937
Inventory consumed	-	-	1 255 936	-	4 511 754	472 042	-	6 239 732
Total segment expenditure	**12 624 803**	**848 833**	**17 870 683**	**51 339 258**	**114 171 102**	**9 933 431**	**5 860 080**	**212 648 190**
Total segmental surplus/(deficit)	**53 618 197**	**(848 833)**	**(17 806 165)**	**(24 271 936)**	**18 428 832**	**(3 010 886)**	**(5 860 080)**	**20 249 129**

Management does not evaluate the assets and liabilities of the relevant sections, nor makes decisions about allocating resources, therefore assets and liabilities do not meet the definition of a segment in terms of GRAP 18.

Notes to the Annual Financial Statements

Figures in Rand

61. Segment information (continued)

2024

	Executive & Council	Office Of The Municipal Manager	Corporate Services	Financial Services	Municipal Infrastructure	Community Services	Public Safety & Transport	Planning & Development	Total
Revenue									
Revenue from exchange transactions	-	-	-	1 309 074	32 313 309	-	-	-	33 622 383
Interest received - investment	-	-	-	357 474	-	-	-	-	357 474
Interest received (trading)	-	-	-	-	19 766 642	-	-	-	19 766 642
Revenue from non-exchange transactions	65 797 725	-	-	29 004 369	63 939 533	-	-	-	158 741 627
Interest - Taxation revenue	-	-	-	(455 286)	-	-	-	-	(455 286)
Total segment revenue	**65 797 725**	**-**	**-**	**30 215 631**	**116 019 484**	**-**	**-**	**-**	**212 032 840**
Entity's revenue									**212 032 840**
Expenditure									
Remuneration of Council	5 262 464	-	-	-	-	-	-	-	5 262 464
Salaries and wages	6 383 463	687 818	7 463 285	10 829 288	21 691 778	-	126 438	3 796 249	50 978 319
Bulk purchases	-	-	-	-	30 079 024	-	-	-	30 079 024
Debt impairment	-	-	-	5 478 893	58 250 476	-	-	-	63 729 369
Depreciation and amortisation	-	-	-	10 711	13 905 986	-	-	3 107 698	17 024 395
Contracted services	298 843	-	4 485 841	3 755 409	-	-	-	-	8 540 093
General expenses	1 187 420	24 869	2 848 115	9 976 628	253 018	10 573	-	62 565	14 363 188
Finance costs	-	-	-	1 507 442	450 060	-	-	-	1 957 502
Gains and losses	-	-	(175 147)	-	5 651 089	-	-	-	5 475 942
Inventory consumed	-	(50)	793 817	-	7 341 047	-	-	(2 100)	8 132 714
Total segment expenditure	**13 132 190**	**712 637**	**15 415 911**	**31 558 371**	**137 622 478**	**10 573**	**126 438**	**6 964 412**	**205 543 010**
Total segmental surplus/(deficit)	**52 665 535**	**(712 637)**	**(15 415 911)**	**(1 342 740)**	**(21 602 994)**	**(10 573)**	**(126 438)**	**(6 964 412)**	**6 489 830**

Management does not evaluate the assets and liabilities of the relevant sections, nor makes decisions about allocating resources, therefore assets and liabilities do not meet the definition of a segment in terms of GRAP 18.

Figures in Rand	2025	2024

62. Budget differences

Material differences between budget and actual amounts

All variances greater / less than 10% will be explained on the final Annual Financial Statements for the year ended 30 June 2025.

X1: The municipality used the prior year actuals as base and applied the CPI as per Treasury circular.

X2: The municipality used the prior year actuals as base and applied the CPI as per Treasury circular.

X3: The municipality did not budget for this line item because there was no actuals in the prior finanacial year, and approvision was made rather for the fines, penalties and forfeits.

X4: The municipality used the prior year actuals as base and applied the CPI as per Treasury circular

X5: The municipality did not budget for this line item.

X6: The municipality used the prior year actuals as base and applied the CPI as per Treasury circular.

X7: The variance on this line item was based on the prior actuals, this is the call account for traffic fines which was closed due to end of contract and no colleaction rate.

X8: The budget projection was influenced by the actual of the 2023/24 financial year.

X9: The municipality did not budget for this line item because there was no actuals in the prior finanacial year, and approvision was made rather for the fines, penalties and forfeits.

X10: The budget projection was influenced by the actual of the 202324 financial year.

X11: The municipality had an unspent of 1.4 million and the RBIG allocation was R32 million but only R24 million was received.

X12: The municipality did not have actuals on this line item in 2023/24, thus it was not budgeted for in the 202425 financial year.

X13: The budget projection was influenced by the actual of the 202324 financial year.

X14: This line item was not budgeted .

X15: This line item was not budgeted .

X16: The variance on this line item is due to unfilled budgeted vacant posts.

X17: The municipality used the prior year actuals as base and applied the CPI as per Treasury circular.

X18: The budget projection was influenced by the actual of the 202324 financial year. Refer to the annual financial statements for 2324 financial year.

X19: This line item was not budgeted for due to unfunded budget.

X20: The budget projection was influenced by the actual of the 202324 financial year. Refer to the annual financial statements for 2324 financial year.

X21: The budget projection was influenced by the actual of the 202324 financial year. Refer to the annual financial statements for 2324 financial year.

X22: The variance on this line item is due to misclassification corrections from the prior and current year.

X23: The municipality under budgeted this line item due to unfunded budget.

X24: The variance on this line item is due to misclassification corrections from the prior and current year.

Figures in Rand	2025	2024

62. Budget differences (continued)

X25: The variance on this line item is due to misclassification corrections from the prior and current year.

X26: Due to an unfunded budget, the municipality took the 22/23 audited actuals and divided it by four.

X27: The municipality budgeted for this line item in line with the prior year actuals.

X28: The municipality over budgeted on this line item.

X29: The municipality over budgeted on this line item.

X30: The municpality under budgeted,the budget projection was influenced by the actual of the 202324 financial year.

X31: The municipality over budgeted on this line item.

X32: The municipality over budgeted on this line item.

X33: Financial System mapping issues.

X34: The budget projection was influenced by the actual of the 2023/24 financial year.

X35: The budget projection was influenced by the actual of the 202425 financial year.

X36: The variance on this line item is due to the upgrade on the financial system from Evenus to Solar.

X37: Rounding.

X38: Financial System mapping issues.

X39: The variance on this lineitem is due to the municipality not adhering to paying its creditors within 30 days.

X40: Financial System mapping issues.

X41: The budget projection was influenced by the actual of the 202324 financial year.

X42: Financial System mapping issues

X43: The variance on this lineitem is due to unspent on the following grants Library, MIG,RBIG and WSIG. The municpality budgeted for unspent grants under trade and other payables from non-exchange transactions.

X44: The municipality budgeted over budgeted on this line item.

X45: Financial System mapping issues.

X46: This line item was not budgeted for.

X47: The municipality budgeted over budgeted on this line item.