KAGISANO-MOLOPO LOCAL MUNICIPAITY - NW397

(Demarcation code: NW397)
Trading as Kagisano-Molopo Local Municipality

AUDITED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025

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The reports and statements set out below comprise the audited annual financial statements presented to the Auditor General of South Africa:

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Abbreviations used:

AO	Accounting Officer
ASB	Accounting Standards Board
CIGFARO	Chartered Institute of Government Finance, Audit and Risk Officers
CFO	Chief Finance Officer
CLLR	Councilor
CPI	Consumer Price Index
CRC	Current Replacment Cost
DoRA	Division of Revenue Act
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
GRAP	Generally Recognized Accounting Practice
GLCCM	General Landfill Closure Costing Model
IAS	International Accounting Standards
IDP	Integrated Development Plan
IPSAS	International Public Sector Accounting Standards
INEP	Intergrated National Electrification Programme
LFG	Landfill Gas
LG SETA	Local Government Sector Education Training Programme
LSA	Long Service Awards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MLCCM	Municipal Landfill Closure Costing Model
MPAC	Municipal Public Account Committee
mSCOA	Municipal Standard Chart of Accounts
MSIG	Municipal Systems Improvement Grant
NERSA	National Energy Regulator of South Africa
PAYE	Pay-As-You-Earn
PEMA	Post-Employment Medical Aid Subsidy Liability
RDP	Reconstruction and Development Programme
SALGA	South African Local Government Association
SARS	South African Revenue Service
SA GAAP	South African Statements of Generally Accepted Accounting Practice
SDBIP	Service Delivery and Budget Implementation Plan
SDL	Skills Development Levy
SG	Surveyor-General
UIF	Unemployment Insurance Fund
VAT	Value Added Taxation
WCA	Workers Compensation Administration

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Relevant Legislation:
Constitution of the Republic of South Africa (Act no 108 of 1996)
Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
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)

General Information

Legal form of entity	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998).
Nature of business and principal activities	The municipality's operations are governed by the Local Government: Municipal Finance Management Act (MFMA) (Act 56 of 2003), Municipal Structures Act (Act 117 of 1998), Municipal Systems (Act 32 of 2000) and various other acts and regulations.
Vision statement	A developmental municipality that provides sustainable and impactful services
Mission statement	To deliver quality driven service timeously. To ensure involvement of local community and stakeholders in municipal affairs in a structured manner. Strive to reflect in our operations the principles of batho pele
Grading of local authority	Category 2 as defined by the Municipal Structures Act (Act number 117 of 1998)
Accounting Officer	Mr. Obed Ntsimane
Chief Finance Officer (CFO)	Ms. Keaoleboga Sekgome
Business address	Municipal Offices (next to Ganyesa Clinic) Chief Block Section Tlakgameng Road Ganyesa 8613
Postal address	PO Box X522 Ganyesa 8613
Bankers	ABSA Bank First National Bank Standard Bank
Auditors	Auditor-General of South Africa (AGSA)
Level of assurance	These unaudited annual financial statements will be audited in compliance with the applicable requirements of the Municipal Finance Management Act, No 56 of 2003.
Email address	info@kagisanomolopolm.gov.za
Website	https://kagisanomolopolm.gov.za/
Telephone number	053 998 4455
Fax number	053 998 3369

Members of the Municipal Council

Mayor	MS T Marabutse
Speaker	Mr OP Moirwagale
Ward Councillors	Mr MS Mosarwa
	Mrs JM Grobbelaar
	Mr TB Golelelwang
	Ms KM Kumile
	Mr KM Lekgotle
	Mr NJD Muller
	Ms KN Sekopecwe
	Ms Y Maano
	Ms I Molaolwa
	Mr PD Moncwe
	Mr MM Mokgothu
	Ms KA Moitlhwe
	Mrs GK Nthebotsenyane
	Ms KG Ogaseng
	Mr PS Petrus
	Mr OM Serame
	Mr T.V Shepherd
	Mr TJ Thetswe
	Mr LA Theko
	Mr TS Phokoje
	Ms SV Thomas
MMC: Budget and Treasury	Ms TE Chweneemang
MMC: Infrastructure and Technical Services	Mr PV Baikgaki
MMC: Planning and Development	Ms KP Moagaesi
MMC: Community Services	Mr K Mothwane
MMC: Corporate Support Service	Ms PM Mereyabone
MMC: Local Economic Development & Tourism	Mr KS Moreki

Accounting Officer's Responsibilities and Approval

The accounting officers are required by the Constitution of the Republic of south Africa (Act 108 of 1998)
Local Government: Municipal Finance Management Act (Act no.56 of 2003)
Loval Government: Municipal Systems Act (Act 32 of 2000)
Local Government: Municipal Structures Act (Act 117 of 1998)
Municipal Property Rates Act (act of 6 2004)
Division of Revenue Act (Act 1 of 2007), to maintain adequate accounting records and are responsible for the content and integrity of the audited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officers to ensure that the audited 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 audited annual financial statements and was given unrestricted access to all financial records and related data.

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

The accounting officers acknowledge that they are 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 officers 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 officers are 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 audited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the municipality is very reliant on grants from National Treasury. Funding will be received from National Treasury as long as the municipality complies with all legislative requirements. The collection of outstanding consumer debtor accounts and effective service delivery is also a priority of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's management team ,external auditors and other oversight governance structures of Council.

The external auditors are responsible for independently reviewing and reporting on the municipality's audited annual financial statements.

The accounting officer further certifies that the salaries, allowances and benefits of councillors and payments made to councillors for loss of office, if any, as disclosed in the notes of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Goverment's determination in accordance with this Act.

The audited annual financial statements set out on page 10 - 113, which have been prepared on the going concern basis, were approved by the accounting officer and signed by him.

Accounting Officer's Responsibilities and Approval

Mr. Obed Ntsimane
Municipal Manager (Accounting Officer)

31 August 2025

Accounting Officer's Report

The accounting officers submit their report for the year ended 30 June 2025.

1. Review of activities

Main business and operations

The municipality is engaged in performing the functions as set out in the constitution (act no. 105 of 1996) and operates principally in South Africa.

The municipality is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the local government: Municipal Demarcation Act: 1998 and operates in South Africa

The municipality is a South African catagory B.

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

Net surplus of the municipality was R 24 058 786 (2024: deficit R 87 600 340).

2. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of R 526 118 340 and that the municipality's total assets exceed its liabilities by R 526 118 340.

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

The municipality still has the ability to levy services, rates and taxes and will continue to receive funding from government as evident from the Equitable Share allocations as published in terms of the Division of Revenue Act (Act No.9 of 2021).

3. Subsequent events

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

4. Accounting Officers' interest in contracts

The accounting officer does not have an interest in contracts awarded, either direct or indirect.

5. Accounting policies

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

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

6. Accounting Officer

The accounting officers of the municipality during the year and to the date of this report are as follows:

Name		Changes
EA Gaborone		
KE Morapedi (Acting)	South African	Resigned Wednesday, 31 July 2024
B Selebogo (Acting)	South African	Appointed Thursday, 01 August 2024, resigned Friday, 29 November 2024
Kgatlhane D (Acting)	South African	Appointed Monday, 02 December 2024, resigned Monday, 03 March 2025

Accounting Officer's Report

6. Accounting Officer (continued)

O Ntsimane (Acting)O Ntsimane (Acting)	South AfricanSouth Aftica	Appointed Monday, 03 March 2025

7. Corporate governance

General

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

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King IV Report on Corporate Governance for South Africa of September 2009. The accounting officer discuss the responsibilities of management in this respect, at council meetings and monitor the municipality's compliance with the code on a quaterly basis.

The salient features of the municipality's adoption of the Code is outlined below:

Council meetings

The municipality's council have met on - separate occasions during the financial year. The council schedule to meet at least 4 times per annum.

Audit committee

In terms of Section 166 of the Municipal Finance Management Act, Kagisano-Molopo Local Municipality, must appoint members of the Audit Committee. The Audit Committee was properly constituted to fulfil its role and advise the accounting officer of its responsibilities as provided in Section 166 of the Municipal Finance Management Act.

The municipality has a shared audit committee and risk committee with the Dr. Ruth Segomotsi District Municipality.

Internal audit

The municipality has a shared internal audit function with D., Ruth Segomotsi District Municipality. This is in compliance with the Municipal Finance Management Act, 2003.

This is in compliance with the Municipal Finance Management Act, 2003.

8. Bankers

The municipality's primary bank account is with ABSA Bank and the municipality will continue to bank with them in the new financial year.

9. Auditors

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

The audited annual financial statements set out on pages 8 to 113, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2025 and was signed by him.

Mr. Obed Ntsimane
Municipal Manager (Accounting Officer)

31 August 2025

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 *Restated**
Assets			
Current Assets			
Cash and cash equivalents	4	37 292	60 069
Receivables from exchange transactions	5	126 760	727 552
Receivables from non-exchange transactions	6	2 392 297	2 362 975
VAT receivable	8	3 554 362	2 909 515
Total Current Assets		**6 110 711**	**6 060 111**
Non-Current Assets			
Investment property	9	44 739 204	43 673 298
Property, plant and equipment	10	603 984 134	594 206 863
Total Non-Current Assets		**648 723 338**	**637 880 161**
Total Assets		**654 834 049**	**643 940 272**
Liabilities			
Current Liabilities			
Employee benefit obligation	11	412 228	393 419
Payables from exchange transactions	12	86 468 907	94 148 275
Unspent conditional grants and receipts	14	284 755	6 968 980
Total Current Liabilities		**87 165 890**	**101 510 674**
Non-Current Liabilities			
Employee benefit obligation	11	2 436 199	2 381 192
Provisions	13	39 113 620	37 988 851
Total Non-Current Liabilities		**41 549 819**	**40 370 043**
Total Liabilities		**128 715 709**	**141 880 717**
Net Assets		**526 118 340**	**502 059 555**
Accumulated surplus		526 118 340	502 059 555
Total Net Assets		**526 118 340**	**502 059 555**

* See Note 36

Statement of Financial Performance for the year ended 30 June 2025

Figures in Rand	Note(s)	2025	2024 *Restated**
Revenue			
Revenue from exchange transactions			
Interest income	15	756 015	1 317 799
Operational revenue	16	890 469	356 856
Rental of facilities and equipment	17	1 323 276	1 281 378
Interest received Rental debtors	49	1 613 460	1 102 818
Total revenue from exchange transactions		**4 583 220**	**4 058 851**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	19	13 501 443	10 805 259
Interest Earned - Outstanding Debtors Property Rates	49	23 334 214	34 575 743
Transfer revenue			
Government grants and subsidies	21	196 839 013	182 304 619
Total revenue from non-exchange transactions		**233 674 670**	**227 685 621**
Total revenue		**238 257 890**	**231 744 472**
Expenditure			
Bad debts written off	50	(37 947 735)	-
Contracted services	22	(38 930 217)	(59 094 823)
Debt impairment	23	574 724	(88 719 203)
Depreciation and amortisation	24	(21 371 250)	(24 497 589)
Employee related costs	25	(61 914 501)	(57 394 154)
Finance costs	26	(4 141 008)	(3 181 059)
General expenses	27	(41 671 153)	(62 234 426)
Lease rentals on operating lease	48	(1 775 500)	(5 806 497)
Remuneration of councillors	28	(14 081 837)	(13 992 569)
Repairs and maintenance	10	(1 378 507)	(2 011 537)
Transfers and Subsidies	51	(1 209 597)	(2 548 903)
Total expenditure		**(223 846 581)**	**(319 480 760)**
Operating surplus (deficit)		**14 411 309**	**(87 736 288)**
Loss on disposal of assets and liabilities	10	(2 398 386)	-
Fair value adjustments	30	1 065 906	217 280
Reversal of impairments/(Impairment loss)	29	10 979 957	(81 332)
Surplus (deficit) for the year		**24 058 786**	**(87 600 340)**

* See Note 36

Statement of Changes in Net Assets for the year ended 30 June 2025

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1	1
Adjustments		
Prior year adjustments 36	589 659 894	589 659 894
Balance at 01 July 2023 as restated*	**589 659 895**	**589 659 895**
Changes in net assets		
Deficit for the year	(87 600 340)	(87 600 340)
Total changes	(87 600 340)	(87 600 340)
	1	1
Adjustments		
Prior year adjustments 36	502 059 553	502 059 553
Restated* Balance at 01 July 2024 as restated*	**502 059 554**	**502 059 554**
Changes in net assets		
Deficit for the year	24 058 786	24 058 786
Total changes	24 058 786	24 058 786
Balance at 30 June 2025	**526 118 340**	**526 118 340**

Note(s)

* See Note 36

Cash Flow Statement for the year ended 30 June 2025

Figures in Rand	Note(s)	2025	2024 *Restated**
Cash flows from operating activities			
Receipts			
Property rates		13 501 443	10 805 259
Government Grants and Subsidies		196 839 013	182 304 619
Interest recived - Investments		756 015	1 317 799
Interest receive on outstanding debtors		24 947 674	35 678 561
Rental of facilitiea and equipment		1 323 276	1 281 378
Operational income		890 469	356 856
		238 257 890	231 744 472
Payments			
Employee costs		(75 996 338)	(71 386 723)
Suppliers		(130 194 676)	(131 953 319)
Finance costs		(4 141 008)	(3 181 059)
		(210 332 022)	(206 521 101)
Net cash flows from operating activities	32	**27 925 868**	**25 223 371**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(28 018 245)	(28 018 245)
Proceeds from sale of investment property	9	69 600	-
Net cash flows from investing activities		**(27 948 645)**	**(28 018 245)**
Net increase/(decrease) in cash and cash equivalents		**(22 777)**	**(2 794 874)**
Cash and cash equivalents at the beginning of the year		60 069	2 854 943
Cash and cash equivalents at the end of the year	4	**37 292**	**60 069**

* See Note 36

Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 2025

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						
Interest received - investment	1 250 004	-	**1 250 004**	756 015	**(493 989)**	Note 56
Interest received (trading)	2 553 180	-	**2 553 180**	1 613 460	**(939 720)**	Note 56
Other income	927 240	-	**927 240**	890 469	**(36 771)**	Note 56
Rental of facilities and equipment	1 450 140	-	**1 450 140**	1 323 276	**(126 864)**	Note 56
Total revenue from exchange transactions	**6 180 564**	**-**	**6 180 564**	**4 583 220**	**(1 597 344)**	
Revenue from non-exchange transactions						
Taxation revenue						
Interest, Dividends and Rent on Land	13 644 420	-	**13 644 420**	23 334 214	**9 689 794**	Note 56
Property rates	10 346 532	-	**10 346 532**	13 501 443	**3 154 911**	note 56
Transfer revenue						
Government grants and subsidies	160 533 373	-	**160 533 373**	196 839 013	**36 305 640**	note 56
Total revenue from non-exchange transactions	**184 524 325**	**-**	**184 524 325**	**233 674 670**	**49 150 345**	
Total revenue	**190 704 889**	**-**	**190 704 889**	**238 257 890**	**47 553 001**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Expenditure						
Bad debts written off	-	-	**-**	(37 947 735)	**(37 947 735)**	note 56
Collection costs	-	-	**-**	(1 378 507)	**(1 378 507)**	note 56
Contracted services	-	-	**-**	(38 930 217)	**(38 930 217)**	note 56
Debt impairment	(12 000 000)	-	**(12 000 000)**	574 724	**12 574 724**	note 56
Depreciation and amortisation	(25 459 380)	-	**(25 459 380)**	(21 371 250)	**4 088 130**	note 56
Employee related costs	(60 947 331)	-	**(60 947 331)**	(61 914 501)	**(967 170)**	note 56
Finance costs	(100 000)	-	**(100 000)**	(4 141 008)	**(4 041 008)**	note 56
General expenses	(90 809 368)	-	**(90 809 368)**	(41 671 153)	**49 138 215**	note 56
Lease rentals on operating lease	-	-	**-**	(1 775 500)	**(1 775 500)**	note 56
Remuneration of councillors	(13 585 560)	-	**(13 585 560)**	(14 081 837)	**(496 277)**	note 56
Transfers and Subsidies	(9 187 248)	-	**(9 187 248)**	(1 209 597)	**7 977 651**	note 56
Total expenditure	**(212 088 887)**	**-**	**(212 088 887)**	**(223 846 581)**	**(11 757 694)**	
Operating surplus	**(21 383 998)**	**-**	**(21 383 998)**	**14 411 309**	**35 795 307**	
Fair value adjustments	-	-	**-**	1 065 906	**1 065 906**	note 56
Loss on disposal of assets and liabilities	-	-	**-**	(2 398 386)	**(2 398 386)**	note 56
Impairment loss/ Reversal of impairments	-	-	**-**	10 979 957	**10 979 957**	Note 56
	-	**-**	**-**	**9 647 477**	**9 647 477**	
Surplus/(deficit) for the year	**(21 383 998)**	**-**	**(21 383 998)**	**24 058 786**	**45 442 784**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Cash and cash equivalents	4 460 310	-	**4 460 310**	37 292	**(4 423 018)**	Note 56
Receivables from exchange transactions	1 844 724	-	**1 844 724**	126 760	**(1 717 964)**	Note 56
Receivables from non-exchange transactions	67 372 679	-	**67 372 679**	5 946 659	**(61 426 020)**	Note 56
VAT receivable	2 705 604	-	**2 705 604**	-	**(2 705 604)**	Note 56
Total current assets	**76 383 317**	**-**	**76 383 317**	**6 110 711**	**(70 272 606)**	
Non-Current Assets						
Intangible assets	300 734	-	**300 734**	-	**(300 734)**	Note 56
Investment property	61 840 709	-	**61 840 709**	44 739 204	**(17 101 505)**	Note 56
Property, plant and equipment	468 607 417	-	**468 607 417**	603 984 134	**135 376 717**	Note 56
Total non-current assets	**530 748 860**	**-**	**530 748 860**	**648 723 338**	**117 974 478**	
Total Assets	**607 132 177**	**-**	**607 132 177**	**654 834 049**	**47 701 872**	
Liabilities						
Current Liabilities						
Employee benefit obligation	-	-	**-**	412 228	**412 228**	note 56
Payables from exchange transactions	4 195 165	-	**4 195 165**	86 468 909	**82 273 744**	note 56
Unspent conditional grants and receipts	-	-	**-**	284 755	**284 755**	Note 56
Total current liabilities	**4 195 165**	**-**	**4 195 165**	**87 165 892**	**82 970 727**	
Non-Current Liabilities						
Employee benefit obligation	159 185	-	**159 185**	2 436 199	**2 277 014**	Note 56
Provisions	26 410 356	-	**26 410 356**	39 113 620	**12 703 264**	Note 56
Total non-current liabilities	**26 569 541**	**-**	**26 569 541**	**41 549 819**	**14 980 278**	
Total Liabilities	**30 764 706**	**-**	**30 764 706**	**128 715 711**	**97 951 005**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets	**576 367 471**	**-**	**576 367 471**	**526 118 338**	**(50 249 133)**	
Net Assets						
Accumulated surplus	576 367 471	-	**576 367 471**	526 118 340	**(50 249 131)**	note 56

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget			
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	32 705 764	-	**32 705 764**	13 501 443	**(19 204 321)**	note 56
Government grants	206 369 000	-	**206 369 000**	196 839 013	**(9 529 987)**	note 56
Interest income	21 523 285	-	**21 523 285**	756 015	**(20 767 270)**	Note 56
Interest income	-	-	**-**	24 947 674	**24 947 674**	Note 56
Interest on outstanding debtors	-	-	**-**	1 323 276	**1 323 276**	Note 56
Operational revenue	-	-	**-**	890 469	**890 469**	Note 56
	260 598 049	**-**	**260 598 049**	**238 257 890**	**(22 340 159)**	
Payments						
Suppliers and Employee costs	(181 198 450)	-	**(181 198 450)**	(206 191 014)	**(24 992 564)**	Note 56
Finance costs	(25 000)	-	**(25 000)**	(4 141 008)	**(4 116 008)**	Note 56
Transfers and subsidies	(8 500 000)	-	**(8 500 000)**	(1 209 527)	**7 290 473**	Note 56
	(189 723 450)	**-**	**(189 723 450)**	**(211 541 549)**	**(21 818 099)**	
Net cash flows from operating activities	**70 874 599**	**-**	**70 874 599**	**26 716 341**	**(44 158 258)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(45 929 652)	-	**(45 929 652)**	(28 018 245)	**17 911 407**	Note 56
Proceeds from sale of property, plant and equipment	-	-	**-**	69 600	**69 600**	Note 56
Net cash flows from investing activities	**(45 929 652)**	**-**	**(45 929 652)**	**(27 948 645)**	**17 981 007**	
Net increase/(decrease) in cash and cash equivalents	24 944 947	-	**24 944 947**	(1 232 304)	**(26 177 251)**	
Cash and cash equivalents at the beginning of the year	3 140 437	-	**3 140 437**	60 069	**(3 080 368)**	
Cash and cash equivalents at the end of the year	**28 085 384**	**-**	**28 085 384**	**(1 172 235)**	**(29 257 619)**	

The accounting policies on pages 19 to 50 and the notes on pages 51 to 113 form an integral part of the audited annual financial statements.

Accounting Policies for the year ended 30 June 2025

Figures in Rand	Note(s)	2025	2024

1. Significant accounting polices

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

1.1 Basis of preparations

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.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. The amounts disclosed in the annual financial statements are rounded-off to the nearest Rand.

1.3 Going concern assumption

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

1.4 Materiality

Material 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.

When the final accounts have been closed, any transaction that occurs in respect of a prior period, is considered by management individually and collectively for materiality and the annual financial statements are amended with transactions that are material in amount or by nature.

1.5 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:

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Trade receivables

The municipality assesses its trade 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 is calculated on a payment rate basis per consumer. The payment rate is calculated on the total payments received per consumer in the current year, and then divided by the total revenue billed per consumer for the current year. The percentage is then converted to a non payment ratio. The non payment ratio is then multiplied with the consumers total outstanding balance. The movement between a consumers yearly impairment balance are accounted through profit and loss in the statement of financial performance.

Management’s judgement is required when determining the write down of stock to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the inventory note.

Fair value estimation

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

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

The carrying 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.

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

Provisions

Management’s judgement is required when recognising and measuring provisions, contingent liabilities and contingent assets. Additional disclosure of these estimates of provisions are included in note 13.

Useful lives of infrastructure and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and Investment properties. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives. In the event that a depreciating asset is nearing the end of its useful life, the availability of budget to replace the asset is considered. If the asset is not budgeted to be replaced, the useful life is extended by one year. Depreciation is adjusted going forward.

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

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 11.

Effective interest rate

The municipality used the most relevant contractual risk rate applicable where relevant to each category of assets and liabilities to discount future cash flows. Where none exists the prime interest rate is used to discount future cash flows.

Allowance for impairment

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.

Recognition and Derecognition of Land

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are as follow (IGRAP 18 par. 41):

- Land controlled by the municipality as a result of a past event and from which future economic benefit or service potential is expected to flow to the entity are recognised by the municipality. Control is evidenced by the municipality's ability to use, or direct others to use, the land and also by the right to direct access to the land and to restrict or deny access of others to the land.

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land. Key judgements made and assumptions applied to conclude that it does not control such land, are as follow (IGRAP 18 par. 41):

- Land not controlled by the municipality as a result of a past event and from which future economic benefit or service potential will not flow to the municipality. The municipality does not have the ability to use or direct others to use the land. The municipality does not have rights to direct access to the land and to restrict or deny access of others to the land. There are various housing scheme land where the municipality is still the legal owner per the deeds office, but where control and substantive rights were not transferred. These land are not recognised by the municipality.

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Impairment of statutory receivables

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

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

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

Accounting for adjustments to revenue

Determining whether an adjustment to revenue charged in terms of legislation or similar means is a correction of an error or a change in an accounting estimate requires the application of judgement by management. When adjustments to revenue already recognised arise from new information that becomes known to the municipality, the following considerations are applied to determine whether the adjustment to revenue already recognised is a correction of an error or a change in an accounting estimate:

(a) If information becomes known to the municipality, and the municipality could reasonably have been expected to know of the information and/or the information used was incorrect, the adjustment to revenue is likely to be a correction of an error.

(b) If information becomes known to the municipality, but the municipality could not reasonably have been expected to know of this information when the revenue was charged, the adjustment to revenue is likely to be a change in an accounting estimate.

Accounting for adjustments to revenue that correct an error or prior period error

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for an adjustment to revenue already recognised, including interest and penalties, as the correction of an error or prior period error where the entity:

(a) has not followed a proper due process to promulgate the tariff, basis, percentage or formula to charge the revenue; and/or

(b) incorrectly applied the tariff, basis, percentage or formula in charging revenue.

Errors discovered within the reporting period which relates to that period are corrected before the audited annual financial statements are authorised for issue. The principles in GRAP 3 are applied to account for the adjustment to revenue already recognised as a result of the correction of a prior period error.

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Segment reporting

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.

The municipality does not disclose the geographical areas in which it operates as it is not relevant for decision-making purposes.

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.

Interest on exchange and non exchange assets

In applying GRAP 104, GRAP 9 and GRAP 23 interest earned should be split based on the nature of the source of revenue, i.e., exchange and non-exchange. The financial system calculates interest on total debt outstanding monthly (Total balance due less interest charged not settled). Therefor interest is billed on total due (capital only amount). Management therefor to comply with the split on exchange and non-exchange calculates the total debt outstanding per source of revenue and then uses that to split interest earned between exchange and non-exchange transactions.

1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

Accounting Policies

1.6 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

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

Revenue earned from rental of investment property is disclosed as part of rental of facilities and equipment and are thus not disclosed separately, as they are not material. Expenses in respect of investment property are disclosed as other expenditure and not disclosed separately as they are not material.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the audited annual financial statements (see note 9). Cost incurred to repair and maintain investment property comprises of goods and services and contracted services. These cost excludes labour cost.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the audited annual financial statements (see note 9). All investment property under construction which have exceeded the initial planned completion date by two years are considered to be taking a significantly longer period of time to complete than expected.

Derecognition

Items of investment property are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of asset.

The gain or loss arising from the derecognition of an item of investment property is included in surplus or deficit when the item is derecognised.

The gain or loss arising from the derecognition of an item of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset.

1.7 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.

Accounting Policies

1.7 Property, plant and equipment (continued)

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.

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

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

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

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

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

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

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

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

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

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

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

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

1.7 Property, plant and equipment (continued)

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

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

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

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

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

Item	Depreciation method	Average useful life
Immovable assets		
Community facilities	Straight-line	5 - 100 years
Sport and recreation facilities	Straight-line	5 - 100 years
Electricity Network	Straight-line	10 - 60 years
Water supply network	Straight-line	10 - 100 years
Roads and stormwater network	Straight-line	5 - 100 years
Sanitation network	Straight-line	5 - 100 years
Housing	Straight-line	7 - 100 years
Operational buildings	Straight-line	5 - 100 years
Movable assets		
Computer equipment	Straight-line	5 years
Electrical equipment	Straight-line	5 years
Furniture and fittings	Straight-line	7 years
Leased assets - office equipment	Straight-line	3 - 5 years
Mechanical equipment	Straight-line	5 years
Office machines	Straight-line	5 years
Vehicles	Straight-line	6 - 10 years

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

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

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

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

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

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

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

Accounting Policies

1.7 Property, plant and equipment (continued)

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 expenditure to repair and maintain property, plant and equipment comprises of goods and services and contracted services. These cost excludes labour cost.

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

1.8 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.

1.9 Financial instruments

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

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

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 municipality’s statement of financial position.

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

Accounting Policies

1.9 Financial instruments (continued)

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

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

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

Accounting Policies

1.9 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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.

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
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	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
Bank overdraft	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

1.10 Statutory receivables

Identification

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

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

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

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

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

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

1.10 Statutory receivables (continued)

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

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

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

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

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

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

Derecognition

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

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- 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.

Accounting Policies

1.10 Statutory receivables (continued)

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

1.11 Leases

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

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

Finance leases - lessor

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

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

Finance leases - lessee

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

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

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

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

The depreciation policy for depreciable leased assets is consistent with the normal depreciation policy for similar assets.

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.12 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Accounting Policies

1.12 Construction contracts and receivables (continued)

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The municipality assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by surveys of work done.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.13 Cash and cash equivalents

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

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

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

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

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

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

1.14 Impairment of cash and 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

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

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

Accounting Policies

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

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

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

• None of the assets are managed with the objective of generating positive cash flows are expected to be significantly higher than the cost of the asset; and

• Although certain services assets generate positive cash flows, these are used for cross subsidisation of services assets that generate negative cash flows.

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

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

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

Designation

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

The municipality designates an asset or a cash-generating unit as cash-generating when:

• its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that

• the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that ar expected to be significantly higher than the cost of the asset.

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

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

Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality 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:

Accounting Policies

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

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.

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.

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.

Accounting Policies

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

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Accounting Policies

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

Reversal of an impairment loss

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

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

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

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.

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.

1.15 Employee benefits

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

The municipality provides retirement benefits for its employees and councillors. Retirement benefits consist of defined contribution plans and defined-benefit plans.

Defined-contribution plans are post-employment benefit plans under which a municipality pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against the statement of financial performance in the year in which they become payable.

Defined-benefit plans are post-employment benefit plans other than defined-contribution plans. The defined-benefit funds are actuarially valued based on the projected unit credit method. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities. The contributions and lump sumpayments are charged against the statement of financial performance in the year in which they become payable.

Accounting Policies

1.15 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:
• wages, salaries and social security contributions;
• short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for 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; 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 municipality during a reporting period, the municipality recognise 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 recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
• as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

The municipality provides long-service awards to eligible employees, after completion of every five years’ service and the liability thereof is based on an actuarial valuation. The projected unit credit method has been used to value the obligation.

Actuarial gains and losses on the long-term incentives are fully accounted for in the statement of financial performance.

Post-employment benefits

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

The municipality provides post-retirement benefits by subsidising the medical healthcare contributions of certain retired staff. According to the rules of the medical aid funds with which the municipality is associated, a member on retirement is entitled to remain a continued member of such medical aid fund, and the municipality will continue to subsidise medical contributions in accordance with the provisions of the employee’s employment contract.

The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past, or accrued and future in-service element. The liability is recognised at the fair value of the obligation, together with any adjustments required. The projected unit credit method has been used to value the obligation. Refer to note 11.

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the entity during a reporting period, the entity recognise 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 entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
• as an expense, unless another Standard requires or permits the inclusion of the 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.

Accounting Policies

1.15 Employee benefits (continued)

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 entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

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 recognise past service cost as an expense in the reporting period in which the plan is amended.

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 entity’s informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity’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

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

The entity 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;
• actuarial gains and losses;
• past service cost; and
• the effect of any curtailments or settlements.

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. 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.

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.

Accounting Policies

1.15 Employee benefits (continued)

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.

1.16 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus (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.

Accounting Policies

1.16 Provisions and contingencies (continued)

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Accounting Policies

1.16 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14 .

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

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

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

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:
- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

Accounting Policies

1.17 Commitments

Capital commitments disclosed in the annual financial statements represent the contractual balance committed to capital projects on reporting date that will incurred in the period subsequent to the specific reporting date. The municipality discloses capital commitments inclusive of VAT.

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.18 Revenue from exchange transactions

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

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

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

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

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.

Accounting Policies

1.18 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

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

Interest

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

Interest is recognised 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.

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

1.19 Revenue from non-exchange transactions

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

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

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

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

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

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.

Accounting Policies

1.19 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.

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 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.

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

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.

Unconditional Grants

Equitable share allocations are recognised in revenue in the beginning of the financial year.

Conditional Grants

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

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

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.

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.

Unallocated deposit

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the municipality’s bank account will be treated as revenue. This policy is in line with prescribed debt principles as enforced by the law.

1.20 Investment income

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

1.21 Borrowing costs

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

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

Accounting Policies

1.22 Current year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior periods.

1.23 Comparative figures

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

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.24 Unauthorised expenditure

Unauthorised expenditure is defined as any expenditure incurred by a municipality not in accordance with section 15 or 11(3) of the MFMA, and includes an overspending of the total amount appropriated in the municipality’s approved budget, an overspending of the total amount appropriated for a vote in the approved budget, an expenditure from a vote unrelated to the department or functional area covered by the vote, an expenditure of money appropriated not in accordance for that specific purpose, a spending of an allocation not in accordance with any conditions of the allocation, or a grant made by the municipality not in accordance with the MFMA.

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.

1.25 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.

Fruitless and wasteful expenditure is disclosed inclusive of VAT.

1.26 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure 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.

Irregular expenditure is disclosed inclusive of VAT.

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.

Accounting Policies

1.26 Irregular expenditure (continued)

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

1.27 Use of estimates

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

1.28 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.

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.

1.29 Budget information

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

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

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

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

The approved budget is prepared on an accrual basis and presented in accordance with the GRAP reporting framework.

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 accounting basis and for the same municipality and same period but not on the same classification basis therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Accounting Policies

1.29 Budget information (continued)

The Statement of comparative and actual information has been included in the annual financial statements based on the prescribed budget schedules using tables B1, B4, B6 and B7.

1.30 Related parties

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

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

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

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

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

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

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

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

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

1.31 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.

Accounting Policies

1.32 Bad debts written off

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. When a receivable is considered uncollectible, it is written off against the debt provision account. Subsequent recoveries of amounts previously written off are credited against the Statement of Financial Performance.

1.33 Value Added Tax

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

The Municipality is registered for VAT on the payment basis. Revenue, expenses and assets are recognised net of the amount of value added tax. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

1.34 Unspent Conditional Grants and Receipts

Unspent conditional grants and receipts are reflected on the Statement of Financial Position as a current liability. They represent unspent government grants, subsidies and contributions from the public. This liability always has to be backed by cash.

The following provisions are set for the creation and utilisation of this liability:

- The cash which backs up the liability is invested until it is utilised,
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.
- Whenever an asset is purchased out of the unspent conditional grant an amount equal to the cost price of the asset purchased is transferred from the unspent conditional grant into the Statement of Financial Performance as revenue.

Notes to the Audited Annual Financial Statements for the year ended 30 June 2025

Figures in Rand	2025	2024

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 107 Mergers	01 April 2025	Unlikely there will be a material impact
• GRAP 106 Transfer of Functions Between Entities Not Under Common Control	01 April 2025	Unlikely there will be a material impact
• GRAP 105 Transfer of Functions Between Entities Under Common Control	01 April 2025	Unlikely there will be a material impact
• GRAP 2023 Improvements to the Standards of GRAP 2023	01 April 2025	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	01 April 2025	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	01 April 2025	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

3. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	Total
Cash and cash equivalents	37 292	37 292
Receivables from exchange transactions	126 760	126 760
	164 052	**164 052**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	71 293 067	71 293 067

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

3. Financial instruments disclosure (continued)

2024

Financial assets

	At amortised cost	Total
Cash and cash equivalents	60 069	60 069
Receivables from exchange transactions	727 552	727 552
	787 621	**787 621**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	94 148 275	94 148 275

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	20 156	23 680
Short-term deposits	17 136	36 389
	37 292	**60 069**

The total amount of undrawn facilities available for future operating activities and commitments	37 292	60 069
	37 292	**60 069**

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
Current accounts						
ABSA Bank - Primary Bank AccountAcc no: 407801332	20 155	23 680	2 248 223	20 115	23 680	2 248 223
Short-term Investments						
FNB Bank - Short-term DepositsAcc no.: 62360911202	-	20 354	520 304	-	20 354	520 304
FNB Bank - Short-term DepositsAcc no.: 62371561062	15 650	14 547	84 928	15 648	14 547	84 928
Standard Bank - Short-term DepositsAcc no.: 048549592	1 487	1 487	1 487	1 487	1 487	1 487
Total	**37 292**	**60 068**	**2 854 942**	**37 250**	**60 068**	**2 854 942**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
5. Receivables from exchange transactions		
Gross balances		
Trade debtors	126 760	206 468
Prepayments	-	521 084
	126 760	**727 552**

Receivables from exchange transactions pledged as security

No Trade and other receivables from exchange transactions were pledged as security.

Credit quality of trade and other receivables from exchange

The credit quality of trade and other receivables from exchange transactions that are neither past due nor due nor impaired can be assessed by reference to historical trends and other available information. Althought credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.

Fair value of receivables from exchange transactions

	2025	2024
Trade and other receivables from exchange	126 760	727 552

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

6. Receivables from non-exchange transactions

Gross balances		
Property rates	180 387 836	183 138 479
Property rentals	11 880 950	9 675 709
	192 268 786	**192 814 188**
Less: Allowance for impairment		
Property rates	(178 966 715)	(181 374 076)
Property rentals	(10 909 774)	(9 077 137)
	(189 876 489)	**(190 451 213)**
Net balance		
Property rates	1 421 121	1 764 403
Property rentals	971 176	598 572
	2 392 297	**2 362 975**
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Fines	-	-
Government grants and subsidies	-	-
Property rates	1 421 120	1 764 402
Other	971 176	598 571
	2 392 296	**2 362 974**
Total receivables from non-exchange transactions	**2 392 297**	**2 362 975**
Property rates		
Current (0 -30 days)	13 774 357	64 855 528
31 - 60 days	(24 223 461)	(384 386)
61 - 90 days	10 245 016	343 535
91 - 120 days	(197 350)	227 476
120+ Days	180 789 274	118 096 326
Impairment	(178 966 715)	(181 374 076)
	1 421 121	**1 764 403**
Other		
Current (0 -30 days)	125 954	131 271
31 - 60 days	125 954	131 271
61 - 90 days	125 648	131 271
91 - 120 days	121 595	128 695
120+ Days	11 381 799	9 153 201
Impairment	(10 909 774)	(9 077 137)
	971 176	**598 572**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

6. Receivables from non-exchange transactions (continued)

6. Consumer debtors (continued)

Summary of debtors by customer classification

Residential / Consumers		
Current (0 -30 days)	13 900 311	64 986 800
31 - 60 days	(24 097 507)	(253 115)
61 - 90 days	10 370 665	474 807
91 - 120 days	(75 755)	356 172
120+ Days	189 778 775	124 886 549
	189 876 489	190 451 213
Less: Allowance for impairment	(189 876 489)	(190 451 213)
	-	-

Total		
Current (0 -30 days)	13 900 311	64 986 800
31 - 60 days	(24 097 507)	(253 115)
61 - 90 days	10 370 665	474 807
91 - 120 days	(75 755)	356 172
120+ Days	192 171 072	127 249 524
	189 876 489	190 451 213
Less: Allowance for impairment	(189 876 489)	(190 451 213)
	2 392 297	**2 362 975**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(190 451 213)	(130 351 733)
Contributions to allowance	574 723	(60 099 479)
	(189 876 490)	**(190 451 212)**

Receivables from non-exchange transactions pledged as security

No Trade and other receivables from non-exchange transactions were pledged as security.

Credit quality of trade and other receivables from non-exchange

The credit quality of trade and other receivables from non-exchange transactions that are neither past due nor due nor impaired can be assessed by reference to historical trends and other available information. Althought credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.

Fair value of receivables from non-exchange transactions		
Trade and other receivables from non-exchange	2 392 296	2 362 974

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

7. Statutory receivables from non-exchange transactions

Statutory receivables included in the Statement of Financial Position under Receivables from non-exchange transactions

Property rates	180 387 835	183 138 478
	180 387 835	**183 138 478**

Reconciliation of provision for impairment for statutory receivables

Provision for impairment included under receivables from non-exchange transactions:

Property rates	(178 966 715)	(181 374 076)
	(178 966 715)	**(181 374 076)**

Factors the entity considered in assessing statutory receivables impaired

A payment ratio analysis report was drawn in order to establish the payment percentage per type of debtor. This payment percentage was used to impair these statutory receivables.

Statutory receivables general information

Transaction(s) arising from statute

Property rates related transactions arise in terms of the Municpal Property Rates Act, 6 of 2004, Municipal Finance Management Act, 56 of 2003, as well as the Property Rates Policy of the municipality approved by Council as part of the Budget Process.

Government grants related transactions arise in terms of the applicable annual Division of Revenue Act Bill as well as the relevant Provincial Gazette.

VAT transactions arise from the Value Added Tax Act 89 of 1991. VAT is an indirect tax on the consumption of goods and services in the economy. VAT is levied on all goods and services subject to certain exemptions, exceptions, deductions and adjustments provided for in the Value Added Tax Act 89 of 1991.

Determination of transaction amount

Property rates transaction amounts are determined in line with the Annual Tariff List of the municipality approved by Council as part of the Budget Process in terms of the Municipal Finance Management Act, 56 of 2003.

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

No impairment on VAT Receivable, balance expected to be fully recoverable.

8. VAT receivable

VAT	3 554 362	2 909 515

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

8. VAT receivable (continued)

Only once payment is received from debtors or payments made to suppliers the VAT is paid over to or claimed from the South African Revenue Service (SARS).

VAT is (payable)/receivable on the cash basis.

9. Investment property

	2025	2024
	Fair Value	**Fair Value**
Investment property	44 739 204	43 673 298
Total	**44 739 204**	**43 673 298**

Reconciliation of investment property - 2025

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	43 673 298	(69 600)	1 135 505	44 739 204
	43 673 298	**(69 600)**	**1 135 505**	**44 739 204**

Reconciliation of investment property - 2024

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	43 456 018		217 280	43 673 298
	43 456 018	**-**	**217 280**	**43 673 298**

Pledged as security

No investment properties has been pledged as security for liabilities.

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

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

9. Investment property (continued)

Details of valuation

The effective date of the revaluations was 30 June 2025. Revaluations were performed by West Rand Consulting (Pty) Ltd. Mr P.H. Venter was the valuer at West Rand Consulting (Pty) Ltd to perform the valuations. Mr P.H. Venter is a registered Professional Associated Valuer with the SA Council for Valuers Profession, registration number 7428, a member of the SA Institute of Valuers and has the appropriate experience in performing valuation of investment properties.

The valuation for the land portion was based on adapted comparable sales and for the improvements there-on on replacement costs.

These assumptions are based on current market conditions.

Legal ownership

.16 The right to direct access to land, and to restrict or deny the access of others to land .20 In assessing whether the rights that have been granted to an entity in a binding arrangement result in control of the land, it is important to distinguish between substantive rights and protective rights. Only substantive rights are considered in assessing whether an entity controls land.

.18 Legal ownership refers to the owner being the registered title deed holder of the land. Legal ownership also arises where the land is transferred from the legal owner to another entity or party, through legislation or similar means. For example, when a change in ownership is recorded by way of an endorsement on the existing title deed, rather than a formal transfer or change in ownership reflected on the title deed. References to legal owner or legal ownership in this Interpretation include both situations.

.19 In the absence of an entity demonstrating that it has granted the right to direct access to and restrict or deny access of others to the land to another entity, the legal owner controls the land as it retains the right to direct access to land, and to restrict or deny the access of others to land. The legal owner is thus able to demonstrate both criteria in paragraph.

.21 Substantive rights grant the entity the ability to make decisions about, and benefit from, certain rights and assets, such as how to use the land to provide services, and when to dispose of the land, to whom and at what price. For the right to be substantive, the holder of the right must have the present ability to exercise that right.

The accounting for land is based on the rights that an entity is presently able to exercise in terms of its ownership of the land or other rights granted in terms of a binding arrangement.

Derecognise

The invasion of land may be an illegal act. Although the illegal occupants may have certain rights, these rights do not supersede or eliminate the entity’s currently exercisable rights in terms of its legal ownership of the land. Land ownership means that the entity has substantive rights to direct or restrict access to the economic benefits or service associated with the land. The fact that the entity may not execute these rights because of political, socio-economic or other factors, is irrelevant in establishing whether control exists for accounting purposes. An entity would need to assess if its ownership rights are subsequently changed through another legal action, such as the outcome of a court process such as the outcome of court case, court order, etc. The illegal occupation of land may indicate that an impairment loss should be recognised. An entity should apply the principles in either GRAP 21 or GRAP 26 when these occupations occur (and throughout their duration).

Notes to the Audited Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Immovable assets						
Buildings	84 144 543	(25 787 469)	58 357 074	83 950 137	(24 580 860)	59 369 277
Community	297 539 017	(89 113 014)	208 426 003	289 766 721	(84 514 785)	205 251 936
Infrastructure	445 427 157	(152 450 279)	292 976 878	431 278 562	(151 348 371)	279 930 191
Land	1 824 099	-	1 824 099	1 824 099	-	1 824 099
Landfill site asset	50 723 453	(18 693 517)	32 029 936	52 696 483	(17 033 907)	35 662 576
Other property, plant and equipment	27 622 440	(17 252 296)	10 370 144	32 051 108	(19 882 324)	12 168 784
Total	**907 280 709**	**(303 296 575)**	**603 984 134**	**891 567 110**	**(297 360 247)**	**594 206 863**

Notes to the Audited Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Work in Progress - Additions	Work in Progress - Transfers	Transfers received	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
Buildings	59 369 277	194 407	-	-	-	-	-	(1 345 235)	-	138 625	58 357 07
Community	205 251 936	1 378 144	(18 313)	9 917 774	(3 478 261)	-	-	(6 850 946)	-	2 225 669	208 426 00
Infrastructure	279 930 191	16 900	(83 624)	14 461 903	(25 590 922)	25 590 922	-	(9 726 231)	-	8 377 739	292 976 87
Land	1 824 099	-	-	-	-	-	-	-	-	-	1 824 09
Landfill site asset	35 662 576	-	-	-	-	-	(1 973 029)	(1 659 611)	-	-	32 029 93
Other property, plant and equipment	12 168 784	2 049 115	(2 296 449)	-	-	-	-	(1 789 227)	(337 553)	575 474	10 370 14
	594 206 863	**3 638 566**	**(2 398 386)**	**24 379 677**	**(29 069 183)**	**25 590 922**	**(1 973 029)**	**(21 371 250)**	**(337 553)**	**11 317 507**	**603 984 13**

Notes to the Audited Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Work in Progress - Additions	Work in Progress - Transfers	Transfers received	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
Buildings	59 040 109	-	1 863 261	(13 712 090)	13 712 090	-	(1 543 257)	-	9 164	59 369 277
Community	213 368 666	157 800	-	-	-	-	(8 301 086)	(2 002 261)	2 028 817	205 251 936
Infrastructure	269 378 030	76 650	21 679 501	-	-	-	(11 531 903)	(25 499)	353 412	279 930 191
Land	1 824 099	-	-	-	-	-	-	-	-	1 824 099
Landfill site asset	37 930 302	-	-	-	-	(585 028)	(1 682 698)	-	-	35 662 576
Other property, plant and equipment	10 863 866	3 188 529	-	-	-	-	(1 438 645)	(537 089)	92 123	12 168 784
	592 405 072	**3 422 979**	**23 542 762**	**(13 712 090)**	**13 712 090**	**(585 028)**	**(24 497 589)**	**(2 564 849)**	**2 483 516**	**594 206 863**

Pledged as security

There are no property, plant and equipment pledged as security for overdraft facilities.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

10. Property, plant and equipment (continued)

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

Cumulative expenditure recognised in the carrying value of property, plant and equipment

Buildings	2 748 497	2 748 497
Infrastructure - Road network	10 550 346	-
Community	20 177 897	13 738 384
Infrastructure - Electricity network	67 545 732	89 225 234
Infrastructure - Water network	10 860 074	10 860 074
	111 882 546	**116 572 189**

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Total
Opening balance	102 833 806	13 738 384	116 572 190
Additions/capital expenditure	14 461 767	9 917 774	24 379 541
Transferred to repairs and maintenance	-	(3 478 260)	(3 478 260)
Transferred to completed items	(25 590 922)	-	(25 590 922)
	91 704 651	**20 177 898**	**111 882 549**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	93 003 132	13 738 384	106 741 516
Additions/capital expenditure	23 542 762	-	23 542 762
Transferred to completed items	(13 712 089)	-	(13 712 089)
	102 833 805	**13 738 384**	**116 572 189**

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

Machinery and equipment	408 967	71 002
Transport assets	106 082	845 977
Land and Buildings	106 082	1 025 249
Infrastructure	757 376	69 310
	1 378 507	**2 011 538**

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

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

11. Employee benefit obligations

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

Non-current employee benefits		
Post-Retirement Medical Aid benefits	-	-
Long-service awards benefits	2 436 199	2 381 192
	-	-
Current employee benefits		
Post-Retirement Medical Aid benefits	-	-
Long-service awards benefits	412 228	393 419
	-	-
Total employee benefits		
Post-Retirement Medical Aid benefits	-	-
Long-service awards benefits	**2 848 427**	**2 774 611**
	-	-

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

11. Employee benefit obligations (continued)

Post employment health care benefits

Total members	**-**	**-**
In-service members (Employees)	-	-

Long-service awards benefits

The municipality operates a funded defined benefit plan for all its employees. Under the plan, a Long Service Award is payable after 10 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2025 by 1 Pangaea Expertise and Solutions Pty (Ltd). The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end 30 June 2025 (2024: 92) 115 employees were eligible for Long Services Awards.

The principal assumptions used for the purposes of the actuarial valuations were as follow:

Discount rate	9,07 %	10,78 %
General Salary inflation	4,96 %	6,57 %
Net effective discount rate	3,91 %	3,95 %

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

11. Employee benefit obligations (continued)

The amounts recognised in the statement of financial position are as follow:		
Present value of unfunded obligations	2 866 426	2 774 611

Amounts recognised in the statement of financial performance

The amounts recognised in the statement of financial performance are as follow:		
Current service cost	253 614	269 528
Interest cost	277 941	200 075
Actuarial losses / (gains) recognised	-	-
Total expense included in employee related costs	**531 555**	**469 603**

Opening balance	2 774 611	2 094 161
Current service cost	253 614	269 528
Interest cost	277 941	200 075
Actual employer benefit payments	(365 823)	(358 508)
Actuarial loss/ (gain) recognised in the year	(73 917)	569 355
	2 866 426	**2 774 611**

Liability History	**2025/06/30**	**2024/06/30**	**2023/06/30**	**2022/06/30**	**2021/06/30**
Accrued Liability	(2 866 426)	(2 774 611)	(2 094 161)	-	-
Surplus / (Deficit)	**2 866 426**	**2 774 611**	**2 094 161**	**-**	**-**

The table below summarises the experience adjustments for the current and previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred:

Experience adjustment	**2025/06/30**	**2024/06/30**	**2023/06/30**	**2022/06/30**	**2021/06/30**
Liabilities: (Gain) / Loss	(73 917)	569 355	-	-	-
	73 917	**(569 355)**	**-**	**-**	**-**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

12. Payables from exchange transactions

Accrued bonus	1 531 404	1 484 352
Accrued leave pay	8 226 297	8 130 734
Other creditors - Salary accrual	3 808 878	-
Other payables	23 921 381	27 192 869
Debtors with Credit balances	5 418 141	3 935 516
Retentions	6 378 827	5 976 168
Trade payables	37 183 979	47 428 636
	86 468 907	**94 148 275**

Fair value of trade and other payables

Trade payables	86 468 907	94 148 275
	86 468 907	**94 148 275**

The fair value of trade and other payables approximates their carrying amounts. Trade and other payables are normally settled on 30-day terms in accordance with the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice / statement. Thereafter interest is charged in accordance with the credit policies of the various individual creditors.

13. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Change in provision	Finance cost	Total
Rehabilitation of landfill site	37 988 850	(1 973 029)	3 097 799	39 113 620
	37 988 850	**(1 973 029)**	**3 097 799**	**39 113 620**

Reconciliation of provisions - 2024

	Opening Balance	Change in provision	Finance cost	Total
Rehabilitation of landfill site	35 937 453	(585 028)	2 636 426	37 988 850
	35 937 453	**(585 028)**	**2 636 426**	**37 988 850**

	2025	2024
Non-current liabilities	39 113 620	37 988 851
	39 113 620	**37 988 851**

Environmental rehabilitation provision

The provision is made in terms of the municipality's licensing stipulations on the landfill waste sites.

Kagisano-Molopo Local Municipality consists of four (4) towns (Genyesa, Tosca, Morokweng & Piet Plessis). Genyesa is the central business district of Kagisano-Molopo Local Municipality. Landfill operations continue until all the available permitted airspace has been filled. Once this happens, the site close and capped with a layer of impermeable clay and a layer of the top soil. Grass and other suitable vegetation types are planted to stabilize the soil and improve the appearance. Environmental monitoring continues for a period of up to 30 years after the closure of the site. No appointment for the closure of the sites has been made, and therefore only rough estimates have been compiled without site visits with no detailed inspections or investigations. Basic information on the size and classification of each site was supplied.

13. Provisions (continued)

Key cost parametres:

The discount rate was deduced from the average of the Zero-Coupon Yield Curve (Nominal Bond) over the entire durations applicable in the future. The annualised long term discount rate at 30 June 2025 was 11.16% p.a. The consumer price inflation of 3.00% p.a. was obtained from the differential between the averages of the Nominal Bond Yield Curve and the Real Bond Yield Curve (Zero Yield Curves).

Consumer price inflation (C) 3.00% (2024: 5.10%)

Discount rate (D) 11.16% (2024: 12.40%)

Net discount rate 7.92% (2024: 6.94%)

	Opening balance	Change inprovision	Utilised during the year	Finance cost	Total
Piet Plessis	10 480 348	(382 257)	-	868 559	10 966 649
Tosca	9 399 453	(877 183)	-	733 019	9 255 288
Morokweng	10 102 237	(399 720)	-	834 534	10 537 050
Genyesa	8 006 811	(313 867)	-	661 687	8 354 631
	37 988 850	(1 973 029)	-	3 097 799	39 113 620

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2025	2024
Unspent conditional grants and receipts		
Department of Sports, Arts and Culture Library Grant	187 980	-
Financial Management Grant	-	600 000
Municipal Infrastructure Grant	-	6 368 980
Local Government SETA grant	96 775	-
	284 755	**6 968 980**

Movement during the year

	2025	2024
Balance at the beginning of the year	6 968 980	4 781 837
Additions during the year	35 983 787	38 375 762
Income recognition during the year	(35 699 032)	(31 406 782)
Transferred to Equitable share withheld	(6 968 980)	(4 781 837)
	284 755	**6 968 980**

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.

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

See reconciliation of grants from National/Provincial Government note 21 and for public contributions note

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

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

15. Interest income (Exchange transactions)

Interest income		
Bank accounts	279 779	1 087 483
Interest received - call account investments	476 236	230 316
	756 015	**1 317 799**

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R 9 802 549.23 (2024: R 8 973 494.34).

16. Operational revenue

Clearance certificates	418 324	22 015
Insurance claims received	324 840	205 276
Tender documents	147 305	129 565
	890 469	**356 856**

The amounts disclosed above for Operational revenue are in respect of services rendered, other than described in note: 17 and 18 which are billed to or paid for by the users of the services as required according to approved tariffs.

17. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	1 242 635	1 165 900
Hiring of halls and sports facilities	80 641	115 478
	1 323 276	**1 281 378**
	1 323 276	**1 281 378**

18. Service charges

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

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

19. Property rates

Rates received

Residential	238 451	239 847
Commercial	192 308	192 308
State	9 665 707	9 665 707
Municipal	153 038	153 038
Small holdings and farms	18 401 503	15 706 246
Property rates 1	722	722
Property rates 2	18 468	-
Property rates 4	16 748	16 748
Less: Income forgone	(15 185 502)	(15 169 357)
	13 501 443	**10 805 259**

Valuations

Residential	33 709 000	33 709 000
State	4 005 242 000	4 005 242 000
Commercial properties	9 990 000	9 990 000
Municipal	113 468 000	113 468 000
Small holdings and farms	6 387 525 000	6 387 525 000
Public benefit organisations	4 815 000	4 815 000
Public service infrastructure	414 000	414 000
Vacant land	1 820 000	1 820 000
	10 556 983 000	**10 556 983 000**

Assessment Rates are levied on the value of land and improvements, which valuation is performed every five years. Interim valuations are processed on an annual basis to consider any changes in individual property values, due to amendments. 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.

Municipal valuation threshold value

On qualifying residential properties, property owners will receive a rebate up to a maximum value of R120 000, which amount includes a value of R15 000 as per Section 17(1)(h) of the Local Government: All residential property with a market value of less than the amount as annually determined by the Municipality, are exempted from paying property rates. The maximum amount is determined as R20 000.The impermissible rates of R15 000 contemplated in terms of Section 17(1)(h) of the Act and the R5 000 is a council reduction. The remaining R100 000 is aimed primarily at alleviating poverty and forms an important part of the Municipality's Indigent Policy.

Other rebates

Taking into account the effects of rates on PBO's performing a specific public benefit activity and if registered in terms of the Income Tax Act, 1962 (No. 58 of 1962) for tax reduction because of those activities, Public Benefit Organisations may apply for the exemption of property rates. Any other exclusions or exemptions have been granted in accordance with the Local Government: Municipal Property Rates Act, No. 6, 2004.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

20. Interest income (Non-exchange transactions)

21. Government grants and subsidies

Operating grants		
Equitable share	161 139 980	150 897 837
Financial management grant	3 000 000	2 400 000
Extended Public Works Programme	2 036 000	1 321 000
Local Government SETA grant	34 013	137 762
Department of Sports, Arts and Culture Library Grant	827 020	971 000
	167 037 013	**155 727 599**
Capital grants		
Municipal Infrastructure Grant	25 802 000	26 577 020
Energy Efficiency and Demand Grant	4 000 000	-
	29 802 000	**26 577 020**
	196 839 013	**182 304 619**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Equitable Share

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

Conditions still to be met - remain liabilities see note 14

Municipal Infrastructure Grant

Balance unspent at beginning of year	6 368 980	4 781 837
Current-year receipts	25 802 000	32 946 000
Conditions met - transferred to revenue	(25 802 000)	(26 577 020)
Intergrated National Electrification Programme Grant Rollover of 2022/23 denied witheld from Equitable share in 2023/24	(6 368 980)	(4 781 837)
	-	**6 368 980**

Conditions still to be met - remain liabilities see note 14

Financial Management Grant

Balance unspent at beginning of year	600 000	-
Current-year receipts	3 000 000	3 000 000
Conditions met - transferred to revenue	(3 000 000)	(2 400 000)
Local Government Finacial Management Grant Rollover of 2021/22 denied witheld from Equitable share in 2022/23	(600 000)	-
	-	**600 000**

Expanded Public Works Programme Integrated Grant

Current-year receipts	2 036 000	1 321 000

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

21. Government grants and subsidies (continued)

Conditions met - transferred to revenue	(2 036 000)	(1 321 000)
	-	-

Local Government SETA grant

Current-year receipts	130 787	137 762
Conditions met - transferred to revenue	(33 021)	(137 762)
	97 766	**-**

Department of Sports, Arts and Culture Library Grant

Current-year receipts	1 015 000	971 000
Conditions met - transferred to revenue	(827 020)	(971 000)
	187 980	**-**

Energy Efficiency

Current-year receipts	4 000 000	-

Conditions still to be met - remain liabilities see note 14

22. Contracted services

Presented previously		
Information Technology Services	4 370 833	4 059 000
Security Services	9 059 386	25 539 939
Operating Leases	516 844	5 742 797
Specialist Services	1 428 117	1 032 374
Outsourced Services		
Administrative and Support Staff	1 104 308	1 050 725
Catering Services	17 920	-
Sewerage Services	-	44 500
Consultants and Professional Services		
Business and Advisory	15 375 994	12 634 803
Legal Cost	3 340 050	5 736 941
Contractors		
Building	-	2 990 134
Maintenance of Buildings and Facilities	3 716 765	263 610
	38 930 217	**59 094 823**

23. Debt impairment

Contributions to debt impairment provision	(574 724)	88 719 203
	(574 724)	**88 719 203**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

24. Depreciation and amortisation

Property, plant and equipment	21 371 250	24 497 589

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

25. Employee related cost

Basic salaries and wages	45 186 780	42 242 390
Bonus	2 852 980	2 560 421
Housing allowances	1 506 780	1 232 851
Long-service awards	410 004	1 038 958
Company contributions	9 285 425	8 195 172
Overtime payments	405 000	-
Other employee related costs	806 827	307 199
Travel, motor car, accommodation, subsistence and other allowances	1 460 705	1 817 163
Total for municipal staff	**61 914 501**	**57 394 154**
Total Employee related cost	**-**	**-**

Senior management costs breakdown

Remuneration of Municipal Manager

Basic Salary	1 491 131	1 080 607
Other Allowance	-	8 000
Car Allowance	-	140 000
Contribution to pension fund, UIF, SDL	17 156	2 292
Acting allowances	355 347	19 967
	1 863 634	**1 250 866**

Included in above summary of Employee Related Costs. 2024/25 Kagiso Ephraim Morapedi was appointed as Acting MM from 27 March 2024 until 30 July 2024.Bakang Godfrey Selebogo was appointed as Acting MM from 31 July 2024 until 31 October 2024.Kgatlhane Dimpho Confidence was appointed as Acting MM from 13 December2024 -until March 2025

Remuneration of Chief Finance Officer

Basic Salary	353 998	1 203 756
Other employee costs	200 390	9 600
Contribution to pension fund, UIF, SDL	102 429	2 262
Acting Allowance	100 411	-
	757 228	**1 215 618**

Ms KJ Sekgome started acting in this role from 01 October 2024 to date

Remuneration of Director Community Services

Basic Salary	972 602	986 784
Car allowance	268 958	316 623
Contribution to pension fund, UIF, SDL	267 983	2 125
	1 509 543	**1 305 532**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

25. Employee related cost (continued)

Remuneration of Director Corporate Services

Acting Allowance	192 164	116 306
	192 164	**116 306**

Mrs DC Kgatlhane has been acting on the role for the the period 1 July 2024 to 30 June 2025

Remuneration of the Director LED

Acting allowance	138 256	90 051
	138 256	**90 051**

Included in above summary of Employee Related Costs.- Mr C Mahusi, was appointed as acting director for a period of 6 months from 02 Jul 2024 until 30 December 2024- Mr DE Marumo was appointed as acting director from 01 Jan 2025 until 30 June 2025

Remuneration of the Director planning and development

Basic Salary	-	944 042
Car allowance	-	269 966
Contribution to pension fund, UIF, SDL	-	2 262
Acting Allowance	138 256	-
	138 256	**1 216 270**

Remuneration of the infrastructure development director

Basic Salary	-	380 814
Other employee costs	-	77 776
Contribution to pension fund, UIF, SDL	-	886
Acting Allowance	138 256	42 444
	138 256	**501 920**

Included in above summary of Employee Related Costs.Mr KW Motshwane was appointed as acting director for period of 12 months

Shareholders unit

26. Finance costs

Provisions (Landfill sites)	3 097 799	2 636 426
Interest on Overdue Accounts	1 043 209	544 633
	4 141 008	**3 181 059**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

27. General expenses

Advertising	659 180	604 135
Assets expensed	69 700	284 323
Auditors remuneration	4 567 100	3 827 891
Bank charges	154 798	124 980
Mayarol IDP & Budget Consultation	1 077 784	1 006 120
Community development and training	1 645 748	1 064 954
Computer expenses	2 833 788	2 717 089
Conferences and seminars	31 100	-
Consulting and professional fees	-	26 500
Entertainment	26 500	33 270
Other Expenses	1 462 414	3 795 695
Expanded Public Works Programme	6 720 336	7 240 818
Travel and subsistence _ councillors	1 225 272	3 522 100
Pauper Burials	283 595	363 360
Expense 8	640 321	619 702
Grade 12 Excellency awards	151 500	339 970
Flowers	139 162	34 200
Fuel and oil	1 471 661	1 269 765
Hire	-	62 000
Ward Participation Programme	1 861 725	2 939 284
Employee Wellness	120 401	989 415
Insurance	3 136 556	2 728 889
Mayoral Outreach Programmes	14 900	48 900
Membership Fees - SALGA	747 561	762 072
Vehicle expenses - Licenses	57 079	45 144
Municipal Services - Electricity	5 157 235	14 773 318
Printing and stationery	2 287 085	2 426 875
Promotions	62 196	264 626
Protective clothing	-	49 600
Refreshment and Meals	602 859	781 836
Telephone and fax	1 346 939	1 140 162
Subsistence and Travelling	2 565 836	6 282 239
Training	33 022	479 703
Public Participation Programmes	517 800	1 562 649
Competency Assessments	-	22 842
	41 671 153	**62 234 426**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

28. Remuneration of councillors

Mayor	523 551	954 073
Executive committee	4 704 303	4 246 874
Speaker	801 838	765 283
Councillors	8 052 145	8 026 339
	14 081 837	**13 992 569**

Mayor

Councillor remuneration	501 951	906 340
Telephone allowance	21 600	47 733
	523 551	**954 073**

Executive committee

Councillor remuneration	4 445 103	3 984 074
Telephone allowance	259 200	262 800
	4 704 303	**4 246 874**

Speaker

Councillor remuneration	758 638	719 683
Telephone allowance	43 200	45 600
	801 838	**765 283**

Councillors

Councillor remuneration	7 134 145	7 041 334
Telephone allowance	918 000	985 005
	8 052 145	**8 026 339**

Councillors' pension contribution

Ward committees

In-kind benefits

The Mayor and Speaker are full-time councillors. Each is provided with an office and secretarial support at the cost of the Council.

Figures in Rand	2025	2024

28. Remuneration of councillors (continued)

Additional information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

Refer to note 35 for details breakdown of remuneration of councillors under the related parties note.

29. Reversal of impairments/(Impairment loss)

	2025	2024
Impairments		
Property, plant and equipment	(345 297)	(2 564 849)
An impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation. Infrastructure assets - GRAP 26.(23) states: In assessing whether there is anyindication that an asset may be impaired, an entity shall consider, as a minimum, the following indications: (g) - Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected. Due to significant budget constraints, the municipality could not maintain the maintenance plan as required for the infrastructure assets. This lead to the value in use being lower than the economic value of the assets. Assets were therefore impaired to a condition grade lower based on physical assessment of these assets. Land - IGRAP 18 indicates that land is recognised based on control. Control of land is evidenced by the following criteria: (a) legal ownership; and/or (b) the right to direct access to land, and to restrict or deny the access of others to land. During the prior year it was identified that control over land has been lost. The most significant part of this was rural development for housing. As the land was not yet transferred to the legal new owners name, the land was impaired.		
	(345 297)	**(2 564 849)**
Reversal of impairments		
Property, plant and equipment	11 325 254	2 483 517
Repairs and additions to the network assets resulted in previous conditions of assets to improve, thus a reversal of impairments.		
Total impairment losses reversed / (recognised)	**10 979 957**	**(81 332)**

The main classes of assets affected by impairment losses are:

Buildings
Community
Infrastructure - Electrical network
Infrastructure - Roads network
Infrastructure - Wastewater network
Infrastructure - Road network
Infrastructure - Water network
Infrastructure - Electricity network
Computer equipment
Furniture and fixtures
Plant and machinery
The main classes of assets affected by reversals of impairment losses are:
Motor vehicles

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

29. Reversal of impairments/(Impairment loss) (continued)

The main events and circumstances that led to the recognition of these impairment losses are as follows:

Physical verification of movable and immovable assets was performed during the financial year, each assets condition was assessed and was graded accordingly. Should the asset be found to be in a very poor condition and not able to fulfill its service potential the asset was then impaired accordingly. Details of the verification condition assesments are recorded in the fixed asset register.

30. Fair value adjustments

Investment property	1 065 906	217 280
	1 065 906	**217 280**

31. Auditors' remuneration

Fees	4 567 100	3 827 891
	4 567 100	**3 827 891**

32. Net cash flow generated from operating activities

Surplus/(deficit)	24 058 786	(87 600 340)
Adjustments for:		
Depreciation and amortisation	21 371 250	24 497 589
Gain on sale of assets and liabilities	2 398 386	-
Fair value adjustments	(1 065 906)	(217 280)
Impairment	(10 979 957)	81 332
Debt impairment	(574 724)	88 719 203
Bad debts written off	37 947 735	-
Movements in retirement benefit assets and liabilities	73 816	680 440
Movements in provisions	1 124 769	503 961
Fair value adjustment	1 065 906	217 380
Adjustment for unspent conditional grants	6 436 225	-
Changes in working capital:		
Receivables from exchange transactions	600 792	-
Debt immpairment	(37 373 011)	10 013 534
Other receivables from non-exchange transactions	(674 169)	-
Payables from exchange transactions	(9 799 805)	(4 988 223)
Unspent conditional grants and receipts	(6 684 225)	(6 684 225)
	27 925 868	**25 223 371**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

33. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	58 940 232	8 267 142
	58 940 232	**8 267 142**

Total capital commitments		
Already contracted for but not provided for	58 940 232	8 267 142
	58 940 232	**8 267 142**

Total commitments

Total commitments		
Authorised capital expenditure	58 940 232	8 267 142

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc. This commitments are also presented inclusive of VAT.

Refer to note for prior period corrections made to commitments.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

34. Contingencies

Contingent Assets

Below is a list of possible asset claims where the outcome was unknown at 30 June 2025 with the maximum unforeseen asset for the Municipality:

Kwane Capital (Pty) Ltd	5 000 000	5 000 000
Exodec 286 CC	11 588 801	-
	16 588 801	**5 000 000**

Kwane Capital (Pty) Ltd (Pending)
A letter of demand was submitted to Kwane Capital (Pty) Ltd ("Kwane") on the 9th ofAugust 2017 affording them 30 days to deliver the outstanding items no response wasreceived; instructions were given to Counsel on the 21st of September 2017 to draftparticulars of claim with a view to instituting legal proceedings.
Exodec 286 CC (Pending)
Exodec 286 CC was appointed on Bid KMLM2020-017 for the implementation of the Brickmaking Project and monitoring of beneficiaries for the period 31 August 2021 to 31 August 2023, at a total contract value of R6 210 000 (VAT inclusive). The Municipality effected full payment to the contractor by 31 August 2023.Exodec 286 CC issued summons against the Municipality alleging breach of contract and claiming an amount of R5 081 35. The Municipality is defending the matter and has filed a Plea and Discovery documents. The Municipality contends that Exodec submitted irregular invoices and was mistakenly overpaid a total amount of R11 588 801.85, and is seeking recovery of this overpayment.

Contingent Liabilities

Contingent liabilities represent potential obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the municipality. . Below are possible liability claims against the municipality

Exodec 286 CC	5 081 087	-

Exodec 286 CC was appointed on Bid KMLM2020-017 for the implementation of the Brickmaking Project and monitoring of beneficiaries for the period 31 August 2021 to 31 August 2023, at a total contract value of R6 210 000 (VAT inclusive). The Municipality effected full payment to the contractor by 31 August 2023.
Exodec 286 CC issued summons against the Municipality alleging breach of contract and claiming an amount of R5 081 35. The Municipality is defending the matter and has filed a Plea and Discovery documents. The Municipality contends that Exodec submitted irregular invoices and was mistakenly overpaid a total amount of R11 588 801.85, and is seeking recovery of this overpayment.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

35. Related parties

None of the members of the municipality's management have significant influence over the financial or operating policies of the municipality. No business transactions took place between the municipality and key management personnel and their close family members, unless specifically disclosed. All members of the municipality's management and their close family members receive and pay for services on the same terms and conditions as other ratepayers and residents. All transactions are at arm's length and no bad debt expenses have been recognised in respect of amounts owed by related parties.

Additional text

Additional text

Loans granted to related parties

In terms of the MFMA, the municipality may not grant loans to its councillors, management, staff and public with effect from 01 July 2004.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

35. Related parties (continued)

Remuneration of Councillors and Management

Management class: Councillors

2025

Name	Councillor allowance	Allowances	Contributions to UIF,Medical and Pension Funds	Total
Mayor	-	-	-	-
Ms T Marabutse	501 951	21 600	-	523 551
Speaker	-	-	-	-
Mr OP Moirwagale	758 638	43 200	-	801 838
Cllr. A.B. Surname 2	-		-	-
Executive committee members	-	-	-	-
Mr PV Baikgaki	740 850	43 200	-	784 050
Ms TE Chweneemang	740 850	43 200	-	784 050
Mr KS Moreki	740 850	43 200	-	784 050
Mr K Mothwane	740 850	43 200	-	784 050
Ms KP Maikeco	740 850	43 200	-	784 050
Ms PM Mereyabone	740 850	43 200	-	784 050
Councillors	-	-	-	-
Mr MM Diphikwe	76 873	10 800	-	87 673
Mrs JM Grobbelaar	322 624	43 200	-	365 824
Mr TB Golelelwang	336 732	43 200	-	379 932
Ms KM Kumile	336 732	43 200	-	379 932
Mr KM Lekgotle	336 732	43 200	-	379 932
Mr NJD Muller	336 732	43 200	-	379 932
Ms KN Sekopecwe	336 732	43 200	-	379 932
Ms Y Maano	336 732	43 200	-	379 932
Ms I Molaolwa	336 732	43 200	-	379 932
Mr PD Moncwe	336 732	43 200	-	379 932
Mr MM Mokgothu	336 732	43 200	-	379 932
Mr MS Mosarwa	336 732	43 200	-	379 932
Ms KA Moitlhwe	336 732	43 200	-	379 932
Mrs GK Nthebotsenyane	336 732	43 200	-	379 932
Ms KG Ogaseng	336 732	43 200	-	379 932
Mr PS Petrus	336 732	43 200	-	379 932
Mr TS Phokoje	336 732	43 200	-	379 932
Mr OM Serame	336 732	43 200	-	379 932
Mr T.V Shepherd	336 732	43 200	-	379 932
Mr TJ Thetswe	336 732	43 200	-	379 932
Mr LA Theko	336 732	43 200	-	379 932
Ms SV Thomas	336 732	43 200	-	379 932
MS BB Makwati	-	-	-	-
MR MS Tong	-	-	-	-
Cllr. A.B. Surname 25	-	-	-	-
Cllr. A.B. Surname 26	-	-	-	-
Cllr. A.B. Surname 27	-	-	-	-
Cllr. A.B. Surname 28	-	-	-	-
Cllr. A.B. Surname 29	-	-	-	-
	12 839 826	**1 198 800**	**-**	**14 081 826**

2024

	-	-	-	-
Name	-	-	-	-
Mayor	-	-	-	-

Notes to the Audited Annual Financial Statements

Figures in Rand			2025	2024

35. Related parties (continued)

Ms T Marabutse	906 339	47 733	-	954 072
Speaker	-	-	-	-
Mr OP Moirwagale	719 683	45 600	-	765 283
Cllr. A.B. Surname 2	-	-	-	-
Executive committee members	-	-	-	-
Mr PV Baikgaki	715 557	45 600	-	761 157
Ms TE Chweneemang	715 557	45 600	-	761 157
Mr KS Moreki	406 287	34 800	-	441 087
Mr K Mothwane	715 557	45 600	-	761 157
Ms KP Maikeco	715 557	45 600	-	761 157
Ms PM Mereyabone	715 557	45 600	-	761 157
Councillors	-	-	-	-
Mr MM Diphikwe	301 929	43 923	-	345 852
Mrs JM Grobbelaar	301 929	43 923	-	345 852
Mr TB Golelelwang	301 929	43 923	-	345 852
Ms KM Kumile	301 929	43 923	-	345 852
Mr KM Lekgotle	301 929	43 923	-	345 852
Mr NJD Muller	301 929	43 923	-	345 852
Ms KN Sekopecwe	301 929	43 923	-	345 852
Ms Y Maano	301 929	43 923	-	345 852
Ms I Molaolwa	301 929	43 923	-	345 852
Mr PD Moncwe	301 929	43 923	-	345 852
Mr MM Mokgothu	301 929	43 923	-	345 852
Mr MS Mosarwa	701 180	43 923	-	745 103
Ms KA Moitlhwe	301 929	43 923	-	345 852
Mrs GK Nthebotsenyane	385 717	43 923	-	429 640
Ms KG Ogaseng	301 929	43 923	-	345 852
Mr PS Petrus	301 929	43 923	-	345 852
Mr TS Phokoje	222 419	43 923	-	266 342
Mr OM Serame	301 929	43 923	-	345 852
Mr T.V Shepherd	301 929	43 923	-	345 852
Mr TJ Thetswe	301 929	43 923	-	345 852
Mr LA Theko	301 929	40 551	-	342 480
Ms SV Thomas	297 294	43 923	-	341 217
Cllr. A.B. Surname 23	-	1 200	-	1 200
Cllr. A.B. Surname 24	-	20 870	-	20 870
Cllr. A.B. Surname 25	-	-	-	-
Cllr. A.B. Surname 26	-	-	-	-
Cllr. A.B. Surname 27	-	-	-	-
	12 651 426	**1 341 137**	**-**	**13 992 563**

Refer to note 28 for remuneration of councillors.

Management class: Senior Managers	Basic salary	Travel, motor car, accommodation, subsistance and other allowances	Acting Allowance	Employee related costs - Contributions to UIF, Pensions and	Other employee related costs	Total
	-	-	-	-	-	-
2025	-	-	-	-	-	-
Management class: Senior Managers	-	-	-	-	-	-
Name	-	-	-	-	-	-
Mr EA Gaborone	1 491 131	-	46 821	17 156	-	1 555 109
Mr RW Ferris	353 998	-	100 411	102 429	200 000	757 230
Mr KG Morapedi	-	-	37 531	-	-	37 531
Mr G Selebogo	972 602	268 958	71 877	267 983	-	1 581 421

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

35. Related parties (continued)

Mr KW Motshwane	-	-	138 256	-	-	138 256
Mr L Bogodile	-	-	138 256	-	-	138 256
MR D Marumo	-	-	62 756	-	-	62 756
Mr C Mahusi	-	-	75 499	-	-	75 499
Kgatlhane Dimpho Confidence	-	-	192 164	-	-	192 164
	2 817 731	**268 958**	**863 571**	**387 568**	**200 000**	**4 538 222**

	Basic salary	Travel, motor car, accommodatio n, subsistance and other allowances	Acting Allowance	Employee related costs - Contributions to UIF, Pensions and	Other employee related costs	Total
	-	-	-	-	-	-
2024	-	-	-	-	-	-
	-	-	-	-	-	-
Name	-	-	-	-	-	-
Mr EA Gaborone	933 931	-	-	1 584	8 000	943 515
Mr RW Ferris	1 203 756	-	-	2 262	9 600	1 215 618
Mr KG Morapedi	965 719	269 966	19 968	2 262	-	1 257 915
Mr G Selebogo	986 784	316 624	-	2 125	77 776	1 305 533
Mr SJ Mpela	380 815	-	-	886	-	459 477
Mr G Molale	-	-	116 306	-	-	116 306
Mr KW Motshwane	-	-	42 444	-	-	42 444
Mr C Mahusi	-	-	90 052	-	-	90 052
Mr EA Motsemme	146 676	140 000	-	708	-	287 384
	4 617 681	**726 590**	**268 770**	**9 827**	**95 376**	**5 718 244**

Refer to note 25 for employee related costs.

Included in the acting allowances for 2025 is an amounr of R 100 411 that relates to the current acting CFO (k. Sekgome) and amount of R48 821 that relates to the currrent actingf MM (O Ntsimane)

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

36. Prior-year adjustments

Presented below are those items contained in the statement of financial position and statement of financial performance at that have been affected by prior-year adjustments:

Statement of financial position

2023

	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Assets						
Current Assets						
Receivables from exchange transactions		1 452 317	22 366	-	-	1 474 683
Receivables from non-exchange transactions		71 185 218	2 966 993	-	-	74 152 211
VAT receivable		7 642 248	4 736 119	-	-	12 378 367
Cash and cash equivalents		-	-	-	-	-
Non-current Assets						
Investment property		43 268 226	187 792	-	-	43 456 018
Property, plant and equipment		522 591 168	68 960 563	-	-	591 551 731
Total Assets		646 139 177	76 873 833	-	-	723 013 010
Liabilities						
Current Liabilities						
Payables from exchange transactions		44 266 825	11 078 466	-	-	55 345 291
Employee benefit obligation - CL		-	165 913	-	-	165 913
Provisions - Current		165 913	(165 913)	-	-	-
Non-current Liabilities						
Employee benefit obligation - NCL		-	1 928 247	-	-	1 928 247
Provisions - NCL		25 193 641	10 743 811	-	-	35 937 452
Total Liabilities		69 626 379	23 750 524	-	-	93 376 903
Total Net Assets		576 512 798	625 814 046	-	-	1 202 326 844
Accumulated surplus		576 512 798	589 659 894	-	-	1 166 172 692

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

36. Prior-year adjustments (continued)

2024

	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Assets						
Current Assets						
Receivables from exchange transactions		1 171 745	(444 192)	-	-	727 553
Receivables from non-exchange transactions		96 067 185	(90 794 696)	-	-	5 272 489
VAT receivable		1 056 215	(1 056 215)	-	-	-
Cash and cash equivalents		60 095	(25)	-	-	60 070
Non-current Assets						
Property, plant and equipment		593 588 305	618 555	-	-	594 206 860
Total Assets		**691 943 545**	**(91 676 573)**	**-**	**-**	**600 266 972**
Liabilities						
Current Liabilities						
Payables from exchange transactions		81 557 216	12 591 057	-	-	94 148 273
Debtors with credit balances		29 758 397	(29 758 397)	-	-	-
Non-current Liabilities						
Employee benefit obligation - NCL		-	-	-	-	-
Provisions - NCL		-		-	-	-
Total Liabilities		**111 315 613**	**(17 147 901)**	**-**	**-**	**94 167 712**
Total Net Assets		**580 627 932**	**37 858 859**	**-**	**-**	**618 486 791**
Accumulated surplus		580 627 932	37 858 859	-	-	618 486 791

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

36. Prior-year adjustments (continued)

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Rental of facilities and equipment		1 484 007	(202 628)	-	-	1 281 379
Operational revenue		-	-	-	-	-
Interest income		4 348 447	(3 245 629)	-	-	1 102 818
		5 832 454	**(3 448 257)**	**-**	**-**	**2 384 197**
Property rates		10 464 818	340 439	-	-	10 805 257
		-	**10 805 257**	**-**	**-**	**10 805 257**
Total Revenue		16 297 272	(37 683 560)	-	-	(21 386 288)
Employee related costs		(57 560 781)	166 626	-	-	(57 394 155)
Remuneration of councillors		-	-	-	-	-
Depreciation and amortisation		(24 369 409)	(128 179)	-	-	(24 497 588)
Finance costs		-	-	-	-	-
Debt Impairment		-	-	-	-	-
Contracted services		(59 101 974)	7 150	-	-	(59 094 824)
General Expenses		(63 071 168)	836 742	-	-	(62 234 426)
		-	-	-	-	-
Operating Surplus/ (Deficit)		(187 806 060)	(36 801 221)	-	-	(224 607 281)
Fair value adjustments		-	217 280	-	-	217 280
Reversal of impairments (Impairment loss)		25 270	(106 602)	-	-	(81 332)
		-	-	-	-	-

Errors

The following prior period errors were identified and corrected during the year:

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

36. Prior-year adjustments (continued)

Property, plant and equipment:

Assets was reclassified to the correct categories, Correction of Work in process to transferred to completed assets. Landfill site assets deprecation corrected to be in line with IGRAP 2 and GRAP 17.

Affected line items	
Property, plant and equipment	618 555
Accumulated surplus (deficit)	(618 555)

Interest received - exchange transactions

A high percentage of interest related to debtors that were impaired due to various reasons which include but not limited to prescription act and Archives act

Affected line items	
Receivables from exchange transactions	3 245 629
Interest income	(3 245 629)

Payables from exchange transactions:

Correction of prior year accruals was done as it impact the current year opening balances of Payables from exchange transactions, all calculation and statements were obtained and creditors were accurately accounted for. Where differences was identified an adjustment was processed in the prior year.

Affected line items	
Payables from exchange transactions	(12 190 431)
Debtors with credit balances	13 770 145
General Expenses- Electricity	(1 579 713)
	5

Employee related costs:

Correct allocation of employee related costed within general expenses.

Affected line items	
General Expenses	166 626
Employee costs	(166 626)
	-

Debtors with credit balances

Debtors with credit balances were assessed and the amount reduced drastically due to the evaluation and write off suggested. The net effect was therefore couples with trade payables

Debtors with credit balances were assessed and the amount reduced drastically due to the evaluation and write off suggested. The net effect was therefore couples with trade payables

Other payables	3 782 307
Accumulated surplus	12 063 860
Unallocated deposits	13 769 754
Receivables from non exchange transactions	142 473
Debtors with credit balances	(29 758 397)
	4

VAT Receivable

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

36. Prior-year adjustments (continued)

VAT receivable was mapped to receivables due to MSCOA vote misalignments with the reporting system. The nature of the re-statement does not warrant a write off or significant change in the receivable amount but rather a classification misalignment

Affected line items	
Vat receivable	(1 056 215)
Receivables from non- exchange transactions	1 056 215

Receivables from exchange transactions

Affected line items	
Rental debtors	9 755 709
Other receivables	521 084
Allowance for impairment	(10 276 793)

Property rates

Property rates were re-stated in line with the general valuation roll and Market values of properties

Affected line items	
Property rates	(340 329)
Receivables from non exchange transactions- Billing	340 329
	-

Rental of facilities and equipment

Rental of facilities and equipment were re-stated to account for accounts that were overbilled and accounts that have been terminated in order to align the billing to our records

Affected line items	
Rental of facilities and equipment	202 628
Receivables from exchange transactions	(202 628)
	-

Depreciation and amortisation

Depreciation was restated to correct prior period errors relating to the useful lives and residual values of assets, as well as to align with updated asset registers in compliance with GRAP 17.

Affected line items	
Depreciation and amortisation	128 179
Property, Plant and Equipment	(128 179)
	-

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

36. Prior-year adjustments (continued)

		-
		-

General expenses were restated to correct prior year misclassifications where certain operating costs were either incorrectly capitalised or allocated to other expenditure categories, ensuring compliance with GRAP presentation requirements.

Receivables from exchange transactions		-
Rental debtors was mapped to receivables due to MSCOA vote misalignments with the reporting system. The nature of the re-statement does not warrant a write off or significant change in the receivable amount but rather a classification misalignment		-
		-

37. Risk management

Financial risk management

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

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

The Treasury function reports periodically to the municipality's finance committee, that monitors risks and policies implemented to mitigate risk exposures.

Liquidity risk

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

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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

At 30 June 2025	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	86 468 909	-	-	-

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	94 148 273	-	-	-

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

37. Risk management (continued)

Credit risk

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

Potential concentrations of credit rate risk consist mainly of investments, loans and receivables, trade receivables, other receivables, short-term investment deposits and cash and cash equivalents.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction/ exposure limits, which are included in the municipality's Investment Policy.

Trade receivables comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these customers. Trade receivables are presented net of an allowance for impairment and where appropriate, credit limits are adjusted.

Credit risk pertaining to trade and other receivables 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 customers whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Non-current Receivables and Other Receivables are collectively evaluated annually at reporting date for impairment or discounting. A report on the various categories of customers is drafted to substantiate such evaluation and subsequent impairment / discount, where applicable.

The municipality only deposits with major banks with high quality credit standing.

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

Financial instrument	2025	2024
Receivables from exchange transactions	126 760	727 552
Bank balances	37 291	60 069

The method for determining the credit quality of the different financial instruments is disclosed in their individual notes.

Consumer deposits and guarantees held in lieu of service accounts are disclosed in note .

Market risk

Interest rate risk

The municipality is exposed to interest rate risk due to the movements in long-term and short term interest rates.

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

The municipality's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings and finance leases are therefore usually at fixed rates.

This risk is managed on an ongoing basis.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

37. Risk management (continued)

Price risk

The effect of any price risk in the foreseeable future is regarded as minimal given the fact that amounts receivable from the municipality's customers are levied in terms of the relevant statutes. It is not anticipated that given the nature of the municipality's business that changes in market prices will have a material impact on the trading results of the municipality.

There has been no change, since the previous financial year, to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

38. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus/(deficit) of R 526 118 338 and that the municipality's current liabilities exceed its current assets by R -81 055 182

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.

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

1. Suppliers are not paid within the legislative 30 days.

2. The provisions for rehabilitation of landfill sites and employee benefit provisions are not cash backed.

3. Slow collection and low recoverability of outstanding consumer accounts.

4. Unfavourable financial ratios.

Even though the above uncertainties exist regarding the municipality's ability to continue as a going concern, theannual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

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

Furthermore the municipality has embarked on implementing strategies which will strengthen its ability to continue as a going concern. The most significant of these is that the municipality is currently implementing a system to enhance revenue collection and cash flow by improving on the debt recoverability.

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

39. Events after the reporting date

The municipality have not identified any material category of non-adjusting events after the reporting date.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

40. Unauthorised, Irregular and Fruitless and Wasteful Expenditure

Unauthorised expenditure	465 234 340	421 222 273
Irregular expenditure	1 177 610 084	1 131 750 185
Fruitless and wasteful expenditure	9 426 702	7 434 867
Closing balance	**1 652 271 126**	**1 560 407 325**

Additional Narratives

Based of the above, no disciplinary steps or criminal proceedings were taken during the reporting period under review

41. Unauthorised expenditure

Opening balance as previously reported	421 222 273	382 427 526
Add: Unauthorised expenditure - current	44 012 067	38 794 747
Closing balance	**465 234 340**	**421 222 273**

Unauthorised expenditure is disclosed exclusive of VAT.

Non-cash	20 914 944	-
Cash	23 097 123	-
	44 012 067	**-**

Unauthorised expenditure: Budget overspending – per municipal department:

Governance and administration	21 740 911	-
Community service	6 242 076	-
Planning and development	16 029 079	-
	44 012 066	**-**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

42. Fruitless and wasteful expenditure

Opening balance as previously reported	7 434 867	3 484 775
Add: Fruitless and wasteful expenditure identified - current	1 991 834	3 950 092
Closing balance	**9 426 701**	**7 434 867**

Fruitless and wasteful expenditure is presented inclusive of VAT

Details of fruitless and wasteful expenditure

Interest on Eskom overdue accounts	353 344	263 780
Interest on SARS late payments	681 188	272 753
Interest on Telkom overdue accounts	17 073	15 127
Payment of biometrics	940 226	3 398 431
	1 991 831	**3 950 091**

No write off's of amounts were proposed to council or approved by council for the prior period under review.

Amount recovered

Investigations will be conducted in the following financial reporting period to determine whether any amounts are recoverable or not.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

43. Irregular expenditure

Opening balance as previously reported	1 131 750 185	1 022 367 434
Add: Irregular Expenditure - current	42 935 087	96 727 595
Add: Irregular Expenditure - prior period	2 924 811	12 655 156
Closing balance	**1 177 610 083**	**1 131 750 185**

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

Three written quotations not invited	-	605 743
Declaration of interest not submitted	159 300	1 815 909
Tax clearances not obtained	45 481 579	105 515 313
Awards to close family member of [state details]	219 020	1 445 785
	45 859 899	**109 382 750**

Disciplinary steps taken/criminal proceedings

Based of the above, no disciplinary steps or criminal proceedings were taken during the reporting period under review.

44. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	-	743 193
Current year subscription / fee	899 510	(743 193)
	899 510	**-**

Audit fees

Opening balance	-	4 402 074
Current year subscription / fee	5 246 653	(4 402 074)
Amount paid - current year	(3 731 047)	-
	1 515 606	**-**

PAYE and UIF

Opening balance	1 814 884	(200 707)
Current year subscription	14 693 042	13 160 070
Penalties & Interest	681 188	272 754
Amount paid - current year	(16 312 095)	(11 417 233)
	877 019	**1 814 884**

Pension and Medical Aid Deductions

Opening balance	2 184 182	(63 266)
Current year subscription / fee	16 333 952	14 577 449
Amount paid - current year	(17 169 849)	(12 358 395)
Amount paid - previous years	1 187	28 393
	1 349 472	**2 184 181**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

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

Non-compliance with the Municipal Finance Management Act

In terms of section 65 (2)(e) of the Municipal Finance Management Act (Act 56 of 2003), all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement. Due to cash flow constraints, the municipality, could not settle all money owing within the prescribed period.

In terms of section 126 (1)(a) of the Municipal Finance Management Act (Act 56 of 2003), the accounting officer of a municipality must prepare the annual financial statements within 2 months after the end of the financial year.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

45. Deviation from supply chain management regulations

In terms of section 36 of the municipality SCM regulations, any deviations from SCM policy needs to be approved by the accounting officer and noted by Council. The awards listed below have been approved by the accounting officer and noted by Council.

	2 744 145	**2 655 222**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

45. Deviation from supply chain management regulations (continued)

Details of Deviations

Description of Deviation		
Pauper Funerals	407 420	356 676
Specialised services	30 607	145 307
Stationary	-	
Municipal Fleet repairs and Maintenance	164 559	1 438 832
Advertisement in local newspaper	925 385	88 758
Municipal emergency disaster material	1 216 172	625 648
Municipal emergency	-	
	-	
	-	
	-	
	-	
	2 744 145	**2 655 222**

Notes to the Audited Annual Financial Statements

46. 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.

Basic Services

Governance and administration

• Property, Planning & Development

Aggregated segments

The municipality operates throughout the Victoria West, Loxton, Richmond and Hutchinson 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
Basic services	Providing other services to the community
Community Services and publics safety	Administrative functions in human resources, legal services or compliance, communications and finance
Governance and Administration	Administration and financial services

Notes to the Audited Annual Financial Statements

Figures in Rand

46. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Basic Services	Community and public safety	Governance and administration	Total
Revenue				
Revenue from exchange transactions				
Revenue from exchange transactions	-	-	(2 213 743)	(2 213 743)
Interest revenue	-	-	(2 369 474)	(2 369 474)
Revenue from non-exchange transactions				
Revenue from non exchange	(87 268 265)	(33 999 377)	(112 407 026)	(233 674 668)
Total segment revenue	**(87 268 265)**	**(33 999 377)**	**(116 990 243)**	**(238 257 885)**
Total revenue				**(238 257 885)**
Expenditure				
Depreciation and amortisation	9 735 437	8 510 556	3 125 255	21 371 248
Total segment expenses	17 011 880	65 412 625	115 909 817	198 334 322
Interest exepenses	-	-	4 141 007	4 141 007
Total segment expenditure	**26 747 317**	**73 923 181**	**123 176 079**	**223 846 577**
Loss Disposal of assets	-	-	2 398 386	2 398 386
Fair value adjustments	-	-	(1 065 906)	(1 065 906)
Reversal of impairments	-	-	(10 979 957)	(10 979 957)
	-	-	2 398 386	(9 647 477)
Surplus (deficit) for the year				**24 058 785**

Notes to the Audited Annual Financial Statements

Figures in Rand

46. Segment information (continued)

	Basic Services	Community and public safety	Governance and administration	Total
Assets				
Current assets				
Current assets	-	-	6 036 430	6 036 430
Non-current assets				
Non-current assets	309 966 287	184 206 412	154 550 639	648 723 338
Total segment assets	**309 966 287**	**184 206 412**	**160 587 069**	**654 759 768**
Total assets as per Statement of financial Position				**654 759 768**

Notes to the Audited Annual Financial Statements

Figures in Rand

46. Segment information (continued)

	Basic Services	Community and public safety	Governance and administration	Total
Liabilities				
Current liabilities				
Employee benefit obligation	-	-	412 228	412 228
Payables from exchange transactions	-	-	86 468 908	86 468 908
Unspent conditional grants and receipts	-	-	284 755	284 755
Non-current liabilities				
Employee benefit obligation	-	-	2 436 199	2 436 199
Other 5	-	-	39 113 620	39 113 620
Total segment liabilities	**-**	**-**	**128 715 710**	**128 715 710**
Total liabilities as per Statement of financial Position				**128 715 710**

Notes to the Audited Annual Financial Statements

Figures in Rand

46. Segment information (continued)

2024

	Basic Services	Community and public safety	Governance and administration	Total
Revenue				
Revenue from exchange transactions				
Revenue from exchange transactions	-	-	(1 638 234)	(1 638 234)
Interest income	-	-	(2 420 617)	(2 420 617)
Revenue from non-exchange transactions				
Revenue from non-exchange transactions	(87 251 994)	(16 970 191)	(123 463 432)	(227 685 617)
Total segment revenue	**(87 251 994)**	**(16 970 191)**	**(127 522 283)**	**(231 744 468)**
Total revenue				**(231 744 468)**
Expenditure				
Depreciation and amortisation	1 602 175	18 675 436	4 219 976	24 497 587
Total segment expenses	133 860 028	18 770 012	139 172 071	291 802 111
Interest exepenses	-	-	3 181 059	3 181 059
Total segment expenditure	**135 462 203**	**37 445 448**	**146 573 106**	**319 480 757**
Fair value adjustments	-	-	217 280	217 280
Gain or loss on disposal of assets and liabilities	-	-	(81 332)	(81 332)
	-	-	2 172 800	135 948
Surplus (deficit) for the year				**(87 872 237)**

Notes to the Audited Annual Financial Statements

Figures in Rand

46. Segment information (continued)

	Basic Services	Community and public safety	Governance and administration	Total
Assets				
Current assets				
Current assets	-	-	6 090 554	6 090 554
Non-current assets				
Heritage assets	289 461 675	179 840 529	168 497 955	637 800 159
Total segment assets	**289 461 675**	**179 840 529**	**174 588 509**	**643 890 713**
Total assets as per Statement of financial Position				**643 890 713**
Liabilities				
Current liabilities	-	-	-	-
Employee benefit obligation	-	-	393 419	393 419
Payables from exchange transactions	-	-	94 148 274	94 148 274
Unspent conditional grants and receipts	-	-	6 968 980	6 968 980
Non-current liabilities				
Provisions	-	-	40 370 043	40 370 043
Total segment liabilities	**-**	**-**	**141 880 716**	**141 880 716**
Total liabilities as per Statement of financial Position				**141 880 716**

47. Budget differences

Material differences between budget and actual amounts

The budget has been prepared on the accrual basis of accounting in accordance with the prescripts of the Municipal budget regulations as well as MFMA budget circulars. In accordance with the Municipal budget regulations, the classification basis the municipality presents its budget is per economic as well as per functional classification (per Vote (Department) and GFS classification). It should be noted that minor budget differences between the basis the budget is prepared (accrual basis and prescripts of NT guidance) and actual financial results (accrual basis in accordance with GRAP) exists, mainly related to technical GRAP adjustments required. These differences are not material and as the basis of preparation is the same (accrual basis) no restatements have been made to the financial information compared to the budgeted amounts, but where found to be material is explained below:

Explanation of variances between approved and final budget amounts

The materiality framework of the municipality informs the determining base ranges. The framework outlines all principles and guiding practices to allow management to enforce a consistent application of the framework’s guidelines. With regard to reporting, the understandability and transparency to users of the financial statements was a determining factor when deciding on the base %. The determining base was if the line item in the Statement of financial position or Statement of financial performance has more than a 10% deviation between the Final Budgeted amount and the Actual reported balance.

The variances identified in the Budget Statement is as follows:

Reference No.	Description	Actual amount over/(under) budget	Variance percentage	Explanation
Note 56.1	Rental of facilities and equipment	(154 796)	-10%	Lower rentals collected due to reduced demand. This is valid in the KMLM context as rural municipalities face limited demand for facilities such as halls and sports grounds, influenced by affordability and socio-economic conditions.
Note 56.2	Interest received (trading)	(939 720)	-36%	Lower cash balances during the year reduced interest earned. This is appropriate as cash flow constraints from delayed grants and non-payment of debtors lowered available funds.
Note 56.3	Other income - (rollup)	(433 123)	-46%	Budgeted sundry income streams did not materialise. This is reasonable as revenue from fines, permits and other minor sources is unpredictable in a rural municipality with limited compliance capacity.
Note 56.4	Interest received - investment	(493 988)	-39%	Investment returns fell short because fewer surplus funds were available. With liquidity pressures, less cash was placed in investments.
Note 56.5	Property rates	3 412 778	32%	Collections exceeded budget due to improved billing systems and revenue collection initiatives. This is a positive indicator of strengthening internal controls over property rates management. Sustaining this improvement is vital, especially given recurring audit concerns over valuation rolls and billing accuracy in rural municipalities.
Note 56.6	Interest, Dividends and Rent on Land	9 689 794	71%	Additional conditional grants were received during the year. This reflects adjustments from National Treasury and reliance on transfers for funding.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

47. Budget differences (continued)

Note 56.7	Government grants & subsidies	29 935 660	18%	Additional conditional grants were received beyond the original budget. This aligns with national transfers, sometimes allocated mid-year, for infrastructure and service delivery. The variance should be presented as a positive inflow that strengthened the funding base, though dependency on grants remains a long-term risk.
Note 56.8	Personnel	(123 596 255)	-202%	Overspending on personnel was mainly due to unbudgeted back-pay (likely linked to wage agreement settlements), overtime for service delivery, and the filling of critical vacancies. Councillor remuneration exceeded budget due to annual adjustments by the Remuneration of Public Office Bearers Act. These variances were beyond municipal control but highlight the importance of mid-year budget adjustments and Council resolutions to pre-approve such costs.
Note 56.9	Remuneration of councillors	(27 598 697)	-203%	Overspending on personnel was mainly due to unbudgeted back-pay (likely linked to wage agreement settlements), overtime for service delivery, and the filling of critical vacancies. Councillor remuneration exceeded budget due to annual adjustments by the Remuneration of Public Office Bearers Act. These variances were beyond municipal control but highlight the importance of mid-year budget adjustments and Council resolutions to pre-approve such costs.
Note 56.10	Finance costs	(4 180 055)	-4 180%	Finance costs increased due to late payment penalties and interest on external borrowings. This points to improved infrastructure growth but also reveals weaknesses in cash flow management leading to avoidable finance costs.
Note 56.11	Lease rentals on operating lease	(1 775 500)	-%	This relates to improper budgeting for the payments relating to lease payments which were budgeted for under generalexpenditured. The municipality does not budegt for this line item individually, hence the significant variancee
Note 56.12	Collection costs	(2 433 936)	-%	Please provide reason for variance
Note 56.13	Contracted Services	(36 023 426)	-%	Slight overspending was due to greater reliance on external service providers. This indicates capacity constraints in technical departments, forcing outsourcing, especially for infrastructure projects and compliance tasks. Strengthening internal capacity would help reduce reliance on consultants.
Note 56.14	Transfers and Subsidies	(1 209 596)	-%	The variance on transfers and subsidies are due to inappropriate budgeting due to the fact that managemet expected to incurmore expenditure in the form of transfers and subsidies but that was not the case.

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

47. Budget differences (continued)

Note 56.15	Gains from transfer of functions between entities not under common control	(10 396 844)	-113%	Please provide reason for variance
Note 56.16	Receivables from exchange transactions	(7 024 892)	380%	Refunds from SARS were not realised within the financial year. Timing differences between VAT submissions and SARS disbursements created receivables.
Note 56.17	Receivables from non-exchange transactions	(38 239 126)	56%	The significant increase is mainly attributable to outstanding property rates debtors at year-end. While the municipality has improved billing and revenue recognition processes, actual collections did not keep pace with the growth in billed property rates. This reflects persistent challenges in the collection of rates, particularly in Kagisano Molopo
Note 56.18	Cash and cash equivalents	4 423 018	-99%	The variance is due to lack of implementation of proper cost containment measures. This is taking into account the actualexpenditure of repairs and maintenance, transfers and subsidies and general expenses
Note 56.19	Investment property	18 167 411	-29%	Fair value adjustments exceeded conservative budget assumptions. Valuation changes increased reported amounts.
Note 56.20	Property, plant and equipment	(147 738 803)	31%	Additions exceeded budget due to accelerated infrastructure projects. Reflects stronger service delivery but budget misalignment.
Note 56.21	Intangible assets	(449 266)	149%	The budget variance on impairment of assets is mainly due to higher-than-anticipated write-downs of property rates debtors and certain municipal infrastructure assets identified during year-end reviews. In line with GRAP, the municipality was required to recognise additional impairments to reflect reduced recoverability of outstanding rates and deterioration in some assets, which exceeded the conservative budget provision initially made.
Note 56.22	Payables from exchange transactions	54 518 714	1 299%	Large increase due to late payment of suppliers and year-end accruals. Demonstrates cash flow strain and compliance risks.
Note 56.23	Unspent conditional grants and receipts	6 653 734	-%	The municipality spent over 98% of its conditional grants, grants expenditure was not anticipated to be this high hence the variance. As compared to previous years, MIG grant was fully utilised which alos contributed to the variances
Note 56.24	Employee benefit obligation	2 615 425	1 643%	Actuarial valuation adjustments significantly higher than budget. These liabilities are outside municipal control but should be better anticipated.
Note 56.25	Provisions	12 703 264	48%	Increase in landfill rehabilitation and other provisions above budget. Driven by environmental compliance obligations.
Note 56.26	Reserves	668 032 387	-%	Please provide reason for variance

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
Consumer debtors - Other (Specified)	971 176	598 572

Other

	1 421 121	1 764 403
Less: Allowance for impairment	-	-
	-	-
Property rates	(178 966 715)	(181 374 076)
	(177 545 594)	**(179 609 673)**

Fines

Current (0 -30 days)	13 774 357	64 855 528
31 - 60 days	(24 223 461)	(384 386)
61 - 90 days	10 245 016	343 535
91 - 120 days	(197 350)	227 476
120+ Days	179 368 152	116 331 923
Impairment	(178 966 715)	(181 374 076)
	(1)	**-**

31 - 60 days

91 - 120 days

Summary of debtors by customer classification		
Current (0 -30 days)	13 900 311	64 986 800
31 - 60 days	(24 097 507)	(253 115)
61 - 90 days	10 370 665	474 807
	173 469	**65 208 492**

48. Lease rentals on operating lease

Lease rentals on operating lease	1 775 500	5 806 497

49. Interest, Dividends and Rent on Land

Interest - Property rates debtors	23 334 214	34 575 743
Interest received Rental debtors	1 613 460	1 102 818
	24 947 674	**35 678 561**

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024

50. Bad debts written off

Bad debts written off	37 947 735	-
	37 947 735	**-**

51. Transfers and subsidies

Transfers and subsidies	1 209 597	2 548 903