City of Matlosana
Annual Financial Statements
for the year ended 30 June 2025

General Information

Nature of business and principal activities	To provide democratic and accountable government to the local communities, To ensure sustainable service delivery to communities, To promote social and economic development, To promote a safe and healthy environment and To encourage the involvement of communities and community organisations in the matters of local government. The entity's operations are governed by the Local Government: Municipal Structures Act 117 of 1998, the Local Government: Municipal Systems Act 32 of 2000, the Local Government: Municipal Finance Management Act 56 of 2003, and various other acts and regulations. The City of Matlosana is a Grade 5 rated municipality.
Mayoral committee	
Executive Mayor	F.C. Mahlophe
Speaker	S.L. Mondlane
	O.R. Thabanchu
Councillors	M.I. Mangesi
	K.E. Mabebe
	J.M. Mosupa
	K. Ndincede
	W.G. Zitwane
	A.M. Ramphele
	P.Y. Mtshawulana
	S.O.C. Barrends
	N.P. Nyaqela
	K.V. Seitshero
	J.N. Bangani
	E.M. Kgang
Chief Finance Officer (CFO)	M. Phetla
Accounting Officer	L. Seametso
Registered office	Bram Fischer Street Klerksdorp 2571
Business address	Bram Fischer Street Klerksdorp 2570
Postal address	P.O. Box 99 Klerksdorp 2570
Bankers	ABSA Bank Limited Investec Bank Limited First National Bank Nedbank Limited
Auditors	Auditor General of South Africa

Index

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

Abbreviations used:

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

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

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

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

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

L Seametso
Accounting Officer

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	8	58 563 206	57 911 715
Receivables from exchange transactions	9	9 507 180	13 476 641
Receivables from non-exchange transactions	10	106 006 633	6 192 595
VAT receivable	11	557 394 028	436 708 047
Consumer debtors	12	458 130 409	514 773 340
Cash and cash equivalents	13	142 388 761	168 654 512
		1 331 990 217	**1 197 716 850**
Non-Current Assets			
Investment property	2	341 220 228	333 392 549
Property, plant and equipment	3	5 114 652 337	4 965 605 281
Heritage assets	5	9 691 348	9 958 823
Other financial assets	6	14 369 817	13 070 921
Eskom deposit		43 481 846	41 444 911
Nature reserve wildstock	7	2 077 570	1 763 150
		5 525 493 146	**5 365 235 635**
Total Assets		**6 857 483 363**	**6 562 952 485**
Liabilities			
Current Liabilities			
Other financial liabilities	14	1 472 475	12 714 144
Payables from exchange transactions	15	4 102 834 098	3 084 936 595
Consumer deposits	16	54 380 939	49 873 847
Employee benefit obligation	17	26 896 000	26 265 000
Unspent conditional grants and receipts	18	20 604 284	29 532 661
Eskom debt relief liability	19	1 437 820 931	848 065 047
Deferred gain on eskom debt relief		325 136 149	216 750 766
		5 969 144 876	**4 268 138 060**
Non-Current Liabilities			
Other financial liabilities	14	-	1 432 905
Employee benefit obligation	17	373 491 789	325 910 000
Provisions	20	167 578 694	163 293 915
Eskom debt relief liability	19	-	420 428 401
Deferred gain on eskom debt relief		-	108 375 384
		541 070 483	**1 019 440 605**
Total Liabilities		**6 510 215 359**	**5 287 578 665**
Net Assets		**347 268 004**	**1 275 373 820**
Accumulated surplus		347 268 005	1 275 373 820
Total Net Assets		**347 268 005**	**1 275 373 820**

* See Note 55 & 56

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Market dues		23 031 520	21 622 185
Service charges	21	2 217 261 283	2 035 415 283
Rental of facilities and equipment		3 692 309	4 322 298
Licences and permits		7 564 172	7 551 435
Commissions received	22	13 360 734	13 464 779
New connection fees		636 098	495 151
Reconnection fees		51 069 050	39 613 587
Rental income		3 970 418	3 765 776
Insurance fees		5 198 315	2 325 938
Other income		17 847 559	17 929 470
Interest income	23	703 941 417	617 784 274
Total revenue from exchange transactions		**3 047 572 875**	**2 764 290 176**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	537 681 347	507 433 747
Interest from property rates		64 473 696	52 760 735
Donations received	25	254 399 376	6 872 422
Transfer revenue			
Government grants & subsidies	26	821 039 125	795 108 073
Fines, penalties and forfeits	27	214 145 670	21 752 009
Total revenue from non-exchange transactions		**1 891 739 214**	**1 383 926 986**
Total revenue		**4 939 312 089**	**4 148 217 162**
Expenditure			
Employee related costs	28	(777 003 127)	(777 441 317)
Remuneration of councillors	29	(40 244 947)	(39 039 461)
Depreciation and amortisation	30	(293 843 632)	(327 962 967)
Finance costs	31	(294 871 297)	(120 394 827)
Rental and lease expenditure	32	(96 463 810)	(108 881 441)
Debt impairment	33	(1 847 621 136)	(1 458 946 971)
Bulk purchases	34	(1 736 956 158)	(1 577 185 700)
Contracted services	35	(158 674 367)	(124 805 441)
Repairs and maintenance	36	(155 697 571)	(148 609 252)
General expenses	37	(207 871 211)	(270 444 416)
Total expenditure		**(5 609 247 256)**	**(4 953 711 793)**
Operating deficit		**(669 935 167)**	**(805 494 631)**
Loss on disposal of assets and liabilities		(16 762 554)	(19 105 022)
Finance cost on Employee Benefits		(40 774 000)	(38 604 000)
Actuarial gains/losses	17	(20 988 000)	3 882 000
Gain/(Loss) on biological assets		314 420	165 950
PPE Impairment loss	38	(17 733 840)	(20 035 214)
Inventories (losses)/gains		933 406	(4 594 070)
Gain on landfill site provision		12 834 207	-
Finance cost on Eskom Debt Relief Liability		(169 337 482)	(155 788 668)
Revenue loss from market	39	(6 656 805)	(2 764 398)
		(258 170 648)	**(236 843 422)**
Deficit for the year		**(928 105 815)**	**(1 042 338 053)**

* See Note 55 & 56

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	2 335 620 011	2 335 620 011
Adjustments		
Correction of errors 56	(17 908 138)	(17 908 138)
Balance at 01 July 2023 as restated*	**2 317 711 873**	**2 317 711 873**
Changes in net assets		
Surplus for the year	(1 042 338 053)	(1 042 338 053)
Total changes	(1 042 338 053)	(1 042 338 053)
Balance at 01 July 2024 as restated*	**1 275 373 820**	**1 275 373 820**
Changes in net assets		
Surplus for the year	(928 105 815)	(928 105 815)
Total changes	(928 105 815)	(928 105 815)
Balance at 30 June 2025	**347 268 005**	**347 268 005**

* See Note 55 & 56

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Receipts from customers		1 861 716 922	1 766 262 639
Grants		812 110 748	768 365 998
Interest income		171 435 437	143 980 578
Other receipts		136 895 260	223 240 806
VAT recieved		39 805 619	7 328 305
		3 021 963 986	2 909 178 326
Payments			
Employee costs		(826 830 360)	(832 544 662)
Suppliers		(1 713 993 323)	(1 537 303 663)
Finance costs		(278 165 441)	(218 914 918)
		(2 818 989 124)	(2 588 763 243)
Net cash flows from operating activities	40	**202 974 862**	**320 415 083**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(219 046 195)	(234 408 478)
Movement in Eskom deposits		(2 036 935)	(1 041 497)
Net cash flows from investing activities		**(221 083 129)**	**(235 449 975)**
Cash flows from financing activities			
Movement of other financial liabilities		(11 241 669)	1 299 035
Net movement in deferred gain on eskom debt relief		9 999	-
Movement in consumer deposits		4 507 092	3 372 254
Movement in HDA		(1 432 905)	(13 105 582)
Net cash flows from financing activities		**(8 157 483)**	**(8 434 293)**
Net increase/(decrease) in cash and cash equivalents		**(26 265 750)**	**76 530 815**
Cash and cash equivalents at the beginning of the year		168 654 512	92 123 697
Cash and cash equivalents at the end of the year	13	**142 388 762**	**168 654 512**

* See Note 55 & 56

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	20 837 118	662 882	**21 500 000**	23 031 520	**1 531 520**	
Service charges	2 266 676 398	(29 996 424)	**2 236 679 974**	2 217 261 283	**(19 418 691)**	Note 1
Rental of facilities and equipment	4 694 529	528 973	**5 223 502**	3 692 309	**(1 531 193)**	
Licences and permits	7 200 000	300 000	**7 500 000**	7 564 172	**64 172**	
Commissions received	16 000 000	-	**16 000 000**	13 360 734	**(2 639 266)**	
Connections Disconnections	82 338 983	(20 000 000)	**62 338 983**	51 069 050	**(11 269 933)**	Note 2
Rental income	5 122 493	(600 000)	**4 522 493**	3 970 418	**(552 075)**	
Discount received	1 300 000	-	**1 300 000**	5 198 315	**3 898 315**	
Recoveries	(11 748)	(2 427 550)	**(2 439 298)**	-	**2 439 298**	
Other income	20 474 829	2 145 284	**22 620 113**	17 847 559	**(4 772 554)**	
New connection fees	963 600	-	**963 600**	636 098	**(327 502)**	
Interest received	518 443 869	177 925 312	**696 369 181**	703 941 417	**7 572 236**	
Total revenue from exchange transactions	**2 944 040 071**	**128 538 477**	**3 072 578 548**	**3 047 572 875**	**(25 005 673)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	593 684 392	(90 000 000)	**503 684 392**	537 681 347	**33 996 955**	Note 3
Interest on property rates	54 756 000	-	**54 756 000**	64 473 696	**9 717 696**	
Donation from Dept of Human Settlements	40 000	-	**40 000**	254 399 376	**254 359 376**	
Transfer revenue						
Government grants & subsidies	844 046 999	(17 388 999)	**826 658 000**	821 039 125	**(5 618 875)**	Note 4
Fines, Penalties and Forfeits	14 529 785	-	**14 529 785**	214 145 670	**199 615 885**	Note 5
Total revenue from non-exchange transactions	**1 507 057 176**	**(107 388 999)**	**1 399 668 177**	**1 891 739 214**	**492 071 037**	
Total revenue		**4 451 097 247**	**21 149 478**	**4 472 246 725**	**4 939 312 089**	**467 065 364**
Expenditure						
Personnel	(789 639 386)	(23 878 425)	**(813 517 811)**	(777 003 127)	**36 514 684**	Note 6
Remuneration of councillors	(46 107 129)	-	**(46 107 129)**	(40 244 947)	**5 862 182**	
Depreciation and amortisation	(411 097 601)	10 000 000	**(401 097 601)**	(293 843 632)	**107 253 969**	Note 7
Finance costs	(10 144 245)	-	**(10 144 245)**	(294 871 297)	**(284 727 052)**	Note 8
Lease rentals on operating lease	(38 328 987)	(15 200 000)	**(53 528 987)**	(96 463 810)	**(42 934 823)**	Note 9
Debt Impairment	(822 533 173)	(795 226 428)	**(1 617 759 601)**	(1 847 621 136)	**(229 861 535)**	Note 10
Bulk purchases	(1 175 000 000)	(140 000 000)	**(1 315 000 000)**	(1 736 956 158)	**(421 956 158)**	Note 11
Contracted Services	(144 685 450)	(45 245 890)	**(189 931 340)**	(158 674 367)	**31 256 973**	Note 12
Repairs and maintenance	(308 470 528)	(13 751 753)	**(322 222 281)**	(155 697 571)	**166 524 710**	Note 13
General Expenses	(308 831 364)	(41 737 916)	**(350 569 280)**	(207 871 211)	**142 698 069**	Note 14
Total expenditure	**(4 054 837 863)**	**(1 065 040 412)**	**(5 119 878 275)**	**(5 609 247 256)**	**(489 368 981)**	
Operating deficit		**396 259 384**	**(1 043 890 934)**	**(647 631 550)**	**(669 935 167)**	**(22 303 617)**
Loss on disposal of assets and liabilities	-	-	**-**	(16 762 554)	**(16 762 554)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand		Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Fair value adjustments	-	-	-	(40 774 000)	**(40 774 000)**	
Actuarial gains/losses	(207 789 537)	207 789 537	-	(20 988 000)	**(20 988 000)**	Note 15
Gain on biological assets and agricultural produce	-	-	-	314 420	**314 420**	
Inventories losses/write-downs	-	-	-	933 406	**933 406**	
Gain on non-current assets held for sale or disposal groups	-	-	-	12 834 207	**12 834 207**	
Deficit on distribution of non-cash assets to owners	-	-	-	(169 337 482)	**(169 337 482)**	
Loss from transfer of functions between entities not under common control	-	-	-	(6 656 805)	**(6 656 805)**	
	(207 789 537)	**207 789 537**	-	**(240 436 808)**	**(240 436 808)**	
Deficit before taxation		**188 469 847**	**(836 101 397)**	**(647 631 550)**	**(910 371 975)**	**(262 740 425)**
Capital expenditure	(236 249 799)	7 781 533	**(228 468 266)**	(169 931 675)	**58 536 591**	Note 16
Actual amount on comparable basis as presented in the budget and actual comparative statement		**424 719 646**	**(843 882 930)**	**(419 163 284)**	**(740 440 300)**	**(321 277 016)**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual

Note 1 - Variance is mainly due to losses from illegal connections and theft of electricity and water.

Note 2 - The shortfall arose from the late appointment of a service provider to carry out credit control activities.

Note 3 - The positive variance is attributable to an increase in the valuation roll, driven by new developments during the year.

Note 4 - There was significant under-spend on the capital grants than originally anticipated.

Note 5 - The increase in fines income is attributable to the implementation of stricter traffic enforcement measures.

Note 6 - Saving is due to unfilled positions.

Note 7 - The variance on depreciation is due to the capitalisation of projects formerly in WIP.

Note 8 - As a result of the interest levied by Eskom and Midvaal on the overdue accounts, the municipality has more than anticipated finance costs.

Note 9 - The municipality needed to hire more equipment than was originally budgeted for in order to facilitate service delivery.

Note 10 - Due to the low debt collection on outstanding consumer debtor the municipality has had to impair more of the debt and this is putting strain on the municipality's liquidity.

Note 11 - The variance arose due to insufficient budget allocation for this item. The budget provision was inadequate to cover the actual expenditure incurred.

Note 12 - There was better management of the contracted services in the current year and this led to savings in the expenditure than was budgeted for.

Note 13 - There were cashflow constraints that did not enable the municipality to spend the originally budgeted amounts.

Note 14 - There were cashflow constraints that required the municipality to reduce its spending.

Note 15 - The municipality does not budget for gains and losses as they are not part of normal operations.

Note 16 - Certain budgeted capital projects did not proceed as contractors failed to meet required specifications and therefore appointments could not be made.

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand		Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Statement of Financial Position						
Assets						
Current Assets						
Inventories	(9 172 001)	(201 611 155)	**(210 783 156)**	58 563 206	**269 346 362**	Note 1
Receivables from exchange transactions	(11 923 930)	3 384 835	**(8 539 095)**	9 507 180	**18 046 275**	
Receivables from non-exchange transactions	(10 700 000)	-	**(10 700 000)**	106 006 633	**116 706 633**	Note 2
VAT receivable	195 040 276	-	**195 040 276**	2 563 266 374	**2 368 226 098**	Note 3
Consumer debtors	299 691 448	324 318 016	**624 009 464**	458 130 409	**(165 879 055)**	Note 4
Cash and cash equivalents	(277 708 957)	663 784 421	**386 075 464**	3 805 356 307	**3 419 280 843**	Note5
	185 226 836	**789 876 117**	**975 102 953**	**7 000 830 109**	**6 025 727 156**	
Non-Current Assets						
Investment property	257 100 275	-	**257 100 275**	341 220 228	**84 119 953**	Note 6
Property, plant and equipment	3 578 978 808	(7 781 533)	**3 571 197 275**	5 114 652 337	**1 543 455 062**	Note 7
Intangible assets	1 297 383	-	**1 297 383**	-	**(1 297 383)**	
Heritage assets	10 000 000	-	**10 000 000**	9 691 348	**(308 652)**	
Nature reserve wildstock	1 995 400	-	**1 995 400**	2 077 570	**82 170**	
Other financial assets	10 280 725	-	**10 280 725**	14 369 817	**4 089 092**	
Eskom deposit	37 076 362	-	**37 076 362**	43 481 846	**6 405 484**	
Other assets	62 029	-	**62 029**	-	**(62 029)**	
	3 896 790 982	**(7 781 533)**	**3 889 009 449**	**5 525 493 146**	**1 636 483 697**	
Total Assets		**4 082 017 818**	**782 094 584**	**4 864 112 402**	**2 526 323 255**	**7 662 210 853**
Liabilities						
Current Liabilities						
Other financial liabilities	-	-	**-**	1 472 475	**1 472 475**	
Eskom debt relief liability	(925 000 000)	-	**(925 000 000)**	1 437 820 931	**2 362 820 931**	Note 8
Payables from exchange transactions	1 685 281 595	778 213 584	**2 463 495 179**	4 102 834 098	**1 639 338 919**	Note 9
VAT payable	-	-	**-**	2 005 872 346	**2 005 872 346**	Note 10
Consumer deposits	65 929 637	-	**65 929 637**	54 380 939	**(11 548 698)**	
Employee benefit obligation	-	-	**-**	26 896 000	**26 896 000**	Note 11
Unspent conditional grants and receipts	42 907 407	281 000	**43 188 407**	20 604 284	**(22 584 123)**	
Distributions payable	29 587 797	-	**29 587 797**	-	**(29 587 797)**	Note 12
Deferred gain on eskom debt relief	117 793 905	-	**117 793 905**	325 136 149	**207 342 244**	Note 13
Bank overdraft	-	-	**-**	3 662 967 546	**3 662 967 546**	Note 14
	1 016 500 341	**778 494 584**	**1 794 994 925**	**1 637 984 768**	**9 842 989 843**	
Non-Current Liabilities						
Other financial liabilities	78 474 059	3 600 000	**82 074 059**	-	**(82 074 059)**	Note 15
Eskom debt relief liability	1 312 922 704	-	**1 312 922 704**	-	**(1 312 922 704)**	Note 16
Employee benefit obligation	367 132 834	-	**367 132 834**	373 491 789	**6 358 955**	
Provisions	147 485 450	-	**147 485 450**	167 578 694	**20 093 244**	Note 17
	1 906 015 047	**3 600 000**	**1 909 615 047**	**541 070 483**	**(1 368 544 564)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Total Liabilities	**2 922 515 388**	**782 094 584**	**3 704 609 972**	**12 179 055 251**	**8 474 445 279**
Net Assets	**1 159 502 430**	**-**	**1 159 502 430**	**347 268 004**	**(812 234 426)**
Net Assets					
Net Assets Attributable to Owners of Controlling Entity					
Reserves					
Accumulated surplus	1 159 502 430	-	**1 159 502 430**	347 268 005	**(812 234 425)**

Note 1 - More stock held at year end for operational needs.

Note 2 - The higher than budgeted amount reflects increased recoveries from government transfers and penalties, which were not originally factored into the budget.

Note 3 - The large variance is attributable to timing differences between input VAT claimed and output VAT payable, resulting in higher receivables at year-end than initially projected.

Note 4 - Higher rate of collections which resulted in the lower closing balance.

Note 5 - Cash balances exceeded the budget largely due to higher grant receipts and slower capital project implementation, which delayed the planned outflow of funds.

Note 6 - Variance arose due to underbudgeting.

Note 7 - The significant increase reflects capitalisation of completed infrastructure projects and asset verification adjustments not included in the budget.

Note 8 - The variance is due to recognition of the Eskom debt relief arrangement during the year.

Note 9 - The higher than budgeted balance is largely attributable to delays in supplier payments and year-end accruals for bulk services.

Note 10 - The recognition of a substantial VAT payable balance reflects SARS assessments and timing differences that were not incorporated into the budget estimates.

Note 11 - The variance arises from updated actuarial valuations of post-employment and long-service obligations.

Note 12 - The budgeted distribution was not effected during the year, resulting in the negative variance.

Note 13 - The variance results from the recognition of deferred income in line with accounting treatment of the Eskom relief, which was not part of the budget.

Note 14 - The significant overdraft is due to cash flow constraints and timing mismatches between revenue collection and expenditure outflows.

Note 15 - The variance reflects the non-realisation of anticipated borrowings during the year.

Note 16 - The budget included provision for the liability, but actual recognition was aligned to current-year treatment, resulting in a variance.

Note 17 - The variance is due to higher than anticipated provisions for landfill rehabilitation and legal claims.

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Cash Flow Statement					
Cash flows from operating activities					
Receipts					
Receipts from customers	1 913 456 444	(180 820 501)	**1 732 635 943**	1 861 716 922	**129 080 979**
Grants	844 046 999	557 000	**844 603 999**	812 368 288	**(32 235 711)**
Other revenue	82 779 605	101 948 489	**184 728 094**	212 467 534	**27 739 440**
Interest	111 880 136	35 585 065	**147 465 201**	106 961 741	**(40 503 460)**
	2 952 163 184	**(42 729 947)**	**2 909 433 237**	**2 993 514 485**	**84 081 248**
Payments					
Employee costs	(794 681 605)	(21 468 876)	**(816 150 481)**	(826 830 360)	**(10 679 879)**
Transfers and Subsidies	(2 276 538 589)	(296 328 793)	**(2 572 867 382)**	(1 714 250 862)	**858 616 520**
Finance costs	-	-	**-**	(290 596 518)	**(290 596 518)**
VAT received	-	-	**-**	39 805 620	**39 805 620**
	(3 071 220 194)	**(317 797 669)**	**(3 389 017 863)**	**(2 791 872 120)**	**597 145 743**
Net cash flows from operating activities	**(119 057 010)**	**(360 527 616)**	**(479 584 626)**	**201 642 365**	**681 226 991**
Cash flows from investing activities					
Purchase of property, plant and equipment	(236 249 799)	7 781 533	**(228 468 266)**	(217 713 697)	**10 754 569**
Eskom deposits	-	-	**-**	(2 036 934)	**(2 036 934)**
Net cash flows from investing activities	**(236 249 799)**	**7 781 533**	**(228 468 266)**	**(219 750 631)**	**8 717 635**
Cash flows from financing activities					
Repayment of other financial liabilities	(4 800 000)	3 600 000	**(1 200 000)**	(11 241 669)	**(10 041 669)**
Movement in deferred gain on eskom debt relief	-	-	**-**	9 999	**9 999**
Movement in consumer deposits	-	-	**-**	4 507 092	**4 507 092**
Movement in HDA	-	-	**-**	(1 432 907)	**(1 432 907)**
Net cash flows from financing activities	**(4 800 000)**	**3 600 000**	**(1 200 000)**	**(8 157 485)**	**(6 957 485)**
Net increase/(decrease) in cash and cash equivalents	(360 106 809)	(349 146 083)	**(709 252 892)**	(26 265 751)	**682 987 141**
Cash and cash equivalents at the beginning of the year	92 678 877	-	**92 678 877**	168 654 512	**75 975 635**
Cash and cash equivalents at the end of the year	**(267 427 932)**	**(349 146 083)**	**(616 574 015)**	**142 388 761**	**758 962 776**

Accounting Policies

1. Significant account policies

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

1.1 Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

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

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgements 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. When any significant judgements and sources of estimation uncertainty are applicable, they have been disclosed in the relevant policy.

In the application of the municipality's accounting policies, which are described above, management is required to make judgement, estimates and assumption that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experiences and other factors that are considered to reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. The municipality categorises cash and cash equivalents as financial assets: loans and receivables. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

Allowance for slow moving, damaged and obsolete stock

Management makes an estimate of the selling price and direct cost to sell to determine the net realisable value of inventory items. Allowance for obsolete stock is recognised when stock is slow moving and/or will not be used. The difference between the cost of inventory and the net realisable value is recognised in the statement of financial performance.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

Useful lives of waste and water network and other assets

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

Allowance for doubtful debts

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

Useful lives and residual values

The entity's management determines the estimated useful lives and related depreciation charges for assets as noted in accounting policies 1.5 and 1.6.
This estimate is based on industry norm.

Management will increase the depreciation charge prospectively where useful lives are less than previously estimated useful lives.
Management will decrease the depreciation charge prospectively where useful lives are more than previously estimated useful lives.
Where changes are made to the estimated residual lives, management also makes these changes prospectively.

Trade receivables, loans and other receivables

The entity assesses its trade receivables, loans and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.
Where the impairment for trade receivables, loans and other receivables is calculated on a portfolio basis, these are based on historical loss ratios. These annual loss ratios are applied to the balances in the portfolio. The impairment is measured as the difference between the receivables' carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate, computed at initial recognition. The impairment loss is recognised in surplus or deficit when there is objective evidence that it is impaired.

Payables

Payables are initially measured at fair value plus transactional cost and are subsequently measured at amortised cost, using the effective interest rate method.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Employee benefit obligations

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 entity 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.

Fair value estimation

The fair value of financial instruments traded in active markets 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. Where there is no active market, fair value is determined using valuation techniques. Such valuation techniques include using recent arm's length market transactions, reference to current market values of other similar instruments, discounted cash flow analysis and option pricing models.

1.5 Biological assets that form part of an agricultural activity

The entity recognises biological assets that form part of an agricultural activity when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

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 cost. Transaction costs are included in the initial measurement.

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

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

Cost model

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

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

Item	Useful life
Property - land	indefinite

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

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

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.

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.

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

1.7 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Buildings and community facilities	Straight-line	5 to 80 years
Furniture and fixtures	Straight-line	4 to 15 years
Motor vehicles	Straight-line	4 to 20 years
Office equipment	Straight-line	4 to 10 years
Emergency equipment	Straight-line	4 to 20 years
Library books	Straight-line	5 to 10 years
Infrastructure	Straight-line	5 to 80 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 charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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

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

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

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.

If the related asset is measured using the revaluation model:

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

1.9 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

1.9 Intangible assets (continued)

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

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

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

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

Intangible assets have an indefinite useful life.

The factors that were taken into account to determine that the Intangible assets have a indefinite useful life was:
(a) The asset could be efficiently managed by another management team
(b) There are not a lot of competitors or potential competitors that would be able through their action to effect the lifespan of the intangible assets
(c) There is very little if any maintenance expenditure associated with the intangible assets to keep deriving service potential from the intangible assets
(d) The useful life of the assets is not dependant on the useful life of other assets of the municipality.

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

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

1.10 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

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

Heritage assets are shown at cost and are not depreciated owing to uncertainty regarding to their estimated useful lives.

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

1.10 Heritage assets (continued)

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

1.11 Financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;

Accounting Policies

1.11 Financial instruments (continued)

- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Financial assets measured at fair value.
- Financial assets measured at amortised cost.
- Loans and receivables.
- Financial liabilities measured at amortised cost.

Classification depends on the purpose for which the financial instruments were obtained/ incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  -has transferred substantially all the risks and rewards of the asset, or
  -has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality’s continuing involvement in the asset.

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Accounting Policies

1.12 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.

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.

Accounting Policies

1.12 Statutory receivables (continued)

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.

1.13 VAT

The City of Matlosana accounts for value-added tax (VAT) on the payment basis.

1.14 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 - lessee

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

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

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

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

Operating leases - lessor

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

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

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.

1.15 Inventories

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

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

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

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

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

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

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

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

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

Water Inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

1.16 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.

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.

1.16 Construction contracts and receivables (continued)

The entity 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 .

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.

1.17 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 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.

1.18 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

Accounting Policies

1.19 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

1.20 Employee benefits

Short-term employee benefits

The cost of all short-term employee benefits is recognised in the period during which the employee renders the related service. The Entity recognises the expected cost of performance bonuses only when the Entity has a present legal or constructive obligation to make such payment, and if a reliable estimate can be made.

The Entity provides long-service leave to eligible employees, payable on completion of years of employment. The Entity's liability is based on an actuarial valuation. Any unwinding of discount is charged to the statement of financial performance as an employee-related cost. Actuarial gains and losses on the long-term incentives are fully accounted for in the statement of financial performance. The projected unit credit method has been used to value the obligation.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.20 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The entity provides post-retirement health care benefit to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

1.21 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.

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 deficit.

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 50.

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.

1.21 Provisions and contingencies (continued)

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.

1.22 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

Accounting Policies

1.23 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

Rendering of services

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

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

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

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

Interest, royalties and dividends

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

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

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

Accounting Policies

1.23 Revenue from exchange transactions (continued)

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

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

Accounting Policies

1.24 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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.

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.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

(a) It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
(b) The amount of the revenue can be measured reliably; and
(c) There has been compliance with the relevant legal requirements
.
Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:

(a) it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
(b) the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Levies

Levies are recognised as revenue when:

(a) it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
(b) the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

(a) the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
(b) internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
(c) historical information on declarations previously submitted by defaulting levy payers; and
(d) the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue..

1.24 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised as revenue when:

(a) it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
(b) the amount of the revenue can be measured reliably, and
(c) to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

(a) it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
(b) the amount of the revenue can be measured reliably; and
(c) to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.25 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value-added taxation.

1.26 Investment income

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

1.27 Borrowing costs

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

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale.

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

1.28 Comparative figures

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

Accounting Policies

1.29 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred otherwise than in accordance with section 15 or 11(3) of the MFMA and includes:

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

1.30 Fruitless and wasteful expenditure

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

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

1.31 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

1.32 Gratuities

The municipality provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the statement of financial performance when the gratuity is paid.

1.33 Segment information

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

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

1.34 Consumer Deposits

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in line with council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

1.35 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.

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

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

The municipality deems variances that are above R5 000 000 as material variances that require explanations

Accounting Policies

1.36 Related parties

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

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

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.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.37 Events after reporting date

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

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

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

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

1.38 Comparative information

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are also reclassified.

1.39 New standards and interpretations

The following Standards of GRAP and amendments have been issued by the Accounting Standards Board (ASB) but were not yet effective at 30 June 2025. The municipality has not early adopted these standards. The impact on future financial reporting is summarised below:

(a) GRAP 104 (Revised): Financial Instruments: Effective for periods beginning on or after 1 April 2025. The revised standard introduces an expected credit loss model for the recognition and measurement of impairment losses. The municipality expects increased disclosure requirements and possible earlier recognition of impairments on receivables.
(b) GRAP 25 (Revised): Employee Benefits: Effective for periods beginning on or after 1 April 2025. The revisions align certain measurement requirements with IPSAS 39, particularly in respect of acturial valuations and disclosure of defined benefit obligations. The municipality does not anticipate a material impact but expects additional disclosure requirements.
(c) GRAP 20: Related Party Disclosures: Effective date still to be determined. The standard requires disclosure of transactions with related parties, including councillors, senior management, and entities controlled or significantly influenced by the municipality. Systems and processes are being reviewed to ensure compliance once the standard becomes effective.
(d) GRAP 109 Accounting by Principals and Agents: Effective for periods beginning on or after 1 April 2025. This standard provides guidance on distinguishing between principal and agent arrangements. The municipality has identified certain service delivery arrangements that may fall under the scope of GRAP 109, but the impact is not expected to be material.
(e) Other minor amendments to GRAP standards issued by the ASB are not expected to have a significant impact on the municipality's financial statements.

Managements's Assessment:
The municipality does not expect the adoption of the above standards to result in material adjustments to the financial statements, but additional disclosure requirements will be necessary.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

2. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	442 327 088	(101 106 860)	341 220 228	431 240 930	(97 848 381)	333 392 549

Reconciliation of investment property - 2025

	Opening balance	Additions	Disposals	Depreciation	Total
Investment property	333 392 549	11 501 709	(415 551)	(3 258 479)	341 220 228

Reconciliation of investment property - 2024

	Opening balance	Disposals	Depreciation	Total
Investment property	345 682 384	(9 006 767)	(3 283 068)	333 392 549

Pledged as security

No assets have been pledged as security.

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

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	72 767 459	-	72 767 459	72 847 517	-	72 847 517
Community	1 174 102 784	(767 738 416)	406 364 368	1 153 720 253	(741 053 037)	412 667 216
Infrastructure	2 511 852 437	(8 126 496 560)	4 385 355 877	2 135 604 327	(7 901 756 196)	4 233 848 131
Buildings	473 706 930	(356 569 459)	117 137 471	473 679 712	(339 198 106)	134 481 606
Other property, plant and equipment	262 559 869	(129 532 707)	133 027 162	236 205 679	(124 444 868)	111 760 811
Total	**4 494 989 479**	**(9 380 337 142)**	**5 114 652 337**	**4 072 057 488**	**(9 106 452 207)**	**4 965 605 281**

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Additions WIP	Depreciation	Impairment loss	Impairment reversal	Total
Land	72 847 517	-	(80 058)	-	-	-	-	72 767 459
Community	412 667 216	397 884	(923 850)	25 176 129	(31 004 894)	-	51 883	406 364 368
Infrastructure	4 233 848 131	297 402 793	(14 302 337)	119 175 121	(234 544 831)	(16 223 008)	8	4 385 355 877
Buildings	134 481 606	465 214	(93 683)	-	(17 629 201)	(86 465)	-	117 137 471
Other property, plant and equipment	111 760 811	28 615 000	(687 075)	2 213 430	(7 406 228)	(1 468 776)	-	133 027 162
	4 965 605 281	**326 880 891**	**(16 087 003)**	**146 564 680**	**(290 585 154)**	**(17 778 249)**	**51 891**	**5 114 652 337**

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Opening WIP	Disposals	Additions WIP	Depreciation	Impairment loss	Total
Land	73 031 514	-	-	(183 997)	-	-	-	72 847 517
Community	329 400 643	510 145	85 158 652	(95 979)	29 734 236	(30 894 109)	(1 146 372)	412 667 216
Infrastructure	3 570 007 062	78 692 838	773 371 781	(7 599 210)	103 542 994	(266 940 179)	(17 227 155)	4 233 848 131
Buildings	156 273 551	199 706	-	(21 886)	-	(20 591 140)	(1 378 625)	134 481 606
Other property, plant and equipment	90 365 143	28 881 885	-	(884 400)	-	(6 349 556)	(252 261)	111 760 811
	4 219 077 913	**108 284 574**	**858 530 433**	**(8 785 472)**	**133 277 230**	**(324 774 984)**	**(20 004 413)**	**4 965 605 281**

Pledged as security

No assets pledged as security:

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

3. Property, plant and equipment (continued)

Carrying amounts of infrastructure projects experiencing delays or halted:

Property, plant and equipment that was not used for any period of time during the reporting period that significantly impacted the delivery of goods and services of the entity (Carrying amount)		
Jouberton Youth Development Centre (SAFA Safe Hub)	1 275 670	1 275 670
Construction of an Athletic Track and Field at Matlosana Stadium in Jouberton	4 648 180	4 648 180
Jouberton Central Park Development	172 088	172 088
Alabama Sub-Station	35 920 673	35 920 673
Municipal Service Centre (Thusong Centre)	1 837 738	1 837 738
Jouberton Event Space (Open Air Amphitheatre and Play Park)	518 948	518 948
Jouberton Reservoir	3 434 367	-
Khuma Pavement Sewer Outfall	3 962 086	-
	51 769 750	**44 373 297**

Jouberton Youth Development Centre (SAFA Safe Hub) - Project is in the inception phase and due to limited budget allocation, the project will only be implemented when budget becomes available

Construction of an Athletic Track and Field at Matlosana Stadium in Jouberton - Project was halted due to budget shortfall (MIG). Request for internal funding to complete the project have been sent through to council, however it has not been approved as yet.

Alabama Substation - This project is neither halted nor delayed,this project will only be completed once the Construction of 88KV Medium Voltage Loop-in-loop out Line in Alabama Substation project have been completed, which is currently not completed and remain in WIP, as these two mentioned projects run in conjunction with each other.

Jouberton Central Park Development - Project is in inception phase and delayed, and due to limited budget allocation (NDPG), the project will only move over to construction phase once additional budget becomes available.

Municipal Service Centre (Thusong Centre) - Project is in inception phase and delayed, and due to limited budget allocation (NDPG), the project will only move over to construction phase once additional budget becomes available.

Jouberton Event Space (Open Air Amphitheatre and Play Park) - Project is in inception phase and delayed, and due to limited budget allocation (NDPG), the project will only move over to construction phase once additional budget becomes available.

Jouberton Reservoir - Project has been delayed due to leaking pipework. The contractor has requested a water shutdown and is awaiting approval of the request.

Khuma Pavement Sewer Outfall - The project has been delayed due to the contractor's failure to meet the project timelines and specifications. A tender to appoint a new contractor has been issued.

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

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Anti-tampering pillar boxes	296 710	296 710
Construction of an Athletic Track and Field at Matlosana Stadium in Jouberton	4 648 180	4 648 180
Jouberton Central Park Development	172 088	172 088
Alabama Substation	34 251 045	34 251 045
Municipal Service Centre (Thusong Centre)	1 837 738	1 837 738
Jouberton Event Space (Open Air Amphitheatre and Play Park)	518 948	518 948
Jouberton Reservoir	3 434 367	-
Khuma Pavement Sewer Outfall	3 962 086	-
	49 121 162	**41 724 709**

3. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Total
Opening balance	819 629 646	114 892 888	934 522 534
Additions/capital expenditure	121 388 557	25 176 129	146 564 686
Transferred to completed items	(103 294 817)	(125 157 413)	(228 452 230)
	837 723 386	**14 911 604**	**852 634 990**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	773 371 781	85 158 652	858 530 433
Additions/capital expenditure	103 542 994	29 734 236	133 277 230
Transferred to completed items	(57 285 129)	-	(57 285 129)
	819 629 646	**114 892 888**	**934 522 534**

Expenditure incurred to repair and maintain property, plant and equipment

Repairs and maintenance

The municipality's amount is R155 697 571 (2023-24 R148 609 252) for the financial reporting year. In determining the repairs and maintenance amount the municipality has exclusively disclosed amounts charged by service providers.

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.

4. Intangible assets

Reconciliation of intangible assets - 2024

	Opening balance	Disposals	Total
Computer software, other	1 297 383	(1 297 383)	-

5. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Museum collectable, monuments and heritage sites	9 691 348	-	9 691 348	9 958 823	-	9 958 823

Reconciliation of heritage assets 2025

	Opening balance	Disposals	Impairment losses recognised	Total
Museum collectable, monuments and heritage sites	9 958 823	(260 000)	(7 475)	9 691 348

Reconciliation of heritage assets 2024

	Opening balance	Disposals	Impairment losses recognised	Total
Museum collectable, monuments and heritage sites	10 005 023	(15 400)	(30 800)	9 958 823

5. Heritage assets (continued)

Heritage assets which fair values cannot be reliably measured

A number of heritage assets were identified during the current year's verification. Although these assets were recorded in the register as required by the MFMA, the nature of the assets did not allow for values to be assigned to them. It was impracticable to do so as no fair values exists for these assets.

Restricted title

There are no restrictions on the title to assets.

Pledged as security

No assets are pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Other financial assets

Designated at fair value		
Investments The Sanlam Capital Guaranteed Fund is a unit trust which is comprised of stock exchange securities in which investors can buy units. The units trusts are measured at fair value using quoted market prices.	14 369 817	13 070 921
Non-current assets		
Designated at fair value	14 369 817	13 070 921

Financial assets at fair value

Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

Fair values of financial assets measured or disclosed at fair value

Unit trusts The unit trusts are measured based on the fair value of quoted market prices.	14 369 817	13 070 921

Nominal value of financial assets at cost

Sanlam Capital guaranteed fund - 040710409X0	898 636	817 639
Financial asset Sanlam Capital guaranteed fund - 040644725X0	13 471 181	12 253 282
	14 369 817	**13 070 921**

7. Nature reserve wildstock

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Wildstock	2 077 570	-	2 077 570	1 763 150	-	1 763 150

Reconciliation of nature reserve wildstock - 2025

	Opening balance	Additions through births and herd growth	Total
Wildstock	1 763 150	314 420	2 077 570

Reconciliation of nature reserve wildstock - 2024

	Opening balance	Additions through births and herd growth	Total
Wildstock	1 597 200	165 950	1 763 150

Entity as custodian

The nature reserve is not operated as a profit-making enterprise and the wildstock held therein is held for the benefit of the community. Increases and decreases in the numbers of wildstock are thus determined by environmental factors and natural attrition due to age, disease or unfavourable climatic conditions.

Living resources on loan to other entities

The municipality does not hold any wildstock borrowed from or on loan to other entities, nor does any of the wildstock have limitations on their title.

Revaluations

The effective date of the revaluation was 31 May 2025. Revaluations were performed by independent valuer, Mr Xavier from Bona Bona Game Reserve.

The method used to determine fair value was the market approach.

The herd was valued using the most recent market prices determined by our valuer who is experienced in the trade of breeding and selling wildstock. The fair value of the wildstock was determined entirely by reference to observable prices and market transactions obtained during arms' length transactions.

No surpluses existed as a result of revaluation of the wildstock.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

8. Inventories

Consumable stores	55 877 117	54 317 011
Water for distribution	2 566 298	3 076 767
Fuel (Diesel, Petrol)	71 716	460 007
Museum	48 075	57 930
	58 563 206	**57 911 715**

Inventories recognised as an expense during the year	53 937 001	62 084 105

Inventories write downs recognised as an expense during the year was R937 613 (2023/24: R 1 271 692).

Inventory pledged as security

No inventory is pledged as security.

9. Receivables from exchange transactions

Receivables	14 118 358	18 087 819
Impairment of other receivables	(4 611 178)	(4 611 178)
	9 507 180	**13 476 641**

Trade and other receivables impaired

As of 30 June 2025, trade and other receivables of R - (2024: R 4 611 178) were impaired and provided for.

The amount of the provision was R (4 611 178) as of 30 June 2025 (2024: R (4 611 178)).

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(4 611 178)	(4 611 178)

Figures in Rand	2025	2024

10. Receivables from non-exchange transactions

Fines (statutory receivable)	206 733 534	89 984 379
Impairment of fines	(179 872 307)	(21 447 929)
Write-off of fines	-	(68 536 450)
Other receivables from non-exchange transactions	8 840 709	6 192 595
	35 701 936	**6 192 595**

Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Traffic Fines	26 861 226	-

Other non-financial asset receivables included in receivables from non-exchange transactions above are as follows:		
Overpayment to GMHM Construction and Projects	6 192 595	6 192 595
Overpayment to Staro Integration	1 282 946	-
Overpayment to Dirabotle Projects (Pty) Ltd	1 365 168	-
	8 840 709	**6 192 595**
Financial asset receivables included in receivables from non-exchange transactions above	**8 840 709**	**6 192 595**
Total receivables from non-exchange transactions	106 006 633	6 192 595

Receivables from non-exchange (statutory receivable) transactions impaired

As of 30 June 2025, other receivables from non-exchange transactions of R 179 872 307 (2024: R 21 447 929) were impaired and provided for. Fines amounting to R0 (2024: R68,536,450) were written off during the year.

The amount of the provision was R (179 872 307) as of 30 June 2025 (2024: R 21 447 929).

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

Opening balance	(21 447 929)	(75 986 529)
Provision for impairment	(158 424 378)	(13 997 850)
Amounts written off as uncollectible	-	68 536 450
	(179 872 307)	**(21 447 929)**

11. VAT receivable

VAT Input Accrual	2 085 862 199	1 713 369 951
VAT Output Accrual	(2 289 126 409)	(1 943 256 499)
VAT on Impairment of receivables	756 772 128	662 674 025
VAT due from SARS	3 886 110	3 920 570
	557 394 028	**436 708 047**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

12. Consumer debtors

Gross balances		
Rates (statutory receivables)	592 098 472	506 770 502
Electricity	776 237 793	673 515 886
Water	3 199 840 188	2 851 921 860
Sewerage	439 616 463	397 078 555
Refuse	806 478 223	735 417 119
Other service charges	324 368 689	296 843 566
VAT on consumer debtors	791 063 895	701 924 048
Interest on overdue accounts	3 639 440 552	3 042 460 876
	10 569 144 275	**9 205 932 412**
Less: Allowance for impairment		
Rates (statutory receivables)	(566 431 522)	(478 433 027)
Electricity	(742 588 652)	(635 854 383)
Water	(3 061 130 278)	(2 692 448 761)
Sewerage	(420 559 523)	(374 874 809)
Refuse	(771 518 190)	(694 294 237)
Other service charges	(310 339 173)	(280 246 568)
VAT on consumer debtors	(756 772 128)	(662 674 025)
Interest on overdue accounts	(3 481 674 400)	(2 872 333 262)
	10 111 013 866)	**(8 691 159 072)**
Net balance		
Rates (statutory receivables)	25 666 950	28 337 475
Electricity	33 649 141	37 661 503
Water	138 709 910	159 473 099
Sewerage	19 056 940	22 203 746
Refuse	34 960 033	41 122 882
Other service charges	14 029 516	16 596 998
Value added tax on consumer debtors	34 291 767	39 250 023
Interest on overdue accounts	157 766 152	170 127 614
	458 130 409	**514 773 340**
Included in above is receivables from exchange transactions		
Electricity	33 649 141	37 661 503
Water	138 709 910	159 473 099
Sewerage	19 056 940	22 203 746
Refuse	34 960 033	41 122 882
Other service charges	14 029 516	16 581 800
Value added tax on consumer debtors	34 291 767	39 250 023
Interest on overdue accounts	157 766 152	170 142 812
	432 463 459	**486 435 865**
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates (statutory receivables)	25 666 950	28 337 475
Net balance	**458 130 409**	**514 773 340**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

12. Consumer debtors (continued)

Rates		
Current (0 -30 days)	39 926 879	50 190 958
31 - 60 days	15 327 510	11 572 084
61 - 90 days	12 063 130	10 326 314
Over 90 days	524 780 884	434 681 146
Provision for bad debts	(566 431 522)	(478 433 027)
	25 666 881	**28 337 475**
Electricity		
Current (0 -30 days)	176 303 388	185 100 736
31 - 60 days	26 658 243	17 229 924
61 - 90 days	18 092 039	14 702 869
Over 90 days	555 184 123	456 482 357
Provision for bad debts	(742 588 652)	(635 854 383)
	33 649 141	**37 661 503**
Water		
Current (0 -30 days)	149 301 991	190 735 952
31 - 60 days	64 282 056	47 066 531
61 - 90 days	51 503 386	45 177 718
Over 90 days	2 934 752 756	2 568 941 658
Provision for bad debts	(3 061 130 278)	(2 692 448 760)
	138 709 911	**159 473 099**
Sewerage		
Current (0 -30 days)	12 027 682	19 294 991
31 - 60 days	7 626 579	7 235 230
61 - 90 days	6 949 902	5 891 951
Over 90 days	413 012 299	364 656 382
Provision for bad debts	(420 559 523)	(374 874 808)
	19 056 939	**22 203 746**
Refuse		
Current (0 -30 days)	15 535 296	27 558 196
31 - 60 days	11 642 813	11 384 953
61 - 90 days	10 957 121	10 933 279
Over 90 days	768 342 994	685 540 692
Provision for bad debts	(771 518 190)	(694 294 238)
	34 960 034	**41 122 882**
Business service levies		
Current (0 -30 days)	5 050 801	22 349 110
31 - 60 days	1 704 443	694 464
61 - 90 days	3 039 024	3 346 206
Over 90 days	314 574 421	270 453 786
Provision for bad debts	(310 339 173)	(280 246 568)
	14 029 516	**16 596 998**

Figures in Rand	2025	2024

12. Consumer debtors (continued)

Value added tax on consumer debtors		
Current (0 -30 days)	28 620 441	39 971 581
31 - 60 days	16 756 331	12 473 848
61 - 90 days	13 554 256	11 814 806
Over 90 days	732 132 868	637 663 813
Provision for bad debts	(756 772 057)	(662 674 025)
	34 291 839	**39 250 023**

Interest on overdue accounts		
Current (0 -30 days)	68 888 538	121 724 499
31 - 60 days	68 099 091	59 802 954
61 - 90 days	67 143 122	41 927 379
Over 90 days	3 435 309 801	2 819 006 044
Provision for bad debts	(3 481 674 400)	(2 872 333 262)
	157 766 152	**170 127 614**

Summary of debtors by customer classification

Reconciliation of allowance for impairment		
Balance at beginning of the year	(8 691 159 072)	(7 513 286 491)
Contributions to allowance	(1 894 428 253)	(1 551 723 652)
Bad debts written off against allowance	474 573 459	373 851 071
	(10 111 013 866)	**(8 691 159 072)**

Statutory receivables general information

Property rates (Statutory receivable)Property rates (Statutory receivable)

Included in consumer debtors above, are amounts receivable by the municipality as a result of Rates levied and billed as per the Municipal Property Rates Act No. 6 of 2004.
The rates are calculated using the value of the property and the applicable tariff which is based on the usage of the property, this will also be subject to any applicable rebates based on the nature of the consumer.

The rates receivables have been impaired collectively with other consumer debtors and a discount rate of 11,75% (based on the prevailing prime lending rate as at 30 June 2025) was applied to the estimated future cash flows.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

13. Cash and cash equivalents

Cash and cash equivalents consist of:

	2025	2024
Cash on hand	68 500	68 500
Bank balances	24 765 767	22 427 312
Short-term deposits	117 554 494	146 158 700
	142 388 761	**168 654 512**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
ABSA BANK - Cheque Account - 01000100176	9 376 310	7 383 182	2 663 777	17 108 940	19 309 478	13 246 917
ABSA BANK - Cheque Account - 4060008684	7 325 093	500 787	1 444 412	7 325 093	500 787	425 411
ABSA BANK - Cheque Account - 4071085841 (Housing)	345 552	817 692	157 601	345 552	150 627	150 627
ABSA BANK - Cheque Account - 950000090 (Market)	(389 487)	2 286 841	2 001 231	(389 487)	2 286 841	2 001 231
ABSA BANK - Cheque Account - 950164379 (Council water)	279 214	230 828	1 495 956	375 469	179 580	1 567 846
ABSA BANK - 4073033854 - Call Account	27 914 577	27 992 713	9 528 573	27 914 577	27 992 713	9 528 573
ABSA BANK - 407826177 - Call Account	28 641 976	15 470 450	184 280	28 641 976	15 470 450	184 280
ABSA BANK - 4081494682 - Call Account	158	2 202 121	43 764	158	2 202 121	43 764
ABSA BANK - 4086111223 - Call Account	10 492 224	2 086 830	5 389 952	10 492 224	2 086 830	5 389 952
ABSA BANK - 9056825047 - Call Account	1 057 920	1 110 323	7 692 752	1 057 920	1 110 323	7 692 752
ABSA BANK - 9074204063 - Call Account	4 505 652	2 829 670	2 712 116	4 505 652	2 829 670	2 712 116
ABSA BANK - 9090072264 - Call Account	200 854	6 998 014	1 549	200 854	6 998 014	1 549
ABSA BANK - 9377065203 - Call Account	8 195 332	15 506 857	17 807 866	8 195 332	15 506 857	17 807 866
INVESTEC BANK - 1400057452500 Call Account	9 003 615	8 352 614	7 704 406	9 003 615	8 352 614	7 704 406
FNB - 62879341700 - Call Account	27 528 184	25 512 649	23 529 053	27 528 184	25 512 649	23 529 053
FNB - 70379020873 - Collateral Account	14 000	14 000	14 000	14 000	14 000	14 000
FNB - 71037411669 - Collateral Account	-	61 718	57 020	-	61 718	57 020
Total	**134 491 174**	**119 357 289**	**82 428 308**	**142 320 059**	**130 565 272**	**92 057 363**

Figures in Rand	2025	2024

14. Other financial liabilities

At amortised cost		
DBSA Loans	1 153 492	5 474 291
Redefine	318 983	8 672 758
	1 472 475	**14 147 049**
Total other financial liabilities	**1 472 475**	**14 147 049**

DBSA Loan

Type of loan	Annuity loan
Original amount	R35 269 878
Period of loan	15 years
Date loan received	September 2010
Redemption date	September 2025
Interest rate	Fixed 10.56%
Purpose of loan	Bulk Infrastructure
Terms and conditions	Payable on monthly basis.

Redefine Loan

Type of loan	Annuity loan
Original amount	R51 987 915,58
Period of loan	10 years
Date loan received	August 2016
Redemption date	August 2026
Purpose of loan	Road construction
Terms and conditions	Payable on monthly basis

The Redefine loan is an interest free concessionary loan. Settlement of the loan amount will be via set-off against service charges accruing on Redefine Properties municipal accounts.

Non-current liabilities		
At amortised cost	-	1 432 905
Current liabilities		
At amortised cost	1 472 475	12 714 144

15. Payables from exchange transactions

Trade payables	3 828 339 562	2 801 795 724
Payments received in advanced	104 363 467	103 850 668
Unallocated deposits	4 407 306	1 391 255
Accrued leave pay	100 632 017	99 550 438
Retentions	28 007 749	32 212 080
Agency Fee Payable	1 842 242	15 639 794
Sundry creditors	18 436 848	16 426 448
Housing : Absa bank account	-	150 627
13th Cheque Accrual	16 804 907	13 919 561
	4 102 834 098	**3 084 936 595**

16. Consumer deposits

Water and Electricity	54 380 939	49 873 847

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

17. Employee benefit obligations

Reconciliation of employee benefit obligations - 2025	Opening Balance	Movement	Utilised during the year	Total
Continuous medical aid contribution	308 118 000	66 429 789	(17 282 000)	357 265 789
Long service awards	44 057 000	8 048 000	(8 983 000)	43 122 000
	352 175 000	**74 477 789**	**(26 265 000)**	**400 387 789**

Reconciliation of employee benefit obligations - 2024	Opening Balance	Movement	Utilised during the year	Total
Continuous medical aid contribution	284 632 000	38 745 000	(15 259 000)	308 118 000
Long service awards	42 456 000	7 739 000	(6 138 000)	44 057 000
	327 088 000	**46 484 000**	**(21 397 000)**	**352 175 000**

Carrying values		
Non - current liabilities	373 491 789	325 910 000
Current liabilities	26 896 000	26 265 000
	400 387 789	**352 175 000**

Post retirement medical aid plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

In accordance with the requirements of GRAP 25, the projected unit credit method has been applied. The assumption underlying the funding method is that the employer’s post employment medical scheme costs in respect of an employee should be fully recognised by the time that the employee reaches fully accrued age. The valuation has been made with reference Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP 25.

Changes in the present value of the defined benefit obligation:	2025	2024
Opening balance	308 118 000	284 632 000
Service cost	9 284 000	8 580 000
Interest cost	36 507 000	34 293 000
Actuarial loss/ (gain)	20 403 000	(4 128 000)
Expected contributions	(17 282 000)	(15 259 000)
	357 030 000	**308 118 000**

Key financial assumptions	2025	2024
Discount rate	11,0%	12,18%
Health care cost inflation rate	6,8%	7,68%
Net discount rate	3,9%	4,18%
	-	-

Key demographic assumptions	2025	2024
Average retirement age	62	62
Continuation of membership at retirement	70%	70%
Proportion with a spouse dependant at retirement	55%	55%
Proportion of in-service non-members joining a scheme by retirement and continuing with the subside at retirement	15%	15%
Mortality during employment	SA 85-90 light	SA 85-90 light
Mortality post- employment	PA(90) -1	PA(90) -1

17. Employee benefit obligations (continued)

Sensitivity analysis

Sensitivity analysis on accrued liability	Change	Eligible employees	Continuation members	Total	% change
Central assumptions		167.982	189.048	357.030	
Health care inflation rate	+1%	200.352	205.562	405.914	14%
	-1%	141.985	174.590	316.575	-11%
Discount rate	+1%	143.072	175.219	318.291	-11%
	-1%	199.306	205.048	404.354	13%
Post employment mortality	+1 yr	163.816	182.540	346.356	-3%
	-1 yr	172.089	195.586	367.675	3%
Average retirement age	-1 yr	183.405	189.048	372.453	4%
Membership continuation	-10%	145.177	189.048	334.225	-6%

Sensitivity analysis on current- service and interest costs for the year ending 30/06/2025	Change	Current Svc. Cost	Interest cost	Total	% change
Central assumptions	-	9 284 000	36 507 000	45 791 000	-
Health care inflation rate	+1%	11 276 000	41 522 000	52 798 000	15%
	-1%	7 703 0	32 342 000	40 045 0	-13%
Discount rate	+1%	7 842 000	35 195 000	43 037 000	-6%
	-1%	11 104 0	37 956 0	49 060 0	7%
Post-employment mortality	+1%	9 058 000	35 401 000	44 459 000	-3%
	-1%	9 501 000	37 609 000	47 110 000	3%
Average retirement age	-1 yr	9 869 000	38 187 000	48 056 000	5%
Membership continuation	-10%	8 036 000	34 116 000	42 152 000	-8%

Long service awards

The municipality operates an unfunded 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 of continuous service thereafter, to employees.
The provision is an estimate of the long-service based on historical staff turnover.

Changes in the present value of the defined benefit obligation:	2025	2024
Opening balance	44 057 000	42 456 000
Service cost	3 196 000	3 182 000
Interest cost	4 267 000	4 311 000
Actuarial loss/(gain)	585 000	246 000
Expected benefits	(8 983 000)	(6 138 000)
	43 122 000	44 057 000
	43 122 000	**44 057 000**

The expected vesting is the total value of the long-service awards that were expected to be awarded to eligible employees over the year, based on the data at the previous valuation date. Employees are usually entitled to take this award in whole or in part as cash, with the remainder taken as leave.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

17. Employee benefit obligations (continued)

At the previous valuation, employees' costs to council were provided to determine the Rand value of the long service award provision. At this valuation, it was established that the long service award earnings definition is used in practice. The impact of this change in the long service awards earnings definition is disclosed above.

Key financial assumptions	2025	2024
Discount rate	9,5%	10,75%
General earnings inflation rate (long-term)	4,5%	5,94%
Net effective discount rate	4,8%	4,54%

Key demographic assumptions	2025	2024
Average retirement age	62	62
Mortality during employment	SA 85-90 light	SA 85-90 light

The table below indicates that if earnings inflation is one percentage point greater than the long-term assumption made, the liability will be 5% higher than the results shown.

Sensitivity analysis on the unfunded accrued liability	Change	Liability	% Change
Central assumptions		43 122 000	
General earnings inflation rate	+1%	45 278 000	5%
	-1%	41 129 000	-5%
Discount rate	+1%	41 060 000	-5%
	-1%	45 388 000	5%
Average retirement age	+2 yrs	47 955 000	11%
	-2 yrs	37 653 000	-13%
Withdrawal rates	x2	36 789 000	-15%
	x0.5	47 148 000	9%

Sensitivity analysis on current-service and interest costs for year ending 30/06/2025	Change	Current- Svc. Cost	Interest cost	Total	% change
Central assumptions		3 196 000	4 267 000	7 463 000	
General earnings inflation rate	+1%	3 403 000	4 492 000	7 895 000	6%
	-1%	3 008 000	4 059 000	7 067 000	-5%
Discount rate	+1%	3 031 000	4 428 000	7 495 000	0%
	-1%	3 380 000	4 085 000	7 465 000	0%
Average retirement age	+2 yrs	3 492 000	4 738 000	8 230 000	10%
	-2 yrs	2 857 000	3 724 000	6 581 000	-12%
Withdrawal rates	x2	2 529 000	3 590 000	6 199 000	-18%
	x0.5	3 658 000	4 699 000	8 357 000	12%

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

	2025	2024
Non-current liabilities	(373 491 789)	(325 910 000)
Current liabilities	(26 896 000)	(26 265 000)
	(400 387 789)	**(352 175 000)**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	2 573 478	10 814 429
Integrated National Electrification Programme (INEP)	283 715	-
Financial Management Grant (FMG)	1 241 551	515 973
Department of Water Affairs and Forestry (DWAF)	276 464	276 464
Water Services Infrastructure Grant (WSIG)	5 470	3 119 263
Expanded Public Works Programme (EPWP)	20 587	26 461
Fire Grant	557 326	557 326
Library Grant	1 392 015	859 730
Neighbourhood Development Partnership Grant (NDPG)	961 748	63 752
Dr Kenneth Kaunda District Municipality	213 176	213 176
Disaster Assessment Management Grant	200 000	200 000
District Grant	4 581 284	4 581 284
Museum Grant	45 566	45 525
Disaster Management Grant (COVID)	8 251 904	8 251 904
Energy Efficiency Demand Side Management (EEDSM)	-	7 374
	20 604 284	**29 532 661**

19. Eskom debt relief liability

Minimum lease payments due		
- within one year	1 437 820 931	1 114 342 621
- in second to fifth year inclusive	-	479 276 976
	1 437 820 931	1 593 619 597
less: future finance charges	-	(325 126 150)
Present value of minimum lease payments	**1 437 820 931**	**1 268 493 447**
Present value of minimum lease payments due		
- within one year	1 437 820 931	848 065 047
- in second to fifth year inclusive	-	420 428 401
	1 437 820 931	**1 268 493 448**
Non-current liabilities	-	420 428 401
Current liabilities	1 437 820 931	848 065 047
	1 437 820 931	**1 268 493 448**

The municipality qualified for the National Treasury's Municipal Debt Relief programme that allows for the write-off of amounts owning to Eskom.

Should the municipality meet the conditions of the program over a three year period then their historic debt amounting to R1 437 830 930 will be written off in full in equal amounts.

The municipality is currently not complying with all the obligations under the Eskom debt relief program, the municipality has thus not claimed any of the benefit due from the Eskom debt relief.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

20. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	Change in estimate	Total
Environmental rehabilitation	163 293 915	16 715 854	(12 431 075)	167 578 694

Reconciliation of provisions - 2024

	Opening Balance	Additions	Change in estimate	Total
Environmental rehabilitation	149 760 416	15 160 247	(1 626 748)	163 293 915

Environmental rehabilitation provision

In terms of the licensing of the landfill refuse sites, the municipality will incur rehabilitation costs to restore the site at the end of its useful life. Provision has been made for the net present value of this cost.

Assumption used

- The discount rate used of 10.24% (2024: 10.12%) is the weighted average cost of capital (WACC) calculated for both the Klerksdorp and Hartbeesfontein landfill sites.
- The scheduled dates of total closure and rehabilitation are anticipated to be between 2025 and 2038.

21. Service charges

	2025	2024
Sale of electricity	1 060 914 039	960 936 880
Sale of water	815 998 115	731 613 180
Sewerage and sanitation charges	143 015 943	145 662 832
Refuse removal	197 333 186	197 202 391
	2 217 261 283	**2 035 415 283**

22. Agency Fees

	2025	2024
Commissions received	13 360 734	13 464 779

The North West Department of Community Safety and Transport Management issues motor vehicle licences to motorists for a prescribed fee. Given the geographical location of municipal offices, it is convenient for motorists to be able to renew their licences at these locations. The municipality facilitates the issuing of these licences and the collection of the prescribed fees.

The municipality acts on behalf of the Department to issue licences to, and collect money from motorists. The transaction is however between the Department and the motorist (i.e. third party) - the party responsible for the payment of the licence fee. The municipality is not a party to the transaction with the third parties but rather facilitates the transaction between the Department and the motorist and receives a commission fee accordingly.

23. Investment revenue

	2025	2024
Interest revenue		
Bank	14 296 697	12 917 884
Interest charged on consumer debtors	689 644 720	604 866 390
	703 941 417	**617 784 274**

Figures in Rand	2025	2024

24. Property rates

Rates received

Total rates received	537 681 347	507 433 747

Valuations

Residential	21 991 856 714	21 785 535 919
State	1 152 151 100	1 145 741 100
Municipal	1 066 046 886	1 013 872 886
Agricultural	2 380 584 400	2 346 362 400
Business	6 276 799 809	6 198 626 959
	32 867 438 909	**32 490 139 264**

Valuations on land and buildings are performed every 4 years. The valuations were done by DDP Valuers on behalf of the municipality. An interim valuation was carried out in the current year by Professional Mobile Mapping Services to take into account changes in individual property values due to alterations and subdivisions.

The general valuation was implemented on 01 July 2020.

25. Donations received

Cash donation from Department of Health	-	6 872 422
Donations of property plant and equipment	254 399 376	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

26. Government grants & subsidies

Operating grants		
Equitable share	641 421 000	599 605 522
National: Expanded Public Works Program (EPWP)	1 534 413	2 762 539
Financial Management Grant (FMG)	1 758 449	2 584 027
Fire Grant	-	300 000
Library Grant	867 715	2 185 582
Museum Grant	199 959	507 075
	645 781 536	**607 944 745**
Capital grants		
Municipal Infrastructure Grant (MIG)	110 092 522	110 398 992
Integrated National Electrification Programme Grant (INEP)	8 640 285	6 162 725
Neighbourhood Development Partnership Grant (NDPG)	9 530 252	21 098 248
Water Services Infrastructure Grant (WSIG)	41 994 530	45 510 737
Energy Efficiency Demand Side Management Grant (EEDSM)	5 000 000	3 992 626
	175 257 589	**187 163 328**
	821 039 125	**795 108 073**

Municipal Infrastructure Grant

Balance unspent at beginning of year	10 814 429	21 375 948
Current-year receipts	112 666 000	101 017 001
Conditions met - transferred to revenue	(110 092 522)	(110 398 992)
Roll over denied	(6 600 000)	(1 179 528)
Withheld by NRF from Equitable Share	(4 214 429)	-
	2 573 478	**10 814 429**

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

An amount of R112 804 000 was allocated to the municipality, however an amount of R138 000 was withheld by National Treasury.

The purpose of this grant is to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor house holds, micro enterprise and social institutions servicing poor communities.

Integrated National Electrification Programme Grant (INEP)

Balance unspent at beginning of year	-	4 430 725
Current-year receipts	8 924 000	1 732 000
Conditions met - transferred to revenue	(8 640 285)	(6 162 725)
	283 715	**-**

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

The purpose of the grant is to implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of all existing and planned residential dwellings and the installation of relevant bulk infrastructure.

Financial Management Grant

Balance unspent at beginning of year	515 973	103 741
Current-year receipts	3 000 000	3 100 000
Conditions met - transferred to revenue	(1 758 449)	(2 584 043)
Roll over denied	-	(103 725)
Withheld by NRF from Equitable Share	(515 973)	-

26. Government grants & subsidies (continued)

	1 241 551	**515 973**

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

The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the municipal finance management act.

DWAF

Balance unspent at beginning of year	276 464	276 464

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

The purpose of the grant is to provide water to support economical, social and environmental sectors.

WSIG

Balance unspent at beginning of year	3 119 263	5 755 625
Current-year receipts	42 000 000	48 630 000
Conditions met - transferred to revenue	(41 994 530)	(45 510 737)
Roll over denied	(3 119 263)	(5 755 625)
	5 470	**3 119 263**

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

An amount of R50 000 000 was allocated to the municipality, however an amount of R8 000 000 was withheld by National Treasury.

The purpose of the grant is to provide water services.

EPWP

Balance unspent at beginning of year	26 461	30 151
Current-year receipts	1 555 000	2 789 000
Conditions met - transferred to revenue	(1 534 413)	(2 762 539)
Roll over denied	-	(30 151)
Withheld by NRF from Equitable Share	(26 461)	-
	20 587	**26 461**

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

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

The purpose of the grant is to create employement using labour intensive methods.

Fire

Balance unspent at beginning of year	557 326	557 326

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

Library

Balance unspent at beginning of year	859 730	2 095 313
Current-year receipts	1 400 000	950 000
Conditions met - transferred to revenue	(867 715)	(2 185 583)

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

26. Government grants & subsidies (continued)

	2025	2024
	1 392 015	**859 730**

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

The purpose of the grant is to provide for Library Services.

NDPG Grant

	2025	2024
Balance unspent at beginning of year	63 752	8 078 938
Current-year receipts	10 492 000	21 162 000
Conditions met - transferred to revenue	(9 530 252)	(21 098 248)
Roll-over denied	-	(8 078 938)
Withheld by NRF from Equitable Share	(63 752)	-
	961 748	**63 752**

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

The purspose of the grant is to plan, catalyse, and invest in targeted locations in order to attract and sustain third party capital investments aimed at spatial transformation.

District MEYMP

	2025	2024
Balance unspent at beginning of year	213 176	213 176

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

The purpose of the grant is to fund small-scale, short-term activities that address needs in your community and communities abroad. Each district chooses which activities it will fund with these grants.

Disaster Assessment Management Grant

	2025	2024
Balance unspent at beginning of year	200 000	200 000

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

The purpose the grant is to ensure that sufficient funds are available in the event of disasters.

District Grant

	2025	2024
Balance unspent at beginning of year	4 581 284	4 581 284

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

The purpose of the grant is to fund small-scale, short-term activities that address needs in your community and communities abroad. Each district chooses which activities it will fund with these grants.

Museum Grant

	2025	2024
Balance unspent at beginning of year	45 525	321 601
Current-year receipts	200 000	231 000
Conditions met - transferred to revenue	(199 959)	(507 076)
	45 566	**45 525**

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

26. Government grants & subsidies (continued)

The purpose of the grant is to enable museums to focus on excellence in their programs and operations and to contribute to the understanding of the world and our place in it - our past, our present, and our future.

Disaster Assessment Management Grant (COVID)

Balance unspent at beginning of year	8 251 904	8 251 904

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

The purpose of the grant to assist the municipality and community in reducing the financial burden caused by the COVID 19 pandemic.

EEDSM

Balance unspent at beginning of year	7 374	2 540
Current-year receipts	5 000 000	4 000 000
Conditions met - transferred to revenue	(5 000 000)	(3 992 626)
Roll-over denied	-	(2 540)
Withheld by NRF from Equitable Share	(7 374)	-
	-	**7 374**

An amount of R5 000 000 was allocated to the municipality.

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

The purpose of the grant is to provide for electricity demand management.

27. Fines, Penalties and Forfeits

Illegal Connections Fines	626 294	360 581
Law Enforcement Fines	805 477	14 567 673
Court Traffic Fines	185 851 004	753 550
Municipal Traffic Fines	22 461 749	1 915 881
Fines, Penalties and Forfeits	4 401 146	4 154 324
	214 145 670	**21 752 009**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

28. Employee related costs

Basic	493 804 257	509 646 396
Medical aid - company contributions	54 308 579	50 553 256
UIF	3 830 926	3 847 756
SDL	6 743 811	6 907 495
Accrued leave pay movement	65 487	(1 576 570)
Defined contribution plans	(17 282 000)	(15 259 000)
Travel, motor car, accommodation, subsistence and other allowances	18 447 450	16 433 049
Overtime payments	65 120 209	65 802 585
Long-service awards	(5 787 000)	(2 956 000)
13th Cheques	40 292 855	33 778 902
Housing benefits and allowances	6 357 296	6 310 761
Professional membership fees	254 418	251 002
Pension fund	94 562 273	90 961 572
Leave paid out	14 627 073	10 473 421
Cellphone allowance	1 657 493	2 249 742
	777 003 127	**777 424 367**

Remuneration of Municipal Manager - L Seametso

Annual Remuneration	1 631 924	1 553 180
Subsistence	-	12 589
Contributions to UIF, Medical and Pension Funds	18 648	28 055
Other Allowances	20 340	-
	1 670 912	**1 593 824**

L Seametso was appointed as Municipal Manager from January 2023 to date.

Remuneration of Acting Municipal Manager - BB Choche

Annual Remuneration	148 507	905 638
Contributions to UIF, Medical and Pension Funds	-	13 648
Other allowances	-	160 000
	148 507	**1 079 286**

BB Choche was appointed as Acting MM from May 2024 till December 2024.

Remuneration of Chief Financial Officer - MM Phetla

Annual Remuneration	1 023 061	967 310
Contributions to UIF, Medical and Pension Funds	14 992	14 313
Other Allowances (Travel, Cellphones etc)	323 874	311 787
	1 361 927	**1 293 410**

MM Phetla was appointed as the Chief Financial Officer from January 2023 to date.

Figures in Rand	2025	2024

28. Employee related costs (continued)

Remuneration of Acting Chief Financial Officer - TO Sekgala

Annual Remuneration	-	172 560
Acting Allowance	48 951	10 436
Contributions to UIF, Medical and Pension Funds	-	59 959
Other Allowances (Travel, Cellphone etc)	-	38 768
	48 951	**281 723**

TO Sekgala was appointed as Acting CFO from April 2024 to November 2024.

Remuneration of Director of Public Safety - KI Boikanyo

Annual Remuneration	983 257	232 999
Contributions to UIF, Medical and Pension Funds	14 564	77 666
Other Allowances (Travel, Cellphone etc)	322 699	3 483
	1 320 520	**314 148**

KI Boikanyo was appointed as Director Public Safety from April 2024 to date.

Remuneration of acting Director of Public Safety - M Botsheleng

Annual Remuneration	-	287 600
Acting Allowance	-	36 959
Contributions to UIF, Medical and Pension Funds	-	88 854
Other Allowances (Travel, Cellphone etc)	-	95 992
	-	**509 405**

M Botsheleng was appointed acting Director Public Safety from 01 November 2023 to 31 March 2024.

Remuneration of acting Director of Public Safety - AJS Marais

Annual Remuneration	-	230 080
Acting Allowance	-	44 498
Contributions to UIF, Medical and Pension Funds	-	72 179
Other Allowances (Travel, Cellphone etc)	-	62 847
	-	**409 604**

AJS Marais was appointed as Acting Director: Public Safety from July 2023 till 31 October 2023.

Remuneration of Director Technical and Infrastructure - SN Mongale

Annual Remuneration	857 122	246 466
Contributions to UIF, Medical and Pension Funds	14 636	3 518
Other Allowances (Travel, Cellphone etc)	441 885	64 200
	1 313 643	**314 184**

SN Mongale was appointed as the Director of Technical and Infrastructure from April 2024 to date.

Remuneration of Acting Director Technical and Infrastructure - JJ Pilusa

Annual Remuneration	-	520 970
Acting Allowance	-	154 764
Contributions to UIF, Medical and Pension Funds	-	160 592
Other Allowances (Travel, Cellphone etc)	-	167 992

Figures in Rand	2025	2024

28. Employee related costs (continued)

	-	**1 004 318**

JJ Pilusa was appointed as the Acting Director of Technical and Infrastructure from September 2022 till March 2024.

Remuneration of Director Planning and Human Settlements - BB Choche

Annual Remuneration	1 086 468	250 666
Acting Allowance	-	17 293
Contributions to UIF, Medical and Pension Funds	16 157	3 691
Other Allowances (Travel, Cellphone etc)	262 266	60 000
	1 364 891	**331 650**

BB Choche has been appointed as the Director of Planning and Human Settlements from the 1st of March 2019 until February 2024 and again from April 2024 to date.

Remuneration of Acting Director Planning and Human Settlement - SP Phala

Annual Remuneration	-	57 520
Contributions to UIF, Medical and Pension Funds	-	18 530
Other Allowances (Travel, Cellphone etc)	-	18 636
	-	**94 686**

SP Phala was appointed as Acting Director: Planning and Human Settlement from 01 March 2024 to 31 March 2024.

Remuneration of Acting Director of Local Economic Development - PT Molelekwa

Annual Remuneration	-	364 679
Acting Allowance	-	74 952
Contributions to UIF, Medical and Pension Funds	-	86 438
Other Allowances (Travel, Cellphone etc)	-	91 773
	-	**617 842**

PT Molelekwa was appointed Acting Director of Local Economic Development from April 2023 to January 2024.

Remuneration of Acting Director of Local Economic Development - MV Ramokanate

Annual Remuneration	-	103 686
Car Allowance	-	6 421
Contributions to UIF, Medical and Pension Funds	-	37 144
Other Allowances (Travel, Cellphone etc)	-	26 221
	-	**173 472**

MV Ramokanate was appointed as Acting Director LED from February 2024 to March 2024.

Remuneration of Director Local Economic Development - BJ Roberts-Tebejane

Annual Remuneration	921 265	244 007
Contributions to UIF, Medical and Pension Funds	76 502	18 415
Other Allowances (Travel, Cellphone etc)	317 377	51 778
	1 315 144	**314 200**

BJ Roberts-Tebejane was appointed as the Director of Local Economic Development from April 2024 to date.

Remuneration of Director of Corporate Services - NM Moabelo

Figures in Rand	2025	2024

28. Employee related costs (continued)

Annual Remuneration	989 906	340 009
Contributions to UIF, Medical and Pension Funds	14 558	4 158
Other Allowances (Travel, Cellphone etc)	296 472	24 000
	1 300 936	**368 167**

NM Moabelo was appointed as Director Corporate Services from April 2024 to date.

Remuneration of Director Community Development - PS Setona

Annual Remuneration	1 293 922	310 666
Contributions to UIF, Medical and Pension Funds	15 133	3 638
Other Allowances (Travel, Cellphone etc)	6 808	-
	1 315 863	**314 304**

PS Setona was appointed as Director Community Development from April 2024 to date.

Remuneration of Acting Director Community Development - MJ Masilo

Annual Remuneration	-	399 918
Acting Allowance	-	51 031
Contributions to UIF, Medical and Pension Funds	-	118 654
Other Allowances (Travel, Cellphone etc)	-	117 186
	-	**686 789**

MJ Masilo was appointed as Acting Director Community Development from February 2023 to December 2023.

Remuneration of Acting Director Community Development - MG Morebodi

Annual Remuneration	-	172 560
Acting Allowance	-	21 904
Contributions to UIF, Medical and Pension Funds	-	52 389
Other Allowances (Travel, Cellphone etc)	-	60 794
	-	**307 647**

MG Morebodi was appointed as Acting Director Community Development from January 2024 to March 2024.

Remuneration of Acting Director Corporate - NM Moabelo

Annual Remuneration	-	551 223
Car Allowance	-	80 575
Contributions to UIF, Medical and Pension Funds	-	160 535
Other	-	182 383
	-	**974 716**

NM Moabelo was appointed as Acting Director Corporate Services from July 2022 to March 2024.

Figures in Rand	2025	2024

29. Remuneration of councillors

Executive Mayor	1 235 299	1 222 796
Speaker	1 019 297	988 949
Councillors	37 990 351	36 932 643
	40 244 947	**39 144 388**

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

The Executive Mayor has two full-time bodyguards

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

Remuneration of Executive Mayor - FC Mahlophe

Annual Remuneration	866 796	-
Cellphone allowance	47 004	-
Travel Allowance	296 312	-
	1 210 112	**-**

FC Mahlophe became mayor from 11 July 2024 to date.

Remuneration of Executive Mayor - NJ Tsolela

Annual Remuneration	25 187	762 439
Councillors pension contributions	-	117 057
Cellphone allowance	-	53 208
Travel Allowance	-	290 091
	25 187	**1 222 795**

Mr NJ Tsolela became Mayor from November 2021 to 25 June 2024.

Remuneration of Speaker- SL Mondlane

Annual Remuneration	623 741	603 503
Councillors pension contributions	88 198	100 164
Cellphone allowance	47 004	53 208
Medica aid Allowance	17 280	-
Travel Allowance	243 073	232 073
	1 019 296	**988 948**

SL Mondlane became speaker from November 2021 to date.

Remuneration of the Chief Whip - R Thabanchu

Annual Remuneration	326 959	-
Councillors pension contributions	42 825	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

29. Remuneration of councillors (continued)

Cellphone allowance	23 502	-
Travel Allowance	123 261	-
	516 547	**-**

R Thabanchu became chief whip from 29 November 2024 to date

Remuneration of Chief Whip - K Ndincede

Annual Remuneration	301 892	571 830
Councillors pension contributions	41 270	87 860
Cellphone allowance	23 502	53 208
Travel Allowance	114 387	217 568
	481 051	**930 466**

K Ndincede became chief whip from June 2021 to 26 November 2024

Remuneration of Councillors and Mayoral Committee Members

Annual Remuneration	23 680 440	23 248 418
Councillors pension contributions	1 294 104	1 300 590
Cellphone allowance	3 456 154	3 950 207
Medical aid contribution	177 120	201 600
Travel Allowance	8 384 934	8 231 828
	36 992 752	**36 932 643**

30. Depreciation and amortisation

Property, plant and equipment	293 843 632	327 962 967

31. Finance costs

Non-current borrowings	376 575	807 942
Interest on landfill site	16 715 854	15 160 247
Interest on overdue accounts	277 778 868	104 426 638
	294 871 297	**120 394 827**

32. Rental and lease expenditure

Refuse		
Hire of refuse removal trucks	28 099 658	33 578 870
Equipment		
Hire of plant and equipment	16 054 313	4 475 443
Hire of printing equipment	52 309 839	70 827 128
	96 463 810	**108 881 441**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

33. Debt impairment

Impairment of consumer debtors	1 758 899 407	1 444 949 121
Impairment of receivables from non-exchange transactions	88 721 729	13 997 850
	1 847 621 136	**1 458 946 971**

34. Bulk purchases

Electricity - Eskom	1 200 864 699	1 010 483 320
Water	536 091 459	566 702 380
	1 736 956 158	**1 577 185 700**

Electricity (losses in units)	253 186 012	232 692 871
Electricity (losses as %)	44%	43%
Water (losses in units)	24 785 453	25 268 039
Water (losses as %)	57%	59%
	277 971 566	**257 961 012**

Electricity and water are supplied by Eskom and the Midvaal Water Company.

The municipality is in the process of installing meters at all its premises to enable us to accurately measure and manage own use. A strategy has been developed to minimise distribution losses and it will be implemented over time due to budget constraints.

35. Contracted services

Outsourced Services		
Financial and Asset Management Services	14 659 924	11 809 060
Assurance Management Services	8 717 221	3 167 981
VAT Management and Recovery	9 617 339	8 627 590
Debt collection and Meter reading services	30 610 107	28 463 863
Security Services	74 724 022	67 789 731
Other Contractors	17 996 154	4 724 297
Contractors		
Stream Cleaning and Ditching	2 349 600	222 919
	158 674 367	**124 805 441**

Contracted services are mandated services in terms of the Local Government: Municipal Structures Act 117 of 1998, a municipal by-law or the Integrated Development Plan that the municipality is expected to have the capacity and expertise to deliver but are being outsourced instead.

36. Repairs and Maintenace

Repairs and maintenance for property plant and equipment		
Repairs and maintenance	155 697 571	148 609 252

An amount of R155 697 571 (2024: R148 609 252) was spent during the year in review. In determining this amount, the municipality has exclusively disclosed amounts charged by service providers.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

37. General expenses

Advertising	945 337	977 634
Auditors remuneration	10 235 743	7 176 387
Bank charges	14 284 985	11 024 551
Commission paid	19 380 485	20 975 350
Legal costs and professional fees	13 753 209	14 662 246
Consumables	7 509 522	5 456 563
Discount allowed	502 311	828 521
Events and public participation	1 241 336	1 188 050
Veterinary services	32 634	50 000
Insurance	28 965 781	31 255 833
Community development and training	479 099	817 114
Marketing	1 323 584	-
Medical expenses	200 000	363 986
Motor vehicle expenses	18 375 201	24 420 154
Postage and courier	3 612 052	1 332 796
Printing and stationery	4 791 859	5 064 447
Protective clothing	8 123 293	6 874 956
Royalties and license fees	1 998 646	1 467 316
Subscriptions and membership fees	7 055 694	18 690 192
Telephone and IT system related costs	20 656 725	26 205 186
Transport and freight	11 055	23 496
Training	3 523 970	4 082 209
Title deed search fees	460 228	465 769
Other miscellaneous	7 418 374	4 920 865
Traffic fines management	4 927 396	18 100
Indigent costs	2 833 097	51 422 645
Human Settlement Costs	12 218 272	17 545 889
Workmen's compensation	3 570 020	3 984 161
Casual workers	9 441 303	9 150 000
	207 871 211	**270 444 416**

38. Impairment loss

Impairments

Property, plant and equipment	17 733 840	20 035 214

The assets that were impaired can be summarized as follow: For immovable assets (Infrastructure etc) the impairment was triggered by a change in the condition. For moveable assets, the impairment was triggered, either by a condition change during the physical verification, and or through the impairment of all moveable assets that could not physically be verified during this years physical verification, and with the intention of disposing these assets in line with the updated asset policy in the next financial year should these assets still not be verified during next years physical verification.

39. Revenue loss

Income loss

Total loss incurred	6 656 805	2 764 398

These revenue losses relate to monies that were misappropriated from the market and there is an investigation currently ongoing being conducted by the HAWKS to identify and charge the responsible parties.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

40. Cash generated from operations

Deficit	(928 105 815)	(1 042 338 053)
Adjustments for:		
Depreciation and amortisation	290 585 154	327 401 728
Loss on sale of assets and liabilities	16 762 554	11 321 901
Interest on Eskom Debt Relief Liability	169 327 482	155 788 668
Fair value adjustments	-	13 997 850
Impairment of receivables	88 721 729	-
Impairment loss on PPE	17 733 833	20 573 695
Debt impairment	1 758 899 407	1 444 949 121
Non cash donations	(265 901 085)	-
Employee benefits	48 212 789	24 944 532
Movements in provisions	4 284 779	13 533 499
Movement in leave accrual	1 081 579	(4 737 446)
Depreciation of Investment property	3 258 479	-
Inventory adjustment	933 406	4 594 070
Fair value adjustments	(1 298 896)	(976 538)
Wild Stock adjustment adjustment	(314 420)	(165 950)
13th Cheque accrual	2 885 346	(1 548 971)
Changes in working capital:		
Inventories	(1 584 897)	(10 091 684)
Receivables from exchange transactions	3 969 461	(4 596 453)
Consumer debtors	(1 702 256 476)	(1 508 988 333)
Other receivables from non-exchange transactions	(188 535 767)	(20 190 445)
Payables from exchange transactions	1 013 930 578	1 054 852 019
VAT	(120 685 981)	(131 166 052)
Unspent conditional grants and receipts	(8 928 377)	(26 742 075)
	202 974 862	**320 415 083**

41. Other revenue

Agency fees	13 360 734	13 464 779
Connections and reconnection fees	51 069 050	39 613 587
Rental income	3 970 418	3 765 776
Discount received	5 198 315	2 325 938
Other income	17 847 559	17 929 470
New connections	636 098	495 151
	92 082 174	**77 594 701**

42. Auditors' remuneration

Fees	10 235 743	7 176 387

Figures in Rand	2025	2024

43. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	14 369 817	-	14 369 817
Trade and other receivables from exchange transactions	-	9 507 180	9 507 180
Consumer debtors	-	458 130 409	458 130 409
Cash and cash equivalents	-	142 388 761	142 388 761
Eskom deposit	-	43 481 846	43 481 846
	14 369 817	**653 508 196**	**667 878 013**

Financial liabilities

	At amortised cost	Total
Consumer deposits	54 380 939	54 380 939
Other financial liabilities	1 472 475	1 472 475
Trade and other payables from exchange transactions	4 102 834 098	4 102 834 098
Eskom debt relief liability	1 437 820 931	1 437 820 931
	5 596 508 443	**5 596 508 443**

2024

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	13 070 921	-	13 070 921
Trade and other receivables from exchange transactions	-	13 476 641	13 476 641
Consumer debtors	-	514 773 340	514 773 340
Cash and cash equivalents	-	168 654 512	168 654 512
Eskom deposit	-	41 444 911	41 444 911
	13 070 921	**738 349 404**	**751 420 325**

Financial liabilities

	At amortised cost	Total
Consumer deposits	49 873 847	49 873 847
Other financial liabilities	14 147 049	14 147 049
Trade and other payables from exchange transactions	3 084 936 595	3 084 936 595
Eskom debt relief liability	848 065 047	848 065 047
	3 997 022 538	**3 997 022 538**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

44. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	85 709 468	211 801 451
Total capital commitments		
Already contracted for but not provided for	85 709 468	211 801 451

Total commitments

Total commitments		
Authorised capital expenditure	85 709 468	211 801 451

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	3 051 099	10 673 017
- in second to fifth year inclusive	-	5 867 499
	3 051 099	**16 540 516**

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

45. Events after the reporting date

There were no material events that required an adjustment to the annual financial statements after the reporting date.

46. Unauthorised expenditure

Opening balance as previously reported	5 630 134 493	4 503 259 011
Add: Unauthorised expenditure - current	714 480 406	1 126 875 482
Closing balance	**6 344 614 899**	**5 630 134 493**

The over expenditure for the 2025 financial year is primarily due the impairment on the consumer debtors and bulk purchases. The total balance including the opening balance will be dealt with in accordance with the MFMA requirements.
No criminal or disciplinary steps have been initiated.

Unauthorised expenditure: Budget overspending – per municipal department:

Budget and Treasury Office	-	628 938 114
City Electrical Engineering	38 587 514	112 892 520
Civil Engineering	-	32 860 216
Community Services	2 157 654	-
Council General	103 207 765	31 228 716
Health	626 143	874 133
Water Section	516 276 835	320 081 782
Sewerage	53 624 495	-
	714 480 406	**1 126 875 481**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

47. Irregular expenditure

Opening balance	3 331 731 069	2 987 938 225
Add: Irregular Expenditure - current year	279 324 090	328 075 186
Irregular expenditure related to prior period	28 055 921	15 717 658
	3 639 111 080	**3 331 731 069**

Analysis of expenditure awaiting condonation per classification

Three quotes not attached	1 238 076	507 105
Non disclosure of interest	5 565 536	47 649 234
Contravention of SCM Regulation 36	75 832 650	40 436 795
Contravention of SCM Policy	165 498 027	152 810 168
Contracts expired	59 245 723	32 868 106
Tenders not advertised for the minimum period required	-	69 521 436
	307 380 012	**343 792 844**

Contracts under review for potential non-compliance with procurement laws and supply chain regulations and contract values

COM/SCM/T/31/2019/2020	Construction Of 11Kv Feeder Line For Alabama Substation Extension 4 & 5 Effective 12/10/2020	2 433 629
COM/SCM/T/33/2019/2020	Construction of VIP Latrines in KOSH Phase 1 effective 09/03/2021	15 710 637
COM/SCM/T/31/2020/2021	Refurbishment of water pump stations and reservoirs effective 09/03/2021	35 997 618
COM/SCM/T/51/2020/2021	Supply and errection of 358 mesh fencing around Stilfontein effective 24/06/2021	480 000
COM/SCM/T/18/2019/2020	Upgrading of Mechanical and Electrical equipment in Kanana Phase 1 effective 14/09/2020	6 922 085
COM/SCM/T/27/2023/24	Appointment Of Municipal Valuer For A Period Of Sixty (60) Months	9 991 531
COM/SCM/T/02/2024/25	Appointment Of Ten (10) Service Providers For Supply And Delivery Of Bituminous (Hot & Cold Premix Asphalt) For Pothole Patching For A Period Thirty-Six (36) Calendar Months On As And When Required Basis	5 000 000
		76 535 500

Disciplinary steps taken/criminal proceedings.

No investigations were performed to identify who was responsible for expenditure deemed irregular.

No disciplinary action has yet been taken on any individuals.

Additional Note
Irregular expenditure is calculated inclusive of VAT while the figures disclosed above have been presented in this set of AFS exclusive of VAT.

Figures in Rand	2025	2024

48. Fruitless and wasteful expenditure

Opening balance as previously reported	536 976 578	432 111 833
Add: Fruitless and wasteful expenditure identified - current	284 486 154	104 864 745
Closing balance	**821 462 732**	**536 976 578**

The municipality incurred interest ,fines and penalties for late payment of the Eskom, Midvaal and Telkom accounts. No disciplinary action has been taken as the expenses are a result of cashflow constraints.

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	13 458 229	9 964 635
Current year subscription / fee	8 526 076	8 772 335
Amount paid - current year	(11 500 000)	(5 278 741)
	10 484 305	**13 458 229**

Audit fees

Opening balance	97 067	71 497
Current year subscription / fee	11 653 217	7 973 095
Amount paid - current year	(10 867 303)	(7 947 525)
	882 981	**97 067**

PAYE and UIF

Opening balance	8 783 614	8 782 073
Current year subscription / fee	122 624 941	114 407 055
Amount paid - current year	(122 624 941)	(114 405 514)
	8 783 614	**8 783 614**

Pension and Medical Aid Deductions

Opening balance	13 269 815	1 671 037
Current year subscription / fee	214 351 090	246 941 381
Amount paid - current year	(209 531 096)	(235 342 603)
	18 089 809	**13 269 815**

VAT

VAT receivable	325 148 625	299 626 006

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

Councillors' arrear consumer accounts

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

30 June 2025	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Bangani JN	3 685	17 052	20 737
Councillor Bornman JGR	13 295	517 512	530 807
Councillor Buys RRB	3 701	26 634	30 335
Councillor Cromhout GLJ	14 646	7 303	21 949
Councillor Dial SJ	5 677	118 670	124 347
Councillor Dude MA	587	43 495	44 082
Councillor Faku BS	3 721	71 802	75 523
Councillor Jonas SL	859	60 355	61 214
Councillor Kali KB	3 293	73 165	76 458
Councillor Kasonkomona F	6 979	5 029	12 008
Councillor Kodisang ML	18 896	67 593	86 489
Councillor Le Grange JJ	3 558	18 419	21 977
Councillor Malefo W	7 906	195 154	203 060
Councillor Mangesi MI	14 294	11 933	26 227
Councillor Mokgatla MA	14 334	44 061	58 395
Councillor Mqikela G	2 787	34 592	37 379
Councillor Ntshanga ZE	517	24 047	24 564
Councillor Oortman FD	690	68 999	69 689
Councillor Ross KL	4 407	19 178	23 585
Councillor Tagaree FI	1 831	15	1 846
Councillor Thabanchu OR	9 928	31 697	41 625
	135 591	**1 456 705**	**1 592 296**

30 June 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Bangani JN	1 410	12 576	13 986
Councillor Bonga AH	1 276	36 463	37 739
Councillor Booth PH	5 039	15 200	20 239
Councillor Bornman JGR	12 401	465 227	477 628
Councillor Buys RRB	3 595	25 912	29 507
Councillor Cromhout GLJ	3 843	18 303	22 146
Councillor Dial SJ	7 360	102 290	109 650
Councillor Dude MA	-	58 221	58 221
Councillor Faku BS	3 886	75 534	79 420
Councillor Jonas SL	6 391	90 755	97 146
Councillor Kali KB	-	107 012	107 012
Councillor Kodisang ML	6 242	60 074	66 316
Councillor Le Grange JJ	2 975	14 311	17 286
Councillor Majiji SJ	2 277	6 500	8 777
Councillor Mangesi MI	14 601	50 021	64 622
Councillor Mokgatla MA	1 979	60 561	62 540
Councillor Ntshanga ZE	517	21 979	22 496
Councillor Oortman FD	-	86 759	86 759
Councillor Ross KL	4 517	17 515	22 032
Councillor Seitshero KV	-	11 805	11 805
Councillor Tagaree FI	1 723	13	1 736
Councillor Thabanchu OR	7 031	32 227	39 258
	87 063	**1 369 258**	**1 456 321**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

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

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2025	Highest outstanding amount	
Councillor Bangani JN	17 082	-
Councillor Bornman JGR	517 516	-
Councillor Buys RRB	33 289	-
Councillor Cromhout GLJ	17 357	-
Councillor Dial SJ	123 537	-
Councillor Dude MA	57 721	-
Councillor Faku BS	75 360	-
Councillor Jonas SL	89 016	-
Councillor Kali KB	105 012	-
Councillor Kasonkomona F	10 444	-
Councillor Kodisang ML	72 137	-
Councillor Le Grange JJ	18 420	-
Councillor Majiji SJ	5 500	-
Councillor Malefo W	195 154	-
Councillor Mangesi MI	36 414	-
Councillor Mokgatla MA	59 061	-
Councillor Mqikela G	34 592	-
Councillor Ntshanga ZE	24 047	-
Councillor Oortman FD	86 460	-
Councillor Ross KL	28 203	-
Councillor Seitshero KV	10 805	-
Councillor Tagaree FI	15	-
Councillor Thabanchu OR	35 090	-
	1 652 232	**-**

30 June 2024	Highest outstanding amount	
Councillor Bangani JN	13 426	-
Councillor Bonga AH	47 448	-
Councillor Booth PH	31 700	-
Councillor Bornman JGR	465 227	-
Councillor Buys RRB	25 912	-
Councillor Cromhout GLJ	35 901	-
Councillor Dial SJ	102 290	-
Councillor Dude MA	70 675	-
Councillor Faku BS	78 518	-
Councillor Jonas SL	109 044	-
Councillor Kali KB	128 337	-
Councillor Kodisang ML	136 050	-
Councillor Le Grange JJ	14 311	-
Councillor Majiji SJ	17 500	-
Councillor Mangesi MI	55 887	-
Councillor Mokgatla MA	77 061	-
Councillor Mondlane SL	38 828	-
Councillor Ntshanga ZE	21 979	-
Councillor Oortman FD	103 025	-
Councillor Ross KL	17 515	-
Councillor Seitshero KV	22 805	-
Councillor Tagaree FI	13	-
Councillor Thabanchu OR	32 227	-
	1 645 679	**-**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

50. Contingencies

Claims against the Municipality		
Owamajola Trading Enterprises JV	300 000 000	300 000 000
T Tilodi	-	12 214
Owamajola Trading	3 396 512	3 396 512
Nicolaas Johannes Myburg	-	1 007 879
SO Matshidiso	63 447 354	63 447 354
Bakgeni Civils & Construction	-	171 000
P&S Basson	-	283 200
Ke A Dira Construction CC	17 391 227	17 391 228
HL Matlala T/A Gorogang Plant Hire	1 572 713	1 572 713
Ndabangaungue S	-	150 000
MR M Seero	-	5 000 000
Itumre Building Supply CC	563 816	563 816
Owamajola Trading	110 587 932	110 587 932
Diggers Development	435 232	4 325 232
Moore Stephens	-	5 108 173
Bonang Trading Developments	1 015 000	1 015 000
Dikopane Project CC	-	9 647 510
Henry Tshepo Molaoa	-	150 000
MMT MT Trading Enterprise	1 100 000	1 100 000
VM Thlaphisi	-	810 000
Kgwadi ya Madiba JV	57 715 367	57 715 367
Vesta Technical Services (Pty) Ltd	15 080 630	15 080 630
Khuma councillors & Mr Morebudi	15 130 090	15 130 090
IMIC Investments (Pty) Ltd	-	329 536
Christina Van Der Merwe	1 600 000	1 600 000
Aganang Consulting Engineer CC	4 920 757	4 920 757
Gadifele Papers Gadifele Papers	-	117 463
Thabo Seabeng	300 000	300 000
HP Pelatona Projects (Pty) Ltd	764 033	-
Ampage Technologies (Pty) Ltd and 2 Others	289 340	-
	595 310 003	**620 933 606**

Owamajola Trading Enterprises JV / City of Matlosana (COM)

Issued summons against the municipality for alleged damages suffered for being appointed for the disconnection and reconnection of electricity supply to defaulters for a period of 36 months and not receiving an instruction from the Municipality.

Owamajola / City of Matlosana

The plaintiff sued the City of Matlosana for non-payment for services rendered.

Notes to the Annual Financial Statements

50. Contingencies (continued)

SO Matshidiso / City of Matlosana

Action instituted against the Municipality for alleged damages for potential loss of profits as a result of the municipality alleged failure to appoint the plaintiff as a service provider following the advertisement of the tender

Ke A Dira Construction CC / City of Matlosana

Council is defending summons brought against the Council by the plaintiff for losses alleged to have been experienced due to the revision of tender FS 1/2011.

HL Matlala T/A Gorogang Plant Hire / City of Matlosana

Goragang terminated its agreement with the City of Matlosana and issued summons claiming the amount stipulated.

Itumre Building Supply CC / City of Matlosana

The City of Matlosana is defending the matter. The case of action started during 2011

50. Contingencies (continued)
Owamajola Trading / City Of Matlosana

Alleged unlawful termination of a Service Level Agreement. Action has been instituted against the municipality.

City of Matlosana / Diggers Development

Diggers Development is claiming the amount based on the allegations that the municipality over billed them for water services.

City of Matlosana / Bonang Trading Developments

COM is sued for Breach of contract on training contract of ward members, The company liquidated, the owner of the company has passed on, rescission of the liquidation has not been filled. The attorneys shall determine if the liquidator still persist with the claim.

MMT MT Trading Enterprise / City of Matlosana

The Plaintiff's issued summons for services rendered against City of Matlosana

Kgwadi ya Madiba JV / City of Matlosana

Claimant referred the dispute matter for adjudication relating to breach of contract and repudiation and respect of contracts for construction of jouberton taxi rank

Vesta Technical Services (Pty) Ltd / City of Matlosana

The claimant instituted legal action against the City of Matlosana for a cancelled service level agreement which the City is defending due to non functionality of the system the service provider had implemented.

City of Matlosana / Khuma councillors & Mr Morebudi

Various combined summons issed from City Council

Christina Van Der Merwe / City of Matlosana

The plaintiff has brought a declaratory application to ensure compliance with section 3 of Act 40 of 2002. The matter is set to sit down for opposed hearing on 19 August 2022. Combined summons issued by the Paintiff for an amount in excess of R1 600 000 for breach of "duty of care"

Thabo Seabeng / City of Matlosana

Plaintiff was assaulted by an unknown person at the Municipality on 28 October 2020. Summons was issued under case number NW/KLD/RC-4346/2023 for an amount of R300 000

Figures in Rand	2025	2024

50. Contingencies (continued)

HP Pelatona Projects (Pty) Ltd. / City of Matlosana

HP Pelatona issued a provisional sentence summons for services rendered

Aganang Consulting Engineers CC / City of Matlosana

The plaintiff sued the City of Matlosana for professional services rendered for a period of 36 months on NDPG program phase 2.

Ampage Technologies (Pty) Ltd and 2 Others / COM

On 17 September 2024, Ampage filed summons against City of Matlosana in Klerksdorp Magistrates Court based on a contract entered into between City of Matlosana and the plaintiffs

Contingent assets

Claims by the Municipality		
Owamajola Trading	3 770 562	3 770 562
HL MATLALA T\ A GOROGANG PLANT HIRE	14 154 419	14 154 419
Munmap	-	650 000
Isago at N12 Development	19 315 132	19 315 132
Great Champs Trading	-	76 693
Johannes Jerry Van schalwyk	66 930 749	66 930 749
Isago at N12 Development	10 000 000	10 000 000
ISAGO at N12 Development	24 000 000	24 000 000
Motlamogang Martha Sessing	-	4 339 959
Esmeralda Botha	-	87 205
Jabulane Bhotile	62 000	84 532
Lucky Ramabodu	559 029	559 029
Aganang	18 000 000	18 000 000
M Muianga	-	19 565
Shiva Uranium	30 000 000	-
	186 791 891	**161 987 845**

Owamajola Trading / City of Matlosana

The plaintiff sued the City of Matlosana for service rendered and a counterclaim was instituted.

HL Matlala T/A Gorogang Plant Hire / City of Matlosana

Gorogang terminated its agreement with the City of Matlosana and issued summons claiming for the amount of R1 572 713 The City of Matlosana has a Counter claim R14 154 419

Isago at N12 Development / City of Matlosana, Abacus Asset Management And Sanral

Isago owes the municipality for the outstanding bulk municipal services to be installed which Isago failed to install by contractual agreement agreed date. The matter is currently suspended until further notice.

50. Contingencies (continued)

City of Matlosana / Johannes Jerry Van schalwyk

Case no: 368 / 2022

Summons have been issued against the Defendant for misappropriation of funds at the Fresh Produce Market

City of Matlosana / Isago at N12 Development

Failure to repay security fee to the City of Matlosana which was paid to Eskom on the start-up of the Gumtrees electrical substation.

City of Matlosana/ ISAGO at N12 Development

A This matter relates to the account and rebate of profits gained as the result of the

sales of land in Ext 38 next to Matlosana Mall. This matter is suspended until further notice.

City of Matlosana / Jabulane Bhotile

Summons have been issued against the Defendant for misappropriation of funds at the

Fresh Produce Market

City of Matlosana / Luck Rababodu

Case no: 396/2022: Summons have been issued against the Defendant for misappropriation of funds at the Fresh Produce Market

City of Matlosana / Aganang

Aganang sued City of Matlosana for professional services rendered, City of Matlosana defended the matter and issued a counter claim.

City of Matlosana / Shiva Uranium

City of Matlosana issued a claim for arrear water and assessment rates

Notes to the Annual Financial Statements

51. Change in estimate

Property, plant and equipment

The change in estimated useful lives of property, plant and equipment of the municipality has resulted in the following decreases in depreciation for the mentioned categories for the financial year.

	2025	2024
Buildings	3 830 924	21 396 848
Infrastructure - Roads and storm water	576 699	16 564 354
Infrastructure - Water and sewer	21 382 339	30 080 796
Infrastructure - Electricity	9 987 702	3 600 457
Other property, plant and equipment	827 120	7 061 161
	36 604 784	**78 703 616**

Investment property

The change in estimated useful lives of investment property of the municipality has resulted in the following decreases in depreciation for the mentioned categories for the financial year.

	2025	2024
Buildings	15 705	-

52. Deviations from supply chain management regulations

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

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

53. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' report note
Councillor PN Robbertze (Fourie)	
Councillor EM Kgang	
Councillor EL Kleynhans	
Councillor SJ Dial	
Councillor JR Griffin	
Councillor SJ Majiji	
Councillor MS Dude	
Councillor SR Mulhanga	
Councillor WG Zitwane	
Councillor KM Lethoko	
Councillor PY Mtshawulana	
Councillor W Malefo	
Councillor F Kasonkomona	
Councillor PH Booth	
Councillor MS Pelele	
Councillor ZE Ntshanga	
Councillor T Pheto	
Councillor FD Oortman	
Councillor BS Faku	
Councillor M Mbona	
Councillor HSK Malinga	
Councillor BM Plaatjie	
Councillor KV Seitshero	
Councillor RM Sello	
Councillor AB Mdyali	
Councillor JGR Bornman	
Councillor CK Modise	
Councillor PA Du Preez	
Councillor MI Mache	
Councillor AG Strydom	
Councillor AC Holtzhausen	
Councillor OE Kgwabane	
Councillor KR Latha	
Councillor JT Kgwasi	
Councillor MN Mbele	
Councillor SL Jonas	
Councillor MI Mokhele	
Councillor VO Foboke	
Councillor NJ Tsolela	
Councillor ML Kodisang	
Councillor KE Mabebe	
Councillor JA Basson	
Councillor JM Mosupa	
Councillor FC Mahlophe	
Councillor ML Mahumapelo	
Councillor AM Ramphele	
Councillor NM Maseko	
Councillor MA Mokgatla	
Councillor A Mothupi	
Councillor MI Mangesi	
Councillor NP Mokoto (Nyaqela)	
Councillor PJ Swart	
Councillor FI Tagaree	
Councillor PZM Burrel	
Councillor TS Seabeng	
Councillor SP Sesana	
Councillor MN Seitisho	

Figures in Rand	2025	2024

53. Related parties (continued)

Councillor PA Hlekiso
Councillor PM Molutsi
Councillor AM Morake
Councillor GLI Cromhout
Councillor ME Mosweu
Councillor KB Kali
Councillor L Scott
Councillor OR Thabanchu
Councillor MM Moremi
Councillor RRB Buys
Councillor CJ Bester
Councillor KL Ross
Councillor JJ Le Grange
Councillor M Coetzee
Councillor O Moremedi
Councillor SOC Barrends
Councillor K Ndincede
Councillor SL Mondlane-Ngwenya
Councillor N Gelderblom
Councillor JN Bangani
Councillor LV Itebogeng
Councillor HFC Jordaan
Councillor L Morris
Councillor GN Tiyo
Councillor G Mqikela
Councillor I Wilken

Compensation to accounting officer and other key management

	2025	2024
Short-term employee benefits	9 284 000	8 228 190

Key management information

Class	Description	Amount
Municipal Manager	L Seametso was appointed MM from January 2023 till date	R 1 670 912
Acting Municipal Manager	BB Choche was appointed Acting MM from May 2024 till 31 December 2025	R 148 507
Chief Financial Officer	MM Phetla was appointed chief financial officer from January 2023	R 1 361 927
Acting Chief Financial Officer	TO Sekgala was appointed acting chief financial officer from April 2024 till 31 December 2025	R 48 951
Director Local Economic Development	BJ Roberts-Tebejane was appointed as the Director of Local Economic Development from April 2024 to date	R 1 315 144
Director Planning and Human Settlement	BB Choche was appointed as Director Planning and Human Settlement from March 2019 till February 2024 and again from April 2024 to date	R 1 364 891
Director Community Development	PS Setona was appointed as Director Community Development from April 2024 to date	R 1 315 863
Director Corporate Services	NM Moabelo was appointed as Director Corporate Services from April 2024 to date	R 1 300 936
Director Technical and Infrastructure	SN Mongale was appointed as the Director of Technical and Infrastructure from April 2024 to date	R 1 313 643

53. Related parties (continued)

Director Public Safety	KI Boikanyo was appointed as Director Public Safety from April 2024 to Date	R 1 320 520

Remuneration of management

54. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide services for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings disclosed in Note 14, cash and cash equivalents disclosed in Note 13, and equity as disclosed in the statement of financial position.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

	2025	2024
Total borrowings		
Eskom debt relief liability	1 437 820 931	1 268 493 448
Current liabilities	4 211 767 504	3 154 780 603
Non-current liabilities	541 070 483	551 598 919
	6 190 658 918	**4 974 872 970**
Less: Cash and cash equivalents	142 388 761	168 654 512
Net debt	6 048 270 157	4 806 218 458
Total equity	347 268 005	1 309 610 937
Total capital	**6 395 538 162**	**6 115 829 395**

Financial risk management

The municipality’s activities expose it to a variety of financial risks: market risk (including, 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. Risk management is carried out by a central treasury department under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality’s operating units.

Liquidity risk

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

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

Interest rate risk

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

The municipality’s interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2025 and 2024, the municipality’s borrowings at variable rate were denominated in Rand.

54. Risk management (continued)

Credit risk

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

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

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

Financial instrument	2025	2024
Other financial assets	14 369 817	13 070 921
Consumer debtors	458 130 409	514 773 340
Cash and cash equivalents	142 388 761	168 654 512
Receivables from exchange transactions	9 507 180	13 476 641

The municipality is exposed by a guarantee for a loan at DBSA and is secured by the Nedbank investment as disclosed in Note 11.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

55. Prior-year adjustments

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

Statement of financial position

2024

	As previously reported	Correction of error	Restated
Receivables from exchange transactions	10 598 685	2 877 956	13 476 641
Receivables from non-exchange transactions	-	6 192 595	6 192 595
VAT receivable	430 430 902	6 277 146	436 708 048
Investment property	344 974 776	(11 582 227)	333 392 549
Cash and cash equivalents	169 209 692	(555 180)	168 654 512
Payables from exchange transactions	(3 036 394 951)	(48 541 644)	(3 084 936 595)
Accumulated Surplus	(1 339 106 209)	30 205 147	(1 308 901 062)
Property, plant and equipment	4 984 022 394	(18 417 113)	4 965 605 281
Heritage assets	9 942 744	16 078	9 958 822
	1 573 678 033	**(33 527 242)**	**1 540 150 791**

Statement of financial performance

2024

	As previously reported	Correction of error	Restated
Market dues	22 122 185	(500 000)	21 622 185
Service charges	2 032 912 713	2 502 570	2 035 415 283
Employee related costs	(774 035 837)	(3 405 480)	(777 441 317)
Depreciation and amortisation	(327 401 728)	(561 269)	(327 962 967)
Finance costs	(276 183 495)	155 788 668	(120 394 827)
Rental and lease expenditure	(108 739 553)	(141 888)	(108 881 441)
Contracted services	(115 962 232)	(8 843 209)	(124 805 441)
Repairs and maintenance	(132 133 064)	(16 476 188)	(148 609 252)
General expenditure	(258 790 238)	(11 654 178)	(270 444 416)
Loss on disposal of assets and liabilities	(11 321 901)	(7 783 121)	(19 105 022)
PPE impairment loss	(20 573 695)	538 481	(20 035 214)
Gain on landfill site provision	-	12 834 207	12 834 207
Finance cost on Eskom Debt Relief Liability	-	(155 788 668)	(155 788 668)
Revenue loss from market	(3 264 398)	500 000	(2 764 398)
	26 628 757	**(32 990 075)**	**(6 361 288)**

56. Prior period errors

Error 1:
In the prior year, an unrecorded journal was passed that did not go through related to FY2223 long service correction. This consequently led to Accrued leave pay being understated by R3 154 508

Error 2
In the prior year, retention withheld for 88 Loop In Loop Out Alabama project was incorrectly posted to 20MVA substation Alabama project. This led to the retentions being overstated by R353 888 due to a duplication. Also Vat on Retention was overstated by R53 083

Error 3
In the prior year, retention withheld for Cell 3 Klerksdorp landfill site project was incorrectly recorded as R358 293 instead of R412 037. This led to an understatement of retention balance by R53 744 and an understatement of VAT on retention by R8 061

Error 4
In the prior year, withheld for Jouberton/Kanana Bulk Water Supply Phase 1 project was incorrectly recorded as R132 465 instead of R56 645. This led to an overstatement of retention balance by R75 829 and an overstatement of VAT on retention by R11 373.

Error 5
In the prior year, the commitment register was understated by a net amount of R5 217 653 due to an understatement of commitment amount of R14 154 775 related to Refurbishment of Chlorine Dosing Plants project and an overstatement of R9 627 809 related to the Upgrading of Pavement Sewer Outfall Khuma project.

Error 6
In the prior year, irregular expenditure disclosed was understated by R79 451 594 as a result of SCM non-compliances relating to panel appointments and deviations.

Error 7
In the prior year, retention amount of R78 716 for payment certificate number 2 (Amandla Building and Construction Pty (Ltd.)) relating to Paving of taxi routes and storm water drainage in Khuma phase 9 was incorrectly recorded as R 90 523. Vat on retention for the same payment certificate was incorrectly recorded as R13 578 instead of R11 807. This led to an overstatement of Retention Deposits by R11 807 and Vat amount was also overstated by R1 771.

Error 8
In the prior year, prepaid reciepts were not raised. This led to an understatement of recievables by an amount of R2 877 956 and revenue by an amount of R2 502 570 as well as the related output Vat of R375 386.

Error 9
In the prior year, agency fees was mistated due to incomplete accounting records and this resulted in payables from exchnage being understated by R8 076 912 and accumulated surplus being overstated by the same amount.

Error 10
In the prior year, the market bank account and accumulated surplus were overstated to the amount of R555 180 due to a misallocation between market bank accout and bank charges in 2022.

Error 11
In the prior year there was an amount of R6 192 595 relating to indigent costs (paraffin expenses) that was overpaid to the supplier and this resulted in the overstatement of the general expendituie and understatement of receivbales from non-exchnage transactions.

Figures in Rand	2025	2024

56. Prior period errors (continued)

Error 12
In the prior year, the primary bank account was overstated and the market bank account was understated to the amount of R287 777 due to a misallocation between the two accounts

Error 13
The market dues in the prior year were misstated due to an accounting error to the value of R500 000. This resulted in the revenue from exchange transactions being understated and the revenue loss being overstated by the same amount.

Error 14
In the prior year rental and lease expenses were understated by R3 394 378 due to invoices received after year-end

Error 15
In the prior year contracted services were understated by R8 843 209 due to invoices received after year-end

Error 16
In the prior year repairs and maintenance expenses were understated by R16 476 188 due to invoices received after year-end

Error 17
In the prior year general expenses were understated by R10 054 178 due to invoices received after year-end

Error 18
The finance cost on the Eskom Debt Relief Liability was disclosed under finance cost which a line above the operating deficit, this item has been reclassified to reflect that it's part of the gains and loses under the operating deficit for fairer presentation.

Error 19
In the prior year investment property were overstated by R11 582 227.

Error 20
In the prior year property, plant and equipment were understated by 15 110 129.

Error 21
The note for Contracted services was redrafted to reflect the parties contracted to perform specialised services for the municipality.

Error 22
IIn 2023 there was a disposal of investment property that was not recorded in the accounting records and this led to an overstatement of investment property and an overstatement of accumulated surplus.

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

56. Prior period errors (continued)

Statement of financial position

Increase in Trade Payables from exchange transactions due to error 1	-	(3 154 508)
Decrease in Trade Payables from exchange transactions due to error 2	-	353 888
Decrease in VAT Input due to error 2	-	(53 083)
Increase in Trade Payables from exchange transactions due to error 3	-	53 744
Increase in VAT Input due to error 3	-	8 061
Decrease in Trade Payables from exchange transactions due to error 4	-	75 829
Decrease in VAT Input due to error 4	-	(11 373)
Decrease in Trade Payables from exchange transactions due to error 7	-	11 807
Decrease in VAT Input due to error 7	-	(1 711)
Increase in rececivables due to error 8	-	2 877 956
Increase in VAT Output due to error 8	-	(375 386)
Decrease in Payables from exchange transactions note 9	-	(8 076 912)
Increase in accummulated surplus note 9	-	8 076 912
Decrease in Bank Market due to error 10	-	(555 180)
Decrease in Accumulated Surplus due to error 10	-	555 180
Increase in Bank Market due to error 12	-	287 777
Decrease in Bank Primary due to error 12	-	(287 777)
Increase in Receivables from exchange transactions due to error 11	-	6 192 595
Increase in Trade Payables from exchange transactions due to error 14	-	(3 394 378)
Increase in Trade Payables from exchange transactions due to error 15	-	(8 843 209)
Increase in Trade Payables from exchange transactions due to error 16	-	(16 476 188)
Increase in Trade Payables from exchange transactions due to error 17	-	(10 054 178)
Decrease in investment property due to error 19	-	(11 582 227)
Increase in property, plant and equipment due to error 20	-	15 110 129
Decrease in Investment Property due to error 22	-	(33 527 243)
Decrease in Accumulated Surplus due to error 22	-	(33 527 243)

Statement of financial performance

Increase in revenue due to error 8	-	2 502 570
Decrease in general expenses due to error 11	-	6 192 595
Decrease in repairs and maintenance due to error 2	-	(353 887)
Increase in repairs and maintenance due to error 3	-	53 744
Decrease in repairs and maintenance due to error 4	-	(75 829)
Increase in repairs and maintenance due to error 7	-	10 036
Increase in employee related costs due to error 1	-	(3 154 507)
Increasse in revenue from exchange due to error 13	-	500 000
Decrease in revenue loss due to error 13	-	(500 000)
Increase in rental and lease expenses due to error 14	-	(3 394 378)
Increase in contracted services due to error 15	-	(8 843 209)
Increase in repairs and maintenance due to error 16	-	(16 476 188)
Increase in general expenses due to error 17	-	(10 054 178)
Increase in contracted services due to error 21	-	(8 843 209)

Figures in Rand	2025	2024

56. Prior period errors (continued)

Cash flow statement

	2025	2024
Receipts		
Increase in receipts from customers	-	2 877 956
Decrease in other receipts	-	(9 070 551)
	-	**(6 192 595)**
Payments		
Increase in employee costs	-	(3 405 480)
Increase in payments to suppliers	-	5 044 686
	-	**1 639 206**
Cash flow from investing activities		
Purchase of property, plant and equipment	-	(4 531 809)
Purchase of heritage assets	-	(21 580)
	-	**(4 553 389)**

57. Going concern

We draw attention to the fact that at 30 June 2025, the municipality reported a deficit of R 928 105 812 and that the municipality's total current liabilities exceeded its current assets by R 4 637 154 659. The municipality also impaired 94% of its current debtors due to poor revenue collection. These factors cause uncertainty relating to the municipality's ability to operate as a going concern.

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

The municipality plans to address the above cashflow shortages through enhanced revenue collection and a resultant consistency in the payment of creditors, when they become due.

58. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of fifteen major functional areas:
Budget and Treasury Office, Corporate Governance, Community Services, Civil Engineering, Water Section, City Electrical Engineering, Sewerage, Cleansing, Public Safety , Sports Arts and Culture and Other.
The segments were organised around the type of service delivered. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

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
Budget and Treasury Office	Financial management, debt management, supply chain management, accounting and financial reporting.
Corporate Governance	The mandate of this segmet is to ensure governance structures are in place to ensure a fuctinonally operating entity and also deal with all leagl matters as and when they arise.
Local Economic Dev & Marketing Tourism	Promoting the local economy.
Housing	Develop and release land for residential and business purposes
Civil Engineering	Provision of and maintenance roads, bridges and other infrastructure.
Water Section	Providing residents, business and industry with clean, safe and reliable drinking water. Additionally providing water to businesses for irrigattion or mining activities and maintaing the water infrastructure.
City Electrical Engineering	Distributing electricity to residential and commercial consumers. Also maintaining electrical infrastructure.
Sewerage	Treating wastewater and safely disposing it and maintaining the infrastructure to ensure compliance with enviromental requirements.
Cleansing	Collecting and disposing of waste in a safe manner, as required by legislation. Ensuring the general cleanliness of the muncipal public areas.
Health	Providing employees with a safe and healthy working environment. Promoting employee wellness.
Market	Providing fresh produce to the community and relatedstakeholders.
Public Safety	Protecting the public. Safeguarding the community fromdisasters and potential danger and threats. Ensuringcompliance with road regulations.
Sports, Arts and Culture	Promoting the diverse cultures present in the localcommunity. Promoting local sports and arts.

58. Segment Information (continued)

Segment Information for the year ended 30 June 2025

	Community and public safety	Economic and environmental services	Municipal govenance and administration	Trading services	Grand Total
Revenue					
Revenue from exchange transactions					
Market dues	0	(23 031 520)	0	0	(23 031 520)
Service Charges	(197 333 186)	0	0	(2 019 928 097)	(2 217 261 283)
Rental of facilities and equipment	134 991	(3 827 300)	0	0	(3 692 309)
Licences and permits	(7 564 172)	0	0	0	(7 564 172)
Commissions received	(13 360 734)	0	0	0	(13 360 734)
New Connection Fees	0	0	0	(636 098)	(636 098)
Reconnection Fees	0	0	0	(51 069 050)	(51 069 050)
Rental income	(1 004 036)	(2 765 821)	(200 561)	0	(3 970 418)
Insurance fees	0	0	(5 198 315)	0	(5 198 315)
Other income	(3 168 299)	(9 194 717)	(4 610 787)	(873 757)	(17 847 559)
Interest received - investment	(156 524 242)	(82 129)	(166 925 677)	(380 409 370)	(703 941 417)
Total revenue from exchange transactions	**(378 819 678)**	**(38 901 487)**	**(176 935 340)**	**(2 452 916 372)**	**(3 047 572 875)**
Revenue from non-exchange transactions					
Property rates	0	0	(537 681 347)	0	(537 681 347)
Interest from Property rates	0	0	(64 473 696)	0	(64 473 696)
Donations received	(254 399 376)	0	0	0	(254 399 376)
Government grants & subsidies	(42 109 450)	(2 477 366)	(643 179 449)	(133 272 859)	(821 039 124)
Fines, Penalties and Forfeits	(213 519 377)	0	0	(626 295)	(214 145 671)
Total revenue from non-exchange transactions	**(510 028 202)**	**(2 477 366)**	**(1 245 334 492)**	**(133 899 154)**	**(1 891 739 214)**
Total revenue	**(888 847 880)**	**(41 378 853)**	**(1 422 269 832)**	**(2 586 815 527)**	**(4 939 312 089)**
Expenditure					
Employee related costs	329 028 339	40 239 627	178 220 607	229 514 553	777 003 127
Remuneration of councillors	0	0	40 244 947	0	40 244 947
Depreciation and amortisation	53 481 779	0	5 817 023	234 544 831	293 843 632
Finance costs	0	0	277 904 743	16 966 554	294 871 297
Rental and lease expenditure	28 099 658	0	52 309 840	16 054 313	96 463 810
Debt impairment	234 828 105	0	88 721 729	1 524 071 302	1 847 621 136
Repairs and maintenance	27 828 732	845 787	9 317 552	117 705 501	155 697 571
Bulk purchases	0	0	0	1 736 956 158	1 736 956 158
Contracted Services	80 845 141	0	42 424 999	35 404 227	158 674 367
General expenses	36 591 043	18 971 224	136 062 064	16 246 879	207 871 211
Total expenditure	**790 702 796**	**60 056 638**	**831 023 503**	**3 927 464 317**	**5 609 247 256**
Operating (Surplus) / Deficit	(98 145 084)	18 677 785	(591 246 328)	1 340 648 791	669 935 167
Loss on disposal of assets and liabilities	0	0	16 762 554	0	16 762 554
Finance cost on Employee Benefits	0	0	40 774 000	0	40 774 000
Actuarial gains/losses	0	0	20 988 000	0	20 988 000
Gain/(Loss) on biological assets	(314 420)	0	0	0	(314 420)
PPE Impairment loss	0	0	0	17 733 840	17 733 840
Inventories (losses)/gains	0	0	(933 406)	0	(933 406)
Gain on landfill site provision	0	0	0	(12 834 207)	(12 834 207)
Finance cost on Eskom Debt Relief Liability	169 337 482	0	0	0	169 337 482
Revenue loss from market	0	6 656 805	0	0	6 656 805
(Surplus) / Deficit for the period	**70 877 978**	**25 334 590**	**(513 655 180)**	**1 345 548 423**	**928 105 814**

58. Segment Information (continued)

Segment Information for the year ended 30 June 2024

	Community and public safety	Economic and environmental services	Municipal govenance and administration	Trading services	Grand Total
Revenue					
Revenue from exchange transactions					
Market dues	0	(21 622 185)	0	0	(21 622 185)
Service Charges	(197 202 391)	0	0	(1 838 212 892)	(2 035 415 283)
Rental of facilities and equipment	(288 809)	(4 033 489)	0	0	(4 322 298)
Licences and permits	(7 551 435)	0	0	0	(7 551 435)
Commissions received	(13 464 779)	0	0	0	(13 464 779)
New Connection Fees	0	0	0	(495 151)	(495 151)
Reconnection Fees	0	0	0	(39 613 587)	(39 613 587)
Rental income	(397 332)	(3 202 921)	(165 524)	0	(3 765 776)
Insurance fees	0	0	(2 325 938)	0	(2 325 938)
Other income	(2 712 188)	(9 069 748)	(5 691 938)	(455 596)	(17 929 470)
Interest received - investment	(140 970 160)	(164 432)	(149 143 744)	(327 505 938)	(617 784 274)
Total revenue from exchange transactions	**(362 587 095)**	**(38 092 774)**	**(157 327 143)**	**(2 206 283 163)**	**(2 764 290 176)**
Revenue from non-exchange transactions					
Property rates	0	0	(507 433 747)	0	(507 433 747)
Interest from Property rates	0	0	(52 760 735)	0	(52 760 735)
Donations received	(6 872 422)	0	0	0	(6 872 422)
Government grants & subsidies	(57 204 790)	(3 007 220)	(602 189 549)	(132 706 515)	(795 108 073)
Fines, Penalties and Forfeits	(21 391 428)	0	0	(360 581)	(21 752 009)
Total revenue from non-exchange transactions	**(85 468 639)**	**(3 007 220)**	**(1 162 384 030)**	**(133 067 096)**	**(1 383 926 986)**
Total revenue	**(448 055 734)**	**(41 099 994)**	**(1 319 711 174)**	**(2 339 350 259)**	**(4 148 217 162)**
Expenditure					
Employee related costs	313 863 836	36 121 569	209 870 782	217 585 129	777 441 317
Remuneration of councillors	0	0	39 039 462	0	39 039 462
Depreciation and amortisation	44 302 772	4 950 528	7 102 474	271 607 193	327 962 967
Finance costs	0	0	105 234 579	15 160 247	120 394 827
Rental and lease expenditure	33 578 870	0	70 827 128	4 475 443	108 881 441
Debt impairment	118 473 034	0	742 950 866	597 523 071	1 458 946 971
Repairs and maintenance	27 182 250	4 926 954	(333 682)	116 833 730	148 609 252
Bulk purchases	0	0	0	1 577 185 700	1 577 185 700
Contracted Services	69 959 292	0	29 162 746	25 683 403	124 805 441
General expenses	35 118 302	27 206 283	143 358 665	64 761 165	270 444 415
Total expenditure	**642 478 356**	**73 205 334**	**1 347 213 022**	**2 890 815 080**	**4 953 711 793**
Operating (Surplus) / Deficit	194 422 622	32 105 340	27 501 848	551 464 821	805 494 631
Loss on disposal of assets and liabilities	0	0	19 105 022	0	19 105 022
Finance cost on Employee Benefits	0	0	38 604 000	0	38 604 000
Actuarial gains/losses	0	0	(3 882 000)	0	(3 882 000)
Gain/(Loss) on biological assets	(165 950)	0	0	0	(165 950)
PPE Impairment loss	0	0	0	20 035 214	20 035 214
Inventories (losses)/gains	0	0	4 594 070	0	4 594 070
Gain on landfill site provision	0	0	0	0	0
Finance cost on Eskom Debt Relief Liability	155 788 668	0	0	0	155 788 668
Revenue loss from market	0	2 764 398	0	0	2 764 398
(Surplus) / Deficit for the period	**350 045 340**	**34 869 738**	**85 922 940**	**571 500 035**	**1 042 338 053**