Maquassi Hills Local Municipality
Unaudited Annual financial statements
for the year ended 30 June 2025

General Information

Legal form of entity	Category B municipality (local municipality) envisaged in section155(1)(b) of the Constitution of the Republic of South Africa
Nature of business and principal activities	Provision of municipal services in terms of the Municipal Finance Management Act No. 56 of 2003 and Municipal Systems Act No. 32 of 2000.
Executive Committee	R.J Moletsane
	N.S Monewang
	T.S Malebatsane
	Cllr: MA Hlongwane -MPAC Chair
Executive Mayor	MA Feliti
Speaker	S.S Nkatlo
Chief Whip	R.J Moletsane
Councillors	Cllr: AK Maleho
	Cllr: M. Mothibi
	Cllr: Q.P Molosi
	Cllr: L.L Medupe
	Cllr: M.R Mosholi
	Cllr: P.E Rampai
	Cllr: PK Leshomo
	Cllr: M.D. Modisadife
	Cllr: G.J Van Zyl
	Cllr: M.H Motaung
	Cllr: L. Metoa
	Cllr: G Malepe
	Cllr: J.U Swart
	Cllr: D.H Serape
	Cllr: K.S Seakane
Grading of local authority	3
Chief Finance Officer (CFO)	Mr TA Modibedi
Accounting Officer	Mrs N Mbonani
Registered office	19 Kruger Street Wolmaransstad 2630
Business address	19 Kruger Street Wolmaransstad 2630
Postal address	Private Bag X3 Wolmaransstad 2630
Bankers	ABSA (Primary bank Account)
External auditor	Auditor-General of South Africa

General Information

Legislation governing the municipality's operations	Constitution of the Republic of South Africa (Act No.108 of 1996) Municipal Finance Management Act (Act 56 of 2003) Division of Revenue Act The Income Tax Act (Act No. 58 of 1962) Value Added Tax Act (Act No. 89 of 1991) Municipal Structures Act (Act No 177 of 1998 Water Service Act (Act No.108 of 1997) Housing Act (Act No. 107 of 1997) Municipal Property Rates Act (Act No. 6 of 2004) Electricity Act (Act No. 41 of 1987) Skills Development Levies Act (Act No. 9 of 1999) Employment Equity Act (Act No. 55 of 1998) Unemployment Insurance Act (Act No. 30 of 1966) Basic Conditions of Employment Act (Act No. 75 of 1997) Municipal System Amendment Act (Act No. 7 of 2011) Municipal Planning and Performance Management Regulations Municipal Supply Chain Management Regulations Municipal Collective Agreements Municipal Budget and Reporting Regulations MFMA Circulars and Regulations

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The reports and statements set out below comprise the unaudited annual financial statements presented to the council:

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 unaudited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the unaudited 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 unaudited 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 unaudited 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 unaudited 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 unaudited annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

The unaudited annual financial statements set out on pages 6 to 91, 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:

Accounting Officer
Mrs N Mbonani

Accounting Officer's Report

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

1. Review of activities

Main business and operations

Maquassi Hills local municipality is a South African category 3B municipality as defined by the Municipal Structures Act (Act no 117 of 1998). The municipality's operations are governed by the Municipal Finance Management Act (Act 56 of 2003), the Municipal Structures Act (Act 177 of 1998), Municipal Systems Act (Act 32 of 2000) and various legislations and regulations and operates principally in South Africa.

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

2. Going concern

This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, commitments, and obligations will occur in the ordinary course of business. The municipality is dependent on transfers and grants from national and provincial government. Based on the approved medium-term budget framework and the municipality’s cash flow forecasts, the accounting officer is satisfied that the municipality will continue as a going concern for the foreseeable future.

3. Subsequent events

The Municipality want to bring to the attention of the users that included in the carrying value of the Infrastructure assets , Electrical network (control panel and cable), asset number SEM-INF-00020 was vandalised in September 2025. The carrying value of the asset is R7 016 322 (R 7 175 833,45 -2024). The impact of this accident is that the aforementioned asset will have to be impaired in 2025/26 financial year.

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4. Accounting policies

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

5. Auditor

Auditor-General of South Africa, as mandated by the Constitution and the Public Audit Act, remains the independent auditor of the municipality for the next financial period.

The unaudited annual financial statements set out on pages 6 to 91, 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:

Accounting Officer
Mrs N Mbonani

Statement of Financial Position as at 30 June 2025

Figures in Rand	Notes	2025	2024 Restated*
Assets			
Current Assets			
Inventories	3	3 998 813	2 726 392
Other financial assets	4	360 000	360 000
Receivables from exchange transactions	5&7	108 487 645	99 248 133
Receivables from non-exchange transactions	6&7	27 285 091	12 768 377
VAT receivable	8	276 041 127	220 859 133
Cash and cash equivalents	9	18 347 785	2 880 936
		434 520 461	**338 842 971**
Non-Current Assets			
Investment property	10	381 723 000	372 401 675
Property, plant and equipment	11	1 289 325 219	1 245 702 888
		1 671 048 219	**1 618 104 563**
Total Assets		**2 105 568 680**	**1 956 947 534**
Liabilities			
Current Liabilities			
Other financial liabilities	12	26 919 049	22 334 000
Finance lease obligation	13	18 076 398	7 746 229
Payables from exchange transactions	14	726 460 022	537 149 710
VAT payable	15	175 684 779	151 073 720
Consumer deposits	16	3 631 098	3 337 331
Employee benefit obligation	17	3 246 000	1 639 000
Unspent conditional grants and receipts	18	24 278 653	2 185 662
Provisions	19	40 163 568	34 359 842
Municipal Eskom debt relief liability	60	28 855 964	16 321 404
		1 047 315 531	**776 146 898**
Non-Current Liabilities			
Other financial liabilities	12	35 233 449	38 583 154
Finance lease obligation	13	18 207 657	9 791 830
Employee benefit obligation	17	27 630 016	26 019 550
Provisions	19	40 398 024	39 427 053
Municipal Eskom debt relief liability	60	14 427 982	26 962 541
		135 897 128	**140 784 128**
Total Liabilities		**1 183 212 659**	**916 931 026**
Net Assets		**922 356 021**	**1 040 016 508**
Accumulated surplus		922 356 021	1 040 016 512
Total Net Assets		**922 356 021**	**1 040 016 512**

Maquassi Hills Local Municipality
Unaudited Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Performance

Figures in Rand	Notes	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Services charges - Electricity	20	64 434 765	60 549 970
Services charges - Waste Management	20	18 753 602	18 991 601
Services charges - Waste Water Management	20	37 818 290	38 048 552
Services charges - Water	20	56 692 446	54 633 479
Rental of facilities and equipment	21	4 130 608	2 235 356
Interest earned - outstanding debtors	22	143 620 450	139 634 217
Licences and permits	23	2 286 152	2 569 669
Operational revenue	24	1 227 155	1 019 362
Interest earned - external investments	25	772 254	1 212 195
Fair value adjustments	26	12 026 075	29 197 249
Inventories surplus		-	154 109
Total revenue from exchange transactions		**341 761 797**	**348 245 759**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	63 939 042	66 115 651
Interest - Property rates	27	24 166 213	20 167 009
Transfer revenue			
Government grants & subsidies	28	247 842 139	261 607 066
Public contributions and donations	29	4 297	-
Fines, Penalties and Forfeits	30	477 629	913 510
Eskom debt relief		-	12 412 846
Total revenue from non-exchange transactions		**336 429 320**	**361 216 082**
Total revenue		**678 191 117**	**709 461 841**
Expenditure			
Employee related costs	31	(117 518 094)	(110 018 880)
Remuneration of councillors	32	(10 290 350)	(8 825 458)
Inventory consumed	34	(75 525 122)	(59 696 160)
Depreciation and amortisation	33	(44 293 670)	(50 083 372)
Impairment loss	35	(905 593)	-
Finance costs	36	(27 153 886)	(9 629 044)
Lease rentals on operating lease	37	(4 024 798)	(3 626 188)
Debt impairment	38	(281 810 721)	(268 259 680)
Bulk purchases	39	(94 167 923)	(76 736 016)
Contracted services	40	(81 055 790)	(94 004 755)
Transfers and subsidies		1 727 599	(29 197 209)
Loss on disposal of assets and liabilities		(2 704 750)	(30 713 605)
Actuarial losses	17	(1 124 676)	(319 660)
Inventories losses/write-downs		(42 545)	-
Operational costs	41	(47 110 915)	(28 229 971)
Total expenditure		**(786 001 234)**	**(769 339 998)**
Deficit for the year		**(107 810 117)**	**(59 878 157)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2023	**1 099 894 669**	**1 099 894 669**
Deficit for the year	(59 878 157)	(59 878 157)
Total changes	(59 878 157)	(59 878 157)
Balance at 01 July 2024	**1 030 166 138**	**1 030 166 138**
Deficit for the year	(107 810 117)	(107 810 117)
Total changes	(107 810 117)	(107 810 117)
Balance at 30 June 2025	**922 356 021**	**922 356 021**

Cash Flow Statement

Figures in Rand	Notes	2025	2024
Cash flows from operating activities			
Receipts			
Services charges and Property rates		237 351 408	241 638 145
Grants		269 935 130	263 792 728
Licence and permits		2 286 152	2 569 669
Interest on investment		17 149 174	17 589 115
Rental of facilities		4 130 608	2 235 356
Other income		1 227 155	1 019 362
Fines,penalties and forfeits		592 460	2 097 626
		532 672 087	530 942 001
Payments			
Employee costs		(127 809 444)	(118 844 338)
Suppliers		(92 645 885)	(305 718 098)
Finance costs		(13 694 669)	(703 948)
Other payments- transfers and subsidies		(1 727 599)	(29 197 209)
		(235 877 597)	(454 463 593)
Net cash flows from operating activities	43	**296 794 488**	**76 478 408**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(84 300 851)	(86 967 571)
Net cash flows from investing activities		**(84 300 851)**	**(89 202 927)**
Cash flows from financing activities			
Outflow of other liability 3		1	43 283 945
Outflow of other liability		(192 741 185)	-
Net cash flows from financing activities		**(192 741 184)**	**43 283 945**
Net increase/(decrease) in cash and cash equivalents		**15 621 845**	**30 559 426**
Cash and cash equivalents at the beginning of the year		2 880 936	15 604 521
Cash and cash equivalents at the end of the year	9	**18 502 781**	**46 163 947**

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 Performance					
Revenue from exchange transactions					
Services charges - Electricity	72 341 000	-	**72 341 000**	64 434 765	**(7 906 235)**
Services charges - Refuse Removal	20 924 000	-	**20 924 000**	18 753 602	**(2 170 398)**
Sales of Goods and Rendering of Services	6 237 000	-	**6 237 000**	-	**(6 237 000)**
Services charges - Sanitation and sewerage	42 003 000	-	**42 003 000**	37 818 290	**(4 184 710)**
Services charges - Water	61 200 000	-	**61 200 000**	56 692 446	**(4 507 554)**
Rental of facilities and equipment	350 000	-	**350 000**	4 130 608	**3 780 608**
Interest earned - outstanding Debtors	143 721 000	-	**143 721 000**	143 620 450	**(100 550)**
Licences and permits	13 966 000	-	**13 966 000**	2 286 152	**(11 679 848)**
Other income	239 000	-	**239 000**	1 227 155	**988 155**
Inventory Surplus	-	-	**-**	(42 545)	**(42 545)**
Interest received - investment	800 000	-	**800 000**	772 254	**(27 746)**
Total revenue from exchange transactions	**361 781 000**	**-**	**361 781 000**	**329 693 177**	**(32 087 823)**
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	79 507 000	-	**79 507 000**	63 939 042	**(15 567 958)**
Property rates - penalties imposed	-	-	**-**	24 166 213	**24 166 213**
Transfer revenue					
Government grants & subsidies	187 383 000	-	**187 383 000**	247 842 139	**60 459 139**
Public contributions and donations	-	-	**-**	4 297	**4 297**
Fines, Penalties and Forfeits	5 000 000	-	**5 000 000**	477 629	**(4 522 371)**
Total revenue from non-exchange transactions	**271 890 000**	**-**	**271 890 000**	**336 429 320**	**64 539 320**
Total revenue	**633 671 000**	**-**	**633 671 000**	**666 122 497**	**32 451 497**
Expenditure					
Employee related costs	(133 387 000)	-	**(133 387 000)**	(117 518 094)	**15 868 906**
Remuneration of councillors	(10 606 000)	-	**(10 606 000)**	(10 290 350)	**315 650**
Inventory consumed	-	-	**-**	(75 525 122)	**(75 525 122)**
Depreciation and amortisation	(56 461 000)	-	**(56 461 000)**	(44 293 670)	**12 167 330**
Impairment loss	-	-	**-**	(905 593)	**(905 593)**
Finance costs	(13 865 000)	-	**(13 865 000)**	(27 153 886)	**(13 288 886)**
Lease rentals on operating lease	-	-	**-**	(4 024 798)	**(4 024 798)**
Debt Impairment	-	(148 384 000)	**(148 384 000)**	(281 810 721)	**(133 426 721)**
Bad debts written off	(148 384 000)	148 384 000	**-**	-	**-**
Bulk purchases	(64 323 000)	-	**(64 323 000)**	(94 167 923)	**(29 844 923)**
Contracted Services	(50 467 000)	-	**(50 467 000)**	(81 055 790)	**(30 588 790)**
Transfers and Subsidies	-	-	**-**	1 727 599	**1 727 599**
Operational costs	(55 907 000)	-	**(55 907 000)**	(47 110 915)	**8 796 085**
Total expenditure	**(533 400 000)**	**-**	**(533 400 000)**	**(782 129 263)**	**(248 729 263)**
Operating deficit	**100 271 000**	**-**	**100 271 000**	**(116 006 766)**	**(216 277 766)**
Loss on disposal of assets and liabilities	-	-	**-**	(2 704 750)	**(2 704 750)**
Fair value adjustments	-	-	**-**	12 026 075	**12 026 075**
Actuarial gains/losses	-	-	**-**	(1 124 676)	**(1 124 676)**
Transfers and subsidies	(50 161 000)	50 161 000	**-**	-	**-**
	(50 161 000)	**50 161 000**	**-**	**8 196 649**	**8 196 649**

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
Surplus for the year	**50 110 000**	**50 161 000**	**100 271 000**	**(107 810 117)**	**(208 081 117)**	

Refer to note 58 for reasons of difference between final budget and actual.

Accounting Policies

1. Presentation of Unaudited Annual Financial Statements

1.1 Basis of preparation

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

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

These accounting policies are consistent with the previous period.

During the current financial year, the municipality undertook a review of its accounting policy disclosures to enhance transparency and alignment with applicable reporting frameworks. The policies have been restructured to include clearer explanations of initial and subsequent measurement bases, recognition criteria, and other relevant information that was not explicitly detailed in the prior year.

These improvements were made to enhance the quality, clarity, and completeness of the financial statement disclosures and to ensure that users of the financial statements better understand the municipality's accounting practices.

The revisions do not constitute a change in accounting policy, as there has been no change in the recognition, measurement, or presentation of any items in the financial statements compared to prior periods. The financial information remains comparable to the prior year, with the enhancements being purely presentational in nature.

These revisions were made in line with the requirements of GRAP 1 and GRAP 3 regarding transparent disclosure of accounting policies.

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

1.2 Significant judgements and sources of estimation uncertainty

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

Trade receivables

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

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

1.2 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 assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of 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. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by economic factors such as inflation and interest rates.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in note 19 - Payables from exchange transactions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and intangible assets. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Post-retirement benefits

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

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

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

Effective interest rate

The municipality used the prime interest rate to discount future cash flows under GRAP 13 while the government bond rate was used to discount future cash flows under GRAP 25.

Allowance for debt impairment

For receivables, 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 receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Going concern - assumption

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

Accounting Policies

1.4 Investment property

Investment property is property (land or a building - or part of a building) 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.

Subsequent measurement - Fair value

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

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

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

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

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

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.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost.

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.

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. The cost also includes necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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

Subsequent measurement - cost model (land and buildings)

Subsequent to initial recognition, land and buildings are carried at cost less any subsequent accumulated depreciation and any impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Subsequent measurement - cost model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses.

Where the municipality replaces part of an asset, it derecognises the part of an asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or the future economic benefits associated with the asset.

Depreciation

Depreciation is calculated on a depreciable amount, using the straight-line basis over the estimated useful life of items of property, plant and equipment unless depreciation of certain assets is being determined using a method other than the estimated useful life.

Components of assets that are significant in relation to the whole asset and have different useful lives are depreciated separately.

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.

Accounting Policies

1.5 Property, plant and equipment (continued)

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

The annual depreciation rates are based on the following estimated average useful lives of items of property, plant and equipment and are assessed as follows:

Item	Depreciation method	Average useful life in years
Land	Straight line	Indefinite
Buildings	Straight-line	30 years
Plant and machinery	Straight line	5-60 Years
Furniture and fixtures	Straight line	7 Years
Motor vehicles	Straight line	5-20 Years
Office equipment	Straight line	3-5 Years
IT equipment	Straight line	3-5 Years
Computer software	Straight line	2-10 Years
Infrastructure	Straight-line	5-100 Years
Community	Straight-line	5-60 Yeras

The residual value and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimate, the change is accounted for as a change in accounting estimate. In determining the depreciation change for the current year, the residual value for all assets has been taken into account.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

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

Derecognition

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.

Work in progress

Work in Progress Work in progress refers to all property plant and equipment that are still under construction and are not in a position to be used by management in the process of rendering services.

Subsequent measurement

Incomplete construction work is stated a t historical cost. Depreciation only commences when the asset is ready for use. Work in progress that are taking significant period to be completed and halted projects are assessed for impairment annually and carried at cost less impairment losses.

Transfer out of work in progress and derecognition

Tranfer out of work in progress and derecognition Completed projects are transferred from work in progress into property plant and equipment. Projects that are constructed on behalf of third parties are expensed in the statement of financial performance as transfer of infrastructure assets.

1.6 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 municipality 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.

Intangible assets are initially recognised at cost.

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Computer software	3 years

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

Accounting Policies

1.6 Intangible assets (continued)

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the statement of financial performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and impairment loss is charged to the statement of financial performance.

Derecognition

Intangible assets are derecognised when the asset is disposed off or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount and is recognised in the statement of financial performance.

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

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

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Class	Categories
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Other financial liability	Financial liability measured at amortised cost

Initial and subsequent measurement

Financial assets

Held-to-maturity Investments and Loans and Receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Financial Assets at Available-for-Sale are initially and subsequently, at the end of each financial year, measured at fair value with the profit or loss being recognised in the Statement of Financial Performance.

Financial assets are recognised on the date they originated for loans and receivables and deposits and for other financial assets, initially on the trade date at which the municipality becomes a party to the contractual provision of the instrument.

1.7 Financial instruments (continued)

Financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Financial liabilities are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of financial assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Initially accounts receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Consumer debtors are stated at cost less a provision for bad debts. The provision is made in accordance with GRAP 104 whereby the recoverability of Consumer Debtors is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the instruments at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Derecognition of financial liabilities

The municipality derecognises financial liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

Accounting Policies

1.8 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.

Accrued interest

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

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

Impairment losses

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

If there is an indication that a statutory receivables, 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

1.8 Statutory receivables (continued)

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

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

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

Derecognition

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

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

Any difference between the consideration received and the amounts derecognised is recognised in surplus or deficit.

1.9 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 municipality's incremental borrowing rate.

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

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Property, plant equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured at the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

1.9 Leases (continued)

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance costs and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorted of the asset's useful life or the lease term.

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

Operating leases are those leases that do not fall within the scope within the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

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.

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

Redundant and obsolete inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values. Consumables are written down with regards to their age, condition and utility.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period. 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 is 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, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 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).

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

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.

Identification

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

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

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

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

1.11 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

Reversal of impairment loss

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

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

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

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

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

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

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

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

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

1.12 Employee benefits

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

Short-term employee benefits

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

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

The municipality recognises the expected cost of bonus, incentive and performance-related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

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

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

Accounting Policies

1.12 Employee benefits (continued)

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

Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined contribution plans

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

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

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

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

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. 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) on retirement, is entitled to remain a continued member of the medical aid fund in which case the municipality is liable for a certain portion of the medical aid membership fee.

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

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

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

1.12 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.12 Employee benefits (continued)

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

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

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

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

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

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

1.12 Employee benefits (continued)

Long-term service awards

The municipality has an obligation to provide long-term service awards to all if its employees who have been in service of the municipality for a certain period of time. According to the rules of the long-term service allowance scheme, which the municipality has instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 5,10, 15, 20, 25, 30, 35, 40 and 45 years of continued service.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liability. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

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

Termination benefits

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

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

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

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

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

1.13 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.

1.13 Provisions and contingencies (continued)

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

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

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

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

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

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

Provisions are not recognised for future operating expenditure.

If the municipality 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 the municipality:
- 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 47 unless the possibility of an outflow or resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefit is probable.

1.13 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability are added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11.

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

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

Levies

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

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

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

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

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

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

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

1.14 Revenue from exchange transactions

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

Service charges relating to electricity are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

1.14 Revenue from exchange transactions (continued)

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.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Revenue from the sale of tender documents is recognised at the point of sale.

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 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 charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

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

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Interest

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

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

1.15 Revenue from non-exchange transactions

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

1.15 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Taxes

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

Resources arising from property rates satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

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

1.15 Revenue from non-exchange transactions (continued)

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

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

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

Transfers

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

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

Fines

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

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

Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by the debtors.

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

Gifts and donations, including goods in-kind

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

Services in-kind

Services in-kind are not recognised.

Concessionary loans received

A concessionary loan is a loan granted to or received by an property, plant and equipment on terms that are not market-related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market-related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time-proportionate basis.

1.16 Value-added tax

The municipality accounts for value-added tax (VAT) on a payment basis.

1.16 Value-added tax (continued)

The municipality is registered with the South African Revenue Services (SARS) for VAT on a payment basis, in accordance with section 15(2) of the VAT Act (Act no. 89 of 1991).

1.17 Comparative figures

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

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

1.18 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No.56 of 2003) and includes:

- overspending of the total amount appropriated in the municipality's approved budget;
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraphs (b),(c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or a grant by the municipality in accordance with the Municipal Finance Management Act.

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

Unauthorised expenditure is an expenditure that has not been budgeted for, an expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or an organ of the state. An expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 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.

1.20 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is an expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including-

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

Accounting Policies

1.21 Accumulated surplus

Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of a Council resolution (Number C30 dated 17.10.2012).

These transfers from the net surplus may only be made if they are backed by cash. The amount transferred to CRR is based on the municipality's need to finance future capital progress included in the integrated development plan. The following provisions are set for the creation and utilisation of the CRR:

- the cash which backs up the CRR is invested until it is utilised. The cash may only be invested in accordance with the investment policy of the municipality.
- interest earned on the CRR investment is recorded as part of the total interest earned in the statement of financial performance
- the CRR may only be utilised for the purpose of purchasing items of property, plant and equipment for the municipality and may not be used for maintenance of these items.
- whenever an asset is purchased out of CRR, an amount equal to the cost price of the asset purchased is transferred from the CRR into a future depreciation reserve called the Capitalisation Reserve. This reserve is equal to the remaining depreciable value (book value) of assets purchased out of the CRR. The Capitalisation Reserve is used to offset depreciation charged on assets purchased out of the CRR to avoid double taxation of the consumers.
- if a gain is made on the sale of assets previously purchased out of the CRR, the gain on these assets sold is reflected in the statement of financial performance.

Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund.

Provisions are set out for the creation and utilisation of the Housing Development Fund. The Housing Development Fund is cash- backed, and invested in accordance with the investment policy of the municipality.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

Donations and public contributions reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/deficit to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the statement of financial performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/deficit.

Accounting Policies

1.21 Accumulated surplus (continued)

Government grant reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/deficit to the Government Grants Reserve equal to the Government Grant recorded as revenue in the statement of financial performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant-funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant-funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/deficit.

1.22 Budget information

Municipality is 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 is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

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

The unaudited annual financial statements and the budget are on the same basis of accounting.

1.23 Related parties

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

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

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

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

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

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

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

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

1.23 Related parties (continued)

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

1.24 Events after the reporting date

The municipality has carefully considered whether events occurring between the Statement of Financial Position date and the date of approval should be reflected in the unaudited annual financial statements. Events after the reporting period (or 'post-Statement of Financial Position events') are either adjusting events or non-adjusting events.

Adjusting events provide further evidence of conditions that existed at the statement of financial position date and the carrying amounts of assets and liabilities at the statement of financial position date are adjusted for such events. Non-adjusting events relate to conditions that arose after the statement of financial position date and should be disclosed.

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

1.25 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.26 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of a municipality after deducting all of its liabilities.

1.27 Borrowing costs

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

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

1.28 Accounting by principals and agents

Identification

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

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

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

1.28 Accounting by principals and agents (continued)

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Recognition

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

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

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

1.29 Segment information

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

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

Measurement

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

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

Accounting Policies

1.30 Transfers and subsidies

Transfers and subsidies include all unrequited payments made by the municipality. A payment is unrequited provided that the municipality does not receive anything of similar value directly in return for the transfer to the other party.

Transfers and subsidies are recognised in the Statement of Financial Performance as expenses in the period in which the events giving rise to the transfer occurred.

Notes to the Unaudited Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has not adopted any standards and interpretations that are effective for the current period and that are relevant to its operations.

Standard/ Interpretation:	Effective date: Years beginning on or after	impact:
• Amendments to GRAP 104: Financial Instruments	01 April 2025	The impact of the is not material.

3. Inventories

Spare parts	3 998 813	2 726 392

R75 525 122 (2024: R59 696 160) of total inventory was recognised as an expense in the current year.

Inventory pledged as security

No inventory was pledged as security.

4. Other financial assets

Designated at fair value		
ABSA Bank limited	360 000	360 000
Current assets		
Designated at fair value	360 000	360 000

5. Receivables from exchange transactions

Accrued interest income	395 091	176 547
Outstanding Municipality licencing claims	107 825	107 825
Consumer debtors - Electricity	56 969 727	57 195 540
Consumer debtors - Water	26 459 998	35 667 867
Consumer debtors - Waste Water Management	15 588 775	16 414 670
Consumer debtors - Waste Management	7 209 821	7 218 602
Consumer debtors - Services charges	1 151 997	490 902
	107 883 234	**117 271 953**

6. Receivables from non-exchange transactions

Fines	38 415	153 246
Consumer debtors - Rates	27 246 416	30 940 702
	27 284 831	**31 093 948**

7. Consumer debtors disclosure

Gross balances		
Consumer debtors - Property rates	361 127 295	345 920 728
Consumer debtors - Electricity	121 317 139	120 948 329
Consumer debtors - Water	1 349 715 295	1 178 100 464
Consumer debtors - Waste Water Management	664 067 576	596 769 356
Consumer debtors - Waste Management	341 308 236	306 795 560
Consumer debtors - Services charges	14 172 638	13 595 126
	2 851 708 179	**2 562 129 563**

Figures in Rand	2025	2024

7. Consumer debtors disclosure (continued)

Less: Allowance for impairment		
Consumer debtors - Property Rates	(333 880 879)	(314 980 026)
Consumer debtors - Electricity	(64 347 412)	(63 752 789)
Consumer debtors - Water	(1 323 255 297)	(1 142 432 597)
Consumer debtors - Waste Water Management	(648 478 801)	(580 354 686)
Consumer debtors - Waste Management	(334 098 415)	(299 576 958)
Consumer debtors - Services charges	(13 020 641)	(13 104 224)
	(2 717 081 445)	**(2 414 201 280)**

Net balance		
Consumer debtors - Property Rates	27 246 416	30 940 702
Consumer debtors - Electricity	56 969 727	57 195 540
Consumer debtors - Water	26 459 998	35 667 867
Consumer debtors - Waste Water Management	15 588 775	16 414 670
Consumer debtors - Waste Management	7 209 821	7 218 602
Consumer debtors - Services charges	1 151 997	490 902
	134 626 734	**147 928 283**

Property Rates		
Current (0 -30 days)	13 861 572	5 116 097
31 - 60 days	6 220 259	237 152
61 - 90 days	6 074 656	2 328 817
91 - 120 days	6 073 666	2 298 879
121 - 365 days	328 897 142	343 212 164
Less Allowance for impairment	(333 880 879)	(293 371 704)
	27 246 416	**59 821 405**

Electricity		
Current (0 -30 days)	10 435 029	15 805 295
31 - 60 days	2 153 680	2 371 652
61 - 90 days	2 099 791	3 988 231
91 - 120 days	10 197 043	2 815 474
121 - 365 days	97 055 532	94 450 569
Less Allowance for impairment	(64 347 412)	(102 726 140)
	57 593 663	**16 705 081**

Water		
Current (0 -30 days)	24 575 566	46 471 589
31 - 60 days	12 530 631	23 434 583
61 - 90 days	12 210 435	21 924 006
91 - 120 days	12 065 110	6 204 819
121 - 365 days	1 288 333 554	1 184 146 404
Less: Allowance for impairment	(1 323 255 297)	(1 158 439 599)
	26 459 999	**123 741 802**

Waste Water Management		
Current (0 -30 days)	13 291 515	4 975 035
31 - 60 days	6 434 656	2 561 785
61 - 90 days	6 372 827	2 293 828
91 - 120 days	6 326 613	195 721 725
121 - 365 days	631 641 964	426 104 560
Less: Allowance for impairment	(648 478 801)	(562 339 272)
	15 588 774	**69 317 661**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

7. Consumer debtors disclosure (continued)

Waste Management		
Current (0 -30 days)	6 701 167	2 374 646
31 - 60 days	3 261 090	1 314 202
61 - 90 days	3 232 945	435 784
91 - 120 days	3 211 689	291 188
121 - 365 days	324 901 344	317 251 964
Less: Allowance for impairment	(334 098 415)	(286 366 603)
	7 209 820	**35 301 181**

Sundry Services charges		
Current (0 -30 days)	1 043 543	140 370
31 - 60 days	466 426	218 444
61 - 90 days	457 355	55 761
91 - 120 days	491 454	4 875 800
121 - 365 days	11 713 860	5 545 386
Less: Allowance for impairment	(13 020 641)	(8 051 506)
	1 151 997	**2 784 255**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(2 414 201 280)	(2 106 529 895)
Impairment loss for the year (VAT inclusive)	(302 880 16	(307 671 38
Closing Balance at the end of the year	**(2 717 081 44**	**(2 414 201 28**

Figures in Rand	2025	2024

8. VAT receivable

	2025	2024
VAT	276 041 127	220 859 133

9. Cash and cash equivalents

Cash and cash equivalents consist of:

	2025	2024
Cash on hand	87 093	83 135
Bank balances	17 128 547	811 821
Short-term deposits	1 132 145	1 985 980
	18 347 785	**2 880 936**

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 - Main - 405-560-5473	(536 549)	(770 242)	(186 953)	17 128 547	811 822	1 842 304
ABSA BANK - PMU - 406-402-3765	93 621	201 443	3 718 026	93 621	201 443	3 718 026
ABSA BANK - Premier - 405-568-6261	35 494	263 855	4 785 212	35 494	263 855	4 785 211
ABSA BANK - Licenciming -405-098-9969	81 236	(28 330)	3 771 378	81 236	(28 330)	3 771 379
ABSA BANK - TMT - 406-154-5689	3 471	50 347	62 043	3 471	51 210	62 043
ABSA BANK - Public Safety -404-967-8703	120 385	712 474	622 918	120 385	712 474	622 918
ABSA BANK - Solidarity Fund - 405-254-3232	15 339	17 664	18 841	15 339	17 722	18 841
ABSABANK - Housing DVT Fund - 405-563-6965	14 064	15 546	16 674	14 064	15 547	16 674
ABSA BANK - Call Account - 406-469-2380	11 139	13 480	14 912	11 139	13 479	14 912
ABSA BANK - Money market - 912-664-3503	676 986	622 525	570 084	676 986	622 342	570 084
ABSA Bank - Eskom - 913-862-2959	125 195	116 184	106 820	125 195	116 233	106 820
Petty cash	-	-	-	87 093	83 135	75 309
Total	**640 381**	**1 214 946**	**13 499 955**	**18 392 570**	**2 880 932**	**15 604 521**

10. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	381 723 000	-	381 723 000	372 401 675	-	372 401 675

Reconciliation of investment property - 2025

	Opening balance	Additions	Disposals	Fair value adjustments	Total
Investment property	372 401 675	-	(2 704 750)	12 026 075	381 723 000

Reconciliation of investment property - 2024

	Opening balance	Additions	Disposals	Transfers	Fair value adjustments	Total
Investment property	370 674 116	-	-	(27 469 650)	29 197 209	372 401 675

Pledged as security

No investment property has been pledged as security.

Details of valuation

The effective date of the revaluations was Monday, 30 June 2025. The revaluations were performed by an independent professional valuer, Mr Tsietsi Madonsel , of Lutendo Property Valuers. Tsietsi and Lutendo Property Valuers are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use. These assumptions are based on current market conditions.

11. 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	109 261 918	-	109 261 918	109 261 918	-	109 261 918
Buildings	172 410 211	(146 034 460)	26 375 751	172 410 212	(143 538 655)	28 871 557
Plant and machinery	2 353 650	(1 690 132)	663 518	2 229 887	(1 387 267)	842 620
Furniture and fixtures	6 265 473	(3 772 429)	2 493 044	5 629 188	(3 173 018)	2 456 170
Motor vehicles	50 216 277	(16 621 058)	33 595 219	27 706 253	(8 864 697)	18 841 556
IT equipment	10 556 002	(4 533 802)	6 022 200	10 194 263	(2 944 919)	7 249 344
Infrastructure	1 726 920 823	(743 162 833)	983 757 990	1 674 034 961	(712 223 409)	961 811 552
Work in progress (Infrastructure)	127 155 579	-	127 155 579	116 368 171	-	116 368 171
Total	**2 205 139 933**	**(915 814 714)**	**1 289 325 219**	**2 117 834 853**	**(872 131 965)**	**1 245 702 888**

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	109 261 918	-	-	-	-	109 261 918
Buildings	28 871 557	-	-	(2 344 440)	(151 366)	26 375 751
Plant and machinery	842 620	123 763	-	(297 401)	(5 464)	663 518
Furniture and fixtures	2 456 170	636 285	-	(597 373)	(2 038)	2 493 044
Motor vehicles	18 841 556	22 828 661	-	(8 074 998)	-	33 595 219
IT equipment	7 249 344	361 738	-	(1 588 568)	(314)	6 022 200
Infrastructure	961 811 552	-	52 885 862	(30 193 012)	(746 412)	983 757 990
Work in progress (Infrastructure)	116 368 171	63 673 270	(52 885 862)	-	-	127 155 579
	1 245 702 888	**87 623 717**	**-**	**(43 095 792)**	**(905 594)**	**1 289 325 219**

Municipality want to bring to the attention of the users that included in the carrying value of the Infrastructure assets , Electrical network (control panel and cable), asset number SEM-INF-00020 was vandalised in September 2025. The carrying value of the asset is R7 016 322 (R 7 175 833,45 -2024). The impact of this accident is that the aforementioned asset will have to be impaired in 2025/26 financial year.

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Prior period error	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	109 261 918	-	-	-	-	-	-	109 261 918
Buildings	32 995 225	-	-	(253 165)	-	(2 946 518)	(923 985)	28 871 557
Plant and machinery	905 468	224 551	162 223	(20 905)	-	(428 717)	-	842 620
Furniture and fixtures	1 873 505	1 090 568	48 357	(4 475)	-	(551 785)	-	2 456 170
Motor vehicles	7 757 352	12 901 499	203 071	(60 631)	-	(1 959 735)	-	18 841 556
IT equipment	1 722 953	6 349 468	89 032	(6 979)	-	(905 130)	-	7 249 344
Infrastructure	960 947 686	-	-	(30 366 378)	73 589 467	(37 089 320)	(5 269 903)	961 811 552
Work in progress (Infrastructure)	118 452 553	71 515 086	-	-	(73 589 467)	-	-	116 368 171
	1 233 916 660	**92 081 172**	**502 683**	**(30 712 533)**	**-**	**(43 881 205)**	**(6 193 888)**	**1 245 702 888**

Figures in Rand	2025	2024

11. Property, plant and equipment (continued)

Pledged as security

No portion of property, plant and equipment has been pledged as security for liabilities, other than obligations under finance leases that are secured by the lessor's right over the leased assets.

Reconciliation of Work-in-Progress - 2025

	Included within Infrastructure	Total
Opening balance	116 368 171	116 368 171
Additions/capital expenditure	63 673 270	63 673 270
Transfer to PPE	(52 885 862)	(52 885 862)
	127 155 579	**127 155 579**

Reconciliation of Work-in-Progress - 2024

	Included within Infrastructure	Total
Opening balance	118 778 635	118 778 635
Additions/capital expenditure	71 515 086	71 515 086
Transfer to PPE	(73 589 468)	(73 589 468)
	116 704 253	**116 704 253**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Maintenance of Buildings and facilities	11 901 871	-
Maintenance of Equiments	99 994	19 333
Maintenance of Other assets	3 270 264	2 461 108
	15 272 129	**2 480 441**

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.

12. Other financial liabilities

At amortised cost		
DBSA loan - 61007727	62 152 498	60 917 154
Non-current liabilities		
At amortised cost	35 233 449	38 583 154
Current liabilities		
At amortised cost	26 919 049	22 334 000

Defaults and breaches

DBSA loan 61007165 was obtained in 2021 with a term of 14.25 years. The loan is repayable in quarterly instalments of R 1 315 642.38 at fixed interest rate of 5%. The municipality has missed the instalments for the current financial year and preceeding years due to liquidity crisis.

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

13. Finance lease obligation

Minimum lease payments due		
- within one year	18 076 398	7 677 530
- in second to fifth year inclusive	18 207 657	12 455 442
Present value of minimum lease payments	**36 284 055**	**20 132 972**
Present value of minimum lease payments due		
- within one year	15 747 476	6 350 584
- in second to fifth year inclusive	17 328 962	11 551 791
	33 076 438	**17 902 375**
Non-current liabilities	18 207 657	9 791 830
Current liabilities	18 076 398	7 746 229
	36 284 055	**17 538 059**

14. Payables from exchange transactions

Trade payables	666 737 049	490 365 549
Debtors with credit balances	20 514 771	13 930 773
Accrued leave pay	11 702 429	10 335 064
Accrued bonus	2 706 083	2 214 746
Retention fees	15 863 360	14 430 153
Payroll Clearing and control accounts	1 630 819	(31 689)
Deposits received	6 052 931	4 854 283
	725 207 442	536 098 881
Unallocated deposits	1 252 580	1 050 829
	726 460 022	**537 149 710**

15. VAT payable

VAT Output Accrual	175 684 779	151 073 720

16. Consumer deposits

Electricity	2 898 954	2 638 349
Water	732 144	698 982
	3 631 098	**3 337 331**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

17. Employee benefit obligations

Post-retirement medical benefit 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.

The municipality operated on five accredited medical aid schemes, namely Keyhealth, LA Health, SAMWU, Bonitas and Hosmed.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2025 by ARCH Actuarial Consulting. The present value of the defined benefit obligation, and the related current service cost and past service cost were measured using the Projected Unit Credit Method.

Multi-employer pension funds

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the pension fund for municipal councillors.

Employees belong to a variety of approved pension and provident funds.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:
(i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
(ii) One set of financial statements is compiled for each fund and the financial statements set is not drafted for each participating employer.
(iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided in sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors/employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

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

Carrying value		
Present value of the defined benefit obligation-partly or wholly funded	(26 557 000)	(22 922 000)
Present value of fund obligation at the end of the year	**(30 876 016)**	**(27 658 550)**

Figures in Rand	2025	2024

17. Employee benefit obligations (continued)

Changes in the present value of the defined benefit obligation are as follows:

	2025	2024
Opening balance	22 922 000	20 539 000
Benefits paid	(943 903)	(884 547)
Net expense recognised in the statement of financial performance	4 578 903	3 267 547
	26 557 000	**22 922 000**

Net expense recognised in the statement of financial performance

	2025	2024
Current service cost	986 000	873 000
Interest cost	2 765 000	2 532 000
Actuarial losses/(gains)	827 903	(137 453)
	4 578 903	**3 267 547**

Sensitivity analysis on the defined benefit obligation (R Millions)

Assumption	Change	Eligible Employees	Continuation Members	Total DBO	% Change
Central assumptions		18,643	7,914	26,557	
Medical aid contribution	+1%	22,370	8,536	30,906	+16%
inflation rate	-1%	15,663	7,364	23,027	-13%
Discount rate	+1%	15,787	7,388	23,175	-13%
	-1%	22,250	8,517	30,767	+16%
Post-employment	+1 yr	18,192	7,612	25,804	-3%
mortality	-1 yr	19,087	8,220	27,307	+3%
Average retirement age	-1 yr	20,369	7,914	28,283	+6%
Membership continuation	-10%	16,293	7,914	24,207	-9%

Sensitivity analysis on Current-service and Interest Costs

Assumption	Change	Current Svc. Cost	Interest Cost	Total Cost	% Change
Central assumptions		986 000	2 765 000	3 751 000	
Medical aid contribution	+1%	1 208 000	3 219 000	4 427 000	+18%
inflation rate	-1%	813 000	2 396 000	3 209 000	-14%
Discount rate	+1%	827 000	2 609 000	3 436 000	-8%
	-1%	1 189 000	2 943 000	4 132 000	+10%
Post-employment	+1 yr	962 000	2 687 000	3 649 000	-3%
mortality	-1 yr	1 008 000	2 843 000	3 851 000	+3%
Average retirement age	-1 yr	1 069 000	2 944 000	4 013 000	+7%
Membership continuation	-10%	864 000	2 522 000	3 386 000	-10%

Key assumptions used

Assumptions used at the reporting date:

	2025	2024
Discount rate - Post Medical aid	11,30 %	12,30 %
Medical cost aid contribution inflation rate	7,10 %	7,80 %
CPI inflation rate - Post Medical aid	5,30 %	6,30 %
Average retirement age	62	62
Mortality during employment	SA 85-90	SA 85-90
Mortality post-employment	PA 90-1	PA 90-1

17. Employee benefit obligations (continued)

It is difficult to predict future investment returns and healthcare cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Discount Rate:

Assumption: 11.3% (2024: 12.3%)

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

Consequently, a discount rate of 11.3% per annum has been used. The corresponding index-linked yield at this term is 5.2%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2025.

Medical Aid Contribution Inflation Rate:

Assumption: 7.1% (2024: 7.8)

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

A medical aid contribution inflation rate of 7.1% per annum has been assumed. This is 1.8% in excess of expected consumer price index (CPI) inflation over the expected term of the DBO, namely 5.3% per annum. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 3.9% per annum which derives from ((1+11.3%)/(1+7.1%))-1.

The CPI inflation assumption of 5.3% per annum was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the DBO (5.2%) and those of fixed interest bonds (11.3%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.5%).

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

CPI Inflation:

Assumption: 5.3% (2024: 6.3%)

Inflation is considered in the projection of salary increases and the adjustment of retirement benefits.

Mortality rate:

Assumption: SA85-90 (light)

This mortality table is used to estimate the life expectancy of plan participants, based on current trends and historical data within the sector.

Family Profile:

It has been assumed that female spouses will be three years younger than their male counterparts. Furthermore, we’ve assumed that 60% of eligible employees on a health care arrangement at retirement will have a subsidised spouse dependant. For current retiree members, actual subsidised spouse dependants were used and the potential for remarriage was ignored.

Figures in Rand	2025	2024

17. Employee benefit obligations (continued)

Long service awards and retirement gifts

The independent valuers, Arch Actuarial Consulting, carry out a statutory valuation on an annual basis.

The principal actuarial assumptions used were as follows:

Discount rate -Long Service award	9,6 %	10,8 %
CPI Inflation rate - Long service award	3,6 %	5,0 %
General earnings inflation rate	4,6 %	6,0 %

Examples of mortality rates used were as follows:

Average retirement age	62	62
Mortality during employment	SA 85 -90	SA 85-90

Membership summary		
Number of eligible employees	219	223
Average age	47,70	47,30
Average past service	14,70	14,60
Average annual earnings	264 939	239 23

Benefit Structure

Service years	Average annual earnings	Average annual earnings
Less than 10 years	260 321	250 913
10 to 19 years	265 732	227 669
20 to 29 years	292 614	271 654
30 to 39 years	194 626	176 779
40 or more years	152 424	147 137

Movement in the defined benefit obligation is as follows:

Balance at the beginning of the year	4 800 000	4 193 000
Current service cost	368 000	318 000
Interest cost	481 000	434 000
Expected benefit payments	(780 773)	(602 113)
Recognised actuarial (gains) / losses	296 773	457 113
Balance at the end of year	**5 165 000**	**4 800 000**

The amounts recognised in the Statement of Financial Performance were as follows:

Current service cost	368 000	318 000
Interest cost	481 000	434 000
Benefit payment	(780 773)	(602 113)
Actuarial (gains) / loss	296 773	457 113
	365 000	**607 000**

17. Employee benefit obligations (continued)

Sensitivity analysis on the defined benefit obligation

Assumption	Change	Current Svc. Cost	% Change
Central assumptions		5 165 000	
General earnings inflation rate	+1%	5 420 000	+5%
	-1%	4 928 000	-5%
Discount rate	+1%	4 917 000	-5%
	-1%	5 437 000	+5%
Average retirement age	+2 yrs	5 671 000	+10%
	-2 yrs	4 597 000	-11%
Rates of termination of service	x2	4 416 000	-15%
	x0,5	5 631 000	+9%

Sensitivity analysis on Current-service and Interest Costs

Assumption	Change	Current Svc. Cost	Interest Cost	Total Cost	% Change
Central assumptions		368 000	481 000	849 000	
General earnings	+1%	393 000	507 000	900 000	+6%
inflation rate	-1%	345 000	457 000	802 000	-6%
Discount rate	+1%	348 000	498 000	846 000	0%
	-1%	391 000	461 000	852 000	0%
Average retirement age	+2 yr	402 000	530 000	932 000	+10%
	-2 yr	333 000	429 000	762 000	-10%
Rates of termination of	x2	287 000	403 000	690 000	-19%
service	x0,5	424 000	529 000	953 000	+12%

Key assumptions used

Discount Rate:

Assumption: 9.6% (2024: 10.8%)

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

Consequently, a discount rate of 9.6% per annum has been used. The corresponding index-linked yield is 5.3%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2025.

Earnings Inflation Rate:

Assumption: 3.6% (2024: 5%)

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

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

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

17. Employee benefit obligations (continued)

General Earnings Inflation Rate:

Assumption:4.6% (2024: 6%)

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

The CPI inflation assumption of 3.6% per annum was obtained from the differential between market yields on index-linked bonds (5.3%) consistent with the estimated term of the DBO and those of nominal bonds (9.6%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.5%).

Thus, a general earnings inflation rate of 4.6% per annum over the expected term of the DBO has been assumed, which is 1.0% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 4.8%.

It was assumed that the next general earnings increase will take place on 1 July 2026.

Mortality During Employment:

SA85-90 (light) ultimate table, adjusted for female lives.

Non-current liabilities	27 630 016	26 019 550
Current liabilities	3 246 000	1 639 000
	30 876 016	**27 658 550**

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprise of:

Dr Kenneth Kaunda District Municipality	20 316	20 316
EPWP grant	223 088	140 274
Municipal Infrustructure Grant	1 521 733	-
Library grant	764 780	410 189
FMG Grant	656 451	31 783
Water Services Infrastructure grant	21 092 285	1 583 100
	24 278 653	**2 185 662**

Movement during the year

Balance at the beginning of the year	2 185 662	137 154
Additions during the year	89 119 001	90 238 484
Income recognition during the year	(67 026 010)	(88 189 976)
	24 278 653	**2 185 662**

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

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

See note 28 for reconciliation of grants from and receipts.

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

19. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Interest	Change in estimate	Total
Environmental rehabilitation	73 786 895	4 427 214	2 347 484	80 561 593

Reconciliation of provisions - 2024

	Opening Balance	Interest	Change in estimate	Total
Environmental rehabilitation	71 524 303	4 291 458	(2 028 866)	73 786 895

	2025	2024
Non-current liabilities	40 398 024	39 427 053
Current liabilities	40 163 568	34 359 842
	80 561 592	**73 786 895**

Environmental rehabilitation provision

The provision is made in terms of the licensing stipulations. The Provision has been determined on the basis of the recent independent study by taking into account a number of factors to the design, manner of operations and rehabilitation measures proposed which was assessed, investigated and tested. There is no anticipated environmental harm, groundwater pollution, leachate leakage that could be found. The municipality did not alter any structure and infrustructure to the existing landfill.

20. Service charges

	2025	2024
Electricity	64 434 765	60 549 970
Waste management	18 753 602	18 991 601
Water	56 692 446	54 633 479
Waste water management	37 818 290	38 048 552
	177 699 103	**172 223 602**

21. Rental of facilities and equipment

	2025	2024
Hiring fees	4 130 609	2 235 357

22. Interest earned - outstanding debtors

	2025	2024
Water	80 054 257	77 582 113
Electricity	5 004 159	7 012 137
Waste Water Management	38 361 233	36 195 670
Waste Management	19 680 084	18 577 851
Sundry services	520 717	266 446
	143 620 450	**139 634 217**

23. Licences and permits

	2025	2024
Licences and permits	2 286 152	2 569 669

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

24. Operational revenue

Other income	1 227 155	1 019 362
Other income 2	-	12 412 846
	1 227 155	**13 432 208**

25. Interest earned - external investments

Short-term investments and call accounts	772 254	1 212 195

26. Fair value adjustments

Investment property (Fair value model)	12 026 075	29 197 249

The property valuations have been carried out in terms of GRAP 16 by an Independent Professional Valuer. Market value has been undertaken in accordance with standards laid down by the International Valuations Standards Council.

27. Property rates

Rates received

Residential	37 271 123	41 724 931
Business and Commercial Properties	7 212 003	5 921 521
State and Public Service infrastructure	1 680 504	1 733 469
Agricultural properties	17 775 412	16 735 730
	63 939 042	66 115 651
Interest on Property rates	24 166 213	20 167 009
	88 105 255	**86 282 660**

Valuations

Residential Properties	2 481 431 240	2 802 236 464
Business and Commercial Properties	305 165 138	307 697 738
State and Public Service infrastructure	202 316 888	200 426 888
	2 988 913 266	**3 310 361 090**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2024. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation implemented on 1 July 2024 prepared in terms of processes guided by the Municipal Property Rates Act (MPRA) and National Treasury guidance, which mandates regular valuation rolls for municipalities resulted in improved categorisation of properties by actual usage resulted in extended decription of the properties for valuation purposes and as such, there are no comparatives in the prior year for the unbundled categories.

The following are the rates randage that were applied to the valuations in respect of the various categories:

Residential Properties	0.0226	0.0147
Business and Commercial Properties	0.0264	0.0250
State and Public Service infrastructure	0.0350	0.0250

All residential property owners are exempt from paying rates on the first R15,000 value of property. All pensioners, the disabled and medically boarded owners are eligible for the rebates.

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

28. Government grants and subsidies

Operating grants		
Equitable share	180 873 000	171 953 000
Financial Management Grant	3 175 332	3 081 778
Expanded Public Works Programme Grant	1 231 186	1 175 726
Library grant	834 409	736 088
LG SETA	495 130	393 574
	186 609 057	**177 340 166**

Figures in Rand	2025	2024

28. Government grants and subsidies (continued)

Capital grants		
Municipal Infrastructure Grant	30 742 267	30 850 000
Water Supply Infrastructure Grant	30 490 815	53 416 900
	61 233 082	**84 266 900**
	247 842 139	**261 607 066**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	64 696 887	89 504 042
Unconditional grants received	180 873 000	171 953 000
	245 569 887	**261 457 042**

Municipal Infrastructure Grant

Current-year receipts	32 264 000	30 850 000
Conditions met - transferred to revenue	(30 742 267)	(30 850 000)
	1 521 733	**-**

Purpose of the grant is to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, microenterprises and social institutions servicing poor communities. And to provide specific funding for the development of asset management plans for infrastructure servicing the poor.

Water Supply Infrastructure Grant

Balance unspent at beginning of year	1 586 606	-
Current-year receipts	50 000 000	55 000 000
Conditions met - transferred to revenue	(25 618 730)	(53 413 394)
	25 967 876	**1 586 606**

The purpose of the grant as is to facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and enhance the sustainability of services especially in rural municipalities; provide basic and intermittent water and sanitation supply that ensures provision of services to identified and prioritised communities, including spring protection and groundwater development; support municipalities in implementing water conservation and water demand management projects; support the close-out of the existing Bucket Eradication Programme intervention in formal residential areas; support drought relief projects in affected municipalities.

28. Government grants and subsidies (continued)

Expanded Public Works Programme Integrated Grant for Municipalities [EPWP]

	2025	2024
Balance unspent at beginning of year	140 274	-
Current-year receipts	1 314 000	1 316 000
Conditions met - transferred to revenue	(1 231 186)	(1 175 726)
	223 088	**140 274**

Purpose of the grant is to incentivise municipalities to expand work creation efforts through the use of labour-intensive delivery methods in the following identified focus areas, in compliance with the EPWP guidelines:
- road maintenance and the maintenance of buildings
- low traffic volume roads and rural roads
- basic services infrastructure, including water and sanitation reticulation (excluding bulk infrastructure)
- other economic and social infrastructure
- tourism and cultural industries
- waste management
- parks and beautification
- sustainable land-based livelihoods
- social services programmes
- community safety programmes

Dr Kenneth Kaunda Local Municipality

	2025	2024
Balance unspent at beginning of year	20 316	20 316

This grant is mainly used for drilling and equipping of boreholes, and purchase two water tankers and two crew cabs for essential teams.

Financial Management Grants

	2025	2024
Balance unspent at beginning of year	31 783	13 561
Current-year receipts	3 800 000	3 100 000
Conditions met - transferred to revenue	(1 569 630)	(3 081 778)
	2 262 153	**31 783**

The main purpose of this grant is to assist in the rollout of financial management reforms embodied in the MFMA through building capacity in financial management. Its primary purpose is to assist in building strong financial management skills. The grant was utilised by the Municipality for its intended purposes.

Library Grant

	2025	2024
Balance unspent at beginning of year	410 189	103 277
Current-year receipts	1 189 000	1 043 000
Conditions met - transferred to revenue	(582 094)	(736 088)
	1 017 095	**410 189**

Purpose of the grant is to aid in the development of a skilled and capable workforce supporting a responsive, accountable, efficient and effective local government system, through a range of learning programmes that focuses on scarce and critical skills in the respect of sectors covered by the LGSETA, the New Growth Path, the Industrial Development Action Plan, the National Skills Accord, the Green Accord, the Beneficiation Strategy of South Africa, the National Development Plan, Strategic Integrated Projects, the Rural Development Strategy, the Back to Basics Strategy, the Environmental Strategy and the Human Resource Development Strategy.

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

28. Government grants and subsidies (continued)

Revenue recognised from other grants

Equitable Share	180 873 000	171 953 000

Purpose of the grant is to to enable local government to provide basic services and perform its allocated functions.

29. Public contributions and donations

Donations	4 297	-

30. Fines

Illegal Connections Fines	66 039	189 060
Overdue Books Fines	290	-
Municipal Traffic Fines	411 300	724 450
	477 629	**913 510**

31. Employee-related costs

Basic	72 451 829	65 128 690
Bonus	5 704 462	5 651 350
Medical aid - company contributions	5 693 428	5 566 329
UIF	572 912	541 527
Contributions - Bargain council	36 868	32 962
Leave pay provision charge	3 121 782	3 757 222
Group life insurance	682 954	609 138
Pension fund contributions	12 504 759	11 483 077
Defined contribution plans	(327 615)	1 191 000
Car Allowance	4 669 525	4 502 985
Overtime payments	7 481 673	7 267 409
Long-service awards	17 353	-
Scarcity allowance	526 050	490 950
Housing benefits and allowances	514 531	485 826
Cellphone allowance	340 899	340 050
Standby allowance	3 481 728	2 919 911
Rental subsidy	44 950	50 448
	117 518 088	**110 018 874**

Remuneration of Municipal Manager

Basic salary	839 499	809 718
Car Allowance	305 570	270 901
Contributions to UIF, Medical and Pension Funds	62 875	57 100
Cellphone Allowance	30 000	30 000
Internet allowance	6 000	6 000
	1 243 944	**1 173 719**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

31. Employee-related costs (continued)

Remuneration of Chief Finance Officer

Basic salary	308 926	435 288
Car Allowance	63 801	91 580
Acting Allowance	-	236 464
Contributions to UIF, Medical and Pension Funds	107 610	149 452
Cellphone allownace	4 000	6 000
Internet allowance	2 000	3 000
	486 337	**921 784**

Remuneration of Director Corporate Services

Basic salary	395 372	524 603
Car Allowance	56 414	90 454
Bonuses	-	58 289
Contributions to UIF, Medical and Pension Funds	103 165	158 237
Acting allowance	-	72 857
Cellphone allowance	4 500	6 750
Internet allowance	3 000	4 500
	562 451	**915 690**

Remuneration of Director Community Services

Basic Salary	739 696	438 839
Car Allowance	118 692	64 269
Acting allowance	-	72 540
Contributions to UIF, Medical and Pension Funds	218 861	126 829
Cellphone allowance	7 750	3 500
Internet allowance	5 000	1 750
Other allowances	-	138 171
	1 089 999	**845 898**

Remuneration of Director Technical Services

Basic salary	578 318	714 957
Car Allowance	235 889	226 966
Contributions to UIF, Medical and Pension Funds	2 080	11 289
Cellphone allowance	27 500	30 000
Internet allowance	5 500	6 000
	849 287	**989 212**

32. Remuneration of councillors

Mayor	1 039 979	931 085
Chief Whip	390 695	-
Mayoral Committee Members	6 366 304	5 662 676
Speaker	842 426	753 749
Councillors	1 650 946	1 477 948
	10 290 350	**8 825 458**

33. Depreciation and amortisation

Property, plant and equipment	44 293 670	50 083 372

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

34. Inventory consumed

Material spares used	75 525 122	59 696 160

35. Impairment loss

Impairments		
Property, plant and equipment	905 593	-

36. Finance costs

Provision for landfil sites	4 427 214	2 262 592
Interest expense on employee benefit obligation	3 246 000	2 966 000
Interest on Overdue accounts	13 252 850	638 104
Finance leases	2 292 920	995 900
Bank	441 819	65 844
Intererest on DBSA loan	3 493 083	2 700 604
	27 153 886	**9 629 044**

37. Lease rentals on operating lease

Contractual amounts	4 024 798	3 626 188

38. Debt impairment

Debt impairment (reversal)/loss	281 810 721	268 259 680

39. Bulk purchases

Electricity - Eskom	94 167 923	76 736 016

Electricity losses

Units purchased	-	39 576 451
Units sold	-	(27 008 918)
Total loss	**-**	**12 567 533**

Percentage Loss:		
Technical losses	- %	32 %

40. Contracted services

Outsourced Services		
Burial Services	269 850	232 000
Catering Services	355 244	402 047
Personnel and Labour	1 328 876	1 175 726
Printing services	1 754	1 563 797
Water Tankers	18 049 531	17 710 189
Consultants and Professional Services		
Business and Advisory	3 022 599	18 993 412
Infrastructure and Planning	2 361 128	2 027 634
Legal Cost	13 285 190	8 923 209

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

40. Contracted services (continued)

Contractors		
Electrical	5 925 048	-
Maintenance of Buildings and Facilities	11 901 871	3 735 728
Maintenance of Equipment	4 125 794	30 628 588
Maintenance of Other Assets	9 899 201	2 878 893
Safeguard and Security	10 529 704	5 733 532
	81 055 790	**94 004 755**

41. Operational costs

Assets less than the Capitalisation Threshold	-	399 031
Advertising	1 649 112	1 571 795
Auditors remuneration	6 187 988	5 527 588
Bank charges	805 550	446 774
Gifts	150 043	-
Hire	5 737 887	(472 006)
Insurance	5 103 007	2 719 665
Fleet	433 500	-
Skills develoment Levy Fund	980 084	890 723
Indegent Relief	9 792 932	5 257 882
Fuel and oil	5 474 904	4 989 961
Roadmarking and signare services	(1 394 441)	-
Subscriptions and membership fees	1 549 362	1 513 653
Telephone and fax	829 541	946 462
Training	1 914 453	927 571
Travel - local	503 077	311 120
Uniforms	1 182 378	303 263
Motor vehicles expenses	173 010	92 691
Remuneration of Ward committees	1 243 000	1 160 000
Accomodation	1 716 247	1 326 751
Registration fees - national	3 065 725	317 047
Other expenses	13 556	-
	47 110 915	**28 229 971**

42. Auditor's remuneration

Fees	6 187 988	5 527 588

Figures in Rand	2025	2024

43. Cash generated from operations

Deficit	(107 810 117)	(59 878 157)
Adjustments for:		
Depreciation and amortisation	44 293 670	50 083 372
Loss on sale of assets and liabilities	2 704 750	30 713 605
Fair value adjustments	(12 026 075)	(29 197 249)
Finance costs - Finance leases	2 292 920	995 900
Impairment deficit	905 593	-
Debt impairment	281 810 721	268 259 680
Movements in retirement benefit assets and liabilities	3 217 466	2 926 549
Movements in provisions	6 774 697	2 262 592
Inventory losses or write-downs	(42 545)	154 109
Other non-cash items	169 815 705	(137 672)
Actuarial gains/losses	-	319 660
Interest income	-	55 427 286
Changes in working capital:		
Inventories	(1 272 421)	(75 001)
Receivables from exchange transactions	(9 239 512)	(10 658 220)
Consumer debtors	(281 810 721)	(268 259 680)
Other receivables from non-exchange transactions	(14 516 714)	(1 568 277)
Payables from exchange transactions	189 310 313	32 718 175
Unspent conditional grants and receipts	22 092 991	2 048 509
Consumer deposits	293 767	343 227
	296 794 488	**76 478 408**

44. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	Total
Other financial assets	360 000	360 000
Trade and other receivables from exchange transactions	72 774 521	72 774 521
Receivables from non-exchange transactions	52 727 099	52 727 099
	125 861 620	**125 861 620**

Financial liabilities

	At amortised cost	Total
Financial lease liabilities	8 935 198	8 935 198
Other financial liabilities	64 147 157	64 147 157
Consumer deposits	3 630 503	3 630 503
Trade and other payables from exchange transactions	716 463 700	716 463 700
	793 176 558	**793 176 558**

2024

Financial assets

	At amortised cost	Total
Other financial assets	360 000	360 000

Figures in Rand	2025	2024

44. Financial instruments disclosure (continued)

Trade and other receivables from exchange transactions	100 975 732	100 975 732
Receivables from non-exchange transactions	14 081 755	14 081 755
Cash and cash equivalents	2 880 937	2 880 937
	118 298 424	**118 298 424**

Financial liabilities

	At amortised cost	Total
Financial lease liabilities	17 902 376	17 902 376
Other financial liabilities	60 572 415	60 572 415
Consumer deposits	3 337 331	3 337 331
Trade and other payables from exchange transactions	594 905 016	594 905 016
	676 717 138	**676 717 138**

45. Risk management

Financial risk management

Liquidity risk

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

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

At 30 June 2025	Less than 1 year	Over 1 year
DBSA loan	11 669 737	52 477 420
Payables from exchange transactions	726 460 022	-
Consumer deposits	3 630 503	-

At 30 June 2024	Less than 1 year	Over 1 year
DBSA loan	8 094 995	52 477 420
Payables from exchange transactions	537 149 710	-
Consumer deposits	3 337 331	-

Interest rate risk management

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

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters.

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

Long-term receivables and other debtors are individually evaluated annually at the reporting date for impairment or discounting. A report on the various categories of receivables are drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

The municipality’s exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The municipality had no variable rate long-term financial instruments at year-end requiring an Interest Rate Sensitivity Analysis.

45. Risk management (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality’s exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Receivables from exchange transactions comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. Ongoing credit evaluations are performed on the financial condition of these receivables. Receivables from exchange transactions are presented net of the allowance for impairment.

Receivables from non-exchange transactions comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality.Ongoing credit evaluations are performed on the financial condition of these receivables. Receivables from non - exchange transactions are presented net of the allowance for impairment.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of receivables. Receivables are provided for based on estimated irrecoverable amounts, determined by reference to a non payment rate.

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

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

Payment to accounts of consumer debtors who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

There is no collateral held for security in respect of consumer debtors.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:	2025	2024
Cash and cash equivalents	18 347 785	2 880 936
Receivables from exchange transactions	108 487 645	99 248 133
Receivables from non-exchange transactions	27 285 091	12 768 377

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Figures in Rand	2025	2024

45. Risk management (continued)

Foreign currency risk management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

46. Commitments

Authorised capital expenditure

	2025	2024
Already contracted for but not provided for		
• Property, plant and equipment	94 245 921	78 645 910
Total capital commitments		
Authorised capital expenditure	94 245 921	78 645 910

Figures in Rand	2025	2024

47. Contingencies

Contingent liabilities

Cases		
Victor Nicodemus//MHLM - Urgent Application was lodged by Mr Nicodemus disputing the appointment of the chairperson in his disciplinary hearing brought against him by the Municipality. The application was dismissed with cost and Mr V. Nicodemous filed an appeal. North West Department of Human Settlement made an application to join the Municipality in their case should they be ordered to pay Masikhule Project Consultant for the project done on their behalf. The Municipality opposed the application.	275 928	275 928
Gosekwang Boikanyo and 3 others// MHLM - The Plaintiff took the municipality tend its service providers to court The Plaintiff alleges that the minor children fell into the excavation and waterhole as a result of the contractors and Municipality failure to ensure that the excavation and waterhole filled with water and open it was not assonated the ay yr. damages in the amount for R4m suffered as a result of negligence by failing to rehabilitate close and refill the open cast hole that were left open by yourself the claims includes emotional shock ,grief ,future medical and burial cost.	4 000 000	4 000 000
Dunamis Emporium // MHLM - Defendant appointed the plaintiff to supply install and commission traffic contraventions system in Maquassi hill then the municipality breached appointment due to unreasonable delays the plaintiff has suffered damages in a form of loss of profit. The investigation in to the irregular awarding of a tender was concluded and recommended that the such tender was awarded irregular and shall be terminated. Dunamis Emporium claim future damages from the Municipality for the tender that was terminated.	2 433 169	2 433 169
Sizwentsalubagobodo Grant Thornton Advisory Servives // MHLM - The defendant breached the terms of the agreement by failing to pay the respective invoices as and as and when owing and payable to the plaintiff which constitutes the material breach of the agreement and plaintiff is entitled to seek payment in respect of professional accounting services.	2 891 567	2 891 567
Masikhule Project Consultants // MHLM - Human settlement Denis that it has indebted to Masikhule as there was no contractual relationship between them and the contract exist between them and the municipality the municipality had to procure the relevant contractor to build gouses and submit proof of payment to human settlement for payment.	33 578 875	33 578 875
Clear away property investments vs Maquassi Hills Local Municipality - Clear away Property investment CC was overbilled through the prepaid meters.	3 148 200	3 148 200
Maxprof vs Maquassi and others - Maximum Profit Recovery (Pty) LTD made an application to recover/review calculation of Value Added Tax to Direct Precision Management Services CC.	500 000	500 000
Kgopane // MHLM - Application to dismiss application for review and condonation.	300 000	300 000
Employment and labour / MHLM: Non compliance.	2 720 009	2 720 009
Pontsho Anna Galeboe vs Maquassi Hills Local Municipality - Annah Galeboe was found guilty in two charges and dismissed. She then referred the matter to the Bargain Council claiming unfair dismissal both procedural and substantive.	89 333	89 333

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024
47. Contingencies (continued)		
Mr KD Mohadi - A claim for damages suffered councillor subsequent to his house being burned down during a community riot.- A claim for damages suffered councillor subsequent to his house being burned down during a community riot.	82 460	82 460
The applicant failed to meticulously failed to make a case of their failure to attend the hearing and addressing the issues this was due to gross negligence.	-	-
	50 019 541	**50 019 541**

Contingent assets

Cases		
MHLM vs SAMWU - MHLM VS SAMWUDisciplinary Hearing matter whereby nine of the Municipality's Employees were involved in an illegal strike and damaged Municipal property.	339 158	339 158
Maquassi Hills Local Municipality VS Mothethos Construction - We launched an urgent application to interdict Herotel from continuing with the construction of its fibre lines without the proper wayleave approval.	147 000	147 000
Maquassi Hills Local Municipality vs Power C Metering Africa & Others - An urgent application was launched for a declaratory order for PCMA to transfer monies it has collected from the sale of electricity tokens to the municipality.	7 895 418	7 895 418
Investigation of the procurement and utilisation of petrol and diesel for the Municipality vehicles including generators for the periods from January 2022 to December 2022 and April 2023 to September 2023.	2 478 896	2 478 896
	10 860 472	**10 860 472**

48. Related parties

Relationships	
Accounting Officer	Ms N Mbonani
Shareholder with significant influence	Mr V.G Nicodemus (Director: Community Services) has 25% interest in Molete Nare Properties
Shareholder with joint control	Nelson Mwase (Director : Engineering) has joint control in a company called Mwasiba Projects of 60%

48. Related parties (continued)

Remuneration of management

Management class: Councillors

2025

Name	Office Bearer	Cellphone Allowance	Travelling allowances	Medical aid	Pension fund	Total
Mayor	608 157	52 212	246 942	41 444	91 224	931 085
Speaker	592 661	52 212	198 828	-	-	843 701
MMC	1 452 987	156 636	540 658	-	134 605	2 284 886
Other Concillors	2 764 936	682 668	1 068 397	68 276	295 804	4 880 081
	5 418 741	**943 728**	**2 054 825**	**109 720**	**521 633**	**8 939 753**

2024

	Office Bearer	Cellphone Allowance	Travelling allowances	Medical Aid	Pension fund	Total
Mayor	545 351	44 400	221 671	37 860	81 803	931 085
Speaker	532 012	44 400	177 337	-	-	753 749
Chief Whip	974 030	92 500	346 362	-	65 056	1 477 948
MMC	3 329 312	762 740	1 224 985	41 295	304 344	5 662 676
Other Concillors	1 160 000	-	-	-	-	1 160 000
	6 540 705	**944 040**	**1 970 355**	**79 155**	**451 203**	**9 985 458**

Notes to the Unaudited Annual Financial Statements

48. Related parties (continued)

Management class: Executive management

2025	Basic salary	Other	Car Allowance	Backpay	Contribution to UIF, Medical and Pension Fund	Cellphone allowance	Internet allowances	Non-pensionable allowance	Acting Allowance	Total
Mrs NJ Mbonan - MM	839 499	-	319 880	77 591	62 875	30 000	6 000	20 340	-	1 356 185
Mr TA Modibedi - ACFO	464 769	14 905	98 820	3 343	167 852	6 000	3 000	-	84 621	843 310
Mr VK Motlashuping - ACS	821 187	13 168	139 419	5 907	257 761	9 000	6 000	-	56 180	1 308 622
Mr TL Mokoto -ACDC	746 858	11 976	95 701	5 372	208 901	6 000	3 000	-	-	1 077 808
Mr N Mwase - EN	678 318	-	235 889	65 005	13 642	27 500	5 500	20 340	-	1 046 194
Mr TJ Molutsi	783 148	12 558	112 827	5 633	215 319	9 000	6 000	-	106 479	1 250 964
	4 333 779	**52 607**	**1 002 536**	**162 851**	**926 350**	**87 500**	**29 500**	**40 680**	**247 280**	**6 883 083**

2024	Basic salary	Bonus	Car Allowances	Backpay	Contribution to UIF, Medical and Pension Fund	Cellphone allowance	Internet allowance	Non-pensionable allowance	Acting Allowance	Total
Mrs NJ Mbonan - MM	487 467	-	158 025	-	18 173	17 500	3 500	-	-	684 665
Mr LJ Mogema - CFO	605 394	-	207 101	8 459	58 859	19 800	5 500	20 340	-	925 453
Mr AM Modisha - ACFO	389 708	-	102 215	-	179 058	6 000	3 000	23 652	57 366	760 999
VG Nicodem - DC	531 504	-	169 274	16 032	8 770	22 500	4 500	20 340	-	772 920
Mr N Nwase - EN	710 244	-	226 015	16 035	4 251	30 000	6 000	20 340	-	1 012 885
Mr VK Motlashuping - ACS	486 714	-	124 018	-	232 080	9 000	6 000	80 431	50 576	988 819
Mr TL Mokoto - ACS	389 708	-	86 888	-	167 000	6 000	3 000	23 653	100 907	777 156
ND Tladi - ACDC	380 058	-	127 812	-	236 837	-	-	33 497	52 548	830 752
	3 980 797	**-**	**1 201 348**	**40 526**	**905 028**	**110 800**	**31 500**	**222 253**	**261 397**	**6 753 649**

Figures in Rand	2025	2024

49. Unauthorised expenditure

Opening balance as previously reported	1 515 408 346	1 308 270 720
Add: Unauthorised expenditure - current	235 909 643	206 663 755
Add: Unauthorised expenditure - prior period*	-	473 871
Closing balance	**1 751 317 989**	**1 515 408 346**

*Please refer to note 57 for m ore detrails.

50. Fruitlessand wasteful expenditure

Opening balance as previously reported	39 297 334	30 793 764
Fruitless and wasteful expenditure identified - current	13 252 850	8 542 564
Less: Amount recovered - current*	-	(38 994)
Closing balance	**52 550 184**	**39 297 334**

*Refer to note 57 for more information.

Details of fruitless and wasteful expenditure

Description of fruitless and wasteful expenditure	**Disciplinary steps taken/criminal proceedings**		
Fruitless and wasteful expenditure previously reported	No disciplinary action taken	12 038 283	8 236 811
Interest charge AGSA	No disciplinary action taken	783 939	264 735
DBSA	No disciplinary action taken	426 397	-
Others	No disciplinary action taken	4 231	1 307
		13 252 850	**8 502 853**

51. Irregular expenditure

Opening balance as previously reported	485 879 735	526 829 029
Add: Irregular Expenditure - current	5 146 356	15 086 972
Less: Amount incorrectly included - prior period*	-	(56 036 266)
Closing balance	**491 026 091**	**485 879 735**

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

	Disciplinary steps taken/criminal proceedings		
Competitive bidding not invited	No disciplinary action taken	-	3 334
Three written quotations not invited	No disciplinary action taken	-	403 500
SCM process not followed	No disciplinary action taken	4 686 356	1 274 388
Other	No disciplinary action taken	460 000	13 375 750
		5 146 356	**15 056 972**

*Refer to note 57 for more information.

Notes to the Unaudited Annual Financial Statements

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52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

Opening balance	2 133 785	2 133 785
Current year subscription / fee	1 452 415	1 452 415
Amount paid - current year	(1 366 877)	(1 366 877)
	2 219 323	**2 219 323**

Audit fees

Opening balance	4 307 595	4 307 595
Current year subscription / fee	6 822 543	6 822 543
Amount paid - current year	(4 857 676)	(4 857 676)
	6 272 462	**6 272 462**

PAYE ,SDL and UIF

Current year subscription / fee	18 671 898	468 505
Amount paid - current year	(18 671 898)	(468 505)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	26 897 332	26 897 332
Amount paid - current year	(26 897 332)	(26 897 332)
	-	-

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding as at 30 June 2025:

30 June 2025	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr. MS NKATLO	4 989	142 658	147 647
Cllr. MR HLONGWANE	5 596	173 311	178 907
Cllr. MR MALEHO	2 712	46 181	48 893
Cllr. MR MOTHIBI	6 006	152 566	158 572
Cllr. MR MOLOSI	3 781	49 492	53 273
Cllr. MR MEDUPE	4 942	160 896	165 838
Cllr. MR RAMPAI	10 214	268 476	278 690
Cllr. MR LESHOMO	6 826	262 476	269 302
Cllr. MR MODISADIFE	2 024	28 915	30 939
Cllr. MR MOLETSANE	1 989	37 583	39 572
Cllr. MR MOSHOLI	3 594	74 380	77 974
Cllr. MR SWART	12 344	229 201	241 545
Cllr. MISS DH SERAPE	4 645	168 678	173 323
Cllr. MR L METOA	14 880	256 488	271 368
Cllr. MR G MALEPE	5 095	130 493	135 588
	89 637	**2 181 794**	**2 271 431**

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr: MS NKATLO	6 743	134 442	141 185
Cllr. MR L METOA	18 820	211 862	230 682
Cllr: MR HLONGWANE	7 214	162 139	169 353
Cllr. MR MALEHO	3 343	46 861	50 204
Cllr. MS MOTAUNG	1 465	-	1 465
Cllr: MR MOTHIBI	7 706	143 052	150 758
Cllr: MR MOLOSI	4 787	39 141	43 928
Cllr: MR MEDUPE	12 076	140 540	152 616
Cllr: MR RAMPAI	11 316	249 224	260 540
Cllr: MR LESHOMO	18 065	235 182	253 247
Cllr: MR MODISADIFE	2 993	31 487	34 480
Cllr: MR MOLETSANE	2 896	39 222	42 118
Cllr. MR MOSHOLI	4 906	70 821	75 727
Cllr. MR SWART	61 268	164 923	226 191
	163 598	**1 668 896**	**1 832 494**

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

53. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of Municipal Governance and Administation, Financial Services Administation, Corporate Services, Health Services and Electricity.The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes in line with National Treasury Budget guidelines.

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

Aggregated segments

The Municipality does not have any geographical segments as it operates within it's area of jurisdiction in the North West Province. Segments were aggregated on the basis of services delivered to its residents.

Types of goods and/or services by segment

Reportable segment	**Goods and/or services**
Technical Services	This segment consists of the following infrastructure services delivered to the community interms of the grants recieved (MIG and INEP). This segment consists of all services for energy supply to the community, management of solid waste in the municipal area, the management of water and waste water, including sewage, in the municipal area and Water Management.
Community Development Services	Provision of public safety, an acceptable standard of Social Services, Emergency Services, Environmental and Health Services, Community Safety and Road Traffic Management. The revenue streams includes refuse removal services, licenses and permits, traffic fines and the rental of equipment.
Unallocated segment	This segment comprises core administrative and support functions that serve the municipality as a whole. It includes Corporate Services (human resources, legal services, administration and information technology), Financial Services (budgeting, revenue management, supply chain management and financial reporting), and the Office of the Municipal Manager, which provides strategic leadership, governance oversight and performance management across all departments.

53. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Technical Services	Community Development Services	Unallocated segment	Total
Revenue				
External Revenue from exchange transactions	509 465	16 154 226	180 705 403	197 369 094
External Revenue from non-exchange transactions	67 114 374	182 599 315	62 549 417	312 263 106
Interest income	26 239 521	-	142 319 396	168 558 917
Total segment revenue	**93 863 360**	**198 753 541**	**385 574 216**	**678 191 117**
Entity's revenue				**678 191 117**
Expenditure				
Employee related costs	20 042 174	35 726 314	61 749 606	117 518 094
Remuneration of councillors	-	10 290 350	-	10 290 350
Inventory consumed	434 783	-	75 090 339	75 525 122
Depreciation and amortisation	-	44 293 670	-	44 293 670
Impairment loss	-	905 593	-	905 593
Finance costs	23 907 885	3 246 000	-	27 153 885
Lease rentals on operating lease	4 024 798	-	-	4 024 798
Debt impairment	27 101 370	434 427	254 274 924	281 810 721
Bulk purchases	-	-	94 167 923	94 167 923
Contracted services	34 496 439	25 221 666	21 337 685	81 055 790
Transfers and subsidies	-	(1 727 599)	-	(1 727 599)
Loss on disposal of assets and liabilities	-	-	2 704 750	2 704 750
Actuarial losses	-	1 124 676	-	1 124 676
Inventories losses/write-downs	42 545	-	-	42 545
Operational costs	7 912 677	23 899 206	15 299 031	47 110 914
Total segment expenditure	**117 962 671**	**143 414 303**	**524 624 258**	**786 001 232**
Total segmental surplus/(deficit)	**(24 099 311)**	**55 339 238**	**(139 050 042)**	**(107 810 115)**

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53. Segment information (continued)

2025

	Technical Services	Community Development Services	Unallocated segment	Total
Assets				
Current assets	318 756 525	-	115 763 936	434 520 461
Non-current assets	506 496 152	22 232 350	1 142 319 718	1 671 048 219
Total assets as per Statement of financial Position				**2 105 568 680**
Liabilities				
Non-current liabilities	(82 664 675)	1 147 889	(54 380 342)	(135 897 127)
Current liabilities	(891 819 970)	-	(155 495 557)	(1 047 315 527)
Total segment liabilities	**(974 484 645)**	**1 147 889**	**(209 875 899)**	**(1 183 212 654)**

53. Segment information (continued)

2024

	Technical Services	Community Development Services	Unallocated segment	Total
Revenue				
External Revenue from exchange transactions	148 549	31 240 159	176 010 637	207 399 345
Revenue from non-exchange transactions	69 197 430	173 522 300	98 329 344	341 049 074
Interest revenue	24 565 619	-	136 447 803	161 013 422
Total segment revenue	**93 911 598**	**204 762 459**	**410 787 784**	**709 461 841**
Expenditure				
Remuneration of councillors	-	8 825 458	-	8 825 458
Depreciation and amortisation	-	50 083 371	-	50 083 371
Inventory consumed	244 860	-	59 451 300	59 696 160
Finance costs	6 663 043	2 966 000	-	9 629 043
Lease rentals on operating lease	3 626 188	-	-	3 626 188
Debt impairment	-	268 259 680	-	268 259 680
Bulk purchases	-	-	76 736 016	76 736 016
Contracted services	45 626 810	12 118 136	36 259 809	94 004 755
Transfers and subsidies	-	-	29 197 209	29 197 209
Loss on disposal of assets and liabilities	-	30 713 605	-	30 713 605
Actuarial losses	-	319 660	-	319 660
Employee related costs	20 449 159	34 604 205	54 965 516	110 018 880
Operational costs	6 355 118	15 080 177	6 794 676	28 229 971
Total segment expenditure	**82 965 178**	**422 970 292**	**263 404 526**	**769 339 996**
Total segmental surplus/(deficit)	**10 946 420**	**(218 207 833)**	**147 383 258**	**(59 878 155)**
Assets				
Current assets	252 085 008	-	86 242 964	338 327 972
Non-current assets	538 107 753	5 165 754	1 075 191 056	1 618 104 563
Total segment assets	**790 192 761**	**5 165 754**	**1 161 434 020**	**1 956 432 535**

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53. Segment information (continued)

	Technical Services	Community Development services	Unallocated Segment	Total
Liabilities				
Current liabilities	(674 422 012)	-	(101 724 055)	(776 146 898)
Non-current liabilities	(75 144 858)	-	(65 938 641)	(140 784 128)
Total segment liabilities	**(749 566 870)**	**-**	**(167 662 696)**	**(916 931 026)**

54. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of R 922 356 021 and that the municipality's current liabilities exceed its current assets by R 612 795 070.

The unaudited 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 had a deficit during the year under review. The municipalitys current assets to current liabilty ratio pauses a material uncertanity on the municipalitys going concern. Non-compliance (30 days) - The municipality is currently not paying all their creditors within the accepted 30 days. This also resulted in fruitless and wasteful expenditure due to interest on overdue creditors account.

Contingent Liabilities – Maquass Hills Local Municipality has disclosed Contingent Liabilities in the 2024/2025 Financial year. Should the outcome of the cases not be favouable to the Municipality this could result in significant Financial Losses to the entity thus casting significant doubt on the entities ability to continue as a going concern.

Despite the above negative indicators, the municipality is a going concern because of the following:

It is a state entity set up by the Constitution of the Republic of South Africa to provide basic services to the community and is also funded by the state for that purpose. Failure to provide these services will prompt National Government intervention to ensure it stays functional and able to deliver basic services and consequently compliance with the Constitution.The municipality is adequately funded by National Government to continue its operations.

Where applicable the municipality may invoke its power to levy additional rates or taxes to enable the municipality to be considered as a going concern even though the municipality will be operational for extended periods with negative net assets.

The municipality is implementing optimal revenue enhancement strategy and credit control and debt collection policy along with cost containment policy to improve liquidity. The Maquassi Hills Local Municipality is one of municipalities in the North West that was approved and granted the opportunity to participate in the Smart Metering Program by the National Treasury with the intention of assisting the municipality to improve its revenue collection efforts.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality. The municipality is in a possesion of the Financial Recovery Plan through Section 139 (a) and (c) of the MFMA.

55. Events after the reporting date

The Municipality want to bring to the attention of the users that included in the carrying value of the Infrastructure assets , Electrical network (control panel and cable), asset number SEM-INF-00020 was vandalised in September 2025. The carrying value of the asset is R7 016 322 (R 7 175 833,45 -2024). The impact of this accident is that the aforementioned asset will have to be impaired in 2025/26 financial year.

56. Deviation from supply chain management regulations

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

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

Buses and gym equipment were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the council who considered them and subsequently approved the deviation from the normal supply chain management regulations.

NAME OF SERVICE PROVIDER	DESCRIPTION	REASON FOR DEVIATION	Amount
Klerksdorp Record	Advertisement of MHLM Draft Budget and IDP Process 2024/2025 Financial Annual Budget.	Only Newspaper circulating locally at District level. SC Regulation 22(1).	34 712
Klerksdorp Record	Advertisement Budget 2024/2025 Financial Capital Budget.	Only Newspaper circulating locally at District level. SC Regulation 22(1).	24 351
Media 24	Rapport Loop bane /City Press Careers –Vacancy.	More accessible at National Level and they are quick to respond.	74 520
Oranje Toyota Klerksdorp	JGN 907 Replaced fuel level tank gauge Replaced fan blower motor Replaced gearbox oil seal Refer to invoices for more work done.	Repairs and Maintenance for Municipal Vehicle.	41 364
Media24	Tender Advert for the development of Mall in Wolmaransstad.	More accessible at National Level and they are quick to respond.	26 514
Media24	Vacancy Adverts for Director Community Services and Technical Services.	More accessible at National Level and they are quick to respond.	88 982
Bona Bona Game Lodge	Request for outstanding balance of R 9 000.00 for security personnel during council meeting held in Bona Bona on the 31st January 2025.	Bona Bona Game Lodge-outstanding balance buffet lunch for security personnel as per MM’s request.	9 000
Media 24	Media advertisement for Maquassi hills local municipality	More accessible at National Level and they are quick to respond.	81 420
Oranje Toyota Klerksdorp	Toyota Fortuner has broken the stabilizer from at the back of vehicle and again it need of major service and must be rectified	Repairs and Maintenance for Municipal Vehicle Repairs and Maintenance for Municipal Vehicle,	75 437

56. Deviation from supply chain management regulations (continued)

NAME OF SERVICE PROVIDER	DESCRIPTION	REASON FOR DEVIATION	Amount
Oranje Toyota Klerksdorp	Filter diesel air refiner filter casket sump plug oil filter consumables engine oil 10W30 Repair front brake pads for vehicle KTZ 64 NW	Repairs and Maintenance for Municipal Vehicle The appointed service provider responsible for maintaining and repairing the pump stations and wastewater treatment failed to respond to our call-out and did not assist in repairing a broken pipe.	5 817
JSD Projects CC	Broken pump	The appointed service provider responsible for maintaining and repairing the pump stations and wastewater treatment failed to respond to our call-out and did not assist in repairing a broken pipe. Only Newspaper circulating locally at District level.	164 735
Klerksdorp Record	Notice of advertisement for Maquassi Hills Local Municipality.	Only Newspaper circulating locally at District level. SC Regulation 22(1).	111 000
Klerksdorp Record	Notice of advertisement for Maquassi Hills Local Municipality	Only Newspaper circulating locally at District level. SC Regulation 22(1).	31 435

57. 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

	Note	As previously reported	Correction of error	Restated
Inventory		2 881 391	-	2 881 391
Other financial assets		360 000	-	360 000
Receivables from exchange transactions		100 975 732	-	100 975 732
Receivables from non-exchange transactions		14 081 755	-	14 081 755
Vat Receivables		69 785 413	-	69 785 413
Cash and cash equivalents		2 880 937	-	2 880 937
Investment properties		372 401 675	-	372 401 675
Property, plant and equipment		1 245 200 911	502 683	1 245 703 594
DBSA loan		(60 572 415)	-	(60 572 415)
Payables from exchange transactions		(607 454 826)	-	(607 454 826)
Consumer deposit		(3 337 331)	-	(3 337 331)
Unspent conditional grants		(2 185 662)	-	(2 185 662)
Employee benefit obligation		(27 658 550)	-	(27 658 550)
Provisions		(73 786 895)	-	(73 786 895)
Accumulated surplus		(1 016 213 995)	(502 683)	(1 016 716 678)
Finance lease obligation		(17 358 140)	-	(17 358 140)

Statement of financial performance

Notes to the Unaudited Annual Financial Statements

57. Prior-year adjustments (continued)

2024

	Note	As previously reported	Restated
Service Charges-electricity		60 549 970	60 549 970
Services charges -Water		54 633 479	54 633 479
Services chares - Sewerage and sanitation charges		38 048 552	38 048 552
Services charges - Refuse Removal		18 991 601	18 991 601
Rental of facilities and equipment		2 235 356	2 235 356
Licence and permits		2 569 669	2 569 669
Operational revenue		1 019 362	1 019 362
Interest earned - outstanding debtors		139 634 217	139 634 217
Interest earned - external investment		1 212 195	1 212 195
Property rates		66 399 239	66 399 239
Interest -Property rates		21 196 800	21 196 800
Government grants and subsidies		261 607 066	261 607 066
Fines, Penalties and forfeits		913 510	913 510
Employee related cost		(110 018 881)	(110 018 881)
Remuneration of concillors		(8 825 458)	(8 825 458)
Depreciation and amortisation		(43 889 485)	(43 889 485)
Finance costs		(16 683 574)	(16 683 574)
Lease rentals on operating lease		(3 626 188)	(3 626 188)
Debt impairment		(268 259 680)	(268 259 680)
Bulk purchases		(131 086 510)	(131 086 510)
Contracted services		(99 728 780)	(99 728 780)
Transfers and subsidies		(27 469 610)	(27 469 610)
Inventory consumed		(932 384)	(932 384)
Loss on disposal of assets		(30 713 605)	(30 713 605)
Inventories surplus		154 109	154 109
actuarial gain		(319 660)	(319 660)
General expenses		(28 725 927)	(28 725 927)
Fair value adjustment		29 197 249	29 197 249
Reversal of impairments		(6 193 887)	(6 193 887)

Contracted services

During the prior period, certain invoices relating to Contracted Services were not captured in the general ledger, resulting in an understatement of the expenditure reported in the financial statements. In the current year, management identified and recorded the omitted invoices, and the prior period figures have been restated to reflect the correct expense. This adjustment ensures that the prior period financial statements present a true and fair view of Contracted Services expenditure.

58. Budget differences

Material differences between budget and actual amounts

1. Revenue

Service Charges – Electricity

The municipality identified certain accounts that were not billed basic charges, double billed basic charges and or, stripping of owner (municipal) occupied properties from the billing and aligning to the general valuation roll where appropriate during the financial year and the billings were subsequently corrected. This was after the approval of the budget and the adjustments thereof.

Service Charges – Water

58. Budget differences (continued)

Revenue underperformed due to water restrictions, infrastructure leakages, and high levels of non-revenue water. Collection efficiency was weaker than anticipated, contributing further to the variance.

Service Charges – Sanitation and Sewerage

A Material difference occurred as a result of service interruptions, infrastructure breakdowns, and weak enforcement of billing.

Service Charges – Refuse Removal

The variance arose from increased indigent support, delays in invoicing, and a lower household uptake of services.

Sales of Goods and Rendering of Services

Lower-than-expected demand for municipal services (such as building plans and clearance certificates) contributed to the underperformance.

Rental of Facilities and Equipment

Rental income decreased due to Under-utilisation of municipal halls and facilities, together with weak collection of rentals.

Interest Earned – Outstanding Debtors

Actual revenue was lower than budget as a result of reduced collections, debt write-offs, and inconsistent charging of interest.

Licences and Permits

There was a reduction in the number of numbers of spaza shops that the municipality issued licences to in the current financial year caused by a reduction in applications, regulatory delays, and policy changes.

Other Income

Miscellaneous income sources, including burial and cemetery fees and other income.

Interest Received – Investments

Returns on investments were below budget due to lower surplus cash balances available for investment.

Property Rates

A material difference was recorded owing to delays in valuation roll updates, increased rebates, and prolonged appeal processes.

Property Rates Penalties

Actuals were lower than budget due to waivers granted to indigent households, poor compliance, and administrative delays.

Government Grants and Subsidies

Revenue was above budget because of additional conditional and operational grants received during the year, including disaster and relief allocations.

Public Contributions and Donations

58. Budget differences (continued)

Slightly above budget owing to once-off donor and community contributions.

Fines, Penalties and Forfeits

The Material difference resulted from weak enforcement of traffic and municipal by-laws as well as backlog in court processing.

2. Expenditure

Employee Related Costs

Actual expenditure was below budget due to vacant positions not filled and cost containment measures implemented.

Remuneration of Councillors

Savings occurred as a result of fewer sittings held and reduced allowance payments.

Inventory Consumed

The municipal water and electrical infrastructure wear and tear being significant resulted in high demand and frequency to utilise available stock and consumables to repair and maintain the infrastructure. Water inventory has been classified under inventory consumed for disclosure purpose.

Bulk Purchases (Electricity and Water)

Overspending was recorded the variance in bulk purchases is mainly attributable to increased demand in water and electricity and increased winter tariffs. Water purchases have been classified under inventory consumed furthermore combined with rising consumption levels despite weak recovery rates.

Depreciation and Amortisation

The variance is primarily attributable to the write-offs of assets during the year due to the disposal of assets and impairment losses. The fixed asset register was reviewed, and useful lives of assets were re-assessed, as well as some assets capitalised but not yet brought into use at year end.

Impairment Losses

Material variance arose from impairment of assets that were damaged, obsolete, or underutilised.

Finance Costs

The variance is mainly attributable to the municipality making late or no payments on accounts due to its major suppliers including SARS, Eskom and which resulted in increased late payment penalties and interest being charged.

Contracted Services

Overspending occurred as a result of increased outsourcing of specialised and emergency services increased spending was a result of the municipality providing water for the community in a way of water tanker and the contractors of maintenance.

Debt Impairment / Bad Debts Written Off

58. Budget differences (continued)

During the financial year ending 30 June 2025, management through a Council resolution approved the write-off of outstanding debtors and all customers who qualified. The resulted significant decrease in debt impairment expense was a result of no specific debt write-off when compared to last year.

Previous years impairment was restated due to change in accounting policy to align impairment calculations to the requirement of GRAP 104 (2009) and GRAP 108 requirements on exchange and non-exchange. Subsequent and past bad debt write-off was accounted for against the allowance raised to align with the previously raised expenditure when the sale was made.

3. Overall Performance

The municipality recorded an operating deficit that was significantly higher than budgeted. This outcome was mainly driven by underperformance in own-revenue streams and overspending on bulk purchases, contracted services, and operational costs. Additional grants provided short-term relief but did not address structural weaknesses.

The result highlights ongoing liquidity challenges and confirms the importance of strict implementation of the Financial Recovery Plan, focusing on enhanced revenue management, cost containment, debt recovery, and improved cash flow forecasting.

59. Accounting by principals and agents

The entity is a party to a principal-agent arrangement.

Details of the arrangment is as follows:

The Department of Community Safety and Transport management entered into an agreement/contact with the local municipality for performing the motor vehicle registration and licensing function as well as the motor vehicle renewal licences on an agency basis.

Entity as agent

Resources held on behalf of the principal, but recognised in the entity's own financial statements

The Municipality holds no resources on behalf of the Deaprtment on the provision of the services.

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R2 286 152 (2024: R2 569 669).

Liabilities and corresponding rights of reimbursement recognised as assets

No liabilities incurred on behalf of the principal have been recognised by the municipality.

60. Municipal Eskom debt relief liability

In line with the National Treasury’s guidelines for Eskom’s debt relief program, Maquassi Hills Municipality was approved to participate in this initiative, designed to alleviate the municipality’s electricity debt burden. This program offers the opportunity for eligible municipalities to have their debts written off over three years, provided they meet strict financial and operational conditions.

Unfortunately, Maquassi Hills Municipality failed to comply with these conditions by defaulting on payment arrangement during the current financial year, 2023/24. As a result, the municipality could not benefit from the debt relief program as intended. The breach highlights the critical importance of adherence to National Treasury’s conditions, which include maintaining regular payments on current accounts, implementing sound financial management practices, and enforcing strict credit controls.

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2025	2024

60. Municipal Eskom debt relief liability (continued)

Eskom debt	43 283 946	43 283 945
Current liability	28 855 964	16 321 404
Non-current liability	14 427 982	26 962 541
	43 283 946	**43 283 945**