JB Marks Local Municipality 2425
Annual Financial Statements
for the year ended 30 June 2025

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government:
	Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Consitutional of the republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	Provision of municipal services to communities within the JB Marks local jurisdiction
Mayoral committee	
Executive Mayor	Hon Cllr Gaba Thithiba Ka Qhele
	Hon Cllr Moithoesi Rosy Dassie - Speaker
	Hon Cllr Jan Links Lumkile - Chief Whip
Councillors	Cllr LM Mkhabela
	Cllr GAM Modise
	Cllr MM Kasale
	Cllr MA Mapogoshe
	Cllr ALR Swarts
	Cllr P Mtshali
	Cllr LT Abrahams
	Cllr I Moilwa
	Cllr TP Mtayi
	Cllr MR Davis
Grading of local authority	B4
Chief Finance Officer (CFO)	J Monareng
Accounting Officer	K Kumbe
Registered office	35 Wolmarans Street Potchefstroom South Africa
Postal address	35 Wolmarans Street Potchefstroom South Africa
Auditors	Auditor General of South Africa (AGSA)
Website	www.jbmarks.gov.za

Index

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

Abbreviations used:

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

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on page 10 to 101, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2025 and were signed on by her:

K Kumbe
Accounting Officer

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in provision of municipal services to communities within the JB marks local jurisdiction and operates in the Dr Kenneth Kaunda District Municipality in the North West Province of South Africa.

The nature and principal activities of the municipality are:
To within its financial and administrative capacity :
- provide democratic and accountable government for the community of JB Marks
- to ensure the provision of services to the community in a sustainable manner;- to promote social and economic development
- to promote a safe and healthy environment; and
- to encourage the involvement of the community and community organisations in the matters of the municipality

Legislation governing the operations of the municipality includes but are not limited to the following:
Municipal Structures Act 117 of 1998 - Local Government
Municipal Systems Act 32 of 2000 - Local Government
Municipal Finance Management Act 56 of 2003

Net deficit of the municipality was 125 630 804 (2024: deficit 291 128 645).

2. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of 2 797 034 004 and that the municipality's total assets exceeds its liabilities by 2 797 034 004.

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

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

3. Subsequent events

The Municipality entered in an arrangement agreement with Eskom (the biggest creditor) to pay the outstanding debt over a period of 4 years. The arrangement resulted in the signficant improvement on the current ratio and liquidity of the Municipality

The accounting officer is not aware of any other matter or circumstance arising since the end of the financial year.

4. Accounting policies

The annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice and the requirements of the Municipal Finance Management Act 2003 (Act No. 56 of 2003) (MFMA) and the Division of Act South Africa (Act No.2 of 2013) (DoRA).

5. Accounting Officer

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

Name	Nationality
K Kumbe	South African

Accounting Officer's Report

6. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Board meetings and monitor the municipality's compliance with the code on a three monthly basis.

Audit committee and Risk Management

The Audit Committee has complied with its responsibilities arising from Section 166 of the Municipal Finance Management Act and Circular 65 issued by National Treasury. The Audit Committee has adopted appropriate formal terms of reference as its Audit Committee Charter, and it has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The AC reviewed functionality of the performance management system and it appears to be functional, however there is a room for improvement in so far as achievement of planned targets is concerned and submission of portfolio of evidence timeously.

The AC is of the opinion that municipality’s risk management appears to be ineffective for the better of the year and material respect, and the municipality did implement a comprehensive risk management strategy and related policies.r.

7. Auditors

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

K Kumbe
Accounting Officer

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	3	29 724 102	12 542 705
Receivables from exchange transactions	4	1 126 234	3 797 284
Receivables from non-exchange transactions	5	19 632 533	9 009 179
VAT receivable	14	156 692 696	86 913 749
Consumer debtors	6	455 078 779	356 095 296
Cash and cash equivalents	7	126 489 084	35 266 324
		788 743 428	**503 624 537**
Non-Current Assets			
Investment property	8	108 108 428	108 108 428
Property, plant and equipment	9	3 420 553 241	3 365 745 320
Intangible assets	10	7 214 301	7 214 301
Heritage assets	11	56 122 632	56 122 632
Other financial assets	12	94 551 056	86 430 021
Eskom Deposits		8 200 160	6 864 442
		3 694 749 818	**3 630 485 144**
Total Assets		**4 483 493 246**	**4 134 109 681**
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	1 353 410 050	901 255 049
VAT payable	15	45 325 723	17 642 848
Consumer deposits	16	32 129 290	29 668 400
Employee benefit obligation	17	16 442 116	13 372 512
VAT Payable	18	10 637 471	4 905 818
		1 457 944 650	**966 844 627**
Non-Current Liabilities			
Employee benefit obligation	17	190 870 886	190 307 467
Provisions	19	37 643 706	54 292 781
		228 514 592	**244 600 248**
Total Liabilities		**1 686 459 242**	**1 211 444 875**
Net Assets		**2 797 034 004**	**2 922 664 806**
Accumulated surplus		2 797 034 004	2 922 664 806
Total Net Assets		**2 797 034 004**	**2 922 664 806**

* See Note 50 & 49

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	1 307 941 105	1 066 536 395
Interest charged on trade and other receivables		87 306 165	82 376 985
Other income	57	32 148 031	32 471 385
Interest received - Investments	21	18 566 056	13 925 924
Dividends received	21	3 966	3 565
Total revenue from exchange transactions		**1 445 965 323**	**1 195 314 254**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	306 025 538	257 168 230
Interest charged on property rates	25	26 205 240	23 219 991
Transfer revenue			
Government grants & subsidies	26	656 170 229	539 381 268
Public contributions and donations	27	296 369	925 044
Fines, Penalties and Forfeits	23	2 083 386	7 412 094
Total revenue from non-exchange transactions		**990 780 762**	**828 106 627**
Total revenue	22	**2 436 746 085**	**2 023 420 881**
Expenditure			
Employee related costs	28	(595 241 137)	(574 992 481)
Remuneration of councillors	41	(32 074 011)	(31 230 036)
Depreciation and amortisation	29	(181 262 447)	(190 808 833)
Finance costs	31	(102 381 506)	(55 503 788)
Rental and lease expenditure	32	(7 181 192)	(3 283 115)
Debt Impairment	34	(220 416 195)	(142 752 735)
Bulk purchases	37	(1 018 830 946)	(859 153 397)
Contracted services	38	(180 271 054)	(183 280 016)
Repairs and maintenance	36	(88 055 930)	(94 620 572)
General Expenses	35	(160 900 117)	(173 635 329)
Total expenditure		**(2 586 614 535)**	**(2 309 260 302)**
Operating deficit		**(149 868 450)**	**(285 839 421)**
Loss on disposal of assets and liabilities		(992 902)	-
Fair value adjustments	40	6 030	17 559
Actuarial gains/losses	17	9 620 115	(9 544 183)
Impairment loss	30	(357 666)	(960 919)
Inventories losses/write-downs		(687 005)	(270 437)
Landfill site adjustment		16 649 074	5 468 756
		24 237 646	**(5 289 224)**
Deficit for the year		**(125 630 804)**	**(291 128 645)**

* See Note 50 & 49

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	3 206 684 318	3 206 684 318
Adjustments		
Correction of errors 49	7 109 133	7 109 133
Balance at 01 July 2023 as restated*	**3 213 793 451**	**3 213 793 451**
Changes in net assets		
Deficit for the period	(291 128 645)	(291 128 645)
Total changes	(291 128 645)	(291 128 645)
Restated* Balance at 01 July 2024	**2 922 664 808**	**2 922 664 808**
Changes in net assets		
Deficit for the period	(125 630 804)	(125 630 804)
Total changes	(125 630 804)	(125 630 804)
Balance at 30 June 2025	**2 797 034 004**	**2 797 034 004**

* See Note 50 & 49

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		1 444 470 129	1 287 713 948
Grants		653 903 711	536 491 062
Interest income		29 620 380	30 991 018
Dividends received		3 966	3 565
		2 127 998 186	1 855 199 593
Payments			
Employee costs		(627 834 287)	(638 008 491)
Suppliers		(1 148 476 648)	(1 015 179 183)
Finance costs		(78 866 843)	(33 474 050)
		(1 855 177 778)	(1 686 661 724)
Net cash flows from operating activities	42	**272 820 408**	**168 537 869**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(174 607 815)	(190 559 066)
Purchase of investment property	8	-	(10 368 357)
Proceeds from sale of financial assets		(8 115 005)	(7 437 437)
Eskom deposits paid		(1 335 718)	(444 209)
Net cash flows from investing activities		**(184 058 538)**	**(208 809 069)**
Cash flows from financing activities			
Consumer deposits		2 460 890	818 374
Net increase/(decrease) in cash and cash equivalents		**91 222 760**	**(39 452 826)**
Cash and cash equivalents at the beginning of the year		35 266 324	74 719 150
Cash and cash equivalents at the end of the year	7	**126 489 084**	**35 266 324**

The accounting policies on pages 16 to 40 and the notes on pages 41 to 112 form an integral part of the annual financial statements.

* See Note 50 & 49

JB Marks Local Municipality 2425

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Reclass to AFS Classification	Final Budget as per AFS Classification	Actual amounts on comparable basis	Difference between final budget per AFS Classification and	Reference
Statement of Financial Performance								
Revenue								
Revenue from exchange transactions								
Service charges	1 250 522 115	106 218 488	1 356 740 603	- 6 661 623	1 350 078 980	1 307 941 105	- 42 137 875	Note 1
Interest charged on trade and other receivables	84 889 124	5 492 599	90 381 723	6 968	90 388 691	87 306 165	- 3 082 526	Note 2
Other income	26 475 333	- 5 799 776	20 675 557	6 685 657	27 361 214	32 148 031	4 786 817	Note 3
Interest received - Investments	12 825 000	3 272 079	16 097 079	-	16 097 079	18 566 056	2 468 977	
Dividends received	3 325	-	3 325	-	3 325	3 966	641	
Total revenue from exchange transactions	**1 374 714 897**	**109 183 390**	**1 483 898 287**	**31 002**	**1 483 929 289**	**1 445 965 323**	**- 37 963 966**	
Revenue from non-exchange transactions								
Taxation revenue								
Property rates	404 060 492	- 117 215 664	286 844 828	-	286 844 828	306 025 538	19 180 710	Note 4
Interest charged on property rates	19 704 200	6 097 963	25 802 163	-	25 802 163	26 205 240	403 077	Note 5
Transfer revenue							-	
Government grants & subsidies	614 463 000	- 2 355 974	612 107 026	-	612 107 026	656 170 229	44 063 203	Note 6
Public contributions and donations	-	-	-	-	-	296 369	296 369	
Fines, Penalties and Forfeits	11 073 990	- 4 158 190	6 915 800	- 11 200	6 904 600	2 083 386	- 4 821 214	
Total revenue from non-exchange transactions	**1 049 301 682**	**- 117 631 865**	**931 669 817**	**- 11 200**	**931 658 617**	**990 780 762**	**59 122 145**	
Total revenue	**2 424 016 579**	**- 8 448 475**	**2 415 568 104**	**19 802**	**2 415 587 906**	**2 436 746 085**	**21 158 179**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Reclass to AFS Classification	Final Budget as per AFS Classification	Actual amounts on comparable basis	Difference between final budget per AFS Classification and	Reference
Expenditure								
Employee related costs	- 601 099 547	- 190 453	- 601 290 000	2 976 564	- 598 313 436	- 595 241 137	3 072 299	
Remuneration of councillors	- 32 682 087	- 401 751	- 33 083 838	- 18 821	- 33 102 659	- 32 074 011	1 028 648	
Depreciation and amortisation	- 200 978 853	7 000 000	- 193 978 853	-	- 193 978 853	- 181 262 447	12 716 406	Note 7
Finance costs	-	-	-		-	- 102 381 506	- 102 381 506	Not budgeted
Rental and lease expenditure		-		- 5 593 398	- 5 593 398	- 7 181 192	- 1 587 794	
Debt Impairment	- 152 000 000	12 000 000	- 140 000 000	-	- 140 000 000	- 220 416 195	- 80 416 195	Note 8
Bulk purchases	- 862 012 910	- 86 291 253	- 948 304 163	- 23 412 324	- 971 716 487	- 1 018 830 946	- 47 114 459	Note 9
Contracted Services	- 245 046 554	- 76 796 446	- 321 843 000	123 103 390	- 198 739 610	- 180 271 054	18 468 556	Note 10
Repairs and Maintenance	- 44 172 761	- 3 885 239	- 48 058 000	- 32 633 278	- 80 691 278	- 88 055 930	- 7 364 652	Note 11
General Expenses	- 90 851 217	341 217	- 90 510 000	- 64 441 935	- 154 951 935	- 160 900 117	- 5 948 182	Note 12
Total expenditure	**- 2 228 843 929**	**- 148 223 925**	**- 2 377 067 854**	**- 19 802**	**- 2 377 087 656**	**- 2 586 614 535**	**- 209 526 879**	
	195 172 650	**- 156 672 400**	**38 500 250**	**-**	**38 500 250**	**- 149 868 450**	**- 188 368 700**	
Loss on disposal of assets and	-	-	-	-	-	- 992 902	**- 992 902**	Not budgeted
Fair value adjustments	-	-	-	-	-	6 030	**6 030**	Not budgeted
Actuarial gains/losses	-	-	-	-	-	9 620 115	**9 620 115**	Not budgeted
Impairment loss	-	-	-	-	-	- 357 666	**- 357 666**	Not budgeted
Inventories losses/write-downs	-	-	-	-	-	- 687 005	**- 687 005**	Not budgeted
Landfill site interest	-	-	-	-	-	16 649 074	**16 649 074**	Not budgeted
	-	**-**	**-**	**-**	**-**	**24 237 646**	**24 237 646**	
Deficit before taxation	**195 172 650**	**- 156 672 400**	**38 500 250**	**-**	**38 500 250**	**- 125 630 804**	**- 164 131 054**	
Surplus for the year from continuing operations	**195 172 650**	**- 156 672 400**	**38 500 250**	**-**	**38 500 250**	**- 125 630 804**	**- 164 131 054**	
Capital expenditure	- 230 033 400	- 21 008 567	- 251 041 967	-	- 251 041 967	- 218 635 401	**32 406 566**	Note 13
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**- 34 860 750**	**- 177 680 967**	**- 212 541 717**	**-**	**- 212 541 717**	**- 344 266 205**	**- 131 724 488**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Note 1:
Difference between final budget and actual amount
-Installation of Electricity meters could not be rolled out on some part of the JB Marks due to community protests on rolling out the programme of meter installation, Council is busy addressing the challenge.
Difference between approved budget and final budget
-Electricity billing during the mid-year assessment performed above the anticipated year to date budget by more than 6 percent. During that period the municipality procured 3150 electricity meters and 447 were already installed. That resulted on the estimated revenue increase of the adjusted amount.
-For water second quarter revenue billing performed above the anticipated year to date budget by 34%. Over-performance was as a result of 900 procured water meters that replaced non-functional and faulty meters. Additional revenues were therefore appropriated.
-For wastewater management revenue billing for the service over performed the anticipated budget by 11 percent. There was a sign of a slight improvement on the municipal billing that resulted in a need for additional revenue allocation.

Note 2:
Difference between approved budget and final budget
-The municipality conducted some Credit Control measures in place to collect money owed by consumers, and minimal gains were realized from this process. The Interest from receivables over performed the budgeted amount as at mid-term.

Note 3:
Difference between approved budget and final budget
-There was underperformance of the allocated budgets for the first half of the year that resulted in adjusting the allocations downwards based on performance.

Note 4:
Difference between final budget and actual amount
-The variance between the Budgeted and Actual Property Rates Revenue arose from Adjustments made to the Supplementary Valuation roll during the Financial Year. These corrections impacted the Billing base.
Difference between approved budget and final budget
-During the first half of the year under review, it was established that the budgeted amount was over estimated. The over budgeting on this source was as a result of expected positive results from implementation of the new valuation roll that ultimately did not have much impact on the anticipated revenue. Therefore revenue was adjusted downwards as a result of material under-collection on the source.

Note 5:
Difference between approved budget and final budget
-Interest from property rates over performed during the first half of the year and therefore required additional appropriation to revenues based on monthly performances.

Note 6:
Difference between final budget and actual amount
-The variance between the Budget and Actuals is attributable to Additional Funding received through WSIG and RBIG during the Financial Year.

Note 7:
Difference between final budget and actual amount
-Municipality over budgeted on assets that were planned and not yet purchased, which led to over budgeting.
Difference between approved budget and final budget
-Depreciation were overstated in the initial budget and therefore adjusted based on the actuals of the previous year reported on the annual financial statements.

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Note 8:
Difference between final budget and actual amount
-The significant variance in debt Impairment is attributed to a lower-than-anticipated collection rate. As a result, more receivables had to be impaired than originally budgeted,
Difference between approved budget and final budget
-Debt impairment was overstated in the initial budget and therefore adjusted based on the actuals of the previous year reported on the annual financial statements.

Note 9:
Difference between final budget and actual amount
-The material variance between budget and actuals is due to Eskom's tariff increase implemented in April, which exceeded the rates anticipated during budget planning.
Difference between approved budget and final budget
-Eskom Invoices for the first few months of the term under review were higher than expected, resulting in over spending of the year to date budget by 23 percent. Based on performance of the first half of the year, the budget was adjusted upwards.

Note 10:
Difference between final budget and actual amount
-The variance on contracted services is due to cost savings achieved by completing certain tasks internally rather than outsourcing.
Difference between approved budget and final budget
Expenditure items such as Hiring of Machinery depleted their budgets before the adjustment budget period. The department of Technical Services experienced a high number of sewerage blockages that required hiring of jetting machines to unblock sewerage lines and also hiring of water trucks to deliver water to communities of both regions. This high demand exhausted the budget allocations and required additional appropriations.

Note 11
Difference between final budget and actual amount
-Repairs and Maintenance costs exceeded the budget due to the unexpected collapse of Water and Sewer Networks. Emergency restoration was essential to ensure continued Service Delivery.
Difference between approved budget and final budget
-As a result of aging municipal infrastructure, expenditure on repairs and maintenance of municipal infrastructure has been over-spending as per service delivery needs. Therefore the budget allocation of items for maintenance needed to be augmented during the adjustment budget period.

Note 12:
Difference between final budget and actual amount
-Weak monitoring and lack of adherence to financial plans led to unapproved expenditures that exceeded allocated limits.

Note 13:
Difference between final budget and actual amount
-Expenditure on capital projects internally funded by the municipality were delayed due to availability of funds, and that resulted on under performance of the allocated budget.
Difference between approved budget and final budget
-The municipal council requested an additional R17 million to be added to the internally funded projects with the intention to accelerate service delivery and meet the needs of the JB Marks communities. The additional appropriation was intended to deal with aging infrastructure that needed urgent attention according to the municipal council.
In terms of the transfers and subsidies funded by conditional grants, additional funding was as a result of treasury adjustments and approval of applied roll overs.

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	1 331 314 000	10 622 000	**1 341 936 000**	1 444 470 129	**102 534 129**	Note 1
Grants	614 463 000	(2 356 000)	**612 107 000**	653 903 711	**41 796 711**	Note 2
Interest income	104 558 000	11 626 000	**116 184 000**	29 620 380	**(86 563 620)**	Note 3
Dividends or similar distributions received	3 000	-	**3 000**	3 966	**966**	
	2 050 338 000	**19 892 000**	**2 070 230 000**	**2 127 998 186**	**57 768 186**	
Payments						
Suppliers and Employee costs	(1 873 920 000)	(26 755 000)	**(1 900 675 000)**	(1 776 310 935)	**124 364 065**	Note 4
Finance costs	-	-	**-**	(78 866 843)	**(78 866 843)**	Note budgeted for
Transfers and subsidies	450 000	48 000	**498 000**	-	**(498 000)**	
	(1 873 470 000)	**(26 707 000)**	**(1 900 177 000)**	**(1 855 177 778)**	**44 999 222**	
Net cash flows from operating activities	**176 868 000**	**(6 815 000)**	**170 053 000**	**272 820 408**	**102 767 408**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(230 033 000)	37 583 000	**(192 450 000)**	(174 607 815)	**17 842 185**	Note 5
Proceeds from disposal of property, plant and equipment	-	10 000	**10 000**	-	**(10 000)**	
Decrease (increase) in non-current investments	40 000 000	-	**40 000 000**	-	**(40 000 000)**	Note 6
Proceeds form sale of financial assets	-	-	**-**	(8 115 005)	**(8 115 005)**	Note 7
Eskom deposits paid	-	-	**-**	(1 335 718)	**(1 335 718)**	
Net cash flows from investing activities	**(190 033 000)**	**37 593 000**	**(152 440 000)**	**(184 058 538)**	**(31 618 538)**	
Cash flows from financing activities						
Consumer deposits	-	-	**-**	2 460 890	**2 460 890**	
Net increase/(decrease) in cash and cash equivalents	(13 165 000)	30 778 000	**17 613 000**	91 222 760	**73 609 760**	Note 8
Cash and cash equivalents at the beginning of the year	330 902 000	(295 756 000)	**35 146 000**	35 266 324	**120 324**	
Cash and cash equivalents at the end of the year	**317 737 000**	**(264 978 000)**	**52 759 000**	**126 489 084**	**73 730 084**	
Reconciliation						

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

Note 1: Collection on Service Charges improved as a result of replacement of water and electricity meter boxes, electricity cut-offs and payment from outstanding government debts.

Note 2: The roll-over application for Water Service Infrastructure Grant amounting to R6.2 million was approved by the National Treasury and increased the budgeted grant allocation

Note 3: The anticipated collection from interest on outstanding debtors was not achieved. This could be due to slow payment on long term debtors' accounts.

Note 4: Spending on other general expenses and outsourced services has been reduced to attain cost containment.

Note 5: The total conditional grants received amounted to R238 million and the municipality spent within the budgeted allocation.

Note 6: The portion of long-term investment was not cashed as anticipated as the municipality continued to fund its expenditures through internal funds and grants.

Note 7: Proceeds from Promissory Notes was not budgeted for.

Note 8: Savings from spending resulted on net increase in cash

1. Significant account policies

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

1.1 Basis of preparations

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Significant judgements and sources of estimation uncertainty

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

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

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

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

Fair value estimation

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

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

Impairment testing

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 goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including supply demand for municipal services, timing of cashflows, together with economic factors such as inflation and interest.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Provisions

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

Post-retirement benefits

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

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

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

Provision for rehabilitation of landfill sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. A provision is made for this obligation based on the net present value of cost.

The uncertainities and assumptions attached to this provision are listed as follows:

The landfill closure designs has changed from the Minimum Requirements of Waste Disposal by Landfill to the National Environment Management Waste Act (59/2008): Waste Classification and Management Regulations (Gazette No. 36784). The change effectively puts stricter conditions on landfill closure and rehabilitation, with a concomitant increase in costs, especially for the sites previously classified as communal and small.

Should the Minister require for the sites to be relicensed or brought in line with new legislation, the closure requirements may be affected which may in turn affect the costing analysis.

Useful lives of Property, Plant, Equipment, Intangible assets and Investment Property

The municipality depreciates/amortises its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requiremenys and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at the time.

Water inventory

The estimation of the water stock in the reservoirs is based on the measurement of water after the depth of water in the reservoirs have been determined, which is then converted into volume based on the total capacity of the reservoir.

1.5 Investment property

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

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

1.5 Investment property (continued)

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.

After initial recognition, the municipality measures all of its investment property in accordance with Grap 17, i.e. at cost less any accumulated depreciation and any accumulated impairment losses.

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

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

Cost model

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

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

Item	**Useful life**
Property - land	indefinite
Property - buildings	5-60 years

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

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.

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight-line	5-60 years
Plant and machinery	Straight-line	2-20 years
Furniture and fixtures	Straight-line	2-20 years
Motor vehicles	Straight-line	5-20 years
IT equipment	Straight-line	5-20 years
Infrastructure	Straight-line	3-80 years
Community	Straight-line	5-60 years

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.7 Intangible assets

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

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

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

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

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

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	Depreciation method	Average useful life

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

1.8 Heritage assets

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

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality’s operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

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

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

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

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

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

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

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

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

1.8 Heritage assets (continued)

Subsequent measurement

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

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

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

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

Impairment

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

Derecognition

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

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

1.9 Financial instruments

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

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

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

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

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

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

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

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

1.9 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

1.9 Financial instruments (continued)

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

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

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

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

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Non current investments	Financial asset measured at amortised cost

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

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

1.10 Statutory receivables

Identification

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

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.

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

1.10 Statutory receivables (continued)

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

1.10 Statutory receivables (continued)

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

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

Derecognition

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

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

The Municipality has the following types of statutory receivables (classes and category) as reflected on the face of the statement of financial position or in the notes thereto

- VAT Receivables
- Property rates receivables
- Fines
- Grants

1.11 Inventories

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

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.

1.11 Inventories (continued)

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

1.12 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

1.13 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity’s own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

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

- an entity’s decision to terminate an employee’s employment before the normal retirement date; or
- an employee’s decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

1.13 Employee benefits (continued)

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity’s actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

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

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

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The 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 entity 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.

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.

Accounting Policies

1.13 Employee benefits (continued)

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 recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

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

Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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 annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

1.13 Employee benefits (continued)

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.

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, an 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 [OR is not] 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.

Accounting Policies

1.13 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

1.14 Provisions and contingencies

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

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

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

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

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

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

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

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

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

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

1.14 Provisions and contingencies (continued)

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 48.

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

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

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

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

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

1.14 Provisions and contingencies (continued)

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.

1.15 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.16 Revenue from exchange transactions

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

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

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

Measurement

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

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

Accounting Policies

1.17 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

1.17 Revenue from non-exchange transactions (continued)

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

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

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

Government Grants

Government grants are recognised as revenue when:- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

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

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

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

Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied. concessionary loan is a loan granted to or received by a property, plant and equipment on terms that are not market related.

Accounting Policies

1.18 Investment income

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

1.19 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.

1.20 Comparative figures

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

1.21 Unauthorised expenditure

Unauthorised expenditure means:

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

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.22 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..

1.23 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

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

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

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

1.24 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.

1.25 Budget information

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

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

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

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

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

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

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

The budget and annual financial statements did not adopt the same classification structure and the Statement of comparison of budget and actual amounts has been prepared on the mapping as per annual financial statements.

Comparative information is not required.

1.26 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.

Accounting Policies

1.26 Related parties (continued)

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

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

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

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

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

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

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

1.27 Events after reporting date

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

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

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

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

Figures in Rand	2025	2024

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 103 (as revised): Heritage Assets	01 April 2099	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2099	Not expected to impact results but may result in additional disclosure
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Not expected to impact results but may result in additional disclosure
• iGRAP 22 Foreign Currency Transactions and Advance Consideration	01 April 2025	Unlikely there will be a material impact

3. Inventories

Consumable stores	29 455 747	12 235 466
Water for distribution	268 355	307 239
	29 724 102	**12 542 705**

The inventory write downs recognised as an expense during the year.	687 005	270 437
Inventories recognised as an expense during the year	9 656 786	3 767 117

The inventory is subsequently meausured at lower of cost or current replacement cost to comply with the GRAP 12 requirements.

Inventory pledged as security

No inventory have been pledged as collateral for liabilities of the municipality.

4. Receivables from exchange transactions

Mining Rights Receivable	10 476 140	10 476 140
Prepayments (if immaterial)	748 143	810 348
Sundry Debtors	6 676 373	6 676 373
Sundry Debtors - Impairment	(6 676 103)	(6 676 103)
Mining Rights - Impairment	(10 476 140)	(10 476 140)
Overtime overpaid	377 821	2 986 666
	1 126 234	**3 797 284**

Other non-financial asset receivables included in receivables from exchange transactions above are as follows:		
Overtime over paid	377 821	2 986 666
Financial asset receivables included in receivables from exchange transactions above	**748 413**	**810 618**
Total receivables from exchange transactions	1 126 234	3 797 284

The municipality did not pledge any of its receivable as security for borrowing purposes.

4. Receivables from exchange transactions (continued)

Ageing of mining rights

>121 days	10 476 140	10 476 140

Ageing of housing debtors

>121 days	6 676 373	6 676 373

Ageing of Prepayments

0 - 30 days	748 143	810 348

Ageing of overtime debtors

>121 days	377 821	2 986 666

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(17 152 243)	(17 152 243)

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The municipality does not hold any collateral as security.

5. Receivables from non-exchange transactions

Traffic Fines	594 417 412	590 636 129
Government grants and subsidies	9 897 610	1 899 439
Creditors with debit balances	1 806 332	1 806 332
Traffic Fines - Impairment	(586 488 821)	(585 332 721)
	19 632 533	**9 009 179**

Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Fines	7 928 591	5 303 408
Grants	9 897 610	1 899 439
	17 826 201	**7 202 847**

Other non-financial asset receivables included in receivables from non-exchange transactions above are as follows:		
Creditors with debit balance	1 806 332	1 806 332

Total receivables from non-exchange transactions	19 632 533	9 009 179

None of the receivables from exchange have been pladged as security for the municipality's financial liabilities.

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are more than 3 months past due are not considered to be impaired. At 30 June 2025, 1 806 332 (2024: 1 806 332) were past due but not impaired.

The ageing of traffic fines is as follows:

>120 days	594 417 412	590 636 129

Figures in Rand	2025	2024

5. Receivables from non-exchange transactions (continued)

The ageing of creditors with debit balances is as follows

>120 days	1 806 332	1 806 332

The ageing of goverment grants and subsidies is as follows:

0-30 days	9 897 610	1 899 439

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

Opening balance	585 332 721	579 256 662
Provision for impairment	1 156 100	6 076 059
	586 488 821	**585 332 721**

6. Consumer debtors

Gross balances		
Rates (Statutory receivables)	251 611 109	199 959 301
Electricity	360 006 647	310 030 737
Water	211 528 703	159 810 626
Sewerage	149 070 233	120 452 166
Refuse	127 367 756	111 178 547
Other debtors	31 271 900	40 143 191
VAT on debtors	127 368 212	87 369 358
Interest on overdue accounts	460 191 908	357 737 769
	1 718 416 468	**1 386 681 695**
Less: Allowance for impairment		
Rates (Statutory receivables)	(152 192 724)	(124 788 555)
Electricity	(195 772 300)	(173 958 213)
Water	(150 437 174)	(115 889 865)
Sewerage	(125 601 199)	(100 278 921)
Refuse	(113 015 788)	(95 798 255)
Other debtors	(28 818 675)	(26 531 979)
VAT on debtors	(88 688 021)	(75 194 504)
Interest on overdue accounts	(408 811 808)	(318 146 107)
	(1 263 337 689)	**(1 030 586 399)**
Net balance		
Rates (Statutory receivables)	99 418 385	75 170 746
Electricity	164 234 347	136 072 524
Water	61 091 529	43 920 761
Sewerage	23 469 034	20 173 245
Refuse	14 351 968	15 380 292
Other debtors	2 453 225	13 611 212
VAT on debtors	38 680 191	12 174 854
Interest on overdue accounts	51 380 100	39 591 662
	455 078 779	**356 095 296**
Statutory receivables included in consumer debtors above are as follows:		
Rates	99 418 385	75 170 746
Interest on rate debtors	13 907 287	10 388 509
	113 325 672	**85 559 255**
Other non-financial asset receivables included in consumer debtors above are as follows:		
Provision for unbilled revenue	84 356 874	54 968 691

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Consumer debtors (continued)

Financial asset receivables included in consumer debtors above	**257 396 233**	**215 567 350**
Total consumer debtors	455 078 779	356 095 296
Included in above is receivables from exchange transactions		
Electricity	164 234 347	136 115 375
Water	61 091 529	43 920 761
Sewerage	23 469 034	24 993 228
Refuse	14 351 968	15 380 292
Interest on service charges and other debtors	37 472 813	29 890 976
VAT on debtors	38 680 191	12 897 791
Other debtors	4 733 311	10 496 477
	344 033 193	**273 694 900**
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	99 418 385	75 170 746
Interest on Rates	13 907 287	10 388 509
	113 325 672	**85 559 255**
Net balance	**457 358 865**	**359 254 155**
Rates (Statutory receivables)		
Current (0 -30 days)	36 776 949	28 443 053
31 - 60 days	18 827 181	7 025 739
61 - 90 days	7 152 603	6 549 822
91 - 120 days	6 954 712	5 781 507
>120 days	181 899 665	152 159 180
Less: Allowance for impairment	(152 192 725)	(124 788 555)
	99 418 385	**75 170 746**
Electricity		
Current (0 -30 days)	135 144 839	60 248 781
31 - 60 days	8 570 722	8 194 111
61 - 90 days	6 534 379	7 410 021
91 - 120 days	7 169 606	5 664 194
>120 days	202 587 101	228 513 630
Less: Allowance for impairment	(195 772 300)	(173 958 213)
	164 234 347	**136 072 524**
Water		
Current (0 -30 days)	50 499 826	16 611 936
31 - 60 days	4 666 339	4 552 920
61 - 90 days	4 045 799	3 267 784
91 - 120 days	9 261 262	3 069 445
>120 days	143 055 477	132 308 541
Less: Allowance for impairment	(150 437 174)	(115 889 865)
	61 091 529	**43 920 761**

Figures in Rand	2025	2024

6. Consumer debtors (continued)

Sewerage		
Current (0 -30 days)	13 282 717	12 450 571
31 - 60 days	3 310 460	3 088 223
61 - 90 days	3 065 660	3 193 514
91 - 120 days	2 854 124	2 650 549
>120 days	126 557 272	99 069 309
Less: Allowance for impairment	(125 601 199)	(100 278 921)
	23 469 034	**20 173 245**
Refuse		
Current (0 -30 days)	9 288 869	8 582 564
31 - 60 days	2 666 353	2 443 062
61 - 90 days	2 454 179	2 212 075
91 - 120 days	2 317 914	2 100 038
>120 days	110 640 441	95 840 808
Less: Allowance for impairment	(113 015 788)	(95 798 255)
	14 351 968	**15 380 292**
Other debtors		
Current (0 -30 days)	585 963	211 028
31 - 60 days	347 772	264 911
61 - 90 days	340 718	327 455
91 - 120 days	397 199	304 034
>120 days	29 600 248	39 035 763
Less: Allowance for impairment	(28 818 675)	(26 531 979)
	2 453 225	**13 611 212**
VAT on debtors		
Current (0 -30 days)	31 765 263	15 040 749
31 - 60 days	2 930 250	2 791 113
61 - 90 days	2 471 663	2 451 000
91 - 120 days	3 325 939	2 062 991
>120 days	86 875 097	65 023 505
Less: Allowance for impairment	(88 688 021)	(75 194 504)
	38 680 191	**12 174 854**
Interest on overdue accounts		
Current (0 -30 days)	22 605 442	19 746 684
31 - 60 days	10 586 730	9 855 776
61 - 90 days	10 484 216	11 398 345
91 - 120 days	11 912 205	9 600 857
>120 days	404 603 315	307 136 109
Less: Allowance for impairment	(408 811 808)	(318 146 109)
	51 380 100	**39 591 662**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(1 030 586 399)	(890 545 642)
Contributions to allowance	(232 751 290)	(140 040 757)
Debt impairment written off against allowance	-	-
	(1 263 337 689)	**(1 030 586 399)**

Figures in Rand	2025	2024

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	44 997 599	11 007 990
Current Investments	81 458 293	24 225 142
Other cash and cash equivalents	33 192	33 192
	126 489 084	**35 266 324**

The municipality had the following bank balances

Account number / description	Bank statement balances 30 June 2025	Bank statement balances 30 June 2024	Bank statement balances 30 June 2023	Cash book balances 30 June 2025	Cash book balances 30 June 2024	Cash book balances 30 June 2023
ABSA - Current - 4090067672	22 433 079	905 114	4 348 369	22 105 114	177 697	2 709 974
ABSA - Current - 2250000017	811 098	752 384	713 042	811 098	752 385	713 042
ABSA - Current - 4086831794	-	-	-	-	15 505	-
First National Bank - Current - 62413246241	9 548 724	4 221 915	1 035 794	9 548 724	4 221 915	1 035 794
First National Bank - Current - 62413454133	539 231	528 707	507 219	539 231	528 707	507 219
Nedbank - Current - 1497222400	11 772 927	4 737 703	7 095 714	11 782 679	5 236 485	7 696 438
Nedbank - Current - 1497222419	-	-	-	-	123	-
Nedbank - Current - 1497222427	-	-	-	-	(1 273)	-
Nedbank - Current - 1497222435	-	-	-	-	(300)	-
Nedbank - Current - 1497222443	-	-	-	-	(79 056)	-
Nedbank Call deposit - 03/7881004517/000096	-	1 044 113	650 627	-	1 044 113	650 627
Nedbank Call deposit - 03/7881004517/000083	74 168 552	17 417 015	15 901 547	74 168 553	17 417 015	15 901 547
Standard bank - Call Deposit-43846 0944-038	55 351	54 313	53 286	55 351	54 313	53 286
Standard bank - Call Deposit-43846 0944-045	3 489 388	3 281 340	42 335 612	3 489 388	3 281 340	42 335 612
Investec - Call Deposit - 1400-190158-500	2 596 912	2 409 144	2 222 181	2 596 912	2 409 144	2 222 181
ABSA - Call - Deposit 9324900933	20 502	19 218	17 925	20 502	19 218	17 925
ABSA - Investment 9389949869	1 127 588	-	-	1 127 588	-	-
	-	-	-	-	-	-
Total	**126 563 352**	**35 370 966**	**74 881 316**	**126 245 140**	**35 077 331**	**73 843 645**

Notes to the Annual Financial Statements

Figures in Rand

8. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	108 108 428	-	108 108 428	108 108 428	-	108 108 428

Reconciliation of investment property - 2025

	Opening balance	Total
Investment property	108 108 428	108 108 428

Reconciliation of investment property - 2024

	Opening balance	Additions	Total
Investment property	97 740 071	10 368 357	108 108 428

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.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality has to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,

8. Investment property (continued)

- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

Figures in Rand

9. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	384 567 135	-	384 567 135	384 567 135	-	384 567 135
Buildings	431 439 338	(334 063 954)	97 375 384	431 619 228	(323 148 582)	108 470 646
Infrastructure	6 722 529 414	(4 069 347 286)	2 653 182 128	6 491 918 236	(3 926 002 035)	2 565 916 201
Community	649 156 737	(469 235 489)	179 921 248	650 359 776	(452 163 571)	198 196 205
Other property, plant and equipment	254 137 576	(152 873 944)	101 263 632	255 941 872	(152 268 226)	103 673 646
Library books	27 650 781	(23 407 067)	4 243 714	27 751 413	(22 829 926)	4 921 487
Total	**8 469 480 981**	**(5 048 927 740)**	**3 420 553 241**	**8 242 157 660**	**(4 876 412 340)**	**3 365 745 320**

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfers received	Transfers Out	Other changes, movements	Depreciation	Impairment loss	Total
Land	384 567 135	-	-	-	-	-	-	-	384 567 135
Buildings	108 470 646	-	(20 124)	-	-	-	(11 015 493)	(59 645)	97 375 384
Community	198 196 205	-	(206 079)	-	-	-	(18 024 803)	(44 075)	179 921 248
Infrastructure	2 565 916 201	232 252 720	(753 707)	74 236 234	(74 236 234)	810 695	(144 808 060)	(235 721)	2 653 182 128
Other property, plant and equipment	103 673 646	3 931 729	(13 363)	-	-	129 424	(6 452 942)	(4 862)	101 263 632
Library books	4 921 487	296 369	(12 993)	-	-	-	(961 149)	-	4 243 714
	3 365 745 320	**236 480 818**	**(1 006 266)**	**74 236 234**	**(74 236 234)**	**940 119**	**(181 262 447)**	**(344 303)**	**3 420 553 241**

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Transfers Received	Transfer Out	Depreciation	Impairment loss	Other	Total
Land	384 567 135	-	-	-	-	-	-	384 567 135
Buildings	122 571 497	250 946	2 020 903	-	(16 372 700)	-	-	108 470 646
Community	251 913 776	11 194 214	(487 372)	(45 478 724)	(18 945 689)	-	-	198 196 205
Infrastructure	2 578 199 844	138 249 473	(1 282 585)	-	(148 816 805)	-	(433 726)	2 565 916 201
Other property, plant and equipment	79 644 797	30 794 405	-	-	(5 804 637)	(960 919)	-	103 673 646
Library books	4 865 445	925 044	-	-	(869 002)	-	-	4 921 487
	3 421 762 494	**181 414 082**	**250 946**	**(45 478 724)**	**(190 808 833)**	**(960 919)**	**(433 726)**	**3 365 745 320**

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Included within Buildings	Total
Opening balance	255 352 140	27 000	23 487 571	278 866 711
Additions/capital expenditure	186 731 680	-	45 521 040	232 252 720
Transferred to completed items	(31 840 963)	-	(42 395 271)	(74 236 234)
	410 242 857	**27 000**	**26 613 340**	**436 883 197**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Included within Buildings	Total
Opening balance	176 524 979	65 980 594	20 358 372	262 863 945
Additions/capital expenditure	135 120 373	(11 194 214)	3 380 144	127 306 303
Other movements [specify]	-	(45 436 416)	-	(45 436 416)
Transferred to completed items	56 293 212	31 669 084	(250 946)	87 711 350
	367 938 564	**41 019 048**	**23 487 570**	**432 445 182**

Notes to the Annual Financial Statements

9. Property, plant and equipment (continued)

Slow-moving / halted work-in-progress (WIP) projects

Construction of Roads and Storm-water at Ventersdorp (Slow moving)
Project value to date: R963,790
Reason: Original contractor was terminated due to non-performance

Upgrading of Potcheftstoom Water Treatment works Phase E - Construction of the 25ml in Ikageng reservior (Slow moving)
Project value to date: R62,714,580
Reason: Contractor is behind schedule due to challenges presented on site

Construction of Tlokwe and Ventersdorp Disater Management Centre (Slow moving)
Project value to date: R18,324,767
Reason: Original contractor was terminated due to non-performance and consultant withdrew from the project

Upgrading of Ikageng Pump Station (Slow moving)
Project value to date: R27,559,163
Reason: Original contractor was terminated due to non performance

Installation 30m High Mast Lights within various wards in the Juristic of JB Marks LM (Slow moving)
Project value to date: R642,707
Reason: Contractor was issued with notice of terminate due to non performance

Promosa Ext 4 Pump Station and Main Outffall Sewer (On-hold)
Project value to date: R3,412,254
Reason: Project was put on hold by the Department of Labour as a results of alleged explosives

Installation of High Mast Lights in JB Marks (Slow mowing)
Project value to date: R5,529,685
Reason: Contractor was issued with notice of terminate due to non performance

10. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	7 214 301	-	7 214 301	7 214 301	-	7 214 301

Reconciliation of intangible assets - 2025

	Opening balance	Total
Computer software, other	7 214 301	7 214 301

Reconciliation of intangible assets - 2024

	Opening balance	Total
Computer software, other	7 214 301	7 214 301

11. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Museum collectables and monuments	56 122 632	-	56 122 632	56 122 632	-	56 122 632

Reconciliation of heritage assets 2025

	Opening balance	Total
Museum collecatables and monuments	56 122 632	56 122 632

Reconciliation of heritage assets 2024

	Opening balance	Total
Monuments	56 122 632	56 122 632

Figures in Rand	2025	2024

12. Other financial assets

Designated at fair value		
Listed shares	68 985	62 956
Listed Shares are investments in shares of public companies with no specific maturity dates or interest rates.Listed shares and unit trusts are measured at fair value using quoted market prices.		
At amortised cost		
Long Term Investment	94 482 071	86 367 065
Management of the municipality is of the opinion that the carrying value of the investments recorded at amortised cost in the Annual Financial Statements approximate their fair values.		
The fair value of Investments was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.		
Total other financial assets	**94 551 056**	**86 430 021**

Non-current assets		
Designated at fair value	68 985	62 956
At amortised cost	94 482 071	86 367 065
	94 551 056	**86 430 021**

13. Payables from exchange transactions

Trade payables	1 113 428 522	682 560 505
Payments received in advance	64 170 742	69 395 716
Unallocated receipts	47 989 574	40 418 269
Accrued bonus	12 993 018	9 900 649
Debtors salaries	8 380 918	4 262 420
Accrued Leave	59 609 435	59 686 762
Retentions	40 787 119	31 027 600
Traffic and Licence creditors	5 733 715	3 695 581
Other creditors	317 007	307 547
	1 353 410 050	**901 255 049**

14. VAT receivable

VAT	156 692 696	86 913 749

VAT Receivable reconciliation		
Deferred VAT input	156 692 695	86 913 749
Deferred VAT output	(38 680 191)	(12 174 854)
VAT due to SARS	(6 645 532)	(5 467 994)
	111 366 972	**69 270 901**

The Municipality is registered for VAT on a payment basis.

VAT output is charged on taxable services and VAT input is claimed for goods and services received from suppliers who are registered as VAT vendors. The VAT receivable or payable at the end of the financial year is based on the difference between input VAT charged on operational goods and services supplied to the Municipality, input VAT charged on capital goods and services and the output VAT charged for services rendered by the Municipality.
The current VAT rate used, as determined by National Government is, 15% The municipality is registered for VAT on the payment basis

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

15. VAT payable

Net balance payable	45 325 723	17 642 848

The Municipality is registered for VAT on a payment basis.

16. Consumer deposits

Electricity and Water	32 129 290	29 668 400

No guarantees are held in lieu of consumer deposits.

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on consumer deposits held.

Figures in Rand	2025	2024

17. Employee benefit obligations

Reconciliation of total employee benefit obligations

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

Carrying value		
Post Employment Medical Subsidy	(186 875 222)	(185 639 604)
Long Service Awards	(20 437 780)	(18 040 375)
	(207 313 002)	**(203 679 979)**

Carrying value		
Current liabilities	(16 442 116)	(13 372 512)
Non Current liabilities	(190 870 886)	(190 307 467)
	(207 313 002)	**(203 679 979)**

Post-retirement health care benefits liability

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 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 memebership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

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

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

Opening balance	185 639 604	165 795 407
Benefits paid	(11 965 821)	(11 157 767)
Net expense recognised in the statement of financial performance	13 201 437	31 001 964
	186 875 220	**185 639 604**

Net expense recognised in the statement of financial performance

Current service cost	4 083 261	3 594 762
Interest cost	21 859 932	20 403 653
Actuarial (gains) losses	(12 741 756)	7 003 549
	13 201 437	**31 001 964**

Eligible employees

Active employees (on medical aid) - average age (years)	48,03
Active employees (on medical aid) - average employer monthly contribution (ZAR)	4 106
Continuation pensioners - average age (years)	71,44
Continuation pensioners - average employer monthly contribution (ZAR)	5 514

The active employees were assumed to have one dependent, on retirement, in the form of a spouse, as per the married assumption table.

Key assumptions used

Figures in Rand	2025	2024

17. Employee benefit obligations (continued)

Financial assumptions used at the reporting date:

Discount rates used	10,78 %	12,00 %
Expected rate of return on assets	4,64 %	6,22 %
Health Care cost inflation	6,14 %	7,72 %
Net discount rate	4,37 %	4,11 %

The basis on which the net discount rate has been determined is as follows:

The methodology for setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2024 the duration of liabilities was 9.94% years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2025 is 10.78% per annum, and the yield on the inflation linked bonds of a similar term was about 5.39% per annum, This implies an underlying expectation of inflation of 4.64% per annum ([1 + 10.78% - 0.5%] / [1 + 5.39%] - 1). The 0.5% deduction has been added as a risk premium to reflect the uncertainty inherent in the projection.

We have assumed that healthcare cost inflation would exceed general inflation by 1.50% per annum, i.e. 6.14% per annum. This assumption is consistent with the previous actuary.

However, it is the relative levels of the discount rate and health care inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 4.37% per annum ([1 + 10.78%] / [1 + 6.14%] - 1).

Sensitivity Analysis

The valuation results are sensitive to changes in the underlying assumptions. The effects of varying these assumptions are illustrated below.

Healthcare cost inflation

Healthcare Cost Inflation Rate	**Percentage change**	**1% decrease**	**Valuation basis**	**1% increase**	**Percentage change**
Accrued Liability	-9.75%	-168 646 221	-186 875 222	208 301 988	11.47%
Service cost	-15.61%	3 488 949	4 131 141	4 931 531	19.29%
Net interest expense	-10.10%	17 457 410	19 418 976	21 725 262	11.88%

As per the table above, a 1% increase in the healthcare cost inflation rate results in an 11.47% increase in the accrued liability whilst a 1% decrease in the salary increase rate will result in a 9.7% decrease in the accrued liability. Increasing healthcare cost inflation leads to greater subsidies being paid by the entity in respect of continuation members. This, in turn, increases the size of the accrued liability.

I

Discount rate	**Percentage Change**	**1% decrease**	**Valauation basis**	**1% increase**	**Percentage Change**
Accrued Liability	10.71%	206 885 634	186 875 222	170 044 826	-9.01%
Service Cost	17.49%	4 856 996	4 134 141	3 550 730	-14.11%
Net Interest Expense	0.80%	19 574 414	19 418 976	19 237 920	-0.93%

17. Employee benefit obligations (continued)

Inversely, a 1% increase in the discount rate results in a 9.01% decrease in the accrued liability whilst a 1% decrease in the discount rate will result in a 10.71% increase in the accrued liability. The discount rate is inversely related to the accrued liability. An increase in the discount rate increases the accrued liability and vice-versa.

Demographic Assumptions
The assumed normal retirement age is 65 years and the fully accrued age (to take account for ill-health and early retirement decrements) is 63 years for active employees on the medical aid. This assumption is consistent with prior period.

The assumed age difference between spouses is 5 years for both active employees and pensioners on the medical aid.

The assumed mortality used was based on the SA85-90 (light) mortality table for active members on the medical aid and the PA(90)-1 table for pensioners.

Continuation percentage of post-employment medical aid subsidies at retirement for active members is assumed to be 50%

The same withdrawal rates assumption used by the previous actuary was used in the current year so as to be consistent between valuations

Long Service Awards Lability

The Municipality operates an unfunded defined benefit plan called Long Service Awards. Under the plan, a long-service award is payable after 10 years of continuous service, and every 5 years of continuous services thereafter, to employees. The long service awards is wholly unfunded as no contributions are made by the municipality into funds that are legally separate from the municipality and from which the employee benefits are paid (each subsequent financial year's expected payments of long service bonuses are budgeted for).
The municipality, in substance, underwrites the actuarial and investment risks associated with the plan.
Consequently, the expense recognised for the defined benefit plan is the full additional liability accrued due to additional benefit entitlement. The municipality's net obligation in respect of the defined benefit long service awards is the present value of the defined benefit obligation less the fair value of any plan assets, together with adjustments for unrecognised actuarial gains or losses and past service cost.
The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows of the benefits that will be paid to employees and using suitable interest rates.
The calculation is performed by registered actuaries using the projected unit credit method. The most recent actuarial valuations of the present value of the defined benefit obligation were carried out as at 30 June 2025.

Changes in the present value of the long service awards benefit obligation are as follows:

	2025	2024
Opening balance	18 040 375	16 637 402
Benefits paid	(3 415 247)	(3 767 037)
Net expense recognised in the statement of financial performance	5 812 652	5 170 010
	20 437 780	**18 040 375**

Figures in Rand	2025	2024

17. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	1 036 280	1 003 291
Interest cost	1 654 731	1 626 085
Actuarial (gains) losses	3 121 641	2 540 634
	5 812 652	**5 170 010**

The net expense has been included as part on employee related costs and disclosed on Note 27.

Eligible employees

Number of employees	824	721
Average annual salary (ZAR)	274 991	266613
Average age (years)	47.44	51.6
Average past service (years)	16.79	19.33

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8,56 %	9,78 %
Consumer Price Index	3,21 %	4,36 %
Expected increase in salaries	4,21 %	5,36 %
Net discount rate	4,18 %	4,20 %

The methodology of setting the financial assumptions has been updated to be more duration-specific. At the previous valuation report, 30 June 2024, the duration of liabilities was 4.26 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2025 is 8.56% per annum, and the yield on inflation-linked bonds of a similar term was about 4.70% per annum. This implies an underlying expectation of inflation of 3.21% per annum ([1 + 8.56%-0.5%] / [1 + 4.70%] - 1). The 0.5% deduction has been added as a risk premium to reflect the uncertainty inherent in the projection.

We have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 4.21% per annum. However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 4.18% per annum ([1 + 8.56%] / [1 + 4.21%] - 1).

Demographic Assumptions
The demographic and decrement assumptions were consistent in the previous and current valuation period, and are as follows:

Assumption	**30 June 2024**	**30 June 2025**
Normal retirement age (years)	65	65
Average retirement age (years)	63 (Males) 58 (Females)	63 (Males) 58 (Females)
Mortality	SA85-90 Light	SA85-90 Light

Age	**Withdrawal rates (Female)**	**Withdrawal rates (Male)**
20 - 29	24%	16%
30 - 39	18%	12%
40 - 44	10%	8%
45 - 49	4%	4%
50 - 54	2%	2%
55 - 59	-	-
60+	-	-

17. Employee benefit obligations (continued)

The average retirement age for all active employees was assumed to be 63 years for males and 58 for females. This assumption implicitly allows for early retirement.

17. Employee benefit obligations (continued)

Sensitivity Analysis

Salary increase and Discount rate

Salary inflation rate	**Percentage change**	**1% decrease**	**Valuation basis**	**1% increase**	**Percentage change**
Accrued Liability	-4.30%	19 557 936	20 437 780	21 379 231	4.61%
Service Cost	-4.63%	1 247 502	1 308 084	1 373 228	4.98%
Net Interest Expense	-4.61%	1 547 309	1 622 105	1 702 178	4.94%

As per the table above, a 1% increase in the salary increase rate results in a 4.61% increase in the accrued liability whilst a 1% decrease in the salary increase rate will result in a 4.30% decrease in the accrued liability. An increase in salary inflation increases the salaries upon which the long-service awards are based. This, in turn, leads to an increase in the accrued liability.

Discount rate	**Percentage Change**	**1%decrease**	**Valuation basis**	**1% increase**	**Percentage change**
Accrued Liability	4.46%	21 348 890	20 437 780	19 599 579	-4.10%
Service Cost	4.82%	1 371 124	1 308 084	1 250 363	-4.41%
Net Interest Expense	-7.46%	1 501 104	1 622 105	1 731 970	6.77%

Inversely, a 1% increase in the discount rate results in a 4.10% decrease in the accrued liability whilst a 1% decrease in the discount rate will result in a 4.46% increase in the accrued liability. The discount rate is inversely related to the accrued liability. An increase in the discount rate increases the accrued liability and vice-versa.

Demographic Assumptions

Demographic and decrement assumptions used are as follows:

Assumption	**30 June 2024**	**28 February 2025**
Normal retirement age (years)	65	65
Average retirement age (years)	63(Males) 58 (Females)	63(Males) 58 (Females)
Mortality	SA85-90 Light	SA85-90 Light

The assumed average retirement age (years) is 63 (males) and 58 (females) for the current and prior financial years.

Figures in Rand	2025	2024

18. VAT Payable

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Dr Kenneth Kaunda District Projects	18 515	18 515
Provincial: Department Arts and Culture - Library Grant	1 359 837	159 837
National: Regional Bulk Infrastructure Grant (RBIG)	-	1
National: Water Services Infrastructure Grant (WSIG)	6 265 841	-
Lotto: Mohadin Stadium	113 369	113 369
Lotto: Tshwaraganang	644	644
Lotto: Sarafina Sports Facilities	787 245	787 245
National: Municipal Infrastructure Grant (MIG)	(1)	-
Local Government - SETA Grant (LG SETA)	27 840	1 245 792
National: Integrated National Electrification Program (INEP)	1 867 740	2 383 974
Fire and Emergency Grant	20 738	20 738
Provincial: Health Subsidies	13 996	13 996
LED - City Branding	69 417	69 417
LED - Projects Tourism Initiative	90 722	90 722
Provincial Infrastructure Grant (PIG)	1 568	1 568
	10 637 471	**4 905 818**

The unspent conditional grants and receipts are invested in investment accounts until utilised. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

See note 26 for reconciliation of grants from National/Provincial Government.

19. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Utilised during the year	Total
Environmental rehabilitation	54 292 781	(16 649 075)	37 643 706

Reconciliation of provisions - 2024

	Opening Balance	Interest Capitalised	Total
Environmental rehabilitation	59 761 537	(5 468 756)	54 292 781

Environmental rehabilitation provision

In terms of the licensing of two landfill refuse sites, the municipality will incur estimated rehabilitation costs of R12 058 930 for the Ventersdorp landfill site and R25 584 776 for the Felophepa landfill site at the end of their useful lives, estimated to be in 2035 for Vendersdorp landfill site and 2030 for Felophepa landfill site, based on recent valuation reports.

Assumption used

The 2025 financial years landfill closure provisions and assumptions were calculated using the same methodology as compared to the previous financial years:

- The discount rate used of 10.98 (2024:10.61%) and 9.95% (2024: 9.16%) is the weighted avergare cost of capital (WACC) calculated for both the Felophepa and Ventersdorp landfil sites.
- The schedules dates of total closure and rehabilitation are anticipated to be between 2025 and 2043.

Figures in Rand	2025	2024

20. Service charges

Sale of electricity	964 291 422	783 840 151
Sale of water	177 188 601	131 850 001
Sewerage and sanitation charges	101 051 650	89 451 657
Refuse removal	65 409 432	61 394 586
	1 307 941 105	**1 066 536 395**

21. Interest received

Dividend revenue		
Listed financial assets - Sanlam	3 966	3 565
Interest revenue		
Interest on bank investments	18 566 056	13 925 924
	18 570 022	**13 929 489**

22. Revenue

Service charges	1 307 941 105	1 066 536 395
Interest charged on trade and other receivables	87 306 165	82 376 985
Other income	32 148 031	32 471 385
Interest received - investment	18 566 056	13 925 924
Dividends or similar distributions received	3 966	3 565
Property rates	306 025 538	257 168 230
Interest charged on property rates	26 205 240	23 219 991
Government grants & subsidies	656 170 229	539 381 268
Public contributions and donations	296 369	925 044
Fines, Penalties and Forfeits	2 083 386	7 412 094
	2 436 746 085	**2 023 420 881**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	1 307 941 105	1 066 536 395
Interest charged on trade and other receivables	87 306 165	82 376 985
Other income	32 148 031	32 471 385
Interest received - investment	18 566 056	13 925 924
Dividends or similar distributions received	3 966	3 565
	1 445 965 323	**1 195 314 254**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	306 025 538	257 168 230
Interest charged on property rates	26 205 240	23 219 991
Transfer revenue		
Government grants & subsidies	656 170 229	539 381 268
Public contributions and donations	296 369	925 044
Fines, Penalties and Forfeits	2 083 386	7 412 094
	990 780 762	**828 106 627**

23. Fines, Penalties and Forfeits

Traffic Fines	2 083 386	7 412 094

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

24. Property rates

Rates received

Residential	157 087 070	129 715 825
Commercial	68 614 049	60 135 466
Municipal	306 512	213 554
Agricultural	11 402 266	10 006 796
Industrial	14 843 234	12 663 360
Mining	799 436	683 503
Public Service infrastructure	67 441 223	56 517 393
Less: Income forgone	(14 468 252)	(12 767 667)
	306 025 538	**257 168 230**

Valuations

Residential	34 538 167 000	30 402 618 100
Commercial	5 047 082 000	4 380 361 000
Industrial	1 153 351 000	943 250 000
Agricultural	9 943 341 000	8 831 308 000
Public Service Infrastructure	114 150 000	52 131 600
Multi purporse	3 570 000	-
Properties owned by Public Benefit Organisation	114 820 000	95 820 000
Public Service Purpose	5 651 086 500	5 445 977 300
Places of Worship	754 841 000	664 387 000
Mining	65 470 000	58 480 000
Vacant land	891 727 000	-
	58 277 605 500	**50 874 333 000**

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.

Supplementary valuations are processed on a monthly basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation was implemented on 01 July 2024 and will be in effect until 30 June 2028 with a possible 1 year extension.

25. Interest charged on property rates

Interest charged on property rates	26 205 240	23 219 991

Figures in Rand	2025	2024

26. Government grants & subsidies

Operating grants		
Equitable share	411 298 000	383 920 061
LG SETA	1 217 952	-
National: Expanded Public Works Program Grant (EPWP)	2 177 000	2 689 000
National: Municipal Finance Management Grant (FMG)	3 000 000	3 100 000
	417 692 952	**389 709 061**
Capital grants		
National: Municipal Infrastructure Grant (MIG)	77 490 000	74 262 001
Neighbourhood Grant	5 000 000	1 550 755
National: Water Services Infrastructure Grant (WSIG)	61 730 159	25 000 000
National: Regional Bulk Infrastructure Grant (RBIG)	83 497 884	28 807 425
National: Integrated National Electrification Program (INEP)	10 759 234	20 052 026
	238 477 277	**149 672 207**
	656 170 229	**539 381 268**

Dr Kenneth Kaunda District Projects

Balance unspent at beginning of year	18 515	18 515
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	18 515	**18 515**

Provincial: Department Arts and Culture - Library Grant

Balance unspent at beginning of year	159 837	1 710 592
Current-year receipts	1 200 000	-
Conditions met - transferred to revenue	-	(1 550 755)
	1 359 837	**159 837**

National: Regional Bulk Infrastructure Grant (RBIG)

Balance unspent at beginning of year	1	-
Current-year receipts	75 499 710	26 387 739
Current-year receipts not yet received at year end	7 998 172	2 419 686
Conditions met - transferred to revenue	(83 497 883)	(28 807 424)
	-	**1**

Neighbourhood grant

Current-year receipts	5 000 000	-
Conditions met - transferred to revenue	(5 000 000)	-
	-	**-**

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

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

National: Expanded Public Works Program Grant (EPWP)

Balance unspent at beginning of year	-	-
Current-year receipts	2 177 000	2 689 000
Conditions met - transferred to revenue	(2 177 000)	(2 689 000)

Figures in Rand	2025	2024

26. Government grants & subsidies (continued)

	-	**-**

National: Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	-	2 380 670
Current-year receipts	67 996 000	25 000 000
Conditions met - transferred to revenue	(61 730 159)	(25 000 000)
Roll over denied	-	(2 380 670)
	6 265 841	**-**

Lotto: Mohadin Stadium

Balance unspent at beginning of year	113 369	113 369
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	113 369	**113 369**

Lotto: Tshwaraganang

Balance unspent at beginning of year	644	644
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	644	**644**

Lotto: Sarafina Sports Facilities

Balance unspent at beginning of year	787 245	787 245
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	787 245	**787 245**

National: Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	-	3 851 391
Current-year receipts	77 490 000	74 262 000
Conditions met - transferred to revenue	(77 490 001)	(74 262 000)
Roll-over denied	-	(3 851 391)
	(1)	**-**

Local Government - SETA Grant (LG SETA)

Balance unspent at beginning of year	1 245 792	1 245 792
Current-year receipts	-	-
Conditions met - transferred to revenue	(1 217 952)	-
	27 840	**1 245 792**

National: Integrated National Electrification Program (INEP)

Balance unspent at beginning of year	2 383 974	-
Current-year receipts	10 243 000	22 436 000
Conditions met - transferred to revenue	(10 759 234)	(20 052 026)
	1 867 740	**2 383 974**

Figures in Rand	2025	2024

26. Government grants & subsidies (continued)

Fire and Emergency Grant

Balance unspent at beginning of year	20 738	20 738
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	20 738	**20 738**

Provincial: Health Subsidies

Balance unspent at beginning of year	13 996	13 996
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	13 996	**13 996**

LED - City Branding

Balance unspent at beginning of year	69 417	69 417
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	69 417	**69 417**

LED - Projects Tourism Initiative

Balance unspent at beginning of year	90 722	90 722
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	90 722	**90 722**

Provincial Infrastructure Grant (PIG)

Balance unspent at beginning of year	1 568	1 568
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	1 568	**1 568**

National: Municipal Finance Management Grant (FMG)

Balance unspent at beginning of year	-	-
Current-year receipts	3 000 000	3 100 000
Conditions met - transferred to revenue	(3 000 000)	(3 100 000)
	-	**-**

27. Public contributions and donations

ERF donations received	296 369	925 044

Figures in Rand	2025	2024

28. Employee related costs

Basic	326 103 705	306 914 434
Medical aid - company contributions	33 836 912	32 038 375
UIF	2 618 190	2 621 512
SDL	4 803 678	4 752 519
Leave pay provision charge	10 939 240	12 523 460
Defined contribution plans	5 119 541	4 598 053
Travel, motor car, accommodation, subsistence and other allowances	16 007 075	16 495 452
Overtime payments	93 245 070	94 216 568
Bonus	26 839 412	25 345 627
Housing benefits and allowances	1 928 305	1 947 470
Group insurance	5 706 902	5 976 202
Pension fund	57 391 441	57 334 070
Standby Allowance	9 547 253	9 089 259
Phone allowance	977 415	963 944
Bargaining Council	176 998	175 536
	595 241 137	**574 992 481**

Remuneration of Municipal Manager

Annual Remuneration	988 668	743 041
Car Allowance	120 000	100 000
Subsistence Allowance	120 000	100 000
Contribution to UIF, medical Aid and Pension	208 007	186 855
Skills Development Levy	11 902	9 336
Acting Allowance	-	2 871
Phone allowance	18 000	15 000
	1 466 577	**1 157 103**

The Acting Municipal Manager S Tyatya was appointed on the 29th of April 2022 to 17 August 2023, Mrs B Mosepele was acting from 18 August 2023 until 31 August 2023 and Mr K Kumbe was appointed as Municipal manager from 01 September 2023 to date.

Remuneration of Acting Municipal Manager

Acting Allowance	-	70 389

The Acting Municipal Manager S Tyatyai was acting from July 2023 to 17 Audgust 2023.

Remuneration of Acting Municipality Manager

Acting Allowance	-	4 534

The Acting Municipal Manager BMB Mosepele was acting from 17 August 2023 to 30 August 2023

Remuneration of Director Public Safety

Annual Remuneration	725 254	362 952
Car Allowance	174 000	101 500
Contributions to UIF, Medical and Pension Funds	155 828	90 202
Cellphone Allowance	12 000	7 000
Skills Development Levy	8 720	5 347
Other	53 709	-
	1 129 511	**567 001**

The Director Community Safety OS Masibi was appointed on the 1st of February 2019 unti 31 january 2024.

Figures in Rand	2025	2024

28. Employee related costs (continued)

Remuneration of Director Technical Services

Annual Remuneration	759 308	520 232
Car Allowance	156 475	300 000
Contributions to UIF, Medical and Pension Funds	74 602	217 305
Cellphone Allowance	6 161	12 000
Skills Development Levy	10 188	10 528
Housing Allowance	104 742	204 000
	1 111 476	**1 264 065**

The Director Technical Services JK Monnakgothu was appointed on the 6th of January 2020 to 31 December 2024.

Remuneration of Director Technical Services

Annual Remuneration	774 563	520 232
Car Allowance	156 475	300 000
Contributions to UIF, Medical and Pension Funds	74 602	217 305
Cellphone Allowance	6 161	12 000
Skills Development Levy	10 188	10 528
Housing Allowance	104 742	204 000
	1 126 731	**1 264 065**

The Director Technical Services JK Monnakgothu was appointed on the 6th of January 2020 to 31 December 2024.

Remuneration of Chief Finance Officer

Annual Remuneration	-	25 032
Car Allowance	-	110 670
Contributions to UIF, Medical and Pension Funds	-	76 743
Cellphne Allowance	-	5 000
Skills Development Levy	-	8 620
Housing Allowance	-	82 329
Other	-	372 967
	-	**681 361**

Mr K Kumbe was seconded fro Province to act as a CFO until 30 July 2023

Remuneration of Acting Chief Financial Officer

Travel allowance	78 699	29 644
Skills Development Levy	120	534
Contributions to UIF and Medical	60	626
Acting Allowance	11 969	62 549
	90 848	**93 353**

Mr T Ngqobe was seconded by the Province to act as CFO from 01 August 2023 until 30 July 2024.

Remuneration Director Corporate Services

Annual Remuneration	-	821 876
Car Allowance	-	103 095

Figures in Rand	2025	2024

28. Employee related costs (continued)

Contributions to UIF, Medical and Pension Funds	-	132 157
Cellphone Allowance	-	7 000
Skills Development Levy	-	9 280
	-	**1 073 408**

The Director Corporate Services BMB Mosepele was appointed on the 1st of February 2019 until 31 January 2024 and Mr E Temane was acting from the period 01 February 2024 until 25 June 2024, then Mr MZ Noorbhai was acting from 26 June 2024 to 26 September 2025.

Remuneration of Acting Director Municipal Services

Annual Remuneration	-	622 116
Car Allowance	-	176 460
Acting Allowance	-	97 255
Contribution to UIF, Medical aid and pension funds	-	138 991
Bonus	-	51 843
Cellphone Allowance	-	8 400
Skills Development Levy	-	9 107
Other	-	42 789
	-	**1 146 961**

Mrs Z Vavane was acting from 01 July 2023 until 31 December 2023, then Mr T Mswede was acting from 01 January 2024 to 24 June 2024 and then Mrs Z Vavane was acting from 25 June 2024 until 30 June 2024.

Remuneration of Acting Director of Technical services

Acting Allowance	21 876	-

Mr MR Legoete was appointed as Acting director of Technical Services on 28 February 2025 until 28 May 2025

Remuneration of Acting Director: Community Safety

Annual Remuneration	-	730 860
Car Allowance	-	101 500
Acting Allowance	-	(6 163)
Contributions to UIF, Medical and Pension Funds	-	143 879
Cellphone Allowance	-	7 000
Other	-	30 791
	-	**1 007 867**

The Director Community Services OS Masibi was appointed on the 01 February 2019 untill 31 January 2024. Mr. K. Kumbe was acting from 01 February 2024 to date.

Remuneration of Director Community Safety

Annual Remuneration	649 543	-
Car Allowance	250 192	-
Contributions to UIF, Medical and Pension Funds	171 570	-
Cellphone Allowance	11 000	-
Skills Development Levy	8 606	-
Housing	22 000	-
	1 112 911	**-**

The Director: Community Safety CP Mofokeng, was appointed on 1st August 2024 to date.

Remuneration of Acting Director: Corporate services

Figures in Rand	2025	2024

28. Employee related costs (continued)

Acting allowance	20 797	-

The Acting Director MZ Nzimankulu was acting from 9 December 2024 to date.

Remuneration of Acting Director Community Safety

Annual Remuneration	-	147 561
Car Allowance	-	44 115
Cellphone Allowance	-	2 100
Acting Allowance	-	7 939
Contributions to UIF, Medical and Pension Funds	-	50 999
Skills Development Levy	-	2 313
Housing Allowance	-	3 035
Other	-	7 562
	-	**265 624**

Mr O Masibi was appointed as Director from 01 February 2019 until 31 January 2024, t

Remuneration of Acting Director: Corporate Services

Acting Allowance	23 007	-

Mr MZ Noorbhai was acting as Director Corporate Services from 26 June 2024 to 30 November 2024

Remuneration of Acting Director Housing developmentand Planning

Annual Remuneration	-	705 607
Car Allowance	-	177 843
Contributions to UIF, Medical and Pension Funds	-	185 507
Cellphone Allowance	-	8 400
Skills Development Levy	-	8 746
Other	-	489
	-	**1 086 592**

Mr M Legoete was acting as Director Housing development planning from 01 July 2023 to 30 June 2024.

Remuneration of Chief Financial Officer

Annual Remuneration	654 576	-
Car Allowance	220 000	-
Contributions to UIF, Medical and Pension Funds	166 549	-
Cellphone Allowance	11 000	-
Skills Development Levy	8 656	-
Housing Allowance	22 000	-
Other	3 367	-
	1 086 148	**-**

The Chief Financial Officer J Monareng was appointed on the 1st of August 2024 till to date.

Remuneration of Acting Director Municipal Services & LED

Acting Allowance	-	58 641

Mr T Muswede was acting as Director Municipal Services and LED from 1 February 2024 to 24 June 2024.

Figures in Rand	2025	2024

28. Employee related costs (continued)

Remuneration of Acting Director Corporate Services

Acting Allowance	-	110 610

Mr E Temane was acting as Director Corporate Services for the period 1 February 2024 to 25 June 2024

Remuneration of Director Municipal Services

Annual Remuneration	784 662	-
Car Allowance	132 000	-
Acting Allowance	15 215	-
Contributions to UIF, Medical and Pension Funds	135 463	-
Cellphone Allowance	11 000	-
Skills Development Levy	8 433	-
Housing Allowance	11 000	-
	1 097 773	**-**

The Director: Municipal Services and LED Ms Z Vavane was acting from 25 June 2024 to 31 July 2024 and was appointed from then until now.

29. Depreciation and amortisation

Property, plant and equipment	181 262 447	190 808 833

30. Impairment loss

Impairments		
Property, plant and equipment	357 666	960 919
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		

31. Finance costs

Trade creditors	78 866 843	33 474 050
Employee Benefit Obligation	23 514 663	22 029 738
	102 381 506	**55 503 788**

32. Rental and lease expenditure

Equipment		
Hire of Equipment	7 181 192	3 283 115

33. Auditors' remuneration

Fees	10 736 003	9 362 302

34. Debt impairment

Consumer debtors	219 260 095	142 752 735
Traffic fines	1 156 100	-
	220 416 195	**142 752 735**

Figures in Rand	2025	2024

35. General expenses

Advertising	1 400 893	1 877 565
Auditors remuneration	10 736 003	9 362 302
Bank charges	2 905 773	1 890 917
Chemicals	604 372	727 601
Cleaning	1 362 937	1 036 834
Commission paid	20 352 105	17 582 875
Community development and training	7 576 500	15 208 490
Consumables	265 451	124 097
Conveyancing	622 894	694 589
Donations	611 934	2 187 278
Shortages	110 661	983 865
Extention sevices	16 632	75 346
Fuel and oil	20 974 652	22 375 959
Insurance claims costs	2 089 889	1 245 816
IT expenses	13 880 596	12 486 599
Indigent funeral costs	661 771	2 187 616
Indigent grant costs	1 077 119	451 719
Insurance premiums	7 843 100	8 719 536
Landscapping expenses	539 357	997 888
Legal fees	5 287 729	12 410 346
Medical expenses	14 719	126 668
Pest control	11 448	47 433
Postage and courier	3 221 738	4 230 118
Printing and stationery	2 046 066	3 241 444
EPWP Costs	115 901	749
Protective clothing	6 146 517	741 972
Research and development costs	2 190 163	2 034 163
Sewerage and waste disposal	27 920	31 836
Staff welfare	7 923 680	9 704 417
Subscriptions and membership fees	6 363 993	7 134 468
Telephone and fax	571 565	418 168
Tourism development	540 690	262 120
Training	3 179 524	3 638 789
Travel - local	1 799 865	2 943 650
Uniforms	-	243 092
Utilities - refuse costs	189 122	123 731
Vehicles licence and permit fees	14 167 550	11 421 463
Ward committes	10 398 038	10 030 127
Water	3 071 250	4 633 683
	160 900 117	**173 635 329**

36. Repairs and maintenance

Community Assets	1 391 178	2 811 965
Infrastructure - Electricity transmission and raticulation network	23 428 893	15 517 944
Infrastructure - Other	2 560 382	5 594 078
Infrastructure - Roads and Pavements	8 320 240	14 435 945
Infrastructure - Sanitation networks	31 161 911	35 758 181
Infrastructure - Water reticulation network	10 033 905	11 846 148
Land and Buildings	7 607 673	5 345 880
Other assets - Property, Plant and Equipment	3 551 747	3 310 431
Total repairs and maintenance	**88 055 929**	**94 620 572**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

37. Bulk purchases

Electricity - Eskom	987 895 579	832 149 016
Water	30 935 367	27 004 381
	1 018 830 946	**859 153 397**

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst raw water is purchased from the Department of Water and Sanitation.

Electricity losses

Units purchased (kWh)	490 529 343	455 899 065
Units sold (kWh)	(385 120 275)	(358 889 942)
Total loss	**105 409 068**	**97 009 123**

Electricity losses in Rand Value	212 287 371	177 069 997

Percentage Loss:	21 %	21 %

Electricity Losses occur due to inter alia , technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

Water losses

WaterUnits purchased (kL)	18 430 104	17 010 611
Water units sold (kL)	(17 458 912)	(14 124 265)
Total	**971 192**	**2 886 346**

Water losses in Rand Value	1 630 169	4 582 080

Percentage losses	5 %	17 %

Water Losses occur due to inter alia , leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repaired as soon as they are reported.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

38. Contracted services

Financial Management Services	30 962 339	29 097 065
Information Systems	22 242 584	26 710 773
Meter Reading	6 008 001	6 145 832
Other contractors	173 546	492 232
Refuse removal	19 620 816	25 377 942
Security Services	100 945 171	95 456 172
Town Planning	318 597	-
	180 271 054	**183 280 016**

39. Finance costs on other liabilities

Finance Cost on Provisions		
Interest cost on Employee Benefits	23 514 663	22 029 738
Interest Cost on landfill site provision	16 649 074	5 468 756
	40 163 737	**27 498 494**

40. Fair value adjustments

Other financial assets		
• Listed financial assets - Sanlam	6 030	17 559

41. Remuneration of councillors

Executive Mayor	1 083 788	1 036 205
Mayoral Committee Members	8 280 339	8 757 270
Speaker	862 574	838 037
Councillors	21 002 423	19 810 318
Chief Whip	844 887	788 206
	32 074 011	**31 230 036**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

42. Cash generated from operations

Deficit	(125 630 804)	(291 128 645)
Adjustments for:		
Depreciation and amortisation	181 262 447	190 808 833
Gain on sale of assets and liabilities	992 902	-
Fair value adjustments	(6 030)	(17 559)
Impairment deficit	357 666	960 919
Debt impairment	220 416 195	142 752 735
Landfill site adjustment	(16 649 074)	(5 468 756)
Landfil site finance cost	23 514 663	22 029 738
Public donations	(296 369)	(925 044)
Inventory losses or write-downs	687 005	270 437
Movement in leave accrual	10 939 240	12 523 460
Current Service Cost	5 119 541	4 598 053
Acturial gains and losses	(9 620 115)	9 544 183
Changes in working capital:		
Inventories	(17 868 402)	2 119 664
Receivables from exchange transactions	2 671 050	(1 150 890)
Consumer debtors	(304 750 060)	(173 611 785)
Other receivables from non-exchange transactions	(6 047 801)	(7 709 115)
Payables from exchange transactions	378 699 009	342 344 299
VAT receivable	(69 778 946)	(47 223 935)
VAT Payable	14 189 357	(17 253 919)
Employee beneit obligations	(15 381 066)	(14 924 804)
	272 820 408	**168 537 869**

43. Related parties

Relationships	
Ward Councillors	Laing EJJ
	Van Onselen A
	Zerwick LJ
	Hodgson H
	Tloome MS
	Klopper A
	Maduna MR
	Maloganye RD
	Mokgethi RH
	Kasale MM
	Hennicks AL
	Buti RR
	Molotsi GN
	Abrahams LT
	Derbyshire IC
	De Bruin MD
	Moalusi TDC
	Kgobane GR
	Manzini WM
	Moretsi SM
	Ramalisa MR
	Makousa RA
	Van Rensburg ZJ
	Van Onselen WN
	Trautmann SD
	Le Roux AA
	Mogorosi TH
	Manja KR
	Moyo MJ
	Mokone MP
	Links JL
	Mkhabela LM
	Tsamai T
	Meya IT
	Moilwa I
	TE Mathews

43. Related parties (continued)

Propotional Councillors	Dassie MR
	Rantekane L
	Davis M
	De Villiers IJ
	De Villiers K
	Dube RGM
	Fransman GML
	Greyling JH
	Van Der Westhuizen H
	Van Der Merwe Z
	Kegontse KR
	Landsberg JC
	Lourens JJ
	Mampe TR
	Mapogoshe MA
	Motabogi A
	Meyer GM
	Nchoela LE
	Modisane TP
	Modise GAM
	Terblanche JF
	Moolman HJ
	Motlhatswi TM
	Mtayi TP
	Mtshali P
	Ndwendwe PL
	Qhele GTK
	Rossouw MWC
	Steyn P
	Swarts AL
	Tunyiswa AM
	Van Tonder MJ
	Mlambo LPT
Accounting officers	K Kumbe- Municipal Manager
Members of key management	Acting Chief Financial Officer: T Ngqobe
	Chief Financial Officer Monareng JM
	Director Municipal Services: Z Vavane
	Acting Corporate Services: P Nzimakhulu
	Director Community Safety: PC Mofokeng
	Director Technical Services: Monnakgothu JK
	Acting Corporate Services: MZ Noorbhai

Figures in Rand	2025	2024

43. Related parties (continued)

Related party transactions

Section 57 Managers

	2025	2024
Remuneration s57 Managers	6 046 657	7 099 103

2025	Basic Salary	Travel and other allowances	Medical aid and Pension	Acting Allowance	Other	Total
Municipal Manager (K Kumbe)	988 668	258 000	205 881	-	14 017	1 466 566
Acting Chief Financial Officer (T Ngqobe)	11 969	78 710	-	-	169	90 848
Acting Technical Services (MR Legoete)	-	-	-	21 876	-	21 876
Chief Financial Officer (JM Monareng)	654 576	253 000	164 601	-	13 971	1 086 148
Director of Community Safety (PC Mofokeng)	649 555	283 192	169 622	-	10 542	1 112 911
Director Technical Services (J Monnakgothu)	774 576	267 378	73 166	-	11 611	1 126 731
Director of Municipal Services (LZ Vavane)	784 662	154 000	133 515	15 215	10 381	1 097 773
Acting Diretor: Corporate Services (Nzimankhulu P)	-	-	-	20 797	-	20 797
Acting Diretor: Corporate Services (Noorbhai MZ)	-	-	-	23 007	-	23 007
Subtotal	3 864 006	1 294 280	746 785	80 895	60 691	6 046 657
	3 864 006	**1 294 280**	**746 785**	**80 895**	**60 691**	**6 046 657**

2024	Basic Salary	Travel and other Allowances	UIF, Medical Aid and Pension contributions	Acting Allowance	Other benefits	Total
Municipal Manager (K Kumbe)	743 041	231 950	168 133	2 871	11 108	1 157 103
Director: Public Safety (OS Masibi)	422 629	133 128	90 094	-	362 016	1 007 867
Director Technical Services (JK Monnakgothu)	520 232	516 000	143 959	-	83 874	1 264 065
Acting Chief Financial Officer (T NQOBE)	-	29 644	-	62 549	1 160	93 353
Director Corporate Services (BMB Mosepele)	434 511	162 801	78 212	4 534	397 885	1 077 943
Actig Director Municipal Services (LZ Vavane)	622 116	312 325	39 611	97 255	75 654	1 146 961
Acting Director Corporate Services (E Tamanie)	-	-	-	110 610	-	110 610
Acting Director Planning Services (M Legoete)	622 116	217 890	170 940	25 611	75 614	1 112 171
Acting Director Municipal Services (T Muswede)	-	-	-	58 641	-	58 641
Acting Municipal Manager (S Tyatya)	-	-	-	70 389	-	70 389
Subtotal	3 364 645	1 603 738	690 949	432 460	1 007 311	7 099 103
	3 364 645	**1 603 738**	**690 949**	**432 460**	**1 007 311**	**7 099 103**

Councillors

	2025	2024
Remuneration of councillors	32 051 278	31 230 036

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

43. Related parties (continued)

2025	Basic Salary	Pension and Medical Aid	Travel and Car allowance	Cellphone allowance	SDL	Total
Mayor	649 817	124 003	258 744	43 200	8 024	1 083 788
Speaker	499 720	119 341	210 295	43 200	6 520	879 076
Chief Whip	505 023	75 747	214 891	43 200	6 025	844 886
Mayoral Committee Members	4 926 775	884 924	1 971 224	432 000	65 415	8 280 338
Councillors	12 506 806	1 555 228	4 435 867	2 298 871	166 418	20 963 190
Subtotal	19 088 141	2 759 243	7 091 021	2 860 471	252 402	32 051 278
	19 088 141	**2 759 243**	**7 091 021**	**2 860 471**	**252 402**	**32 051 278**

2024	Basic Salary	Medical aid and Pension	Travel and Car Allowance	Cellphone allowance	Other	Total
Mayor	631 516	111 427	247 661	45 600	-	1 036 204
Speaker	480 967	113 344	198 127	45 600	-	838 038
Chief Whip	484 300	72 639	185 667	45 600	-	788 206
Mayoral Committee Member	5 231 455	792 792	2 232 533	500 490	-	8 757 270
Councillors	11 398 813	1 566 863	4 199 961	2 396 163	248 518	19 810 318
Subtotal	18 227 051	2 657 065	7 063 949	3 033 453	248 518	31 230 036
	18 227 051	**2 657 065**	**7 063 949**	**3 033 453**	**248 518**	**31 230 036**

Purchases from persons in service of state

	2025	2024
Purchases from persons in service of state	5 981 590	6 942 564

Name of person	Relationship	Name of related party	Supplier name	2025	2024
Mbatha LH	Spouse	Motlhomola Clifford Mbatha	Relebogile Village	157 274	9 300
Rossouw MWC	Business partner	Habib Quintin Alex	Joe's Tractor	35 921	29 875
Tshabadira LH	Business partner	Montshosi Moleko David	Montshosi Services	60 475	78 946
Maila BNP	Business partner	Morabe Windy Charlotte	Seshabo Building	-	30 565
Mhaule	Business partner	ZI BOEMO	Reconciliation Construction	233 826	98 229
Motlhabi MM	Business partner	Ntsowe Matshidiso	T-Ntsowe's Trading	28 000	26 700
Motlhabi MM	Business partner	Ntsowe Matshidiso	Willma trading	4 320	45 920
Thekisho	Business partner	LG Malefane	Lempiditse	752 080	1 064 472
Waters WV	Spouse	Waters JW	Coalition Trading 968	196 360	378 260
Moamogwa LM	Spouse	Moamogwa TF	Moamogwa Construction	46 280	579 423
Barens	Spouse	LN Barens	Roshan Projects	7 420	30 350
Sidada	Spouse	NM Sidada	Sidada Holdings	157 937	234 900
Mokotedi	Business Partner	PPR Mokotedi	Pabitso Holdings	142 018	107 337
Galeboe	Business Partner	JT Galeboe	JT Galeboe	43 450	44 500
Sekamogeng	Business Partner	LS Sekamogeng	LRT Projects and Maintenance	-	31 340

Figures in Rand				2025	2024

43. Related parties (continued)

Nyamane	Business Partner	A Nyamane	Unique Rose Guest House	-	18 360
Sefularo	Business Partner	LM Selufaro	Dikabo Tse dintle Trading and Projects	-	27 520
Mchunu	Business Partner	C Shadrach	Lithotech Pty Ltd	95 254	69 135
Ncube	Business Partner	CJ Roux	Renevision Public	3 215 158	2 910 159
Tshabalala	Business Partner	A Tshabalala	TPT Holdings	59 580	121 880
Mjuleka	Spouse	A Mjuleka	WACO Africa	746 237	679 393
Abrahams LT	Spouse	Christopher Abrahams	CSA Resources	-	326 000
Subtotal	0	-	-	5 981 590	6 942 564
		-	**-**	**5 981 590**	**6 942 564**

44. Unauthorised expenditure

	2025	2024
Opening balance	913 441 306	898 435 140
Add: Unauthorised expenditure - current	255 647 879	15 006 166
Closing balance	**1 169 089 185**	**913 441 306**

Unauthorised expenditure: Budget overspending – per municipal department:

	2025	2024
Office of the Executive Mayor	5 325 874	-
Office of the Speaker	-	-
Municipal Manager	-	-
Budget and Treasury office	109 811 914	-
Public Safety	6 568 328	9 075 941
Municipal manager	-	845 783
Corporate Services	-	2 065 851
Infrastructure	130 577 389	-
Department of Environmental Management	-	-
Sports Arts and Culture	-	-
Human Settlement and Planning	2 441 250	-
Economic Development	923 124	3 018 591
	255 647 879	**15 006 166**

45. Fruitless and wasteful expenditure

	2025	2024
Opening balance as previously reported	122 861 371	89 387 161
Add: Fruitless and wasteful expenditure identified - current	78 881 281	33 474 210
Closing balance	**201 742 652**	**122 861 371**

45. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

Company / Supplier	Interest	Penalties	Total
Eskom - Bulk Payments	69 306 904	-	69 306 904
Telkom Payments	3 615	-	3 615
DWA&F	9 560 001	-	9 560 001
	78 870 520	**-**	**78 870 520**

46. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	-	-
Current year subscription / fee	6 286 239	7 080 383
Amount paid - current year	(6 286 239)	(7 080 383)
	-	**-**

Audit fees

Opening balance	-	124 825
Current year subscription / fee	12 346 404	10 766 648
Amount paid - current year	(12 346 404)	(10 891 473)
	-	**-**

PAYE and UIF

Opening balance	7 977 437	7 073 651
Current year subscription / fee	67 508 149	96 585 498
Amount paid - current year	(68 244 755)	(95 681 712)
	7 240 831	**7 977 437**

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

Pension and Medical Aid Deductions

	2025	2024
Current year subscription / fee	116 620 939	164 050 905
Amount paid - current year	(116 620 939)	(164 050 905)
	-	-

Councillors' arrear consumer accounts

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

30 June 2025	Outstanding more than 90 days	Total
Fransman GML	15 944	15 944
Mokone MP	68 814	68 814
Mtshali P	2 774	2 774
Hatting C	1 761	1 761
Mogorosi TH	957	957
	90 250	**90 250**

30 June 2024	Outstanding more than 90 days	Total
Landsberg JC	17 396	17 396
Britz S	748	748
Fransman GML	12 631	12 631
Mokone MP	55 655	55 655
Mtshali P	2 437	2 437
Boikanyo MJBT & Kgobane GR	16 140	16 140
Mogorosi TH	854	854
	105 861	**105 861**

47. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	68 985	94 482 071	94 551 056
Receivables from exchange transactions	-	748 413	748 413
Consumer debtors	-	257 396 233	257 396 233
Cash and cash equivalents	-	126 489 084	126 489 084
	68 985	**479 115 801**	**479 184 786**

Financial liabilities

	At amortised cost	Total
Trade payables	1 113 428 522	1 113 428 522

Figures in Rand	2025	2024

47. Financial instruments disclosure (continued)

Retentions	40 787 119	40 787 119
Other creditors	317 007	317 007
Consumer deposits	32 129 920	32 129 920
	1 186 662 568	**1 186 662 568**

2024

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	62 956	86 367 065	86 430 021
Receivables from exchange transactions	-	810 618	810 618
Consumer debtors	-	215 567 350	215 567 350
Cash and cash equivalents	-	35 266 324	35 266 324
	62 956	**338 011 357**	**338 074 313**

Financial liabilities

	At amortised cost	Total
Trade Payables	682 560 507	682 560 507
Retentions	31 027 600	31 027 600
Other Creditors	307 547	307 547
Consumer deposits	29 668 400	29 668 400
	743 564 054	**743 564 054**

47. Financial instruments disclosure (continued)

Fair Value
The following methods and assumptions were used to estimate the fair value of each class of Financial Instrument for which it is practical to estimate such value:

Cash
The carrying amount approximates the fair value because of the short maturity of these instruments.

Loan Receivables/Payables
Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the fair value of these financial assets and liabilities closely approximates their carrying values.

Long-term Investments
The fair value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Trade and other receivables/payables
The fair value of trade and other payables is estimated at the present value of future cash flows.
The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

Other financial assets and liabilities
The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities
The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.
Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2 025, as a result of the short-term maturity of these assets and liabilities.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities
Below is an analyses of Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-
Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-
Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-
Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument’s valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.
Other financial assets are measured at fair value based on quoted market prices in active markets for identical instruments, these are therefore Level 1.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

48. Contingencies

Claims against the Municipality

Atang Events Catering	104 000	104 000
Capital Hotel and Apartments	-	455 512
DJ Nomgcoyiya	-	200 000
Fula Construction	7 391 011	7 391 011
Future Phambili	63 909 470	63 909 470
GJ Uys	78 481	78 481
IJ, Y Van Der Watt	328 300	328 300
IX Engineers (Pty) Ltd	757 074	757 074
Jona Smith	152 937	152 937
K Robertson	102 771	102 771
Lazer Communications	1 094 253	1 094 253
Nea Nel	99 500	99 500
Matonoka Holdings (Pty) Ltd	62 168 589	62 168 589
Morati Mataka Att.	152 500	152 500
Readira Refugee Services CC	-	3 289 330
TRR Sekgaile Events and Projects	106 700	106 700
T-Square Engineers	1 300 000	1 300 000
Wesley Wallace	375 341	375 341
Nalko Civil Construction	5 514 403	5 514 403
EK Construction	372 138	372 138
EK construction	6 634 658	6 634 658
JM Venter	6 200 000	6 200 000
Andreas Peens Arttoney and Property	20 000 000	-
Conrad K Kgosiemang	5 000 000	-
Tshepo and Tsepang Pilane	7 000 000	-
Laona Property and Engineering	25 861 705	-
	214 703 831	**160 786 968**

Atang Events & Catering Services
Summons to the value of R104 000 for services/products allegedly rendered to the municipality, specifically to the office of the Executive Mayor and Municipal Services. The estimated legal costs can not yet be confirmed.

1X Engineers
Alleged outstanding payment for R757 074 for services allegedly rendered by the Plaintiff to the erstwhile Ventersdorp Local Municipality in respect of services rendered in the 264330 Ventersdorp Bulk Supply project, during 2016.

Fula Constructions
Summons served on the Municipality for services allegedly rendered and costs allegedly incurred in respect of the FLISP housing project. The claim amounts to R7 391 011 and the estimated legal costs can not be confirmed.

48. Contingencies (continued)

Lazer communications

Lazer communications (Tender 13(93)/2013) - Claim amount against the Municipality of R1 094 253 and projected legal costs of R250 000. Council's plea was filed on 24 May 2022.

Future Phambili

FUTURE PHAMBILI // JB MARKS - Matter resulting from damages allegedly suffered by the Plaintiff, due to the alleged failure by the Municipality in ordering the monthly quantity of paraffin, as per the signed service level agreement. The plaintiff files its plea of R63 903 947 against the municipality's counter claim. Estimated further legal costs can not yet be confirmed.

IJ, Y Van Der Watt & 3 others

Matter results from defensive actions taken by certain employees to the value of R328 300, during their collection of waste at a complex. The Plaintiffs is suing for contumelia, medical expenses, pain and suffering and damages to the dustbin. The estimated legal costs can not yet be confirmed.

Lazer Communications

Lazer communications (Tender 13(93) /2013) - Claim amount against the Municipality of R1 094 253 and projected legal costs of R250 000. Council's plea was filed on 24 May 2022.

Andreas Peens Attorney and Property

This matter concerns a case brought by Andreas Peens regarding the JB Marks Municipality's non-compliance with a prohibition order issyed in relation to ongoing sewr spillages. The plaintiff is suing the Municipality for R20 000 000 in damages.

Ministry of Water and Sanitation

The Ministry of Water and Sanitation issued summons against the JB Marks Municipality for the payment of unpaid water bills by the Ventersdorp Municipality and the JB Marks Municipality respectively, resulting in a claim against the JB Marks Municipality. The prospects of the attorney's successfully defending the case are weak. The projected legal costs can not be confirmed.

Morati Mataka Attorneys

Morati Mataka ATT. vs JB Marks Municipality, summons issued against the municipality for the amount of R152 500 for alleged legal service rendered. Legal council estimation of legal costs and disbursements can not yet be confirmed.

Laona Property and Engineering (Pty) Ltd

Municipality received a noticed a notice of demand in respect of outstanding invoices of service provided in the roads sub-division, under the Technical services Directorate. The plaintiff is suing the municipality for a total of R25 861 705 for unpaid invoices.

TRR Sekgaile Events & Projects (Pty) Ltd

Summons to the value R106 700 for services/products allegedly rendered to the municipality, specifically to the office of the Executive Mayor and Municipal Services. The estimated legal costs are approximately R50 000.

T-Square Engineers

T-Square Engineers is claiming an amount of approximately R1 300 000 against Ventersdorp Municipality for design and construction management costs. The original tendered amount was approximately R590 000 which has been paid but the supplier claims that a variation order was agreed for the full amount of the claim. Estimated financial exposure should the plaintiff claims be successful. Estimated further legal costs amount of R450 000.

Jona Smith

Jona Smith has issued summons against the Municipality for R152 937 for reclaiming of amount for clearance figures paid by the plaintif as per an alleged agreement

Wesley Wallace

Summons have been sent to the Municipality for alleged pothole damages amounting to R375 340 plus interest. The estimated legal costs can not yet be confirmed.

48. Contingencies (continued)

GJ Uys
Uys instituted actions against the Municipality and Mrs.Dikgake to the value of R78 481,40, for inter alia, legal fees and contumelia as a result of malicious proceedings/false charges laid against Uys at the SAPS

SAMWU Pension Fund (Provident)
Application lodge by SAMWU, on behalf of 179 members employed by the Municipality, for payment of any amount not deducted correctly by the Municipality, during the time when there was a differentiation by SARS in how a pension fund and provident fund was treated. (This matter was previously handled by Makgetha Molemane Attorneys)

NTT Motors 38 4PTY (LTD) & Others
Application received by the office of the Acting Municipal Manager on 5 August 2022. The municipality is First Respondent in the matter.

The application resolves around a restrictive title deed condition / servitude, which was removed from the applicable title deed, but the "water pipe" relating to such title deed condition 1 servitude, is still on the applicable property and the applicant, now wants a court order against the Respondent to have the applicable "water pipe" removed within 30 days of a removed within 30 days of a court order and costs on attorney and client scale.

K Robertson
K. Robertson is suing the municipality for a R102 771 alleged pothole damage. The estimated legal costs cannot yet be confirmed.

Nea Nel
Nea Nel is suing the municipality for a R99 500 alleged pothole damage. The estimated legal costs cannot yet be confirmed.

Nalko Civil Engineering
Nalko Civil Engineering had summons issued against the Municipality & the District Municipality for R5 514 403 for services allegedly rendered in respect of the "Tlokwe Light industrial park project".

EK Construction
EK Construction had summons issued against the municipality for an amount of R372 138 for services allegedly rendered, but not paid.

EK Construction
EK Construction had summons issued summons against the municipality for breach of contract, by the municipality failing to provide details for the applicable coordinates and applicable authorisations, in terms of the appointment of the service provider for an amount of R6 634 658.

JM Venter
JM Venter had court application for default judgment against the municipality in the for damages allegedly suffered by consumer account holder (160000347-Ratzegaai Varkboerdery, for electricity services which was allegedly overcharged by the erstwhile Ventersdorp municipality, the North West 405 and the JB Marks Local Municipality, respectively, dated back to the 2007/2008 financial year, for an amount of R6 200 000.

Tariefdienste - Case No.M645/2023
Request for court order to compel the municipality to provide documentation in respect of 7 consumer municipal accounts and costs order against the municipality. The case amount is not quantified. This matter stems from case number M645/2023, The applicant has reinstated the application under a different case number, which is this matter

Tariefdienste - Case No. 1269/2024
Request for court order to compel the municipality to provide documentation from 2007/08 to 2023/24 financial years in respect of 7 consumer municipal accounts and costs order against the municipality. The applicant sent a request for access to prepaid electricity accounts and the respondent failed to submit it and the case is ongoing. The case amount is not quantified. This matter was set down in the Mahikeng High Court.

48. Contingencies (continued)

Tariefdienste - Case No. 1843/2024
Notice of motion-Alleged failure to respond to a dispute and to provide documentation in respect of the consumer accounts for Kotze Broers (Pty) Ltd (50003347 & 01000342). The case amount is not quantified. This matter was set down in the Mafikeng High Court.

Tariefdienste - Case No. 1841/2024
Request for court order to compel municipality to provide sorce documents used to determine monthly electricity consumption in respect of conventional meter readings for account holder HLS Koekemoer with municipal account number: 170000308 and others from 2007 to 2023 financial years. This matter was set down in the Mafikeng High Court

Conrad Kgosietsile Kgosiemang.
The municipality received summons from the plaintiff's attorney regarding a claim for patrimonial damages amounting to R5 000 000, due to prolonged pre-cautionary suspension.

Inquest Case Against The Municipality Sarafina Quarry
This matter came after two boys fellin one of the quarries in the jurisdiction of the JB Marks Muncipality. The Magistrate has since requested the municipality to close all the quarries in the jurisdiction of the Municipality. The amount to close the quarries was is not quantifiable, however the muncipality requested quotes from suppliers for R800 000.

Tshepo and Tshepang Pilane
Municipality received a notice of demend fro the the attorneys representing the two mionors in an inquest case. Applicant claims that the two deceased were electrocuted by live electrical cables on the 4th April 2022 as a result of negligence from the Municipality. The application is suing municipality for R7 000 000 as a compensation.

Figures in Rand	2025	2024

48. Contingencies (continued)

Contingent assets

Claims by the Municipality		
Readira Refugee Services	868 675	868 675
Grootpan Plase	300 000	-
L.Links/ J. Matonde/ C. Moabi/ MMatiane	2 669 358	2 669 358
	3 838 033	**3 538 033**

Readira Refuge Services CC
Readira Refuge Services CC instituted action against the Municipality for unpaid balance to a contract at the High Court. The Municipality's legal team served and filed a Plea on the merits and also filed a Counter Claim in the amount of R868 674. 72. We are now in a position to apply for default Judgement but the engineers indicated that they will charge us R2 000.00 an hour to assist us in preparing the affidavit for default judgement purposes.
Our third set of Bills of costs were taxed on 26 February 2020 in the amount of R73 908.83. the opposmg side appomted a new set of attorneys who filed a Notice of Appointment of Attorneys of Record. Opposing side paid the taxed costs. opposing side withdrew as attorneys of record. High Court granted default Judgement against Readira Refuge Services CC on 2S August 2021 in the amount of R868 674.72. we are proceeding with a warrant The opposing side converted itself to a private company, appomted new attorneys. The opposmg side brought an application for recission of judgement We are opposing same. Opposing side's latest set of attorneys have withdrawn in the meantime. We applied for a court date to set the matter Down to argue with the rescission application and awaiting the allocation thereof by the Registrar.

L. Links/J. Motonde/ C Moabi/ M Matiyane
Fruitless, Irregular and unauthorised expenditure to be recuperated from four Councillors total claim to be recouped by the municipality amount of R2 669 358 should the matter be successful. Estimated further legal costs of R2 950 000.

Grootpan Plase (Pty) Ltd
High Court application against the Municipality for alledged failure to issue license disks to delivery trucks. The Municipality has since obtined an order against Grootplan Plase wherein the latter was ordered to pay security for costs in the total of R300 000 and to date it has not been paid.

49. Prior period errors

Property, plant and equipment were depreciated at the tax rates. The useful lives and residual values were not appropriately considered. (Give the nature of the error.)

VAT Receivable
During the year under review it was noted that journals were incorrectly passed to record interdepartmental accounts and that resulted in overstatement of VAT receivables by R4 533 865
During the year under review, it was noted that the municipality incorrectly levied sewerage to residents of Tshing while there was no sewerage services rendered to them. This resulted in understatement of VAT Receivable by R722 993,31
During the year under review, it was noted that some invoices for 23/24 and 22/23 financial year end were not recorded and others were wrongly corrected. This resulted understatement of VAT receivable by R1 344 844.69

49. Prior-year adjustments (continued)

Payables From Exchange Transactions
During the year under review, it was noted that some invoices for 23/24 and 22/23 financial year end were not recorded and others were wrongly corrected. This resulted understatement of payables from exchange transactions by R8 946 672.
It was also noted that an account with an amount of R42 851 was incorrectly classified as payables from exchange transactions instead of Consumer debtors resulting in understatement of payables from exchange transactions by the same amount.

Rental and lease expenditure by R704 188, General expenses by R5 288 730, Contracted services by R2 611 199. Repairs and Maintenance was overstated by R8 893 874 and , VAT recceivables by R1 575 038.52, Property Plant and Equipment by R321 551 and The contracted services was overstated by R170 916 and the Accumulated surplus was overstated by R1 130 674.

Consumer debtors
During the year under review it was noted that journals were incorrectly passed to record interdepartmental accounts and that resulted in understatement of consumer debtors by R34 955 805.
During the year under review, it was noted that the municipality incorrectly levied sewerage to residents of Tshing while there was no sewerage services rendered to them. This resulted in overstatement of consumer debtors by R5 542 974.82
During the prior year audit, it was noted that some votes for consumer debtors transaction were incorrectly classified as receivables from exchange transactions while some were incorrectly classified as consumer deposits. This resulted in overstatement of receivables from exchange transactions by R6 662 and overstatement of consumer deposits by R513 075 and understatement consumer debtors by R506 413.

Accumulated surplus
During the year under review it was noted that journals were incorrectly passed to record interdepartmental accounts and that resulted in understatement of Accumulated surplus by R30 421 940,16
During the year under review, it was noted that the municipality incorrectly levied sewerage to residents of Tshing while there was no sewerage services rendered to them and that resulted in overstatement of Accumulated surplus by R3 087 859,3
During the year under review it was noted that RBIG grant receivable to the amount of R2 419 686 were supposed to be written off in the prior year resulting in overstatement of accumulated surplus by R2 419 686.
It was also noted that the municipality incorrectly levied sewerage to residents of Tshing while there was no sewerage services rendered. it resulted in overstatement of accumulated surplus by R4 189 769
During the year under review, it was noted that fuel paid for but not yet delivered was recorded as expenses instead of prepayment. The error resulted in understatement of Accumulated syrplus by R810 348.33

Consumer deposits
During the prior year audit, it was noted that some votes for consumer debtors transaction were incorrectly classified as receivables from exchange transactions while some were incorrectly classified as consumer deposits. This resulted in overstatement of receivables from exchange transactions by R6 662 and overstatement of consumer deposits by R513 075 and understatement consumer debtors by R506 413.

Receivables from non exchange transactions
During the year under review it was noted that RBIG grant receivable to the amount of R2 419 686 were supposed to be written off in the prior year resulting in overstatement of RBIG grant receivable by R2 419 686 and understatement of debt impairment by the same amount

Receivables from Exchange Transactions
During the year under review, it was noted that fuel paid for but not yet delivered was recorded as expenses instead of prepayment. The error resulted in overstatement of general expenses by R810 348.33 and understatement of receivables from exchange transactions by the same amount
It was also noted that some of the accounts to the amount of R1 842 750 was incorrectly classified as Receivables from exchange instead of consumer debtors resulting in overstatement of Receivables from exchange transactions by the same amount

Retentions
During the year under review, it was noted that some retentions were misclassified as trade payables resulting in overstatement of trade payables by R3 706 424,88 and an understatement of retentions by the same amount

Service Charges
During the year under review it was noted that journals were incorrectly passed to record interdepartmental accounts and that resulted in understatement of service charges by R30 225 765

49. Prior-year adjustments (continued)

During the year under review, it was noted that the municipality incorrectly levied sewerage to residents of Tshing while there was no sewerage services rendered to them and that resulted in overstatement of Service charges by R3 087 859,3

Interest on service charges debtors
During the year under review it was noted that journals were incorrectly passed to record interdepartmental accounts and that resulted in understatement of interest charged on trade and other receivables by R225 891

Interest on property rates
During the year under review it was noted that journals were incorrectly passed to record interdepartmental accounts and that resulted in overstatement of Interest charged on property rates debtors R29 716

Other income
During the year under review it was noted that Royalty income, rental income agency services, licences and permits and miscellaneous and other revenue were presented seperately on the face of the income statement even though they all meet the definition of other income. This resulted in recassification of all these into one other income. This resulted in increase of other income by R32 471 385 and a decrease in Royalty income by R643 793, Rental income by R3 976 978, Agency services R9 997 998, Licences and permits by R5 771 286 and Miscellaneous and other revenue by R 12 081 329

Contingent liabilities
The case for Capital Hotel and Apartments was removed as it was erroneously included in the AFS disclosure note for 2024 financial year. This case does not appear on the register and could not be confirmed by attorneys. This led an overstatement of contigent liabilities by R455 512.00

Employee salaries
During the year under review, it was noted that Wages paid to EPWP staff were accounted for as general expenses instead of employee related costs. The error resulted in overstatement of general expenses by R13 535 270.93 and understatement of employee related costs by the same amount .
Some travel and subsistence allowances paid to employees was accounted for as general expenses instead of employee related costs. This resulted in overstatement of expenditure by R55 291,78 and understatement of employee related costs by the same amount

Debt impairment
During the year under review it was noted that RBIG grant receivable to the amount of R2 419 686 were supposed to be written off in the prior year resulting in understatement of debt impairment by R2 419 686.
It was also noted that the municipality incorrectly levied sewerage to residents of Tshing while there was no sewerage services rendered. it resulted in understatement of R4 189 769.

Receivables from exchange transactions
During the year under review, it was noted that sundry debtors were included in the receivables from exchange transactions rather than being classified as other debtors in consumer debtors. The reclassification resulted in decrease in receivables from exchange transactions by R1 843 020 and an increase in consumer debtors (other debtors) by the same amount

Property Plant and Equipment
During the 2024/25 financial year, it was noted that there were 3 errors for the Non-current Assets Reporting and AFS Disclosures for 2024.

The AFS 2024 PPE note was not correctly balanced as it had R2,540,753 as an undefined difference. This is merely an accounting/reporting difference caused by incorrect caseware mappings. This error has been correct in the current year as follows.

* - R2,747,813 for Other PPE: This was an amount that should have formed part of the opening balance of 2023/2024. Thus the R2,474,813 has been correctly mapped to opening balance of Other PPE.

* +R1,655,394 for Community: This was an amount that should have formed part of the opening balance of 2023/2024. Thus the R1,655,394 has been correctly mapped to opening balance of Community.

* +R3,633,171 for Infrastructure: R1,027,147 of this amount should have formed part of the opening balance of 2023/2024. Thus it has been corrected as such. The closing balance was also incorrectly mapped and overstated by R1,921,482 on caseware. This has been corrected accordinglly. R250,946 was for a missallocation of the Construction of Gamogopa Village Pump House, fancing and borehole. R433,695 of that is still being investigated and is currently disclosed as under Other

49. Prior-year adjustments (continued)
Movements

Related Parties
This omission for R5 437 575,01 was due to suppliers that were identified by auditors through CAATs as false declarations. The municipality relies on CSD and MBD4 forms, does not have a system and capacity to identify false declarations from suppliers.

Cashflow statement
During the year under review, it was noted that the movement in trade creditors for capital transactions and retentions were classified as cashflow from operating activities instead of cashflow from investing activities. This resulted in a classification error of R17 488 615.00 on both cashflow from operating activities and investing activities

Finance cost
During the year under review, it was noted that landfill adjustments to the amount of R5 468 756 was incorrectly classified as finance cost resulting in understatement of finance cost and understatement of landfill adjustment.

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50. 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

2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Payables from exchange transactions		(572 928 821)	7 660	-	(572 921 161)
Property Plant and Equipment		3 386 717 398	5 847 435	-	3 392 564 833
Consumer debtors		303 748 230	(501 249)	1 245 816	304 492 797
VAT Receivable		19 034 243	(747 678)	-	18 286 565
Receivables from exchange transactions		1 400 578	1 245 816	(1 245 816)	1 400 578
Receivables from non exchange transactions		13 937 500	1 257 150	-	15 194 650
Accumulate surplus		(3 206 684 315)	(7 109 134)	-	(3 213 793 449)
		(54 775 187)	**-**	**-**	**(54 775 187)**

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
VAT receivable		71 736 926	(2 466 025)	-	69 270 901
Consumer deposits		(30 181 475)	-	513 075	(29 668 400)
Consumer Debtors		324 147 166	30 618 455	1 286 824	356 052 445
Receivables from exchange transactions		4 829 686	810 348	(1 842 750)	3 797 284
Receivables from non exchange		11 428 865	(2 419 686)	-	9 009 179
Property Plant and Equipment		3 368 534 222	(2 788 902)	-	3 365 745 320
Payables from exchange transactions		(892 351 230)	(8 946 672)	42 851	(901 255 051)
Accumulated surplus		(2 907 814 436)	(14 807 518)	-	(2 922 621 954)
		(49 670 276)	**-**	**-**	**(49 670 276)**

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges		1 039 398 489	27 137 906	-	1 066 536 395
Rental of facilities and equipment		3 976 978	-	(3 976 978)	-
Interest charged on trade receivables		82 151 094	225 891	-	82 376 985
Royalty Income		643 793	-	(643 793)	-
Agency fees		9 997 998	-	(9 997 998)	-
Interest on property rates		23 249 707	(29 716)	-	23 219 991
Licences and permits		5 771 286	-	(5 771 286)	-
Other income		-	-	32 471 384	32 471 384
Miscellaneous other revenue		12 081 329	-	(12 081 329)	-
Finance cost		(50 035 032)	-	(5 468 756)	(55 503 788)
Rental and lease expenditure		(2 578 927)	(704 188)	-	(3 283 115)
Landfill adjustment		-	-	5 468 756	5 468 756
Contracted services		(180 668 816)	(2 611 199)	-	(183 280 015)
Employee costs		(561 719 333)	(12 951 860)	(321 288)	(574 992 481)
Repairs and maintenance		(103 514 446)	8 893 874	-	(94 620 572)
General expenditure		(168 346 600)	(5 610 017)	321 288	(173 635 329)
Debt impairment		(136 143 280)	(6 609 455)	-	(142 752 735)
Net change in Deficit		**(25 735 760)**	**7 741 236**	**-**	**(17 994 524)**

50. Prior-year adjustments (continued)

Cash flow statement

2024

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Sale of goods and services		1 284 264 824	3 449 124	1 287 713 948
Interest income		31 351 961	(360 943)	30 991 018
Employee Cost		(627 671 768)	(10 336 723)	(638 008 491)
Suppliers		(1 040 838 334)	25 659 151	(1 015 179 183)
		(352 893 317)	**18 410 609**	**(334 482 708)**
Cash flow from investing activities				
Purchase of property, plant and equipment		(172 661 531)	(17 897 535)	(190 559 066)
Cash flow from financing activities				
Consumer deposits		1 331 449	(513 075)	818 374

51. Comparative figures

Certain comparative figures have been restated and reclassified.

52. Risk management

Financial risk management

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

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality’s audit committee, an independent body that monitors the effectiveness of the internal audit function.]

Liquidity and Concentration risk

52. Risk management (continued)

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

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The municipality realizes that liquidity risk is also linked to concentration risk which is defined as the probability of high cash outflows arising from concentration of debt obligations payable around the period.

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

At 30 June 2025	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
• Payables from exchange transactions	1 113 428 522	-	-	-
• Consumer deposits	32 129 290	-	-	-

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
• Payables from exchange transactions	682 560 507	-	-	-
• Consumer deposits	29 668 400	-	-	-

Notes to the Annual Financial Statements

52. Risk management (continued)

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Municipality.
Credit risk arises from:
Trade and other receivables from exchange transactions
Receivables from non-exchange transactions
Consumer debtors
Cash and cash equivalents
Investments.

Figures in Rand	2025	2024

52. Risk management (continued)

The Municipality manages credit risk as follows:
Receivables and debtors are managed under an approved Credit Control and Debt Collection Policy.
Deposits and investments are placed only with reputable financial institutions registered under the Banks Act.
Management assesses receivables for impairment at each reporting date in accordance with GRAP 104.

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

Investments/Bank, Cash and Cash Equivalents
The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank and First National Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables
Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:
- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount,
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of 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 in terms of the Credit Control and Debt Collection Policy.

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. 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.

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

Financial instrument	2025	2024
Other financial assets	94 551 056	86 430 021
Cash and cash equivalents	126 495 693	35 266 324
Consumer Debtors	257 396 233	215 567 350
Receivables from exchange transactions	748 413	810 618

52. Risk management (continued)

Market risk

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument may fluctuate because of changes in market interest rates. The Municipality’s exposure to the risk of changes in market rates relates primarily to the municipality’s investments with floating interest rates.

Maturity analysis of investments

Financial instrument		Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Short term deposits	- %	61 181 181	-	-	-	-

Price risk

The municipality is not exposed to equity securities price risk because of investments held by the municipality and not classified on the consolidated statement of financial position either as available-for-sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk..

53. Going concern

We draw attention to the fact that as at 30 June 2025, the municipality had an accumulated surplus (deficit) of R 2 797 034 004 and R2 922 664 806 as at end of prior year meaning that the municipality's total assets exceeds its liabilities by R2 797 034 004 and R2 922 664 806 for current year and prior year respectively. The municipality reported an operating income (deficit) of R(149 868 450), net income (deficit) of R(125 630 804) in the current financial year and operating income (defict) of R(285 839 421), net income (defict) of R(291 128 645) in the prior year. The municipality's net current assets (liabilities) is R(669 201 222) as at the reporting date and R(966 844 627) as at prior year reporting date. However the Municipality eneterd in an arrangement agreement with Eskom where the Municipality will pay the outstanding balance as at 30 June 2025 over a period of 4 years. This means that on the oustanding balance to Eskom of R634 237 936, only R245 000 000 is payable within 12 months from the year end date and the remaining balance is payable from 2 to 4 years after year end date thereby improving the net current position of the Municipality.

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

The municipality is experiencing cashflow challenges as a result of low debtors collection rate which has an impact on the municipality's ability to pay creditors timeously. This will not result in any material uncertainty for the municipality to continue as going concern since the municipality also relies on grants from national government in order to fund its operations. The municipality is a service delivery vehicle of government and there has not been any indication from National Government to discontinue the operation of the municipality. The medium term revenue and expenditure framework has made allocations to the municipality . The accounting officer will continue to procure funding for the ongoing operations of the municipality.

Figures in Rand	2025	2024

54. Irregular expenditure

Opening balance as previously reported	3 924 556 288	3 458 403 513
Add: Irregular expenditure - current	192 852 966	374 233 232
Add: Irregular expenditure - prior period	34 582 594	91 919 543
Closing balance	**4 151 991 848**	**3 924 556 288**

Opening balance as previously reported	3 924 556 288	3 458 403 513
Add: Irregular Expenditure - Prior year	36 282 912	91 919 543
Opening balance as restated	**3 960 839 200**	**3 550 323 056**
Add: Irregular Expenditure - current year	210 378 375	374 233 233
Closing balance	**4 171 217 575**	**3 924 556 289**

Irregular expenditure is presented exclusive of VAT

Details of irregular expendiure

Competitive bidding processes were not followed	165 196 174	189 689 239
Non declaration of interest and prohibited suppliers	8 633 748	716 523
Three quotations not attached	14 941 566	-
Expired contract	-	38 994 529
Non Tax compliant	432 052	4 772 485
SCM procurement processes not followed	3 931 229	45 219 184
Regulation 32 appointment non compliances	-	2 569 736
Deviations in Contravention with Regulation 36	4 844 645	45 059 456
Other SCM contraventions	12 398 961	23 287 144
Non submission of Municipal rates and other mandatory bid documents	-	23 924 937
	210 378 375	**374 233 233**

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

55. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of four major funcional areas: Trading Services, Governance and Admnistration, Community and Public Safety, Economic and environmental Services. Segments were aggregated for reporting purposes.

The segments were organised based on the type and nature of service delivered by the Municipality.These services are delivered in various municipal departments, which for reporting purposes are allocated to a standarised functional area (guided by mSCOA regulations). Budgets are prepared for each functional area. 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.

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Types of goods and/or services by segment

The Municipality operates in the North West Province. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout North West were sufficiently similar to warrant aggregation. The Municipality has several departments/functional areas and accordingly the segments were aggregated for reporting purposes as set out below:

Reportable segment	**Goods and/or services**
Trading Services	Improves access to basic service delivery and ensure proper operation and maintanance.
Governance and Administration	Oversee administration, coordinate the executive work of council, public participation and transversal programmes. Establishment and function of ward committees, councillor support, adherence to the code of conduct and facilitate public participation. To promote good governance, compliance, accountability and promote collaborative solutions. Improve overall financial management and viability. Improve organizational stability and good governance.
Community and Public Safety	Traffic management services, vehicle registration and testing services, security service, provide social the protection of life and property against fire or threatening dangers. Coordination of library and information services and mass participation or sporting and culture related programmes.
Economic and Environmental Services	To promote environmental services and compliance. Local economic development and facilitate job creation. Planning, structuring and co-ordinating housing services.

55. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Trading Services	Governance and Administration	Community and Public Safety	Economic and Environmental Services	Total
Revenue					
	-	-	-	-	-
Revenue from exchange transactions	-	-	-	-	-
Service charges	1 307 941 106	-	-	-	1 307 941 106
Interest charged on trade and other receivables	87 069 895	194 905	-	41 365	87 306 165
Other income	7 786 411	932 347	19 819 294	3 609 980	32 148 032
Interest received - Investments	-	18 566 056	-	-	18 566 056
Dividends received	-	3 966	-	-	3 966
	-	-	-	-	-
Revenue from non-exchange transactions	-	-	-	-	-
	-	-	-	-	-
Taxation revenue	-	-	-	-	-
Property rates	-	306 025 538	-	-	306 025 538
Interest charged on property rates	-	26 205 240	-	-	26 205 240
	-	-	-	-	-
Transfer revenue	-	-	-	-	-
Government grants and subsidies	155 987 277	415 515 952	-	84 667 000	656 170 229
Public contributions and donations	-	-	296 369	-	296 369
Fines, penalties and forefeits	-	-	2 083 386	-	2 083 386
	-	-	-	-	-
Total segment revenue	**1 558 784 689**	**767 444 004**	**22 199 049**	**88 318 345**	**2 436 746 087**
Entity's revenue					**2 436 746 087**

Notes to the Annual Financial Statements

Figures in Rand

55. Segment information (continued)

	Trading Services	Governance and Administration	Community and Public Safety	Economic and Environmental Services	Total
Expenditure					
Employee related costs	131 410 773	150 772 923	228 133 512	84 923 929	595 241 137
Remuneration of councillors	-	32 074 012	-	-	32 074 012
Depreciation and amortisation	148 049 410	11 361 299	19 798 774	2 052 964	181 262 447
Finance costs	78 866 843	23 514 663	-	-	102 381 506
Rental and lease expenditure	3 227 388	3 096 531	2 187	855 086	7 181 192
Debt impairment	106 150 189	110 823 210	3 442 795	-	220 416 194
Bulk purchases	1 018 830 946	-	-	-	1 018 830 946
Contracted services	25 628 817	56 938 357	97 385 283	318 597	180 271 054
Repairs and maintenance	63 414 847	6 225 052	8 989 726	9 426 304	88 055 929
General expenses	14 939 908	118 319 966	16 204 022	11 436 222	160 900 118
Total segment expenditure	**1 590 519 121**	**513 126 013**	**373 956 299**	**109 013 102**	**2 586 614 535**
Total segmental surplus/(deficit)	**(31 734 432)**	**254 317 991**	**(351 757 250)**	**(20 694 757)**	**(149 868 448)**
Loss on disposal of assets and liabilities	(742 917)	(27 721)	(221 490)	(775)	(992 902)
Fair value adjustments	-	6 030	-	-	6 030
Acturial gains - losses	-	9 620 115	-	-	9 620 115
Impairment loss	(249 175)	(62 920)	(45 504)	(67)	(357 666)
Inventories losses - write-downs	-	(687 005)	-	-	(687 005)
Landfillsite interest	-	-	-	16 649 074	16 649 074
Total segment surplus/(deficit)	(32 726 524)	263 166 488	(352 024 244)	(4 046 523)	(125 630 801)
Assets					
Current Assets	-	743 379 407	38 298	-	743 417 705
Non-Current Assets	170 585 590	2 953 461 915	-	570 702 311	3 694 749 816
Total segment assets	**170 585 590**	**3 696 841 322**	**38 298**	**570 702 311**	**4 438 167 521**
Total assets as per Statement of financial Position					**4 438 167 521**

Notes to the Annual Financial Statements

Figures in Rand

55. Segment information (continued)

	Trading Services	Governance and Administration	Community and Public Safety	Economic and Environmental Services	Total
Liabilities					
Current Liabilities	38 395 693	498 435 865	870 319 621	5 467 744	1 412 618 923
Non-Current Liabilities	-	169 061 028	-	59 453 564	228 514 592
Total segment liabilities	**38 395 693**	**667 496 893**	**870 319 621**	**64 921 308**	**1 641 133 515**
Total liabilities as per Statement of financial Position					**1 641 133 515**
Additions to PPE	189 179 679	276 286	296 369	37 552 725	227 305 059

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

Notes to the Annual Financial Statements

Figures in Rand

55. Segment information (continued)

2024

	Trading Services	Governance and Administration	Community and Public Safety	Economic and Environmental Services	Total
Revenue					
Revenue from exchange transactions	-	-	-	-	-
Service charges	1 066 536 395	-	-	-	1 066 536 395
Interest charged on trade and other receivables	82 159 591	210 656	-	6 738	82 376 985
Other income	3 478 570	4 016 688	20 818 441	4 157 686	32 471 385
Interest received - Investments	-	13 925 924	-	-	13 925 924
Dividends received	-	3 565	-	-	3 565
	-	-	-	-	-
Revenue from non-exchange transactions	-	-	-	-	-
	-	-	-	-	-
Taxation revenue	-	-	-	-	-
Property rates	-	257 168 231	-	-	257 168 231
Interest charged on property rates	-	23 219 991	-	-	23 219 991
	-	-	-	-	-
Transfer revenue	-	-	-	-	-
Government grants and subsidies	73 859 451	387 020 061	1 550 755	76 951 001	539 381 268
Public contributions and donations	-	-	925 044	-	925 044
Fines, penalties and forefeits	-	-	7 412 094	-	7 412 094
Total segment revenue	**1 226 034 007**	**685 565 116**	**30 706 334**	**81 115 425**	**2 023 420 882**
Entity's revenue					**2 023 420 882**

Notes to the Annual Financial Statements

Figures in Rand

55. Segment information (continued)

	Trading Services	Governance and Administration	Community and Public Safety	Economic and Environmental Services	Total
Expenditure					
Employee related costs	131 299 765	129 785 471	227 248 227	86 659 019	574 992 482
Remuneration of councillors	-	31 230 035	-	-	31 230 035
Depreciation and amortisation	151 869 526	16 584 958	20 735 021	1 619 328	190 808 833
Finance costs	-	55 503 788	-	-	55 503 788
Rental and lease expenditure	70 315	2 348 406	527 193	337 200	3 283 114
Debt impairment	-	142 752 735	-	-	142 752 735
Bulk purchases	859 153 396	-	-	-	859 153 396
Contracted services	31 523 774	59 958 981	91 797 262	-	183 280 017
Repairs and maintenance	60 909 464	2 103 317	12 933 662	18 674 128	94 620 571
General expenses	26 508 879	125 512 867	12 132 189	9 481 393	173 635 328
Total segment expenditure	**1 261 335 119**	**565 780 558**	**365 373 554**	**116 771 068**	**2 309 260 299**
Total segmental surplus/(deficit)	**(35 301 112)**	**119 784 558**	**(334 667 220)**	**(35 655 643)**	**(285 839 417)**
Loss on disposal of assets and liabilities	-	-	-	-	-
Fair value adjustments	-	17 559	-	-	17 559
Acturial gains - losses	-	(9 544 183)	-	-	(9 544 183)
Impairment loss	(832 079)	-	(128 840)	-	(960 919)
Inventories losses - write-downs	-	(270 437)	-	-	(270 437)
Landfill site interest	-	-	-	5 468 756	5 468 756
Total segmental surplus/(deficit)	(36 133 191)	109 987 497	(334 796 060)	(30 186 887)	291 128 643
Assets					
Current Assets	-	484 434 635	-	1 547 056	485 981 691
Non-Current Assets	-	3 059 630 456	-	570 854 688	3 630 485 144
Total segment assets	**-**	**3 544 065 091**	**-**	**572 401 744**	**4 116 466 835**
Total assets as per Statement of financial Position					**4 116 466 835**

Notes to the Annual Financial Statements

Figures in Rand

55. Segment information (continued)

	Trading Services	Governance and Administration	Community and Public Safety	Economic and Environmental Services	Total
Liabilities					
Current Liabilities	29 668 963	212 414 083	703 516 948	3 601 785	949 201 779
Non-Current Liabilities	-	170 056 938	-	74 543 310	244 600 248
Total segment liabilities	**29 668 963**	**382 471 021**	**703 516 948**	**78 145 095**	**1 193 802 027**
Total liabilities as per Statement of financial Position					**1 375 467 152**
Additions to PPE	147 615 168	2 346 116	11 631 886	20 071 955	181 665 125

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

Information about geographical areas

The municipality’s operations are in the North West Province.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

56. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	161 914 700	348 708 138

This committed expenditure relates to various capital projects and will be financed by available bank facilities, retained surpluses, mortgage facilities, existing cash resources, funds internally generated and grant income received.

57. Other income

Land sales	190 664	643 793
Rental income	3 689 436	4 007 734
Agency fees	10 291 111	9 997 998
Licenses and Permits	5 240 622	5 976 032
Sundry income	1 419 904	3 741 394
Clearance certificates	531 391	507 454
Connections and re-connections fees	7 795 414	3 362 268
Funeral and other burial services	1 167 500	1 609 450
Building and sewerage plans	788 986	1 467 299
Advertising and Marketing fees	1 033 003	1 157 963
	32 148 031	**32 471 385**

58. Deviation from supply chain management regulations

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

Supplier	Reasons	Amount
SBC Logistics	An exceptional case where it is impractical or impossible to follow the official procurement process	346 100
Ntsibandos Trading	Emergencies and Urgent Procurements	550 627
Automotor Traffic Signal	Emergencies and Urgent Procurements	362 135
GSG Projects and Trading	Emergencies and Urgent Procurements	95 588
Waco Africa	Emergencies and Urgent Procurements	692 453
Sani -Tech (Pty) Ltd	Emergencies and Urgent Procurements	9 632
NCP Chlorchem	Sole Supplier	310 376
Elegant Line Trading 785	Emergencies and Urgent Procurements	208 472
Lekgobo Trading Enterprise	Emergencies and Urgent Procurements	1 120 800
Benevision	Sole Supplier	469 568
Boiphelo Environmental Consultancy and Projects Management	Emergencies and Urgent Procurements	397 369
Premium and Towers	Emergencies and Urgent Procurements	156 041
Khano Afrika	Emergencies and Urgent Procurements	166 566
Aganang Community Radio Station	Sole Supplier	28 000
Be Seen Media	An exceptional case where it is impractical or impossible to follow the official procurement process	579 402
Berzack Brothers	Sole Supplier	29 998
Electricivil Trading	Emergencies and Urgent Procurements	143 211
Actom Pty Ltd	Sole Supplier	4 777 158
Lempiditse	Emergencies and Urgent Procurements	550 200
4444 B Banda	Emergencies and Urgent Procurements	365 800
Dikwankwetla 213	Emergencies and Urgent Procurements	2 149 730
Bhejula Electrical And Construction	Emergencies and Urgent Procurements	1 582 806
Five G Electrical and Engineering	Emergencies and Urgent Procurements	148 539
Vescotech	Emergencies and Urgent Procurements	431 250
Sitamela Sive Trading	Emergencies and Urgent Procurements	617 504
Anatech Instruments	Sole Supplier	322 726
Rhuone Projects and Plant Hire	Emergencies and Urgent Procurements	615 501
Motsewarona Construction and Maintenance	Emergencies and Urgent Procurements	1 184 438
Aqualytic	Sole Supplier	314 692
VME Group	An exceptional case where it is impractical or impossible to follow the official procurement process	101 667
Zinzaco 203	An exceptional case where it is impractical or impossible to follow the official procurement process	402 952
Windeed Systems	Sole Supplier	83 531
Westvaal Motor Holdings	An exceptional case where it is impractical or impossible to follow the official procurement process	31 749
Microsep	Sole supplier	50 091
Idexx Laboratories	Sole Supplier	388 905
Buweni Holdings	Emergencies and Urgent Procurements	197 420
Nimro Anr	An exceptional case where it is impractical or impossible to follow the official procurement process	291 066
Coverseal SA	Sole Supplier	3 737
Lightstone	Sole Supplier	25 875
Labelton	Sole Supplier	2 149
LMRG	Sole Supplier	34 134

58. Deviation from supply chain management regulations (continued)

Big 2 Civils	An exceptional case where it is impractical or impossible to follow the official procurement process	53 561
Hydraulic Repairs and Field Services	An exceptional case where it is impractical or impossible to follow the official procurement process	195 816
Bokamoso Geomatics	Emergencies and Urgent Procurements	113 396
Labotec	Sole Supplier	79 378
Sandown Motor Holdings	An exceptional case where it is impractical or impossible to follow the official procurement process	178 020
Tosas	Emergencies and Urgent Procurements	239 258
SABS Commercial	Sole Supplier	49 440
NTT Nissan Potchefstroom	Sole Supplier	3 853
Super Patch Manufacturing	Emergencies and Urgent Procurements	363 975
Bell Equipment Sales South Africa	An exceptional case where it is impractical or impossible to follow the official procurement process	3 063 524
Berts Bricks	Sole Supplier	828 606
Isigidi Trading 270CC	Sole Supplier	159 883
CSX Customer Services	Sole Supplier	21 534
Belrex Innovations	Sole Supplier	114 540
Bluetek Computers	An exceptional case where it is impractical or impossible to follow the official procurement process	9 608
ChisikTrading 57	Emergencies and Urgent Procurements	8 816
Osegofaditswe Trading Enterprise	Emergencies and Urgent Procurements	81 300
Asakhe Adendorf Machinery Mart	Sole Supplier	204 750
Klerksdorp Head Centre	An exceptional case where it is impractical or impossible to follow the official procurement process	8 345
Mayfair Gearbox	An exceptional case where it is impractical or impossible to follow the official procurement process	32 695
Ages Alpha	Emergencies and Urgent Procurements	8 000
Cyberpro	An exceptional case where it is impractical or impossible to follow the official procurement process	490 136
Technicrete ISG	Sole Supplier	41 003
Workshop Electronics	Sole Supplier	81 333
		26 770 728

Description	Reason	Amount
Deviation as per section 36(1)(ii) of the SCM regulations	Sole supplier	8 425 258
Deviation as per section 36(1)(i) of the SCM regulations	Emergency and urgent procurement	12 560 827
Deviation as per section 36(1)(v) of the SCM regulations	Exceptional case where it is impractical or impossible to follow procurement process	5 784 640
		26 770 725

Per vote	Amount
Office of the Mayor	118 393

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

58. Deviation from supply chain management regulations (continued)

Municipal Manager	1 778 098
Budget and Treasury Office	1 742 342
Infrastructure	16 667 107
Community Safety	81 333
Corporate Services	1 287 713
Community Services	5 095 739
	26 770 725