METSIMAHOLO LOCAL MUNICIPALITY
(Registration number FS 204 - Local Municipality)
Audited Annual Financial Statements
for the year ended 30 June 2025

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)
Audited Annual Financial Statements for the year ended 30 June 2025

General Information

Legal form of entity	FS 204 - Local Municipality
Nature of business and principal activities	The main business operations of the municipality is to engage in local governance activities, including planning and promoting integrated development planning, land, economic and environmental development.
The following is included in the scope of operation	Waste Management Services (the collection, disposal and purifying of waste, refuse and sewerage). Electricity Services (electricity is bought in bulk from Eskom and distributed to the consumers by the municipality); Water Services (supplying water to the public); and Rates and general services (all types of services rendered by the municipality, excluding the housing supply to the community, however including the rental of units owned by the municipality to the public and staff).
Executive Mayor	Cllr Malindi MJ
Councillors	Cllr Maseko ME Cllr Motloung TM Cllr Van Der Merwe FJ Cllr Barnard JJ Cllr Mahlaela PM Cllr Du Toit T Cllr Meyer R Cllr Van Heerden LJ Cllr Mbana MT Cllr Mozolo MB Cllr Mokwai MS Cllr Mampana JT Cllr Day L Cllr Thulo TD Cllr Makhema JM Cllr Motsapi MS Cllr Mbikolo DK Cllr Chalala LJ Cllr Pienar M Cllr Rankoe KT Cllr Geyser EJ Cllr Sehaole TG Cllr Mthetho L Cllr Mqwanthi ME Cllr Rani DV Cllr Soetsang TL Cllr Radebe MJ Cllr Leotleng MG Cllr Nkheloane MM Cllr Malawa JM

General Information

	Cllr Mtshali NM Cllr Kumalo AM Cllr Zwane ZJ Cllr Nhlapo LL Cllr Tsotetsi JL Cllr Poho MS Cllr Nkheloane M Cllr Makhefu LA Cllr Masiteng JM Cllr Mofokeng DA Cllr Mofokeng SM Cllr Fisher L Cllr Mosokweni FD Cllr Motjeane SM
Speaker	Cllr Fisher L
Chief Whip	Cllr Mosokweni FD
Mayoral Committee	Cllr Motjeane SM Cllr Nhlapo LL Cllr Tsotetsi JL Cllr Poho MS Cllr Nkheloane M Cllr Makhefu LA Cllr Masiteng JM Cllr Mofokeng DA Cllr Mofokeng SM
Grading of local authority	Metsimaholo Local Municipality is a grade 9 local authority in terms of item IV of the Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998 High Capacity. FS 204 - Local Municipality
Chief Finance Officer (CFO)	FV Mareka
Accounting Officer	FJ Motloung
Registered office	Civic Centre Fichardt Street Sasolburg 1947
Bankers	ABSA Ltd First National Bank Investec Bank Standard Bank
Auditors	Auditor-General of South Africa

General Information

Jurisdiction	Metsimaholo Local Municipality is a local government institution and is located in the Free State Province of South Africa and is one of four municipalities under the jurisdiction of the Fezile Dabi District Municipality. Cities/Towns: Sasolburg, Oranjeville, Deneysville, Viljoensdrift, Zamdela, Refengkgotso and Metsimaholo.
Attorneys	Katake Attorneys Khumalo Masondo Attorneys Incorporated Lawrence Melato Incorporated Nchupetsang Incorporated Attorneys Ponoane Attorney, Notaries and Conveyancers Popela Maake Incorporated Raphela Inc. Attorneys Verveen Attorneys Lizel Venter Attorneys BMH Attorneys Jam Jam Attorneys Boitumelo Maubane Attorneys Ntleru Attorneys Ransford Mbewe Attorneys Wakaba & Partners Inc
Legislation governing the municipality's operations	Local Government: Municipal Finance Management Act (Act No. 56 of 2003) Local Government: Municipal Systems Act (Act No. 32 of 2000) Local Government: Municipal Structures Act (Act No. 117 of 1998) Constitution of the Republic of South Africa (Act No. 108 of 1996) Municipal Property Rates Act (Act No.6 of 2004) Division of Revenue Act (Act No.9 of 2021)

METSIMAHOLO LOCAL MUNICIPALITY

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Abbreviations used:

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

Accounting Officer's Responsibilities and Approval

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

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places 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 audited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

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

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

The audited annual financial statements set out on page 6, which have been prepared on a going concern basis, were approved by the accounting officer on 31 August 2025 and were signed on its behalf by:

FJ Motloung
Accounting Officer

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	3	1,414,815	1,590,322
Receivables from exchange transactions	4	557,571,574	319,948,165
Receivables from non-exchange transactions	5&6	101,865,280	52,067,834
VAT receivable	7	-	5,657,428
Cash and cash equivalents	8	78,786,816	121,848,983
Employee benefit obligation	9	347,894,780	321,035,125
		1,087,533,265	**822,147,857**
Non-Current Assets			
Investment property	10	335,837,042	336,654,706
Property, plant and equipment	11	1,234,747,432	1,219,040,204
Intangible assets	12	4,211,257	5,423,489
Heritage assets	13	4,160,229	4,160,229
Other financial assets	14	4,101,295	3,743,950
Receivables from exchange transactions- Long term portion	15	2,380,165	14,661
		1,585,437,420	**1,569,037,239**
Non-Current Assets		1,585,437,420	1,569,037,239
Current Assets		1,087,533,265	822,147,857
Total Assets		**2,672,970,685**	**2,391,185,096**
Liabilities			
Current Liabilities			
Payables from exchange transactions	16	389,085,412	339,034,143
VAT payable	17	3,597,574	-
Consumer deposits	18	30,481,810	29,081,077
Employee benefit obligation	19	6,838,000	9,657,000
Unspent conditional grants and receipts	20	35,989,614	3,351,908
Provisions	21	102,909,732	106,601,824
VAT output tax accrual	22	376,886,689	330,314,383
		945,788,831	**818,040,335**
Non-Current Liabilities			
Employee benefit obligation	19	58,781,000	54,451,000
Provisions	21	11,627,209	2,951,275
		70,408,209	**57,402,275**
Non-Current Liabilities		70,408,209	57,402,275
Current Liabilities		945,788,831	818,040,335
Total Liabilities		**1,016,197,040**	**875,442,610**
Assets		2,672,970,685	2,391,185,096
Liabilities		(1,016,197,040)	(875,442,610)
Net Assets		**1,656,773,645**	**1,515,742,486**
Accumulated surplus		1,656,773,645	1,515,742,486
Total Net Assets		**1,656,773,645**	**1,515,742,486**

* See Note 65

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	23	1,029,095,226	1,028,760,796
Sale of goods and rendering of services	24	3,514,202	4,708,462
Rental of facilities and equipment	25	6,975,826	6,759,850
Interest received - investment	26	7,972,713	12,036,530
Interest received - exchange receivables	27	137,579,702	113,091,723
Operational revenue		3,223,593	413,553
Dividends	26	164,148	147,549
Total revenue from exchange transactions		**1,188,525,410**	**1,165,918,463**
Revenue from non-exchange transactions			
Property rates	28	229,909,130	221,120,576
Licences and Permits		215,264	4,825
Interest from non-exchange receivables	31	24,171,380	21,817,534
Government grants & subsidies	32	381,360,165	375,314,901
Fines, Penalties and Forfeits	30	3,870,385	3,049,663
Service charges - Availability charges	33	2,230,639	4,152,453
Total revenue from non-exchange transactions		**641,756,963**	**625,459,952**
Total revenue		**1,830,282,373**	**1,791,378,415**
Expenditure			
Employee related costs	34	(428,591,952)	(391,124,324)
Remuneration of councillors	35	(26,713,180)	(25,020,202)
Donations	66	(21,115,750)	-
Depreciation and amortisation	36	(47,472,505)	(41,279,546)
Impairment of assets	37	(22,757,495)	-
Finance costs	38	(23,233,317)	(23,203,612)
Lease rentals on operating lease	41	(26,649,402)	(19,171,328)
Debt Impairment	42	(213,563,695)	(453,540,971)
Bulk purchases	39	(456,528,273)	(396,912,532)
Contracted Services	40	(137,718,263)	(132,000,125)
Transfers and Subsidies	43	(286,658)	(290,029)
Operating cost	44	(30,038,834)	(34,024,253)
Inventory consumed	45	(243,461,976)	(235,694,022)
Repairs and maintenance	46	(18,242,991)	(13,902,911)
Total expenditure		**(1,696,374,291)**	**(1,766,163,855)**
		-	-
Operating surplus		**133,908,082**	**25,214,560**
Gain on disposal of assets and liabilities		128,573	2,918
Change in provision utilisation		8,096,834	834,222
Fair value adjustments	47	357,345	1,040,680
Actuarial gains/losses	19	(1,107,000)	(681,765)
Inventories losses/write-downs		(352,677)	(35,317)
		7,123,075	**1,160,738**
Surplus for the year		**141,031,157**	**26,375,298**

* See Note 65

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Restated balance as at 01 July 2023	**1,489,367,188**	**1,489,367,188**
Changes in net assets		
Surplus for the year	26,375,298	26,375,298
Total changes	26,375,298	26,375,298
Restated* Balance at 01 July 2024	**1,515,742,488**	**1,515,742,488**
Changes in net assets		
Surplus for the year	141,031,157	141,031,157
Total changes	141,031,157	141,031,157
Balance at 30 June 2025	**1,656,773,645**	**1,656,773,645**

Note(s)

* See Note 65

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Grants		413,997,871	369,390,436
Cash receipts from customers		692,585,237	644,716,526
Taxation revenue - Property rates		194,761,942	204,452,991
Other receipts		16,219,322	4,137,953
Interest income		44,914,147	39,395,991
Dividends income		164,148	147,549
		1,362,642,667	1,262,241,446
Payments			
Employee costs		(456,076,558)	(401,263,235)
Suppliers		(827,948,404)	(826,677,914)
Taxation- VAT		(28,269,015)	(1,624,849)
Finance costs		(144,558)	-
		(1,312,438,535)	(1,229,565,998)
Total receipts		1,362,642,667	1,262,241,446
Total payments		(1,312,438,535)	(1,229,565,998)
Net cash flows from operating activities	48	**50,204,132**	**32,675,448**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(93,266,299)	(71,060,534)
Net cash flows from investing activities		**(93,266,299)**	**(71,060,534)**
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		**(43,062,167)**	**(38,385,086)**
Cash and cash equivalents at the beginning of the year		121,848,983	160,234,070
Cash and cash equivalents at the end of the year	8	**78,786,816**	**121,848,984**

The accounting policies on pages 13 to 51 and the notes on pages 52 to 136 form an integral part of the audited annual financial statements.

* See Note 65

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	1,230,743,000	-	**1,230,743,000**	1,029,095,226	**(201,647,774)**	Note 63
Rental of facilities and equipment	6,957,000	-	**6,957,000**	6,975,826	**18,826**	
Interest received - exchange receivables	125,312,000	-	**125,312,000**	137,579,702	**12,267,702**	
Operational revenue	304,000	-	**304,000**	3,223,593	**2,919,593**	
Sale of goods and rendering of services	26,167,000	(5,400,000)	**20,767,000**	3,514,202	**(17,252,798)**	
Interest received - investment	13,559,000	-	**13,559,000**	7,972,713	**(5,586,287)**	
Dividends	100,000	-	**100,000**	164,148	**64,148**	
Total revenue from exchange transactions	**1,403,142,000**	**(5,400,000)**	**1,397,742,000**	**1,188,525,410**	**(209,216,590)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	214,692,000	-	**214,692,000**	229,909,130	**15,217,130**	
Service charges- Availability charges	4,584,000	-	**4,584,000**	2,230,639	**(2,353,361)**	
Fines, Penalties and Forfeits	1,240,000	-	**1,240,000**	3,870,385	**2,630,385**	
Licences and permits	280,000	-	**280,000**	215,264	**(64,736)**	
Government grants & subsidies	421,661,000	-	**421,661,000**	381,360,165	**(40,300,835)**	
Interest - non exchange receivables	9,841,000	-	**9,841,000**	24,171,380	**14,330,380**	
Total revenue from non-exchange transactions	**652,298,000**	**-**	**652,298,000**	**641,756,963**	**(10,541,037)**	
'Total revenue from exchange transactions'	1,403,142,000	(5,400,000)	**1,397,742,000**	1,188,525,410	**(209,216,590)**	
'Total revenue from non-exchange transactions'	652,298,000	-	**652,298,000**	641,756,963	**(10,541,037)**	
Total revenue	**2,055,440,000**	**(5,400,000)**	**2,050,040,000**	**1,830,282,373**	**(219,757,627)**	
Expenditure						
Employee related costs	(432,171,000)	-	**(432,171,000)**	(428,591,952)	**3,579,048**	
Remuneration of councillors	(20,404,000)	-	**(20,404,000)**	(26,713,180)	**(6,309,180)**	
Donations	-	-	**-**	(21,115,750)	**(21,115,750)**	
Depreciation and amortisation	(84,671,000)	-	**(84,671,000)**	(47,472,505)	**37,198,495**	
Impairment of assets	-	-	**-**	(22,757,495)	**(22,757,495)**	
Finance costs	(3,764,000)	-	**(3,764,000)**	(23,233,317)	**(19,469,317)**	
Lease rentals on operating lease	(34,145,970)	-	**(34,145,970)**	(26,649,402)	**7,496,568**	
Debt Impairment	(307,828,000)	-	**(307,828,000)**	(213,563,695)	**94,264,305**	
Bulk purchases	(460,337,000)	20,500,000	**(439,837,000)**	(456,528,273)	**(16,691,273)**	
Contracted Services	(129,305,000)	(15,563,000)	**(144,868,000)**	(137,718,263)	**7,149,737**	
Transfers and Subsidies	(861,000)	-	**(861,000)**	(286,658)	**574,342**	
Operating cost	(48,479,030)	(5,857,000)	**(54,336,030)**	(30,038,834)	**24,297,196**	

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
Inventory consumed	(253,709,000)	-	**(253,709,000)**	(243,461,976)	**10,247,024**	
Repairs and maintenance	(1,000,000)	-	**(1,000,000)**	(18,242,991)	**(17,242,991)**	
Total expenditure	**(1,776,675,000)**	**(920,000)**	**(1,777,595,000)**	**(1,696,374,291)**	**81,220,709**	
	2,055,440,000	(5,400,000)	**2,050,040,000**	1,830,282,373	**(219,757,627)**	
	(1,776,675,000)	(920,000)	**(1,777,595,000)**	(1,696,374,291)	**81,220,709**	
Operating surplus	**278,765,000**	**(6,320,000)**	**272,445,000**	**133,908,082**	**(138,536,918)**	
Gain on disposal of assets and liabilities	83,796,000	-	**83,796,000**	128,573	**(83,667,427)**	
Chage in provision utilisation	-	-	**-**	8,096,834	**8,096,834**	
Fair value adjustments	-	-	**-**	357,345	**357,345**	
Actuarial gains/losses	-	-	**-**	(1,107,000)	**(1,107,000)**	
Inventories losses/write-downs	-	-	**-**	(352,677)	**(352,677)**	
	83,796,000	**-**	**83,796,000**	**7,123,075**	**(76,672,925)**	
	278,765,000	(6,320,000)	**272,445,000**	133,908,082	**(138,536,918)**	
	83,796,000	-	**83,796,000**	7,123,075	**(76,672,925)**	
Surplus before taxation	**362,561,000**	**(6,320,000)**	**356,241,000**	**141,031,157**	**(215,209,843)**	
Deficit before taxation	362,561,000	(6,320,000)	**356,241,000**	141,031,157	**(215,209,843)**	
Taxation	-	-	**-**	-	**-**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**362,561,000**	**(6,320,000)**	**356,241,000**	**141,031,157**	**(215,209,843)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	1,347,000	-	**1,347,000**	1,414,815	**67,815**	
Receivables from non-exchange transactions	(51,749,000)	-	**(51,749,000)**	101,865,280	**153,614,280**	
Receivables from exchange transactions	307,314,000	-	**307,314,000**	557,571,574	**250,257,574**	
Employee benefit obligation	732,867,000	-	**732,867,000**	347,894,780	**(384,972,220)**	
Other asset 2	13,808,000	-	**13,808,000**	-	**(13,808,000)**	
Cash and cash equivalents	354,296,000	-	**354,296,000**	78,786,816	**(275,509,184)**	
	1,357,883,000	**-**	**1,357,883,000**	**1,087,533,265**	**(270,349,735)**	
Non-Current Assets						
Investment property	236,165,000	-	**236,165,000**	335,837,042	**99,672,042**	
Property, plant and equipment	1,776,113,000	-	**1,776,113,000**	1,234,747,432	**(541,365,568)**	
Intangible assets	(6,052,000)	-	**(6,052,000)**	4,211,257	**10,263,257**	
Heritage assets	4,428,000	-	**4,428,000**	4,160,229	**(267,771)**	
Other financial assets	-	-	**-**	4,101,295	**4,101,295**	
Receivables from exchange transactions- Long term portion	45,000	-	**45,000**	2,380,165	**2,335,165**	
	2,010,699,000	**-**	**2,010,699,000**	**1,585,437,420**	**(425,261,580)**	
Non-Current Assets	2,010,699,000	-	**2,010,699,000**	1,585,437,420	**(425,261,580)**	
Current Assets	1,357,883,000	-	**1,357,883,000**	1,087,533,265	**(270,349,735)**	
Total Assets	**3,368,582,000**	**-**	**3,368,582,000**	**2,672,970,685**	**(695,611,315)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	318,545,000	-	**318,545,000**	389,085,421	**70,540,421**	
Consumer deposits	28,405,000	-	**28,405,000**	30,481,810	**2,076,810**	
Employee benefit obligation	4,943,000	-	**4,943,000**	6,838,000	**1,895,000**	
Unspent conditional grants and receipts	-	-	**-**	35,989,614	**35,989,614**	
Provisions	4,356,000	-	**4,356,000**	102,909,732	**98,553,732**	
VAT output tax accrual	820,129,000	-	**820,129,000**	376,886,689	**(443,242,311)**	
	1,176,378,000	**-**	**1,176,378,000**	**942,191,266**	**(234,186,734)**	
Non-Current Liabilities						
Employee benefit obligation	159,031,000	-	**159,031,000**	58,781,000	**(100,250,000)**	
Provisions	181,173,000	-	**181,173,000**	11,627,209	**(169,545,791)**	
	340,204,000	**-**	**340,204,000**	**70,408,209**	**(269,795,791)**	
	1,176,378,000	-	**1,176,378,000**	942,191,266	**(234,186,734)**	
	340,204,000	-	**340,204,000**	70,408,209	**(269,795,791)**	
	-	-	**-**	-	**-**	
Total Liabilities	**1,516,582,000**	**-**	**1,516,582,000**	**1,012,599,475**	**(503,982,525)**	
Assets	3,368,582,000	-	**3,368,582,000**	2,672,970,685	**(695,611,315)**	

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
Liabilities	(1,516,582,000)	-	**(1,516,582,000)**	(1,012,599,475)	**503,982,525**	
Net Assets	**1,852,000,000**	**-**	**1,852,000,000**	**1,660,371,210**	**(191,628,790)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1,852,000,000	-	**1,852,000,000**	1,656,773,645	**(195,226,355)**	

Significant Accounting Policies

Figures in Rand	Note(s)	2025	2024

1. Significant accounting policies

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

1.1 Basis of preparation

The audited 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 audited 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.

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

1.2 Going concern assumption

These audited 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.

1.3 Materiality

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

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

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

1.4 Significant judgements and sources of estimation uncertainty

In preparing the audited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the audited 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 audited annual financial statements. Significant judgements include:

1.4 Significant judgements and sources of estimation uncertainty (continued)

Loans and receivables

The municipality assesses its 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 observable data is indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for loans and receivables is first for individually significant loans and receivables and then calculated on a portfolio basis for the remaining balance, including those individually significant loans and receivables for which no indicators of impairment were found. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and poor payment history/default of payments are all considered indicators of impairment.

For loans and receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the loan's or receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the loans and receivables.

Allowance for slow-moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management has made estimates of the selling price and direct cost of selling certain inventory items. The write-down is included in the operation surplus note.

Fair value estimation

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

Impairment testing

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

Value in use of cash-generating assets

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

Value in use of non-cash-generating assets

The municipality reviews and tests the carrying value of non-cash-generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Internally generated intangible assets and intangible assets with an indefinite useful life are tested for impairment on an annual basis.

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 21 - Provisions.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of waste and water network and other assets

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

Post-retirement benefits

The present value of the post-retirement obligation depends on many factors that are determined on an actuarial basis using several 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 or other long-term liability. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter-term payments and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 19.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

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

The provision for doubtful debt is determined by taking into account the payment rate by exchange receivable (consumer debtor), indigent status, whether the consumer debtor has a credit balance at financial year end as well as whether the consumer debtor is government related or not.

Non-exchange receivables (Traffic fine debtors) have been impaired taking into account historical payment rates by these non - exchange receivables.

Traffic fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.Non-exchange receivables arising from traffic fines are measured at the best estimate based on expected inflows of economic benefits to the municipality.

Pre-paid electricity

Pre-paid electricity is only recognised as electricity when consumed. The estimate is based on pre-paid electricity sold at year end, but still unused.

Water inventory

The estimation of the Water Inventory in reservoirs is based on actual dip readings, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end.

Budget information

1.4 Significant judgements and sources of estimation uncertainty (continued)

A difference of 10% or more between budget and actual amounts is regarded as material. All material differences (between budget and actual amounts) are explained in the notes to the annual financial statements.

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.

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

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

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

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

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

Cost model

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

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

Item	Useful life
Property - land	indefinite
Property - buildings	50 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.

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

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

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the audited annual financial statements (see note).

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.

Significant Accounting Policies

1.6 Property, plant and equipment (continued)

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 the date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary asset, 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, its deemed cost is the carrying amount of the asset(s) given up.

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	50 years
Plant and machinery	Straight-line	3-15 years
Furniture and fixtures	Straight-line	3-30 years
Motor vehicles	Straight-line	3-20 years
IT equipment	Straight-line	3-10 years
Infrastructure	Straight-line	3-50 years
Community	Straight-line	50 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.

1.6 Property, plant and equipment (continued)

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's 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.

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 audited financial statements, The estimation of the Water Inventory in reservoirs is based on actual dip readings, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.7 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

Significant Accounting Policies

1.8 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. Intangible assets are identifiable resources controlled by the municipality from which the municipality expects to derive future economic benefits or service potential.The municipality has classified computer software as intangible assets.

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

The municipality does not have internally generated Intangible Assets.

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	5 years

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

Intangible assets are derecognised:

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

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

1.9 Heritage assets

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.

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.

When the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 13 - Heritage assets.

Significant Accounting Policies

1.9 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage assets 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).

1.10 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.

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.

1.10 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 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.

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.

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;

Significant Accounting Policies

1.10 Financial instruments (continued)

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

Significant Accounting Policies

1.10 Financial instruments (continued)

Classification

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

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

The entity has the following types of financial liabilities (classes and categories) 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
Consumer deposits	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, except for financial instruments subsequently measured at fair value, which are measured at its fair value.

Subsequent measurement of financial assets and financial liabilities

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

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

1.10 Financial instruments (continued)

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations.

Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Discounting of short-term receivables and payables

Short-term receivables and payables are not discounted when the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is: the combined instrument that is required to be measured at fair value; or an investment in a residual interest that meets the requirements for reclassification.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the financial assets. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

1.10 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

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

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

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.
An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset, and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.11 Statutory receivables

Identification

1.11 Statutory receivables (continued)

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Impairment losses

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

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

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

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

1.11 Statutory receivables (continued)

Derecognition

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

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

1.12 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

Operating leases - lessee

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

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

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

Significant Accounting Policies

1.13 Inventories

Inventories are assets in the form of materials or supplies to be consumed or distributed in the rendering of services or held for distribution in the ordinary course of operations.

Inventories are recognised as an asset for distribution if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and the cost of the inventories can be measured reliably.

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

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

Water Inventory

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

The basis of determining the cost of water purchased and not yet sold at reporting date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the Inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the FIFO Method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

1.14 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.

1.14 Impairment of cash-generating assets (continued)

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

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

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:

- the current profitability of the unit, as well as management's assessment of the possibility of a unit becoming profitable.

Designation

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

The municipality designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, which are expected to be significantly higher than the cost of the asset.

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

Identification

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

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

Value in use

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

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

1.14 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use, the municipality:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Significant Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

1.14 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

Redesignation

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

1.15 Impairment of non-cash-generating assets

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

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

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

- consideration is given to the nature of the asset, whether it is primarily to provide a service to the community, and whether there is any realistic possibility of the asset being used in a commercial and profitable manner.

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

Designation

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

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

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, which are expected to be significantly higher than the cost of the asset.

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

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

Identification

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

Redesignation

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

Significant Accounting Policies

1.16 Employee benefits

Identification

Employee benefits

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

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either:
(a) an entity's decision to terminate an employee's employment before the normal retirement date; or
(b) an employee's decision to accept an offer of benefits in exchange for the termination of employment.

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.

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 whereby 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.

Significant Accounting Policies

1.16 Employee benefits (continued)

Short-term employee benefits

Recognition and measurement

All 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.

Provision for Staff Leave

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

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

Accumulated leave is vesting.

Staff Bonuses Accrued

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

Significant Accounting Policies

1.16 Employee benefits (continued)

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.

Post-employment benefits: Defined contribution plans

Recognition and measurement

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:

(a) as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, 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

(b) 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.

Significant Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Recognition and measurement

1.16 Employee benefits (continued)

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.

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

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

The 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.

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-measures 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

1.16 Employee benefits (continued)
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.

Recognition and measurement: Present value of defined benefit obligations and current service cost

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

Actuarial assumptions: Discount rate

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

Actuarial assumptions: Salaries, benefits and medical costs

The entity measures its defined benefit obligations on a basis that reflects:

(a) the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the end of the reporting period;

(b) any estimated future salary increases that affect the benefits payable;

(c) the effect of any limit on the employer’s share of the cost of the future benefits;

(d) contributions from employees or third parties that reduce the ultimate cost to the entity of those benefits; and

(e) 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:

(i) those changes were enacted before the end of the reporting period; or

(ii) historical data, 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 takes account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.16 Employee benefits (continued)

Other post-retirement obligations

Recognition and measurement

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

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

Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

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

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

1.17 Provisions and contingencies

A provision is a liability of uncertain timing or amount.

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).

1.17 Provisions and contingencies (continued)

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

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is:
- a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 52.

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

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

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

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

1.18 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, which include future capital commitments relating to property, plant and equipment, investment property, intangible assets and heritage assets, as applicable, operational commitments, as well as future commitments relating to leases. Refer to notes on Finance lease obligations and Commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements.

The municipality discloses capital commitments (Property Plant and Equipment, Investment properties, Intangible assets and Heritage assets) in the financial statements, as well as future minimum lease payments for each of the following periods if applicable:
- Within one year;
- In second to fifth year inclusive; and
- Later than five years

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.

Significant Accounting Policies

1.19 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

Rendering of services

Service charges are levied in terms of approved tariffs.

Service Charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage and are levied based on the extent of each property.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage and are levied based on the extent of each property.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Revenue arising from application of the approved tariff of charges is recognised when the relevant services is rendered by allying the relevant published tariff.

Prepaid Electricity

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

Rentals Received

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

Significant Accounting Policies

1.19 Revenue from exchange transactions (continued)

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

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

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

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

Interest and dividends

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

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

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

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

Significant Accounting Policies

1.20 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.

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.

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.

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.

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

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

Measurement

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

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

Property rates

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a Time proportionate Basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

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

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

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

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

Significant Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Transfers

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

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

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

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. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

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

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

Government Grants and Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in Surplus or Deficit in the period in which they become receivable.

Unspent conditional grants are financial liabilities that are separately reflected on the statement of financial position. They represent unspent government grants, subsidies and contributions from government organs.

1.20 Revenue from non-exchange transactions (continued)

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the statement of financial performance.
- The cash which backs up the creditor is invested as an individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the statement of financial performance.

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the statement of financial position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in Surplus or Deficit.

Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised as revenue when the recovery thereof from the responsible councillors or officials became virtually certain in a financial period subsequent to the period when the actual unauthorised, irregular, fruitless and wasteful expenditure was incurred.

1.21 Investment income

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

1.22 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.

1.23 Comparative figures

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

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason of classification is disclosed. Where material prior period errors have been identified in the current year, the correction is made retrospectively as far as it is practicable and the prior year comparatives are restated accordingly.

Refer to note to the financial statements - Comparative figures.

1.24 Unauthorised expenditure

Unauthorised expenditure means:

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

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the unauthorised expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on unauthorised expenditure, refer to note to the financial statements - Unauthorised expenditure

Significant Accounting Policies

1.25 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the fruitless and wasteful expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on unauthorised expenditure, refer to note to the financial statements - Fruitless and wasteful expenditure

1.26 Irregular expenditure

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

Irregular expenditure 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.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the irregular expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on irregular expenditure, refer to note to the financial statements - Irregular expenditure.

1.27 Segment reporting

A segment is an activity of an entity:

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

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

1.27 Segment reporting (continued)

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.

1.28 Budget information

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 an accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2023 to 30/06/2024.

The audited 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.

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the annual financial statements in determining whether a difference between the budget and actual amount is material.

Comparative information is not required.

1.29 Related parties

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

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

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

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

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

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

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

1.29 Related parties (continued)

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

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

1.30 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 does not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the responding date. Where the non-adjusting event is material and non-disclosure could influence the economic decisions of the users, additional disclosure will be provided.

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

1.31 Accumulated surplus/(deficit)

The accumulated surplus/(deficit) represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/(deficit). Prior year adjustments, relating to income and expenditure, are credited/debited against accumulated surplus/(deficit) when retrospective adjustments are made.

1.32 Consumer deposits

Consumer deposits are a partial security for a future payment of an account. All consumers are therefore required to pay a deposit equal to two months' consumption of electricity and water services. Deposits are considered a liability as the deposit is only refunded once the service is terminated. No interest is paid on deposits.

1.33 Value-added tax (VAT)

The municipality is registered with the South African Revenue Service (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the Value-added Tax Act (Act No. 89 of 1991).

The municipality accounts for VAT on the payment basis.

1.34 Grants in Aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase of sale transaction; expect to be repaid in future; or
- expect a financial return, as would be expected from an investment

These transfers are recognised in the statement of financial performance as expenses in the period that the event giving rise to the transfer has occurred.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:

2.2 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:

iGRAP 22 Foreign Currency Transactions and Advance Consideration

Background

Paragraph .21 of the Standard of GRAP on The Effects of Changes in Foreign Exchange Rates (GRAP 4) requires an entity to record a foreign currency transaction, on initial recognition in its functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency (the exchange rate) at the date of the transaction. Paragraph .22 of GRAP 4 states that the date of the transaction is the date on which the transaction first qualifies for recognition in accordance with the Standards of GRAP.

When an entity pays or receives consideration in advance in a foreign currency, it generally recognises a non-monetary asset or non-monetary liability before the recognition of the related asset, expense or revenue. The related asset, expense or revenue (or part of it) is the amount recognised applying the relevant Standard of GRAP, which results in the derecognition of the non-monetary asset or non-monetary liability arising from the advance consideration.

A question arose asking how to determine "the date of the transaction" applying paragraphs .21 and .22 of GRAP 4 when recognising revenue. The question specifically addressed circumstances in which an entity recognises a non-monetary liability arising from the receipt of advance consideration before it recognises the related revenue. It was further noted that the receipt or payment of advance consideration in a foreign currency is not restricted to revenue transactions. Accordingly, it was decided to clarify the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or revenue when an entity has received or paid advance consideration in a foreign currency.

Issue

This Interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or revenue (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.

Consensus

Applying paragraphs .21 and .22 of GRAP 4, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or revenue (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

The effective date of this interpretation is for years beginning on or after 01 April 2025.

The municipality expects to adopt the standard for the first time in the 2024/2025 audited annual financial statements.

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

Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 104 (as revised): Financial Instruments

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

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

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

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

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

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

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2025 or later periods but are not relevant to its operations:

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

Figures in Rand	2025	2024

3. Inventories

Consumables: Stores and materials	227,017	518,226
Fuel (Diesel and Petrol)	274,487	315,279
Water - at cost	913,311	756,817
	1,414,815	**1,590,322**
Carrying value of inventories written off during the year (Obsolete or lost)	373,406	67,523
Fuel and consumables recognised as an expense during the year	265,057,671	236,084,936

Inventory pledged as security

No Inventories have been pledged as collateral for Liabilities of the municipality.

Water for distribution

Opening balance	756,817	756,817
System input volume	156,494	-
Closing balance	**913,311**	**756,817**

4. Receivables from exchange transactions

Gross balances		
Electricity	273,435,095	230,672,940
Water	2,655,281,170	2,314,300,648
Sewerage	143,003,419	121,805,398
Refuse	223,284,326	185,103,336
Sundry receivables	228,189,011	213,709,052
Other receivables	25,804,837	23,496,816
	3,548,997,858	**3,089,088,190**
Less: Allowance for impairment		
Electricity	(141,880,682)	(161,792,750)
Water	(2,325,604,861)	(2,119,637,299)
Sewerage	(117,207,283)	(108,016,599)
Refuse	(196,615,622)	(173,923,823)
Sundry receivables	(210,117,836)	(205,769,554)
	(2,991,426,284)	**(2,769,140,025)**
Net balance		
Electricity	131,554,413	68,880,190
Water	329,676,309	194,663,349
Sewerage	25,796,136	13,788,799
Refuse	26,668,704	11,179,513
Sundry receivables	18,071,175	7,939,498
Other receivables	25,804,837	23,496,816
	557,571,574	**319,948,165**
Other receivables consists of the following:		
Merchandising, Jobbing and Contracts	467,648	467,648
Control, Clearing and Interface Accounts	822,862	1,529,168
Third-party refund	24,514,327	21,500,000
	25,804,837	**23,496,816**

Figures in Rand	2025	2024
4. Receivables from exchange transactions (continued)		
Financial asset receivables included in consumer debtors above	**531,766,737**	**296,451,349**
Total consumer debtors	557,571,574	319,948,165
Electricity		
Current (0 -30 days)	32,907,250	12,702,597
31 - 60 days	5,267,975	2,054,582
61 - 90 days	5,717,694	2,166,320
+ 90 days	87,661,494	51,956,691
	131,554,413	**68,880,190**
Water		
Current (0 -30 days)	66,374,872	32,545,251
31 - 60 days	7,325,389	6,405,590
61 - 90 days	9,212,169	3,984,131
+ 91 days	246,763,879	151,728,377
	329,676,309	**194,663,349**
Sewerage		
Current (0 -30 days)	5,969,770	782,778
31 - 60 days	727,809	421,710
61 - 90 days	608,128	349,569
+ 90 days	18,490,429	12,234,742
	25,796,136	**13,788,799**
Refuse		
Current (0 -30 days)	3,725,473	745,955
31 - 60 days	858,809	441,637
61 - 90 days	737,382	371,801
91 - 120 days	21,347,040	9,620,120
	26,668,704	**11,179,513**
Sundry receivables		
Current (0 -30 days)	1,248,120	1,217,532
31 - 60 days	915,675	308,682
61 - 90 days	94,683	224,090
+ 90 days	15,812,697	6,189,194
	18,071,175	**7,939,498**
Other (specify)		
Current (0 -30 days)	2,270,000	-
121 - 365 days	-	20,422
> 365 days	23,534,837	23,476,394
	25,804,837	**23,496,816**

Figures in Rand	2025	2024

4. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	140,243,555	91,013,138
31 - 60 days	47,002,405	46,166,255
61 - 90 days	62,524,594	46,972,171
+ 90 days	3,027,846,373	2,690,973,162
	3,277,616,927	2,875,124,726
Less: Allowance for impairment	(2,919,222,495)	(2,653,663,446)
	358,394,432	**221,461,280**
Industrial/ commercial		
Current (0 -30 days)	23,475,391	3,417,404
31 - 60 days	693,396	657,059
61 - 90 days	688,989	611,678
+ 90 days	46,858,781	67,270,772
	71,716,557	71,956,913
Less: Allowance for impairment	(38,362,422)	(40,637,559)
	33,354,135	**31,319,354**
National and provincial government		
Current (0 -30 days)	10,910,582	11,105,398
31 - 60 days	4,519,800	2,862,746
61 - 90 days	4,997,264	4,101,245
+ 90 days	125,680,399	100,438,042
	146,108,045	118,507,431
Less: Allowance for impairment	(33,841,367)	(74,839,021)
	112,266,678	**43,668,410**
Total		
Current (0 -30 days)	204,651,019	105,535,940
31 - 60 days	52,215,601	49,686,060
61 - 90 days	68,210,847	51,685,093
+ 90 days	3,223,920,391	2,882,181,098
	3,548,997,858	3,089,088,191
Less: Allowance for impairment	(2,991,426,284)	(2,769,140,026)
	557,571,574	**319,948,165**
Less: Allowance for impairment		
Current (0 -30 days)	(92,155,534)	(57,542,265)
31 - 60 days	(37,119,946)	(40,054,296)
61 - 90 days	(51,840,790)	(44,589,614)
+ 90 days	(2,810,310,014)	(2,626,953,850)
	(2,991,426,284)	**(2,769,140,025)**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(2,769,140,025)	(2,334,024,271)
Contributions to allowance	(222,286,259)	(435,115,754)
	(2,991,426,284)	**(2,769,140,025)**

Figures in Rand	2025	2024

4. Receivables from exchange transactions (continued)

Receivables pledged as security

No receivables were pledged as security

Credit quality of receivables

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

Receivables (excluding other receivables) past due but not impaired

Consumer debtors which are less than 2 months past due are not considered to be impaired. At 30 June 2025, 155,294,114 (2024: 78,441,795) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	10,280,778	5,014,598
2 months past due	10,145,545	1,895,242
3 months past due	134,867,791	71,531,955

Receivables (excluding other receivables) impaired

As of 30 June 2025, consumer debtors of 3,267,231,041 (2024: 2,944,008,711) were impaired and provided for.

The amount of the provision was 2,991,426,284 as of 30 June 2025 (2024: 2,769,140,025).

The ageing of these debtors is as follows:

Current (0-30 days)	101,713,154	62,397,376
31-60 days	41,934,823	44,671,463
61-90 days	58,065,302	49,789,851
over 90 days	3,065,517,762	2,787,150,021

5. Receivables from non-exchange transactions

Consumer receivables - property rates	89,486,932	41,269,434
Deposits	7,389,470	7,029,931
Fines	3,151,021	1,835,805
LGSETA Interns	755,080	755,080
Service debtors: availability charges	869,619	964,426
Unauthorised, Irregular, Fruitless and Wasteful Expenditure	213,158	213,158
	101,865,280	**52,067,834**

Statutory receivables included in receivables from non-exchange transactions above are as follows:

Property rates	89,486,932	41,269,434
Fines	3,151,021	1,835,805
	92,637,953	**43,105,239**
Financial asset receivables included in receivables from non-exchange transactions above	**9,227,327**	**8,962,595**
Total receivables from non-exchange transactions	101,865,280	52,067,834

5. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

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

Traffic fines arise from the National Road Traffic Act 93 of 1996, National Road Traffic Regulations 2000, National Land Transport Act 5 of 2009 and Criminal Procedure Act 51 of 1971. The prosecutor performs prosecutorial functions in terms of a general delegation awarded by the National Prosecuting Authority and is subject to the control of the Control Prosecutor at the Magistrate's Court in Sasolburg.

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

Determination of transaction amount

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

Traffic fines transaction amounts are determined in line with the Traffic Offence Code Book as approved by Senior Magistrate and implemented in the district of the Metsimaholo Local Municipality.

Government grants related transaction amounts allocated to the municipality are stipulated in the applicable annual Division of Revenue Act as well as the relevant Provincial Gazette.

Interest or other charges levied/charged

Interest or other charges levied on Property rates balances are in line with the Annual Tariff List of the municipality approved by Council as part of the Budget Process in terms of the Municipal Finance Management Act, 56 of 2003. "Interest" means a charge levied, on all arrear accounts calculated at an interest rate which is one percent higher than the prime interest rate.

Traffic fines: Additional charges include contempt of court fees/warrant of arrest fee determined in terms of the Criminal Procedure Act. Currently at R200 effected after court date on non/default payment/non-appearance.

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

The basis used to assess Property Rates receivables is outlined in the approved Debt impairment methodology looking at various factors including the extent to which debtors on an individual basis defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend.

The basis used to assess traffic fine receivables is outlined in the approved Debt impairment methodology involves evaluating the extent to which debtors, categorized by the nature of fines under the National Road Traffic Act, have defaulted on payments already due. This assessment also considers their ability to make future payments based on a historical analysis of payment trends over the past five years, adjusted for the expected recovery percentage derived from recent warrant payment history..

Each individual Grant is assessed for collectability in line with the legislative prescripts or contract arrangements that relates to the specific grant.

Discount rate applied to the estimated future cash flows

The discount rate applied for Property rates as Statutory receivables mentioned above is based on the risk category as outlined by the approved Debt impairment methodology. This is used to determine the discount rate applied for individual statutory debtors assessed .

High risk risk- Prime plus 1.25%

Figures in Rand	2025	2024

5. Receivables from non-exchange transactions (continued)

Medium risk- Prime plus 0.75%

Low risk- Prime plus .25%

The discount rate applied for Fines as a statutory receivables is prime plus 1

The impairment approach for traffic fine receivables described does not mention the use of a discount rate. Instead, the assessment is based on historical payment trends, past payment history, and the expected recovery percentage

Statutory receivables past due but not impaired

The Debt impairment methodology employed by the municipality results in various debtors tested for impairment through evaluation of said debtors against applicable criteria. This results in statutory receivables which are past due but not impaired from 1 month past due to over 3 months past due. At 30 June 2025, 27,133,370 (2024: 17,683,285) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	3,904,415	1,342,866
2 months past due	3,143,853	704,783
Over 3 months past due	20,085,102	15,635,636

Factors the entity considered in assessing statutory receivables past due but not impaired

Property rates

The specific details on factors considered are comprehensively outlined and discussed in the approved Debt impairment methodology. In summary, the impairment testing process for receivables begins by identifying those accounts that exhibit no indicators of impairment. Specifically, accounts with a credit balance, zero balance, accounts where the Municipality is the owner, or those with no outstanding balance beyond 60 days as of the reporting date are excluded from impairment testing. For those not meeting criteria above,further testing on recoverability of debt is performed to determine where there is impairment. These considerations are outlined in Factors the entity considered in assessing statutory receivables impaired of this note. When criteria are not met then the receivables are considered not impaired.

Traffic fines

The specific details on factors considered are comprehensively outlined and discussed in the approved Debt Impairment Methodology. In summary, the impairment testing process for receivables considers fines that have been issued and assesses impairment based on historical payment trends, with a focus on fines older than two years. Fines that are expected to be received based on the last three years' payment history are accounted for in the impairment calculation. If fines are not older than two years or have been identified with an expected recovery based on this history, they are not considered impaired but included in the assessment. These considerations are outlined in the methodology provided

Statutory receivables impaired

As of 30 June 2025, Statutory receivables of 342,045,632 (2024: 314,516,602) were impaired and provided for.

The amount of the provision was (308,997,092) as of 30 June 2025 (2024: (306,872,012)).

The ageing of these receivables are as follows:

Current (0-30 days)	10,095,395	6,210,688
31-60 days	5,072,433	6,236,891
61-90 days	5,191,660	6,249,376
Over 90 days	321,686,144	295,819,647

Figures in Rand	2025	2024

5. Receivables from non-exchange transactions (continued)

Factors the entity considered in assessing statutory receivables impaired

Property rates

The specific details on factors considered are comprehensively outlined and discussed in the approved Debt impairment methodology. Following the test for receivables that are not considered for impairment, significant receivables are identified and individually assessed for recoverability. Indicators such as account inactivity, referral to debt collection, liquidation/sequestration status, and payment history (both before and after year-end) are considered to evaluate whether payment can be expected. Accounts deemed fully recoverable are returned to the general age analysis for further assessment.

Receivables with potential impairment are categorized into high, medium, or low risk based on their payment trends. Accounts with a payment trend below 59% are high-risk, those between 60%-79% are medium-risk, and those above 80% are low-risk. These classifications inform the premium applied to the prime lending rate to determine the discount rate for impairment calculations. The discount rate is adjusted annually, considering economic conditions, debt collection effectiveness, and other risk factors.

Finally, expected future cash flows are estimated based on historical experience with each debtor group. High-risk receivables are adjusted using the balance from the most recent age analysis report, taking into account receipts in June, excluding billing. Specific groups, such as accounts with no recent payments, indigent receivables, and inactive accounts, are assumed to have no expected future cash flows and are fully included in the impairment allowance.

Traffic fines

When performing impairment for traffic fines, the methodology begins by grouping fines according to their nature under the National Road Traffic Act, such as Admission of Guilt, Spot Fines, Warrants, and Finalized Cases. A key factor in the impairment process is the write-off criteria, where fines outstanding for more than two years are written off following the guidelines in Circular 2 of 2006, with Council approval required for these actions.

Historical payment trends over the past five years play a crucial role in assessing the likelihood of recovering outstanding fines. Additionally, the methodology includes an expectation of recovery based on the payment history of the past three years, particularly focusing on small amounts received from concluded warrant payments and other outstanding fines.

The impairment calculation is performed using a specific tool that incorporates the historical average payment percentage. This process involves determining the recoverable amount and calculating the debtors to be written off by analyzing the outstanding balance, expected recoveries, and historical data, ensuring a comprehensive assessment of traffic fine receivables.

Reconciliation of provision for impairment for Property rates and Availability charge

Opening balance	(306,872,012)	(266,678,717)
Provision for impairment	(2,125,080)	(40,193,295)
	(308,997,092)	**(306,872,012)**

6. Consumer debtors disclosure: Property rates and availability charges

Gross balances		
Consumer debtors - Rates	389,548,999	336,370,549
Availability charge - Electricity	6,063,544	7,635,878
Availability charge - Water	3,453,843	4,693,617
Availability charge - Waste water	287,257	405,828
	399,353,643	**349,105,872**

Figures in Rand	2025	2024

6. Consumer debtors disclosure: Property rates and availability charges (continued)

Less: Allowance for impairment		
Consumer debtors - Rates	(300,062,067)	(295,101,115)
Availability charge - Electricity	(5,477,380)	(7,029,594)
Availability charge- Water	(3,188,466)	(4,355,777)
Availability charge- Waste water	(269,179)	(385,526)
	(308,997,092)	**(306,872,012)**
Net balance		
Consumer debtors - Rates	89,486,932	41,269,434
Availability charge - Electricity	586,164	606,284
Availability charge - Water	265,378	337,840
Availability charge- Waste water	18,078	20,302
	90,356,552	**42,233,860**
Rates		
Current (0 -30 days)	21,703,668	4,879,263
31 - 60 days	4,583,068	2,026,972
61 - 90 days	3,852,339	1,388,548
91 - 120 days	59,347,857	32,974,651
	89,486,932	**41,269,434**

Figures in Rand	2025	2024

6. Consumer debtors disclosure: Property rates and availability charges (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	21,769,653	7,941,264
31 - 60 days	6,279,287	6,307,869
61 - 90 days	5,785,481	5,802,522
91 - 120 days	295,448,635	269,591,121
	329,283,056	289,642,776
Less: Allowance for impairment	(261,251,397)	(244,056,350)
	68,031,659	**45,586,426**
Industrial/ commercial		
Current (0 -30 days)	6,013,509	1,665,597
31 - 60 days	1,416,828	1,435,157
61 - 90 days	1,336,796	1,335,714
91 - 120 days	51,172,584	48,722,434
	59,939,717	53,158,902
Less: Allowance for impairment	(43,542,681)	(47,214,907)
	16,397,036	**5,943,995**
National and provincial government		
Current (0 -30 days)	2,954,526	1,047,339
31 - 60 days	1,402,995	93,587
61 - 90 days	1,332,448	67,483
91 - 120 days	44,409,001	5,097,398
	50,098,970	6,305,807
Less: Allowance for impairment	(4,203,014)	(3,829,857)
	45,895,956	**2,475,950**
Total		
Current (0 -30 days)	30,737,688	10,654,201
31 - 60 days	9,099,110	7,836,613
61 - 90 days	8,454,725	7,205,720
91 - 120 days	361,062,120	323,411,147
	409,353,643	349,107,681
Less: Allowance for impairment	(308,997,092)	(295,101,115)
	100,356,551	**54,006,566**
Less: Allowance for impairment		
Current (0 -30 days)	(8,761,725)	(5,504,569)
31 - 60 days	(4,393,779)	(5,552,945)
61 - 90 days	(4,483,174)	(5,565,769)
91 - 120 days	(282,423,389)	(278,477,833)
	(300,062,067)	**(295,101,116)**
Total debtor past due but not impaired		
31 - 60 days	3,904,415	1,342,866
61 - 90 days	3,143,853	704,783
91 - 120 days	20,085,102	15,635,636
	27,133,370	**17,683,285**

Figures in Rand	2025	2024

6. Consumer debtors disclosure: Property rates and availability charges (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(295,101,115)	(257,066,670)
Contributions to allowance	(4,960,962)	(38,034,445)
	(300,062,077)	**(295,101,115)**

7. VAT receivable

VAT Control	-	5,657,428

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	50,480,158	48,004,538
Cash on hand	5,050	5,150
Short-term deposits	28,301,608	73,839,295
	78,786,816	**121,848,983**

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for Guarantee: Eskom as electricity deposits	990,000	990,000
Total financial assets pledged as collateral for Guarantee: Post Office as postal deposits	80,000	80,000

8. Cash and cash equivalents (continued)

The municipality had the following Investment accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
Absa Bank Invest Tracker 935 502 8112	28,301,608	-	32,832,234	28,301,608	-	33,232,611
Standard Bank - Call Deposit account 228 505 348 005	-	16,000,001	17,653,753	-	16,000,001	17,653,753
Standard Bank - Notice Deposit 39 853 1641 009	-	-	5,613,986	-	-	5,613,986
Nedbank - Call deposit Account 03 7881033088 000060	-	-	15,111,692	-	-	15,111,692
Nedbank - Call deposit Account 03 7881033088 000074	-	-	3,983,918	-	-	3,983,918
Nedbank - Call deposit Account 03 7881033088 000126	-	-	5,000,000	-	-	5,000,000
Investec Call Account 1100 523923 500	-	39,886,191	39,886,191	-	39,886,191	39,886,191
FNB Call Account 627 7287 8909	-	2,101,101	24,812,674	-	2,101,101	24,812,674
FNB 32 Days Deposit 76203434073	-	15,851,342	-	-	15,851,342	-
Total	**28,301,608**	**73,838,635**	**144,894,448**	**28,301,608**	**73,838,635**	**145,294,825**

Short-term fixed and notice Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 4% to 5.05% per annum.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
Absa Bank - Primary bank Account 520000038	23,239,383	44,780,791	9,035,142	23,516,827	41,328,360	7,088,906
Absa Bank - Primary bank Account 520000062	-	-	-	-	-	1,649,620
Standard Bank - Revenue Account 331978369	-	-	-	-	(3,406)	(1,900)
Standard Bank - Account 240347862	26,684,391	6,225,445	5,615,316	26,963,331	6,679,584	5,659,997
Total	**49,923,774**	**51,006,236**	**14,650,458**	**50,480,158**	**48,004,538**	**14,396,623**

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

Figures in Rand	2025	2024

8. Cash and cash equivalents (continued)

Funds reserved to support unspent grants:

Expanded Public Works Program Grant	73,461	117,286
Finance Management Grant (FMG)	1,438,177	4,379,428
Integrated National Electrification Programme Grant(INEP)	5,106,189	-
Water Services Infrastructure Grants(WSIG)	7,399,145	-
Sector Education Training Authority	1,169,162	1,169,162
Municipal Infrastructure Grant	10,303,485	-
Municipal Disaster Recovery Grant	10,499,999	308,675
Reginal Bulk Infrastructure Grant (RBIG)	(4)	-
Total	**35,989,614**	**5,974,551**

Cash on hand

Cash floats and advances	5,150	5,150
Total	**5,150**	**5,150**

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

9. VAT input tax accrual and provision for VAT impairment

VAT input tax accrual	29,388,721	21,456,024
Provision for VAT impairment	318,506,059	299,579,101
	347,894,780	**321,035,125**

10. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	483,923,784	(148,086,742)	335,837,042	483,923,785	(147,269,079)	336,654,706

Reconciliation of investment property - 30 June 2025

	Opening balance	Depreciation	Total
Investment property	336,654,706	(817,664)	335,837,042

Reconciliation of investment property - 30 June 2024

	Opening balance	Depreciation	Total
Investment property	337,475,798	(821,092)	336,654,706

Pledged as security

No assets were pledged as security by the municipality

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.

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.

11. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	91,570,560	-	91,570,560	91,570,560	-	91,570,560
Buildings	51,572,295	(35,183,840)	16,388,455	51,572,295	(34,050,629)	17,521,666
Plant and machinery	71,185,205	(54,619,463)	16,565,742	60,970,972	(50,564,945)	10,406,027
Furniture and office equipment	9,031,576	(7,100,831)	1,930,745	8,990,527	(6,570,455)	2,420,072
Motor vehicles	41,510,871	(29,790,203)	11,720,668	32,953,500	(25,614,878)	7,338,622
IT equipment	21,051,108	(17,944,522)	3,106,586	19,858,313	(16,676,150)	3,182,163
Solid Waste Infrastructure	27,951,361	(27,560,699)	390,662	27,951,361	(27,559,497)	391,864
Community Assets	190,511,343	(83,873,936)	106,637,407	187,000,655	(80,819,855)	106,180,800
Water Supply Infrastructure	560,478,184	(382,836,661)	177,641,523	525,833,685	(375,963,353)	149,870,332
Roads Infrastructure	681,016,192	(473,092,971)	207,923,221	671,234,407	(441,158,579)	230,075,828
Electrical Infrastructure	461,953,945	(235,079,604)	226,874,341	477,816,576	(230,013,969)	247,802,607
Sanitation Infrastructure	648,400,822	(274,403,300)	373,997,522	616,330,082	(264,050,419)	352,279,663
Total	**2,856,233,462**	**(1,621,486,030)**	**1,234,747,432**	**2,772,082,933**	**(1,553,042,729)**	**1,219,040,204**

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 30 June 2025

	Opening balance	Additions	WIP Additions	Donations	Depreciation	Impairment loss	Total
Land	91,570,560	-	-	-	-	-	91,570,560
Buildings	17,521,666	-	-	-	(1,011,926)	(121,285)	16,388,455
Plant and machinery	10,406,027	10,214,235	-	-	(3,351,224)	(703,296)	16,565,742
Furniture and Office Equipment	2,420,072	41,049	-	-	(339,562)	(190,814)	1,930,745
Motor vehicles	7,338,622	8,557,370	-	-	(4,175,324)	-	11,720,668
IT equipment	3,182,163	949,595	-	-	(828,646)	(196,526)	3,106,586
Solid Waste Infrastructure	391,864	-	-	-	(1,202)	-	390,662
Community Assets	106,180,800	-	3,510,691	-	(3,054,084)	-	106,637,407
Water Supply Infrastructure	149,870,332	460,260	34,184,239	-	(6,873,308)	-	177,641,523
Roads Infrastrutcure	230,075,828	-	9,781,785	-	(10,567,600)	(21,366,792)	207,923,221
Electrical Infrastructure	247,802,607	666,451	4,586,668	(21,115,750)	(5,065,635)	-	226,874,341
Sanitation Infrastructure	352,279,663	-	32,070,741	-	(10,174,099)	(178,783)	373,997,522
	1,219,040,204	**20,888,960**	**84,134,124**	**(21,115,750)**	**(45,442,610)**	**(22,757,496)**	**1,234,747,432**

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 30 June 2024

	Opening balance	Additions	WIP Additions	Depreciation	Total
Land	91,570,560	-	-	-	91,570,560
Buildings	18,244,599	288,994	-	(1,011,927)	17,521,666
Plant and machinery	11,301,350	566,571	-	(1,461,894)	10,406,027
Furniture and Office Equipment	2,382,036	336,549	-	(298,513)	2,420,072
Motor vehicles	8,275,936	-	-	(937,314)	7,338,622
IT equipment	2,589,174	1,310,371	-	(717,382)	3,182,163
Solid Waste Infrastructure	393,065	-	-	(1,201)	391,864
Community Assets	108,453,748	-	781,012	(3,053,960)	106,180,800
Water Supply Infrastructure	130,738,735	-	25,608,844	(6,477,247)	149,870,332
Roads Infrastructure	216,673,669	-	23,536,373	(10,134,214)	230,075,828
Electrical Infrastructure	230,333,149	1,326,990	21,120,939	(4,978,471)	247,802,607
Sanitation Infrastructure	354,852,160	-	7,601,602	(10,174,099)	352,279,663
	1,175,808,181	**3,829,475**	**78,648,770**	**(39,246,222)**	**1,219,040,204**

Pledged as security

No assets were pledged as security:

Figures in Rand	2025	2024

11. Property, plant and equipment (continued)

Delayed projects

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Sasolburg: Upgrading of water pump station Extension of time approved, project to be completed in August 2024	-	1,077,330
Zamdela/Amelia: Construction of a new cemetery Contractor stopped due to unavailability of funds, MIG only approved additional funds in November 2024	11,885,004	4,155,197
Orangeville Sports Complex The project requires additional funds in order to complete and commission.	18,971,180	18,971,180
Vonder Fontein - Bulk Water Sewer Services Installation The Municipality is in the process of settling monies owing to the contractor.	7,420,000	7,420,000
	38,276,184	**31,623,707**

Reconciliation of Work-in-Progress 30 June 2025

	Included within Community Assets	Included within Electrical Infrastructure	Included within Roads Infrastructure	Included within Sanitation Infrastructure	Included within Water Supply Infrastructure	Total
Opening balance	27,503,302	79,685,526	18,506,041	45,893,385	46,702,378	218,290,632
Additions/capital expenditure	3,510,688	4,586,668	9,781,785	32,070,741	34,184,239	84,134,121
Commissioned	-	(58,569,775)	(16,954,426)	-	(17,905,025)	(93,429,226)
Donations	-	(21,115,750)	-	-	-	(21,115,750)
	31,013,990	**4,586,669**	**11,333,400**	**77,964,126**	**62,981,592**	**187,879,777**

Reconciliation of Work-in-Progress 30 June 2024

	Included within Community Assets	Included within Electrical Infrastructure	Included within Roads Infrastructure	Included within Sanitation Infrastructure	Included within Water Supply Infrastructure	Total
Opening balance	26,722,290	58,564,587	43,678,684	236,403,881	39,125,398	404,494,840
Additions/capital expenditure	781,012	21,120,939	23,536,373	7,601,602	25,608,844	78,648,770
Prior Period Error	-	-	(30,954,887)	(923,815)	(18,031,864)	(49,910,566)
Commissioned	-	-	(17,754,129)	(197,188,283)	-	(214,942,412)
	27,503,302	**79,685,526**	**18,506,041**	**45,893,385**	**46,702,378**	**218,290,632**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Infrastructure	15,839,315	9,009,775
Machinery	-	327,874
Motor vehicles	-	3,579,512
Buildings	740,810	-
	16,580,125	**12,917,161**

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

12. 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	14,313,921	(10,102,664)	4,211,257	20,233,605	(14,810,116)	5,423,489

Reconciliation of intangible assets - 30 June 2025

	Opening balance	Amortisation	Total
Computer software, other	5,423,489	(1,212,232)	4,211,257

Reconciliation of intangible assets - 30 June 2024

	Opening balance	Amortisation	Total
Computer software, other	6,635,721	(1,212,232)	5,423,489

13. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Municipal Jewellery	1	-	1	1	-	1
Recreational parks	4,160,999	(771)	4,160,228	4,160,999	(771)	4,160,228
Total	**4,161,000**	**(771)**	**4,160,229**	**4,161,000**	**(771)**	**4,160,229**

Reconciliation of heritage assets 30 June 2025

	Opening balance	Total
Municipal Jewellery	1	1
Recreational parks	4,160,228	4,160,228
	4,160,229	**4,160,229**

Reconciliation of heritage assets 30 June 2024

	Opening balance	Total
Art Collections, antiquities and exhibits	1	1
Recreational parks	4,160,228	4,160,228
	4,160,229	**4,160,229**

14. Other financial assets

Designated at fair value		
Listed shares	4,088,485	3,731,140
Sanlam shares		
At amortised cost		
Other financial assets	12,810	12,810
Terms and conditions		
	4,088,485	3,731,140
	-	-
	12,810	12,810
Total other financial assets	**4,101,295**	**3,743,950**
Non-current assets		
Designated at fair value	4,088,485	3,731,140
At amortised cost	12,810	12,810
	4,101,295	**3,743,950**
Non-current assets	4,101,295	3,743,950
Current assets	-	-

Financial assets at fair value

Fair value hierarchy of financial assets at fair value

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. 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.:

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

Level 2: 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 instruments 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.

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 instruments 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.

Level 1		
Class 1 (e.g. FEC's)	4,088,485	3,731,140
	4,088,485	**3,731,140**

15. Receivables from exchange transactions- Long term portion

Housing sale of land	2,380,165	14,661

* See Note 65

Figures in Rand	Note(s)	2025	2024 Restated*
15. Receivables from exchange transactions- Long term portion (continued)			
Gross balances			
Housing sale of land		6,295,151	6,250,006
Impairment			
Housing sale of land		(3,914,986)	(6,235,345)
Financial asset receivables included in receivables from exchange transactions above		**2,380,165**	**14,661**
Total receivables from exchange transactions		2,380,165	14,661
Reconciliation of provision for impairment of trade and other receivables			
Opening balance		6,235,342	6,208,805
Provision for impairment		(2,320,366)	26,537
		3,914,976	**6,235,342**
16. Payables from exchange transactions			
Trade payables		96,582,472	79,973,465
Payments received in advanced		41,611,740	40,530,045
Accrued leave pay		30,339,368	27,037,393
Accrued bonus		8,658,969	7,558,184
Eskom: Bulk electricity purchase		62,054,103	57,746,460
Rand Water and Department of Water: Bulk water purchase		90,007,086	71,298,754
Control, Clearing and Interface Accounts		18,492,537	17,353,723
Unclaimed electricity credits		2,113,949	2,096,637
Retentions		24,417,720	21,247,220
Auditor-General South Africa		71,191	46,199
Unallocated deposits		14,736,277	14,146,063
		389,085,412	**339,034,143**

Staff bonuses accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Staff leave accrues to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Payments received in advance also include consumer debtors' accounts paid in advance.

No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with.

The municipality did default on payments to its creditors. Terms for payment have been re-negotiated by the municipality.

17. VAT payable			
VAT Control		3,597,574	-

* See Note 65

Figures in Rand	Note(s)	2025	2024 Restated*

18. Consumer deposits

Electricity	4,103,863	3,913,937
Water	26,377,947	25,167,140
	30,481,810	**29,081,077**

Consumer deposits are paid by consumers on application for new electricity connections. The deposits are repaid when the 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 accrues on consumer deposits.

The management of the municipality is of the opinion that the carrying value of consumer deposits approximates their fair values.

The fair value of consumer deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

19. Employee benefit obligations

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

Carrying value		
Present value of the defined benefit obligation	(38,917,000)	(36,411,000)
Present value of the defined benefit obligation-partly or wholly funded	(26,702,000)	(27,697,000)
	(65,619,000)	**(64,108,000)**
Non-current liabilities	(58,781,000)	(54,451,000)
Current liabilities	(6,838,000)	(9,657,000)
	(65,619,000)	**(64,108,000)**

Post-retirement Health Care Benefits Liability

Opening balance	36,411,000	32,466,123
Benefits paid	(2,615,000)	(2,131,991)
Net expense recognised in the statement of financial performance	5,121,000	6,076,868
	38,917,000	**36,411,000**

Post-retirement Health Care Benefits Liability

Transfer to current provisions	(2,873,000)	(2,615,000)
Non-current portion	**36,044,000**	**33,796,000**

Analysis of net expense recognised in the statement of financial performance(Including benefits paid)

Assumed discount rate have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed discount rate would have the following effects:

Current service cost	383,000	707,246
Interest cost	4,073,000	4,621,857
Actuarial (gains) and losses	665,000	747,765
Benefits paid	(2,615,000)	(2,131,991)
Total	2,506,000	3,944,877

* See Note 65

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*

19. Employee benefit obligations (continued)

The members of the Post-employment Health Care Benefit Plan are made up as follows:

Eligible employees	42	53
Continuation members (pensioners)	55	50
	97	**103**

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

In-service members	10,988,000	13,479,000
Continuation members	27,583,000	22,932,000
	38,571,000	**36,411,000**

* See Note 65

Figures in Rand	Note(s)	2025	2024 Restated*

19. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

In estimating the net defined benefit liability for the post-employment health care benefits a number of assumptions are required. The GRAP 25 standard places the responsibility on management to set these assumptions, as guided by the principles set out in the standard and in discussion with the actuary.

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

The key financial and demographic assumptions are summarised below

A more detailed outline of these assumptions is contained in the acturial report

Key Financial Assumptions		
Discount rate	10.20 %	11.59 %
Health care cost inflation rate	6.10 %	7.15 %
CPI inflate rate	4.30 %	5.65 %
Maximum subsidy inflation rate	4.00 %	4.99 %
Net effective discount rate	6.00 %	6.29 %
Heading		
Average retirement age	62	62.00
Mortality during employment	SA 85-90	SA 85-90
Termination of service (resignation and retrenchment) average	5%	5%
Mortality post-employment	PA(90)-1	PA(90)-1
Continuation of membership at retirement	75.00 %	75.00 %

Post-retirement Health Care Benefits Liability

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:
- Bonitas
- Keyhealth
- LA Health
- Hosmed

Municipal employees contribute to accredited medical schemes.

The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

* See Note 65

19. Employee benefit obligations (continued)

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death in-service or death in- retirement, the surviving dependents may continue membership of the medical scheme.

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependents. Some options also differentiate on the basis of income.

In-service members that were employed prior to 2001 are entitled to a post-employment medical aid subsidy of 60% of the contribution payable. All current continuation members receive a 60% subsidy.

Upon a member's death-in-service or death-in-retirement, the surviving dependents will continue to receive the same 60% subsidy.

The obligation in respect of medical care contributions for retirement benefits is valued every year by independent qualified actuaries.

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible retirees and retired employees of the municipality. The provision is utilised when eligible employees receive the value of the vested benefits.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2023 by Mr Chanan Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligations, and the related current service costs and past service costs, were measured using the Projected Unit Credit Method.

Amounts for the current and previous four years are as follows:	2025	2024	2023	2022	2021
Present Value of Defined Benefit Obligation	(38,917,000)	(36,411,000)	32,466,123	37,947,000	46,371,724
	(38,917,000)	**(36,411,000)**	**32,466,123**	**37,947,000**	**46,371,724**

* See Note 65

Figures in Rand	Note(s)	2025	2024 Restated*

19. Employee benefit obligations (continued)

Long service awards liabilities

Long service awards		
Opening balance	27,697,000	16,868,000
Benefits paid	(7,042,000)	(1,576,000)
Net expense recognised in the statement of financial performance	6,047,000	12,405,000
Total	26,702,000	27,697,000
Transfer to current provisions	(3,965,000)	(7,042,000)
Total non-current portion	22,737,000	20,655,000
Total long service awards liability	26,702,000	27,697,000

Analysis of net expense recognised in the statement of financial performance(Including benefits paid)

Assumed discount rate have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed discount rate would have the following effects:

Current service cost	2,961,000	1,752,000
Past service cost	-	9,263,000
Interest cost	2,644,000	1,665,000
Actuarial (gains) and losses	442,000	(66,000)
Benefits paid	(7,042,000)	(1,576,000)
Total	(995,000)	11,038,000

Eligible Employees		
Total number	813	743

Key assumptions used

Assumptions used at the reporting date:

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

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the LSA arrangement – this is determined by actual experience and by the benefits provided. The method and assumptions influence how the DBO and current service costs are recognised over time.
The key financial and demographic assumptions are summarised below. A more detailed outline of these assumptions is contained in the actuarial report.

The key financial and demographic assumptions are summarised below.

A more detailed outline of these assumptions is contained in the actural report

Key Financial Assumptions		
Discount rate	9.80 %	10.89 %
CPI inflate rate	3.80 %	5.00 %
General earnings inflation rate	4.80 %	6.00 %
Net effective discount rate	4.80 %	4.62 %

* See Note 65

Figures in Rand	Note(s)	2025	2024 Restated*

19. Employee benefit obligations (continued)

Key demographic assumptions

Average age	62	62
Mortality during employment	SA 85-90	SA 85-90
Termination of service (resignation and retrenchment rates per annum)	5.00 %	5.00 %

Long service awards liabilities

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible employees of the municipality. The provision is utilised when eligible employees receive the value of the vested benefits.

At year end 743 (2023: 716) employees were eligible for Long-service Awards.

Metsimaholo Local Municipality offers employees long service awards for every 5 years of services completed. No other long service benefits are provided to employees.

Special leave pay

24 employees (appointed before 1999, according to the data provided) receive an additional six days of leave annually. This commenced when they reached five years of service.

Retirement gifts

55 employees (appointed before 2007, according to the data provided) are entitled to receive a retirement gift of 2% of annual earnings, provided they have at least 20 years of service at retirement..

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2023 by Mr Chanan Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Amounts for the current and previous four years are as follows:	2025	2024	2023	2022	2021
Long service awards liability	26,702,000	27,697,000	16,686,000	17,047,000	15,867,000
	26,702,000	**27,697,000**	**16,686,000**	**17,047,000**	**15,867,000**

20. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	10,303,485	-
Financial Management Grant	1,438,177	1,654,288
Integrated National Electrification Programme Grant(INEP)	5,106,189	-
LGSETA	1,169,162	1,169,162
Municipal Disaster Recovery Grant	10,499,999	411,172
Reginal Bulk Infrastructure Grant (RBIG)	(4)	-
Water Services Infrastructure Grants(WSIG)	7,399,145	-
Expanded Public Works Program Grant	73,461	117,286
	35,989,614	**3,351,908**

* See Note 65

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*

20. Unspent conditional grants and receipts (continued)

Movement during the year

Balance at the beginning of the year	3,351,908	4,116,176
Additions during the year	120,692,972	369,390,441
Income recognition during the year	(85,989,806)	(370,154,709)
Repayment of unspent grants	(2,065,460)	-
	35,989,614	**3,351,908**

The nature and extent of government grants recognised in the audited annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 32 for the reconciliation of grants from the National/Provincial Government.

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 65

Figures in Rand	Note(s)	2025	2024 Restated*

21. Provisions

Reconciliation of provisions - 30 June 2025

	Opening Balance	Change in discount factor	Utilised during the year	Total
Environmental rehabilitation	109,553,099	13,080,676	(8,096,834)	114,536,941
	109,553,099	**13,080,676**	**(8,096,834)**	**114,536,941**

Reconciliation of provisions - 30 June 2024

	Opening Balance	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	98,017,478	(834,222)	12,369,843	109,553,099
	98,017,478	**(834,222)**	**12,369,843**	**109,553,099**

Non-current liabilities	11,627,209	2,951,275
Current liabilities	102,909,732	106,601,824
	114,536,941	**109,553,099**

Environmental rehabilitation provision

In line with its responsibilities under the National Environmental Management: Waste Act (No. 59 of 2008) and the Standards of Generally Recognised Accounting Practice (GRAP 19), Metsimaholo Local Municipality is required to rehabilitate its landfill sites to mitigate environmental risks and ensure their suitability for the proposed end-use post-closure. To support compliance with these regulatory and financial obligations, CCG systems, on behalf of the Municipality, to conduct an engineering-based estimation of the rehabilitation and closure liabilities for all municipal landfill sites.

Methodology

The proper closure of a landfill marks the final stage in its operational lifecycle. However, closure must be preceded by a structured process of rehabilitation, aimed at ensuring that the site is environmentally safe, socially acceptable, and suitable for the planned post-closure land use. Where historical mismanagement has occurred, remedial interventions are necessary prior to formal closure. Furthermore, post-closure aftercare is critical for the long-term maintenance of site integrity.

Estimating the remaining life and rehabilitation cost of a landfill is a technically complex process, influenced by both controllable and uncontrollable variables. Factors within the landfill owner's control include compaction methods, permitted airspace, waste diversion practices, and innovative methods like leachate recirculation. Conversely, external influences such as fluctuating waste volumes, population growth, economic activity, regulatory changes, and shifting waste composition (e.g., an increase in builder's rubble) can significantly affect landfill operations.

Given these complexities, the rehabilitation cost per square meter is determined largely by market rates. Nonetheless, estimation techniques must be adopted in the absence of actual contractor pricing. This study applies cost estimates derived from comparable South African landfill rehabilitation projects, appropriately adjusted for local context.

The methodology is derived from Section 12 (Rehabilitation, Closure and End-use) of the Department of Water Affairs and Forestry (DWAF) Minimum Requirements for Waste Disposal by Landfill (2nd Edition, 1998).

Key financial assumptions used in this calculation were as follows:

	2025	2024
Average long-term CPI	6.77%	7.39%
Net Discount rate	5.23%	4.87%
Average Long-term Bond	12.35%	12.62%

* See Note 65

Figures in Rand	Note(s)	2025	2024 Restated*

21. Provisions (continued)

Heading	Sasol landfill	Orangeville landfill	Deneysville landfill
Approximate footprint at 30 June 2022	16.83 Ha	1.25 Ha	1.62 Ha
Remaining useful lives	Approximately 0	Approximately 8	Approximately 0

Provision 1

A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.

An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph .61.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

22. VAT output tax accrual

VAT output tax accrual	376,886,689	330,314,383

23. Service charges

Sale of electricity	399,835,272	379,436,431
Sale of water	496,316,287	522,948,585
Sewerage and sanitation charges	75,778,455	71,831,821
Refuse removal	57,165,212	54,543,959
	1,029,095,226	**1,028,760,796**

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to Council's approved tariffs. These service charges revenue are the net amounts after taking into account revenue forgone.

24. Sale of goods and rendering of services

Advertisements	406,769	411,069
Building plan clause levy	518,289	239,684
Cemetery and burial	364,026	406,440
Clearance certificates	577,221	387,669
Drainage fees	4,152	6,065
Entrance fees	248,235	318,204
Fire services	709,574	699,720
Legal fees	-	1,894,000
Parking fees	52,252	63,044
Sale of goods	14,754	18,912
Tender documents	131,100	113,034
Town planning and servitudes	467,681	143,782
Valuation services	-	244
Building plan approval	20,149	6,595
	3,514,202	**4,708,462**

* See Note 65

Figures in Rand	Note(s)	2025	2024 Restated*

25. Rental of facilities and equipment

Premises		
Premises	6,374,728	6,351,250
Facilities and equipment		
Rental of facilities	601,098	408,600
Premises	6,374,728	6,351,250
Garages and parking	-	-
Facilities and equipment	601,098	408,600
	6,975,826	**6,759,850**

Rental income generated is at market-related premiums.

Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to property leases for municipal houses. The lessee does not have an option to purchase the leased asset at the expiry of the lease period. These rentals are classified as contingent rentals due to some uncertain lease periods which are on a month-to-month basis. The operating lease payments are therefore not subject to straight-lining and it is impracticable to disclose the future minimum lease payments expected to be received for each of the following periods as required by GRAP13:

- no later than one year
- later than one year and not later than five years
- later than five years

The municipality has operating lease agreements for the following classes of assets:

- Buildings

26. Investment revenue

Dividend revenue		
Other financial asset- Sanlam shares	164,148	147,549
Interest revenue		
Short-term investments and call accounts	7,972,713	12,036,530
	164,148	147,549
	7,972,713	12,036,530
	8,136,861	**12,184,079**

27. Interest received - exchange receivables

Electricity	13,396,472	9,746,696
Service charges	10,285,403	9,192,355
Waste management	10,303,689	8,589,721
Waste water management	5,886,874	5,173,649
Water	97,707,264	80,389,302
	137,579,702	**113,091,723**

* See Note 65

Figures in Rand	Note(s)	2025	2024 Restated*

28. Property rates

Rates received

Residential	157,750,910	153,432,354
Commercial	96,894,082	92,375,425
Municipal	5,599,497	5,330,240
Small holdings and farms	4,038,009	3,853,734
Other property types	3,906,263	3,751,959
Less: Income forgone	(38,279,631)	(37,623,136)
	229,909,130	**221,120,576**

Valuation

Business	1,033,807,000	1,041,010,000
Farms	4,283,580,000	4,288,730,000
Government	28,302,000	28,302,000
Municiplal	71,332,000	4,633,200
Private	4,056,294,005	4,012,304,000
Residential	1,113,663,000	1,113,663,000
Unknown abakus	11,060,149,000	11,052,669,000
	21,647,127,005	**21,541,311,200**

The land value was changed to market value according to the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA) that came
into effect on 1 July 2008. The increase in valuation is due to the fact that the full market value of a property is now the basis of levying rates and not the land value
No difference is made between land value and the value of improvements and only the market value appears on the valuation roll.
With the implementation of the MPRA, different categories of properties are levied at different tariffs with different rebates applicable
Property owners of 60 years and older and/or physically or mentally disabled, who can substantiate receipt of a social pension, and
owners certified by the Medical Officer of Health as physically or mentally disabled, can qualify for a rebate, subject to certain conditions.

29. Service charges - Availability charges

Electricity	1,750,972	2,694,461
Sewerage and Sanitation	22,727	23,053
Water	456,940	1,434,939
	2,230,639	**4,152,453**

Availability charges have been reclassified from Exchange to Non-exchange Revenue where consumers have not paid the connection fee and the municipality has not connected consumer to the municipality's infrastructure.

30. Fines, Penalties and Forfeits

Court Traffic Fines	38,777	-
Municipal Traffic Fines	3,831,608	3,049,663
	3,870,385	**3,049,663**

31. Interest from non-exchange receivables

Property rates	24,171,380	21,817,534

* See Note 65

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*

32. Government grants & subsidies

Operating grants		
Equitable share	295,370,460	276,279,313
Financial Management Gant (FMG)	1,261,824	1,095,712
Extended Public Works Program (EPWP)	1,243,825	832,714
Municipal Disaster Recovery Grant	-	588,828
	297,876,109	**278,796,567**
Capital grants		
Municipal Infrastructure Grant (MIG)	41,325,515	49,399,326
Water Services Infrastructure Grant (WSIG)	28,961,758	17,339,008
Integrated National Electrification Programme (INEP)	5,127,811	29,780,000
Regional Bulk Infrastructure Grant (RBIG)	8,068,972	-
	83,484,056	**96,518,334**
	297,876,109	278,796,567
	83,484,056	96,518,334
	381,360,165	**375,314,901**

Conditional and Unconditional

Included in the above are the following grants and subsidies received:

Conditional grants received	120,692,968	100,099,441
Unconditional grants received	293,305,000	269,291,000
	413,997,968	**369,390,441**

Equitable Share

Allocation as per DoRA	295,487,000	276,178,000
Current year receipts	(293,305,000)	(269,291,000)
Grants withheld	(2,182,000)	(6,887,000)
	-	**-**

The Equitable Share Grant is an unconditional grant. In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members and to fund operations. The grant was utilised as per the intended purpose.

A council resolution was taken to use some of the grant for free basic services to residents. Equitable share is also used to allocate basic water, basic electricity and basic sewer per month to all households. Indigent households are allocated 6kl of water, 50 kWh of electricity additional sewer, refuse, and R50 per month on rates.

The allocation of equitable share has been reduced by R 2 065 460 during the 2024/25 financial year due to the non-spending of Disaster Recovery Grant and Financial Management Grant by the municipality as at 30 June 2024.

The allocation of equitable share has been reduced by R 6 988 313 during the 2023/24 financial year due to the non-spending of funds on the Integrated National Electrification Programme Grant, Municipal Infrastructure Grant and Financial Management Grant by the municipality as at 30 June 2023.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	-	5,186,639
Current-year receipts	51,629,000	49,399,000

* See Note 65

Figures in Rand	Note(s)	2025	2024 Restated*
32. Government grants & subsidies (continued)			
Conditions met - transferred to revenue		(41,325,515)	(45,357,910)
Retained payment		-	(4,041,416)
Reduction (According to National Treasury)		-	(5,186,313)
		10,303,485	**-**

Conditions still to be met - remain liabilities (see note 20).

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure.

Finance Management Grant (FMG)

Balance unspent at beginning of year	1,654,288	1,800,000
Current-year receipts	2,700,000	2,750,000
Conditions met - transferred to revenue	(1,261,823)	(1,095,712)
Reduction (According to National Treasury)	(1,654,288)	(1,800,000)
	1,438,177	**1,654,288**

Conditions still to be met - remain liabilities (see note 20).

The municipality received the Financial Management Grant from the National Treasury. It is used for capacity building and assistance to financial services to improve service delivery. This grant is also used to assist in support and implementation of financial management reforms, attendance at accredited training and capacity building programmes on financial management.

Expanded Public Works Program (EPWP)

Balance unspent at beginning of year	117,286	-
Current-year receipts	1,200,000	950,000
Conditions met - transferred to revenue	(1,243,825)	(832,714)
	73,461	**117,286**

Conditions still to be met - remain liabilities (see note 20).

The Expanded Public Works Programme (EPWP) Grant is a conditional grant of which the purpose is the funding of the department's Extended Public Works Programme. The grant was utilised as per the intended purpose. No moneys have been withheld.

Sector Education Training Authority Grant (SETA)

Balance unspent at beginning of year	1,169,162	565,721
Current-year receipts	-	603,441
	1,169,162	**1,169,162**

Conditions still to be met - remain liabilities (see note 20).

The municipality received grants from the Sector Education Training Authority to promote excellent performance by the human resources division. The funds must be utilised towards training. The agreement for the appointment of learners was carried over to 2022/2023.

Integrated National Electrification Programme (INEP)

Balance unspent at beginning of year	-	2,000

* See Note 65

Figures in Rand	Note(s)	2025	2024 Restated*
32. Government grants & subsidies (continued)			
Current-year receipts		10,234,000	29,780,000
Conditions met - transferred to revenue		(5,127,811)	(29,780,000)
Reduction (According to National Treasury)		-	(2,000)
		5,106,189	**-**

Conditions still to be met - remain liabilities (see note 20).

The Integrated Electrification Programme Grant is a conditional grant of which the purpose is to facilitate the development of the electrical infrastructure grid as part of the Integrated National Electrification Programme. The grant was utilised as per intended purpose. Moneys have been withheld in the prior financial year.

Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	-	1,722,013
Current-year receipts	36,361,000	15,617,000
Conditions met - transferred to revenue	(28,961,855)	(17,339,013)
	7,399,145	**-**

Conditions still to be met - remain liabilities (see note 20).

This grant has been provided by Department of Water affairs and to try to get water to areas where it was recognised that full services would not become available.

Regional Bulk Infrastructure Grant (RBIG)

Current-year receipts	8,068,968	-
Conditions met - transferred to revenue	(8,068,972)	-
	(4)	**-**

Conditions still to be met - remain liabilities (see note 20).

The municipality received funds from National Government (Regional Bulk Infrastructure Grant) for water purification.

Municipal Disaster Recovery Grant

Balance unspent at beginning of year	411,171	-
Current-year receipts	10,500,000	1,000,000
Conditions met - transferred to revenue	-	(588,828)
Reduction (According to National Treasury)	(411,172)	-
	10,499,999	**411,172**

Conditions still to be met - remain liabilities (see note 20).

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

33. Service charges - Availability charges

Electricity	1,750,972	2,694,461
Sewerage and Sanitation	22,727	23,053
Water	456,940	1,434,939
	2,230,639	**4,152,453**

* See Note 65

Figures in Rand	Note(s)	2025	2024 Restated*

34. Employee related costs

Basic	234,552,004	210,468,475
Long-service awards	2,560,093	10,807,014
Leave pay provision charge	6,069,441	2,569,242
Overtime payments	41,994,940	41,509,765
Allowances: Acting and post-related allowances	4,821,751	4,211,026
Allowances: Bonus	19,576,976	16,087,880
Allowances: Cellphone and telephone	2,308,890	2,104,333
Allowances: Housing benefits	1,637,334	1,651,644
Allowances: Standby	7,335,238	6,618,580
Allowances: Travel or Motor vehicle	32,576,154	29,220,163
Social contributions: Bargaining council	116,961	102,739
Social contributions: Group life insurance	158,419	167,290
Social contributions: Medical	28,745,515	24,194,911
Social contributions: Pension	40,531,301	36,087,089
Social contributions: Unemployment insurance	1,740,087	1,585,420
Long-term benefits - incentive scheme	364,484	958,771
Skills development levy	3,502,364	2,779,982
	428,591,952	**391,124,324**

Remuneration of Municipal Manager

Annual Remuneration	1,607,749	1,158,596
Car Allowance	300,000	75,000
Cell phone allowance	42,000	28,000
Company Contributions to UIF, Medical and Pension Funds	2,125	13,821
Acting Allowances	-	195,016
Other	370,251	-
	2,322,125	**1,470,433**

Mr. FJ Motloung has been appointed as Municipal Manager on the 1st of April 2024

Mr. FJ Motloung was acting Municipal manager from December 2023 until 31 March 2024

Remuneration of Chief Finance Officer

Annual Remuneration	1,378,247	918,417
Car Allowance	225,000	132,201
Cell phone Allowance	30,000	12,013
Company Contributions to UIF, Medical and Pension Funds	2,125	522,628
Other	21,164	-
	1,656,536	**1,585,259**

Mrs. FV Mareka has been appointed as Chief Financial Officer on the 1st of April 2024

Mr. CC Scheepers was acting Chief Financial Officer from August as HI Lebusa was suspended

Mr. HI Lebusa was dismissed on the 8th of December 2023

* See Note 65

34. Employee related costs (continued)

Remuneration of Director Technical Services and Infrastructure

Annual Remuneration	1,303,247	1,180,707
Car Allowance	300,000	300,000
Cell phone Allowance	30,000	30,000
Company Contributions to UIF, Medical and Pension Funds	2,125	14,875
Acting allowances	-	31,367
Other	375,243	-
	2,010,615	**1,556,949**

Mr. DL Ramabitsa has been appointed as Director Technical Service and Infrastructure on 01 August 2022.

Mr. KM Mvulane was appointed as Acting Director Technical Service and Infrastructure for the period (06 July 2023 - 21 July 2023) and (01 August 2023 - 31 August 2023) .

Remuneration of Director Organisational Development and Corporate Services

Annual Remuneration	325,812	822,981
Car Allowance	75,000	225,000
Performance Bonuses	7,500	22,500
Company Contributions to UIF, Medical and Pension Funds	531	281,777
Acting allowances	659,589	18,400
Other	4,616	-
	1,073,048	**1,370,658**

MR ME Sediane was appointed as Director Organisational Development and Corporate Service

Mr ME Sediane was acting director organisational development and corporate service since

Mr FJ Motloung resigned on the 31st of March 2024 as he became appointed as a Municipal Manager

Mr FJ Motloung was appointed as Director Organisational Development and Corporate Services since 01 March 2023 to 30 June 2023

Draft 2025

Remuneration of Director Social Services

Annual Remuneration	1,303,247	1,162,931
Car Allowance	300,000	300,000
Cell phone Allowance	30,000	30,000
Company Contributions to UIF, Medical and Pension Funds	2,125	16,750
Acting allowances	-	31,367
Other	377,198	-
	2,012,570	**1,541,048**

Mr SJ Mokoena was appointed as Director Social Services from 01 Aug 2022

Remuneration of Director Economic Development and Urban Planning

Annual Remuneration	1,303,247	1,336,747
Car Allowance	300,000	125,000
Cell phone Allowance	30,000	30,000
Company Contributions to UIF, Medical and Pension Funds	2,125	16,861
Acting allowances	-	31,367
Other	377,198	-
	2,012,570	**1,539,975**

Ms. MK Tlhapane was appointed as Director Economic Development since 01 Aug 2022

35. Remuneration of councillors

Executive Major	1,080,672	983,455
Chief Whip	825,872	792,276
Mayoral Committee Members	7,420,400	6,024,604
Chairpersons Section 79 committees	2,403,184	2,050,129
Speaker	877,080	878,657
All other Councillors	11,609,476	11,744,319
Remuneration of ward committees	2,496,496	2,546,762
	26,713,180	**25,020,202**

In-kind benefits

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

The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council-owned vehicle for official duties.

The Executive Mayor has three full-time bodyguards. The Speaker has two full-time bodyguards.

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35. Remuneration of councillors (continued)

Additional information

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

Remuneration of the Executive Mayor - 2025	Annual remuneration	Cellphone allowance	Travel allowance	Total
MJ Malindi	1,032,688	47,004	-	1,079,692

Remuneration of the Speaker - 2025	Annual remuneration	Cellphone allowance	Travel allowance	Total
L Fisher	651,306	47,004	178,770	877,080

Remuneration of the Chief Whip - 2025	Annual remuneration	Cellphone allowance	Travel allowance	Total
FD Mosokweni	577,868	47,004	201,000	825,872

Remuneration of mayoral Committee members - 2025	Annual remuneration	Cellphone allowance	Travel allowance	Total
SM MOTJEANE	775,678	47,004	-	822,682
LL NHLAPO	775,678	47,004	-	822,682
JL TSOTETSI	775,678	47,004	-	822,682
MS POHO	484,653	47,004	276,000	807,657
M NKHELOANE	806,964	47,004	-	853,968
LA MAKHEFU	775,678	47,004	-	822,682
JM MASITENG	775,678	47,004	-	822,682
SM MOFOKENG	775,678	47,004	-	822,682
DA MOFOKENG	775,678	47,004	-	822,682
	6,721,363	**423,036**	**276,000**	**7,420,399**

Remuneration of section 79 Committee chairpersons - 2025	Annual remuneration	Cellphone allowance	Travel allowance	Total
Molawa JM (MPAC Chairperson)	560,164	47,004	195,204	802,372
Mtshali NM (ETHICS Chairperson)	560,164	47,004	195,204	802,372
Khumalo AM(Chairperson of public place and street naming)	751,436	47,004	-	798,440
	1,871,764	**141,012**	**390,408**	**2,403,184**

Remuneration of all other councillors - 2025	Annual remuneration	Cellphone allowance	Travel allowance	Total
	-	-	-	1

Remuneration of the Executive Mayor - 2024	Annual remuneration	Cellphone allowance	Travel allowance	Total
MJ Malindi 719,591 32,400 - 751,991 01 October 2023- 30 June 2024	719,591	32,400	-	751,991
ZJ Zwane01 July 2023 - September 2023	219,203	10,400	55,860	285,463
	938,794	**42,800**	**55,860**	**1,037,454**

Remuneration of the Council Whip - 2024	Annual remuneration	Cellphone allowance	Travel allowance	Total
FD Mosokweni	553,816	45,600	201,000	800,416

Remuneration of the Mayoral Committee Members - 2024	Annual remuneration	Total
FJ van der Merwe	186,180	186,180
JJ Barnard	186,180	186,180

35. Remuneration of councillors (continued)

TK Rankoe	186,180	186,180
SR Meyer	186,180	186,180
JM Makhema	127,527	127,527
MT Mbana	215,299	215,299
L Day	124,913	124,913
Sl Tshongwe	481,914	481,914
LA Makhefu	542,989	542,989
DA Mofokeng	553,974	553,974
SM Motjeane	553,974	553,974
TA Motaung	55,798	55,798
JL Tsotetsi	553,974	553,974
MS Poho	551,294	551,294
LL Nhlapo	569,668	569,668
JM Masiteng	491,898	491,898
SM Mofokeng	487,190	487,190
M Nkheloane	29,119	29,119
	6,084,251	**6,084,251**

Remuneration of the Speaker - 2024	Annual remuneration	Cellphone allowance	Travel allowance	Total
L Fisher	617,744	45,600	178,770	842,114

Remuneration of Chairpersons of Section 79 Committees - 2024	Annual remuneration	Cellphone allowance	Travel allowance	Total
M Molawa (MPAC chairperson)	533,429	45,600	195,204	774,233
NM Mtshali (Chairperson Ethics)	529,985	45,600	195,204	770,789
Khumalo AM(Chairperson of public place and streetnaming)	479,751	28,800	-	508,551
	1,543,165	**120,000**	**390,408**	**2,053,573**

Remuneration of all other councillors - 2025	Annual remuneration	Cellphone allowance	Travel allowance	Total
TM MOTLOUNG	75,607	11,751	-	87,358
PO TABILE	328,362	47,004	-	375,366
ME MASEKO	182,682	47,004	145,680	375,366
ZJ ZWANE	109,821	47,004	223,440	380,265
FJ VAN DER MERVE	152,045	43,087	152,900	348,032
JJ BARNARD	164,752	47,004	166,800	378,556
PM MAHLAELA	328,362	47,004	-	375,366
T DU TOIT	328,362	47,004	-	375,366
R MEYER	164,752	47,004	166,800	378,556
LJ VAN HEER	257,644	47,004	70,718	375,366
MT MBANA	331,552	47,004	-	378,556
MB MOZOLO	328,362	47,004	-	375,366
MS MOKWAI	328,362	47,004	-	375,366
JT MAMPANA	232,362	47,004	96,000	375,366
L DAY	328,362	47,004	-	375,366
TD THULO	328,362	47,004	-	375,366
JM MAKHEMA	275,952	47,004	55,600	378,556
S MS MOTSAPI	328,362	47,004	-	375,366
DK MBIKOLO	328,362	47,004	-	375,366
LJ CHALALA	328,362	47,004	-	375,366
M PIENAR	328,362	47,004	-	375,366
KT RANKOE	331,552	47,004	-	378,556
S EJ GEYSER	328,362	47,004	-	375,366
TG SEHAOLE	256,362	47,004	72,000	375,366
L MTHETHO	328,362	47,004	-	375,366
ME MQWATHI	328,362	47,004	-	375,366
DV RANI	252,762	47,004	75,600	375,366
S TL SOETSAN	220,362	47,004	108,000	375,366
MJ RADEBE	328,362	47,004	-	375,366
MG LEOTLELA	328,362	47,004	-	375,366
MM NKHELOANE	320,045	47,004	-	367,049
TA MOTAUNG	238,822	37,118	-	275,940
	8,820,866	**1,455,072**	**1,333,538**	**11,609,476**

35. Remuneration of councillors (continued)

Remuneration of all other councillors - 2024	Annual remuneration	Total
Maseko ME	366,708	366,708
Nhlapo LL	104,634	104,634
Motaung TA	134,037	134,037
Mofokeng TH	30,325	30,325
Motjeane SM	104,634	104,634
Malindi MJ	104,634	104,634
Tsotetsi JL	104,634	104,634
Mahlaela PM	366,708	366,708
Tshongwe SL	425,849	425,849
Poho MS	104,634	104,634
Nkheloane M	366,708	366,708
Makhefu LA	104,634	104,634
Du Toit T	366,707	366,707
Van Heerden LJ	366,526	366,526
Mozolo MB	366,708	366,708
Mokwai MS	366,708	366,708
Mampana JT	366,708	366,708
Thulo TD	366,708	366,708
Motsapi MS	366,708	366,708
Mbikolo DK	366,708	366,708
Mofokeng MV	366,708	366,708
Kumalo AM	133,753	133,753
Pienar M	366,708	366,708
Geyser EJ	366,708	366,708
Masiteng JM	133,753	133,753
Day L	297,600	297,600
Sehaole TG	366,708	366,708
Mthetho L	366,708	366,708
Mqwathi ME	366,708	366,708
Rani DV	366,708	366,708
Mofokeng SM	104,634	104,634
Soetsang TL	366,708	366,708
Radebe MJ	366,708	366,708
Mofokeng DA	104,634	104,634
Leotlela MG	366,708	366,708
Tabile PO	317,539	317,539
Makhema JM	326,042	326,042
Zwane ZJ	274,446	274,446
Van Der Merwe FJ	269,921	269,921
Barnard JJ	269,921	269,921
Meyer SR	269,921	269,921
MBANA MT	269,921	269,921
Rankoe KT	269,921	269,921
Motloung TM	558,900	558,900
Nkheloane MM	8,052	8,052
	12,527,658	**12,527,658**

36. Depreciation and amortisation

Property, plant and equipment	45,442,610	39,246,222
Investment property	817,663	821,092
Intangible assets	1,212,232	1,212,232
	47,472,505	**41,279,546**

37. Impairment of assets

Property plant and equipment	22,757,495	-
	22,757,495	**-**

38. Finance costs

Employee benefits obligations	6,717,000	6,286,857
Land-fill site provision	13,080,676	12,369,843
Trade and other payables	3,435,641	4,546,912
	23,233,317	**23,203,612**

39. Bulk purchases

Electricity - Eskom	456,528,273	396,912,532
	456,528,273	**396,912,532**

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.

Electricity losses

Units purchased	-	-	200,375,741	200,597,251
Units sold	-	-	(150,381,579)	(146,111,031)
Total loss	**-**	**-**	**49,994,162**	**54,486,220**
Comprising of:				
Losses in rand value	-	-	49,994,162	43,918,767
Total	**-**	**-**	**49,994,162**	**43,918,767**
Percentage Loss:				
Technical losses	- %	- %	25 %	29 %
Total	**- %**	**- %**	**25 %**	**29 %**

40. Contracted services

Outsourced Services		
Administrative and Support Staff	82,534	158,911
Connection/Dis-connection	1,017,081	950,752
Consultants and Professional Services		
Business and Advisory	23,914,238	27,900,880
Infrastructure and Planning	1,270,150	215,643
Legal Cost	26,524,881	14,635,711
Contractors		
External computer services	11,452,707	9,726,810
Employee Wellness	2,583,336	1,106,658
Gardening Services	1,020,855	686,374
Insurance	2,367,839	3,688,629
Maintenance of Buildings and Facilities	1,695,298	4,748,087
Maintenance of Equipment	2,046,080	11,380,375
Maintenance of Unspecified Assets	1,214,704	1,051,934
Transport and other services	-	10,448
Plants, Flowers and Other Decorations	-	4,715
Traffic and Street Lights	(5,974)	2,028,517
Safeguard and Security	35,407,057	29,324,120
Sewerage Services	26,619,394	24,094,401
Vehicle tracking	508,083	287,160
Presented previously	-	-
Outsourced Services	1,099,615	1,109,663
Consultants and Professional Services	51,709,269	42,752,234
Contractors	84,909,379	88,138,228
	137,718,263	**132,000,125**

41. Lease rentals on operating lease

Plant and equipment		
Contractual amounts	26,649,402	19,171,328

The leases are entered in to on month-to-month or ad hoc bases, and, therefore, do not have escalation clauses or commitments.

Operating lease payments are therefore not subject to straight lining.

42. Debt impairment

Debt impairment	205,219,746	429,871,398
Bad debts written off	8,343,949	23,669,573
	213,563,695	**453,540,971**

43. Transfer and subsidies

Other subsidies		
Bursaries - non-employees	139,808	131,319
Social relief - burials	146,850	158,710
	286,658	**290,029**
Grants paid to ME's	-	-
Other subsidies	286,658	290,029

44. Operating cost

Advertising, publicity and marketing	817,274	903,847
Bank charges	588,259	1,169,066
Catering services	240,354	306,337
Commission paid	989,760	1,253,289
Communication	931,141	2,625,910
Entertainment	217,982	165,050
External audit fees	11,737,623	10,215,167
External computer services	3,818,720	5,203,585
Garden services	1,568,465	2,045,950
Hire charges	187,944	73,953
Insurance	103,080	27,851
Licences	703,327	657,530
Printing and stationery	146,374	104,110
Professional bodies, membership and subscription	5,087,541	4,902,147
Telephone and fax	229,017	107,654
Transport expenses	318,937	260,665
Travel and subsistence	1,845,511	1,750,915
Registration fees	99,030	139,120
Road worthy test	16,007	13,314
Uniform and protective clothing	354,368	819,281
Vehicle tracking	38,120	-
Compensation Fund-COIDA	-	1,279,512
	30,038,834	**34,024,253**

45. Inventory consumed

Consumables	7,385,545	9,078,908
Materials and supplies	1,811,355	4,061,232
Water inventory	234,265,076	222,553,882
	243,461,976	**235,694,022**

Inventory consumed includes purchases of water that are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Water is purchased from Rand water and Department of water and sanitation.

Water losses

45. Inventory consumed (continued)

Units purchased	-	-	20,293,978	19,667,694
Units sold	-	-	(13,822,774)	(14,507,915)
Total	**-**	**-**	**6,471,204**	**5,159,779**
Comprising of:				
Losses in rand value	-	-	85,772,802	106,313,116
Percentage loss:				
Technical losses	- %	- %	31 %	43 %

46. Repairs and maintenance

Materials and supplies	18,242,991	13,902,911

47. Fair value adjustments

Other financial assets		
• Other financial assets (Designated as at FV through P&L	357,345	1,040,680

48. Cash generated from operations

Surplus	141,031,155	26,375,298
Adjustments for:		
Depreciation and amortisation	47,472,505	41,279,546
Gain on sale of assets and liabilities	(8,225,407)	(837,140)
Fair value adjustments	(357,345)	(1,040,680)
Debt impairment	213,563,695	453,540,971
Actuarial gains/losses	1,107,000	681,765
Provisions raised- Finance cost	13,080,676	12,369,843
Employee benefit obligations- Finance cost	3,344,000	11,695,246
Employee benefit obligations- Current service	6,717,000	6,286,857
Inventory surplus / (loss)	352,677	35,317
Donations	21,115,750	-
Impairment of assets	22,757,495	-
Interest received from Receivables from exchange	(106,778,387)	(93,076,834)
Interest received from Receivables from non-exchange	(18,031,261)	(14,472,962)
Finance cost - trade and other payables	3,291,084	4,546,912
Changes in working capital:		
Inventories	(177,170)	43,093
Receivables from exchange transactions	(340,141,360)	(389,508,851)
Other receivables from exchange transactions	(36,727,136)	(27,465,985)
Payables from exchange transactions	33,460,069	12,168,229
Consumer deposits	1,400,733	1,312,128
VAT	28,967,653	(1,624,849)
Unspent conditional grants and receipts	32,637,706	(5,924,465)
Employee benefit obligation	(9,657,000)	(3,707,991)
	50,204,132	**32,675,448**

49. Auditors' remuneration

Fees	11,737,623	10,215,167

50. Financial instruments disclosure

Categories of financial instruments

30 June 2025

Financial assets

50. Financial instruments disclosure (continued)

	At fair value	At amortised cost	Total
Other Financial assets - Listed investments (Sanlam shares)	4,088,485	-	4,088,485
Other Financial assets - at amortised cost	-	12,810	12,810
Cash and cash equivalents	-	78,786,816	78,786,816
Receivables from exchange transactions: Electricity	-	131,554,413	131,554,413
Receivables from exchange transactions: Water	-	329,676,309	329,676,309
Receivables from exchange transactions: Sewerage	-	25,796,136	25,796,136
Receivables from exchange transactions: Refuse	-	26,668,704	26,668,704
Receivables from exchange transactions: Sundry receivables	-	18,071,175	18,071,175
Receivables from exchange transactions: Other receivables	-	25,804,837	25,804,837
Receivables from exchange transactions - non-current	-	2,380,165	2,380,165
Receivables from non-exchange Transactions: Service debtors (Availability charges)	-	869,619	869,619
Receivables from non-exchange Transactions: Deposits	-	7,389,470	7,389,470
Receivables from non-exchange Transactions: Consumer receivables - property rates	-	89,486,932	89,486,932
LGSETA Interns	-	755,080	755,080
	4,088,485	**737,252,466**	**741,340,951**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions - Trade payables	96,582,472	96,582,472
Payables from exchange transactions - Other payables	210,594,346	210,594,346
Payables from exchange transactions - Retentions	24,417,720	24,417,720
Consumer deposits	30,481,810	30,481,810
	362,076,348	**362,076,348**

30 June 2024

Financial assets

	At fair value	At amortised cost	Total
Other Financial assets - Listed investments (Sanlam shares)	3,731,140	-	3,731,140
Other Financial assets - at amortised cost	-	12,810	12,810
Cash and cash equivalents	-	121,848,983	121,848,983
Receivables from exchange transactions: Electricity	-	68,880,190	68,880,190
Receivables from exchange transactions: Refuse	-	11,179,513	11,179,513
Receivables from exchange transactions: Sewerage	-	13,788,799	13,788,799
Receivables from exchange transactions: Water	-	194,663,349	194,663,349
Receivables from exchange transactions: Sundry receivables	-	7,939,498	7,939,498
Receivables from exchange transactions: Other receivables	-	23,496,816	23,496,816
Receivables from exchange transactions - non-current	-	14,661	14,661
Receivables from non-exchange Transactions: Service debtors (Availability charges)	-	964,426	964,426
Receivables from non-exchange Transactions: Deposits	-	7,029,931	7,029,931
Receivables from non-exchange Transactions: Consumer receivables - property rates	-	41,269,434	41,269,434
LGSETA Interns	-	755,080	755,080
	3,731,140	**491,843,490**	**495,574,630**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions - Trade payables	79,973,465	79,973,465
Payables from exchange transactions - Other payables	185,864,158	185,864,158
Payables from exchange transactions - Retentions	21,247,220	21,247,220
Consumer deposits	29,081,077	29,081,077
	316,165,920	**316,165,920**

Fair value

50. Financial instruments disclosure (continued)

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.

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 2024, as a result of the short-term maturity of these assets and liabilities. No Financial Instruments of the municipality have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. 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.:

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

Level 2: 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 instruments 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.

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.

50. Financial instruments disclosure (continued)

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 instruments 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.

Financial assets

30 June 2025

Financial instruments at fair value

	Level 1	Level 2	Total
Listed investments	4,088,485	-	4,088,485
Cash and cash equivalents	-	78,786,816	78,786,816
	4,088,485	**78,786,816**	**82,875,301**

30 June 2024

Financial instruments at fair value

	Level 1	Level 2	Total
Listed investments	3,731,140	-	3,731,140
Cash and cash equivalents	-	121,848,983	121,848,983
	3,731,140	**121,848,983**	**125,580,123**

Capital risk management

The long term capital structure of the municipality consists of equity and other financial assets, comprising of investment in Sanlam shares and accumulated surplus as disclosed in the Statement of Changes in Net Assets.

The short term capital structure of the municipality consists of debt, consisting of unspent conditional grants and own funds consisting of cash and cash equivalents

Gearing ratio

The gearing ratio at the year-end was as follows:

50. Financial instruments disclosure (continued)

Fund components	30 June 2025	30 June 2024
Total debt	1,016,197,040	875,442,610
Total equity	1,656,773,645	1,515,742,486
Gearing ratio	0.61336	0.57757
	2,672,970,685	**2,391,185,096**

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.
Further quantitative disclosures are included throughout these Annual Financial Statements.

Significant risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.
The municipality has exposure to the following risks from its operations in Financial Instruments:

Credit Risk;
Liquidity Risk; and
Market Risk.
Risks and exposures are disclosed as follows:

Market risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

50. Financial instruments disclosure (continued)

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.

Market risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note below). No formal policy exists to hedge volatilities in the interest rate market.

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

Foreign Currency Risk Management

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

Interest Rate Risk Management

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

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors,

bank and cash balances.

The municipality is exposed to fair value risk as it regularly invests capital in fixed deposit accounts. This risk is managed by investing the funds for less than a year (depending on cash flow requirements), thus allowing the interest rate to be updated regularly throughout the year.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Investec, Nedbank and Standard Bank.The municipality's borrowings are in fixed rate instruments.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet 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.

At year end, the financial instruments exposed to interest rate risk were as follows:

Call deposits

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

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality at fair value of R4 101 295 (2024: R3 731 140).

This investment consists of equity in one listed entity (Sanlam Ltd), and the municipality does not actively trade in equity instruments or conduct any hedging activities.

Surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit.

Credit Risk Management

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

50. Financial instruments disclosure (continued)

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 by only dealing with Absa Bank, First National Bank, Investec, Nedbank and Standard Bank.

Trade and Other Receivables

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.

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

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.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:	30 June 2025	30 June 2024
Non-current investments	4,101,295	3,743,950
Long-term receivables	2,380,165	14,661
Receivables from exchange transactions	557,571,574	319,948,165
Receivables from non-exchange transactions	8,472,247	8,207,515
Cash and cash equivalents	78,786,816	121,848,983
	651,312,097	**453,763,274**

Liquidity Risk Management

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.

Liquidity and Interest Risk tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Payables will be settled during the course of the year and thus discounting would have not impact

Financial instruments at fair value.

30 June 2025	6 Months or less	6-12 months	1-2 years	2- 5 years	Total
Non-interest Bearing	-	-	-	-	-
- Payables from Exchange transactions	140,370,560	-	-	-	140,370,560
- Consumer deposits	30,481,810	-	-	-	30,481,810
Interest bearing	-	-	-	-	-

50. Financial instruments disclosure (continued)

-Payables from exchange transactions	248,714,852	-	-	-	248,714,852
	419,567,222	**-**	**-**	**-**	**419,567,222**

30 June 2024	6 Months or less	6-12 months	1-2 years	2- 5 years	Total
Non-interest Bearing	-	-	-	-	-
- Payables from Exchange transactions	129,969,265	-	-	-	129,969,265
- Consumer deposits	29,081,077	-	-	-	29,081,077
Interest bearing	-	-	-	-	-
-Payables form exchange transactions	209,064,878	-	-	-	209,064,878
	368,115,220	**-**	**-**	**-**	**368,115,220**

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual
maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

30 June 2025	6 Months or less	6-12 months	1-2 years	2- 5 years	Total
Interest Bearing	-	-	-	-	-
- Long-term receivables	-	-	2,380,165	-	2,380,165
- Receivables from exchange transactions	557,571,574	-	-	-	557,571,574
- Receivables from non-exchange transactions	8,472,247	-	-	-	8,472,247
Variable interest rate instruments.	-	-	-	-	-
- Call deposits	28,301,608	-	-	-	28,301,608
- Other financial assets at amortised cost	12,810	-	-	-	12,810
- Bank account	50,480,158	-	-	-	50,480,158
	644,838,397	**-**	**2,380,165**	**-**	**647,218,562**

30 June 2024	6 Months or less	6-12 months	1-2 years	2- 5 years	Total
Interest Bearing	-	-	-	-	-
- Long-term receivables	-	-	14,661	-	14,661
- Receivables from exchange transactions	319,948,165	-	-	-	319,948,165
- Receivables from non-exchange transactions	8,207,515	-	-	-	8,207,515
Variable interest rate instruments	-	-	-	-	-
- Call deposits	73,839,295	-	-	-	73,839,295
- Other financial assets at amortised cost	12,810	-	-	-	12,810
- Bank account	48,004,538	-	-	-	48,004,538
	450,012,323	**-**	**14,661**	**-**	**450,026,984**

51. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	202,609,074	92,456,428
Total capital commitments		
Already contracted for but not provided for	202,609,074	92,456,428

Authorised operational expenditure

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

52. Contingencies

Estimate of the contingent liability

144,178,550	183,049,495

Estimate of the contingent asset

-	3,694,397

2025 Financial year

Estimate of the contingent liability

PARTIES	ATTORNEY ON RECORD	NATURE OF THE CLAIM	CLAIM AMOUNT/EXPECTED LIABILITY	-
DA//LIZEL SAKE TRUST (HELGAARD MULLER) AND MLM	Ntleru Inc Attorneys	REVIEW PROCEEDINGS Free State High Court	Expected Liability - Unknown	-
LIZELLE SAKE TRUST (H MULLER & 3 OTHERS) V METSIMAHOLO LOCAL MUNICIPALITY	Ntleru Inc Attorneys	Contractual dispute		128,000,000
A J DREYER//MLM	Ponoane Attorneys	Damages – Pothole		5,700,000
EL LE HANIE & ANOTHER//MLM	Ponoane Attorneys	Damages – Pothole		1,278,000
WITHIN AFRICA PROTECTION CC TA WITHIN AFRICA CONSTRUCTION // METSIMAHOLO LOCAL MUNICIPALITY	Katake Attorneys	Breach of Contract		1,665,197
SAMWU OBO M MBEWE // METSIMAHOLO LOCAL MUNICIPALITY	Lizel Venter Attorneys	Arbitration Award Review	Expected Liability - Unknown	-
BG OLIVIER // METSIMAHOLO LOCAL MUNICIPALITY	Melato Attorneys	Damages – personal injury and general damages		1,018,205
DU PLESSIS H.D // MLM	Internal – Legal Services	Pothole Damages		59,691
HUMAN C.J // MLM	Internal – Legal Services	Pothole Damages		12,088
UNITRADE T/A ISIDINGO // MLM	Ntleru Inc.	Unlawful termination of Contract		2,900,000
H.I. LEBUSA // MLM AND 4 OTHERS	Ntleru Inc.	Appeal	Expected Liability - Unknown	-
L VAN WYK // MLM	Internal – Legal Services	Pothole Damages		42,864
AFRIFORUM NPC // MLM & 4 OTHERS	Ntleru Inc.	Application to interdict operations land development site	Expected Liability - Unknown	
SASOL SOUTH AFRICA LIMITED // MEC: HUMAN SETTLEMENTS FS & 2 OTHERS	Ntleru Inc	interdict operations on the land development site	Expected Liability - Unknown	-
CLEAN SA NPC // MLM	Wakaba and partners Inc	Application to compel MLM to remedy the spillage of effluent discharge into the Vaal Dam.	Expected Liability - Unknown	-
ANSIE FOURIE // MLM	Internal – Legal Services	Pothole Damages		119,369

52. Contingencies (continued)

PARTIES	ATTORNEY ON RECORD	NATURE OF THE CLAIM	CLAIM AMOUNT/EXPECTED LIABILITY	-
POTLAKI M. SEPHIRI // MLM	Internal – Legal Services	Pothole Damages		69,376
ALEXANDER L. GESSNER // MLM	PEYPER ATTORNEYS	Pothole Damages		2,440,966
NKHUMELELENI PHILEMON MUZILA // MLM	Internal – Legal Services	Claim for overtime		27,538
AFRIFORUM NPC & 1 OTHER // METSIMAHOLO LOCAL MUNICPALITY & 4 OTHERS.	Ntleru Inc. Attorneys	Interdict and review	Expected Liability - Unknown	-
TM MABOYA // MLM	Lizel Venter Attorneys	Arbitration Award Review	Expected Liability – Unknown. Matter ongoing	-
MJ & SJ TSOTETSI // MLM	KE Modiba attorneys	Damages Claim		819,950
BERNADETTE BATT // MLM	Internal – Legal Services	Pothole Damages		25,306
				-
TOTAL CONTINGENT LIABILITY				**144,178,550**

Estimate of contingent asset

PARTIES	ATTORNEY ON RECORD	NATURE OF THE CLAIM	CLAIM AMOUNT/EXPECTED LIABILITY	
Unitrade t/a Isidingo	Ntleru Inc	Demand of monies overpaid to the service provider by the Municipality	R5.2 million	5,184,009
TOTAL CONTIGENT ASSET				**5,184,009**

2024 Financial year

Estimate of the contingent liability

PARTIES	ATTORNEY ON RECORD	NATURE OF THE CLAIM	CLAIM AMOUNT/EXPECTED LIABILITY	-
Lizelle Sake Trust and Muller H.O. Arbitration Proceedings	Lizelle Venter Attorneys (Terminated) Raphela Attorneys (Terminated) Ntleru Inc	Contractual dispute	Settlement Agreement with a payment plan was entered into ito an arbitration award iro: Claim 1 – R 43 210 551.50 excluding VAT, mora interest plus 10% from 15 October 2023 until date of final payment. Claim 2-8, still pending Amount – R128 389 968,37	(171,600,520)
DA v MLM & 16 Others	Raphela Attorneys Terminated Ntleru Inc	Review of the settlement agreement entered into by MLM and Lizelle Sake Trust	Part B – Awaiting Court Date	-

52. Contingencies (continued)

PARTIES	ATTORNEY ON RECORD	NATURE OF THE CLAIM	CLAIM AMOUNT/EXPECTED LIABILITY	-
DA V MLM & 11 Others	Ntleru Inc	Contempt of Court Application	Removed from the urgent roll	-
Mbewe M	Lizel Venter Attorneys	Arbitration Award Review	Expected Liability - Unknown	-
Mr T. Mokoena	Lizel Venter Attorneys	Arbitration Award Review	Expected Liability - Unknown	-
SAMRO	Ransford Mbewe Attorneys	Outstanding Invoices	R 714 956.61	(714,957)
B.G. Olivier	Melato Attorneys	Damages – personal injury and general damages	R 1 018 205.00	(1,018,205)
A.J. Dreyer	Ponoane Attorneys	Damages - Pothole	R 5. 700 000.00	(5,700,000)
EL Le Hanie & Others	Ponoane Attorneys	Damages - Pothole	R 1 278 000.00	(1,278,000)
T. Twala	Ponoane Attorneys	Appeal to dismissal a Labour Court judgement – Mr Twala challenging his dismissal by the Municipality	Expected liability: Unknown	-
African Protection CC ta Within Africa Construction	Katake Attorneys	Breach of Contract	R 1 665 197.00	(1,665,197)
Sasol Operations	Boitumelo Maubane Attorneys	Drafting of MOU between Sasol Operations and Metsimaholo Local Municipality	Expected liability – Unknown (Legal costs only)	-
C.J. Vos	Internal – Legal Services/Insurance	Pothole Damages	R 44 290.27	(44,290)
P.H. Brandford	Internal – Legal Services	Pothole Damages	R 12 869.30	(12,869)
J Du Toit	Internal- Legal Services/Insurance	Pothole Damages	R 87 888.00	(87,888)
P.N Mashiane	Internal – Legal Services	Pothole Damages	R 15 104.69	(15,105)
T Khoathela	Adolff Attorneys	Pothole Damages	R 22 321.58	(22,322)
N. Tjatja	Adolff Attorneys	Pothole Damages	R 110 059.00	(110,059)
T.P. Tshabalala	Internal – Legal Services	Pothole Damages	R 32 645.94	(32,646)
Capensis Belegging 276 Beperk and Richares Investments 2 Beperk	Internal	Dispute regarding rates and taxes	R 322 903.07	(322,903)
Revaldo Singh Food & Veg Pty Ltd	Internal	Damages - Pothole	R 23 599.15	(23,599)
Du Plessis H.D.	Internal	Damages - Pothole	R 59 690.51	(59,691)
Human C.J	Internal	Damages - Pothole	R 12 088.32	-
Kgosihadi Mzansi Joint Venture	BMH Attorneys	Breach of contract by the service provider	Expected Liability - Unknown	-
Iyona Properties Pty Ltd	Internal	Payment of monies held by MLM, for purchase of stands	R 64 990.00	(64,990)
Pretorius P	Internal	Damages - Pothole	R 17 200.88	(17,201)
H.I Lebusa	Ntleru Inc	Interdict Council resolution to dismiss Mr Lebusa	Part B awaiting adjudication	-
N. Migogo	Internal	Damages - Pothole	R 32 944.44	(32,944)
Ivory Pewter 90 Pty Ltd	Ntleru Inc	Interdict – Disconnection of services	Expected Liability – Unknown Matter ongoing	-
L. Van Wyk	Internal	Damages - Pothole	R42 864.07	(42,864)

52. Contingencies (continued)

PARTIES	ATTORNEY ON RECORD	NATURE OF THE CLAIM	CLAIM AMOUNT/EXPECTED LIABILITY	-
J. Scheepers	Internal	Damages - Pothole	R132 615.60	(132,616)
E. Strydom	Internal	Damages - Pothole	R50 629.15	(50,629)
				-
L.M.A Mofokeng	Ntleru Inc	CCMA	Expected Liability – Unknown Ongoing	-
TOTAL CONTINGENT LIABILITY				**(183,049,495)**

52. Contingencies (continued)
Estimate of contingent asset

PARTIES	ATTORNEY ON RECORD	NATURE OF THE CLAIM	CLAIM AMOUNT/EXPECTED LIABILITY	
Macho Construction Group and Maadima PTY LTD	Jam Jam Attorneys-Terminated BHM Attorneys	Collection of performance guarantee in favour of MLM	R 796 396.74	794,397
Unitrade t/a Isidingo	Ntleru Inc	Demand of monies overpaid to the service provider by the Municipality	R2.9 million	2,900,000
TOTAL CONTIGENT ASSET				**3,694,397**

53. Related parties

Remuneration of key management	
Sec 55 and Sec 57 employees remuneration	Refer to note 34
Remuneration of councillors	Refer to note 35

Remuneration of management

Services rendered to Related Parties

2025

Name	Account No	Rates	Service charges	Sundry services	Interest	Total
Name	**Name**					
BARNARD (MY2509)	5660	651	1,053	-	1	1,705
CHALALA (MY2534)R1000+C	537603	854	145,146	278	-	146,278
DU TOIT (MY2521)	525381	3,390	41,819	-	461	45,670
MAHLAELA (MY2514)	108353	5,985	42,793	600	-	49,378
MALINDI (MY2508)	536489	80	610	-	-	690
MASITENG (MY2540)	584040	3,640	11,010	-	4,227	18,877
MEYER (MY2522)	581417	763	536	-	-	1,299
MOFOKENG (MY2542)	576057	411	3,384	201	649	4,645
MOTJEANE R750+CURRENT(MY2501)(Arrangement)	106180	20,223	129,781	893	6,459	157,356
MQWATHI (MY2543) (Arrangement)	530705	400	8,922	-	-	9,322
MTSHALI (MY2511)(Arrangement)	103466	3,091	27,228	-	2,781	33,100
NHLAPO(MY2504)	103760	2,256	23,428	-	-	25,684
NKHELOANE(MY2517)R10 00 (Arrangement)	108037	1,825	27,730	205	635	30,395
PIENAAR (MY2537)	608474	1,620	3,946	348	6	5,920
RANI (MY2544)	103659	5,100	46,217	-	-	51,317
RANKOE (MY2538)1248.00*6	603723	-	1,282	-	319	1,601
TSOTETSI (MY2512)	511192	9,336	113,248	81	4,904	127,569
ZWANE (MY2506)	7527	358	651	-	-	1,009
A E MOFOKENG (MY2545)	526499	2,030	69,470	-	-	71,500
J M & M H MAKHEMA (MY2531)	571483	239	1,430	-	13	1,682
J T & T L SOETSANG (MY2546)	581177	1,714	1,136	-	7	2,857
N E NKHELOANE(MY2517)R10 00	592910	1,000	29,022	990	616	31,628
F D MOSOKWENI(MY2518)	830353	1,531	41,666	40	548	43,785
J T & T L SOETSANG (MY2546)	831263	-	6,307	-	-	6,307
M S MOFOKENG (MY2542)	831338	4,893	36,048	2,966	15,221	59,128

2024

Name	Account No	Rates	Services Charges	Sundry Services	Interest	Total
Name	**Name**					
Barnard (My2509) J J	5660	7,446	8,810	-	-	16,256
Chalala (My2534)R1000+C L J	537603	600	4,057	-	-	4,657
Du Toit (My2521) T	525381	9,696	58,909	-	2,394	70,999
Mabena (My2530) S M	597493	7,982	37,555	-	518	46,055
Mahlaela (My2514) M D	108353	1,393	6,757	-	-	8,150
Maisina (Deceased) (My2520) M D	1000024	1,393	3,406	-	-	4,799
		-	-	-	-	-

53. Related parties (continued)

Malindi (My2508) M J	536489	600	3,735	-	3	4,338
Mashinini (My2536)R669 J C	572032	600	14,890	-	472	15,962
MASHININI (MY2536)(Arrangement)	831326	-	9	-	-	9
Masiteng (My2540) P I	584040	600	2,409	-	1,090	4,099
Mathe (My2528) M A	510225	600	3,586	-	-	4,186
Meyer (My2522) J H C	581417	8,732	48,241	-	-	56,973
Moeletsi (My2541) S M (Arrangemnet)	601437	600	16,257	-	-	16,857
Mofokeng (My2542)	576057	600	5,880	-	4,969	11,449
ofokeng (My2542) (Arragement)	526499	600	2,670	-	-	3,270
Molawa(My2502) J M	106880	600	5,851	-	-	6,451
Mosokweni(My2518) F D	108066	804	31,251	-	280	32,335
Motjeane R750+Current(My2501) R J	106180	4,071	11,932	-	590	16,593
MOTJEANE R750+CURRENT(MY2501)	562151	-	16,200	-	-	16,200
Motsapi (My2532)R345+C M S	571120	-	5,972	-	11,391	17,363
Mqwathi (My2543) M M	530705	600	9,143	-	-	9,743
MTSHALI (MY2511)(Arrangement)	103466	3,214	21,623	-	2,337	27,174
Nhlapo(My2504) P S	103760	911	5,300	-	-	6,211
Nkheloane(My2517)R1000 N E	108037	600	18,428	-	115	19,143
Pienaar (My2537) M & S M	608474	9,268	24,388	-	358	34,014
Poho(My2516) M S	512681	600	3,564	-	-	4,164
Rani (My2544) V M	103659	2,143	30,156	-	-	32,299
Rankoe (My2538)1248.00*6 T K & F	603723	-	-	-	142	142
Schoeman (My2522) A A	604039	7,553	2,705	-	-	10,258
Tshongwe (My2515) S L	575987	7,768	12,886	332	1,482	22,468
Tsotetsi (My2512) P	511192	1,179	38,774	-	476	40,429
Van Der Merwe (My2507) F J	23906	8,089	27,042	-	-	35,131
Van Heerden(My2523) L J	5815	8,089	13,832	-	-	21,921
Yethu Trust (My2539)	533254	8,625	4,965	-	-	13,590
Zwane (My2506) Z J & M L	7527	7,446	5,483	-	-	12,929
		113,002	**506,666**	**332**	**26,617**	**646,617**

Additional information

Related parties of key management personnel ad councillors that are employed at the municipality.

NAME OF KEY PERSONNEL CLOSE FAMILY MEMBERS	FAMILY MEMBER	DEPARTMENT	RELATIONSHIP
M J Malindi (Councilor)	M M Nhlapo	Office of the Executive Mayor	Sister
P M Mahlaela (Councilor)	R M Mahlaela	Technical Services	Daughter
M E Sediane (Corporate)	S S Sediane	Human Resources	Spouse
	M A Sediane	Parks Division	Brother
M D Moshodi (Social Services)	D B Moshodi	Public Safety	Spouse
M F Mosai	M A Mosai	Admin & Council Support	Sister

M J Selikane	E T Selikane	Electrical Services	Brother
	D S Selikane	Waste Management	Brother

54. Comparative figures

The comparative figures were restated as a result of the effect of Prior year adjustments (Note 65).

55. 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.

Liquidity risk

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

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
Consumer deposits	30,481,810	-	-	-
Payables from exchange transactions	331,594,538	-	-	-
	362,076,348	**-**	**-**	**-**

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	29,081,077	-	-	-
Payables from exchange transactions	287,084,843	-	-	-
	316,165,920	**-**	**-**	**-**

Credit risk

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

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

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

Financial Instrument	2025	2024
Cash and cash equivalents	78,786,816	121,848,983
Receivables from exchange transactions	557,571,574	319,948,165
Receivables from non-exchange transactions	101,652,122	51,854,676
Receivables from exchange transactions- Long term portion	2,380,165	14,661
Other financial assets	4,101,295	3,743,950
	744,491,972	**497,410,435**

Market risk

Figures in Rand	2025	2024

55. Risk management (continued)

Interest rate risk

As the municipality has interest-bearing assets in the form of investments call accounts which it holds with various banks.The income derived from these investments have a substantial interest rate risk. The municipality's income and operating cash flows are substantially independent of changes in market interest rates.

At year end the short term investments where the only financial instruments exposed to interest rate risk.

Please refer to note 8 for the figures and break down of these investments

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and 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. To manage its price risk arising from investments in equity securities, the municipality diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the municipality.

The municipality's investments in equity of other entities that are publicly traded and are included in one exchange, being the Johannesburg Stick Exchange , Equity index.

The table below summarises the impact of increases/decreases of the indexes on the municipality's post-tax surplus for the year and on equity.

Other financial assets	2025	2024
Fair value gain/(Loss) in investment in shares	357,345	1,040,680

surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

56. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of 1,656,773,645 and that the municipality's total assets do exceed itsliabilities by 1,656,773,645.

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

The 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.

57. Events after the reporting date

Non-Adjusting events

During 30/10/2025 council sat to resolve on matters relating to correcting the irregular expenditure write offs that were previously resolved. The original write offs were resolved during council sittings that sat on 28/02/2025 and 07/07/2025 for the for the write offs that relate to the 2021/22 and 2019/20 respectively.The resolution taken on 30/10/2025 supersedes previous resolutions.

The corrected amounts that were resolved to be written off was R61,461,019 (2021/22) and R52 787 674 (2019/20) and is and will be disclosed appropriately in the irregular expenditure note in the next fiancial year (2025/26).

Figures in Rand	2025	2024

58. Unauthorised expenditure

Opening balance as previously reported	225,365,901	141,415,280
Add: Unauthorised expenditure - current	29,484,200	83,950,621
Closing balance	**254,850,101**	**225,365,901**

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

Non-cash	26,780,611	83,950,621
Cash	2,703,589	-
	29,484,200	**83,950,621**

Unauthorised expenditure: Operational Budget overspending – per municipal department:

Technical services	-	83,950,621
Executive council	2,285,932	-
Corporate services	1,780,606	-
Social services	18,781,822	-
Local economic development and planning	6,218,183	-
	29,066,543	**83,950,621**

Unauthorised expenditure: Capital Budget overspending – per municipal department:

Municipal Manager	417,657	-
	417,657	**-**

Recoverability steps taken/criminal proceedings

No recoverability steps or criminal proceedings have been taken as of yet.

Disciplinary steps taken/criminal proceedings

No disciplinary proceedings have been taken as of yet.

59. Fruitless and wasteful expenditure

Opening balance as previously reported	49,723,365	45,174,937
Add: Fruitless and wasteful expenditure identified - current	3,435,641	4,548,428
Closing balance	**53,159,006**	**49,723,365**

Fruitless and wasteful expenditure is presented inclusive of VAT

Details of fruitless and wasteful expenditure		
Department of Water and Sanitation	3,281,126	4,518,859
ESKOM	83,524	24,956
Sasolburg sheriff	3,140	-
Compensation commissioner	-	4,613
AGSA	24,030	-
Toyota South Africa Motors	43,821	-
	3,435,641	**4,548,428**

Figures in Rand	2025	2024

59. Fruitless and wasteful expenditure (continued)

Amount written-off

No amounts have been written off by council regarding fruitless and wasteful expenditures.

Recoverability steps taken/criminal proceedings

No recoverability steps or criminal proceedings have been taken as of yet

Disciplinary steps taken/criminal proceedings

No disciplinary proceedings have been taken as of yet.

60. Irregular expenditure

Opening balance as previously reported	904,268,508	763,904,864
Add: Irregular expenditure - current	89,235,044	140,363,644
Less: Amount written off- 2022/23	(75,758,258)	-
Closing balance	**917,745,294**	**904,268,508**

Amount recovered

No amounts have been recovered to date

Amount written-off

Amounts have been wriiten of as per thier respective council resolutions for thier respective years as presented above

Figures in Rand	2025	2024

60. Irregular expenditure (continued)

Recoverability steps taken/criminal proceedings

No recoverability steps or criminal proceedings have been taken as of yet

Disciplinary steps taken/criminal proceedings

No disciplinary proceedings have been taken as of yet.

61. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	70,748	67,498
Current year subscription / fee	5,051,441	4,905,407
Amount paid - current year	(5,051,441)	(4,902,157)
	70,748	**70,748**

Audit fees

Opening balance	46,199	-
Current year subscription / fee	13,378,886	13,039,057
Amount paid - current year	(13,307,695)	(12,992,858)
Amount paid - previous years	(46,199)	-
	71,191	**46,199**

PAYE and UIF

Opening balance	6,163,172	5,058,738
Current year subscription / fee	81,645,531	72,882,416
Amount paid - current year	(75,028,820)	(66,719,245)
Amount paid - previous years	(6,163,172)	(5,058,737)
	6,616,711	**6,163,172**

Pension and Medical Aid Deductions

Opening balance	8,671,246	-
Current year subscription / fee	113,042,002	60,355,328
Amount paid - current year	(103,301,936)	(51,684,082)
Amount paid - previous years	(8,671,245)	-
	9,740,067	**8,671,246**

VAT

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

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

Councillors' arrear consumer accounts

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

62. Segment information

General information

62. Segment information (continued)

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: primary, secondary and tertiary educational services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Aggregated segments

The municipality operates throughout the Gauteng Province in ten cities. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Gauteng were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Administration	Primary education services
Corporate services	Secondary education services
Council and Executive	Tertiary education services
Development and planning	Goods and/or services 1
Finance	Goods and/or services 2
Social Services	Goods and/or services 3
Technical	Goods and/or services 4

62. Segment information (continued)

Segment surplus or deficit, assets and liabilities

30 June 2025

	Adminstration	Corporate services	Council and Exco	Development and planning	Finance	Social Services	Technical	Total
Revenue								
Dividents received	-	-	-	-	164,148	-	-	164,148
Interest received - Investment	-	-	-	-	7,972,713	-	-	7,972,713
Operating revenue	-	115,792	-	-	3,107,801	-	-	3,223,593
Sale of goods and rendering of service	131,100	52,252	-	1,392,739	591,976	1,321,835	24,301	3,514,203
Service charges	-	-	-	-	-	57,165,212	971,930,014	1,029,095,226
Interest received - exchange receivables	-	-	-	-	10,285,403	10,303,689	116,990,609	137,579,701
Rental of facilities and equipment	-	-	-	6,940,042	-	35,784	-	6,975,826
Availability charge	-	-	-	-	-	-	2,230,639	2,230,639
Fines, penalties and forfeits	-	-	-	-	-	3,870,385	-	3,870,385
Government grants and subsidies	2,657,602	-	-	-	262,355,936	16,052,335	100,294,291	381,360,164
Licence and permites	-	-	-	-	-	215,264	-	215,264
Property rates	-	-	-	-	229,909,130	-	-	229,909,130
Interest from non-exchange receivables	-	-	-	-	24,171,380	-	-	24,171,380
Acturial gains and loss	-	-	-	-	(1,107,000)	-	-	(1,107,000)
Inventories write down	-	-	-	-	(352,677)	-	-	(352,677)
Fair value adjustments	-	-	-	-	357,345	-	-	357,345
Gains and loss on disposal of assets	-	-	-	128,573	-	-	-	128,573
Change in provision utilisation	8,096,834	-	-	-	-	-	-	8,096,834
Total segment revenue	**10,885,536**	**168,044**	**-**	**8,461,354**	**537,456,155**	**88,964,504**	**1,191,469,854**	**1,837,405,447**
Entity's revenue								**1,837,405,447**

	Adminstration	Corporate services	Council and Exco	Development and planning	Finance	Social Services	Technical	Total
62. Segment information (continued)								
Expenditure								
Bulk purchases	-	-	-	-	-	-	456,528,273	456,528,273
Contracted services	60,990,487	27,642,346	100,955	1,706,616	11,962,771	3,475,668	31,839,420	137,718,263
Debt impairment	-	-	-	-	7,493,184	22,612,877	183,457,634	213,563,695
Depreciation and amortisation	1,954,027	460,625	106,074	4,623,441	345,061	5,739,685	34,243,591	47,472,504
Employee related costs	34,693,831	39,284,489	26,779,849	26,872,381	45,220,842	140,015,651	115,724,911	428,591,954
Finance costs	-	-	-	2,644,000	4,100,169	13,080,676	3,408,471	23,233,316
Inventory consumed	556,187	385,456	439,447	104,338	351,669	3,558,032	259,662,842	265,057,971
Lease rentals on operating lease	1,680,361	-	-	-	-	19,756,579	5,212,461	26,649,401
Opetrating costs	4,661,883	7,974,042	1,198,462	7,040,368	14,656,933	1,762,018	(7,254,870)	30,038,836
Remmuneration of councillors	-	-	26,713,181	-	-	-	-	26,713,181
Repairs and maintenance	293,917	9,573	-	41,389	-	1,569,522	15,848,345	17,762,746
Transfer and subsidies	-	-	139,808	-	-	146,850	-	286,658
Impairment of Assets	-	1,211,920	-	-	-	21,366,792	178,783	22,757,495
Total segment expenditure	**104,830,693**	**76,968,451**	**55,477,776**	**43,032,533**	**84,130,629**	**233,084,350**	**1,098,849,861**	**1,696,374,293**
Total segmental surplus/(deficit)	**(93,945,157)**	**(76,800,407)**	**(55,477,776)**	**(34,571,179)**	**453,325,526**	**(144,119,846)**	**92,619,993**	**141,031,154**

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

62. Segment information (continued)

30 June 2024

	Adminstration	Corporate services	Council and Exco	Development and planning	Finance	Social Services	Technical
Revenue							
Dividents received	-	-	-	-	147,549	-	
Interest received - Investment	-	-	-	-	12,036,530	-	
Operating revenue	-	213,280		-	200,273	-	
Sale of goods and rendering of service	113,034	63,044	-	794,535	2,300,825	1,424,364	12,66
Service charges	-	-	-	-	-	54,543,959	974,216,83
Interest received - exchange receivables	-	-	-	-	9,192,355	8,589,721	95,309,64
Rental of facilities and equipment	-	-	-	6,741,345	-	18,506	
Availability charge	-	-	-	-	-	-	4,152,45
Fines, penalties and forfeits	-	-	-	-	-	3,049,663	
Government grants and subsidies	-	-	-	-	277,375,024	2,410,778	93,328,70
Licence and permites	-	-	-	-	-	4,825	
Property rates	-	-	-	-	221,120,576	-	
Interest from non-exchange receivables	-	-	-	-	21,817,534	-	
Acturial gains and loss	-	-	-	-	681,765	-	
Inventories write down	-	-	-	-	35,317	-	
Fair value adjustments	-	-	-	-	1,040,680	-	
Total segment revenue	**113,034**	**276,324**	**-**	**7,535,880**	**545,948,428**	**70,041,816**	**1,167,020,30**
Entity's revenue							
Expenditure							
Bulk purchases	-	-	-	-	-	-	396,912,53
Contracted services	58,580,987	15,504,848	104,079	579,168	11,974,940	3,553,047	41,703,05
Debt impairment	-	-	-	-	46,795,489	32,932,293	373,813,18
Depreciation and amortisation	1,667,500	399,699	133,741	598,056	428,033	2,645,420	31,272,31
Employee related costs	31,750,583	32,107,207	21,825,005	23,999,531	55,967,013	122,788,531	102,686,45
Finance costs	-	2,307	-	1,665,000	4,624,163	12,369,843	4,542,29
Inventory consumed	1,339,296	476,869	434,284	150,311	356,769	5,571,680	227,755,72
Lease rentals on operating lease	-	-	-	-	-	12,984,157	6,187,17
Opetrating costs	6,456,183	10,154,589	879,131	6,555,122	14,191,266	2,531,997	(6,744,03
Remmuneration of councillors	-	-	25,020,202	-	-	-	
Repairs and maintenance	-	133,868	-	27,426	-	2,100,724	11,249,97
Transfer and subsidies	-	-	-	-	-	98,710	
Total segment expenditure	**99,794,549**	**58,779,387**	**48,396,442**	**33,574,614**	**134,337,673**	**197,576,402**	**1,189,378,68**
Total segmental surplus/(deficit)	**(99,681,515)**	**(58,503,063)**	**(48,396,442)**	**(26,038,734)**	**411,610,755**	**(127,534,586)**	**(22,358,38**

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

63. Budget differences

Material differences between budget and actual amounts

63. Budget differences (continued)

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts. Below

Statement of Financial Performance

AFS LINE	EXPLANATION
Revenue	
Revenue from exchange transactions	
Service charges	The NERSA electricity tariffs were implemented in October due to Afriforum Case and impacted on the underbilling. Over budgeting of service
Rental of facilities and equipment	Overperformance due to HighVeld Garden operating and generating more Revenue
Interest received - exchange receivables	Overperformance due to HighVeld Garden operating and generating more Revenue
Operational revenue	These were as a result of unexpected court ruling in favour of the municipality
Sale of goods and rendering of services	There was an expectation that there would be sale of stands in 2025 that did not materialise
Interest received - investment	There were withdrawls made in the investment accounts which resulted in less interest earned on the accounts
Dividends	Received more dividends than anticipated
Revenue from non-exchange transactions	
Property rates	Overperformance is due to the July once-billing on agriculture properties rates and supplementary values
Service charges- Availability charges	The NERSA electricity tariffs were implemented in October due to Afriforum Case and impacted on the underbilling. Over budgeting of service
Fines, Penalties and Forfeits	Registration of the Spaza shops improved the revenue collection
Licences and permits	The budget was set in anticipation of the new cigarette bill which would resut in an uptik in licenses issued. The anticipated uptik was a little below expectation.
Government grants & subsidies	Under expediture on capital grants tha what was anticipated
Interest - non exchange receivables	Interest is over performing due to the low payment of services
Expenditure	
Employee related costs	Non filling of vacant positions and reduction of overtime allowance
Remuneration of councillors	Corrected/adjusted budget allocation for remuneration of Councillors
Donations	Expenditure on these donations relate to Themba Kubeka bulk electrification that happened in prior years. The hand over of the assets to Eskom only happened in this financial year and was not budgeted for
Depreciation and amortisation	Condition assessment of assets
Impairment of assets	Condition assessment of assets

63. Budget differences (continued)

Finance costs	The variances are attributable to Post Medical Aid benefits,Long term service award and Provision for land fill sites finance cost that were not anticipated
Lease rentals on operating lease	The municipality had implemented cost savings measures after the final budget was approved
Debt Impairment	The calculation for the provision for debt impairment is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments.
Bulk purchases	The NERSA electricity tariffs were implemented in October due to Afriforum Case and impacted on the underbilling. Over budgeting of service
Contracted Services	The over-expenditure was due to accelerated need related to service delivery, and increased emergency repairs of the network due to cable theft and vadalism of infrastructure.
Transfers and Subsidies	Misalignment between MscoA and GRAP classifications
Operating cost	Expenses for the year were lower than expected
Inventory consumed	Water expenses for the year were lower than expected
Repairs and maintenance	Expenses for the year were lower than expected
Gain on disposal of assets and liabilities	Not budgeted for
Chage in provision utilisation	Not budgeted for
Fair value adjustments	Not budgeted for
Actuarial gains/losses	Not budgeted for
Inventories losses/write-downs	Not budgeted for

Statement of Financial Position

AFS LINE	EXPLANATION
Assets	
Current Assets	
Inventories	Water stock was less than expected as the expenses related to water stock ware less than expected
Receivables from non-exchange transactions	Change in debt impiarment provision
Receivables from exchange transactions	Change in debt impiarment provision
VAT input tax accrual and provision for VAT impairment	Change in debt impiarment provision
Other asset 2	Included as part of receivables of exchnage transactions as per GRAP allocations
Cash and cash equivalents	Municipality was expecting an increase in cash flow due to Operation Patala
Non-Current Assets	
Investment property	New Properties brought on
Property, plant and equipment	Write off and Impairment
Intangible assets	Derecognition of old softwares
Heritage assets	Write off
Other financial assets	line item not budgeted for

63. Budget differences (continued)

Receivables from exchange transactions- Long term portion	Change in debt impiarment provision
Current Liabilities	
Payables from exchange transactions	Increase in trade payables for contacted service providers, huge increase on bulk purchases payments and retentions
Consumer deposits	Chnage in tariff on consumer services
Employee benefit obligation	Over budgeted the anticipated liability
Unspent conditional grants and receipts	Tight time dead lines on projects resulted in unspent grants
Provisions	Over budgeted the anticipated liability
VAT output tax accrual	Missmatch between GRAP and MscoA VAT alignment
Non-Current Liabilities	
Employee benefit obligation	Over budgeted the anticipated liability
Provisions	Over budgeted the anticipated liability
Accumulated surplus	

Differences between budget and actual amounts basis of preparation and presentation

The budget and the accounting bases differ. The audited annual financial statements for the whole-of-government are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance. The audited annual financial statements are consolidated statements that include all controlled entities, including government business enterprises for the fiscal period from to . The audited annual financial statements differ from the budget, which is approved on the cash basis and which deals only with the general government sector that excludes government business enterprises and certain other non-market government entities and activities.

The amounts in the audited annual financial statements were recast from the accrual basis to the cash basis and reclassified by functional classification to be on the same basis as the final approved budget. In addition, adjustments to amounts in the audited annual financial statements for timing differences associated with the continuing appropriation and differences in the entities covered (government business enterprises) were made to express the actual amounts on a comparable basis to the final approved budget. The amounts of these adjustments are identified in the following table.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters. For details on these changes please refer to pages 10 to 13 in the annual report.

The changes between the approved and final budget are a consequence of changes in the overall budget parameters. For details on these changes please refer to pages 10 to 13 in the annual report

Figures in Rand	2025	2024

64. Deviation from supply chain management regulations

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

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

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

Summary of deviations

Emergency	-	20,317,648
Exceptional/Impractical	2,730,215	163,840
Sole supplier	410,039	491,911
Strip and quote	-	2,853,918
	3,140,254	**23,827,317**

64. Deviation from supply chain management regulations (continued)

Deviations 2025 financial year

Supplier	Voucher number	Date of payment	Description	Department	Reason	Classification	-
VAAL DOCUMENT MANAGEMENT (PTY) LTD	90043183	20240731	Procurement of photocopiers toners- Various Machines	Office of the municipal Manager/ ICT	Procurement of tonners for Nashua photocopiers, Ricoh products and Nashua are the sole suppliers of consumables for Ricoh products in South Africa	Sole Supplier	146,519
VAAL DOCUMENT MANAGEMENT (PTY) LTD	90043184	20240731	Servicing of photocopiers	Office of the municipal Manager/ ICT	Strip and quote- Servicing of Nashua photocopiers installed devices are Rioh products and Nashua are the sole suppliers of consumables for Ricoh Products in South Africa	Sole Supplier	17,193
GIJIMA HOLDINGS	90043287	20240805	Competency based psychometric assessment for candidate to be appointed	Human Resource	Service provider appointed by COGTA as per the government gazette	Impractical	7,200
NASHUA VAAL	90044331	20250114	Toners	Office of the municipal Manager/ ICT	Nashua printer's consumables procured only form Nashua	Sole Supplier	138,874
ALCO SAFE (PTY) LTD	90044467	20250206	Calibration of alcohol breathalyzer	Traffic	Aco Safe Pty Ltd is the only service provider approved by the dealership to do calibration on this component	Sole Supplier	3,933
VAAL TOYOTA (VEREENIGINGVANDE	90044414	20250128	Extended warranty and service plan	Mechanical	The vehicle is Toyota model and extended warranty and service plan can only be bought at Toyota	Sole Supplier	47,739

64. Deviation from supply chain management regulations (continued)

Supplier	Voucher number	Date of payment	Description	Department	Reason	Classification	-
POMME EXPRESS	90044679	20250221	Promotional tourism stall at the meetings Africa in Sandton	Local Economic Development	The service provider is the one appointed by South African Tourism to facilitate the tourism exhibition	Sole Supplier	52,121
FRAMA (PTY) LTD	90045203	202505211	Machine used for postage (licence fee)	Records	Single Supplier	Sole Supplier	3,660
GUARD RISK	90044329	20250114	Short term insurance	Finance - expenditure	The appointed service providers contract was terminated	Impractical	2,723,015
TOTAL							**3,140,254**

Deviations 2024 financial year

Supplier	Voucher number	Date of payment	Description	Department	Reason	Classification	-
SELITEC	90040818	20230713	local radio station for broadcasting council meetings	Office of Municipal Manager	The only local radio station	Sole Supplier	35,000
MAN TRUCK AND BUS VEREENIGIN G	90040846	20230717	Repair of damaged alternator and belt	Cleansing	Strip and quote	Impractical	16,041
STEADFAST ENGINEERIN G	90040861	20230719	Repair of various vehicles	technical department	Strip and quote	Impractical	99,302
VAAL TOYOTA (VEREENIGIN G VA	90040862	20230719	Repair of compactor truck	Cleansing	Strip and quote	Impractical	23,099
VAAL TOYOTA (VEREENIGIN GVA	90040862	20230719	Repair of Hino replace reed switch	Cleansing	Strip and quote	Impractical	9,137
VAAL TOYOTA (VEREENIGIN GVA	90040862	20230719	Electrical repair on a fire engine	Fire	Strip and quote	Impractical	74,717
MAWANDLA MAINTANANC E & PROJECTS PTY LTD	90041028	20230808	Deluging, disinfection and in let valves replacement along with fixing electrical and mechanical components	Civil	Emergency	Emergency	1,076,830

64. Deviation from supply chain management regulations (continued)

Supplier	Voucher number	Date of payment	Description	Department	Reason	Classification	-
SELITEC	90041215	20230831	Radio broadcasting in local radio station	Office of Municipal Manager	The only local radio station	Sole Supplier	35,000
MASOBODO SERVICES (PTY) LTD	90041037	20230811	Funeral for three kids who passed away in a shack fire	Office of Speaker	impossible to advertise for 7days due to timelines In terms of funeral arrangements	Impractical	50,000
MASOBODO GROUP	90041101	20230822	Funeral for three kids who passed away in a shack fire	Office of Speaker	impossible to advertise for 7days due to timelines In terms of funeral arrangements		10,000
VAAL TOYOTA (VEREENIGIN G VAND	90041218	20230830	Repair of vehicle	Mechanical	Strip and quote	Impractical	41,639
STEADFAST ENGINEERIN G	90041255	20230914	Repairs of Bell 2706D Reg CZN 278FS	Cleansing	Strip and quote	Impractical	115,532
VAAL TOYOTA (VEREENIGIN G VAND	90041256	20230914	Replacement of timing belt, and service plus brakes on FWJ095FS	Finance	Strip and quote	Impractical	9,087
LESEDI LA MOTHEO HOLDINGS	90041365	20230927	Engine to be overhauled	Cleansing	Strip and quote	Impractical	51,950
GISWA ENGINEERIN G CC	90041375	20230928	Repair of various vehicles	Mechanical	Strip and quote	Impractical	100,885
VAAL TOYOTA (VEREENIGIN GVANDE	90041426	20231010	programming of electric operation of alternator	mechanical	Strip and quote	Impractical	23,059
BELL EQUIPMENT SALES SOUTH AF	90041432	20231011	Service for TLB	mechanical	agents of machine and machine still under guarantee	Sole supplier	28,841
THE ASSESSMEN T TOOLBOX	90041456	20231016	Competency assessment for positions	Corporate service	As per the gazette no 37245 from COGTA	Sole supplier	51,750
GISWA ENGINEERIN G CC	90041580	20231025	Repair of garbage bin 2	mechanical	Strip and quote	Impractical	3,825
MASSTORES (PTY) LTD T/A MAKRO	90041528	20231019	Procurement of groceries for grade 12 matriculants	office of the speaker	value for money	emergency	-
JAQUARES REPAIRS	90041940	20231212	vehicle repairs	mechanical	Strip and quote	impractical	34,616
DEKRA AUTOMOTIVE	90041937	20231212	Testing of vehicles	Mechanical	Single Supplier	Sole Supplier	14,201
WHITE LEPARD SECURITY	90042073	20231221	Provision for security services	office of the municipal manager	Contract with the appointed services provider is terminated	emergency	1,500,000

64. Deviation from supply chain management regulations (continued)

Supplier	Voucher number	Date of payment	Description	Department	Reason	Classification	-
METSIMAHOLO AND FEZILE DABIT	90041902	20231207	vehicle repairs	mechanical	Strip and quote	impractical	54,640
PDZ ELECTRICAL	90041895	20231205	repair of traffic light	electric department	Strip and quote	impractical	54,050
SELITEC	90041777	20231123	communication	communication	only local radio station	Sole supplier	35,000
PRO ENGINEERING AND HYDRAULIC	90041725	20231116	prop shaft repair	mechanical	Strip and quote	impractical	5,865
PRO ENGINEERING AND HYDRAULIC	90041720	20231116	Wheel studs	mechanical	agents of machine and machine still under guarantee	Sole supplier	11,482
NEW VAAL MOTORS (VER)	90041848	20231128	gear charge	mechanical	Strip and quote	impractical	29,099
LESEDI LA MOTHEO HOLDINGS	90041709	20231115	rebuild engine due to overheating czn261fs	mechanical	Strip and quote	impractical	45,010
PHANGAS MARKETING	90041668	20231108	mechanical repairs for plotter machine	ICT	Strip and quote	impractical	86,946
BALOW ENGINEERING CC	90041870	20231130	Onsite repair and welding of badrift station delivery pipe	Civil	Strip and quote	impractical	114,966
METSIMAHOLO AND FEZILE DABIT	90041652	20231128	repair of a vehicle brakes and carbarater	mechanical	Strip and quote	impractical	25,741
VAAL TOYOTA (VEREENIGINGVANDE	90041652	20231107	repairs of traffic vehicle alternator and rear brakes	mechanical	Strip and quote	impractical	28,682
SCHOLINGS INDUSTRIAL CC	90041651	20231107	repairing of repair of lawnmowers and brush cutter	mechanical	Strip and quote	impractical	151,710
PNEUMATIC RETAIL OPERATIONSA	90041654	20231107	Repair of prop shaft need to be refurbished	mechanical	Strip and quote	impractical	2,820
WHITE LEOPARD SECURITY	90042108	20240130	provision for security services Dec 2023	Municipal Manager	Contract terminated before contracted time due to unfair award of the tender.	Emergency	2,849,327
KHUMALO MOTOR TARVEN (PTY) LTD	90042165	20240131	Engine rebuild HJM284FS	Mechanical services	strip and quote	Impractical	77,788
MAYFAIR GEARBOX	90042122	20240131	Repair of a gearbox CZP072FS	Mechanical services	strip and quote	Impractical	22,425

64. Deviation from supply chain management regulations (continued)

Supplier	Voucher number	Date of payment	Description	Department	Reason	Classification	-
METSIMAHOLO AND FEZILE DABIT	90042123	20240131	Body mechanical repairs CTK329FS	Mechanical services	strip and quote	Impractical	69,724
VAAL DOCUMENT MANAGEMENT (PTY) LTD	90042157	20240131	Repair and service of copy machines	ICT	strip and quote	Impractical	146,519
LESEDI LA MOTHEO HOLDINGS	90042224	20240213	Repair of a starter	mechanical services	strip and quote	Impractical	36,900
GISWA ENGINEERING CC	90042203	20240208	Repair of a garbage bin	mechanical services	strip and quote	impractical	3,825
WHITE LEOPARD SECURITY	90042219	20240212	provision for security services Jan	municipal manager	Contract terminated before contracted time due to unfair award of the tender.	Emergency	2,849,327
METSIMAHOLO AND FEZILE DABIT	90042355	20240228	Repair of cherry picker	mechanical services	strip and quote	impractical	30,615
GISWA ENGINEERING CC	90042226	20240213	repair of garbage bins	mechanical services	strip and quote	impractical	12,889
JAQUARES REPAIRS	90042316	20240221	Exhibition of stalls for local business tourism expo	mechanical services	strip and quote	impractical	45,026
SATOVITO	90042312	20240221	Exhibition of stalls for local business tourism expo	LED	The exhibition is organised by single provider	sole supplier	58,500
PRO ENGINEERING AND HYDRAULIC	90042210	20240208	Repair of rear spring CRK644FS	mechanical services	strip and quote	Impractical	12,952
LIMPHO PROJECTS	90042542	20240320	Water supply pipe got burst on the Eric Low road	Civil service	Water supply pipe got burst on the Eric Low road	Emergency	367,576
LESEDI LA MOTHEO HOLDINGS	90042472	20240318	Repair of injector, pumps and sensors FWD501FS	mechanical service	strip and quote	impractical	60,550
METSIMAHOLO AND FEZILE DABIT	90042460	20240315	Repair of CTK321FS multiple faults	mechanical service	strip and quote	impractical	99,684
LESEDI LA MOTHEO HOLDINGS	90042444	20240314	Repair of shaft recondition and balance	mechanical service	strip and quote	impractical	8,100
STEADFAST ENGINEERING	90042430	20240313	Repair of a grader DGR756FS	mechanical service	strip and quote	impractical	306,279
ADAPT IT	90042418	20240312	Caseware training for compilation of the AF	Finance	single supplier	sole supplier	183,715

64. Deviation from supply chain management regulations (continued)

Supplier	Voucher number	Date of payment	Description	Department	Reason	Classification	-
WHITE LEOPARD SECURITY	90042411	20240311	Provision for security services (Feb)	Municipal Manager	Contract terminated before contracted time due to unfair award of the tender.	Emergency	2,849,327
PRO ENGINEERIN G AND HYDRAULIC	90042402	20240307	Repair of parabolic spring pack	mechanical service	strip and quote	impractical	37,864
PRO ENGINEERIN G AND HYDRAULIC	90042402	20240307	repair of hydraulic hoses	mechanical service	strip and quote	impractical	37,864
VAAL TOYOTA (VEREENIGIN GVANDE	90042431	20240313	Repair of automatic gearbox FXB941FS	mechanical service	strip and quote	impractical	327,336
GISWA90042 536 ENGINEERIN G CC	90042479	20240320	Repair of slasher for parks	mechanical service	strip and quote	impractical	29,915
SMITH CAPITAL EQUIPMENT (PTY)	90042558	20240318	Repair of cherry picker	mechanical service	strip and quote	impractical	33,018
VAAL TOYOTA (VEREENIGIN GVANDE	90042711	20240327	Repair of faulty injector CZM43FS	mechanical service	strip and quote	impractical	56,677
FRAMA (PTY) LTD	90042711	20240422	Annual renewal remote meter setting	Records	Manufactures of the machine	sole supplier	3,421
SELITEC	90042587	20240409	Radio broadcast for special council meeting	office of the municipal manager/ Communicatio n	Only radio station in Metsimaholo	sole supplier	35,000
MAYFAIR GEARBOX	90042685	20240418	Strip and quote on Gearbox	Electrical	Strip and Quote	Impractical	41,101
GISWA ENGINEERIN G CC	90042618	20240410	Repairs	Mechanical	Strip and Quote	Impractical	48,850
AVANT GARDE AGRI SOLUTIONS	90042590	20240409	Pressure sealer machine repair	ICT	Strip and Quote	Impractical	19,450
PRO ENGINEERIN G AND HYDRAULIC	90042579	20240408	repairs and reupholster seat FWD518FS	Mechanical	Strip and Quote	Impractical	6,670
VAAL TOYOTA (VEREENIGIN GVANDE	90042683	20240418	Repair of gearbox	Mechanical	Strip and Quote	Impractical	14,928
White Leopard Security	90042623	20240415	Provision for security services	Office of MM	Contract with the appointed services provider is terminated due to none-compliance	emergency	2,849,327

64. Deviation from supply chain management regulations (continued)

Supplier	Voucher number	Date of payment	Description	Department	Reason	Classification	-
GIJIMA HOLDINGS	90042862	20240524	Competency Based Psychometric Assessment for candidates to be appointed.	Human resources	Service provider appointed by COGTA as per the government Gazette	Impractical	75,040
WHITE LEOPARD SECURITY	90042771	20240513	Provision for security services	office of the municipal manager	Contract with the appointed services provider is terminated due to none-compliance	emergency	2,849,327
PRO ENGINEERIN G AND HYDRAULIC	90042921	20240611	Provision of Spare parts	repair of front spring pack and rear spring	strip and quote	Impractical	64,550
GIJIMA HOLDINGS	90042577	20240402	Competency Based Psychometric Assessment for candidates to be appointed.	Service provider	Service provider appointed by COGTA as per the government Gazette	Impractical	28,800
WHITE LEOPARD SECURITY	90042911	20240611	Provision for security services	office of the municipal manager	Contract with the appointed services provider is terminated due to none-compliance	emergency	2,927,527
TOTAL							**23,827,316**

65. 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

65. Prior-year adjustments (continued)

30 June 2024

	Note	As previously reported	Correction of error	Restated
Inventories		1,590,322	-	1,590,322
Receivables from exchange transactions		335,490,543	(15,542,379)	319,948,164
Receivables from non-exchange transactions		54,154,569	(2,086,735)	52,067,834
VAT receivable		5,667,088	(9,660)	5,657,428
Cash and cash equivalents		121,848,983	-	121,848,983
VAT input tax accrual and provision for VAT impairment		318,097,112	2,938,013	321,035,125
Investment property		440,763,848	(104,109,142)	336,654,706
Property, plant and equipment		1,417,826,672	(198,786,468)	1,219,040,204
Intangible assets		1,874,626	3,548,863	5,423,489
Heritage assets		4,428,972	(268,743)	4,160,229
Other financial assets		3,743,950	-	3,743,950
Receivables from exchange transactions-Long term portion		14,661	-	14,661
Payables from exchange transactions		(334,847,174)	(4,186,969)	(339,034,143)
Consumer deposits		(30,583,077)	1,502,000	(29,081,077)
Employees benefit obligation		(9,657,000)	-	(9,657,000)
Unspent conditional grants and receipts		(3,351,908)	-	(3,351,908)
Provisions		(106,601,824)	-	(106,601,824)
VAT output tax accrual		(331,996,544)	1,682,162	(330,314,382)
Employees benefit obligation		(54,451,000)	-	(54,451,000)
Provisions		(2,951,275)	-	(2,951,275)
		1,831,061,544	**(315,319,058)**	**1,515,742,486**

Statement of financial performance

30 June 2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges		1,032,673,433	(3,912,636)	-	1,028,760,797
Sale of goods and rendering of services		4,691,850	-	16,612	4,708,462
Rental of facilities and equipment		6,829,508	(69,657)	-	6,759,851
Interest received - investment		12,036,530	-	-	12,036,530
Interest received - exchange receivables		114,043,225	(951,502)	-	113,091,723
Operational revenue		413,553	-	-	413,553
Dividends		147,549	-	-	147,549
Property rates		221,435,559	(314,982)	-	221,120,577
Service charges- availibility charge		4,152,453	-	-	4,152,453
Fines, Penalities and Forfeits		3,049,663	-	-	3,049,663
Licences and Permits		4,825	-	-	4,825
Government grants & Subsidies		375,314,901	-	-	375,314,901
Interest from non-exchanage receivables		21,895,271	(77,737)	-	21,817,534
Employee related costs		(388,344,342)	-	(2,779,982)	(391,124,324)
Remuneration of councillors		(22,473,440)	-	(2,546,762)	(25,020,202)
Depreciation and amortisation		(85,479,136)	44,199,590	-	(41,279,546)
Finance costs		(23,203,612)	-	-	(23,203,612)
Bulk purchases		(396,912,532)	-	-	(396,912,532)
Contracted services		(115,476,977)	(1,638,464)	(14,884,685)	(132,000,126)
Lease rentals on operating lease		(17,458,193)	(1,713,135)	-	(19,171,328)
Debt impairment		(453,540,972)	-	-	(453,540,972)
Transfers and subsidies		(290,029)	-	-	(290,029)
Operating cost		(54,809,967)	(47,111)	20,832,823	(34,024,255)
Inventory consumed		(235,694,022)	-	-	(235,694,022)
Repairs and maintenance		(12,917,161)	(364,355)	(621,394)	(13,902,910)
Actuarial gains/Losses		(681,765)	-	-	(681,765)
Fair value adjustments		1,040,680	-	-	1,040,680
Gain (loss) on disposal of assets and liabilities		853,752	-	(850,834)	2,918
Inventories losses/write-downs		(35,317)	-	-	(35,317)
Change in provision utilisation		-	-	834,222	834,222
Surplus for the year		**(8,734,713)**	**35,110,011**	**-**	**26,375,298**

Cash flow statement

65. Prior-year adjustments (continued)

30 June 2024

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Cash receipts from customers		855,368,277	(2,102,651,751)	644,716,526
Taxation revenue - Property rates		-	204,452,991	204,452,991
Other recipts		14,989,399	1,229,923	16,219,322
Interest income		12,036,530	27,359,461	39,395,991
Employee costs		(399,076,464)	(2,186,771)	(401,263,235)
Suppliers		(792,416,587)	(34,261,327)	(826,677,914)
Taxation- VAT		-	(1,624,849)	(1,624,849)
Finance cost		(4,546,913)	4,546,913	-
		(313,645,758)	**(1,903,135,410)**	**(324,781,168)**
Cash flow from investing activities				
Purchase of property, plant and equipment		(90,569,324)	19,508,790	(71,060,534)
		(90,569,324)	**19,508,790**	**(71,060,534)**
Cash flow from financing activities				
Employee benefit obligation payment			(3,707,990)	3,707,990

Errors

Statement of financial position

Payables from exchanage transactions.

Retentions
The retention liability was incorrectly raised exclusive of VAT, the input tax accrual on the retention balance has been raised for the 2023/24 financial year.

VAT input tax accrual and provision for VAT impairment

The retention liability was incorrectly raised exclusive of VAT, the input tax accrual on the retention balance has been raised for the 2023/24 financial year.

Receivables from exchange transactions

Correction of prior period error relating to self billing of municipal accounts the resulted in an over statement of Receivables from exchanage transactions

Receivables from Non-exchange transactions

Correction of prior period error relating to self billing of municipal accounts the resulted in an over statement of Receivables from Non-exchnage transactions

Investment property

During the verification of properties, it was noted that the Municipality has erroneously included properties that no longer belong to them. This resulted in the derecognition of these affected properties. Furthermore, properties registered in the name of the Municipality were occupied by private individuals, these were impaired while the Municipality reviews these to determine ownership.

Conditional Assessments were performed on properties which resulted in a restatement of accumulated depreciation.

Property plant and equipment

During the verification of Property, Plant and Equipment, several corrections were recorded due to the below:

a. Assets which did not belong to the Municipality had been recorded in the register incorrectly and had to be adjusted accordingly. These are detailed in the supporting registers.

65. Prior-year adjustments (continued)

b. Conditional Assessments were performed on all classes of assets which are still in use by the Municipality which resulted in a restatement of accumulated depreciation.

c. Assets were duplicated erroneously in the registers and had to be adjusted accordingly.

d. Assets affecting some classes of PPE could not be found and were impaired while the Municipality investigates further to determine the reason. Once the investigations have been conducted, the adjustments will be recorded.

Intangible assets

Conditional Assessments were performed on Intangible Assets which are still in use by the Municipality which resulted in a restatement of accumulated depreciation.

Heritage assets

During the verification of Heritage Assets, it was noted that there are two buildings which have been erroneously included as both Heritage Assets and Community Assets. The correct classification of these assets is under Community Assets. Therefore, the duplicated assets were derecognised under Heritage Assets.

A Lapa which is located at the Heritage Site was demolished during the previous financial due to vandalism and safety reasons. The foundation remains and as a result, the facility has been impaired.

Consumer deposits

Consumer deposits that had no evidence for the past few financial years was written off.

VAT output tax accrual

Correction of prior period error relating to self billing of municipal accounts, this resulted in an over statement of VAT output tax accrual.

Statement of financial performance

Service charges

Correction of prior period error relating to self billing of municipal accounts the resulted in an over statement of Service charges

Property rates

Correction of prior period error relating to self billing of municipal accounts the resulted in an over statement of Property rates

Interest received- Exchange receivables

Correction of prior period error relating to self billing of municipal accounts the resulted in an over statement of Interest received- Exchange receivables

Interest received Non-exchange receivables

Correction of prior period error relating to self billing of municipal accounts the resulted in an over statement of Interest received from non-exchange receivables

Depreciation and amortisation

Conditional Assessments were performed all classes of fixed assests which resulted in a restatement of depreciation.

Contracted services

Accounting for invoices not accounted for in the prior year

Lease rentals on operating lease

Accounting for invoices not accounted for in the prior year

Operating cost

Accounting for invoices not accounted for in the prior year

65. Prior-year adjustments (continued)

Repairs and maintenance

Accounting for invoices not accounted for in the prior year

Rental of facilities and equipment

Reclassification

Operating cost

1.As per coaf 78 of the 2024 financial year, during the testing of the Operating costs, suppliers were identified has having contracts as per the contract register however the expenditure was classified as operating costs and not contracted costs.The sub items reclassified are External computer service, Insurance and Vehicle tracking.

2.Employee related cost votes were identified and found to be classified under operating costs. The identified votes were reclassified correctly to employee related cost.

3.Remuneration of councillors votes were identified and found to be classified under operating costs. The identified votes were reclassified correctly to remuneration of councillors.

Contracted services

1.As per coaf 78 of the 2024 financial year, during the testing of the Operating costs, suppliers were identified has having contracts as per the contract register however the expenditure was classified as operating costs and not contracted costs. The sub items reclassified are External computer service, Insurance and Vehicle tracking.

2.Transacations in the repairs and maintenance class were investigated and votes and transactions were reclassified from Contracted services to Repairs and maintenance

Employee related cost

Employee related cost votes were identified and found to be classified under operating costs. The identified votes were reclassified correctly to employee related cost

Remuneration of councillors

Remuneration of councillors votes were identified and found to be classified under operating costs. The identified votes were reclassified correctly to remuneration of councillors.

Repairs and maintenance

Transactions in the repairs and maintenance class were investigated and votes and transactions were reclassified from Contracted services to Repairs and maintenance.

Gain(Loss) on disposal of assets and liabilities

1.After an investigation it was found that a votes was to be remapped from Sale of goods and rendering of services to Gain(Loss) on disposal of assets.

2.After investigation votes were remapped from Gain(loss) on disposal of assets and liabilities to a Change in utilisation of provision as they related to chnage in provisions and not a gain or loss in the disposal of assets or liabilities

Sale of goods and rendring of services

After an investigation it was found that a vots was to be remapped from Sale of goods and rendering of services to Gain(Loss) on disosal of assets.

Change in utilisation of provision

After investigation votes were remapped from Gain(loss) on disposal of assets and liabilities to a Change in utilisation of provision as they related to chnage in provisions and not a gain or loss in the disposal of assets or liabilities

65. Prior-year adjustments (continued)

Disclosures

Commitments

Commitments balances changed due to correction of transposition error in accounting for the commitment in one project.The project description: Zajdel Galvanised pipes to UPVC]

Inventories

Incorrect calculation of inventory losses and inventory consumed disclosure

66. Donations

Eskom	21,115,750	-

The Municipality entered into an agreement with Eskom to improve the Vaaldam Substation as part of their project to energise Themba Khubeka. The substation belongs to Eskom and therefore any improvements made to the substation was handed over to Eskom.

67. Change in estimate

Debt impairment

During the current financial year, management undertook a review of the debt impairment methodology applied in prior periods. Previously, the authority to amend the debt impairment policy resided with Council. However, Council has rescinded, via council resolution dated 07 July 2025, this function and delegated the responsibility to management to review and approve the policy. In exercising this responsibility, management reassessed the appropriateness of the existing methodology and determined that a revised approach would more accurately reflect the payment patterns and risk characteristics of the municipality's debtors. As a result, the debt impairment methodology has been updated to provide a more reliable basis for estimating expected credit losses. This adjustment is accounted for as a change in accounting estimate in terms of GRAP 3, and has been applied prospectively from the date of implementation.The impact on future periods cannot be reliably estimated at this stage and will be recognised as and when it arises.