Setsoto Local Municipality

(Demarcation code FS191)

Annual Financial Statements
for the year ended 30 June 2025

Auditor-General of South Africa (AGSA)

Table of Contents

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

Audit & Performance Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2025.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and in terms of the MFMA section 166 (4)(b) the committee should at least meet four times a year. Due to the fact that the municipality had a hybrid system, the committee deals with performance issues as required by Regulation 14 (2) (a) of the Planning and Performance Management Regulation of 2001.

During the year under review 11 meetings were held.

Name of member	Number of meetings attended
Mrs SJ Masite (Chairperson)	11
Mr LS Mofokeng	11
Ms FMN Kobo	11
^Mrs MP Ramutsheli	6
#Ms TL Monare	9

^ Five absent with apology.

Resigned 30 May 2025.

All members are independent with no interest in the management, or conduct of the business of the Municipality.

The following entities / departments have a standing invitation to all Audit and Performance Audit Committee meetings:

- Free State Department of Cooperative Governance and Traditional Affairs;
- Free State Pronvincial Treasury; and
- Office of the Auditor General of South Africa.

The committee members are requested to declare their interest, on each agenda item, at every meeting held.

Audit & performance audit committee responsibilities

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) - (e) of the MFMA and Regulation 14(2)(a) of the Planning and Performance Management Regulation of 2001.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is considered generally adequate in design and is partially ineffective in its implementation, this was evident by the reasonable assurance given by the Internal Audit Unit. However, there have been some vast improvements on some internal controls. The identification of corrective actions and suggested enhancements to the controls were done through a risk management process and interaction with management on the action plan on the audited report.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management’s response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the municipalities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

Audit & Performance Audit Committee Report

Internal audit

The audit & performance committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Chairperson of the Audit Committee

Date:

Accounting Officer's Report

The Accounting Officer submits her report for the year ended 30 June 2025.

1. Review of activities

Main business and operations

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

Net surplus of the municipality was R 72 922 581 (2024: surplus R 39 163 885).

2. Going concern

I draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of R 2 738 680 373 and that the municipality's total assets exceeded its liabilities by R 2 738 680 373.

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

3. Subsequent events

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

4. Accounting Officer's interest in contracts

The Accounting Officer had no interest in any contracts.

5. Accounting policies

The annual financial statements are prepared as required in terms of Section 122 of the Municipal Finance Management Act (No 56. of 2003) and in accordance with the South African Standards of Generally Recognised Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed framework by National Treasury.

6. Employee Benefits

Management performed an actuarial valuation of the Employee Benefits of the employer's liability as arising from the post-retirement healthcare subsidy ("RHS") payable to current and retired employees.

The valuation is in line with the requirements of GRAP 25 and the items required for disclosure have been determined in terms of this standard.

Please refer to note 19.2 and 21 for details about these valuations.

7. Non-current assets

There were no major changes in the nature of the non-current assets of the municipality during the year.

8. Accounting Officer

The Accounting Officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mrs. FN Malatjie	RSA

9. Auditors

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

Accounting Officer's Report

10. Jurisdiction

Setsoto Local Municipality includes the following areas:
- Ficksburg
- Senekal
- Marquard
- Clocolan

Mrs. FN Malatjie
Accounting Officer

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government:
	Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
	A municipality which is an organ of state within the local sphere of government exercising legislative and executive authority.
Nature of business and principal activities	The provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development, and to promote a safe and healthy environment.
Legislation governing the municipality's operations	Constitution of the Republic of south Africa (Act 108 of 1998)
	Municipal Finance Management Act (Act 56 of 2003)
	Local Government: Municipal Systems Act (Act 32 of 2000)
	Local Government: Municipal Structures Act (Act 117 of 1998)
	Municipal Property Rates Act (Act 6 of 2004)
	Division of Revenue Act (Act 1 of 2007)
	Electricity Act (Act 41 of 1987)
	Municipal Systems Amendment Act (Act 44 of 2003)
	Municipal Structures Amendment Act (Act 33 of 2000)
	Housing Act (Act 107 of 1997)
	Intergovernmental Relations Framework Act (Act 13 of 2005)
	Intergovernmental Fiscal Relations Act (Act 97 of 1997)
	Municipal Demarcation Act (Act 27 of 1998)
	Transition Act Second Amendment (Act 97 of 1996)
	Water Services Act (Act 108 of 1997)

Portfolio	**Councillor**
Executive mayor	Mbiwe, SJ
Speaker	Maveleliso, PI
Mayoral committee	Selasi, MW
	Koalane, KE
	Mthimkulu, TI
	Mofokeng, MD (Appointed 2025/02/01) (Replaced T. Ancell)
	Makae, TE

General Information

Council members

No	Surname	Initials
1	Constable	SM
2	Odendaal	MF
3	Motsoane	TP
4	Ancell	T (From 2025/02/01)
5	Ponya	MA
6	Maleke	MJ
7	Langa	TL
8	Thamae	LD
9	Ramohlokoane	PA (Appointed 2024/10/04)
10	Vermeulen	PJ
11	Heymans	MC
12	Makhalanyane	TG
13	Khatlake	NP (Chairperson of MPAC - From 1 June 2023)
14	Manako	TS
15	Mokheseng	SM
16	Mokoakoe	LG
17	Dell	H
18	Motloenya	LE
19	Janssonius	JM
20	Mohanoe	LE (Removed 2025/04/25)
21	Letube	ME
22	Mopatli	CD
23	Vries	I
24	Koqo	PE
25	Coetzee	J
26	Fuso	SS

General Information

Grading of local authority	06 - Medium Capacity
Accounting Officer	Mrs. FN Malatjie
Chief Financial Officer (CFO)	Mr. NL Moletsane
Registered head office	27 Voortrekker Street Ficksburg 9730
Postal address	P O Box 116 Ficksburg 9730
Telephone	(051) 933 9300
Fax	(051) 933 9363
Bankers	First National Bank, a division of First Rand Limited
Auditors	Auditor-General of South Africa (AGSA)
Demarcation code	FS191
Legal manager	PM Koalane P O Box 116, Ficksburg, 9730 matshediso@setsoto.co.za

Accounting Officer's Responsibilities and Approval

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

The annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant interpretations, guidelines and directives issued by the Accounting Standards Board as required by in terms of Section 122 of the of the Municipal Finance Management Act (No. 56 of 2003).

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

I, as the Accounting Officer acknowledges that I am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable me to meet these responsibilities, I have set 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.

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

I have 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, I am satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future. The financial statements are prepared on the basis that the municipality is a going concern and that Setsoto Local Municipality has neither the intention nor the need to liquidate or curtail materially its scale.

I would like to bring the following material matters to your attention:

I certify that the salaries, allowances and benefits of councillors as disclosed in note 37 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The annual financial statements set out on pages 18 to 139, in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003), which have been prepared on the going concern basis and which I have signed on behalf of the municipality on 29 August 2025.

Mrs. FN Malatjie
Municpal Manager

Abbreviations

ASB	Accounting Standards Board
CIGFARO	Chartered Institute of Government, Finance, Audit and Risk Officers
COID	Compensation for Occupational Injuries and Diseases
COGTA	Cooperative Governance and Traditional Affairs
DBSA	Development Bank of South Africa
DORA	Division of Revenue Act
DSACR	Department of Sport, Arts, Culture and Recreation
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
LGSETA	Local Government Services Sector Education and Training Authority
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MPAC	Municipal Public Accounts Committee
MPRA	Municipal Property Rates Act
MSIG	Municipal System Improvement Grant
mSCOA	Municipal Standard Chart of Accounts
SALGA	South African Local Government Association
SAPS	South African Police Services
SCM	Supply Chain Management
MSA	Municipal Structures Act
MSA	Municipal System Act
NDPG	Neighbourhood Development And Partnership Grant
SRAC	Sports, Recreation, Arts and Culture
CRR	Capital Replacement Reserve
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
IMFO	Institute of Municipal Finance Officers
ME'S	Municipal Entities
MEC	Member of Executive Council

Abbreviations

iGRAP	Interpretation of the South African Standards of Generally Recognised Accounting Practice

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

Figures in Rand	Original budget	*Budget adjustments	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2025								
Financial performance								
Revenue								
Exchange revenue								
Service charges - Electricity	128 116 368	-	128 116 368	128 116 368	120 326 696	(7 789 672)	93.92 %	93.92 %
Service charges - Water	75 068 532	8 000 000	83 068 532	83 068 532	86 863 803 ^	3 795 271	104.57 %	115.71 %
Service charges - Waste Water Management	43 116 360	-	43 116 360	43 116 360	43 040 718 ^	(75 642)	99.82 %	99.82 %
Service charges - Waste Management	58 105 476	-	58 105 476	58 105 476	57 144 192 ^	(961 284)	98.35 %	98.35 %
Sale of goods and rendering of services	2 141 796	470 976	2 612 772	2 612 772	2 170 794	(441 978)	83.08 %	101.35 %
Interest earned from receivables	50 000 004	43 882 340	93 882 344	93 882 344	54 979 243	(38 903 101)	58.56 %	109.96 %
Interest earned from current and non current assets	11 454 348	(2 061 056)	9 393 292	9 393 292	10 051 968	658 676	107.01 %	87.76 %
Dividends	85 050	-	85 050	85 050	93 761	8 711	110.24 %	110.24 %
Rent on land	1 753 620	163 256	1 916 876	1 916 876	1 913 877	(2 999)	99.84 %	109.14 %
Rental from fixed assets	114 180	2 956	117 136	117 136	131 693	14 557	112.43 %	115.34 %
Operational revenue	562 716	195 184	757 900	757 900	2 936 831	2 178 931	387.50 %	521.90 %
	370 518 450	**50 653 656**	**421 172 106**	**421 172 106**	**379 653 576**	**(41 518 530)**	**90.14 %**	**102.47 %**
Non-exchange revenue								
Property rates	85 836 024	-	85 836 024	85 836 024	86 081 108 ^	245 084	100.29 %	100.29 %
Fines, penalties and forfeits	315 000	(215 000)	100 000	100 000	711 070	611 070	711.07 %	225.74 %
Licences or permits	132 300	(112 300)	20 000	20 000	126 943	106 943	634.72 %	95.95 %
Transfer and subsidies - Operational	270 624 005	-	270 624 005	270 624 005	274 288 158	3 664 153	101.35 %	101.35 %
Interest	-	18 033 028	18 033 028	18 033 028	10 172 697	(7 860 331)	56.41 %	- %
Operational revenue	5 890 524	-	5 890 524	5 890 524	2 581 677	(3 308 847)	43.83 %	43.83 %
Gains on disposal of assets	184 332	-	184 332	184 332	392 423	208 091	212.89 %	212.89 %
Other gains	32 000 004	-	32 000 004	32 000 004	348 585	(31 651 419)	1.09 %	1.09 %
	394 982 189	**17 705 728**	**412 687 917**	**412 687 917**	**374 702 661**	**(37 985 256)**	**90.80 %**	**94.87 %**
Total Revenue (excl. capital transfers and contributions)	**765 500 639**	**68 359 384**	**833 860 023**	**833 860 023**	**754 356 237**	**(79 503 786)**	**90.47 %**	**98.54 %**

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

Figures in Rand	Original budget	*Budget adjustments	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Expenditure								
Employee costs	(267 542 412)	-	(267 542 412)	(267 542 412)	(262 228 423)	5 313 989	98.01 %	98.01 %
Remuneration of councillors	(16 158 216)	(709 784)	(16 868 000)	(16 868 000)	(15 271 531)	1 596 469	90.54 %	94.51 %
Bulk purchases - Electricity	(139 377 420)	-	(139 377 420)	(139 377 420)	(123 787 840)	15 589 580	88.81 %	88.81 %
Inventory consumed	(46 257 708)	(6 278 216)	(52 535 924)	(52 535 924)	(19 184 202)	33 351 722	36.52 %	41.47 %
Debt impairment	(93 089 184)	(43 893 848)	(136 983 032)	(136 983 032)	(23 736 805)	113 246 227	17.33 %	25.50 %
Depreciation and amortisation	(162 862 704)	(6 236 456)	(169 099 160)	(169 099 160)	(140 281 732)	28 817 428	82.96 %	86.13 %
Finance charges	(2 550 012)	(733 000)	(3 283 012)	(3 283 012)	(4 103 017)	(820 005)	124.98 %	160.90 %
Contracted services	(35 658 540)	(23 068 416)	(58 726 956)	(58 726 956)	(53 037 154)	5 689 802	90.31 %	148.74 %
Transfers and subsidies	(32 159 004)	(17 601 892)	(49 760 896)	(49 760 896)	(47 265 390)^	2 495 506	94.99 %	146.97 %
Irrecoverable debts written off	(58 000 000)	-	(58 000 000)	(58 000 000)	(135 203 012)	(77 203 012)	233.11 %	233.11 %
Operational costs	(72 076 616)	(9 770 960)	(81 847 576)	(81 847 576)	(54 674 831)	27 172 745	66.80 %	75.86 %
Losses on disposal of Assets	-	-	-	-	(8 059 933)	(8 059 933)	- %	- %
Total Expenditure	**(925 731 816)**	**(108 292 572)**	**(1 034 024 388)**	**(1 034 024 388)**	**(886 833 870)**	**147 190 518**	**85.77 %**	**95.80 %**
Deficit	**(160 231 177)**	**(39 933 188)**	**(200 164 365)**	**(200 164 365)**	**(132 477 633)**	**67 686 732**	**66.18 %**	**82.68 %**
Transfers and subsidies - capital (monetary allocations)	218 681 003	-	218 681 003	218 681 003	205 400 214	(13 280 789)	93.93 %	93.93 %
Surplus for the year	**58 449 826**	**(39 933 188)**	**18 516 638**	**18 516 638**	**72 922 581**	**54 405 943**	**393.82 %**	**124.76 %**

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

Figures in Rand	Original budget	*Budget adjustments	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget

Reconciliation of actual amounts and amounts as per the statement of financial performance	**Amount per Statement of Financial Performance**	**Adjustments**	**Amount per Budget Statement**
Service charges - Water	74 559 038	12 304 765	86 863 803
Service charges - Waste water	33 824 390	9 216 328	43 040 718
Service charges - Waste	44 332 830	12 811 362	57 144 192
Property rates	73 605 549	12 475 559	86 081 108
Transfers and subsidies paid	(457 376)	(46 808 014)	(47 265 390)
	225 864 431	**-**	**225 864 431**

^Transfers and subsidies paid are budgeted for under expenditure, but forms part of service charges revenue, in the statement of financial performance.

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

Figures in Rand	Original budget	*Budget adjustments	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget

Commentary

Reasons for variances between budgeted and actual amounts greater than 10%:

1. Sale of goods and rendering of services:

Dependant on ad-hoc services. Declined services required.

2. Interest earned - receivables:

Amount budgeted against the non-exchange revenue interest. Split not applied during budget process.

3. Rent from fixed assets:

Increased rent of council's fixed assets.

4. Operational revenue:

Applying unallocated policy results in increase revenue.

5. Fines, penalties and forfeits:

Accounting for fines issued result in increased revenue.

6. Licences or permits:

Increase in licences issued during the year.

7. Interest earned from receivables:

Amount budgeted against the exchange revenue interest. Split not applied during budget process.

8. Operational revenue:

Non-Exchange service charges (availability) budget against exchange service revenue.

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

Figures in Rand	Original budget	*Budget adjustments	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget

9. Gains on disposal:

Actual disposals more than budgeted for.

10. Other revenue:

Non-Exchange service charges (availability) budget against exchange service revenue.

11. Bulk purchases:

Decline in electricity consumption contributes to saving as well as strict cost containment measures.

12. Materials:

Proper implementation of cost containment measures.

13. Debt impairment:

Writing off of bad debt decreased provision for impairment.

14. Depreciation, amortisation and impairment losses:

Depreciation increase than anticipated.

15. Finance cost:

Additional finance lease enter into.

16. Irrecoverable debt write off:

Fair value calculation increased due to poor payment percentage.

17. Operational costs:

Proper implementation of cost containment measures.

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

Figures in Rand	Original budget	*Budget adjustments	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget

18. Loss on disposal:

Write off of PPE assets.

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	42 869 427	57 062 518
Receivables from exchange transactions	4	245 600 303	212 277 546 *
Receivables from non-exchange transactions	5	83 460 354	70 152 440 *
Inventory	8	5 188 900	3 225 249
VAT Receivable	6	10 138 616	9 151 684 *
Deposits	7	4 711 362	3 968 525 *
Other current assets	9	319 745	324 473 *
Total Current Assets		**392 288 707**	**356 162 435**
Non-Current Assets			
Other financial assets	10	5 196 389	4 723 333
Investment property	11	69 720 416	71 891 310
Property, plant and equipment	12	2 534 303 888	2 505 675 383 *
Heritage assets	13	12 094 650	12 094 650
Intangible assets	14	59 657	95 200
Total Non-Current Assets		**2 621 375 000**	**2 594 479 876**
Total Assets		**3 013 663 707**	**2 950 642 311**
Liabilities			
Current Liabilities			
Financial liabilities	15	2 582 219	2 709 387
Consumer deposits	16	3 256 046	3 190 178
Payables from exchange transactions	17	139 952 107	127 457 493 *
Unspent grants	18	13 500 560	21 039 007 *
Provisions and other employee liabilities	19	2 387 514	1 907 322 *
VAT Payable	20	328 225	11 865 013 *
Post-retirement health care benefit liability	21	1 919 971	1 978 951
Total Current Liabilities		**163 926 642**	**170 147 351**
Non-Current Liabilities			
Financial liabilities	15	9 916 970	12 337 978
Provisions and other employee liabilities	19	47 976 751	51 312 844 *
Post-retirement health care benefit liability	21	53 162 982	51 086 357
Total Non-Current Liabilities		**111 056 703**	**114 737 179**
Total Liabilities		**274 983 345**	**284 884 530**
Net Assets		**2 738 680 362**	**2 665 757 781**
Community Wealth / Equity			
Accumulated surplus		2 738 680 373	2 665 757 792

* See Note 58

Statement of Financial Performance for the year ended 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Exchange Revenue			
Services charges – Electricity	23	120 326 696	103 638 778
Services charges – Waste management	23	44 332 830	46 379 604
Services charges – Waste water management	23	33 824 390	35 569 353
Services charges – Water management	23	74 559 038	79 309 309
Sales of goods and rendering of services	25	2 170 794	1 937 376
Interest earned from receivables	29	54 979 243	52 572 847 *
Interests on investments	28	10 051 968	12 593 816
Dividends	30	93 761	80 975
Rental on land	26	1 913 877	1 685 655
Rental from facilities and equipment	27	131 693	106 811
Operational revenue	34	2 936 831	2 392 890
Total Exchange Revenue		**345 321 121**	**336 267 414**
Non-Exchange Revenue			
Availability charges – Electricity	24	1 161 078	957 528 *
Availability charges – Water management	24	882 422	834 802 *
Availability charges – Waste water management	24	538 177	512 298 *
Property rates	22	73 605 549	71 494 816
Fines, penalties and forfeits	31	711 070	851 850
Licences or permits	32	126 943	89 843
Transfers and subsidies – Operational	33	274 288 158	255 844 017 *
Transfers and subsidies – Capital	33	205 400 214	209 219 269 *
Interest earned from receivables	29	10 172 697	9 513 107 *
Total Non-Exchange Revenue		**566 886 308**	**549 317 530**
Total Revenue		**912 207 429**	**885 584 944**
Expenditure			
Employee related cost	36	(262 228 423)	(242 302 424)*
Remuneration of councillors	37	(15 271 531)	(14 740 876)
Bulk purchases	41	(123 787 840)	(106 176 124)
Inventory consumed	42	(19 184 202)	(15 768 303)*
Debt impairment	39	(23 736 805)	(30 118 099)
Depreciation, amortisation and impairment	38	(140 281 732)	(156 429 407)*
Finance cost	40	(4 103 017)	(3 366 488)*
Contracted services	43	(53 037 154)	(39 336 523)*
Transfers and subsidies		(457 376)	(79 003)
Irrecoverable debts written off		(135 203 012)	(148 282 581)*
Operating leases	45	(352 679)	-
Operational costs	44	(54 322 152)	(56 502 437)*
Fair value adjustments and losses on disposals of assets	35	(7 318 925)	(33 318 794)
Total Expenditure		**(839 284 848)**	**(846 421 059)**
Surplus for the year		**72 922 581**	**39 163 885**

* See Note 58

Cash Flow Statement for the year ended 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Property rates and availability		64 856 403	65 224 426 *
Sale of goods and services		145 730 574	123 383 133 *
Other receipts		5 192 016	6 439 875 *
Grants		472 149 925	446 079 013
Fines, penalties and forfeits		33 555	189 340 *
Interest		31 703 427	38 444 436 *
Dividends		93 761	80 975
Payments			
Employees		(267 989 874)	(259 221 010)
Suppliers		(302 850 456)	(245 221 911)*
Finance costs		(1 360 096)	(122 980)*
VAT		21 623 513	34 990 103 *
Net cash from(used) operating activities	46	**169 182 748**	**210 265 400**
Cash flows from investing activities			
Receipts			
Proceeds on disposal of fixed and intangible assets		392 423	242 351 *
Payments			
Capital assets		(181 220 086)	(218 832 879)*
Net cash flows from investing activities		**(180 827 663)**	**(218 590 528)**
Cash flows from financing activities			
Payments			
Increase / (Decrease) in borrowings		(2 548 176)	(819 885)
Net cash flows from financing activities		**(2 548 176)**	**(819 885)**
Net increase/(decrease) in cash		**(14 193 091)**	**(9 145 013)**
Cash and cash equivalents at year begin		57 062 518	66 207 531
		42 869 427	**57 062 518**

* See Note 58

Statement of Changes in Net Assets as at 30 June 2025

Figures in Rand	Accumulated surplus	Total net assets
Balance at 1 July 2023	**2 753 960 176**	**2 753 960 176**
*Restated surplus /(deficit) for the year	39 163 885	39 163 885
Total changes	39 163 885	39 163 885
	2 793 124 061	2 793 124 061
Adjustments		
*Correction of errors	(127 366 269)	(127 366 269)
***Restated Balance at 1 July 2024**	**2 665 757 792**	**2 665 757 792**
Surplus for the year	72 922 581	72 922 581
Total changes	72 922 581	72 922 581
Balance at 30 June 2025	**2 738 680 373**	**2 738 680 373**

* See Note 58

Accounting Policies

The Annual Financial Statements of Setsoto Local Municipality for the year ended 30 June 2025 were authorised for issue by the Accounting Officer on 31 August 2025.

These 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 No 56 of 2003).

The Annual Financial Statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

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

1. Summary of significant accounting policies

1.1 Presentation currency

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

1.2 Going concern assumption

These annual financial statements were 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 Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of financial position only when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.4 Current year comparatives

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

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

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

1.5 Significant judgements and estimates

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

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

Accounting Policies

1.5 Significant judgements and estimates (continued)

1.5.1 Judgements

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the annual financial statements:

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

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

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

Operating lease commitments

Leases where risks and rewards of ownership are not transferred to the lessee are classified as operating leases. Payments made under operating leases are recognised in the statement of financial performance on a straight-line basis over the period of the lease.

Allowance for slow moving, damaged and obsolete stock

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

1.5 Significant judgements and estimates (continued)

1.5.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) includes 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 obligations. In determining the appropriate discount rate, the municipality considers the interest rate 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 liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in note 19.2 and note 21.

Effective interest rate

The municipality uses an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgment to the specific circumstances, to discount future cash flows.

Appropriate adjustments have been made to compensate for the effect of deferred settlement, that have a material impact on the fair value of the financial instruments, revenue and expenses at initial recognition. The adjustments require a degree of estimation around the discount rate and periods used.

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.

Fair value estimation

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

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

Useful lives of waste, water networks and other assets

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

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 value less cost to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

1.5 Significant judgements and estimates (continued)

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

Provisions

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

Assumptions were used in determining the provision for rehabilitation of landfill sites. Provision is made for the estimated cost to be incurred on the long-term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill. The provision is based on the advice and judgment of qualified engineers. The estimates are discounted at a pre-tax discount rate that reflect current market assessments of the time value of money. The increase in the rehabilitation provision due to passage of time is recognised as finance cost in the Statement of financial performance.

Budget information

Management assumes deviations between budget and actual amounts to be material when a deviation of more than 10% exists. All material differences are explained in the notes to the annual financial statements.

1.6 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried at amortised cost. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are carried at amortised cost.

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

1.7 Inventory

Cost of inventory comprises all costs of purchase, cost of conversion, and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Inventory consist of raw materials and consumables. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value. Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

Where inventories are acquired through a non-exchange transaction, then their cost is the fair value as at the date of acquisition.

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

Redundant and slow moving inventory are identified and written down to their estimated net realisable values, estimated by management. Inventories are written down according to their age, condition and utility. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of financial performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

Accounting Policies

1.8 Investment property

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, administrative purposes or the sale of an asset in the ordinary course of operations. Investment property also includes land held for an undetermined future use.

Initial recognition

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Where the classification of an investment property is based on management's judgment, the following criteria have been applied to distinguish investment properties from owner-occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment properties;
- Land held for a currently undetermined future use;
- A building owned (or held by under a finance lease) and leased out under one or more operating leases;
- Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held;
- A building that is vacant but is held to be leased out under one or more operating leases;
- Property that is being constructed or developed for future use as investment property.

Owner-occupied property is property held for use in the production of supply of goods and 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 can be measured reliably.

Cost 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 replacement part is derecognised.

Subsequent measurement – cost model

Subsequent to initial recognition, investment properties are measured using the cost model, and is carried at cost less accumulated depreciation and any accumulated impairment losses.

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

- Property - land : indefinite
- Property - buildings : 15-80 years

Derecognition/Disposal

Investment properties are derecognised (eliminated from the Statement of financial position) 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. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of financial performance.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the carrying amount at the date of change in use. If owner-occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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 discloses relevant information relating to assets under construction or development in the notes to the financial statements. Refer to note 12.

1.9 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, or for administrative purposes, and are expected to be used during more than one year.

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

Initial recognition and measurement

Property, plant and equipment are initially recognised at cost on its acquisition date. 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset 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.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as 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.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequent measurement – cost model

Subsequently all property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements. Refer to note 12.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements. Refer to note 12.

1.9 Property, plant and equipment (continued)

Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated using the straight line method, to allocate their cost or revalued amounts less their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets' future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation rates are based on the following estimated useful lives:

Asset class	Useful lives (Years)
Buildings	
• Buildings	10 - 80 years
Infrastructure assets	
• Electricity	5 - 50 years
• Waste management	5 - 40 years
• Roads, pavements, bridges and storm water	5 - 80 years
• Water	5 - 80 years
• Waste water management	10 - 60 years
Community assets	
• Buildings and other structures (Community)	25 - 50 years
Leased assets	5 - 20 years
Transport assets	
• Transport assets	5 - 20 years
Other assets	
• Furniture and office equipment	5 - 10 years
• Plant and machinery	2 - 20 years
• Office equipment	3 - 7 years
• IT Equipment	3 - 7 years
• Computer equipment	3 - 6 years
• Other PPE	3 - 7 years

The estimated useful life, residual values and depreciation method are assessed at each reporting date on an indicator basis.

The useful lives, residual values and depreciation method are reviewed annually at the end of the financial year where there is any indication that the municipality's expectations about the residual amount and the useful life of an asset has changed since the preceding reporting date. Any adjustments arising from the annual review are applied prospectively.

Depreciation of an asset commences when the asset is ready for its intended use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the relevant lease. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use.

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.

Accounting Policies

1.9 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 of 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.

Derecognition

The carrying amount of an item of property, plant and equipment is 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 an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying values of assets.

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

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or surplus when the compensation becomes receivable.

Site rehabilitation and restoration costs

Where the municipality has an obligation to rehabilitate and restore items of property, plant and equipment such obligations are referred to as "rehabilitation provisions". The cost of an item of property, plant and equipment includes the initial estimate of the costs of rehabilitation and restoring the site on which it is located, the obligation for which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period.

As the related asset is measured using the cost model: -

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

1.10 Heritage assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

The municipality classifies assets as heritage assets where the significance as a heritage asset can be determined. In regards to land and buildings all graded sites are classified heritage assets. Furthermore land with a natural significance is not componentised but seen as a single heritage asset due to all parts contributing together to make up its significance.

Land and buildings that qualify as heritage asset, but of which a significant portion of that land and buildings is held for use in the production or supply of goods or services or for administrative purposes, are recognised as property, plant and equipment, rather than a heritage asset.

1.10 Heritage assets (continued)

Initial recognition and measurement

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

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired. The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

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.

Subsequent measurement

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets (excluding heritage assets which are land and buildings) are measured at cost less accumulated impairment losses. Heritage assets are not depreciated.

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

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

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

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

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

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

Derecognition

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of financial performance as a gain or loss on disposal of heritage assets.

1.10 Heritage assets (continued)

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.

1.11 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised 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 of 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.

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

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

Initial recognition and measurement

Intangible assets are initially recognised at cost. The cost of an intangible assets is the purchase price and other costs attributable to bring the intangible assets to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible assets is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Accounting Policies

1.11 Intangible assets (continued)

Subsequent measurement

Amortisation is calculated on cost, using the straight-line method, over the useful lives of the assets, which is estimated to be between 3 to 5 years upon initial recognition. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Intangible assets are annually tested for impairment and the estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

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

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

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

Derecognition

Intangible assets 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 on the disposal or retirement of an intangible assets is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of financial performance.

1.12 Borrowing costs

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

Borrowing costs are recognised as an expense in the Statement of financial performance in the period in which they are incurred.

1.13 Impairment of property, plant and equipment, investment property, intangible assets and heritage assets

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. A commercial return means that the return charged by the entity is commensurate with the risk associated with holding the asset and the asset is intended to generate positive cash inflows. All other assets are classified as non-cash-generating assets.

Impairment of cash-generating assets

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.

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

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 recoverable amount of the cash-generating unit to which the asset belongs is determined.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

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

Accounting Policies

1.13 Impairment of property, plant and equipment, investment property, intangible assets and heritage assets (continued)

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 and the municipality applies the appropriate discount rate to those future cash flows.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

Impairment of non-cash-generating assets

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

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

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.

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

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

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

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

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

1.13 Impairment of property, plant and equipment, investment property, intangible assets and heritage assets (continued)

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

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.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

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

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

<u>Depreciated replacement cost approach</u>:

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.

<u>Restoration cost approach</u>:

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

<u>Service units approach</u>:

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

1.14 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. Financial instruments are classified into three categories namely, financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost. The municipality determines the classification of its financial instruments at initial recognition.

Financial instruments are categorised according to their nature as either financial instruments at fair value, held at amortised cost, or held at cost. The classification depends on purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

1.14.1 Classification of financial instruments

Financial assets

A financial asset is any asset that is a cash or contractual right to receive cash.

Financial asset at amortised cost being a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Financial assets measured at fair value being financial assets that meet either of the following conditions:
- Derivatives;
- Combined instruments that are designated at fair value;
- Instruments held for trading;
- Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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

The municipality has the following types of financial assets as reflected on the face of the Statement of financial position or in the notes thereto:

Type of financial asset	Classification in terms of GRAP 104
Consumer debtors	Financial assets at amortised cost
Other debtors	Financial assets at amortised cost
Short-term investment deposit - Call	Financial assets at amortised cost
Bank balances and cash	Financial assets at amortised cost
Investments in stock - Sanlam and OVK	Financial assets at fair value

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets at amortised cost.

Financial liabilities

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

The following main categories of financial liabilities and the classification determining how they are measured exist:
- Financial liabilities measured at amortised cost; or
- Financial liabilities measured at fair value.

1.14 Financial instruments (continued)

The municipality has the following types of financial liabilities as reflected on the face of the Statement of financial position or in the notes thereto:

Type of financial liability	Classification in terms of GRAP 104
Payables from exchange transactions	Financial liability at amortised cost
Financial liabilities	Financial liability at amortised cost
Finance leases	Financial liability at amortised cost
Consumer deposits	Financial liability at amortised cost

Financial liabilities that are measured at fair value that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial liabilities where there is recent actual evidence of short-term profiteering or are derivatives).

Any other financial liabilities should be classified as financial liabilities at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1.14.2 Initial and subsequent measurement

Initial recognition and measurement

A financial instruments is recognised, when the municipality becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. In the case of a financial instruments not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instruments are added or deducted from the fair value, as appropriate on initial recognition.

Subsequent measurement – Financial assets

Financial assets consist of cash and cash equivalents, deposits, receivables and investments.

Debtors:

Receivables are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

A provision for impairment of receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Changes in the carrying amount of the provision is recognised in the Statement of financial performance. When a receivable is considered uncollectible, it is written off against the provision. Any gains or losses arising from the change in fair value of investments measured at fair value are recognised in the Statement of financial performance.

Residual interests that do not have a quoted market price in an active market, and the fair value of which cannot be reliably are subsequently measured at cost less any impairment. Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Any calculated impairment is recognised in the Statement of financial performance.

Fixed and negotiable deposits:

Fixed and negotiable deposits are non-derivative financial assets with fixed or determinable payments and fixed maturities that the municipality will hold to maturity.

Fixed and negotiable deposits are initially and subsequently measured at fair value which in the case of investments that have an original maturity date of less than 12 months equates the cost. Fixed and negotiable deposits held for greater than 12 months are fair valued annually and the difference recognised in the statement of financial performance.

On disposal of Fixed and negotiable deposits, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Accounting Policies

1.14 Financial instruments (continued)

Loans and receivables:

Loans and receivables are measured initially and subsequently at fair value, gains and losses arising from changes in fair value are included in the Statement of Financial Performance for the period.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the Statement of Financial Position date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the Statement of Financial Position.

Subsequent measurement – Financial liabilities

Financial liabilities consist of payables, interest bearing loans and bank overdrafts. These liabilities are subsequently measured at amortised cost, using the effective interest rate method. Finance costs are expensed in the Statement of financial performance in the period in which they are incurred except where stated otherwise (see accounting policy on borrowing costs).

Borrowings and other financial liabilities:

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of financial performance over the period of the borrowings using the effective interest method.

Long term borrowings are non-derivative financial loans and the Municipality does not hold financial loans for trading purposes. Long term borrowings are utilised solely for funding capital projects and the book value is disclosed at amortised cost.

Other financial liabilities are carried at amortised cost.

1.14.3 Impairment of financial assets

Consumer debtors

Consumer debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.

1.14.4 Derecognition

Financial assets

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

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

Financial liabilities

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

1.14.5 Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instruments is not active, the municipality establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs.

Accounting Policies

1.15 Provisions

Provisions are recognised when the municipality has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, where the provision being measured involves a large population of items; the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of financial performance as a finance cost as it occurs.

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.

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.

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of financial performance.

1.16 Employee benefits

The municipality provides short term benefits, long term benefits and retirement benefits for its employees and councillors.

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

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

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

1.16 Employee benefits (continued)

Termination benefits are employee benefits payable as a result of either:
- a municipality’s decision to terminate an employee’s employment before the normal retirement date; or
- an employee’s decision to accept voluntary redundancy in exchange for those benefits.

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

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 services rendered by employees.

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

Short-term employee benefits

Remuneration to employees is recognised in the Statement of financial performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service.

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.

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

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality 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.

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 municipality 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 municipality 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.

Leave pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end and is shown as an accrual in the Statement of financial position.

1.16 Employee benefits (continued)

Bonus provisions

The municipality recognises the expected cost of bonuses as a provision only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made at reporting date.

Post-employment benefits: Defined contribution plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of financial performance in the period in which the service is rendered by the relevant employees.

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.

Post-retirement health care benefits

The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Past-service costs are recognised immediately, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

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.

Long-service allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of financial performance.

Accounting Policies

1.16 Employee benefits (continued)

National- and provincially administered defined benefit plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis.

Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

The municipality does not apply defined benefit accounting to the defined benefit funds to which it is a member where these funds are classified in terms of the Standard of GRAP 25 on Employee Benefits as multi employer plans, as sufficient information is not available to apply the principals involved. As a result, this standard of GRAP is applied and such funds are accounted for as defined contribution funds.

1.17 Leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Municipality as lessee

Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent. Corresponding liabilities are included in the Statement of financial position as Finance Lease Obligations. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Municipality as lessor

Amounts due from lessees under finance leases or installment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or installment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or installment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

1.18 Tax

The municipality is exempted from tax in terms of section 10(1)(a) of the Income Tax Act.

1.19 Statutory receivables

1.19.1 Identification

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

The municipality has the following major categories under the ambit of statutory receivables:

- VAT receivables
- Rates debtors
- Traffic fine debtors
- Availability charges debtors

1.19.2 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.

1.19.3 Measurement

The municipality initially measures statutory receivables at their transaction amount.

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

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

1.19.4 Impairment

Statutory receivables, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Statutory receivables are impaired where there is objective evidence of impairment of Statutory receivables (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 108.

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

According to GRAP 108, the assessment for impairment needs to be made for each individual financial asset separately or for groups of statutory receivables with similar credit risks. The following methodology was followed to make a provision for bad debts for the year under review:

VAT receivable

VAT is submitted and paid on a monthly basis thus no interest is charged on outstanding VAT amounts. VAT receivable from SARS is not impaired as the South African Revenue Services has sufficient funds to pay any outstanding amounts.

Assessment rate debtors and availability charges debtors

Assessment rates debtors and availability charges debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.

1.19 Statutory receivables (continued)

Traffic fine debtors

Traffic fine debtors are reviewed collectively considering payment histories and disputes about certain amounts. Provision for impairment is made accordingly.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of financial performance.

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

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

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

1.20 Revenue

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Recognition and measurement

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

1.20 Revenue (continued)

1.20.1 Revenue from exchange transactions

Service charges

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 each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

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

Pre-paid electricity

Revenue from the sale of electricity pre-paid meter cards are 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.

Interest earned and rentals received

Interest and rentals are recognised on a time proportion basis that takes into account the effective yield on the investment.

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

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

Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

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

Revenue recognition of unclaimed deposits

Unclaimed deposits older than three (3) years are recognised as revenue.

Accounting Policies

1.20 Revenue (continued)

1.20.2 Revenue from non-exchange transactions

Rates and taxes

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 proportion 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.

Fines

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the municipality is entitled to collect.

Subsequent to initial recognition and measurement, the municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate.

Other grants and donations

Donations shall be measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably.

Transfers and subsidies

Unconditional grants

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

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. For example, equitable share grants per the Division of Revenue Act where the period of use of such funds is stated, should be recognised on a time proportion basis, i.e. over the stated period. Where there is no restriction on the period, such revenue should be recognised on receipt or when the Act becomes effective, which-ever is earlier.

In certain circumstances government will only remit grants on a re-imbursement basis. Revenue should therefore be recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with and not when the grant is received.

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

Conditional grants

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

In certain circumstances government will only remit grants on a re-imbursement basis. Revenue should therefore be recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with and not when the grant is received.

Accounting Policies

1.20 Revenue (continued)

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

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

Interest earned on unspent grants and receipts

Interest earned on unspent grants and receipts is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality’s interest it is recognised as interest earned in the Statement of financial performance in accordance with GRAP 9.

Services received in-kind

Services in kind are recognised at its fair value when it is significant to the operations and/or service delivery objectives and 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. If the services in-kind are not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, only the nature and type of services in-kind received during the reporting period is disclosed.

Revenue recognition of unclaimed deposits

Unclaimed deposits older than three (3) years are recognised as revenue.

1.21 Transfers and subsidies – non-exchange expenditure

The municipality transfers money to individuals, organisations and other sectors of government from time to time. These transfers are recognised in the annual financial statements as expenses in the period that the events giving rise to the transfer occurred.

Accounting Policies

1.22 Related parties and related party transactions

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

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 ventures).

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

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

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

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

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

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

1.23 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the annual financial statements.

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

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

1.24 Value Added Tax

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

The municipality is liable to account for VAT at the Standard rate (15%) in terms of section 7(1)(a) of the Value Added Tax Act, (Act 89 of 1991) in respect of the supply goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality account for VAT on a monthly basis.

1.25 Grants-in-aid

The municipality transfers money to individuals, organizations 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 or 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 annual financial statements as expenses in the period that the events giving rise to the transfer occurred.

1.26 Unauthorised expenditure

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA), defines Unauthorised expenditure as follows:

- Overspending of the total amount appropriated in the municipality's approved budget;
- Overspending of the total amount appropriated for a vote in the approved budget;
- Expenditure from a vote unrelated to the department or functional area covered by the vote;
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- Spending of an allocation referred to in the above paragraphs of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- A grant by the municipality otherwise than in accordance with this Act.

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA) also defines a Vote as:

- One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

The municipality uses the Municipal Standard Chart of Accounts (mSCOA) Functions and Sub-functions, previously the Government Finance Statistics (GFS) functions, as well as departments as the main groupings of segments of the municipality's budget segments within the municipality are grouped per department to facilitate greater accountability and budget implementation by the respective Executive Directors as well as per mSCOA classification to facilitate comparisons on a higher level.

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

Accounting Policies

1.27 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act 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 municipality's supply chain management policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of financial performance and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance.

Irregular expenditure is defined in section 1 of the MFMA as follows:

"Irregular expenditure", in relation to a municipality or municipal entity, means:

- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

In this context 'expenditure' refers to any use of municipal funds that is in contravention of the following legislation:

- Municipal Finance Management Act, Act 56 of 2003, and its regulations;
- Municipal Systems Act, Act 32 of 2000, and its regulations;
- Public Office-Bearers Act, Act 20 of 1998, and its regulations; and
- The municipality's supply chain management policy, and any by-laws giving effect to that policy.

Although a transaction or an event may trigger irregular expenditure, a municipality or municipal entity will only identify irregular expenditure when a payment is made, in other words, the recognition of irregular expenditure will be linked to a financial transaction. If the possibility of irregular expenditure is determined prior to a payment being made, the transgression shall be regarded as a matter of non-compliance.

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

1.28 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but no limited to, ruling legislation, regulations, frameworks, circulars, instruction notes, practice notes and guidelines.

1.29 Change in accounting policies, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements.

1.29 Change in accounting policies, estimates and errors (continued)

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Details of changes in accounting policies, changes in estimates and correction of errors are disclosed in the notes to the annual financial statements where applicable.

1.30 Contingent assets and contingent liabilities

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the municipality. Refer to note 47 and 48.

1.31 Commitments

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

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancelable or only cancelable at significant cost contracts should relate to something other than the business of the municipality.

1.32 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

Accounting Policies

1.33 Segment reporting

Identification of segments:

The municipality is organised and reports to management on the basis of four major departments.

The departments are:
- Office of the municipal manager;
- Corporate services;
- Community services, and;
- Technical services

Only the community services and technical services departments have been identified as reportable segments. Management monitors the results of these units to make decisions about resource allocations and assessment of performance. Revenue and expenditure relating to these units are allocated at a transactional level. Cost relating to the governance and administration of the municipality are not allocated to these business units. Segment activities were aggregated for reporting purposes into the two reportable segments.

The office of the municipal manager, finance and corporate services departments are the governance and administration units of the municipality. However, they are not reportable segments. Their results are reported as non-reportable segments to reconcile the results of the reportable segments to the total revenue and expenses of the municipality for the year under review.

The two reportable segments comprise of:

- Community services - which include sport and recreation, housing, public safety, refuse removal, street cleaning and cemeteries, and;
- Technical services - which include energy sources, water management, and waste water management.

Management does not monitor financial performance geographically and does not have reliable separate financial information for geographical areas in the municipal area.

A measure of assets and liabilities for each reportable segment has not been presented as these amounts are not regularly provided to management.

1.34 Expenditure

Expenditure encompasses losses as well as those expenses that arise in the course of the operating activities of the municipality.

Expenses take the form of an outflow or depletion of assets such as cash and cash equivalent, inventory, property, plant and equipment.

Losses represent decreases in economic benefits or service potential. Losses are recognised net of the related revenue to reflect the substance of the transaction.

Expenses are recognised in the Statement of financial performance when a decrease in future economic benefits or service potential related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Expenditure is recognised in the Statement of financial performance in the year that the expenditure was incurred.

The expenditure is classified in accordance with the nature of the expense.

2. New standards and interpretations

2.1 Standards, amendments to standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 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, may result in additional disclosure
• GRAP 103 (amended): Heritage Assets	To be determined	Unlikely there will be a material impact
• iGRAP 22: Foreign Currency Transactions and Advance Consideration	01 April 2025	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

3. Cash and cash equivalents

3.1 Cash and cash equivalents

Cash and cash equivalents consist of the following:

	2025	2024
Call deposits and investments		
Short-term deposits	37 863 035	30 742 833
Cash at bank		
Bank balances	4 997 185	26 310 478
Cash on hand	9 207	9 207
Total cash and cash equivalents	**42 869 427**	**57 062 518**

Call deposits and investments by financial institution

Institution	Account number	Account type	2025	2024
First National Bank	621 517 83563	Business Money Market	19 820	18 941
First National Bank	620 490 46205	Call Account	8 134	7 772
First National Bank	623 105 40465	NSTD Account	2 535 491	2 328 726
			2 563 445	**2 355 439**
Standard Bank	4844 585 1003	Notice Deposit	14 235 748	16 018 754
Standard Bank	4844 585 1005	Notice Deposit	6 027 583	5 566 809
Standard Bank	4844 585 1016	Notice Deposit	6 538 421	-
			26 801 752	**21 585 563**
ABSA Bank	937 089 1524	Notice Deposit	4 449 693	3 063 138
Nedbank	3788 116 4646	Notice Deposit	4 048 145	3 738 693
Total investments			**37 863 035**	**30 742 833**

Figures in Rand		2025	2024

3. Cash and cash equivalents (continued)

3.2 Bank accounts - Cash book balances

The municipality has the following bank accounts:

FNB Bank	Account - 620 480 92647	4 997 185	26 310 478

3.3 Difference between cash book and bank statement

2025

	Cash book	Bank statement	Difference
FNB Bank - Account 620 480 92647	4 997 185	4 600 362	396 823
The difference is due to cashier receipts (R396 823) captured before year end and only deposited after year end.			
Standard Bank - Account 4844 585 1003	14 235 748	14 232 882	2 866
The difference is due to accrued interest.			
Standard Bank - Account 4844 585 1005	6 027 583	6 026 353	1 230
The difference is due to accrued interest.			
Standard Bank - Account 4844 585 1016	6 538 421	6 537 105	1 316
The difference is due to accrued interest.			
	31 798 937	**31 396 702**	**402 235**

2024

	Cash book	Bank statement	Difference
FNB Bank - Account 620 480 92647	26 310 478	25 553 959	756 519
The difference is due to cashier receipts (R757 447) captured before year end and only deposited after year end, as well as an electronic fund transfer -(R920) not yet reflected on the bank statement.			
Standard Bank - Account 4844 585 1003	16 018 754	15 907 294	111 460
The difference is due to accrued interest.			
Standard Bank - Account 4844 585 1005	5 566 809	5 527 142	39 667
The difference is due to accrued interest.			
	47 896 041	**46 988 395**	**907 646**

Cessions

There are no cessions.

Cash and cash equivalents pledged as collateral

No cash and cash equivalents were pledged as collateral for the current financial year.

Figures in Rand		2025	2024

4. Receivables from exchange transactions

Consumer receivables	4.1	245 600 303	212 277 546

4.1 Consumer receivables

	2025			2024		
	Gross	Impairment	Total	Gross	Impairment	Total
Electricity	46 699 220	(16 459 710)	**30 239 510**	42 206 869	(16 314 237)	**25 892 632**
Waste management	153 336 480	(93 761 793)	**59 574 687**	151 575 716	(96 421 349)	**55 154 367**
Waste water management	112 366 532	(66 880 360)	**45 486 172**	111 527 399	(69 166 849)	**42 360 550**
Water	233 670 417	(138 698 681)	**94 971 736**	195 271 438	(118 377 685)	**76 893 753**
Other debtors	45 974 504	(30 646 306)	**15 328 198**	37 919 577	(25 943 333)	**11 976 244**
Total	**592 047 153**	**(346 446 850)**	**245 600 303**	**538 500 999**	**(326 223 453)**	**212 277 546**

4. Receivables from exchange transactions (continued)

4.1.1 Ageing of consumer receivables

2025

		Past due				
	Total	30 days	60 days	90 days	120 days	120+ days
Ageing by debt type						
Electricity	**30 239 510**	6 898 479	1 025 570	816 544	635 662	20 863 255
Waste management	**59 574 687**	3 729 260	1 671 234	1 668 628	1 627 635	50 877 930
Waste water management	**45 486 172**	2 895 506	1 289 941	1 282 125	1 248 207	38 770 393
Water	**94 971 736**	6 966 732	3 113 512	3 099 360	3 032 278	78 759 854
Other debtors	**15 328 198**	611 299	395 059	399 654	382 485	13 539 701
Total ageing by debt type	**245 600 303**	**21 101 276**	**7 495 316**	**7 266 311**	**6 926 267**	**202 811 133**
Ageing per customer group						
Organs of state	**17 402 166**	2 676 654	654 709	487 171	413 483	13 170 149
Consumers	**187 870 673**	11 456 940	6 128 951	6 261 199	5 947 960	158 075 623
Industrial/commercial	**40 327 464**	6 967 682	711 656	517 941	564 824	31 565 361
Total ageing per customer group	**245 600 303**	**21 101 276**	**7 495 316**	**7 266 311**	**6 926 267**	**202 811 133**

4. Receivables from exchange transactions (continued)

2024

				Past due		
	Total	30 days	60 days	90 days	120 days	120+ days
Ageing by debt type						
Electricity	**25 892 632**	6 536 210	882 332	704 118	747 637	17 022 335
Other debtors	**11 976 244**	733 293	346 495	336 132	330 994	10 229 330
Waste management	**55 154 367**	3 537 066	1 634 479	1 614 773	1 615 186	46 752 863
Waste water management	**42 360 550**	2 741 137	1 261 774	1 245 266	1 244 153	35 868 220
Water	**76 893 753**	7 756 707	2 984 612	3 009 494	2 909 860	60 233 080
Total ageing by debt type	**212 277 546**	**21 304 413**	**7 109 692**	**6 909 783**	**6 847 830**	**170 105 828**
Ageing per customer group						
Organs of state	**16 563 842**	4 645 342	501 438	475 098	455 070	10 486 894
Consumers	**160 638 664**	9 104 292	5 989 041	5 975 876	5 870 352	133 699 103
Industrial/commercial	**35 075 040**	7 554 779	619 213	458 809	522 408	25 919 831
Total ageing per customer group	**212 277 546**	**21 304 413**	**7 109 692**	**6 909 783**	**6 847 830**	**170 105 828**

4. Receivables from exchange transactions (continued)

4.1.2 Impairment reconciliation of consumer receivables

	2025			2024		
	Opening balance	Impairment raised / (reversed)	Closing balance	Opening balance	Impairment raised / (reversed)	Closing balance
Electricity	16 314 237	145 473	**16 459 710**	15 899 478	414 759	**16 314 237**
Waste management	96 421 348	(2 659 555)	**93 761 793**	82 711 705	13 709 644	**96 421 349**
Waste water management	69 166 849	(2 286 489)	**66 880 360**	59 347 040	9 819 809	**69 166 849**
Water	118 377 685	20 320 996	**138 698 681**	121 760 584	(3 382 899)	**118 377 685**
Other debtors	25 943 333	4 702 973	**30 646 306**	20 373 201	5 570 132	**25 943 333**
Total	**326 223 452**	**20 223 398**	**346 446 850**	**300 092 008**	**26 131 445**	**326 223 453**

Notes to the Annual Financial Statements

Figures in Rand

4. Receivables from exchange transactions (continued)

4.1.3 Ageing of impaired consumer receivables

2025

		Past due				
	Total	30 days	60 days	90 days	120 days	120+ days
Ageing by debt type						
Electricity	**16 459 710**	3 754 921	558 229	444 454	345 998	11 356 108
Waste water management	**66 880 360**	4 257 392	1 896 659	1 885 165	1 835 294	57 005 850
Waste management	**93 761 793**	5 869 306	2 630 276	2 626 176	2 561 659	80 074 376
Water	**138 698 681**	10 174 359	4 547 037	4 526 370	4 428 401	115 022 514
Other debtors	**30 646 306**	1 222 197	789 858	799 044	764 719	27 070 488
Total by debt type	**346 446 850**	**25 278 175**	**10 422 059**	**10 281 209**	**9 936 071**	**290 529 336**
Ageing per customer group						
Organs of state	**2 430 920**	177 370	73 129	72 140	69 719	2 038 562
Consumers	**323 314 223**	23 590 324	9 726 167	9 594 722	9 272 629	271 130 381
Industrial/commercial	**20 701 707**	1 510 481	622 763	614 347	593 723	17 360 393
Total by customer group	**346 446 850**	**25 278 175**	**10 422 059**	**10 281 209**	**9 936 071**	**290 529 336**

Notes to the Annual Financial Statements

Figures in Rand

4. Receivables from exchange transactions (continued)

2024

	Total	Past due 30 days	60 days	90 days	120 days	120+ days
Ageing by debt type						
Electricity	**16 314 237**	4 118 286	555 933	443 645	471 065	10 725 308
Waste water management	**69 166 849**	4 475 763	2 060 241	2 033 286	2 031 468	58 566 091
Waste management	**96 421 349**	6 183 529	2 857 411	2 822 961	2 823 682	81 733 766
Water	**118 377 685**	11 941 426	4 594 800	4 633 106	4 479 721	92 728 632
Other debtors	**25 943 333**	1 588 485	750 590	728 140	717 011	22 159 107
Total by debt type	**326 223 453**	**28 307 489**	**10 818 975**	**10 661 138**	**10 522 947**	**265 912 904**
Ageing per customer group						
Organs of state	**2 429 373**	210 805	80 568	79 393	78 364	1 980 243
Consumers	**304 856 867**	26 453 439	10 110 367	9 962 868	9 833 728	248 496 465
Industrial/commercial	**18 937 213**	1 643 245	628 040	618 877	610 855	15 436 196
Total by customer group	**326 223 453**	**28 307 489**	**10 818 975**	**10 661 138**	**10 522 947**	**265 912 904**

4. Receivables from exchange transactions (continued)

4.1.4 Consumer receivables past due not impaired

2025

		Past due				
	Total	30 days	60 days	90 days	120 days	120+ days
Electricity	**6 806 201**	5 769 778	4 551	4 536	4 521	1 022 815
Waste management	**1 010 027**	897 832	-	-	-	112 195
Waste water management	**1 772 038**	726 416	-	-	-	1 045 622
Water	**4 557 630**	1 582 730	-	-	-	2 974 900
Other debtors	**122 732**	92 833	738	547	545	28 069
Total	**14 268 628**	**9 069 589**	**5 289**	**5 083**	**5 066**	**5 183 601**

2024

		Past due				
	Total	30 days	60 days	90 days	120 days	120+ days
Electricity	**2 497 444**	1 740 936	4 947	4 933	4 919	741 709
Waste management	**73 459**	3 225	-	-	-	70 234
Waste water management	**703 695**	29 920	-	-	-	673 775
Water	**5 361 065**	3 469 952	-	-	-	1 891 113
Other debtors	**25 634**	4 271	556	554	552	19 701
Total	**8 661 297**	**5 248 304**	**5 503**	**5 487**	**5 471**	**3 396 532**

4.1.5 Consumer receivables pledged as security

No receivables from exchange transactions were pledged as security.

4. Receivables from exchange transactions (continued)

4.1.6 Fair value of receivables from exchange transactions

In determining the recoverability of receivables from exchange transactions, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of receivables from exchange transactions has been made for all balances outstanding based on the payment ratio over a 12 month period per service type. No further credit provision is required in excess of the provision for impairment.

5. Receivables from non-exchange transactions

		2025	2024
Consumer receivables	5.1	80 796 290	67 552 539
Other receivables	5.2	2 664 064	2 599 901
Total		**83 460 354**	**70 152 440**
Current		83 460 354	70 152 440

5.1 Consumer receivables

	2025			2024		
	Gross	Impairment	Total	Gross	Impairment	Total
Electricity	3 178 890	(668 213)	**2 510 677**	2 254 682	(560 284)	**1 694 398**
Waste water	1 656 803	(739 584)	**917 219**	1 487 224	(737 098)	**750 126**
Water	2 814 899	(1 273 939)	**1 540 960**	2 366 894	(1 172 032)	**1 194 862**
Property rates	115 737 432	(39 909 998)	**75 827 434**	100 885 599	(36 972 446)	**63 913 153**
Total	**123 388 024**	**(42 591 734)**	**80 796 290**	**106 994 399**	**(39 441 860)**	**67 552 539**

5. Receivables from non-exchange transactions (continued)

5.1.1 Ageing of consumer receivables

2025

		Past due				
	Total	30 days	60 days	90 days	120 days	120+ days
Electricity	**2 510 677**	1 641 393	66 642	77 389	61 898	663 355
Waste water	**917 219**	169 572	23 479	26 167	21 829	676 172
Water	**1 540 960**	307 409	40 685	45 690	38 427	1 108 749
Property rates	**75 827 434**	6 063 184	1 953 168	1 861 839	1 728 766	64 220 477
Total	**80 796 290**	**8 181 558**	**2 083 974**	**2 011 085**	**1 850 920**	**66 668 753**

2024

		Past due				
	Total	30 days	60 days	90 days	120 days	120+ days
Electricity	**1 694 398**	1 399 891	10 917	9 821	9 477	264 292
Waste water	**750 126**	192 533	16 808	16 329	15 876	508 580
Water	**1 194 862**	354 435	28 442	27 741	27 043	757 201
Property rates	**63 913 153**	5 767 058	1 854 158	1 718 258	1 621 193	52 952 486
Total	**67 552 539**	**7 713 917**	**1 910 325**	**1 772 149**	**1 673 589**	**54 482 559**

5. Receivables from non-exchange transactions (continued)

5.1.2 Impairment reconciliation of consumer receivables

	2025			2024		
	Opening balance	Impairment raised / (reversed)	Closing balance	Opening balance	Impairment raised / (reversed)	Closing balance
Electricity	560 283	107 930	**668 213**	462 667	97 617	**560 284**
Waste water	737 099	2 485	**739 584**	651 985	85 113	**737 098**
Water	1 172 031	101 908	**1 273 939**	1 207 229	(35 197)	**1 172 032**
Property rates	36 972 445	2 937 553	**39 909 998**	32 593 174	4 379 272	**36 972 446**
Total	**39 441 858**	**3 149 876**	**42 591 734**	**34 915 055**	**4 526 805**	**39 441 860**

5. Receivables from non-exchange transactions (continued)

5.1.3 Ageing of impaired consumer receivables

2025

				Past due		
	Total	30 days	60 days	90 days	120 days	120+ days
Electricity	**668 213**	436 855	17 737	20 597	16 474	176 550
Waste water	**739 584**	136 732	18 932	21 099	17 602	545 219
Water	**1 273 939**	254 141	33 635	37 773	31 768	916 622
Property rates	**39 909 998**	3 191 215	1 028 004	979 935	909 896	33 800 948
Total	**42 591 734**	**4 018 943**	**1 098 308**	**1 059 404**	**975 740**	**35 439 339**

2024

				Past due		
	Total	30 days	60 days	90 days	120 days	120+ days
Electricity	**560 284**	42 745	19 184	17 258	16 654	464 443
Waste water	**737 098**	48 993	20 742	20 151	19 592	627 620
Water	**1 172 032**	82 783	36 863	35 954	35 049	981 383
Property rates	**36 972 446**	3 336 124	1 072 592	993 977	937 827	30 631 926
Total	**39 441 860**	**3 510 645**	**1 149 381**	**1 067 340**	**1 009 122**	**32 705 372**

5. Receivables from non-exchange transactions (continued)

5.1.4 Consumer receivables past due not impaired

2025

	Total	30 days	60 days	90 days	120 days	120+ days
Electricity	**520 896**	520 896	-	-	-	-
Waste water	**71 994**	71 994	-	-	-	-
Water	**122 565**	122 565	-	-	-	-
Property rates	**9 891 816**	2 763 610	10	10	10	7 128 176
Total	**10 607 271**	**3 479 065**	**10**	**10**	**10**	**7 128 176**

2024

	Total	30 days	60 days	90 days	120 days	120+ days
Waste water	**82**	82	-	-	-	-
Property rates	**5 085 641**	382 226	-	-	-	4 703 415
Total	**5 085 723**	**382 308**	**-**	**-**	**-**	**4 703 415**

5.1.5 Consumer receivables pledged as security

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

5.1.6 Fair value of receivables from non-exchange transactions

In determining the recoverability of receivables from non-exchange transactions, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of receivables from non-exchange transactions has been made for all balances outstanding based on the payment ratio over a 12 month period per service type. No further credit provision is required in excess of the provision for impairment.

5. Receivables from non-exchange transactions (continued)

5.2 Other receivables

	2025			2024		
	Gross	Impairment	Total	Gross	Impairment	Total
Accrued income	2 100 000	-	**2 100 000**	2 100 000	-	**2 100 000**
Fines	3 195 526	(2 631 462)	**564 064**	2 518 011	(2 018 110)	**499 901**
Total	**5 295 526**	**(2 631 462)**	**2 664 064**	**4 618 011**	**(2 018 110)**	**2 599 901**

5.2.1 Ageing of other receivables

2025

		Past due
	Total	120+ days
Accrued income	**2 100 000**	2 100 000
Fines	**564 064**	564 064
Total	**2 664 064**	**2 664 064**

2024

		Past due
	Total	120+ days
Accrued income	**2 100 000**	2 100 000
Fines	**499 901**	499 901
Total	**2 599 901**	**2 599 901**

5. Receivables from non-exchange transactions (continued)

5.2.2 Impairment reconciliation of other receivables

	2025			2024		
	Opening balance	Impairment raised	Closing balance	Opening balance	Impairment raised	Closing balance
Fines	2 018 109	613 353	**2 631 462**	1 449 152	568 958	**2 018 110**

5.2.3 Ageing of impaired other receivables

2025

		Past due
	Total	120+ days
Fines	**2 631 462**	2 631 462

2024

		Past due
	Total	120+ days
Fines	**2 018 110**	2 018 110

5.2.4 Other receivables pledged as security

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

5. Receivables from non-exchange transactions (continued)

5.2.5 Credit quality of other receivables

The average credit period for other receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate +1% per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of other receivables.

The management of the municipality is of the opinion that the carrying value of other receivables approximate their fair values.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Receivables from non-exchange transactions (continued)

Statutory receivables

Statutory receivables included in receivables from non-exchange transactions:		
Property rates	75 827 434	63 913 153
Availability charges - electricity	2 510 677	1 694 398
Availability charges - waste water management	917 219	750 126
Availability charges - water	1 540 960	1 194 862
Traffic fines	564 064	499 901
	81 360 354	**68 052 440**

Statutory receivables included on the face of the Statement of Financial Position:		
VAT receivable - VAT Control	4 214 968	2 671 130

Property rates

Property rates receivables are statutory receivables and arise from property taxes levied on property owners based on the valuation of properties per the valuation roll in accordance with the Municipal Property Rates Act, No 6 of 2004 and Setsoto Local Municipality's Property Rates Policy. A general valuation is performed every five years, with supplementary valuations in between.

The average credit period for property rates receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate +1% per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of property rates receivables.

The management of the municipality is of the opinion that the carrying value of property rates receivables approximate their fair values.

The impairment provision was calculated after individually assessing property rates receivables and by estimating the probability of future payment ratios, using a formula-based approach by considering the historical payment ratios and other characteristics found per groups of property rates debtors.

In determining the recoverability of a receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Allowance for Doubtful Debts.

Availability charges on water, electricity and waste water management

Availability charges on water, electricity and waste water management receivables are statutory receivables and arise from basic charges levied on vacant properties in accordance with the relevant bylaws of the Setsoto Local Municipality.

The average credit period for availability charges on water, electricity and waste water management is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate +1% per annum on the outstanding balance. The municipality strictly enforces its approved credit policy to ensure the recovery of availability charges on water, electricity and waste water management receivables.

The management of the municipality is of the opinion that the carrying value of availability charges on water, electricity and waste water management receivables approximate their fair values.

The impairment provision was calculated after individually assessing availability charges on water, electricity and waste water management receivables and by estimating the probability of future payment ratios, using a formula-based approach by considering the historical payment ratios and other characteristics found per groups of availability charges on water, electricity and waste water management debtors.

In determining the recoverability of a receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Allowance for Doubtful Debts.

5. Receivables from non-exchange transactions (continued)

VAT

VAT is statutory receivables as VAT is paid and received as required by the Value Added Tax Act No 89 of 1991 (VAT Act). VAT is applied to all relevant goods or services as stated in the VAT Act and the amount thereof is determined in terms of the VAT Act.

VAT is submitted and paid on a monthly basis thus no interest is charged on outstanding VAT amounts. VAT receivable from SARS is not impaired as the South African Revenue Services has sufficient funds to pay any outstanding amounts. Refer to note 6 for balances regarding VAT.

Traffic fines

Traffic fines receivables are statutory receivables and arise from traffic infringements committed and fines issued as a result, in terms of the Criminal Procedure Act, No 501 of 1977.

The Traffic fines must be issued within 30 days of offence, after which it is payable. No interest is charged.

The management of the municipality is of the opinion that the carrying value of Traffic fines receivables approximate their fair values.

The impairment provision was calculated after collectively assessing Traffic fines receivables and by calculating the historical payment ratios and assuming that future payment ratios would be similar to the historical payment ratios.

The provision for doubtful debts on traffic fines receivables exist predominantly due to the possibility that these debts will not be recovered were assessed individually for impairment.

In determining the recoverability of a receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Allowance for Doubtful Debts.

6. VAT Receivable

	2025	2024
Input Accrual	1 366 531	1 055 807
Input VAT General	4 557 117	5 424 747
VAT Control	4 214 968	2 671 130
Total	**10 138 616**	**9 151 684**

The municipality is registered on the payment basis, VAT is received from the South African Revenue Service (SARS) only once payment is made to creditors.

For statutory receivable information regarding VAT, refer to note 5.

7. Deposits

	2025	2024
Deposits	4 711 362	3 968 525
Deposits consist of:		
Fuel deposits	250 000	250 000
Eskom deposits	4 234 692	3 491 855
Sundry	226 670	226 670
	4 711 362	**3 968 525**

Figures in Rand		2025	2024

8. Inventory

Consumables		4 960 256	3 010 875
Water	8.1	228 644	214 374
Total Inventories		**5 188 900**	**3 225 249**

R 5 188 900 (2024: R 3 225 249) of total inventory was carried at fair value less cost to sell.

8.1 Water

Summary

Opening balance	214 374	92 287
System input volume	14 270	122 087
Closing balance	**228 644**	**214 374**

8.2 Inventory pledged as security

No inventory was pledged as security during the current financial year.

9. Other current assets

Control, clearing and interface accounts	319 745	324 473

10. Other financial assets

10.1 Carrying value of investments

2025

	Fair value	Amortised cost	Total
Carrying value as at 30 June 2025			
Guaranteed endowment policies (sinking)	-	963 936	**963 936**
Listed/unlisted bonds and stocks	3 418 709	-	**3 418 709**
Negotiable certificate of deposits: Banks	-	813 744	**813 744**
Net investment	**3 418 709**	**1 777 680**	**5 196 389**
Total	**3 418 709**	**1 777 680**	**5 196 389**

2024

	Fair value	Amortised cost	Total
Carrying value as at 30 June 2024			
Guaranteed endowment policies (sinking)	-	887 521	**887 521**
Listed/unlisted bonds and stocks	3 070 123	-	**3 070 123**
Negotiable certificate of deposits: Banks	-	765 689	**765 689**
Net investment	**3 070 123**	**1 653 210**	**4 723 333**
Total	**3 070 123**	**1 653 210**	**4 723 333**

Fair value hierarchy of financial assets at fair value

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

Figures in Rand	2025	2024

10. Other financial assets (continued)

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

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

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

	2025	2024
Level 1		
Sanlam	1 277 824	1 166 138

As at 30 June 2025 the Sanlam share value was: R88.67 (2024 R80.92).

	2025	2024
Level 3		
OVK	2 140 885	1 903 985
Total listed/unlisted bonds and stocks	**3 418 709**	**3 070 123**

As at 30 June 2025 the OVK share value was as follows:

OVK holdings: R23.00 (2024: R20.50).

OVK operations: R27.32 (2024: R24.25).

Financial assets at amortised cost

	2025	2024
Class 1		
Sanlam negotiable certificate of deposit	813 744	765 689
Sanlam endowment policies	963 936	887 521
	1 777 680	**1 653 210**

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Figures in Rand		2025	2024

11. Investment property

11.1 Reconciliation of carrying value

Opening carrying value			
Cost		109 387 037	113 113 963
Accumulated depreciation and impairment losses		(37 495 729)	(44 226 452)
		71 891 308	**68 887 511**
Depreciation	38	(709 477)	(918 152)
Carrying value of disposals / transfers			
Cost		(1 431 000)	(3 726 927)
Accumulated depreciation and impairment losses		-	2 808 729
		(1 431 000)	**(918 198)**
Impairment loss / reversal of impairment loss	38	(30 415)	4 840 149
Closing carrying value		**69 720 416**	**71 891 310**

Summary

Cost	107 956 037	109 387 036
Accumulated depreciation and impairment losses	(38 235 621)	(37 495 726)
	69 720 416	**71 891 310**

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

11.2 Investment property pledged as security

No investment property was pledged as security for the current or prior financial year.

12. Property, plant and equipment

12.1 Reconciliation of carrying value

2025

		Land	Infrastructure assets	Community assets and buildings	Machinery and equipment	Transport assets	Other assets	Total
Opening carrying value at 01 July 2024								
Cost		52 200 480	5 060 910 567	397 358 289	4 922 016	74 330 828	16 701 084	5 606 423 264
Cost – Construction work-in-progress		-	352 586 523	179 740	-	-	-	352 766 263
Accumulated depreciation		-	(3 086 621 641)	(196 999 961)	(3 398 790)	(41 462 011)	(13 256 230)	(3 341 738 633)
Accumulated impairment losses		-	(86 923 259)	(23 038 154)	(5 022)	(1 758 238)	(50 840)	(111 775 513)
		52 200 480	**2 239 952 190**	**177 499 914**	**1 518 204**	**31 110 579**	**3 394 014**	**2 505 675 381**
Additions from acquisitions		-	166 960 102	3 031 110	483 894	9 638 001	1 400 455	181 513 562
Capitalised costs (including work-in-progress)		-	164 631 222	2 850 670	-	-	-	167 481 892
Transfers – Construction work-in-progress		-	(164 744 958)	(3 030 410)	-	-	-	(167 775 368)
Decommissioning and restoration		-	(6 456 345)	-	-	-	-	(6 456 345)
Depreciation	38	-	(113 224 896)	(11 845 344)	(369 167)	(2 867 619)	(918 044)	(129 225 070)
		-	**47 165 125**	**(8 993 974)**	**114 727**	**6 770 382**	**482 411**	**45 538 671**
Carrying value of disposals / transfers								
Cost – disposals		-	(14 828 654)	-	-	(607 419)	(91 165)	(15 527 238)
Accumulated depreciation – disposals		-	7 829 906	-	-	313 508	70 436	8 213 850
Impairment losses – disposals/transfers		-	684 430	-	-	-	25	684 455
		-	**(6 314 318)**	**-**	**-**	**(293 911)**	**(20 704)**	**(6 628 933)**
Impairment loss / reversal of impairment loss	38	-	(4 820 565)	(5 223 332)	(115)	(237 026)	(193)	(10 281 231)
Closing carrying value at 30 June 2025		**52 200 480**	**2 275 982 432**	**163 282 608**	**1 632 816**	**37 350 024**	**3 855 528**	**2 534 303 888**

Notes to the Annual Financial Statements

Figures in Rand

12. Property, plant and equipment (continued)

Summary

Cost	52 200 480	5 206 585 670	400 389 399	5 405 910	83 361 410	18 010 374	5 765 953 243
Cost – Construction work-in-progress	-	352 472 787	-	-	-	-	352 472 787
Accumulated depreciation	-	(3 192 016 631)	(208 845 306)	(3 767 957)	(44 016 122)	(14 103 838)	(3 462 749 854)
Accumulated impairment losses	-	(91 059 394)	(28 261 485)	(5 137)	(1 995 264)	(51 008)	(121 372 288)
Closing carrying value at 30 June 2025	**52 200 480**	**2 275 982 432**	**163 282 608**	**1 632 816**	**37 350 024**	**3 855 528**	**2 534 303 888**

The remaining useful lives of all assets were adjusted during 2025, and was treated as a change in accounting estimate (refer to note 50). All changes in accounting estimates are applied prospectively, accordingly no prior year adjustments were made.

Notes to the Annual Financial Statements

Figures in Rand

12. Property, plant and equipment (continued)

2024

		Land	Infrastructure assets	Community assets and buildings	Machinery and equipment	Transport assets	Other assets	Total
Opening carrying value at 01 July 2023								
Cost		52 200 480	5 001 369 311	417 178 083	3 893 445	57 333 489	15 795 168	5 547 769 976
Cost – Construction work-in-progress		-	248 584 067	-	-	-	-	248 584 067
Accumulated depreciation		-	(2 986 138 295)	(193 114 699)	(3 321 959)	(39 942 209)	(12 825 949)	(3 235 343 111)
Accumulated impairment losses		-	(67 555 482)	(28 567 657)	-	(547 294)	-	(96 670 433)
		52 200 480	**2 196 259 601**	**195 495 727**	**571 486**	**16 843 986**	**2 969 219**	**2 464 340 499**
Additions from acquisitions		-	108 033 351	-	1 195 559	17 051 644	1 223 115	127 503 669
Capitalised costs (including work-in-progress)		-	206 720 944	179 741	-	-	-	206 900 685
Transfers – Construction work-in-progress		-	(102 718 489)	-	-	-	-	(102 718 489)
Decommissioning and restoration		-	3 165 564	-	-	-	-	3 165 564
Depreciation	38	-	(126 019 051)	(14 130 047)	(223 271)	(1 573 946)	(720 958)	(142 667 273)
		-	**89 182 319**	**(13 950 306)**	**972 288**	**15 477 698**	**502 157**	**92 184 156**
Carrying value of disposals / transfers								
Cost – disposals		-	(51 657 660)	(19 819 794)	(166 987)	(54 305)	(317 204)	(72 015 950)
Accumulated depreciation – disposals		-	25 535 709	10 244 787	146 439	54 144	290 677	36 271 756
Impairment losses – disposals/transfers		-	1 796 278	739 344	-	130	-	2 535 752
		-	**(24 325 673)**	**(8 835 663)**	**(20 548)**	**(31)**	**(26 527)**	**(33 208 442)**
Impairment loss / reversal of impairment loss	38	-	(21 164 053)	4 790 159	(5 022)	(1 211 074)	(50 840)	(17 640 830)
Closing carrying value as at 30 June 2024		**52 200 480**	**2 239 952 194**	**177 499 917**	**1 518 204**	**31 110 579**	**3 394 009**	**2 505 675 383**

Notes to the Annual Financial Statements

Figures in Rand

12. Property, plant and equipment (continued)

Summary

Cost	52 200 480	5 060 910 566	397 358 289	4 922 017	74 330 828	16 701 079	5 606 423 259
Cost – Construction work-in-progress	-	352 586 522	179 741	-	-	-	352 766 263
Accumulated depreciation	-	(3 086 621 637)	(196 999 959)	(3 398 791)	(41 462 011)	(13 256 230)	(3 341 738 628)
Accumulated impairment losses	-	(86 923 257)	(23 038 154)	(5 022)	(1 758 238)	(50 840)	(111 775 511)
Closing carrying value as at 30 June 2024	**52 200 480**	**2 239 952 194**	**177 499 917**	**1 518 204**	**31 110 579**	**3 394 009**	**2 505 675 383**

The prior year comparatives have been restated, please refer to note 58 for more detail information.

A register containing all information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

12. Property, plant and equipment (continued)

12.2 Carrying value of property, plant and equipment that is taking a significantly longer than expected period of time to complete / halted

Ficksburg / Meqheleng Rehabilitation of 1.5km Surfaced Roads and Storm Water Drainage The municipality had terminated the contract with the appointed contractor due to poor performance, and the progress achieved as at termination was 11,4% and the project duration was 6 months, starting in May to June 2024.	7 019 962	4 792 645
Upgrading of the Van Soelen Outfall sewer pipeline and related works in Meqheleng (Phase 2) The project stalled due to dispute between the contractor and the consultant and further by non-compliance of Professional Service Providers. The municipality has implemented the dispute resolution according to the General Conditions of Contracts (GCC 2015).	21 205 934	20 891 117
Installation of the prepaid electrical meters The project has been delayed due to inaccessible households and the shortage of electrical meters to be installed. The project was brought back on track during the 2021/2022 financial year and was completed during the 2024/2025 financial year.	66 977 764	60 727 435
Construction of 400mm diameter pipeline from Cyferfontein to WTW (Senekal) The project suffered delays due to the late delivery of the materials as a result of the COVID backlog from the suppliers. This project was completed during the 2023/2024 financial year.	-	64 425 419
Repair of Dam Wall Laaispruit, Marquard (Turnkey) The contractors performance was not satisfactory and therefore terminated. While in the process of appointing a new contractor, a storm damaged the wall further which then required new designs and specifications.	3 163 611	1 837 525
Installation of the Internal Water and Sewer Reticulation Network in Senekal/ Matwabeng The municipality has formally terminated its contract with MNT Consulting. This action has been taken due to unsatisfactory performance and the contractor's failure to comply with directives issued by the consulting team, specifically regarding the submission of a remedial or recovery plan after the project fell behind schedule for a duration of three months.	37 168 014	28 975 519
Total	**135 535 285**	**181 649 660**

12.3 Property, plant and equipment pledged as security

The following assets were pledged as security:

Carrying value of property, plant and equipment pledged as security

Transport Assets	12 029 871	12 819 597

12.4 Maintenance of property, plant and equipment

The following maintenance costs were incurred:

Community assets	622 403	305 512
Other assets	12 843 920	13 584 255
	13 466 323	**13 889 767**

13. Heritage assets

13.1 Reconciliation of carrying value

2025

		Historical buildings	Municipal jewellery	Total
Opening carrying value as at 01 July 2024				
Cost		11 220 550	879 150	12 099 700
Accumulated impairment losses		(5 050)	-	(5 050)
		11 215 500	**879 150**	**12 094 650**

Summary

	Historical buildings	Municipal jewellery	Total
Cost	11 220 550	879 150	12 099 700
Accumulated impairment losses	(5 050)	-	(5 050)
	11 215 500	**879 150**	**12 094 650**

2024

		Historical buildings	Municipal jewellery	Total
Opening carrying value as at 01 July 2023				
Cost		11 220 550	879 150	12 099 700
Impairment loss / reversal of impairment losses	38	(5 050)	-	(5 050)
Closing carrying value as at 30 June 2024		**11 215 500**	**879 150**	**12 094 650**

Summary

	Historical buildings	Municipal jewellery	Total
Cost	11 220 550	879 150	12 099 700
Accumulated impairment losses	(5 050)	-	(5 050)
	11 215 500	**879 150**	**12 094 650**

13.2 Heritage assets pledged as security

No heritage assets were pledged as security for the current or prior financial year.

Figures in Rand	2025	2024

14. Intangible assets

14.1 Reconciliation of carrying value

2025

		Computer software	Total
Opening carrying value as at 01 July 2024			
Cost		4 433 321	4 433 321
Accumulated depreciation and impairment		(4 338 121)	(4 338 121)
		95 200	**95 200**
Amortisation	38	(35 543)	(35 543)
Closing carrying value as at 30 June 2025		**59 657**	**59 657**

Summary

Cost	4 433 321	4 433 321
Accumulated amortisation and impairment	(4 373 664)	(4 373 664)
	59 657	**59 657**

2024

		Computer software	Total
Opening carrying value as at 01 July 2023			
Cost		4 433 321	4 433 321
Accumulated depreciation and impairment		(4 299 871)	(4 299 871)
		133 450	**133 450**
Amortisation	38	(38 250)	(38 250)
Closing carrying value as at 30 June 2024		**95 200**	**95 200**

Summary

Cost	4 433 321	4 433 321
Accumulated amortisation and impairment	(4 338 121)	(4 338 121)
	95 200	**95 200**

14.2 Intangible assets pledged as security

No intangible assets were pledged as security for the current or prior financial year.

Figures in Rand		2025	2024

15. Financial liabilities

Annuity loans		-	445 218
Finance lease liabilities	15.1	12 499 189	14 602 147
Sub-total		**12 499 189**	**15 047 365**
Less: Transferred to current liabilities		(2 582 219)	(2 709 387)
Total non-current liabilities		**9 916 970**	**12 337 978**

Refer to Appendix 'A' for more detail on financial liabilities.

15.1 Obligation under finance leases

The municipality as lessee

The obligations under finance leases are as follow:

Minimum lease payments		
Payable within 1 year	3 774 159	3 636 648
Payable within 2 to 5 years	11 660 530	15 134 729
Total minimum lease payments	**15 434 689**	**18 771 377**
Less: Future finance charges	(2 935 500)	(4 169 230)
Total	**12 499 189**	**14 602 147**
Present value of minimum lease payments		
Payable within 1 year	2 582 218	2 264 169
Payable within 2 to 5 years	9 916 971	12 337 978
Total	**12 499 189**	**14 602 147**
Current liability	2 582 219	2 264 169
Non-current liability	9 916 970	12 337 978

Refer to Appendix 'A' for more detail on finance leases.

It is the municipality's policy to lease certain vehicles and equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 10.51%.

Interest rates are fixed at the contract date. All leases have fixed repayments.

The municipality's obligations under finance leases are secured by the lessor's charge over the leases assets.

16. Consumer deposits

Electricity	2 792 147	2 741 898
Rental properties	253 829	263 009
Water	210 070	185 271
Total	**3 256 046**	**3 190 178**

Deposits are released on termination of the contract or when the contractual services are delivered.

Figures in Rand		2025	2024

17. Payables from exchange transactions

Bulk purchases	17.1	24 907 885	12 749 636
Contractors	17.2	29 047 758	22 000 859
Control and clearing accounts	17.3	9 761 062	6 022 611
Employee benefits	17.4	34 558 291	31 732 145
Other payables	17.5	35 159 434	50 818 633
Statutory payables	17.6	6 517 677	4 133 609
Total		**139 952 107**	**127 457 493**

17.1 Bulk purchases

Bulk electricity	24 907 885	12 749 636

17.2 Contractors

Retentions	29 047 758	22 000 859

17.3 Control and clearing accounts

Medical aid control	3 047 950	-
Pension control	3 180 133	3 033 603
Prepaid electricity	2 715 402	2 421 397
Salary control	599 358	349 429
UIF control	218 219	218 182
Total	**9 761 062**	**6 022 611**

17.4 Employee benefits

Bonus - 13th Cheque	5 524 372	5 275 798
Leave accrual	29 033 919	26 456 347
Total	**34 558 291**	**31 732 145**

17.5 Other payables

Auditor-General of South Africa	490 028	89 549
Payables and accruals	21 569 852	39 036 995
Unallocated deposits	2 041 367	902 037
Payments received in advance - consumer deposits	11 058 187	10 790 052
Total	**35 159 434**	**50 818 633**

17.6 Statutory payables

Compensation commission (COID)	3 632 937	1 613 189
PAYE deductions	2 884 740	2 520 420
Total	**6 517 677**	**4 133 609**

Notes to the Annual Financial Statements

Figures in Rand

18. Unspent grants

		2025					2024				
		Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance	Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance
Capital											
Monetary Allocations	18.1	21 039 008	205 044 766	(205 400 214)	(7 183 000)	**13 500 560**	40 023 280	216 757 716	(209 219 269)	(26 522 720)	**21 039 007**
Operational											
Allocations In-kind	18.2	-	2 625 545	(2 625 545)	-	**-**	-	-	-	-	**-**
Monetary Allocations	18.3	-	4 432 613	(4 432 613)	-	**-**	-	4 357 297	(4 357 297)	-	**-**
Total		**21 039 008**	**212 102 924**	**(212 458 372)**	**(7 183 000)**	**13 500 560**	**40 023 280**	**221 115 013**	**(213 576 566)**	**(26 522 720)**	**21 039 007**

18. Unspent grants (continued)

18.1 Unspent capital monetary allocations

	2025					2024				
	Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance	Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance
National Government										
Municipal Infrastructure Grant	7 183 402	44 320 000	(44 320 402)	(7 183 000)	**-**	-	52 278 000	(45 094 598)	-	**7 183 402**
Regional Bulk Infrastructure Grant (Includes RBIG COVID)	13 500 560	123 951 000	(123 951 000)	-	**13 500 560**	33 074 233	115 000 000	(115 000 000)	(19 573 673)	**13 500 560**
Water Services Infrastructure Grant (Includes WSIG6B)	355 046	36 773 766	(37 128 812)	-	**-**	6 949 047	49 479 716	(49 124 671)	(6 949 047)	**355 045**
Total	**21 039 008**	**205 044 766**	**(205 400 214)**	**(7 183 000)**	**13 500 560**	**40 023 280**	**216 757 716**	**(209 219 269)**	**(26 522 720)**	**21 039 007**

18. Unspent grants (continued)

18.2 Unspent operational allocations in-kind

	2025		2024	
	Funds received	Transfer to revenue	Funds received	Transfer to revenue
Provincial Government				
Free State	2 625 545	(2 625 545)	-	-

18.3 Unspent operational monetary allocations

	2025		2024	
	Funds received	Transfer to revenue	Funds received	Transfer to revenue
Departmental Agencies and Accounts				
National departmental agencies - SETA	438 613	(438 613)	407 297	(407 297)
National Government				
Expanded Public Works Programme Integrated Grant	1 994 000	(1 994 000)	1 750 000	(1 750 000)
Local Government Financial Management Grant	2 000 000	(2 000 000)	2 200 000	(2 200 000)
Total	**3 994 000**	**(3 994 000)**	**3 950 000**	**(3 950 000)**
Total unspent operational monetary allocations	**4 432 613**	**(4 432 613)**	**4 357 297**	**(4 357 297)**

Refer to note 33 for reconciliation of grants from National/Provincial Government.

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

19. Provisions and other employee liabilities

		2025	2024
Landfill Sites	19.1	31 020 453	34 733 877
Employee benefits : Long-service awards	19.2	19 343 812	18 486 289
Total		**50 364 265**	**53 220 166**

Split between current and non-current

	2025	2024
Current	2 387 514	1 907 322
Non-current	47 976 751	51 312 844
Total	**50 364 265**	**53 220 166**

Figures in Rand	2025	2024

19. Provisions and other employee liabilities (continued)

19.1 Landfill Sites

Opening Balance	34 733 877	28 324 805
Increases (Passage of Time/Discounted Rate)	2 742 921	3 243 508
Change in provision	(6 456 345)	3 165 564
Closing balance	**31 020 453**	**34 733 877**

Split between current and non-current

Non-current	31 020 453	34 733 877

In terms of the Mineral and Petroleum Resources Development Act, 2002 (No 28 of 2002), it is required from the municipality to execute the environmental management program to restore the landfill sites at Ficksburg, Clocolan, Marquard and Senekal.

Provision has been made for this cost based on actual cost calculations received from Consulting Engineers. The value of the provision is based on the expected future cost to rehabilitate the various sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The Municipality estimates the useful lives and makes assumptions as to the useful lives of these assets, which influence the provision for future costs.

The following assumptions were used to calculate the provision:
- Discount rate 9.70% (2024: 10.30%)
- Inflation rate 2.80% (2024: 5.1%)

Each of the landfill sites has different adjusted remaining lifespans (RUL) as follows:
- Ficksburg - 7 years (2024: 8 years)
- Senekal - 7 years (2024: 7 years)
- Marquard - 1 year (2024: 1 year)
- Clocolan - 1 year (2024: 1 year)

The total landfill site area per site is as follows:
- Ficksburg - 60 000 m2
- Senekal - 60 000 m2
- Clocolan - 143 000 m2
- Marquard - 68 000 m2

Rehabilitation cost per location

Location	Proposed rehabilitation date	Post closure monitoring date		
Ficksburg	2031/2032	2062/2063	3 035 746	3 374 560
Senekal	2031/2032	2062/2063	2 668 941	3 133 796
Clocolan	2025/2026	2055/2056	17 213 912	19 023 773
Marquard	2025/2026	2055/2056	8 101 854	9 201 748
			31 020 453	**34 733 877**

Figures in Rand		2025	2024

19. Provisions and other employee liabilities (continued)

19.2 Employee benefits

Long-service awards	19.2.1	19 343 812	18 486 289

Split between current and non-current

Current	2 387 514	1 907 322
Non-current	16 956 298	16 578 967
Total	**19 343 812**	**18 486 289**

19.2.1 Long-service awards

Opening Balance	18 486 289	13 612 558
Service cost	(63 188)	(487 233)
Net interest expense	1 802 354	1 331 320
Re-measurements	(881 643)	4 029 644
Total	**19 343 812**	**18 486 289**

Split between current and non-current

Current	2 387 514	1 907 322
Non-current	16 956 298	16 578 967
Total	**19 343 812**	**18 486 289**

Net benefit expense		
Current service cost	1 537 496	1 188 320
Interest	1 802 354	1 331 320
Re-measurements	(881 643)	4 029 644
	2 458 207	**6 549 284**

An actuarial valuation of the liability in respect of the long service awards was performed by an independent company.

The primary purpose of this valuation is to enable the municipality to comply with the requirements of GRAP 25. The liability amounts are calculated in accordance with GRAP 25 and can therefore be used in the compilation of the Annual Financial Statements of the Municipality.

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The provision represents an estimation of the awards to which employees in the service of the Municipality may become entitled to in the future.

Analysis of re-measurements for the period:		
Financial assumptions:		
Change in discount rate	(113 723)	(229 363)
Salary changes	(61 489)	316 053
Benefit structure changes	-	3 800 193
Demographic assumptions:		
Staff changes	(407 981)	(188 734)
Other changes	(298 450)	-
Experience:		
Miscellaneous	-	331 495
	(881 643)	**4 029 644**

Figures in Rand	2025	2024

19. Provisions and other employee liabilities (continued)

Membership data

Number of current employees	590	610

In estimating the unfunded liability for Long Service Award of the Municipality a number of actuarial assumptions are required. The GRAP 25 Statement places the responsibility on management to set these assumptions, as guided by the principles set out in the Statement and in discussion with the actuary.

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

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the Long Service Awards arrangement - this is determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and Current-Service costs are recognised over time.

The key financial and demographic assumptions are summarised below.

Financial variables:

Discount rate	9.07 %	10.28 %
CPI (Consumer price inflation)	3.49 %	4.77 %
Normal salary increase rate	4.49 %	5.77 %
Net effective discount rate	4.38 %	4.26 %

Discount Rate:

GRAP 25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the statement of financial position date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The method of setting financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2024 the duration of liabilities was 5.49 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2025 is 9.07% per annum, and the yield on inflation-linked bonds of a similar term was about 4.91% per annum. This implies an underlying expectation of inflation of 3.49% per annum ([1 + 9.07% - 0.5%] / [1 + 4.91%] - 1).

Earnings Inflation Rate:

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

General Earnings Inflation:

It was assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 4.49% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that is important, rather than the nominal values. A net discount factor of 4.38% per annum [(1 +9.07%] / [1 + 4.49%] - 1) was assumed.

Demographic Assumptions:

Demographic assumptions are required about the future characteristics of current employees who are eligible for Long Service Awards.

Average Retirement Age:

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of all ill-health and early retirement. Employees who have passed the assumed retirement age, have been assumed to retire at their next birthday.

19. Provisions and other employee liabilities (continued)

Pre-retirement Mortality:

SA85-90.

Withdrawal from Service:

If an employee leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates. A sample of the assumed rates is set out below:

	Withdrawal rate females	Withdrawal rate males
20	9 %	9 %
25	8 %	8 %
30	6 %	6 %
35	5 %	5 %
40	5 %	5 %
45	4 %	4 %
50	3 %	3 %
55+	0 %	0 %

Plan Assets:

Management has indicated that there are currently no long-term assets set aside off-balance sheet in respect of the LSA liability.

Sensitivity analysis

Salary increase rate:

The valuation bases assume that the salary inflation rate will be 4.49% less than the corresponding discount rate, in the long term. The effect of a one percent increase and decrease in the salary inflation rates is as follows:

	1% Decrease R's	30 June 2025 Valuation basis R's	1% Increase R's	Decrease % change	Increase % change
Employer's accrued liability	18 334 343	19 343 812	20 439 780	(5.22)%	5.67 %
Employer's service cost	1 462 727	1 549 681	1 644 812	(5.61)%	6.14 %
Employer's interest cost	1 555 083	1 646 210	1 745 183	(5.54)%	6.01 %

Average retirement age:

The table that follows show the impact of a change in the retirement age by 2 years upwards and downwards:

	30 June 2025 Valuation basis-2 R's	30 June 2025 Valuation basis R's	30 June 2025 Valuation basis+2 R's	Decrease % change	Increase % change
Employer's accrued liability	17 457 908	19 343 812	21 617 474	(9.75)%	11.75 %
Employer's service cost	1 430 079	1 549 681	1 685 359	(7.72)%	8.76 %
Employer's interest cost	1 476 905	1 646 210	1 848 148	(10.28)%	12.27 %

19. Provisions and other employee liabilities (continued)

Discount rate:

The table that follows shows the impact of a change in the discount rate assumption. The effect of a 1% increase and decrease in the discount rates is as follows:

	1% Decrease R's	30 June 2025 Valuation basis R's	1% Increase R's	Decrease % change	Increase % change
Employer's accrued liability	20 401 993	19 343 812	18 383 573	5.47 %	(4.96)%
Employer's service cost	1 641 520	1 549 681	1 466 953	5.93 %	(5.34)%
Employer's interest cost	1 549 734	1 646 210	1 731 470	(5.86)%	5.18 %

Defined benefit plan

The municipality provides retirement benefits for its employees and councillors. Benefits are provided via defined contribution plans and defined benefit plans as listed below and which are administrated by various pension, provident and annuity funds.

These plans are subject to the Pension Fund Act, 1956 (Act No. 24 of 1956) and include defined contribution plans.

The municipality is under no obligation to cover any unfunded benefits. The only obligation of the municipality is to make the specified contributions.

Sufficient information was not available to use defined benefit accounting for the funds and it was accounted for as defined contribution plans due to the following reasons:

- The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers;
- One set of financial statements are compiled for all the funds and not for each participating employer; and
- The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

This is in line with the exemption in GRAP 25 paragraph 31 which states that where information required for proper defined benefit accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans.

The following are defined benefit plans:

- Free State Municipal Pension Fund
- South African Local Authorities Pension Fund

Defined contribution plan

The following are defined contribution plans:

- Free State Municipal Provident Fund
- South African Local Authorities Provident Fund
- National Fund for Municipal Workers

These are not treated as a defined benefit plan as defined by GRAP 25, but as a defined contribution plan. These funds are multi-employer plans and actuarial valuations done by actuaries could not be provided due to lack of information. According to the actuaries, it is not possible to report each municipality separately, thus it has been classified as a contribution plan.

Some employees belong to the SALA Pension Fund. The latest actuarial valuation of the funds was on 1 July 2010. These valuations indicate that the funds are in sound financial position. The estimated liabilities of the fund are R 7 418 million (2009: R 6 568 million) which is adequately financed by assets of R 7 110 million (2009: R 6 304 million). The actuarial valuations states that the fund is currently 96% funded by employer contributions. If the current employer contribution rate is maintained the fund is expected to be close to 100% funded at the next statutory valuation.

A few employees belong to the Free State Municipal Pension Fund. The latest actuarial valuations of the fund were on 30 June 2015. These valuations indicate that the fund is in a sound financial position. The estimated liabilities of the fund are R1 308 million which is adequately financed by assets of R 1 531 million. The actuarial valuation determined that the retirement plan was in a sound financial position.

Figures in Rand		2025	2024

19. Provisions and other employee liabilities (continued)

Maturity analysis of long service awards

Financial year	**Accrued liability**	**Expected long-service awards paid over the following financial year**
30 June 2026	20 152 189	2 571 318
30 June 2027	20 564 486	4 070 247
30 June 2028	19 372 624	2 493 952
30 June 2029	19 772 445	2 345 787
30 June 2030	20 369 271	2 907 846

20. VAT Payable

	2025	2024
Output VAT	33 266 906	44 553 875
Output VAT: Provision for doubtful debt impairment	(32 938 681)	(32 688 862)
Total	**328 225**	**11 865 013**

The municipality is registered on the payment basis, VAT is paid to the South African Revenue Service (SARS) only once payment is received from debtors.

21. Post-retirement health care benefit liability

21.1 Post-retirement health care benefit liability
Post-retirement medical aid liability

		2025	2024
Present value of defined benefit obligation	21.1.1	55 082 953	53 065 308

21.1.1 Reconciliation of present value of the post-retirement health care benefit liability

	Post-employment medical benefits	Total
Defined benefit obligation at 01 July 2023		
Opening balance	57 041 403	**57 041 403**
Interest cost	7 131 925	**7 131 925**
Service cost	660 520	**660 520**
Re-measurements	(11 768 540)	**(11 768 540)**
Defined benefit obligation at 30 June 2024	**53 065 308**	**53 065 308**
Opening balance	53 065 308	**53 065 308**
Interest cost	6 601 393	**6 601 393**
Service cost	89 689	**89 689**
Re-measurements	(4 673 437)	**(4 673 437)**
Defined benefit obligation at 30 June 2025	**55 082 953**	**55 082 953**

	2025	2024
Current	1 919 971	1 978 951
Non-current	53 162 982	51 086 357
Total	**55 082 953**	**53 065 308**

Figures in Rand	2025	2024

21. Post-retirement health care benefit liability (continued)

21.1.2 Net benefit expense

	Post-employment medical benefits	Total
For the year ended 30 June 2024		
Current service costs	2 508 547	**2 508 547**
Interest cost on benefit obligation	7 131 925	**7 131 925**
Re-measurements	(11 768 540)	**(11 768 540)**
Total expense recognised in the statement of financial performance	**(2 128 068)**	**(2 128 068)**
For the year ended 30 June 2025		
Current service costs	2 170 885	**2 170 885**
Interest cost on benefit obligation	6 601 393	**6 601 393**
Re-measurements	(4 673 437)	**(4 673 437)**
Total expense recognised in the statement of financial performance	**4 098 841**	**4 098 841**

The post-retirement medical aid liability makes provision for post-retirement benefits to eligible councillors and employees.

The post-retirement medical plan is a defined benefit plan, of which the members are made up as follows:

	2025	2024
Total members		
In service (employees) members	509	515

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

Analysis of re-measurements for the period:

	2025	2024
Financial assumptions:		
Change in discount rate	(543 210)	(4 034 505)
Medical inflationary changes	(814 056)	(4 092 365)
Demographic assumptions:		
Participant changes	(4 195 656)	(1 982 230)
Other demographic changes	879 485	-
Experience:		
Miscellaneous		(1 659 440)
	(4 673 437)	**(11 768 540)**

21. Post-retirement health care benefit liability (continued)

21.1.3 Key actuarial assumptions

The principal actuarial assumptions used in determining the present value of the defined benefit obligation for the pension and post-employment medical benefits include:

	2025	2024
Discount rate	12.09 %	12.69 %
Consumer price inflation	6.02 %	6.67 %
Healthcare cost inflation rate	7.52 %	8.17 %
Net discount rate	4.25 %	4.18 %

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

Discount rate:

GRAP 25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the statement of financial position date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The method of setting financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2024 the duration of liabilities was 12.97 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2025 is 12.09% per annum, and the yield on inflation-linked bonds of a similar term was about 5.25% per annum. This implies an underlying expectation of inflation of 6.02% per annum ([1 + 12.09% - 0.5%] / [1 + 5.25%] - 1).

Eligible employees and continuation pensioners:

The table below illustrates the average total monthly medical contribution subsidies payable to continuation pensioners and active employees. The employees' contributions are those payable to the employees and their spouses in retirement, at the current rates:

	Average age 30 June 2025	**Average employer monthly contribution 30 June 2025**
Active employees on medical aid	46.92	3 217
Active employees not on medical aid	47.32	2 853
Continuation pensioners	71.42	4 071

Health care cost inflation rate:

A health care cost inflation rate of 7.52% (2024: 8.17%) has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability.

However, it is relative levels of the discount rate and healthcare inflation to one another that is important, rather that the nominal values. We have thus assumed a net discount factor of 4.25% per annum ([1 + 12.09%] / [1 + 7.52%] - 1). This year's valuation basis is, therefore, stronger than the previous year's basis from a discount rate perspective.

Demographic assumptions:

A) Mortality during employment

SA 85-90, normal

B) Post-employment mortality

PA(90) table, adjusted down by one year of age, and a 1% annual compound mortality improvement from 2010.

21. Post-retirement health care benefit liability (continued)

Withdrawal from service:

If an non-service member leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates. A sample of assumed rates is set out below:

Age	Withdrawal rate females	Withdrawal rate males
20	9 %	9 %
25	8 %	8 %
30	6 %	6 %
35	5 %	5 %
40	5 %	5 %
45	4 %	4 %
50	3 %	3 %
55+	0 %	0 %

Average retirement age:

The normal retirement age of employees is 65. It has been assumed that in-service members will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement. In-service members who have passed the assumed retirement age, have been assumed to retire at their next birthday.

Continuation of membership:

It has been assumed that 75% of in-service members will remain on the municipality's health care arrangement should they stay until retirement.

Family profile:

It has been assumed that female spouses will be five years younger than their male counterparts. Furthermore, we've assumed that 65% of eligible in-service members on a health care arrangement at retirement will have a spouse dependent on their medical aid. For current retiree members, actual medical aid dependents were used and the potential for remarriage was ignored.

Plan assets:

Management has indicated that there are no long-term assets set aside off-balance sheet in respect of the municipality's post-employment health care liability.

21.1.4 Sensitivity analysis

A one percentage point change in the assumed rate of increase in healthcare inflation would have the following effects:

	Increase	Decrease
2024		
Effect on current service cost	2 626 531	1 804 561
Effect on current interest cost	7 566 126	5 762 267
Effect on the defined benefit obligation	60 673 805	46 446 785
2025		
Effect on current service cost	2 792 137	1 890 501
Effect on current interest cost	7 591 216	5 677 873
Effect on the defined benefit obligation	63 798 144	47 963 330

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

21. Post-retirement health care benefit liability (continued)

A one percentage point change in the assumed discount rate would have the following effects:

	Increase	Decrease
2024		
Effect on current service cost	1 821 708	2 586 046
Effect on current interest cost	6 226 057	6 925 608
Effect on the defined benefit obligation	46 521 913	60 291 024
2025		
Effect on current service cost	1 925 431	2 748 544
Effect on current interest cost	6 200 393	6 917 448
Effect on the defined benefit obligation	48 372 111	63 379 683

The table below shows the impact (year following) of a change in the mortality assumption from PA(90) -1 to PA(90) with a two-year adjustment:

	30 June 2025 Valuation basis R's	**PA (90) - 2 R's**	**Percentage change**
Employer's accrued liability	55 082 953	56 778 065	3.08 %
Employer's service cost	2 288 216	2 358 849	3.09 %
Employer's interest cost	6 538 089	6 743 033	3.13 %

21.1.5 Maturity analysis

Defined benefit plan - Medical	**Defined benefit obligation**	**Expected benefits payments - Ensuing financial year**
30 June 2026	61 989 286	2 173 459
30 June 2027	64 211 022	2 441 591
30 June 2028	69 281 856	2 730 598
30 June 2029	75 516 956	3 489 995
30 June 2030	81 242 372	3 964 844

Figures in Rand	2025	2024

22. Property rates

Agricultural property	6 252 356	5 783 154
Business and commercial properties	23 322 582	22 547 238
State	19 247 203	19 260 584
Privately owned properties	24 783 408	23 903 840
Total	**73 605 549**	**71 494 816**

Valuation as at 30 June 2025

Small holdings and farm properties	5 109 845 441	5 120 495 441
Commercial	997 369 000	1 003 855 000
Municipal properties	1 055 684 000	1 058 039 000
Residential properties	2 757 646 000	2 752 855 000
Churches	82 615 000	80 655 000
State-owned properties	581 300 000	571 720 000
Total property valuations	**10 584 459 441**	**10 587 619 441**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 01/07/2023. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R0.02 (2024: R0.02) is applied to property valuations to determine assessment rates of residential properties.

A general rate of R0.04 (2024: R0.04) is applied to property valuations to determine assessment rates of business properties.

Rebates of 41% (2024: 44%) are granted to the residential and state property owners and on farm properties 51% (2024: 55%).

Rates are levied on an annual basis with equal payments over twelve months. Interest at prime plus 1% per annum is levied on outstanding rates.

Property rates	86 081 108	82 107 735
Less: Income forgone	(12 475 559)	(10 612 919)
	73 605 549	**71 494 816**

23. Services charges

Electricity		
Consumption – Services charges - Electricity	120 326 696	103 638 778
Water		
Consumption – Services charges - Water	86 863 803	87 785 982
Less: Income forgone	(12 304 765)	(8 476 673)
Sub-total	**74 559 038**	**79 309 309**
Waste water management		
Consumption – Services charges - Waste water management	43 040 718	41 916 241
Less: Income forgone	(9 216 328)	(6 346 888)
Sub-total	**33 824 390**	**35 569 353**
Waste management		
Consumption – Services charges - Waste management	57 144 192	55 187 803
Less: Income forgone	(12 811 362)	(8 808 199)
Sub-total	**44 332 830**	**46 379 604**
Total	**273 042 954**	**264 897 044**

Notes to the Annual Financial Statements

Figures in Rand		2025	2024

24. Availability charges

Electricity			
Availability charges		1 161 078	957 528
Waste water management			
Availability charges		538 177	512 298
Water management			
Availability charges		882 422	834 802
Total		**2 581 677**	**2 304 628**

25. Sales of goods and rendering of services

Building Plan Approval		233 012	246 201
Camping Fees		11 877	9 380
Cemetery and Burial		942 256	993 525
Clearance Certificates		191 871	106 710
Encroachment Fees		-	553
Entrance Fees		-	1 326
Escort Fees		53 452	56 696
Photo copies, Faxes and Telephone charges		1 111	845
Sale of Goods		686 449	510 281
Scrap, Waste & Other Goods		-	129
Town Planning and Servitudes		50 766	11 730
Total		**2 170 794**	**1 937 376**

26. Rental on land

Land	26.1	1 913 877	1 685 655

26.1 Land

Undeveloped Land		1 913 877	1 685 655

27. Rental from facilities and equipment

Rental from facilities and equipment		131 693	106 811

28. Interests on investments

Interest earned on cash and bank		993 905	977 464
Interest on eskom deposit		196 446	228 802
Interest earned on short-term investments		8 861 617	11 387 550
Total		**10 051 968**	**12 593 816**

29. Interest earned from receivables

Exchange receivables	29.1	54 979 243	52 572 847
Non-exchange receivables	29.2	10 172 697	9 513 107
Total		**65 151 940**	**62 085 954**

Notes to the Annual Financial Statements

Figures in Rand		2025	2024

29. Interest earned from receivables (continued)

29.1 Interest earned from exchange receivables

	2025	2024
Consumer receivables		
Electricity	2 700 566	2 522 401
Other	12 149 117	11 954 013
Waste management	13 300 116	11 667 918
Waste water management	9 788 751	8 600 451
Water	17 040 693	17 828 064
	54 979 243	**52 572 847**

29.2 Interest earned from non-exchange receivables

	2025	2024
Consumer receivables		
Property rates	9 802 358	9 149 202
Electricity	87 733	73 260
Water	168 503	184 329
Waste water management	114 103	106 316
Total	**10 172 697**	**9 513 107**

30. Dividends

	2025	2024
External investment	93 761	80 975

31. Fines, penalties and forfeits

		2025	2024
Fines	31.1	711 070	851 850

31.1 Fines

	2025	2024
Traffic fines		
Court fines	711 070	850 850
Other fines		
Pound fees	-	1 000
Total	**711 070**	**851 850**

32. Licences or permits

		2025	2024
Non-exchange revenue	32.1	126 943	89 843

32.1 Licenses and permits - Non-exchange revenue

	2025	2024
Trading	126 943	89 843

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

33. Transfers and subsidies

Operational		
Monetary allocations	274 288 158	255 844 017
Capital		
Monetary allocations	205 400 214	209 219 269
Total	**479 688 372**	**465 063 286**

Monetary allocations: Operational		
Equitable Share	267 230 000	251 486 720
Expanded Public Works Programme Integrated Grant	1 994 000	1 750 000
Local Government Financial Management Grant	2 000 000	2 200 000
Local Government, Water and Related Service SETA	438 613	407 297
Provincial government	2 625 545	-
	274 288 158	**255 844 017**

Monetary allocations: Capital		
Municipal Infrastructure Grant	44 320 402	45 094 598
Water Services Infrastructure Grant	37 128 812	49 124 671
Regional Bulk Infrastructure Grant	123 951 000	115 000 000
	205 400 214	**209 219 269**

Equitable share

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

All registered indigents received a monthly subsidy of R977 (2024: R886), which is funded from the grant.

An amount of R7 183 000 was withheld from the equitable share.

Expanded Public Works Programme Integrated Grant

Current year receipts	1 994 000	1 750 000
Conditions met - transferred to revenue	(1 994 000)	(1 750 000)
	-	-

The grant is used for job creation projects in previous disadvantage areas.

Local Government Financial Management Grant

Current year receipts	2 000 000	2 200 000
Conditions met - transferred to revenue	(2 000 000)	(2 200 000)
	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

Local Government, Water and Related Service SETA

Current year receipts	438 613	407 297
Conditions met - transferred to revenue	(438 613)	(407 297)
	-	-

SETA will ensure that the skill requirements sector is identified and that adequate and appropriate skills are readily given to staff of the Municipality.

Figures in Rand	2025	2024

33. Transfers and subsidies (continued)

Municipal Infrastructure Grant

Balance unspent at the beginning of the year	7 183 402	-
Current year receipts	44 320 000	52 278 000
Conditions met - transferred to revenue	(44 320 402)	(45 094 598)
Roll over withheld	(7 183 000)	-
	-	**7 183 402**

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

In terms of the MFMA Circular No. 48, all conditional allocations (excluding interest earned thereon) that at year-end are not utilised must revert back to National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects. The municipality reports at year - end all unspent conditional grants were committed to identifiable projects.

The grant is used to supplement municipal capital budget to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households. The grants were used construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas.

Water Services Infrastructure Grant

Balance unspent at the beginning of the year	-	6 949 047
Current year receipts	7 000 000	14 173 000
Conditions met - transferred to revenue	(7 000 000)	(14 173 000)
Roll-over withheld	-	(6 949 047)
	-	**-**

This grant was used to address water loss control and assisting with water shortage in Clocolan, Marquard and Senekal during drought period.

Water Services Infrastructure Grant - 6B

Balance unspent at the beginning of the year	355 045	-
Current year receipts	29 773 767	35 306 716
Conditions met - transferred to revenue	(30 128 812)	(34 951 671)
	-	**355 045**

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

The grant amount is paid to the municipality when the supporting invoices are submitted to the department. No advance grant is received from the transferring department.

Regional Bulk Infrastructure Grant

Balance unspent at the beginning of the year	-	19 573 673
Current year receipts	123 951 000	115 000 000
Conditions met - transferred to revenue	(123 951 000)	(115 000 000)
Roll-over withheld	-	(19 573 673)
	-	**-**

The purpose of the grant is to assist the municipality in alleviating water availability and scarcity in the municipal area.

Notes to the Annual Financial Statements

Figures in Rand		2025	2024

33. Transfers and subsidies (continued)

Regional Bulk Infrastructure Grant - COVID

Balance unspent at the beginning of the year		13 500 560	13 500 560

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

Provincial Government - Allocation in kind

Current year receipts		2 625 545	-
Conditions met - transferred to revenue		(2 625 545)	-
		-	-

During the current financial year Provincial Treasury paid the Auditor-General of South Africa R2 625 545 on behalf of the municipality.

34. Operational revenue

Sundry income		1 006 255	1 901 019
Commission		371 087	470 808
Discounts and Early Settlements		5	-
Incidental cash surpluses		700	-
Insurance refund		768 078	21 063
Recovery Maintenance		784 251	-
Staff and Councillors Recoveries		6 455	-
Total		**2 936 831**	**2 392 890**

35. Fair value adjustments and gain/(loss) on disposal of assets

Gains/(losses) on disposals	35.1	(7 667 510)	(33 884 291)
Fair value adjustment	35.2	348 585	565 497
Total		**(7 318 925)**	**(33 318 794)**

35.1 Gains/(losses) on disposals

Investment property		(1 431 000)	(918 199)
Property, plant and equipment		(6 236 510)	(32 966 092)
Total		**(7 667 510)**	**(33 884 291)**

35.2 Fair value adjustment

Investments		348 585	565 497

36. Employee related cost

Senior management	36.1	6 110 264	5 592 751
Municipal staff	36.2	256 118 159	236 709 673
Total		**262 228 423**	**242 302 424**

36. Employee related cost (continued)

36.1 Senior management costs

2025

	Municipal manager - Mrs FN Malatjie	Chief financial officer - Mr NL Moletsane	Director: Technical services - Mr DT Marotholi	Director: Corporate services - Mr TP Motsima	Director: Community services - Ms MAB Mosima	Total
Basic salary	1 053 614	1 063 751	1 137 874	611 164	497 224	4 363 627
Bonuses	-	74 123	-	76 505	-	150 628
Service-related benefits	-	-	-	400 034	-	400 034
Allowances	548 124	174 113	174 113	204 014	86 756	1 187 120
Unemployment insurance	2 125	2 125	2 125	1 417	1 063	8 855
	1 603 863	**1 314 112**	**1 314 112**	**1 293 134**	**585 043**	**6 110 264**

Director corporate services - contract ended 2025/02/28.

Director community services - appointed 2025/01/01.

The Director Technical Services, Mr DT Marotholi, was placed on special leave from October 2024 until 30 June 2025. During the year the following personnel acted as Director Technical Services:

- Mr SS Kunene for the period August 2024 - February 2025 - Acting allowance of R155 101
- Mr L Cita for the period March 2025 - June 2025 - Acting allowance of R42 884

During the year Me SZ Mihailescu acted as Director Corporate services for the period March 2025 - June 2025, she received an acting allowance of R42 884.

During the year the following personnel acted as Director Community Services:

- Mr TP Motsima for the period July 2024 - October 2024 - Acting allowance of R66 606
- Mr TM Sethole for the period November 2024 - December 2024 - Acting allowance of R65 271

36. Employee related cost (continued)

2024

	Municipal manager - Mrs FN Malatjie	Chief financial officer - Mr NL Moletsane	Director: Technical services - Mr DT Marotholi	Director: Corporate services - Mr TP Motsima	Total
Basic salary	1 053 490	1 064 650	1 137 874	912 852	4 168 866
Bonuses	-	38 779	-	46 726	85 505
Service-related benefits	-	-	38 253	89 256	127 509
Allowances	548 124	174 113	174 113	306 021	1 202 371
Unemployment insurance	2 125	2 125	2 125	2 125	8 500
	1 603 739	**1 279 667**	**1 352 365**	**1 356 980**	**5 592 751**

During the year the following personnel acted as Director Community Services:

- Mr ME Fokane for the period July 2023 - Acting allowance of R33 378
- Mr DT Marotholi for the period August 2023 - October 2023 - Acting allowance of R38 253
- Mr TP Motsima for the period November 2023 - April 2024 and June 2024 - Acting allowance of R89 256

Included in the MM and Directors salaries are accruals that were made regarding backpay on salaries for the current financial year but only approved during 2024/25 financial year.

Figures in Rand	2025	2024

36. Employee related cost (continued)

36.2 Municipal staff costs

	2025	2024
Basic salary	146 650 523	138 315 702
Bonuses	11 914 252	11 438 745
Service-related benefits	24 190 842	20 595 510
Allowances	19 099 025	17 117 744
Bargaining council	85 071	82 893
Group life insurance	1 334 078	1 209 047
Medical	18 990 947	17 633 468
Pension	25 979 603	24 589 118
Contribution to provision for post-retirement benefit: Medical	4 098 841	(2 128 068)
Contribution to provision post-retirement benefit: Long service	2 458 207	6 549 284
Unemployment insurance	1 316 770	1 306 230
Total	**256 118 159**	**236 709 673**

Service-related benefits consist of:

	2025	2024
Overtime payments	15 987 882	14 699 163
Leave pay charge	4 756 587	2 546 373
Acting allowances	3 446 373	3 349 974
	24 190 842	**20 595 510**

Allowances consist of:

	2025	2024
Travel allowance	16 752 358	15 285 945
Housing benefits and allowances	1 670 573	1 222 915
Telephone allowances	676 094	608 884
	19 099 025	**17 117 744**

Contribution to provision post-retirement benefit : Medical consists of:

	2025	2024
Service cost	2 170 885	2 508 547
Re-measurements	(4 673 437)	(11 768 540)
Interest cost	6 601 393	7 131 925
	4 098 841	**(2 128 068)**

Contribution to provision post-retirement benefit : Long service consists of:

	2025	2024
Service cost	1 537 496	1 188 320
Re-measurements	(881 643)	4 029 644
Interest cost	1 802 354	1 331 320
	2 458 207	**6 549 284**

Figures in Rand		2025	2024

37. Remuneration of councillors

Executive Mayor/Mayor	37.1	1 046 305	1 003 681
Speaker	37.2	846 445	812 877
Executive committee	37.3	3 982 412	3 825 823
All other councillors	37.4	9 396 369	9 098 495
Total		**15 271 531**	**14 740 876**

37.1 Executive Mayor/Mayor

Allowances and service related benefits		
Basic salary	749 476	715 555
Cell phone allowance	47 004	49 608
Travelling allowance	249 825	238 518
	1 046 305	**1 003 681**

37.2 Speaker

Allowances and service related benefits		
Basic salary	599 581	572 445
Cell phone allowance	47 004	49 608
Travelling allowance	199 860	190 824
	846 445	**812 877**

37.3 Executive committee

Allowances and service related benefits		
Basic salary	2 810 544	2 683 337
Cell phone allowance	235 020	248 040
Travelling allowance	936 848	894 446
	3 982 412	**3 825 823**

37.4 All other councillors

Allowances and service related benefits		
Basic salary	7 001 293	6 700 260
Cell phone allowance	1 202 362	1 274 923
Travelling allowance	1 192 714	1 123 312
	9 396 369	**9 098 495**

In kind benefits

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

The Executive Mayor and Speaker has use of a Council owned vehicle for official duties.

Salaries, allowances and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

Notes to the Annual Financial Statements

Figures in Rand		2025	2024

38. Depreciation, amortisation and impairment

Amortisation			
Intangible assets	14.1	35 543	38 250
Depreciation			
Investment property	11.1	709 478	918 152
Property, plant and equipment	12.1	129 225 067	142 667 274
		129 934 545	**143 585 426**
Impairment loss / (reversal) of impairment			
Investment property	11.1	30 415	(4 840 149)
Property, plant and equipment	12.1	10 281 229	17 640 830
Heritage assets	13.1	-	5 050
		10 311 644	**12 805 731**
Total		**140 281 732**	**156 429 407**

39. Debt impairment

Receivables from exchange transactions	4	19 987 807	25 025 376
Receivables from non-exchange transactions - property rates	5	2 937 553	4 379 272
Receivables from non-exchange transactions - availability charges	5	198 092	144 493
Fines	5	613 353	568 958
Total		**23 736 805**	**30 118 099**

40. Finance cost

40.1 Interest cost

Financial liabilities			
• Financial liabilities		25 643	121 835
Finance leases	15.1	1 333 151	-
Unwinding of provision for landfill sites	19	2 742 921	3 243 508
Overdue accounts	17.5	1 302	1 145
Total		**4 103 017**	**3 366 488**

41. Bulk purchases

Electricity: Eskom	123 787 840	106 176 124

42. Inventory consumed

Materials and supplies	19 184 202	15 768 303

Notes to the Annual Financial Statements

Figures in Rand		2025	2024

43. Contracted services

Consultants and professional services	43.1	22 080 391	17 093 380
Contractors	43.2	30 004 717	20 739 871
Outsourced services	43.3	952 046	1 503 272
Total		**53 037 154**	**39 336 523**

43.1 Consultants and professional services

Business advisory services		
Accounting and auditing	8 133 665	5 903 398
Audit committee	349 568	402 133
Business and financial management	6 682 767	7 633 276
Research and advisory	49 658	-
Valuer and assessors	-	274 978
Total business advisory services	**15 215 658**	**14 213 785**
Laboratory services		
Water	537 158	511 030
Legal services		
Collection	52 631	170 669
Legal advice and litigation	5 065 587	1 900 893
Total legal services	**5 118 218**	**2 071 562**
Infrastructure and planning services		
Town planner infrastructure and planning	1 209 357	297 003
Total consultants and professional services	**22 080 391**	**17 093 380**

43.2 Contractors

General services		
Artists and performers	10 000	9 000
Electrical	421 922	677 889
Employee wellness	39 882	-
Plants, flowers and other decorations	54 500	77 700
Safeguard and security	15 943 320	5 843 566
Transportation	68 770	241 949
Total general services	**16 538 394**	**6 850 104**
Maintenance services		
Maintenance of buildings and facilities	622 403	305 512
Maintenance of equipment	17 593	103 697
Maintenance of unspecified assets	12 826 327	13 480 558
Total maintenance service	**13 466 323**	**13 889 767**
Total contractor	**30 004 717**	**20 739 871**

43. Contracted services (continued)

43.3 Outsourced services

	2025	2024
Business and advisory services		
Human Resources	44 057	39 941
General services		
Burial Services	80 757	68 141
Catering Services	419 311	465 469
Cleaning Services	8 100	4 600
Hygiene Services	16 800	495 170
Meter Management	74 401	101 456
Transport Services	308 620	328 495
Total general services	**907 989**	**1 463 331**
Total outsourced services	**952 046**	**1 503 272**

44. Operational costs

	2025	2024
Achievements and Awards	-	475
Advertising, Publicity and Marketing	1 263 164	1 016 901
Bank Charges, Facility and Card Fees	1 132 680	951 881
Bursaries (Employees)	322 495	184 243
Commission	1 600 671	1 330 190
Communication	1 335 482	1 311 448
Courier and Delivery Services	5 766	696
Entertainment	388 557	232 280
Eskom Connection Fees	385 812	-
External Computer Service	7 329 107	6 296 666
Hire Charges	16 130 278	17 815 308
Insurance Underwriting	4 158 442	3 328 812
Licences	810 607	758 095
Printing, Publications and Books	357 679	494 338
Professional Bodies, Membership and Subscription	2 613 087	2 623 817
Registration and Training Fees	466 843	633 459
Remuneration to Ward Committees	2 062 385	2 054 000
Rewards Incentives	20 100	-
Skills Development Fund Levy	2 250 145	2 117 315
Small Differences Tolerances	136 787	-
Travel, Subsistence and Accommodation	1 827 057	1 583 658
Uniform and Protective Clothing	595 922	1 910 825
Vehicle Tracking	203 280	-
Wet Fuel	6 906 059	10 086 466
Workmen's Compensation Fund	2 019 747	1 771 564
Total	**54 322 152**	**56 502 437**

45. Operating leases

	2025	2024
Machinery and Equipment	352 679	-

Operating leases (as a lessee)

	2025	2024
Within one year	1 417 763	-
In second to fifth year inclusive	2 481 085	-
Total	**3 898 848**	**-**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

46. Net cash from/(used) operating activities

Surplus for the year	72 922 581	39 163 885
Adjustments for:		
Depreciation and amortisation	129 970 088	143 623 676
Bad debts written off	135 203 012	148 282 581
Actuarial gains / losses	(5 555 080)	(7 738 896)
(Gains) / Losses on disposal of assets	7 667 510	33 884 291
Fair value adjustment	(348 585)	(565 497)
Finance costs - employee benefits	8 403 747	8 463 245
Finance costs - provisions	2 742 921	3 243 508
Impairment losses	34 048 449	42 923 830
Employee benefit movement	26 501	173 285
Movement in working capital		
(Increase) / Decrease in receivables from non-exchange transactions	(19 980 207)	(15 942 005)
(Increase) / Decrease in inventory	(1 963 651)	425 160
(Increase) / Decrease in receivables from exchange transactions	(186 328 389)	(190 984 771)
(Increase) / Decrease in consumer deposits	65 868	4 080
(Increase) / Decrease in VAT receivable	(12 523 713)	2 363 123
Increase / (Decrease) in trade and other payables	12 494 614	22 128 038
Increase / (Decrease) in unspent conditional grants and receipts	(7 538 447)	(18 984 273)
Increase / (Decrease) in other financial assets	(124 471)	(197 860)
Net cash flows from operating activities	**169 182 748**	**210 265 400**

Figures in Rand	2025	2024

47. Contingent liabilities

MM. Masisi Former CFO claiming breach of contract. The matter is pending. On the 13th of May 2021, the Municipality received a settlement offer of R735 060 plus an annual interest of 10.25%, and a list of admissions, from Ms. Masisi’s attorneys Cowan Harper Madikizela, however, the Municipality has rejected the settlement offer and has opted to proceed with defending the matter in court, due to the Municipality’s prospects of success as advised by counsel in the matter. The matter is still pending, awaiting a court date.	3 788 206	3 788 206
Linomtha The contractor is disputing the claims paid to him for the work done on the project Van Soelen Sewer Line. The matter is still pending.	5 213 566	5 213 566
Moolmanshoek Private Game Reserve Pothole claim. The Municipality received a letter of demand on the 24th of March 2025, demanding an amount of R26 375.25 for damages allegedly suffered after colliding with a pothole on McCabe Street in Ficksburg. The matter is still pending.	26 375	-
VR. Keikabile Pothole claim. The Municpality received a letter of demand on the 4th of March 2025, whereby the claimant demanded an amount of R31 881.30 for damages suffered after driving through a pothole on the R708 road in Moemaneng, Free State. The matter is still pending.	31 881	-
King Price Insurance o.b.o Justin Chaka The Municipality received a letter of demand from King Price Insurance dated the 21st of May 2025, wherein the insurers are claiming an amount of R14 993.35 for damages to the insured’s vehicle, allegedly as a result of a pothole on Bloem Street & Church Street, Ficksburg. The matter is still pending.	14 993	-
H. Browne A letter of demand was served on the Municipality on 26 February 2025 demanding an amount of R7297.45 for vehicle damages suffered after colliding with a large pothole in Ficksburg. The matter is still pending.	7 297	-
Van Den Berg - Senekal A letter of demand dated 28 May 2024 was served on the Municipality on 27th of February 2025 demanding an amount of R4200.00 for vehicle damages suffered after colliding with a Pothole in Senekal. The matter is still pending.	4 200	-
J. Smith Collision between a municipal vehicle and the claimant's insured vehicle, the claimant is demanding compensation for damages. The letter of demand was handed over to the Department of Engineering Services for investigation, a third-party claim has been submitted to the Municipality's insurers for assessment. The matter prescribed.	-	38 252

Figures in Rand	2025	2024
47. Contingent liabilities (continued)		
T. Lithakong Damaged electrical appliances (AEG Double oven stove, AEG electric hob, HITACHI side by side double door fridge, Hisense dishwasher) due to maintenance which took place on the 5th of January 2022. Claim submitted to Department of Engineering Services for investigation, and they indicated that the electricians were correcting a neutral line which was going live. Legal Services are awaiting further reports on whether any damages were reported to the electricians on site on the day in question. The matter prescibed.	-	44 500
Louis Fourie Claim to fire damages, causing damage and destroying 80 000 rose trees. Weed guard (100) at a cost of R4 000 per unit. Gyro Gardener Greenhouse. 80 000 Mini Sprinklers at a cost of R35.00 per unit. Poles, Pipes & fencing, joints and taps amounting to R50 000. Netting Drip irrigation, water tanks & plastic canvas. 77 hectares of field destroyed due to the fire. Loss of income over four consecutive years at an income of R300 000 per year. The claim was submitted to the Department of Development Planning and Social Security for investigation, and claim has been submitted to the Municipality's insurers. This claim was repudiate by Guard risk Insurance on the grounds that their investigations concluded that the alleged fire did not originate from the Municipality's landfill site. The insurers advised the Municipality to inform them in the event that the claimant institutes legal action against the Municipality. Legal Services was informed by the Manager - Expenditure on the 19th of April 2024 to this effect. The matter is still pending.	13 496 359	13 496 359
A. Gobey Mr. Gobey's letter of demand was received on the 13th of September 2022 from his attorneys N.O Oelofse, demanding an amount of R20 815.00 for damages allegedly suffered in an accident on Voortrekker Street in Senekal on the 29th of August 2022. Proposed settlement letter of R13 000 was sent to the MM's office for perusal. They are awaiting more information pertaining to the alleged accident. The matter was settled.	-	20 815
Dupas Panelbeaters On the 26th of June 2023 the Municipality was served with a combined summons from the lawyers representing Dupas Panelbeaters, claiming an amount of R968 053 for repairs and maintenance done to Municipal vehicles during the period 2 September 2022 to 10 May 2023. The claimants sought relief for the full amount in the Free State High Court to recover the remaining amount. Despite receiving payment of R653 745, the claimants have not withdrawn their court action against the Municipality. A letter of demand was served on the Municipality on the 10th of November 2023 demanding an amount of R403 480.00 for storage services for municipal vehicles for the period 18 August 2020 to 19 September 2023. The letter also gave the Municipality a notice to the Municipality of intended legal action if payment is not effected immediately. The Municipality has appointed Phatshoane Henney Attorneys to defend the Municipality in the matter. An investigation report from the Government Garage indicated that the claimed repairs were effected and as such, the Municipality should effect payment of the remaining amount. The matter is still pending.	800 000	968 053
Denis Pule Motloung The plaintiff is claiming an amount of R21 774.49 for motor vehicle damages for colliding with a pothole on McCabe Street in Ficksburg on the 13th of May 2022. Mukhawana Attorneys have been appointed to represent the Municipality in the matter. An application for rescission of judgement was lodged after a default judgement was granted against the Municipality without the matter being set down for hearing in the Ficksburg Magistrates' Court. The matter is pending, awaiting trial.	21 775	21 775

Figures in Rand	2025	2024

47. Contingent liabilities (continued)

Gwabeni Incorporated Gwabeni Incorporated are demanding an amount of R339 628.00 for legal services rendered to the Municipality in 2021 when they were appointed by the Executive Mayor at the time to represent the Municipality in disciplinary proceedings against the Municipal Manager at the time. The matter is outstanding, awaiting approval from the Municipal Manager for payment of the invoice. Legal Services provided a report to the Director Corporate Services and the Municipal Manager recommending that payment be made to settle the matter, as Gwabeni Incorporated did render the legal services as requested.	339 628	339 628
Johan Rautenbach The claimant is demanding an amount of R18 900 for electrical appliances damaged as a result of an electrical surge which occurred at 61 Voortrekker Street in Ficksburg on the 25th of January 2023. Investigations by the Electricity Division revealed that the electrical meter box caught fire due to the mains cable in the box started burning, after the earth got live from the fault on the overhead line nearby. That created a surge on the supply to the mentioned house, causing damage to electrical equipment. The Manager: Electricity advised that the Municipality is liable for the damages. The Municipal Manager has requested a detailed report from the Manager Electricity to enable her to decide on the matter. The claim was not covered by the insurance as it fell within the access amount payable by the Municipality. The matter was settled for an amount of R13 500.	-	18 900
S. Kunene On the 22nd of November 2023, an email was received by Legal Services from the PMU Manager Mr. Kunene claiming an amount of R220 908.55 for legal costs allegedly incurred in the TML criminal case. No proof of payments were submitted, but an SLA allegedly entered into between Mr. Kunene and his attorneys, Tshepo Thusi Incorporated, on the 29th of April 2021. The matter was tabled before a Special Council meeting held on the 27th of June 2024 and Legal Services is awaiting the minutes from the Admin Division. The matter is still pending.	220 909	220 909
J.E.D.V Lynch A letter was received by the Municipality on the 15th of September 2023 demanding an amount of R2 000 000 from the Municipality for malicious prosecution after Mr. Lynch, a former contract employee of the Municipality, was criminally charged for acts or omissions allegedly committed during the exercise of his duties as the Manager: Supply Chain at the Municipality. The matter was discharged on the 9th of February 2023 in terms of section 174 of the Criminal Procedure Act 51 of 1977. The matter was tabled before a Special Council meeting held on the 27th of June 2024 and Legal Services is awaiting the minutes from the Admin Division. The matter is still pending.	2 000 000	2 000 000
A. Nonstimi A letter was received from Ms. Nontsimi on the 22nd of August 2023 for the reimbursement of R42 000 spent on legal costs after she was criminally charged for acts or omissions allegedly committed during the exercise of her duties whilst employed by the Municipality. The matter was discharged on the 9th of February 2023 in terms of section 174 of the Criminal Procedure Act 51 of 1977. The matter was tabled before a Special Council meeting held on the 27th of June 2024 and Legal Services is awaiting the minutes from the Admin Division. The matter was settled.	-	42 000
R. Buys On the 15th of September 2023, a letter was received by the Municipality from Van Breda & Herbst Attorneys on behalf of their client, Ms. Ralda Buys, claiming an amount of R29 216,67 for vehicle damages suffered after colliding with a large pothole in Piet My Vrou Street, Ficksburg. The claim was submitted to the Roads Manager for investigation and he requested further supporting documentation from the claimant. The information was requested from the claimant's attorneys and to date, no information has been received. The matter is still pending.	29 217	29 217

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47. Contingent liabilities (continued)

M.D Lesesa The claimant is demanding an amount of R400 000,00 plus 10.5% interest and costs of suit, from the Municipality for the loss of his cattle which were allegedly impounded on the 13th of April 2022 as they were allegedly on a neighbouring property. The Municipality is defending the matter, an instruction was issued on the 23rd of November 2023 for Mukhawana Attorneys to file a notice of intention to oppose the matter on behalf of the Municipality. The matter is still pending.	400 000	400 000
Shitolo Waste The contractor was appointed by the municipality for the suction of septic tanks. The municipality is disputing the number of loads completed by the contractor as per their invoice. The matter is still pending.	600 000	402 672
ISA and Partners The contractor provided consulting and engineering services with regards to wastewater and reticulation. There is a dispute with regards to the terms and nature of the contracts, the termination of the relationship between the parties, as well as outstanding amounts for services rendered. The matter is still pending.	7 000 000	7 000 000
Mary Yzel Mary Yzel brought an interdict in terms of the Domestic Violence Act, to prohibit and interdict the Municipality from disconnecting her electricity supply. This interdict was brought against the Municipal employees in their personal capacities but the relief sought is against the Municipality. The matter is still pending.	50 000	-
AM Daisi AM Daisi instituted a delictual claim against the municipality for the loss of a breadwinner. The breadwinner allegedly got into an accident on a road that allegedly belongs to the municipality, which the municipality allegedly failed and/or neglected to maintain. The claim against the municipality is for R1 000 000 together with interest.	1 500 000	1 500 000
DK Dilore Julia obo M Dilore DK Julia instituted a delictual claim against the municipality on behalf of her minor child for the loss of a breadwinner. The breadwinner allegedly got into an accident on a road that allegedly belongs to the municipality, which the municipality allegedly failed and/or neglected to maintain. The claim against the municipality is for R1 000 000 together with interest.	1 500 000	1 500 000
Investigation Director Technical Services The municipality instructed the Phatsoane Henny to investigate whether there is a prima facie case against the Director of Technical Services, on the basis that he allegedly gave approval for the commencement of the trenching and installation of optical fibre on behalf of the municipality without authorisation and/or delegated powers. The investigation was completed. An amount of R270 176.20 was paid for services rendered.	-	400 000
SAMWU OBO M Majorobela SAMWU has approached the Labour Courton behalf of its member, Ms M Majorobela and sought to review and set aside the findings and sanction of in respect of Mr Motsima's disciplinary hearing. The municipality opposed the review application. The matter was heard at the Labour Court on Tuesday, 25 June 2024. Judgment was reserved. The matter was settled an amount of R301 460.44 was paid.	-	300 000
Johan Olivier A summons dated the 19th of January 2023 was served on the municipality, to the amount of R129 795 for vehicle damages as a result of driving into a hollow pothole on the main road between Ficksburg and Clocolan on the 4th of November 2021. The matter is still pending.	250 000	129 795

Figures in Rand	2025	2024
47. Contingent liabilities (continued)		
DJ. and FT. Qhobosheane The plaintiffs are seeking an order to have the Deed of Sale concluded between the Municipality and N.M.A and M.C Lithebe set aside. The matter is still pending.	250 000	250 000 *
DT. Marotholi Mr. Marotholi was suspended by the Municipality pending conclusion of the internal disciplinary hearing. Mr. Marotholi subsequently referred an unfair labour practice dispute to the CCMA for upliftment of the suspension and compensation. The matter is still pending.	1 311 987	-
Brits and 2 others Brits and 2 others have brought an application against the Municipality to compel the Municipality issue rates clearance figures to the Applicants in respect of the properties known and described as Erf 1179, 1178 and 1189, Senekal, Extension 30. The matter is still pending.	300 000	-
	39 156 393	**38 124 647**

* The amount of R250 000 for the 2023/2024 financial year with regards to DJ. and FT. Qhobosheane was not disclosed in the 2023/2024 financial year due to an error.

48. Contingent assets

	2025	2024
Bastian Finance and Sharp Connect Civil Claim for R208 280.30 for unauthorised and illegal deduction from the municipal account after the services of Sharp Connect were terminated in July 2015. Matter pending. Ponoane Attorneys are still in the process of locating Bastian Finance to recover the amount, but have, as at 30 June 2021, remained unsuccessful. The matter is still pending.	208 280	208 280
Senekal Motor Ingenieurs BK Service Provider claims for motor repair services and the case is likely to be in the favour of the municipality. The matter is still pending.	40 908	40 908

Notes to the Annual Financial Statements

49. Related party disclosures

49.1 Nature of related party relationships

Related entities	Vrede Marina Home Owners Association : Reg number 2017/485309/08 (Director : NF Malatjie - Municipal Manager)
	KNTLD Trading : Reg number 2007/038077/23 (Member : NL Moletsane - CFO)
	MDJ Entertainment : Reg number 2009/020357/23 (Member : NL Moletsane - CFO)
	Mhlekazi Investment Holdings : Reg number 2021/496181/07 (Director : NL Moletsane - CFO)
	Mhlekazi Investments : Reg number 2025/501705/07 (Director : NL Moletsane - CFO)
	Bright Idea Project 2397 : Reg number 2009/201765/23 (Member : TP Motsima - Director DCS)
	Lindiwe Makhalema Foundation : Reg number 2019/362236/08 (Director : TP Motsima - Director DCS)
	Motjha Iketsetse Trading : Reg number 2006/044703/23 (Member : TP Motsima - Director DCS)
	Motsima Trading : Reg number 2006/214460/23 (Member : TP Motsima - Director DCS)
	Phatsima Suppliers : Reg number 2006/038397/23 (Member : TP Motsima - Director DCS)
	Phatsimo Security Services : Reg number 2006/180316/23 (Member : TP Motsima - Director DCS)
	Big Brothers Trading : Reg number 2006/082498/23 (Member : TP Motsima - Director DCS)
	Tshepiso Flying Pest Control and Contractors : Reg number 2006/192177/23 (Member : TP Motsima - Director DCS)
	Dilemopumo Enterprise : Reg number 2014/1091150/07 (Director : DT Marotholi - Director DTS)
	Marotholi Education Trust : Reg number 2017/016405/08 (Director : DT Marotholi - Director DTS)
	Phasa and Marotholi Consortium : Reg number 2016/246450/07 (Director : DT Marotholi - Director DTS)

Notes to the Annual Financial Statements

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49. Related party disclosures (continued)

Pinnacle Investment Holdings : Reg number 2016/251973/07 (Director : DT Marotholi - Director DTS)

TA Group : Reg number 2016/225535/07 (Director : DT Marotholi - Director DTS)

Goleratong : Reg number 2016/061431/07 (Director : MAB Mosima - Director Community Services)

Molatelo Green Technologies : Reg number 2010/112686/23 (Member : MAB Mosima - Director Community Services)

No business was conducted with any of the above mentioned companies by Setsoto Local Municipality.

50. Change in estimate

The useful lives of all asset classes were adjusted during 2025 to more accurately reflect the period of economic benefits or service potential derived from these assets. The effect of changing the remaining useful life of assets for the municipality during 2025 are as follows:

Increase / (Decrease) in depreciation per asset class:		
Property, plant and equipment	845 392	(30 365 638)
Investment property	-	(5 808 559)
Intangible assets	(2 615)	(36 779)
	842 777	**(36 210 976)**

51. Unauthorised, irregular, fruitless and wasteful expenditure

51.1 Unauthorised expenditure

Opening balance as previously reported	852 243 964	774 012 578
Add: Unauthorised expenditure – current	-	78 231 386
Less: Amounts written-off – prior period	(664 402 230)	-
Closing balance	**187 841 734**	**852 243 964**

An amount of R187 841 734 was written off on 30 October 2025.

Figures in Rand		2025	2024

51. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

51.2 Irregular expenditure

Opening balance as previously reported	222 881 089	355 221 176
Correction of prior period error	-	58 100
Opening balance as restated	**222 881 089**	**355 279 276**
Add: Irregular expenditure - current	2 048 599	9 973 939
Less: Amounts written-off – current	(785 465)	(4 238 352)
Less: Amounts written-off – prior period	(17 114 184)	(138 133 774)
Closing balance	**207 030 039**	**222 881 089**

Incident	Disciplinary steps/criminal proceedings		
Expenditure items identified where the SCM processes and procedures were not followed		1 076 785	9 719 900
Procurement without competitive bidding		971 814	254 039
Total		**2 048 599**	**9 973 939**

Payments to be recouped:		
Opening balance	191 967	191 967

Correction of error details:		
Balance as previously reported	-	355 221 176
Add: Additional irregular expenditure identified	-	58 100
	-	**355 279 276**

The irregular amounts disclosed above are exclusive of VAT.

An amount of R66 714 232 was written off on 30 October 2025.

51.3 Fruitless and wasteful expenditure

Opening balance as previously reported	1 715 825	3 284 215
Add: Fruitless and wasteful expenditure – current	4 613	12 571
Less: Amounts written-off – current	(186)	(11 717)
Less: Amounts written-off – prior period	-	(1 569 244)
Closing balance	**1 720 252**	**1 715 825**

Details of fruitless and wasteful expenditure:		
Payments made on interest and penalties	2 073	2 352
Other payments	2 540	10 219
Total	**4 613**	**12 571**

The fruitless and wasteful amounts disclosed above are exclusive of VAT.

An amount of R3 397 was written off on 30 October 2025.

52. Councillor's municipal accounts in arrears

30 June 2024

	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor SM Constable	1 972	16 920	18 892
Councillors J Coetzee	3 297	85	3 382
Councillor SS Fuso	3 020	21 436	24 456
Councillor TS Manako	2 432	11 723	14 155
Councillor LE Mohanoe	2 250	18 338	20 588
Councillor MJ Mokhobo	2 438	26 180	28 618
Councillor ME Letube	2 567	22 001	24 568
Councillor TP Motsoane	1 890	2 114	4 004
Councillor MA Ponya	2 021	3 335	5 356
Councillor LD Thamae	3 778	3 610	7 388
Councillor JM Janssonius	-	8 164	8 164
	25 665	**133 906**	**159 571**

30 June 2025

	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor SS Fuso	2 738	8 209	10 947
Councillor PJ Vermeulen	7 185	2 316	9 501
Councillor TS Manako	2 349	4 063	6 412
Councillor ME Letube	2 756	24 065	26 821
Councillor PA Ramohlokoane	2 685	27 388	30 073
	17 713	**66 041**	**83 754**

Figures in Rand	2025	2024

52. Councillor's municipal accounts in arrears (continued)

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

30 June 2024

	Highest amount outstanding	Ageing in days
Councillor SM Constable	18 892	605
Councillor J Coetzee	3 381	94
Councillor SS Fuso	24 456	618
Councillor TS Manako	14 155	508
Councillor LE Mohanoe	20 588	692
Councillor MJ Mokhobo	28 618	1 051
Councillor TP Motsoane	4 003	182
Councillor TI Mthimkhulu	38 941	178
Councillor MA Ponya	5 356	228
Councillor LD Thamae	7 388	167
Councillor ME Letube	24 568	893
	190 346	**5 216**

30 June 2025

	Highest amount outstanding	Ageing in days
Councillor PA Ramohlokoane	30 073	257

*Due to an error, Councillor MJ Maleke was included in the 2023/2024 disclosure figures. This error was corrected.

53. Deviations from SCM regulations - SCM Regulation 36

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 financial statements.

Various goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the normal procurement processes as required by paragraph 12(1) of the same gazette. 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. These deviations were recorded and reported to the meeting of council.

Deviation summary listing:

	2025	2024
Emergency cases	3 068 508	10 741 570
Sole / limited provider	383 593	604 511
Impractical to follow SCM process	2 713 704	3 157 781
Technical nature of the service	4 562 820	1 471 835
Total amount approved by the accounting officer and noted by council	**10 728 625**	**15 975 697**

Notes to the Annual Financial Statements

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54. Awards to close family members - SCM Regulation 45

Awards to close family members of persons in the service of Setsoto Local Municipality

Supplier name	**Employee name**	**Relationship**	**Department**	2025	2024
ETS Investments	T. Monyane	Close family relation	Archive clerk	12 350	-
Lira Transport	MP. Lira	Close family relation	Asset clerk	-	10 400
Dupas Panelbeaters and Trading	LK. Sehlabaka	Close family relation	Messenger	125 728	653 745
Bosamadula	MA. Makelefane	Close family relation	Operator water works	-	91 425
Lechabile	F. Mahlasane	Close family relation	Operator roads and stormwater	-	8 400
Manthoto Enterprise	K. Qacha	Close family relation	Traffic officer	64 062	111 922
Matselane Monyane	T. Monyane	Close family relation	Archive clerk	-	16 500
Mthembana Construction	S. Melithafa / H. Masasane	Close family relation	Human resource advisor / Process controller	38 400	8 450
				240 540	**900 842**

Figures in Rand	2025	2024

55. Additional disclosures in terms of the Municipal Finance Management Act

	SALGA contributions	Audit fees	PAYE	UIF	Pension	Medical aid
As at 30 June 2025						
Opening balance	-	89 549	2 520 420	218 182	3 033 603	-
Subscription/fees	2 434 343	9 541 594	33 599 174	2 651 258	38 077 519	35 111 101
Amount paid – current year	(2 434 343)	(6 513 991)	(33 234 854)	(2 651 221)	(37 930 989)	(32 063 151)
Amount paid – current year - Provincial Treasury	-	(2 625 545)	-	-	-	-
Credit notes	-	(1 579)	-	-	-	-
Total	**-**	**490 028**	**2 884 740**	**218 219**	**3 180 133**	**3 047 950**

	SALGA contributions	Audit fees	PAYE	UIF	Pension	Medical aid
As at 30 June 2024						
Opening balance	-	1 977	2 094 583	213 696	2 829 699	2 462 162
Subscription/fees	2 455 012	6 789 678	29 473 739	2 629 206	36 188 979	32 379 938
Amount paid – current year	(2 445 012)	(6 700 129)	(29 047 902)	(2 624 720)	(35 985 075)	(34 842 100)
Credit notes	(10 000)	(1 977)	-	-	-	-
Total	**-**	**89 549**	**2 520 420**	**218 182**	**3 033 603**	**-**

Amounts are disclosed inclusive of VAT where applicable.

Non-compliance with the Municipal Finance Management Act

Creditors were not paid within 30 days as per the requirements of the MFMA due to cash-flow constraints and resulted in fruitless and wasteful expenditure being incurred in certain instances.

The municipality incurred irregular expenditure as a result of non-compliance with the relevant legislation governing procurement.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

55. Additional disclosures in terms of the Municipal Finance Management Act (continued)

Reticulation (Distribution) losses - Electricity

The implementation of prepaid electricity meters contributed positively to the decrease in electricity losses.

The prescribed norm from National Treasury for electricity losses is estimated to be between 7% and 10%.

Estimated electricity losses suffered by the municipality for the year under review are as follows:

Estimated electricity losses	11 512 349	7 732 477
Percentage losses	8 %	6 %

Reticulation (Distribution) losses - Water

Estimated water losses included distribution to townships with unmetered water.

The prescribed norm from National Treasury for water losses is estimated to be between 15% and 30%.

Estimated water losses suffered by the municipality for the year under review is as follows:

Estimated water losses	14 195 736	25 831 827
Percentage losses	24 %	48 %

Skills development levies

Opening balance	172 639	158 561
Current year subscriptions / fee	2 249 960	2 110 246
Amount paid	(2 237 302)	(2 096 168)
	185 297	**172 639**

56. Capital commitments

Commitments in respect of capital expenditure:

Approved and contracted for:		
Property, plant and equipment	207 305 838	210 972 183

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

57. Going concern

We draw attention to the fact that at 30 June 2025, the municipality current assets (R392 288 707) exceeded its current liabilities (R163 926 642) with R228 362 065. The municipality further generated an operating surplus of R72 922 581 for the year and had net assets of R2 738 680 373. The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Current ratio (norm - 2 : 1)	2.3	2.0
Creditors days (norm - 30 days or less)	111 days	124 days
Debtors collection rate (norm - 30 days)	286 days	254 days

58. GRAP 3 adjustments

The following restatements and adjustments occurred which are set out below:

58.1 Adjustments of Statement of financial performance items

2024

	Note	As previously reported	Correction of error	Re-classification mSCOA	Restated
Revenue					
Exchange revenue					
Services charges – Electricity	23	(103 638 778)	-	-	**(103 638 778)**
Services charges – Waste management	23	(46 379 604)	-	-	**(46 379 604)**
Services charges – Waste water management	23	(35 569 353)	-	-	**(35 569 353)**
Services charges – Water management	23	(79 309 309)	-	-	**(79 309 309)**
Sale of goods and rendering of services	25	(1 937 376)	-	-	**(1 937 376)**
Interest earned from receivables	29	(50 952 393)	(1 620 454)	-	**(52 572 847)**
Interests on investments	28	(12 593 816)	-	-	**(12 593 816)**
Dividends	30	(80 975)	-	-	**(80 975)**
Rental on land	26	(1 685 655)	-	-	**(1 685 655)**
Rent from facilities and equipment	27	(106 811)	-	-	**(106 811)**
Operational revenue	34	(2 392 890)	-	-	**(2 392 890)**
		(334 646 960)	**(1 620 454)**	**-**	**(336 267 414)**
Non-exchange revenue					
Availability charges – Electricity	24	(319 572)	(637 956)	-	**(957 528)**
Availability charges – Water management	24	(702 411)	(132 391)	-	**(834 802)**
Availability charges – Waste water management	24	(442 871)	(69 427)	-	**(512 298)**
Property rates	22	(71 494 816)	-	-	**(71 494 816)**
Fines, penalties and forfeits	31	(851 850)	-	-	**(851 850)**
Licences or permits	32	(89 843)	-	-	**(89 843)**
Transfers and subsidies – Operational	33	-	-	(255 844 017)	**(255 844 017)**
Transfers and subsidies – Capital	33	-	-	(209 219 269)	**(209 219 269)**
Interest earned from receivables	29	(6 929 480)	(2 583 627)	-	**(9 513 107)**
Transfers and subsidies	33	(465 063 286)	-	465 063 286	**-**
		(545 894 129)	**(3 423 401)**	**-**	**(549 317 530)**
Total revenue		**(880 541 089)**	**(5 043 855)**	**-**	**(885 584 944)**
Expenditure					
Employee related cost	36	238 503 488	3 798 936	-	**242 302 424**
Remuneration of councillors	37	14 740 876	-	-	**14 740 876**
Bulk purchases	41	106 176 124	-	-	**106 176 124**
Inventory consumed	42	16 004 265	(235 962)	-	**15 768 303**
Debt impairment	39	27 939 835	2 178 264	-	**30 118 099**
Depreciation, amortisation and impairment	38	156 149 653	279 754	-	**156 429 407**
Finance cost	40	3 565 516	(199 028)	-	**3 366 488**
Contracted services	43	41 147 030	(1 810 507)	-	**39 336 523**
Transfers and subsidies		79 003	-	-	**79 003**
Irrecoverable debts written off		149 479 854	(1 197 273)	-	**148 282 581**
Operational costs	44	56 601 240	(98 803)	-	**56 502 437**
Fair value adjustments and losses on disposal of assets	35	33 318 794	-	-	**33 318 794**
Total expenditure		**843 705 678**	**2 715 381**	**-**	**846 421 059**
Surplus for the year		**(36 835 411)**	**(2 328 474)**	**-**	**(39 163 885)**

58. GRAP 3 adjustments (continued)

58.2 Adjustments of Statement of financial position items

2024

	Note	Previously reported	Correction of error	Re-classification mSCOA	Re-classification	Restated
Assets						
Current assets						
Cash and cash equivalents	3	57 062 518	-	-	-	**57 062 518**
Receivables from exchange transactions	4	263 043 292	(50 765 746)	-	-	**212 277 546**
Receivables from non-exchange transactions	5	69 936 113	216 327	-	-	**70 152 440**
Inventory	8	3 225 249	-	-	-	**3 225 249**
VAT Receivable	6	84 399 944	(274 158)	82 861 349	(157 835 451)	**9 151 684**
Deposits	7	-	-	3 968 525	-	**3 968 525**
Other current assets	9	4 292 998	-	(3 968 525)	-	**324 473**
		481 960 114	**(50 823 577)**	**82 861 349**	**(157 835 451)**	**356 162 435**
Non-current assets						
Other financial assets	10	4 723 333	-	-	-	**4 723 333**
Investment property	11	71 891 310	-	-	-	**71 891 310**
Property, plant and equipment	12	2 501 509 213	4 166 170	-	-	**2 505 675 383**
Heritage assets	13	12 094 650	-	-	-	**12 094 650**
Intangible assets	14	95 200	-	-	-	**95 200**
		2 590 313 706	**4 166 170**	**-**	**-**	**2 594 479 876**
Total assets		**3 072 273 820**	**(46 657 407)**	**82 861 349**	**(157 835 451)**	**2 950 642 311**
Liabilities						
Current liabilities						
Financial liabilities	15	(2 709 387)	-	-	-	**(2 709 387)**
Consumer deposits	16	(3 190 178)	-	-	-	**(3 190 178)**
Payables from exchange transactions	17	(130 735 885)	3 278 392	-	-	**(127 457 493)**
Unspent grants	18	(30 018 267)	8 979 260	-	-	**(21 039 007)**
Provisions and other employee liabilities	19	(1 559 102)	(348 220)	-	-	**(1 907 322)**
VAT Payable	20	-	(86 839 115)	(82 861 349)	157 835 451	**(11 865 013)**
Post-retirement health care benefit liability	21	(1 978 951)	-	-	-	**(1 978 951)**
		(170 191 770)	**(74 929 683)**	**(82 861 349)**	**157 835 451**	**(170 147 351)**
Non-current liabilities						
Financial liabilities	15	(12 337 978)	-	-	-	**(12 337 978)**
Provisions and other employee liabilities	19	(47 862 128)	(3 450 716)	-	-	**(51 312 844)**
Post-retirement health care benefit liability	21	(51 086 357)	-	-	-	**(51 086 357)**
		(111 286 463)	**(3 450 716)**	**-**	**-**	**(114 737 179)**
Total liabilities		**(281 478 233)**	**(78 380 399)**	**(82 861 349)**	**157 835 451**	**(284 884 530)**
Community Wealth / Equity						
Accumulated surplus		(2 790 795 587)	127 366 269	-	-	**(2 663 429 318)**
Accumulated surplus - profit/loss movement		-	(2 328 474)	-	-	**(2 328 474)**
Total Community Wealth / Equity		**(2 790 795 587)**	**125 037 795**	**-**	**-**	**(2 665 757 792)**

58. GRAP 3 adjustments (continued)

58.3 Adjustments of Cash flow statement items

2024

	Note	Previously reported	Correction of error	Restated
Cash flows from operating activities				
Receipts				
Property rates and availability		59 396 963	5 827 463	**65 224 426**
Sale of goods and services		75 536 935	47 846 198	**123 383 133**
Other receipts		6 637 735	(197 860)	**6 439 875**
Grants		446 079 013	-	**446 079 013**
Fines, penalties and forfeits		851 850	(662 510)	**189 340**
Interest		70 324 562	(31 880 126)	**38 444 436**
Dividends		80 975	-	**80 975**
		658 908 033	**20 933 165**	**679 841 198**
Payments				
Employees		(259 221 010)	-	**(259 221 010)**
Suppliers		(189 205 870)	(56 016 041)	**(245 221 911)**
Finance costs		(322 008)	199 028	**(122 980)**
VAT		755 774	34 234 329	**34 990 103**
		(447 993 114)	**(21 582 684)**	**(469 575 798)**
Net cash from(used) operating activities		**210 914 919**	**(649 519)**	**210 265 400**
Cash flows from investing activities				
Receipts				
Proceeds on disposal of fixed and intangible assets		195 606	46 745	**242 351**
Payments				
Capital assets		(219 435 653)	602 774	**(218 832 879)**
Net cash flows from investing activities		**(219 240 047)**	**649 519**	**(218 590 528)**
Cash flows from financing activities				
Payments				
Decrease in borrowing long-term		(819 885)	-	**(819 885)**
Net cash flows from financing activities		**(819 885)**	**-**	**(819 885)**
Net increase/ (decrease) in cash		**(9 145 013)**	**-**	**(9 145 013)**
Cash and cash equivalents at the beginning of the year		66 207 531	-	**66 207 531**
Cash and cash equivalents at the end of the year		57 062 518	-	**57 062 518**
Net increase/ (decrease) in cash		**(9 145 013)**	**-**	**(9 145 013)**

58. GRAP 3 adjustments (continued)

58.4 Correction of errors

The following prior period errors adjustments occurred:

Error 1 - Orders accruals deleted and reversed

During the current financial year management found orders that were incorrectly accrued during the 2023/2024 financial year. This was corrected.

The effect is as follows:

Effect of error		
(Decrease) in contracted services - contractors - maintenance of buildings and facilities	-	(21 700)
(Decrease) in contracted services - contractors - maintenance of unspecified assets	-	(1 301 283)
(Decrease) in contracted services - contractors - maintenance of equipment	-	(1 770)
(Decrease) in inventory consumed	-	(235 962)
(Decrease) in operational costs - advertising	-	(6 000)
(Decrease) in operational costs - hire charges	-	(5 200)
(Decrease) in operational costs - professional bodies, memberships and subscriptions	-	(28 018)
(Decrease) in operational costs - uniforms	-	(59 585)
Decrease in payables from exchange transactions - payables and accruals	-	1 878 076
(Decrease) in VAT receivable	-	(218 558)
	-	**-**

Error 2 - VAT

During the current financial year management reviewed the VAT general ledger and reconciliations. Errors were identified between the general ledger and the recalculated balances. This was corrected.

The effect is as follows:

Effect of error		
Increase in VAT receivable	-	88 765
Decrease in accumulated surplus	-	84 619 511
(Decrease) in irrecoverable debt write off	-	(1 228 868)
(Increase) in VAT payable	-	(83 479 408)
	-	**-**

Error 3 - Availability charges

During the current financial year properties were identified which were not charged for availability charges, this error was corrected.

The effect is as follows:

Nature of error		
(Increase) in revenue from non-exchange transactions - availability charges - electricity	-	(637 956)
(Increase) in revenue from non-exchange transactions - availability charges - water	-	(132 391)
(Increase) in revenue from non-exchange transactions - availability charges - waste water management	-	(69 427)
Increase in receivables from non-exchange transactions - electricity	-	1 375 567
Increase in receivables from non-exchange transactions - water	-	290 562
Increase in receivables from non-exchange transactions - waste water management	-	152 833
(Increase) in VAT payable	-	(237 256)
(Increase) in accumulated surplus	-	(741 932)
	-	**-**

Figures in Rand	2025	2024

58. GRAP 3 adjustments (continued)

Error 4 - Creditor accrual

During the current financial year it was noted that an accrual was incorrectly raised in the 2023/2024 financial year for the Department of water. This accrual was reversed.

The effect is as follows:

Nature of error		
Decrease in payables from exchange transactions - payables and accruals	-	419 825
(Decrease) in VAT receivable	-	(12 343)
Decrease in contracted services - consultants and professional services - water	-	(208 454)
Decrease in finance costs - overdue accounts	-	(199 028)
	-	**-**

Error 5 - Advance payments - consumers

Differences were identified between the amounts processed in the 2024/2025 financial year for the correction of the 2023/2024 payments in advance - consumer transactions, and the journal processed in the 2023/2024 financial year for this correction. The difference was corrected.

The effect is as follows:

Nature of error		
Increase in irrecoverable debts written off	-	31 595
(Increase) in payables from exchange transactions - payments in advance	-	(31 595)
	-	**-**

Error 6 - Long service awards liability

During the 2023/2024 financial year there were changes made to the benefit structure payments, which resulted in a change in the long service awards liability.

The effect is as follows:

Effect of error		
(Increase) in provisions and other employee benefits - long service awards - non current portion	-	(3 450 716)
(Increase) in provisions and other employee benefits - long service awards - current portion	-	(348 220)
Increase in employee costs - contribution to provision post-retirement benefit - long service	-	3 798 936
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

58. GRAP 3 adjustments (continued)

Error 7 - Creditor accrual

During the current financial year it was noted that an accrual was incorrectly raised in the 2023/2024 financial year for the Shitole waste. The amount is being disputed and included under contingent liabilities. This accrual was reversed.

The effect is as follows:

Effect of error		
Decrease in payables from exchange transactions - payables and accruals	-	318 895
(Decrease) in VAT receivable	-	(41 595)
(Decrease) in contracted services - outsourced services - hygiene	-	(67 435)
(Decrease) in contracted services - outsourced services - sewerage	-	(209 865)
	-	**-**

Error 8 - Property, plant and equipment

During the 2024/2025 financial year the fixed asset register was reviewed and errors were corrected with regards to omissions and fully depreciated assets for the 2023/2024 financial year.

The effect is as follows:

Effect of error:		
Increase in infrastructure assets - cost - opening balance	-	6 129 294
(Increase) in infrastructure assets - accumulated depreciation - opening balance	-	(1 024 215)
Increase in depreciation expense - property, plant and equipment	-	279 754
(Increase) in infrastructure assets - accumulated depreciation - depreciation	-	(279 754)
(Increase) in accumulated surplus	-	(5 105 079)
(Decrease) in VAT receivable	-	(90 416)
(Decrease) in construction-work-in-progress - infrastructure assets- additions	-	(602 775)
Decrease in payables from exchange transactions - payables	-	693 191
(Decrease) in construction-work-in-progress - infrastructure assets- opening balance	-	(56 380)
Decrease in accumulated surplus	-	56 380
	-	**-**

Error 9 - Unspent grants

During the current financial year unspent grants relating to the Provincial Government were corrected, this was due to the absence of clear conditions relating to this grant.

The effect is as follows:

Effect of error:		
Decrease in unspent grants	-	8 979 260
(Increase) in accumulated surplus	-	(8 979 260)
	-	**-**

Figures in Rand	2025	2024

58. GRAP 3 adjustments (continued)

Error 10 - Receivables from exchange and non-exchange transactions

During the 2024/2025 financial year the municipality charged interest on government debtors outstanding balances.

The effect is as follows:

Effect of error:		
Increase in receivables from exchange transactions - electricity	-	395 420
Increase in receivables from exchange transactions - water	-	1 878 195
Increase in receivables from exchange transactions - waste management	-	70 234
Increase in receivables from exchange transactions - other	-	8 889
Increase in receivables from exchange transactions - waste water management	-	673 775
Increase in receivables from non-exchange transactions - property rates	-	4 622 286
(Increase) inaccumulated surplus	-	(3 444 718)
(Increase) in interest received from exchange transactions - electricity	-	(212 543)
(Increase) in interest received from exchange transactions - water	-	(1 009 694)
(Increase) in interest received from exchange transactions - waste management	-	(37 464)
(Increase) in interest received from exchange transactions - waste water management	-	(356 060)
(Increase) in interest received from exchange transactions - other	-	(4 693)
(Increase) in interest received from non-exchange transactions - property rates	-	(2 583 627)
	-	**-**

Error 11 - Receivables from exchange and non-exchange transactions

During the 2024/2025 financial year the the impairment policy and impairment calculation of the municipality was reviewed and corrected.

The effect is as follows:

Effect of error:		
(Increase) in receivables from exchange transactions - impairment - electricity	-	(3 396 183)
(Increase) in receivables from exchange transactions - impairment - waste management	-	(13 989 820)
(Increase) in receivables from exchange transactions - impairment - waste water management	-	(10 735 586)
(Increase) in receivables from exchange transactions - impairment - water	-	(17 823 771)
(Increase) in receivables from exchange transactions - impairment - other	-	(7 846 898)
Increase in debt impairment expense - receivables from exchange transactions	-	2 111 792
Increase in debt impairment expense - receivables from non-exchange transactions - property rates	-	51 467
Increase in debt impairment expense - receivables from non-exchange transactions - availability charges	-	15 003
(Increase) in VAT payable	-	(3 122 451)
Decrease in accumulated surplus	-	60 961 366
(Increase) in receivables from non-exchange - impairment - property rates	-	(5 877 709)
(Increase) in receivables from non-exchange - impairment - electricity	-	(86 882)
(Increase) in receivables from non-exchange - impairment - water	-	(164 658)
(Increase) in receivables from non-exchange - impairment - waste water management	-	(95 670)
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

58. GRAP 3 adjustments (continued)

58.5 Reclassifications

The following reclassifications adjustment occurred:

Reclassifications - mSCOA

During the year under review certain mSCOA changes occurred in the financial statements. Reclassifications due to these mSCOA changes were as follows:

Nature of reclassification		
(Decrease) in other current assets	-	(3 968 525)
Increase in deposits	-	3 968 525
Decrease in transfers and subsidies received	-	465 063 286
(Increase) in transfers and subsidies received - operational	-	(255 844 017)
(Increase) in transfers and subsidies received - capital	-	(209 219 269)
Increase in VAT receivable	-	82 861 349
(Increase) in VAT payable	-	(82 861 349)
	-	-

Reclassification 1 - Property rates

During the year under review the disclosure note for property rates was included in more detail resulting in the following reclassifications within the disclosure note:

The effect is as follows:

Nature of reclassification		
(Increase) in revenue from non-exchange transactions - property rates - agricultural properties	-	(5 783 154)
(Increase) in revenue from non-exchange transactions - property rates - business and commercial properties	-	(22 547 238)
Decrease in revenue from non-exchange transactions - property rates - privately owned properties	-	28 461 942
(Increase) in revenue from non-exchange transactions - property rates - state owned properties	-	(131 550)
	-	-

Figures in Rand	2025	2024

58. GRAP 3 adjustments (continued)

Reclassification 2 - Interest received consumers

During the year under review the disclosure note for interest received from consumers was included in more detail resulting in the following reclassifications within the disclosure note:

The effect is as follows:

Nature of reclassification		
Decrease in interest received from consumers - exchange transactions - service charges	-	50 952 393
(Increase) in interest received from consumers - exchange transactions - other	-	(11 949 320)
(Increase) in interest received from consumers - exchange transactions - electricity	-	(2 309 858)
(Increase) in interest received from consumers - exchange transactions - water	-	(16 818 370)
(Increase) in interest received from consumers - exchange transactions - waste water	-	(8 244 391)
(Increase) in interest received from consumers - exchange transactions - waste	-	(11 630 454)
Decrease in interest received from consumers - non-exchange transactions - property rates and availability charges	-	363 905
(Increase) in interest received from consumers - non-exchange transactions - electricity	-	(73 260)
(Increase) in interest received from consumers - non-exchange transactions - water	-	(184 329)
(Increase) in interest received from consumers - non-exchange transactions - waste water	-	(106 316)
	-	**-**

Reclassification 3 - VAT

During the current financial year VAT balances per line item were reclassified to ensure they are correctly reflected in the amended VAT notes disclosures, as per the mSCOA financial statements.

The effect is as follows:

Nature of reclassification		
Increase in VAT receivable - input accrual	-	70 461 010
(Decrease) in VAT receivable - input general	-	(131 869 170)
(Decrease) in VAT receivable - input capital	-	(105 160 446)
Increase in VAT receivable - VAT control	-	8 733 155
(Decrease) in VAT payable - output VAT	-	130 757 293
(Decrease) in VAT payable - provision for doubtful debt	-	35 811 313
(Increase) in VAT payable - VAT control	-	(8 733 155)
	-	**-**

59. Financial instruments

59.1 Fair value of financial instruments

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the annual financial statements approximate their fair values, except for the listed Government stock. In accordance with GRAP 104 the Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of financial position, are as follow:

		2025		2024	
		Carrying amount	Fair value / Amortised cost	Carrying amount	Fair value / Amortised cost
Financial assets					
Fair value					
Investments	10	5 196 389	5 196 389	4 723 333	4 723 333
Amortised cost					
Trade and other receivables from exchange transactions	4	245 600 303	245 600 303	212 277 546	212 277 546
Other current assets	9	319 745	319 745	324 473	324 473
Cash and cash equivalents	3	42 869 427	42 869 427	57 062 518	57 062 518
		288 789 475	**288 789 475**	**269 664 537**	**269 664 537**
Total financial assets		**293 985 864**	**293 985 864**	**274 387 870**	**274 387 870**
Financial liabilities					
Amortised cost					
Bank facilities:					
Financial liabilities	15	12 499 189	12 499 189	15 047 365	15 047 365
		12 499 189	**12 499 189**	**15 047 365**	**15 047 365**
Trade and other payables:					
Consumer deposits	16	3 256 046	3 256 046	3 190 178	3 190 178
Trade and other payables from exchange transactions	17	105 393 816	105 393 816	95 725 348	95 725 348
		108 649 862	**108 649 862**	**98 915 526**	**98 915 526**
Total financial liabilities		**121 149 051**	**121 149 051**	**113 962 891**	**113 962 891**

The Fair Values of Financial Assets and Financial Liabilities are determined as follow:

The Fair Value of Long term liabilities 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.

The fair value of Other Financial Assets and Financial Liabilities 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 ratio's of the municipality's debtors.

The annual financial statements include holdings in Listed Government Stock which are measured at Fair Value (Note 10). Fair Value is estimated with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices.

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.

The levels have been defined as follow:

59. Financial instruments (continued)

Level 1

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

Level 2

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

Level 3

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument’s valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2025

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instruments at fair value:				
Listed investments - Sanlam	1 277 824	-	-	1 277 824
Listed investments - OVK	-	-	2 140 885	2 140 885
Total financial assets	**1 277 824**	**-**	**2 140 885**	**3 418 709**

30 June 2024

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instruments at fair value:				
Listed investments - Sanlam	1 166 138	-	-	1 166 138
Listed investments - OVK	-	-	1 903 985	1 903 985
Total financial assets	**1 166 138**	**-**	**1 903 985**	**3 070 123**

59.2 Capital risk management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance.

59.3 Financial risk management objectives

Due to 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 IFRS 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. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit and risk management, responsible for monitoring and responding to potential risk, reports quarterly to the municipality’s audit committee, an independent body that monitors the effectiveness of the internal audit function.

59. Financial instruments (continued)

59.4 Significant accounting policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the annual financial statements.

59.5 Market risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 59.6 below). No formal policy exists to hedge volatilities in the interest rate market.

59.6 Interest rate risk

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 on financial assets consist mainly of fixed deposit investments and bank and cash balances.

The municipality is not exposed to a high level of interest rate risk on its financial liabilities. All of the municipality‘s interest bearing external loan liabilities, as detailed in Appendix 'A', are fixed interest rate loans. Similarly with financial assets, the municipality invests its surplus funds on call deposit interest rate deposits with banks for fixed terms not exceeding one year.

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

59.7 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by effectively managing its working capital, capital expenditure, external borrowings and cash flows. Standby credit facilities are available with the municipality's main banker to cater for any unexpected temporary shortfall in operating funds.

30 June 2025

	Within 1 year	2 to 5 years	Total
Maturity analysis			
Financial liabilities	2 582 218	9 916 971	12 499 189
Payables from exchange transactions	105 393 816	-	105 393 816
	107 976 034	**9 916 971**	**117 893 005**

30 June 2024

	Within 1 year	2 to 5 years	Total
Maturity analysis			
Financial liabilities	2 709 387	12 337 978	15 047 365
Payables from exchange transactions	95 725 348	-	95 725 348
	98 434 735	**12 337 978**	**110 772 713**

The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain its current debt to equity ratio. This will be achieved through the annual increase in tariffs to maintain the accumulated surplus, as well as the increased use of unsecured bank loan facilities.

59.8 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.

59. Financial instruments (continued)

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality manages credit risk in its borrowing and investing activities by only dealing with well established financial institutions of high credit standing, and by spreading its exposure over a range of such institutions in accordance with its approved investment policies. Credit risk relating to consumer debtors is managed in accordance with the municipality's credit control and debt collection policy. The municipality's credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in the accounting policies and Note 5 to the annual financial statements.

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 carrying amount of financial assets recorded in the annual financial statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained.

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

		2025	2024
Investments	10	5 196 389	4 723 333
Other current assets	9	319 745	324 473
Trade and other receivables from exchange transactions	4	245 600 303	212 277 546
Bank and cash balances	3	42 869 427	57 062 518
Maximum credit and interest risk exposure		**293 985 864**	**274 387 870**

59.9 Other price risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

60. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of four major departments.

The departments are:
- Office of the municipal manager;
- Finance;
- Corporate services;
- Community services, and;
- Technical services.

Only the community services and technical services departments have been identified as reportable segments. Management monitors the results of these units to make decisions about resource allocations and assessment of performance. Revenue and expenditure relating to these units are allocated at a transactional level. Cost relating to the governance and administration of the municipality are not allocated to these business units. Segment activities were aggregated for reporting purposes into the two reportable segments.

The office of the municipal manager, finance and corporate services departments are the governance and administration units of the municipality. However, they are not reportable segments. Their results are reported as non-reportable segments to reconcile the results of the reportable segments to the total revenue and expenses of the municipality for the year under review.

The two reportable segments comprise of:
- Community services - which include sport and recreation, housing, public safety, refuse removal, street cleaning and cemeteries, and;
- Technical services - which include energy sources, water management, and waste water management.

Management does not monitor financial performance geographically and does not have reliable separate financial information for geographical areas in the municipal area.

A measure of assets and liabilities for each reportable segment has not been presented as these amounts are not regularly provided to management.

60. Segment information (continued)

Segment surplus or deficit

2024 **Segment revenue**	Technical services	Community and social services	Governance & Admin (Non - reportable segments)	Total
External revenue from exchange transactions	(264 897 409)	(1 150 693)	(5 052 652)	(271 100 754)
External revenue from non-exchange transactions	(262 907 462)	(850 850)	(276 046 107)	(539 804 419)
Interest revenue	(1 849 256)	-	(72 830 515)	(74 679 771)
	(529 654 127)	**(2 001 543)**	**(353 929 274)**	**(885 584 944)**

Segment expenditure	Technical services	Community and social services	Governance & Admin (Non - reportable segments)	Total
Bulk purchases	106 176 124	-	-	106 176 124
Bad debt written off	131 618 546	-	16 664 035	148 282 581
Debt impairment	25 169 869	568 958	4 379 272	30 118 099
Depreciation, amortisation and impairment	97 080 137	17 349 017	42 000 253	156 429 407
Employee related costs	81 538 975	36 451 152	124 312 297	242 302 424
Interest expense	3 166 315	-	200 173	3 366 488
Other operational expenses	34 947 327	2 728 288	107 329 445	145 005 060
Remuneration of councillors	-	-	14 740 876	14 740 876
Total segment expenditure	479 697 293	57 097 415	309 626 351	846 421 059
Total segment revenue	(529 654 127)	(2 001 543)	(353 929 274)	(885 584 944)
(Surplus) / Deficit for the year	**(49 956 834)**	**55 095 872**	**(44 302 923)**	**(39 163 885)**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

60. Segment information (continued)

2025 **Segment revenue**	Technical services	Community and social services	Governance & Admin (Non - reportable segments)	Total
External revenue from exchange transactions	(273 043 975)	(1 248 680)	(5 997 252)	(280 289 907)
External revenue from non-exchange transactions	(365 038 310)	(3 989 742)	(187 685 560)	(556 713 612)
Interest revenue	(43 401 646)	-	(31 802 264)	(75 203 910)
	(681 483 931)	**(5 238 422)**	**(225 485 076)**	**(912 207 429)**

Segment expenditure	Technical services	Community and social services	Governance & Admin (Non - reportable segments)	Total
Bulk purchases	123 787 840	-	-	123 787 840
Bad debt written off	71 024 912	61 812 480	2 365 620	135 203 012
Debt impairment	20 185 899	613 353	2 937 553	23 736 805
Depreciation, amortisation and impairment	68 112 550	11 240 639	60 928 543	140 281 732
Employee related costs	89 998 987	37 786 856	134 442 580	262 228 423
Interest expense	2 768 563	-	1 334 454	4 103 017
Other operational expenses	26 806 343	2 845 665	105 020 480	134 672 488
Remuneration of councillors	-	-	15 271 531	15 271 531
Total segment expenditure	402 685 094	114 298 993	322 300 761	839 284 848
Total segment revenue	(681 483 931)	(5 238 422)	(225 485 076)	(912 207 429)
(Surplus) / Deficit for the year	**(278 798 837)**	**109 060 571**	**96 815 685**	**(72 922 581)**

Setsoto Local Municipality
Appendix A
June 2025

Schedule of external loans as at 30 June 2025

	Loan Number	Redeemable	Balance at Sunday, 30 June 2024 Rand	Received during the period Rand	Interest for the period Rand	Redeemed written off during the period Rand	Balance at Sunday, 30 June 2025 Rand	
Development Bank of South Africa								
DBSA Loan @11.36%	101389	31/12/2024	445 218	-	-	25 643	470 860	-
			445 218	**-**	**-**	**25 643**	**470 860**	**-**
Instalment sales agreements - ABSA Bank Limited								
ABSA Bank Limited at 10.51%	98996767	01/06/2029	1 689 153	-	-	167 401	436 464	1 420 090
ABSA Bank Limited at 10.51%	98996775	01/06/2029	1 689 153	-	-	167 401	436 464	1 420 090
ABSA Bank Limited at 10.51%	98996864	01/06/2029	1 689 153	-	-	167 401	436 464	1 420 090
ABSA Bank Limited at 10.51%	98996910	01/06/2029	1 689 153	-	-	167 401	436 464	1 420 090
ABSA Bank Limited at 10.51%	99021360	01/08/2029	406 131	-	-	34 348	87 497	352 982
ABSA Bank Limited at 10.51%	99021468	01/08/2029	406 131	-	-	34 348	87 497	352 982
ABSA Bank Limited at 10.51%	99021549	01/08/2029	406 131	-	-	34 348	87 497	352 982
ABSA Bank Limited at 10.51%	99007864	01/08/2029	2 209 047	-	-	186 834	475 920	1 919 961
ABSA Bank Limited at 10.51%	99008321	01/08/2029	2 209 047	-	-	186 834	475 920	1 919 961
ABSA Bank Limited at 10.51%	99008330	01/08/2029	2 209 047	-	-	186 835	475 920	1 919 961
			14 602 146	**-**	**-**	**1 333 151**	**3 436 107**	**12 499 189**
Total external loans								
Development Bank of South Africa			445 218	-	-	25 643	470 860	-
Instalment sales agreements - ABSA Bank Limited			14 602 146	-	-	1 333 151	3 436 107	12 499 189
			15 047 364	**-**	**-**	**1 358 794**	**3 906 967**	**12 499 189**

Setsoto Local Municipality
Appendix B
Reconciliation of Budgeted Financial Performance (Revenue and Expenditure) (Appropriation Statement)
for the year ended 30 June 2025

	2025/2024									2024/2023		
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source												
Property rates	85 836 024	-	85 836 024	86 081 108		245 084	100 %	100 %				82 107 734
Service charges - electricity revenue	128 116 368	-	128 116 368	120 326 696		(7 789 672)	94 %	94 %				103 638 778
Service charges - water revenue	75 068 532	8 000 000	83 068 532	86 863 803		3 795 271	105 %	116 %				87 785 982
Service charges - sanitation revenue	43 116 360	-	43 116 360	43 040 718		(75 642)	100 %	100 %				41 916 241
Service charges - refuse revenue	58 105 476	-	58 105 476	57 144 192		(961 284)	98 %	98 %				55 187 803
Sale of goods and rendering of services	2 141 796	470 976	2 612 772	2 170 794		(441 978)	83 %	101 %				1 937 376
Rental of facilities and equipment	1 867 800	166 212	2 034 012	2 045 570		11 558	101 %	110 %				1 792 466
Interest earned - external investments	11 454 348	(2 061 056)	9 393 292	10 051 968		658 676	107 %	88 %				12 593 816
Interest earned - outstanding debtors	50 000 004	61 915 368	111 915 372	65 151 940		(46 763 432)	58 %	130 %				62 085 954
Dividends received	85 050	-	85 050	93 761		8 711	110 %	110 %				80 975
Fines, penalties and forfeits	315 000	(215 000)	100 000	711 070		611 070	711 %	226 %				851 850
Licences and permits	132 300	(112 300)	20 000	126 943		106 943	635 %	96 %				89 843
Transfers and subsidies	270 624 005	-	270 624 005	274 288 158		3 664 153	101 %	101 %				255 844 017
Other revenue	38 453 244	195 184	38 648 428	5 867 093		(32 781 335)	15 %	15 %				5 263 015
Gains on disposal of PPE	184 332	-	184 332	392 423		208 091	213 %	213 %				242 350
Total Revenue (excluding capital transfers and contributions)	**765 500 639**	**68 359 384**	**833 860 023**	**754 356 237**		**(79 503 786)**	**90 %**	**99 %**				**711 418 200**

Setsoto Local Municipality
Appendix B
Reconciliation of Budgeted Financial Performance (Revenue and Expenditure) (Appropriation Statement)
for the year ended 30 June 2025

	2025/2024									2024/2023		
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type												
Employee related costs	267 542 412	-	267 542 412	262 228 423	-	(5 313 989)	98 %	98 %	3 027 471	-	(3 027 471)	242 302 424
Remuneration of councillors	16 158 216	709 784	16 868 000	15 271 531	-	(1 596 469)	91 %	95 %	(749 652)	-	749 652	14 740 876
Debt impairment	93 089 184	43 893 848	136 983 032	23 736 805	-	(113 246 227)	17 %	25 %	-	-	-	30 118 099
Depreciation & asset impairment	162 862 704	6 236 456	169 099 160	140 281 732	-	(28 817 428)	83 %	86 %	9 863 625	-	(9 863 625)	156 429 407
Finance charges	2 550 012	733 000	3 283 012	4 103 017	-	820 005	125 %	161 %	2 844 920	-	(2 844 920)	3 366 488
Bulk purchases	139 377 420	-	139 377 420	123 787 840	-	(15 589 580)	89 %	89 %	-	-	-	106 176 124
Other materials	46 257 708	6 278 216	52 535 924	19 184 202	-	(33 351 722)	37 %	41 %	(1 384 933)	-	1 384 933	15 768 303
Contracted services	35 658 540	23 068 416	58 726 956	53 037 154	-	(5 689 802)	90 %	149 %	(330 312)	-	330 312	39 336 523
Transfers and subsidies	32 159 004	17 601 892	49 760 896	47 265 390	-	(2 495 506)	95 %	147 %	1 818 288	-	(1 818 288)	34 323 681
Other expenditure	72 076 616	9 770 960	81 847 576	54 674 831	-	(27 172 745)	67 %	76 %	297 938	-	(297 938)	56 502 437
Loss on disposal of PPE	-	-	-	8 059 933	-	8 059 933	- %	- %	32 511 769	-	(32 511 769)	34 126 641
Irrecoverable debt write off	58 000 000	-	58 000 000	135 203 012	-	77 203 012	233 %	233 %	30 332 272	-	(30 332 272)	148 282 581
Total Expenditure	**925 731 816**	**108 292 572**	**1 034 024 388**	**886 833 870**	**-**	**(147 190 518)**	**86 %**	**96 %**	**78 231 386**	**-**	**(78 231 386)**	**881 473 584**
Surplus/(Deficit)	**(160 231 177)**	**(39 933 188)**	**(200 164 365)**	**(132 477 633)**		**67 686 732**	**66 %**	**83 %**	**(78 231 386)**		**78 231 386**	**(170 055 384)**
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	218 681 003	-	218 681 003	205 400 214		(13 280 789)	94 %	94 %				209 219 269
Surplus/(Deficit) after capital transfers & contributions	**58 449 826**	**(39 933 188)**	**18 516 638**	**72 922 581**		**54 405 943**	**394 %**	**125 %**				**39 163 885**
Surplus/(Deficit) after taxation	**58 449 826**	**(39 933 188)**	**18 516 638**	**72 922 581**		**54 405 943**	**394 %**	**125 %**				**39 163 885**
Surplus/(Deficit) attributable to municipality	**58 449 826**	**(39 933 188)**	**18 516 638**	**72 922 581**		**54 405 943**	**394 %**	**125 %**				**39 163 885**
Surplus/(Deficit) for the year	**58 449 826**	**(39 933 188)**	**18 516 638**	**72 922 581**		**54 405 943**	**394 %**	**125 %**				**39 163 885**