Midvaal Local Municipality
(Demarcation code GT422)
Annual Financial Statements
for the year ended 30 June 2025
Auditor-General of South Africa (AGSA)
Chartered Accountants (S.A.)
Registered Auditors

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Abbreviations

AGSA	Auditor-General of South Africa
ASB	Accounting Standards Board
CFO	Chief Financial Officer
DBSA	Development Bank of South Africa
DORA	Division of Revenue Act
DPCI	Directorate for Priority Crime Investigation
ED	Executive Director
GFS	Government Finance Statistics
GRAP	Generally Recognised Accounting Practice
ICT	Information and Communication Technology
INEP	Integrated Electrification Programme
IWA	International Water Association
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MM	Municipal Manager
MMC	Member of Mayoral Committee
MPAC	Municipal Public Accounts Committee
MPRA	Municipal Property Rates Act
mSCOA	Municipal Standard Chart of Accounts
NEMA	National Environmental Management Act
NDPG	Neighbourhood Development Partnership Grant
PPE	Property, Plant and Equipment
SALGA	South African Local Government Association
SAPS	South African Police Service
SARS	South African Revenue Service
SCM	Supply Chain Management
VAT	Value-Added Tax
WSIG	Water and Sanitation Infrastructure Grant

General Information

Legal form of entity	The 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)
Nature of business and principal activities	The main business operations of the municipality is to engage in local government activities, which includes planning and promotion of integrated development planning, land use management, economic and environmental development and supplying of the following services to the community. General Services - All types of services rendered by the municipality, excluding the supply of housing to the community. Waste Management Services - the collection and disposal of waste. Electricity Services - Electricity is bought in bulk from Eskom and distributed to the consumers of the municipality in licensed areas. Waste Water Management - Collection and purification of waste water. Water Services - Supply of purified water.
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 of 6 2004) Division of Revenue Act (Act 1 of 2007)

Executive mayor and chairperson of mayoral committee

Portfolio	**Councillor**
Executive mayor and chairperson of mayoral committee	Ald. Peter John Teixira
Speaker	Cllr. Alan Ross McLoughlin
Chief WIP	Ald. Philippus Christoffel Pretorius
MMC - Corporate	Cllr. Mokete Ishmael Motsamai
MMC - Community	Cllr. Mary-Anne Myburg
MMC - Engineering	Cllr. Reginald James Hubbard
MMC - Development and Planning	Cllr. Thembekile Martha Modiba
MMC - Finance	Ald. Patricia Daphne Pretorius
MMC - Public Safety and Roads	Cllr. Chantal Lynette Gomes

Executive management

Position	**Name**
Municipal Manager	Mr P Magodi
Chief Financial Officer (CFO)	Mr ZN Mhlongo
Executive Director: Engineering	Mr D Mukwevho (Acting)
Executive Director: Corporate Services	Mr S Cave
Executive Director: Development and Planning	Mr K Mokwena
Executive Director: Community Services	Ms T Mnguni
Executive Director: Public Safety and Roads	Mr E Lensley

General Information

Council Members

Nr	Surname	Initials	Nr	Surname	Initials
1	Swart	P	2	Janse van Rensburg	S
3	Jordaan	EJ	4	Myburgh	M
5	Pretorius	PD	6	Sithole	TS
7	Visser	LTH	8	Ndebele	MM
9	Hubbard	RJ	10	Mokhomo	DT
11	Maimane	MA	12	Kruger	MC
13	Viljoen	JG	14	Pretorius	PC
15	Dickinson	AH			

Grading of local authority Grade 4 Local Municipality

Registered head office
25 Mitchell Street
Meyerton
Gauteng
1961

Postal address
P.O.Box 9
Meyerton
1960

Bankers Nedbank

Auditors Auditor-General of South Africa (AGSA)

Demarcation code GT422

Legal representative
Panel of attorneys appointed for cost effectiveness:
Lusenga Attorney Inc,
Seleka Attorneys Inc,
Madhlopa & Thenga Inc,
Klopper Jonker Inc,
AV Theron & Swanepoel,
Madiba Motsai Masitemyame & Githiri Attorneys,
Katlego Ralikhuvhana Mokgola Inc,
Ramatshila-Mugeri Attorney,
Mamatela Attorneys,
Enderstein Malumbete Inc,
Mkhabela Huntley Attorneys Inc,
Blignaut Neerhoo Inc,
Mudau & Netshipise Attorneys,
Cheadle Thompson & Haysom Inc,
Majang & Associates Inc,
Mmakola Matsimela Inc,
Matabena Inc

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 are 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. The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent management 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 us to meet these responsibilities, we 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. In the year under review , the systems of internal control have been boosted by municipal ICT infrastructure upgrade and migration. The improved firewall protections, access protocols, encryptions and password complexities have enabled the accounting officer to fulfil this responsibility. 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 operational 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. This assurance is further supported by the fact that all MSCOA version and patch upgrades were implemented in line with National Treasury's requirements. 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. An assessment to this effect has been confirmed by Gauteng Provincial Treasury, as an independent structure and Ratings Afrika being a ratings agency that specialises in ratings and gauging financial soundness and governance. The annual financial statements are prepared on the basis that the municipality is a going concern and that Midvaal Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

Although, I am primarily responsible for the financial affairs of the municipality, this is supported by the municipality's senior management team, external auditors and other oversight governance structures of Council.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 38 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 Governments determination in accordance with the Act.

The external auditor, being the Auditor General of South Africa, is responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented separately.The annual financial statements set out on pages 14 to 116 which have been prepared on the going concern basis, were approved and signed by the accounting officer:

Accounting Officer
Mr. P Magodi

Meyerton

Sunday, 31 August 2025

Performance and Audit Committee Annual Report

REPORT OF THE AUDIT, PERFORMANCE, INTEGRITY & RISK MANAGEMENT COMMITTEE
During the financial year ended 30 June 2025, the Audit, Performance, Integrity and Risk Mangement Committee convened seven times to discharge its statutory responsibility in terms of the MFMA and its responsibilities in terms of its Charter.

1. Legislative Framework
Section 166(1) of the Local Government Municipality Finance Management Act, Act 56 of 2003 as amended, referred to as the MFMA, requires from each Municipality to have an Audit Committee.
In terms of Section 166(2)(a) of the MFMA, the Audit Committee is an independant advisory body which must amongst others advise the Municipal Council on matters relating to:
a. Internal financial control and internal audits
b. Risk management
c. Accounting policies
d. The adequacy, reliability and accuracy of financial reporting and information.
e. Performance management
f. Effective governance
g. Compliance with this Act, the Annual Division of Revenue Act, and any other applicable legislation
h. Performance evaluation, and
i. Any other issues referred to it by the Municipality, Audit, Performance, Integrity and Risk Management Committee Charter

2. Service delivery priorities
As part of the Committee's oversight role, service delivery was included as a standing item on the agenda of all meetings.This initiative aims to support and assist the Municipality in maintaining infrastructure effectively, thereby preventing unnecessary poor performance and avoiding potential uprising, protests, and unrests among community members. The following matters will always be discussed under this item:
a. Maintenance of roads
b. Electricity shortage
c. Water shortage
d. Grass cutting
e. Beautifying of the municipal area
f. Implementation of new projects and monitoring thereof
g. Developments of significance in the Midvaal Local Municipality:
h. Land invasions in the area of Midvaal Local Municipality
i. Waste management (including Landfill Sites)
j. PPP - electricity

Significant progress has been achieved on various service delivery targets, such as reducing electricity losses, opening the Henley on Klip landfill site, and advancing the procurement process for the PPP in electricity.

3. Oversight over legislated functions

3.1. Internal Audit Function
The municipality began the process of insourcing the internal audit function by recruiting the Chief Audit Executive (CAE). Unfortunately, the CAE's resignation negatively impacted the transition. A service provider has been appointed to collaborate with the remaining internal staff to provide the internal audit function. The function has now stabilised, and the decision to fully insource or co-source will be reconsidered. The committee performed the following:
a. Approved the Internal Audit plan;
b. Ensured that the internal audit plan was risk based and addressed the strategic and operational risks of the municipality;
c. Ensured that Internal Audit adheres to the Global Internal Audit Standards and Code of Conduct;
d. Considered all the Chief Audit Executives Quaterly Reports and were satisfied that no material issues were identified;
e. Reviewed the Internal Audit Action plan and progress made;
No complaints relating to internal audit were received.

Performance and Audit Committee Annual Report

3.2. External Audit and Related Matters

The AG (Auditor General of South Africa) conducts the external audit of the municipality. The Committee played an oversight role in respect of the external audit process to ensure its effectiveness.
Amongst others the Committee:
a. Approved the AG's Engagement Letter;
b. Noted the AG's key focus areas for audit;
c. Noted the AG's audit strategy;
d. Reviewed the quality and effectiveness of the external audit process;
e. Reviewed the AG's Management Report and management's responses thereto;
f. Reviewed significant judgements and/or unadjusted differences resulting from the audit, as well as any reporting decisions made;
h. Noted the Emphasis of Matter Items raised by the AG and Managements responses thereto.

3.3. Risk Management Assurance and Ethics

The Committee formed an integral component of the risk management framework.
The following functions were performed:
a. Monitored financial reporting risks, internal financial controls, fraud risks and ICT risks, as these relate to financial reporting;
b. Oversight role in respect of risk management, combined assurance and ethics;
c. Reviewed the Organisational and Operational Risk Register;
d. Reviewed the Risk Management Policy, Risk Management Strategy and the Risk Management Implementation Plans;
e. Reviewed the Integrity Management: Strategy , Implementation Plan and Progress Reports;
f. Reviewed the Ethics Risk Register;
g. Reviewed the Quaterly Assurance and Improvement Programme Status Report;
h. Reviewed the Combined Assurance Framework, Combined Assurance Plan and Progress Reports;
i. Reviewed Risk Appetite and Tolerance Levels set;
j. Noted the Risk Maturity Improvement Plan and Progress made.

3.4. Annual Financial Statements and Annual Report

The Committee reviewed the Annual Financial Statements, Annual Report and the Performance Reports of the municipality as follows:
a. Provided inputs to the Annual Financial Statements prior to submission to the AG for audit;
b. Reviewed the principles, policies and accounting practices and standards adopted in the preparation of the annual financial statements and commented thereon;
c. Monitored compliance with all statutory/legal/regulatory requirements;

Furthermore no complaints relating to the accounting practices or the contents or auditing of the annual financial statements, or any related matter, were received by the Committee.

3.5. Compliance with MFMA, the Annual Division of Revenue Act, and any other applicable legislation

The committee noted the non compliance regarding the license conditions of the landfill site have been addressed and the payment of the administrative fine. The transaction has been recorded as a fruitless and wasteful expenditure and is being dealt with through MPAC.

3.6. Performance Management

The committee reviewed the following as part of its responsibilities on performance management:
a. Performance Reports on Predetermined Objectives;
b. Financial and Non-Financial Performance Reports;
c. Mid-year Performance Assessment.
The committee noted and commended management for achieving 87% on its performance targets.

Performance and Audit Committee Annual Report

Performance and Audit Committee members' attendance of the meetings

The committee convened seven times in the year under review to discharge its responsibilities.

Members	Designation	22 Aug 2024 1st Ordinary	28 Aug 2024 1st Special	24 Oct 2024 2nd Ordinary	27 Nov 2024 2nd Special	27 Jan 2025 3rd Ordinary	15 May 2025 4th Ordinary	02 June 2025 3rd Special
Mrs T.L Pino	Chairperson	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mr A. Lambat	Member	Yes	Yes	Yes	Yes	Yes	Contract expired	Yes
Mr S. Maharaj	Member	Yes	Yes	No	Yes	Yes	Yes	Yes
Mr M. Radebe	Member	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mr Y. Chamda	Member	Yes	No	Yes	Yes	No	Yes	Yes

Expression of gratitude

I would like to thank the members of the audit committee, Municipal manager and his team and the speaker and council for their support.

31|08|2025

Thandiwe Loraine Pino (MBA, MCIPS)
Chairperson of the Audit, Performance, Integrity and Risk Management Committee

Accounting Officer's Report

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

1. Review of activities

Main business and operations

Net surplus of the municipality was R 64 554 141 (2024: surplus R 33 753 138).

2. Going concern

I draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of R 2 697 359 681 and that the municipality's total assets exceed its liabilities by R2,624,458,720.

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. All impairments were measured and judged in line with past performances.

The municipality has assessed that no going concern issues have been noted and that the municipality can continue in operational existence for the foreseeable future.

The financial indicators are as follows:

	2024/25	2023/24
Current ratio (norm 2:1)	2.98:1	2.92:1
Cost coverage ratio (norm 3 months or more)	3.81 months	4.30 months
Creditors days (norm 30 days)	30 days	30 days
Debtors collection rate	90.35%	89.6%

3. Subsequent events

The Accounting Officer is not aware of any matter or circumstance arising since the end of the financial year, that may need to be adjusted for or disclosed in the Annual Financial Statements.

4. Accounting policies

The annual financial statements prepared in accordance with the Municipal Finance Management Act and effective standards of Generally Recognised Accounting Practices, including any interpretations of such Statements issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised - March 2012) and the hierachy approved in Directive 5 issued by the Accounting Standards Board.

5. Integrity management

Values reflect the core guidelines of Midvaal Local Municipal (MLM) and by following it enusres, we remain on the right path. A customer centric approach shapes the values of Midvaal. This defines the character of Midvaal Local Municipality and the foundation on which leadership and employees behave and conduct themselves and guides the way in which decisions are made. Furthermore, our change in approach requires us to prioritise values that create a new behaviour within Midvaal Local Municipality.

The Values of MLM are:
- Equity
- Accessibility and Communication
- Collaboration
- Innovation
- Safety and Security
- Forward-thinking
- Decisive decision making

Council’s stance to fraud and corruption is zero tolerance. In line with this, the efficient application of instructions contained in the policies and procedures of Midvaal, is one of the most important duties to be applied by every employee in the execution of their daily tasks.

The Human Resource Value System is to provide a quality intergrated human resources service by creating a safe, healthy and supportive environment when MLM staff are valued, respected and able to realize their full potential.

These values include:
- Integrity
- Innovation
- Diversity
- Team Spirit
- Accountable
- Realizing Potential

Following a review of the existing integrity management maturity, MLM developed the Integrity Management Strategy and Implementation Plan.

We believe that by focusing on the following 5 key objectives we will improve the culture and manage our ethics risks:
1. Set a strong ethical tone with clear standards;
2. Develop a professional workforce in a respectful workplace;
3. Actively manage operational fraud, corruption and ethics risks;
4. Ensure effective consequence management; and
5. Work with communities and service providers.

The Ethics Management Framework refers to all interventions at stretegic , systems and operational levels, which is intended to improve ethics. The generic Ethics Management Framework, developed by The Ethics Institute and adopted by Midvaal, is aligned to the King III report on Good Corporate Governance and the Public Service Integrity Management Framework.

The 4 main pillars of this framework focus on the following:
1. Leadership Commitment
2. Governance Structures
3. Management of ethics
   3.1 Ethics Risk Assessment
   3.2 Ethics Strategy
   3.3 Code and Policies
   3.4 Instituionalisation (Creating an ethcial culture)
   3.5 Monitoring and Reporting
4. Independent assessment and external reporting

Accounting Officer's Report

5. Integrity management (continued)

The Integrity Management Policy & Plan, approved by Council Resolution C2359/08/2020 dated 27 August 2020 is still relevant with no amendments required to the policy for the period under review, due to no legislative changes and/or amendments.

The main principles included in the Policy and Plan are the following:
1. Creating a culture which is ethical and intolerant to fraud and corruption;
2. Deterrence of fraud and corruption;
3. Preventing fraud and corruption which cannot be deterred;
4. Detection of fraud and corruption;
5. Investigating detected fraud and corruption;
6. Taking appropriate action in the event of such irregularities, e.g. disciplinary action (consequence management), recovery of losses, to the extent required, and prosecution; and
7. Applying sanctions, that includes blacklisting and prohibition from further employment.

Council has a very strong attitude towards legislative compliance, specifically supply chain management principles and also the proper functioning of the Audit, Performance, Integrity & Risk Management Committee, referred to as the Committee, Municipal Public Accounts Committee (MPAC) and the Financial Disciplinary Board (FDB). These committees are functioning without councillor and/or political interference.

Where required, matters are reported to the relevant external authorities for further investigation. Appropriate and relevant consequence management is initiated to prevent recurrence, as and when required/identified.

The components of the Policy and Plan also focuses on the following:
1. The organisation;
2. Employees;
3. Stakeholders;
4. Enforcement;
5. Implementation.

All staff, including senior management and councillors, are obliged to annually declare specific personal assets and private business interests. These Annual Financial Declarations are subjected to verification and where identified life-style audits are done.

Declarations include the following:
1. Shares and other financial interests (not bank accounts with financial institutions);
2. Directorships and partnerships (also those held by the spouse and close family members);
3. Remunerated work outside of the municipality;
4. Consultancies and retainerships;
5. Sponsorships;
6. Gifts and hospitality from a source other than a family member (exceeding the value of R350 over a 12 month period);
7. Land and property registered in their name;
8. Vehicle(s) owned (registered) in their name;
9. Participation in elections.

All incidents reported via the Ethics Hotline are attended to in terms of Council's policy.

Accounting Officer's Report

5. Integrity management (continued)

The status of reported cases is as follows:

	2021/2022	2022/2023	2023/2024	2024/2025
Total Number of Cases reported	37	38	23	14
Total Number of Cases resolved	26	24	11	7
Total Number of Cases under investigation	11	14	12	7
% Resolved	70%	63%	48%	50%

The primary reported transgressions are summarized as follows:

1. Recruitment/Appointment related irregulaties
2. Meter tempering and/or illegal by-passing of electricity/water meters
3. Tender related irregularities
4. Transgression of Code of Conduct for Municipal Staff
5. Bribery
6. Fraudulent use of waste dumping permits
7. Illegal selling of prepaid electricity units

Consequence management principles are initiated, including criminal and/or civil prosecution according to Council's policies, processes and procedures, aligned with the relevant legislative requirements.

Frequent engagements are taking palce to follow up on matters reported for further investigation to other prosecuting authorities, i.e. Directorate for Priority Crime Investigation (DPCI) and the Commercial High Court.

6. Accounting Officer

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

Name	Changes
AM Groenewald	Resigned Saturday, 30 November 2024
P Magodi	Appointed Tuesday, 01 April 2025

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	464 001 229	484 529 708
Trade and other receivables from exchange transactions	4	247 196 841	246 143 336
Receivables from non-exchange transactions	5	146 834 461	129 690 225
Inventory	6	36 250 570	22 859 269
VAT Receivable	7	25 389 919	24 070 199
Total Current Assets		**919 673 020**	**907 292 737**
Non-Current Assets			
Property, plant and equipment	8	2 383 139 805	2 274 301 042
Investment property	9	49 234 032	49 234 032
Intangible assets	10	12 693 324	11 389 921
Heritage assets	11	18 701	18 701
Total Non-Current Assets		**2 445 085 862**	**2 334 943 696**
Total Assets		**3 364 758 882**	**3 242 236 433**
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	12	241 802 970	233 951 937
Borrowings	13	27 886 732	22 884 362
Consumer deposits	14	24 692 899	23 657 733
Lease liabilities	15	11 599 851	9 429 633
Unspent conditional grant	16	400 541	101 744
Income received in advance from developer contribution	17	1 750 616	8 075 234
Provisions	18	-	5 000 000
Total Current Liabilities		**308 133 609**	**303 100 643**
Non-Current Liabilities			
Borrowings	13	221 885 121	181 821 853
Provisions	18	80 071 601	75 464 725
Lease liabilities	15	34 107 382	27 731 681
Employee benefits	19	23 201 488	21 312 017
Total Non-Current Liabilities		**359 265 592**	**306 330 276**
Total Liabilities		**667 399 201**	**609 430 919**
Net Assets		**2 697 359 681**	**2 632 805 514**
Net assets presented by:			
Accumulated surplus		2 697 359 681	2 632 805 514

* See Note 47

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Exchange Revenue			
Services charges – Electricity	20	592 323 057	487 421 178
Services charges – Water management	20	281 574 302	271 745 032
Services charges – Waste water management	20	70 006 471	66 825 276
Services charges – Waste management	20	64 379 446	61 185 921
Interests on investments	23	44 001 866	43 678 123
Interest earned from receivables	22	23 041 225	24 666 097
Sales of goods and rendering of services	21	7 600 058	8 113 252
Operational revenue	25	5 347 788	1 620 299
Hire of facilities	24	1 115 015	1 234 092
Total Exchange Revenue		**1 089 389 228**	**966 489 270**
Non-Exchange Revenue			
Property rates	26	351 320 412	322 760 372
Transfers and subsidies – Operational	28	202 090 733	189 554 633
Transfers and subsidies – Capital	28	136 066 861	105 067 308
Fines, penalties and forfeits	27	39 050 536	45 061 686
Interest earned from receivables	22	18 718 747	16 506 617
Inventory surplus	29	41 609	-
Total Non-Exchange Revenue		**747 288 898**	**678 950 616**
Total Revenue		**1 836 678 126**	**1 645 439 886**
Expenditure			
Bulk purchases	30	507 510 479	457 788 664
Employee related cost	31	408 908 286	368 363 734
Inventory consumed	37	206 456 250	196 242 852
Contracted services	32	194 128 151	193 610 889
Debt impairment	34	173 059 039	151 414 870
Depreciation and amortisation	33	118 100 432	104 439 880
Operational cost	35	95 620 496	99 371 307
Interest	36	31 907 704	21 671 576
Losses on disposal of fixed assets	39	19 206 402	2 332 928
Remuneration of councillors	38	15 452 341	15 167 639
Transfers and subsidies	40	1 774 405	1 278 205
Inventories (write-down)	29	-	4 204
Total Expenditure		**1 772 123 985**	**1 611 686 748**
Surplus for the year		**64 554 141**	**33 753 138**

* See Note 47

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	2 590 979 466	2 590 979 466
Adjustments		
Correction of errors	8 072 910	8 072 910
Balance at 01 July 2023 as restated*	**2 599 052 376**	**2 599 052 376**
Surplus for the year	33 753 138	33 753 138
Total changes	33 753 138	33 753 138
Opening balance as previously reported	2 632 531 657	2 632 531 657
Adjustments		
Correction of errors	273 883	273 883
Restated* Balance at 01 July 2024 as restated*	**2 632 805 540**	**2 632 805 540**
Surplus for the year	64 554 141	64 554 141
Total changes	64 554 141	64 554 141
Balance at 30 June 2025	**2 697 359 681**	**2 697 359 681**

Note(s)

* See Note 47

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from non exchange transactions		658 608 243	577 205 032
Cash receipts from exchange transactions		935 159 256	825 507 765
Interest		44 001 866	43 678 123
Payments			
Employees		(422 471 156)	(381 537 141)
Finance charges		(24 827 535)	(14 624 552)
Suppliers		(1 015 988 438)	(905 630 398)
Net cash from(used) operating activities	41	**174 482 236**	**144 598 829**
Cash flows from investing activities			
Receipts			
Proceeds on disposal of fixed and intangible assets		800 425	-
Payments			
Intangible assets		(3 815 921)	(5 588 148)
Capital assets		(245 606 776)	(242 381 780)
Net cash flows from investing activities		**(248 622 272)**	**(247 969 928)**
Cash flows from financing activities			
Receipts			
Increase in borrowing long-term		67 950 000	94 550 000
Increase in consumer deposits		-	-
Increase in finance lease liabilities		18 270 579	22 989 244
Payments			
Decrease in borrowing long-term		(22 884 362)	(17 258 029)
Decrease in finance lease liabilities		(9 724 660)	(7 782 815)
Net cash flows from financing activities		**53 611 557**	**92 498 400**
Net increase/(decrease) in cash		**(20 528 479)**	**(10 872 699)**
Cash and cash equivalents at year begin		484 529 708	495 402 407
		464 001 229	**484 529 708**

* See Note 47

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

Budget on Accrual Basis

Figures in Rand	Original budget	*Budget adjustments	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Reason for the material variance
2025							
Financial performance							
Revenue							
Exchange revenue							
Service charges - Electricity	616 262 131	10 378 000	626 640 131	592 323 058	(34 317 073)	94.52 %	
Service charges - Water	294 204 750	20 000	294 224 750	281 574 301	(12 650 449)	95.70 %	
Service charges - Waste Water Management	71 007 561	(580 000)	70 427 561	70 006 471	(421 090)	99.40 %	
Service charges - Waste Management	66 299 799	-	66 299 799	64 379 447	(1 920 352)	97.10 %	
Sale of goods and rendering of services	8 140 500	1 050 000	9 190 500	7 600 058	(1 590 442)	82.69 %	Cleaning and removal revenue dropped due to no overgrown grass cuttings during 24/25. This is not a primary service for the municipality. Only undertaken on a needs basis.
Interest earned from receivables	25 251 512	(80 000)	25 171 512	23 041 225	(2 130 287)	91.54 %	
Interest earned from current and non current assets	44 208 879	2 600 000	46 808 879	44 001 866	(2 807 013)	94.00 %	
Rental from fixed assets	1 160 775	-	1 160 775	1 115 015	(45 760)	96.06 %	
Operational revenue	4 751 193	-	4 751 193	5 347 787	596 594	112.56 %	Insurance refunds were received and SDL fund received.
	1 131 287 100	**13 388 000**	**1 144 675 100**	**1 089 389 228**	**(55 285 872)**	**95.17 %**	
Non-exchange revenue							
Property rates	349 604 867	450 000	350 054 867	351 320 413	1 265 546	100.36 %	
Fines, penalties and forfeits	83 413 524	50 000	83 463 524	39 050 536	(44 412 988)	46.79 %	Department paid more attention to road blocks aimed at collecting previously issued fines rather than issuing new fines.
Transfer and subsidies - Operational	206 570 289	(3 413 718)	203 156 571	202 090 733	(1 065 838)	99.48 %	

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

Figures in Rand	Original budget	*Budget adjustments	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Reason for the material variance
Interest	16 396 230	2 200 000	18 596 230	18 718 747	122 517	100.66 %	
Inventory Surplus	-	-	-	41 609	41 609	- %	
	655 984 910	**(713 718)**	**655 271 192**	**611 222 038**	**(44 049 154)**	**93.28 %**	
Total Revenue (excl. capital transfers and contributions)	**1 787 272 010**	**12 674 282**	**1 799 946 292**	**1 700 611 266**	**(99 335 026)**	**94.48 %**	
Expenditure							
Employee costs	(423 685 589)	(1 281 081)	(424 966 670)	(408 908 287)	16 058 383	96.22 %	
Remuneration of councillors	(15 269 774)	(1 013 781)	(16 283 555)	(15 452 342)	831 213	94.90 %	
Bulk purchases - Electricity	(556 242 237)	18 520 000	(537 722 237)	(507 510 479)	30 211 758	94.38 %	
Inventory consumed	(216 072 852)	(10 512 728)	(226 585 580)	(206 456 250)	20 129 330	91.12 %	
Debt impairment	(153 059 612)	(20 406 000)	(173 465 612)	(173 059 039)	406 573	99.77 %	
Depreciation and amortisation	(118 782 647)	(2 041 757)	(120 824 404)	(118 100 432)	2 723 972	97.75 %	
Finance charges	(23 767 043)	(1 269 729)	(25 036 772)	(24 827 533)	209 239	99.16 %	
Contracted services	(250 143 595)	15 972 373	(234 171 222)	(194 128 150)	40 043 072	82.90 %	Lower use of consultants and contractors. Discontinuation of PPP resulted in savings on transaction advisor costs under contracted services.
Transfers and subsidies	(2 500 000)	458 080	(2 041 920)	(1 774 405)	267 515	86.90 %	Significant reduction in mayoral outreach programs due to contemplated policy changes. Some savings are due to delays in processing due to non-compliant documents submissions and some applications received late towards financial year end.
Operational costs	(113 496 606)	(12 287 114)	(125 783 720)	(102 700 665)	23 083 055	81.65 %	Cost containment measures
Losses on disposal of Assets	-	-	-	(19 206 402)	(19 206 402)	- %	
Total Expenditure	**(1 873 019 955)**	**(13 861 737)**	**(1 886 881 692)**	**(1 772 123 984)**	**114 757 708**	**93.92 %**	
Deficit	**(85 747 945)**	**(1 187 455)**	**(86 935 400)**	**(71 512 718)**	**15 422 682**	**82.26 %**	

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

Figures in Rand	Original budget	*Budget adjustments	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Reason for the material variance
Transfers and subsidies - capital (monetary allocations)	125 232 250	9 612 169	134 844 419	134 766 861	(77 558)	99.94 %	
Transfers and subsidies - capital (in-kind)	1 300 000	-	1 300 000	1 300 000	-	100.00 %	
Surplus for the year	**40 784 305**	**8 424 714**	**49 209 019**	**64 554 143**	**15 345 124**	**131.18 %**	
Financial position							
Assets							
Current assets							
Cash and cash equivalents	434 486 998	14 735 987	449 222 985	464 001 229	14 778 244	103.29 %	
Trade and other receivables from exchange transactions	315 058 339	-	315 058 339	247 196 841	(67 861 498)	78.46 %	
Receivables from non-exchange transactions	45 859 383	118 278 699	164 138 082	146 834 463	(17 303 619)	89.46 %	
Inventory	15 932 405	-	15 932 405	36 250 569	20 318 164	227.53 %	
VAT	15 776 294	(2 000)	15 774 294	25 389 917	9 615 623	160.96 %	
Total current assets	**827 113 419**	**133 012 686**	**960 126 105**	**919 673 019**	**(40 453 086)**	**95.79 %**	
Non-current assets							
Investment property	49 351 032	-	49 351 032	49 234 032	(117 000)	99.76 %	
Property, plant and equipment	2 220 041 044	184 755 318	2 404 796 362	2 383 139 805	(21 656 557)	99.10 %	
Heritage assets	18 701	-	18 701	18 701	-	100.00 %	
Intangible assets	22 748 244	(10 462 980)	12 285 264	12 693 324	408 060	103.32 %	
Total non-current assets	**2 292 159 021**	**174 292 338**	**2 466 451 359**	**2 445 085 862**	**(21 365 497)**	**99.13 %**	
Total assets	**3 119 272 440**	**307 305 024**	**3 426 577 464**	**3 364 758 881**	**(61 818 583)**	**98.20 %**	
Liabilities							
Current liabilities							
Financial liabilities	42 385 761	-	42 385 761	39 486 584	(2 899 177)	93.16 %	
Consumer deposits	20 757 337	3 500 000	24 257 337	24 692 899	435 562	101.80 %	

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

Figures in Rand	Original budget	*Budget adjustments	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Reason for the material variance
Trade and other payables from exchange transactions	72 171 082	75 052 545	147 223 627	241 802 969	94 579 342	164.24 %	
Unspent conditional grant	6 000 000	-	6 000 000	400 541	(5 599 459)	6.68 %	
Income received in advance from developer contribution	371 653	-	371 653	1 750 616	1 378 963	471.04 %	
Provision	17 687 000	-	17 687 000	-	(17 687 000)	- %	
Total current liabilities	**159 372 833**	**78 552 545**	**237 925 378**	**308 133 609**	**70 208 231**	**129.51 %**	
Non-current liabilities							
Financial liabilities	117 420 187	118 911 000	236 331 187	255 992 503	19 661 316	108.32 %	
Other non-current liabilities	99 350 277	-	99 350 277	103 273 089	3 922 812	103.95 %	
Total non-current liabilities	**216 770 464**	**118 911 000**	**335 681 464**	**359 265 592**	**23 584 128**	**107.03 %**	
Total liabilities	**376 143 297**	**197 463 545**	**573 606 842**	**667 399 201**	**93 792 359**	**116.35 %**	
Net assets	**2 743 129 143**	**109 841 479**	**2 852 970 622**	**2 697 359 680**	**(155 610 942)**	**94.55 %**	
Net assets							
Accumulated Surplus/(Deficit)	2 743 129 143	109 841 479	2 852 970 622	2 697 359 682	(155 610 940)	94.55 %	

Cash flow

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

Figures in Rand	Original budget	*Budget adjustments	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Reason for the material variance
Cash flow from operating activities							
Receipts							
Cash receipts from non-exchange transactions	651 341 882	50 000	651 391 882	658 608 243	7 216 361	101.11 %	
Cash receipts from exchange transactions	944 445 697	22 066 544	966 512 241	935 159 256	(31 352 985)	96.76 %	
Interest	44 208 879	2 600 000	46 808 879	44 001 866	(2 807 013)	94.00 %	
	1 639 996 458	**24 716 544**	**1 664 713 002**	**1 637 769 365**	**(26 943 637)**	**98.38 %**	
Payments							
Suppliers	(1 108 285 662)	22 942 444	(1 085 343 218)	(1 015 988 438)	69 354 780	93.61 %	
Finance charges	(23 767 042)	(1 269 730)	(25 036 772)	(24 827 535)	209 237	99.16 %	
Employees	(438 291 403)	(2 191 508)	(440 482 911)	(422 471 156)	18 011 755	95.91 %	
	(1 570 344 107)	**19 481 206**	**(1 550 862 901)**	**(1 463 287 129)**	**87 575 772**	**94.35 %**	
Net cash from/(used) operating activities	**69 652 351**	**44 197 750**	**113 850 101**	**174 482 236**	**60 632 135**	**153.26 %**	
Cash flow from investing activities							
Receipts							
Proceeds on disposal of PPE	402 073	-	402 073	800 425	398 352	199.07 %	
Payments							
Capital assets	(265 318 087)	(7 182 966)	(272 501 053)	(249 422 697)	23 078 356	91.53 %	
Net cash from/(used) investing activities	**(264 916 014)**	**(7 182 966)**	**(272 098 980)**	**(248 622 272)**	**23 476 708**	**91.37 %**	
Cash flow from financing activities							
Receipts							
Borrowing long term/refinancing	87 600 000	5 271 268	92 871 268	86 220 579	(6 650 689)	92.84 %	

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

Figures in Rand	Original budget	*Budget adjustments	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Reason for the material variance
Payments							
Repayment of borrowing	(42 385 761)	-	(42 385 761)	(32 609 022)	9 776 739	76.93 %	
Net cash from/(used) financing activities	**45 214 239**	**5 271 268**	**50 485 507**	**53 611 557**	**3 126 050**	**106.19 %**	
Net Increase/ (Decrease) in cash held	**(150 049 424)**	**42 286 052**	**(107 763 372)**	**(20 528 479)**	**87 234 893**	**19.05 %**	
Cash/cash equivalents at the year begin:	156 986 938	156 413 055	313 399 993	484 529 708	171 129 715	154.60 %	
Cash/cash equivalents at the year end:	434 486 998	14 735 987	449 222 985	464 001 229	14 778 244	103.29 %	

Accounting Policies

The annual financial statements of Midvaal Local Municipality for the year ended 30 June 2025 were authorised for issue by the Accounting Officer on 31 August 2025.

Basis of presentation

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

The annual financial statements includes any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

Offsetting

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

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

These accounting policies are consistent with the previous period.

The Statement of Financial Performance has been prepared to classify expenses by nature, whilst revenue is classified in a manner appropriate to the municipality's operations. The Cash Flow Statement has been prepared using the Direct Method.

1. Summary of significant accounting policies

1.1 Presentation currency

These annual financial statements are presented in South African Rand (ZAR), which is the municipality's functional and presentation currency. All monetary amounts are rounded to the nearest Rand.

1.2 Going concern assumption

These annual financial statements have been prepared on the going concern basis, based on management's assessment that the municipality has adequate resources and intends to continue operations for the foreseeable future, which is at least 12 months from the reporting date.

1.3 Materiality

Material omissions or misstatements are considered material if they could, individually or collectively, influence the decisions of users made on the basis of the financial statements. In assessing materiality, both the nature and magnitude of the item are considered in the context of the overall financial information presented.

Material variances are defined as any differences above 10% with a value limited to R1,000,000. Explanations for material differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual Amounts.

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

1.4 Significant judgements and sources of estimation uncertainty

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

1.4 Significant judgements and sources of estimation uncertainty (continued)

Receivables

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

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

Impairment of Traffic Fines

Assessing and recognising impairment of Receivables for Traffic Fines is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears.

Allowance for slow moving, damaged and obsolete stock

An assessment is made of net realisable value or current replacement cost, where applicable, of inventory at the end of each reporting period. A write down of inventory to the lower of cost or current replacement cost, where applicable, is subsequently provided. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in surplus or deficit.

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 fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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.

Impairment testing

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

Expected future cash flows used to determine the value in use of assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors such as inflation and interest.

Judgements are made by management in applying the criteria to designate assets as non-cash-generating units or cash-generating units. The designation is made on the basis as described in accounting policy 1.13 - Impairment of non-cash-generating assets.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. The provision is discounted when the time value of money is material. Additional disclosure of these estimates of provisions are included in note 18 - Provisions

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the best estimate or net present value of the future expected cash flows to rehabilitate the landfill site at year-end. To the extent that the obligations relate to an asset, it is 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. Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.

- Interest rates (investment rate) linked to prime was used to calculate the effect of the time value of money.

Leave accrual

The provision for staff leave is based on accrued leave at year-end. The uncertainty is when the leave will be taken or if employment will be terminated.

Prepaid electricity

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

Estimates of unused consumption of prepaid metered services, based on the consumption history, are made at year-end. Sales for prepaid metered services are recognised as revenue upon receipt of payment for these services, except at year-end when estimates for unused consumption up to reporting date are reversed from revenue and accrued as payment for services received in advance. These accruals are reversed in the new financial year to revenue again, deemed to be consumed after 30 June. In respect of estimates of consumption between the last date of purchase and the reporting date, an accrual for payments received in advance is made based on the average monthly consumption of consumers on the reporting date.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate involves a matter of judgement based on the experience of the municipality with similar assets, and whether the assets will be sold or used to the end of their economic lives and the condition at the time. The municipality considers all the facts and circumstances estimating the useful lives of assets, which included the consideration of financial, technical and other facts. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease the depreciation charge where useful lives are more than the previously estimated useful lives.

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

The policy is also applicable to certain intangible assets and investment property.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post retirement and long term benefit obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government bonds. Where there is no deep market in the government bonds with a sufficiently long maturity to match the estimated maturity of all the benefits paid, the municipality uses current market rates of the appropriate term to discount shorter payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Due to the long-term nature of the plan, the estimates are subjected to significant uncertainty.

Other key assumptions for post retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in Note 19.

Effective interest rate

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

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

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

Water inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, where the level indicates the depth of the water in the reservoir, which is then converted into volumes, based on the total capacity of the relevant reservoir. Furthermore, the length and width of all pipes are also considered in determining the volume of water on hand at year-end.

Offsetting

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

1.5 Investment property

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

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

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

1.5 Investment property (continued)

Initial recognition and measurement

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

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

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

Management applies the category below to distinguish Investment Property from Property Plant and Equipment:
- 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 undeterminded future use;
- A building owned (or held under a finance lease) and leased out under one or more operating lease;
- Leased properties that are held to provide 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 lease;
- Property that is being constructed or developed for future use as investment property.

Subsequent measurement – cost model

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

Item	Useful life
Investment Property	Indefinite

Derecognition/Disposal

Investment properties are derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. 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 fair value [or carrying amount if cost model is used] 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.

1.6 Property, plant and equipment

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

Management applies the category below to distinguish Property, Plant and Equipment from Investment Property:

- Owner-occupied property (including held for future use);

- Owner-occupied property held for disposal;

- Property held by the municipality to fulfil their mandated function rather than rental or capital appreciation and;

- Property held by the municipality for a strategic purpose

1.6 Property, plant and equipment (continued)

Initial recognition

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

Initial 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 through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

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.

1.6 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 less their residual values over the estimated useful lives of the assets. Depreciation of an asset commences when the asset is ready for its intended use and ceases when the asset is derecognized. 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:

Item	Depreciation method	Average useful life
Land		indefinite
Machinery and equipment		
• Office equipment	Straight-line	3 - 10
• Bins and containers	Straight-line	5 - 10
Furniture and office equipment	Straight-line	10
Transport assets		
• Specialised vehicles	Straight-line	10 -30
• Other vehicles	Straight-line	5
• Vehicles	Straight-line	5
IT equipment	Straight-line	3 - 10
• Water	Straight-line	5 - 55
Infrastructure		
• Buildings	Straight-line	30
• Water	Straight-line	5 - 55
• Water	Straight-line	5 - 55
• Water	Straight-line	5 - 55
• Sewerage	Straight-line	10 - 60
• Landfill site	Straight-line	17
Community		
• Buildings	Straight-line	30
• Recreational facilities	Straight-line	20 - 30
• Security	Straight-line	5
Other assets		
• Buildings	Straight-line	30
Motor vehicles leased	Straight-line	5

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.

The measurement and recognition of impairment losses are indicated in accounting policies 1.13 Impairment of cash-generating assets and 1.14 Impairment of non-cash generating assets.

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

1.6 Property, plant and equipment (continued)

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 8).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8).

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

Site rehabilitation and restoration costs

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.

1.7 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services.

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.

Initial recognition and measurement

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 entity.
- The cost or fair value of the asset can be measured reliably.

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

1.7 Intangible assets (continued)

Subsequent measurement

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

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values. The amortisation charge for each period is recognised in surplus or deficit. Amortisation begins when the asset is available for use.

An intangible asset with an indefinite useful life shall not be amortised.

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

Derecognition

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

The gain or loss arising from the derecognition of intangible assets is determined as the difference between the sales proceeds and the carrying value and is included in surplus or deficit when the asset is derecognised.

Item	Amortisation method	Average useful life
Computer software	Straight-line	3 - 5 years
Servitudes		Indefinite

1.8 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 has classified the mayoral chain as a heritage asset.

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 measured at cost.

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

Subsequent measurement

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

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 are included in the Statement of financial performance as a gain or loss on disposal of heritage assets.

1.8 Heritage assets (continued)

Impairment

A heritage asset shall not be depreciated but an entity shall assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the entity shall estimate the recoverable amount or the recoverable service amount of the heritage asset.

In assessing whether there is an indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

External sources of information
- During the period, a heritage asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use
- The absence of an active market for a revalued heritage asset.

Internal sources of information
- Evidence is available of physical damage or deterioration of a heritage asset
- A decision to halt the construction of the heritage asset before it is complete or in a usable form

1.9 Financial instruments

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

Initial recognition and measurement

A financial instrument 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 instrument not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added or deducted from the fair value, as appropriate on initial recognition.

1.9.1 Classification of financial instruments

Financial assets

Financial assets are:
- Cash;
- a residual interest of another municipality; or
- a contractual right to:;
  - receive cash or another financial asset; or
  - exchange financial assets or financial liabilities under conditions that are potentially favourable to the municipality

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
Receipts from exchange transactions	Financial assets at amortised cost
Receipts from non-exchange transactions	Financial assets at amortised cost
Cash and cash equivalents	Financial assets at amortised cost

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.

Receipts from exchange transactions exclude prepayments and advances.

Receivables from non-exchange transactions exclude Fines, Property rates, and VAT as these form part of statutory receivables (1.10)

1.9 Financial instruments (continued)

Subsequent measurement for financial assets

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 method.

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.

Financial liabilities

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

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

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
Borrowings	Financial liability at amortised cost
Current portion of borrowings	Financial liability at amortised cost
Finance lease liability	Financial liability at amortised cost
Current portion of finance lease liability	Financial liability at amortised cost
Trade and other payables from exchange transactions	Financial liability at amortised cost
Consumer deposits	Financial liability at amortised cost

1.9.2 Initial and subsequent measurement

Initial recognition and measurement

A financial instrument 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 instrument 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 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).

1.9.3 Impairment of financial assets

Receivables

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

1.9 Financial instruments (continued)

The carrying amount of the financial assets 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.

1.9.4 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.

Financial liabilities

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

1.10 Statutory receivables

1.10.1 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
- Property rates debtors
- Traffic fine debtors

1.10.2 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.

1.10.3 Initial and subsequent 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.

1.10.4 Impairment

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

1.10 Statutory receivables (continued)

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

Rates debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios,qualitative factors (correspondence from attorneys).

Assessing and recognising impairment of receivabes for traffic fines is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears.

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.

1.10.5 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.

1.10.6 Accrued interest

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

1.10 Statutory receivables (continued)

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable. (policy 1.20)

1.10.7 Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the municipality applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers) (policy 1.20).

1.11 Leases

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

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately. The leased assets are subsequently measured at cost, less accumulated depreciation and accumulated impairment losses.

Municipality as lessee - Finance leases

Initial recognition and measurement

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

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

Subsequent measurement

Subsequent to the initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between the finance cost and the capital repayment using the municipality's incremental borrowing rate. Finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated as per stated accounting policy applicable to property, plant and equipment on note 1.6.

Municipality as lessee - Operating leases

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

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

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

1.12 Inventories

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

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

Accounting Policies

1.12 Inventories (continued)

Initial recognition and measurement

Inventories are initially measured at cost. Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Where inventories are acquired through a non-exchange transaction, their costs are their fair value as at the date of acquisition.

Subsequent measurement

Subsequently inventories are measured at the lower of cost and net realisable value unless distributed through a non-exchange transaction or consumed in the production process of goods to be distributed at no charge or for a nominal charge, in which case they are measured at the lower of cost and current replacement cost.

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

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. The cost of inventories is assigned using the first-in, first-out (FIFO) formula, except for water which is determined at cost at the reporting date due to it being measured at the lower of cost and current replacement cost.

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

Redundant and slow-moving inventories are identified and written down/written off. Inventories identified for write down/write off, but for which a council resolution to authorise the write down/write off, has not yet been obtained, are provided for as a provision for obsolete stock. Differences arising on the valuation of inventory are recognised in the statement of financial performance in the year in which they arise.

Water inventory

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

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

1.13 Impairment of cash-generating assets

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

1.13 Impairment of cash-generating assets (continued)

Designation

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

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

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

Identification

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

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

In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

External sources of information

(a) During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.

(b) Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.

(c) Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

Internal sources of information

(d) Evidence is available of obsolescence or physical damage of an asset.

(e) Significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changed include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.

(f) A decision to halt the construction of the asset before it is complete or in a useable condition.

(g) Evidence is available from internal reporting that indicates that the economic performance of an asset is,or will be, worse than expected.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

1.13 Impairment of cash-generating assets (continued)

Value in use

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

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

Basis for estimates of future cash flows

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

Composition of estimates of future cash flows

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

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

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

Discount rate

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

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.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

1.13 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

1.14 Impairment of non-cash-generating assets

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

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

* Assets acquired by the municipality are mainly used as per the municipality's mandate for service delivery purposes to customers that pay for the services but also to indigents. As the assets that are used for service delivery are similar, assets that generate cash flows cannot be distinguished from the non-cash generating assets and therefore are distinguished as non-cash generating.
* In the event that the assets that generate cash flows can be clearly identified the assets will be designated as cash-generating.

Designation

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

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

Identification

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

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

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. 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.

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

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.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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.

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

Reversal of an impairment loss

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

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

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

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

1.15 Disclosure in term of Section 45 of the municipal Supply Chain Management Regulation

The notes to the annual financial statements of a municipality must disclose particulars of any award of more than R2 000 to a person who is a spouse, child, or parent of such a person in the service of the state, or has been in the service of the state in the previous twelve months.

1.16 Employee benefits

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

Short-term employee benefits

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

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.

Post-employment benefits

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

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined post-employment plans

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

Defined benefit plans are post-employment plans other than defined contribution plans. Under these plans, the employer has a legal or constructive obligation to provide agreed benefits to current or former employees.

The entity recognizes a net defined benefit liability or asset in its statement of financial position. This is calculated as the present value of the defined benefit obligation minus the fair value of any plan assets.

The obligation is measured using the Projected Unit Credit Method, which considers each period of service as giving rise to an additional unit of benefit entitlement.

Components of Defined Benefit Cost:

Defined benefit cost is made up of the following components:
1) Service costs
2) Net interest revenue/expense
3) Remeasurements

1) Service cost
Service cost comprises the following costs:
a) Service cost
b) Settlement
c) Past service cost, made up of:
i. Plan amendments
ii. Curtailments

The remeasurements of the net defined liability (asset), to be recognised in surplus or deficit, comprise:
actuarial gains and losses
return on plan asset, excluding amounts in net interest on the net defined benefit liability (asset); and
any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability

Recognition and measurement: Plan assets

Fair Value of plan assets:

The fair value of any plan assets is deducted from the present value of the defined benefit obligation in determining the deficit or surplus.

Plan assets exclude unpaid contributions due from the reporting entity to the fund, as well as any non-transferable financial instruments issued by the entity and held by the fund. Plan assets are reduced by any liabilities of the fund that do not relate to employment benefits, for example, payables and liabilities resulting from derivative financial instruments.
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. Not all Medical Aid Funds with which the municipality is associated, provide for continued membership.

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 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 by independent qualified actuaries regularly, as may be required for fair presentation.

Actuarial gains or losses recognised immediately in the Statement of financial performance.

1.16 Employee benefits (continued)

Long-service employee benefits

The municipality has an obligation to provide Long-service Employee Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the entity 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.

Long service 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.

The municipality has an obligation to provide long term service allowance benefits to all of its employees.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.
- Payments made by the municipality are set-off against the liability

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- net interest cost is disclosed as part of the employee related cost in the financial statements
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Post-employment benefits: Defined contribution plans

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in Surplus and Deficit in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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.

Bonus provisions

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

1.17 Provisions

Provisions are liabilities of uncertain timings or amounts

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.

1.17 Provisions (continued)

Measurement
The best estimate of the expenditure required to settle the present obligation is the amount that an Municipality 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.

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.

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 (or rates) shall be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. The discount rate(s) shall not reflect risks for which future cash flow estimates have been adjusted.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

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.

At year end a provision is raised for the rehabilitation of landfill sites. The provision is the net present value of the future cash flows to rehabilitate damaged land at year end.

As the related asset is measured using the cost model
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed it carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;
- if the adjustments 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 be fully recoverable. If there is such an indication, the municipality tests the asset for the impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in the accounting policy on impairment of cash-generating assets and/ or impairment of non-cash generating assets.

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

Unspent conditional grants

Unspent conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs. Unspent conditional grants are not considered to be financial instruments as there are no contractual arrangements as required by GRAP104. The revenue received is driven from legislation. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent grant is reclassified as payables, which is considered a financial instrument. This liability always must be cash-backed.

The following provisions are set for the creation of utilisation of this creditor:
Unspent conditional grants are recognised as a liability when the grant is received. When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.

The cash which backs up the creditor is invested until it is utilised.

1.18 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.

1.19 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.20 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 service charges and other operational activities.

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. Services rendered are recognised by reference to the stage of completion of the transaction at the reporting date. Services rendered are recognised also when transaction costs and cost to complete can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable.

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.

Accounting Policies

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

Tariff charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff.

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.

1.20 Revenue (continued)

1.20.2 Revenue from non-exchange transactions

Property rates

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

Government grants and subsidies

Unconditional grants

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

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.

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.

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

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 from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

1.21 Borrowing costs

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

1.21 Borrowing costs (continued)

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

1.22 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.

The presentation and classification of items in the current year is consistent with prior periods, except where otherwise indicated.

1.23 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.

1.24 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial preformance 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.

Additional disclosure for fruitless and wasteful expenditure is disclosed in note 50.2.

1.25 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.

1.25 Irregular expenditure (continued)

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

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

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

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

Additional disclosure for irregular expenditure is disclosed in note 50.1.

1.26 Segment information

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

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met. Reports are used to identify reportable segments and the review thereof, eg. monthly section 71 reports.

The municipality reports a measure of assets and liabilities for each reportable segment if such an amount is regularly provided to management."

The municipality does not disclose the geographical areas in which it operates as it is not relevant for decision-making purposes.

Measurement

The municipality uses section 71 reports to assess performance. The measurement basis per the monthly reports is the same as the annual financial statements.

1.27 Budget information

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

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

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

1.27 Budget information (continued)

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

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

Comparative budget information is not required.

In general, a difference of 10% or more with a value limited to R1,000,000 is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the annual financial statements in determining whether a difference between the budgeted and actual amount is material.

All comparisons of the budget and actual amounts shall be presented on a comparative basis to the budget. Comparative information includes the following:
- the approved and final amounts;
- actual amounts and final budget amounts.

1.28 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.

Close members of the family of a individual are those family members who may be expected to influence or be influenced by that individual in their dealings with the municipality. An individual is considered to be a close member of the family of another individual if they are married or live together in a relationship similar to a marriage; or if they are separated by no more than two degrees of natural or legal consanguinity or affinity.

Remuneration of management includes remuneration derived for services provided to the municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration.

In the case of permanent employees acting in management positions, only the remuneration received additionally for acting in that position is disclosed.

Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the municipality.

The municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

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

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

1.29 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

Accounting Policies

1.29 Events after reporting date (continued)

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.

1.30 Value Added Tax

The municipality is registered with the South Afrcan 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.

Revenue, expenses and assets are recognised net of the amounts of value-added tax. The net amount of value-added tax recoverable from, or payable to SARS is included as part of receivables or payables in the Statement of Financial Position,

1.31 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surplus realised during a specific financial year is credited against the accumulated surplus.

Prior year adjustments, relating to income and expenditure are credited/debited against accumulated surplus/(deficit) when retrospective adjustments are made.

1.32 Cash and cash equivalents

Cash includes 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.

1.33 Consumer deposits

The municipality recognises consumer deposits as a current liability when the municipality becomes a party to the contract i.e. when the deposit is made. The consumer deposit is recognised as a liability as the municipality has an obligation to pay the money back to the consumer once the consumer account is closed. As the timing of when a consumer will close their account is unknown, the consumer deposits are classified as a current liability.

Consumer deposits are levied in line with council's policy to consumers when services are initially connected.

When services are terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

1.34 Change in accounting policies, estimates and errors

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

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.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024 Restated*

2. New standards and interpretations

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

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	Effective date to be determined	The impact of the standards are not material.
• GRAP 103 (amended): Heritage Assets	Effective date to be determined	The impact of the standards are not material.
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unable to reliably estimate the impact

3. Cash and cash equivalents

3.1 Cash and cash equivalents

Cash and cash equivalents consist of the following:

	2025	2024 Restated*
Call deposits and investments		
Bank guarantee	49 027 672	49 007 901
Call account - Nedbank	394 533 802	423 694 000
Cash at bank		
Bank account	20 437 535	11 825 087
Cash on hand	2 220	2 720
Total cash and cash equivalents	**464 001 229**	**484 529 708**

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Call accounts are held with primary bank and are redeemable at any given time.

Cash at banks include an amount of R400,541 (2024: R101 744) held to fund unspent conditional grants.

Bank Guarantees

Institution	Deposit held by :	2025	2024 Restated*
Nedbank	Eskom	48 397 000	48 397 000
Nedbank	Eskom	240 000	240 000
Nedbank	South African Post Office	60 000	60 000
Absa	Eskom and SAPO	330 672	310 901
		49 027 672	**49 007 901**

		2025	2024 Restated*

3. Cash and cash equivalents (continued)

3.2 Bank accounts

The municipality has the following bank accounts:

Nedbank Limited	Cheque - Account Number 1224797477	2 714 421	2 007 368
Nedbank Limited	Cheque - Account Number 1224797469	17 723 114	9 817 719
Total		**20 437 535**	**11 825 087**

Credit quality of cash at bank and short term deposits (excluding cash on hand)

The credit quality of cash at bank and short-term deposits, excluding cash on hand, that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

3.3 Difference between cash book and bank statement

2025

	Cash book	Bank statement	Difference
Nedbank Limited	2 714 421	2 714 421	-
Nedbank Limited	17 723 114	17 033 392	689 722
	20 437 535	**19 747 813**	**689 722**

2024

	Cash book	Bank statement	Difference
Nedbank Limited	2 007 368	2 007 368	-
Nedbank Limited	9 817 719	8 934 090	883 629
	11 825 087	**10 941 458**	**883 629**

A reconciling list is available for inspection of the difference between the cashbook balance and bank statement. These include undeposited receipts.

Guarantees held in lieu of electricity and water deposits

Bhawan Family Holdings	1 199 326	1 199 326
Heineken SA (Pty) Ltd	7 109 000	7 109 000
Ontec Systems (Pty) Ltd	13 000 000	13 000 000
Alley Roads - Riverstone Mall	8 478 708	-
	29 787 034	**21 308 326**

4. Trade and other receivables from exchange transactions

Trading service and customer service debtors	4.1	228 715 903	224 132 218
Other receivables from exchange transactions	4.2	18 480 938	22 011 118
Total		**247 196 841**	**246 143 336**

Notes to the Annual Financial Statements

Figures in Rand

4. Trade and other receivables from exchange transactions (continued)

4.1 Trading service and customer service debtors

	2025			2024		
	Gross	**Impairment**	**Total**	**Gross**	**Impairment**	**Total**
Electricity	58 451 995	(12 096 461)	**46 355 534**	45 919 796	(8 957 456)	**36 962 340**
Waste management	51 919 983	(29 224 289)	**22 695 694**	49 466 221	(25 252 081)	**24 214 140**
Waste water management	46 988 927	(26 605 377)	**20 383 550**	46 460 510	(23 314 029)	**23 146 481**
Water	175 872 670	(76 915 635)	**98 957 035**	174 082 187	(67 745 022)	**106 337 165**
Sundries	58 636 549	(18 312 459)	**40 324 090**	50 205 002	(16 732 910)	**33 472 092**
Total	**391 870 124**	**(163 154 221)**	**228 715 903**	**366 133 716**	**(142 001 498)**	**224 132 218**

The average credit period for trading service and customer service debtors is 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of trading service and customer service debtors.

The management of the municipality is of the opinion that the carrying value of trading service and customer service debtors approximate their fair values.

The fair value of trading service and customer service debtors was determined after considering the standard terms and conditions of agreements entered into between the municipality and trading service and customer service debtors as well as the current payment ratio's of the municipality's trading service and customer service debtors.

Notes to the Annual Financial Statements

Figures in Rand

4. Trade and other receivables from exchange transactions (continued)

4.1.1 Ageing of trading service and customer service debtors

2025

		Not due			Past due		
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Ageing by debt type							
Electricity	**46 355 534**	34 783 169	1 067 114	1 334 267	439 344	3 415 867	5 315 773
Waste management	**22 695 694**	5 559 969	1 457 689	1 252 467	1 144 959	5 996 394	7 284 216
Waste water management	**20 383 550**	5 773 615	1 226 877	1 054 714	962 879	4 526 824	6 838 641
Water	**98 957 035**	34 671 054	5 468 868	6 909 801	3 449 672	24 278 443	24 179 197
Sundries	**40 324 090**	7 597 244	1 335 887	1 726 558	1 293 842	18 890 896	9 479 663
Total ageing by debt type	**228 715 903**	**88 385 051**	**10 556 435**	**12 277 807**	**7 290 696**	**57 108 424**	**53 097 490**
Ageing per customer group							
Organs of state	**35 878 824**	3 919 784	1 393 307	1 207 571	1 071 802	17 322 377	10 963 983
Commercial customers	**34 169 746**	24 289 453	1 039 852	1 399 548	257 789	5 237 047	1 946 057
Households	**158 667 333**	60 175 814	8 123 276	9 670 688	5 961 105	34 549 000	40 187 450
Total ageing per customer group	**228 715 903**	**88 385 051**	**10 556 435**	**12 277 807**	**7 290 696**	**57 108 424**	**53 097 490**

4. Trade and other receivables from exchange transactions (continued)

2024

		Not due	Past due				
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Ageing by debt type							
Electricity	**36 962 340**	26 202 111	910 334	1 499 600	623 036	2 894 119	4 833 140
Waste management	**24 214 140**	5 835 369	1 636 303	1 513 513	1 369 982	7 799 307	6 059 666
Waste water management	**23 146 481**	5 971 285	1 531 657	1 389 317	1 307 968	7 352 277	5 593 977
Water	**106 337 165**	37 132 995	5 075 177	5 098 682	5 486 449	22 243 378	31 300 484
Sundries	**33 472 092**	18 848 475	1 404 216	779 951	633 078	3 617 288	8 189 084
Total ageing by debt type	**224 132 218**	**93 990 235**	**10 557 687**	**10 281 063**	**9 420 513**	**43 906 369**	**55 976 351**
Ageing per customer group							
Organs of state	**39 634 322**	18 929 327	1 148 918	334 804	414 975	2 663 862	16 142 436
Commercial customers	**30 293 937**	22 044 243	579 305	1 268 069	1 267 647	3 380 402	1 754 271
Households	**154 203 959**	53 016 665	8 829 464	8 678 190	7 737 891	37 862 105	38 079 644
Total ageing per customer group	**224 132 218**	**93 990 235**	**10 557 687**	**10 281 063**	**9 420 513**	**43 906 369**	**55 976 351**

4. Trade and other receivables from exchange transactions (continued)

4.1.2 Impairment reconciliation of trading service and customer service debtors

	2025				2024			
	Opening balance	**Impairment raised**	**Impairment reversed / debt written off**	**Closing balance**	**Opening balance**	**Impairment raised**	**Impairment reversed / debt written off**	**Closing balance**
Electricity	8 957 455	3 985 738	(846 732)	**12 096 461**	6 479 411	3 341 569	(863 524)	**8 957 456**
Waste management	25 252 081	13 334 072	(9 361 864)	**29 224 289**	18 285 245	10 104 398	(3 137 562)	**25 252 081**
Waste water management	23 314 029	15 112 348	(11 821 000)	**26 605 377**	16 756 658	10 080 863	(3 523 492)	**23 314 029**
Water	67 745 022	73 173 725	(64 003 112)	**76 915 635**	53 625 132	47 490 688	(33 370 798)	**67 745 022**
Sundries	16 732 910	4 603 888	(3 024 339)	**18 312 459**	13 930 591	3 529 826	(727 507)	**16 732 910**
Total	**142 001 497**	**110 209 771**	**(89 057 047)**	**163 154 221**	**109 077 037**	**74 547 344**	**(41 622 883)**	**142 001 498**

The impairment provision was calculated after individually assessing trading service and customer service debtors 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 consumer debtors.

In determining the recoverability of a trading service and customer service debtors, the municipality considers any change in the credit quality of the trading service and customer service debtors 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 debt impairment.

4. Trade and other receivables from exchange transactions (continued)

4.1.3 Ageing of impaired trading service and customer service debtors

2025

		Not due			Past due		
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Ageing by debt type							
Electricity	**12 096 461**	2 856 885	395 667	793 842	247 889	1 716 982	6 085 196
Waste water management	**26 605 377**	50 800	65 965	123 853	147 433	3 216 531	23 000 795
Waste management	**29 224 289**	57 853	76 618	143 271	176 934	3 250 516	25 519 097
Water	**76 915 635**	1 001 321	506 643	1 837 095	625 328	10 612 318	62 332 930
Sundries	**18 312 459**	579 634	38 395	123 592	82 291	1 056 925	16 431 622
Total by debt type	**163 154 221**	**4 546 493**	**1 083 288**	**3 021 653**	**1 279 875**	**19 853 272**	**133 369 640**
Ageing per customer group							
Commercial customers	**12 565 888**	3 158 493	323 420	719 045	20 385	1 620 206	6 724 339
Households	**150 588 333**	1 388 000	759 868	2 302 608	1 259 490	18 233 066	126 645 301
Total by customer group	**163 154 221**	**4 546 493**	**1 083 288**	**3 021 653**	**1 279 875**	**19 853 272**	**133 369 640**

4. Trade and other receivables from exchange transactions (continued)

2024

		Not due	Past due				
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Ageing by debt type							
Electricity	**8 957 456**	2 541 746	229 788	405 348	358 116	1 373 330	4 049 128
Waste water management	**23 314 029**	30 723	58 288	116 928	124 609	2 706 253	20 277 228
Waste management	**25 252 081**	40 485	70 654	162 315	136 103	2 804 710	22 037 814
Water	**67 745 022**	1 190 883	604 227	651 063	976 574	10 801 087	53 521 188
Sundries	**16 732 910**	28 749	35 828	126 478	138 305	1 988 500	14 415 050
Total by debt type	**142 001 498**	**3 832 586**	**998 785**	**1 462 132**	**1 733 707**	**19 673 880**	**114 300 408**
Ageing per customer group							
Organs of state	**16 414**	3 802	-	-	-	-	12 612
Commercial customers	**6 351 700**	2 668 036	125 736	51 438	240 746	816 089	2 449 655
Households	**135 633 384**	1 160 747	873 049	1 410 695	1 492 961	18 857 791	111 838 141
Total by customer group	**142 001 498**	**3 832 585**	**998 785**	**1 462 133**	**1 733 707**	**19 673 880**	**114 300 408**

4. Trade and other receivables from exchange transactions (continued)

4.1.4 Trading service and customer service debtors pledged as security

No consumer receivables were pledged as security.

4.1.5 Credit quality of trading service and customer service debtors

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external c
about counterparty default rates.

4.2 Other receivables from exchange transactions

	2025		2024	
	Gross	Total	Gross	Total
Prepayments and advances	12 602 205	**12 602 205**	10 486 131	**10 486 131**
Deposits held in trust	-	**-**	570 121	**570 121**
Sundry Debtors	5 878 733	**5 878 733**	10 954 866	**10 954 866**
Total	**18 480 938**	**18 480 938**	**22 011 118**	**22 011 118**

4.2.1 Ageing of other receivables from exchange transactions

2025

		Not due	Past due
	Total	Current	120+ days
Prepayments and advances	**12 602 205**	12 602 205	-
Sundry Debtors	**5 878 733**	5 396 537	482 196
Total	**18 480 938**	**17 998 742**	**482 196**

2024

		Not due
	Total	Current
Prepayments and advances	**10 486 131**	10 486 131
Sundry Debtors	**10 954 866**	10 954 866
Land sale debtors	**570 121**	570 121
Total	**22 011 118**	**22 011 118**

* See Note 47

5. Receivables from non-exchange transactions

Consumer receivable	5.1	141 994 662	122 090 172
Other receivables	5.2	4 839 799	7 600 053
Total		**146 834 461**	**129 690 225**

5.1 Consumer receivable

	2025			2024		
	Gross	**Impairment**	**Total**	**Gross**	**Impairment**	**Total**
Property rates	284 545 693	(142 551 031)	**141 994 662**	243 073 555	(120 983 383)	**122 090 172**

5.1.1 Ageing of consumer receivable

2025

		Not due	Past due				
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Property rates	**141 994 662**	35 517 545	7 595 932	6 620 260	6 589 260	36 317 030	49 354 635

Notes to the Annual Financial Statements

Figures in Rand

5. Receivables from non-exchange transactions (continued)

Property rates

		Not due			Past due		
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Commercial customers	**15 939 837**	7 926 070	592 823	480 976	1 149 547	2 218 732	3 571 689
Organs of state	**9 914 377**	839 615	281 962	253 124	247 226	2 069 960	6 222 490
Households	**116 140 448**	26 751 860	6 721 147	5 886 160	5 192 487	32 028 338	39 560 456
Total	**141 994 662**	**35 517 545**	**7 595 932**	**6 620 260**	**6 589 260**	**36 317 030**	**49 354 635**

2024

		Not due			Past due		
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Property rates	**122 090 172**	30 575 615	8 035 649	6 215 198	5 871 622	29 670 760	41 721 328

Property rates

		Not due			Past due		
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Commercial customers	**11 288 074**	4 539 592	1 434 648	403 461	276 975	1 414 986	3 218 412
Organs of state	**10 994 997**	753 896	323 689	302 062	295 348	1 998 092	7 321 910
Households	**99 807 101**	25 282 127	6 277 312	5 509 675	5 299 299	26 257 682	31 181 006
Total	**122 090 172**	**30 575 615**	**8 035 649**	**6 215 198**	**5 871 622**	**29 670 760**	**41 721 328**

Notes to the Annual Financial Statements

Figures in Rand

5. Receivables from non-exchange transactions (continued)

5.1.2 Impairment reconciliation of consumer receivable

	2025				2024			
	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance
Property rates	120 983 383	27 951 355	(6 383 707)	**142 551 031**	92 382 539	33 665 396	(5 064 552)	**120 983 383**

5. Receivables from non-exchange transactions (continued)

5.1.3 Ageing of impaired consumer receivable

2025

		Not due			Past due		
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Property rates	**142 551 031**	258 586	416 218	909 920	1 333 821	11 984 615	127 647 871

Property rates

		Not due			Past due		
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Commercial customers	**7 767 434**	16 634	12 760	35 189	407 646	809 987	6 485 218
Households	**134 783 597**	241 952	403 458	874 731	926 175	11 174 628	121 162 653
Total	**142 551 031**	**258 586**	**416 218**	**909 920**	**1 333 821**	**11 984 615**	**127 647 871**

2024

		Not due			Past due		
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Property rates	**120 983 383**	167 820	562 196	732 139	830 323	15 279 696	103 411 209

5. Receivables from non-exchange transactions (continued)

Property rates

		Not due	Past due				
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Commercial customers	**1 219 878**	10 829	206 252	38 562	58 635	885 834	19 766
Households	**119 763 505**	156 991	355 944	693 577	771 688	14 393 862	103 391 443
Total	**120 983 383**	**167 820**	**562 196**	**732 139**	**830 323**	**15 279 696**	**103 411 209**

5.2 Other receivables

	2025			2024		
	Gross	**Impairment**	**Total**	**Gross**	**Impairment**	**Total**
Fines	276 580 693	(272 806 541)	**3 774 152**	253 730 343	(247 195 937)	**6 534 406**
Fruitless and Wasteful Expenditure	1 065 647	-	**1 065 647**	1 065 647	-	**1 065 647**
Total	**277 646 340**	**(272 806 541)**	**4 839 799**	**254 795 990**	**(247 195 937)**	**7 600 053**

5. Receivables from non-exchange transactions (continued)

5.2.1 Ageing of other receivables

2025

		Not due			Past due		
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Fines	**3 774 152**	84 878	200 994	175 368	191 099	142 670	2 979 143
Fruitless and Wasteful Expenditure	**1 065 647**	-	-	-	-	-	1 065 647
Total	**4 839 799**	**84 878**	**200 994**	**175 368**	**191 099**	**142 670**	**4 044 790**

2024

		Not due			Past due		
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Fines	**6 534 406**	85 375	102 086	188 383	209 966	1 354 870	4 593 726
Fruitless and Wasteful Expenditure	**1 065 647**	1 065 647	-	-	-	-	-
Total	**7 600 053**	**1 151 022**	**102 086**	**188 383**	**209 966**	**1 354 870**	**4 593 726**

5. Receivables from non-exchange transactions (continued)

5.2.2 Impairment reconciliation of other receivables

	2025				2024			
	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance
Fines	247 195 938	34 897 915	(9 287 312)	**272 806 541**	222 719 772	40 504 451	(16 028 286)	**247 195 937**

5.2.3 Ageing of impaired other receivables

2025

		Not due	Past due				
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Fines	**272 806 541**	1 582 672	3 747 806	3 269 982	3 563 301	2 660 280	257 982 500

2024

		Not due	Past due				
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Fines	**247 195 937**	1 646 375	1 968 614	3 632 767	4 048 984	26 127 280	209 771 917

5. Receivables from non-exchange transactions (continued)

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 Midvaal Local Municipality's Property Rates Policy. A general valuation is performed every 5 years, with supplementary valuations inbetween.

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 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 addition to the debt impairment.

Traffic fines

Traffic fines receivables are statutory receivables and arise from traffic infringements commited and fines issued as a result, in terms of the National Road Traffic Regulations of 2000 and the National Road Traffic Act 93 of 1996, as well as 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.

		2025	2024 Restated*

6. Inventory

Water	6.1	1 215 834	929 667
Water maintenance stock		7 792 583	7 668 471
Electricity maintenance stock		27 242 153	14 261 131
Total Inventories		**36 250 570**	**22 859 269**

6.1 Water

Summary

Opening balance	929 667	927 331
System input volume	181 778 059	167 888 779
Authorised consumption	(118 389 355)	(110 118 746)
Unavoidable annual real losses	(63 102 537)	(57 767 697)
Closing balance	**1 215 834**	**929 667**

6.1.1 Water losses

	2025		**2024**	
	ML	**Amount**	**ML**	**Amount**
Opening balance of water stock	74 373	929 668	81 007	927 332
Units purchased	13 668 652	181 778 059	13 486 821	167 888 779
Units sold	(8 904 749)	(118 389 356)	(8 850 520)	(110 118 746)
Closing balance of water stock	(91 969)	(1 215 834)	(74 373)	(929 668)
Total loss	**4 746 307**	**63 102 537**	**4 642 935**	**57 767 697**
Comprising of:				
Technical losses	2 884 331	38 347 412	2 628 830	32 708 070
Non-technical losses	1 861 976	24 755 125	2 014 105	25 059 627
Total	**4 746 307**	**63 102 537**	**4 642 935**	**57 767 697**
Percentage loss:				
Technical losses		21.13 %		19.48 %
Non-technical losses		13.64 %		14.93 %
Total		**34.77 %**		**34.41 %**

Reasons for the losses

The municiplaity is of the view that the methodology outlined in MFMA Circular 71 is an over simplification and does not take into account various components in the calculation.

The municipality has also disclosed the water loss calculation as outlined by the International Water Association (IWA) which is a more detailed and comprehensive calculation. The calculations have been verified by experts in the field, in line with the IWA guideline which is a more reliable and accurate calculation:

Water Loss (based on IWA guidelines)	33.75%	31.72%

- Frequent burst pipes due to old decapitated water infrastructure
- Illegal water connections or theft of water
- Meter reading (accounting for water used by our customers)

* See Note 47

	2025	2024 Restated*

6. Inventory (continued)

Action taken

The municipality has taken the following actions to mitigate against the reoccurrence of such losses:
- Implementation of the approved 5-year Water Conservation and Water Demand Management Plan/Strategy
- Consumer meter audits to address meters that are not read and meters that are bypassed.
- Replacement of old infrastructure.

6.2 Inventory pledged as security

No portion of inventories have been pledged as security.

The municipality is required to report on water losses in terms of MFMA Circular 71 issued by National Treasury, and has been reported accordingly.

7. VAT Receivable

	2025	2024
Input Accrual	15 588 787	18 092 078
VAT Control (Receivable)	9 801 132	5 978 121
Total	**25 389 919**	**24 070 199**

VAT is received and paid as required by the Value Added Tax Act no.89 of 1991 (VAT Act).

VAT is applied to all relevant goods and 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. Interest is charged on outstanding VAT amounts.

VAT receivable from SARS is not impaired as SARS has suffiecient funds to pay any outstanding amounts.

8. Property, plant and equipment

8.1 Reconciliation summary

	2025			2024		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	115 828 564	-	**115 828 564**	116 531 564	-	**116 531 564**
Transport Assets	88 369 530	(59 072 465)	**29 297 065**	86 880 822	(56 369 234)	**30 511 588**
Machinery and Equipment	75 713 115	(33 813 611)	**41 899 504**	66 338 344	(29 641 537)	**36 696 807**
Furniture and Office Equipment	31 175 264	(14 341 583)	**16 833 681**	28 838 026	(13 206 419)	**15 631 607**
Computer Equipment	36 689 049	(23 631 146)	**13 057 903**	32 948 627	(19 343 319)	**13 605 308**
Infrastructure Assets	3 628 324 725	(1 667 759 070)	**1 960 565 655**	3 483 891 251	(1 596 566 445)	**1 887 324 806**
Community Assets	234 808 996	(76 683 198)	**158 125 798**	201 462 557	(71 408 852)	**130 053 705**
Leased Assets	71 974 588	(25 461 987)	**46 512 601**	61 367 663	(18 881 733)	**42 485 930**
Other assets						
Landfill Site	15 789 696	(14 770 662)	**1 019 034**	18 262 989	(16 803 262)	**1 459 727**
Total	**4 298 673 527**	**(1 915 533 722)**	**2 383 139 805**	**4 096 521 843**	**(1 822 220 801)**	**2 274 301 042**

* See Note 47

8. Property, plant and equipment (continued)

8.2 Reconciliation of carrying value

2025

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land	116 531 564	-	(703 000)	-	-	**115 828 564**
Transport Assets	30 511 588	2 890 968	(110 943)	-	(3 994 548)	**29 297 065**
Machinery and Equipment	36 696 807	12 204 935	(720 189)	-	(6 282 049)	**41 899 504**
Furniture and Office Equipment	15 631 607	5 174 026	(949 784)	-	(3 022 168)	**16 833 681**
Computer Equipment	13 605 308	4 605 556	(20 786)	-	(5 132 175)	**13 057 903**
Infrastructure Assets	1 887 324 806	176 272 439	(15 686 673)	-	(87 344 917)	**1 960 565 655**
Community Assets	130 053 705	34 870 187	(1 417 972)	-	(5 380 122)	**158 125 798**
Leased Assets	42 485 930	10 888 665	(258 284)	-	(6 603 710)	**46 512 601**
Other assets						
Landfill Site	1 459 727	-	-	(2 473 293)	2 032 600	**1 019 034**
Total	**2 274 301 042**	**246 906 776**	**(19 867 631)**	**(2 473 293)**	**(115 727 089)**	**2 383 139 805**

2024

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

	Opening balance	Additions	Disposals	Revaluations	Transfers made	Depreciation	Total
Land	116 531 564	-	-	-	-	-	**116 531 564**
Transport Assets	16 220 569	8 289 821	(33 694)	-	9 337 373	(3 302 481)	**30 511 588**
Machinery and Equipment	23 875 564	18 617 065	(612 152)	-	68 273	(5 251 943)	**36 696 807**
Furniture and Office Equipment	13 427 660	5 579 971	(654 021)	-	-	(2 722 003)	**15 631 607**
Computer Equipment	12 711 298	4 816 918	(97 242)	-	793 539	(4 619 205)	**13 605 308**
Infrastructure Assets	1 805 947 708	156 184 720	(927 444)	-	7 577 327	(81 457 505)	**1 887 324 806**
Community Assets	114 473 401	28 861 486	(8 371)	-	(8 370 867)	(4 901 944)	**130 053 705**
Leased Assets	37 032 472	20 031 799	-	-	(9 405 645)	(5 172 696)	**42 485 930**
Other assets							
Landfill Site	3 366 431	-	-	(8 303 324)	-	6 396 620	**1 459 727**
Total	**2 143 586 667**	**242 381 780**	**(2 332 924)**	**(8 303 324)**	**-**	**(101 031 157)**	**2 274 301 042**

Notes to the Annual Financial Statements

	2025	2024 Restated*

8. Property, plant and equipment (continued)

8.3 Construction work-in-progress

Reconcilliation of Work in Progress (WIP) 2025	Opening Balance	Additions	Transferred to completed assets	Reclassifications	Total
Community	48 686 543	33 760 860	(26 926 857)	-	55 520 546
Infrastructure	267 199 293	167 845 306	(100 352 035)	-	334 692 564
Intangible assets	303 631	-	(303 631)	-	-
Computer equipment	-	1 070 115	(151 072)	-	919 043
Machinery	12 105 230	618 766	(12 105 230)	-	618 766
Furniture and office equipment	3 525 787	2 921 993	(6 447 780)	-	-
	331 820 484	**206 217 040**	**(146 286 605)**	**-**	**391 750 919**

Reconcilliation of Work in Progress (WIP) 2024	Opening Balance	Additions	Transferred to completed assets	Reclassifications	Total
Community	30 436 080	23 742 944	(5 492 481)	-	48 686 543
Infrastructure	229 631 071	149 490 541	(111 922 319)	-	267 199 293
Intangible assets	303 631	-	-	-	303 631
Computer equipment	3 825	-	(3 825)	-	-
Transport assets	4 406 462	413 970	(4 820 432)	-	-
Machinery	622 947	11 981 822	(567 812)	68 273	12 105 230
Leased assets	2 112 575	-	(2 044 302)	(68 273)	-
Furniture and office equipment	1 452 452	2 073 335	-	-	3 525 787
	268 969 043	**187 702 612**	**(124 851 171)**	**-**	**331 820 484**

8.4 Property, plant and equipment pledged as security

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

8.5 Maintenance of property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment	2025	2024
Employee related costs	101 751 102	91 088 126
Contracted services	76 688 235	78 918 310
Sale of goods/inventory	863	142 835
Hire charges	11 733 103	10 601 927
	190 173 303	**180 751 198**

8.6 Funding of property, plant and equipment acquisitions

* See Note 47

Notes to the Annual Financial Statements

	2025	2024 Restated*

8. Property, plant and equipment (continued)

	2025	2024 Restated*
Infrastructure assets		
Accumulated surplus	17 376 546	9 164 015
Annuity loans	61 726 135	72 217 495
DSCAR	561 436	180 000
Developers contribution	5 922 442	3 721 413
INEP	31 064 348	21 212 000
MIG	22 293 181	16 133 581
NDPG	6 766 413	15 371 292
WSIG	30 561 938	18 184 924
	176 272 439	**156 184 720**
Community assets		
Accumulated surplus	11 891 548	9 825 846
Annuity loans	4 396 596	6 415 319
MIG	16 712 737	12 620 321
NDPG	1 869 306	-
	34 870 187	**28 861 486**
Leased assets		
Finance leases	10 888 665	20 031 799
Transport assets		
Accumulated surplus	-	651 834
Functional Fire and Rescue Grant	2 175 246	5 500 482
DSCAR	715 722	2 137 505
	2 890 968	**8 289 821**
Computer equipment		
Accumulated surplus	2 858 245	3 086 183
DSCAR	1 682 303	1 725 235
MIG	65 008	5 500
	4 605 556	**4 816 918**
Furniture and equipment		
Accumulated surplus	4 674 554	4 948 700
DSCAR	499 472	574 753
MIG	-	56 518
	5 174 026	**5 579 971**
Machinery and Equipment		
Accumulated surplus	3 202 029	5 612 808
DSCAR	1 203 491	2 715 044
MIG	15 200	-
Finance leases	5 268 601	-
Donations	1 300 000	-
Loans	1 215 594	10 289 213
	12 204 915	**18 617 065**
Total	**246 906 756**	**242 381 780**

Borrowing costs capitalised

* See Note 47

Notes to the Annual Financial Statements

	2025	2024 Restated*

8. Property, plant and equipment (continued)

There are no borrowing costs that have been capitalised to the property, plant and equipment value.

Assets held as inventory

In addition to the property, plant and equipment above, the municipality has land on which RDP houses have been built. The land is still registered in the deeds office in the name of the municipality. The municipality does not have control over these properties and it is therefore not recognised as assets as it does not comply with the definition of assets as per GRAP 17. Total value: R17 852 000 (2024: R9 895 000)

9. Investment property

9.1 Reconciliation of carrying value

	2025	2024 Restated*
Opening carrying value		
Cost	49 234 032	49 234 032
Closing carrying value	49 234 032	49 234 032

Criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business is set out in the accounting policy note of investment property.

There are no restrictions on the realisability of investment property of the remittance of revenue and proceeds of disposal.

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

Council resolved that land amounting to R355 000 be transferred, however, the property has not yet been transferred as at 30 June 2025.

9.1.1 Investment property under construction

No investment property is in the process of being constructed or developed.

9.2 Investment property pledged as security

All of the municipality’s investment property is held under freehold interests and no investment property had been pledged as security for any liabilities of the municipality.

* See Note 47

Notes to the Annual Financial Statements

	2025	2024 Restated*

10. Intangible assets

10.1 Reconciliation of carrying value

2025

	Note	Computer software	Service, operating and land rights	Total
Opening carrying value as at 01 July 2024				
Cost		12 362 638	3 406 252	15 768 890
Accumulated depreciation and impairment		(4 378 969)	-	(4 378 969)
		7 983 669	**3 406 252**	**11 389 921**
Additions from acquisitions		3 454 850	361 071	3 815 921
Amortisation	33	(2 373 343)	-	(2 373 343)
		1 081 507	**361 071**	**1 442 578**
Carrying value of disposals / transfers				
Cost		(710 528)	-	(710 528)
Accumulated depreciation and impairment		571 353	-	571 353
		(139 175)	**-**	**(139 175)**
		8 926 001	**3 767 323**	**12 693 324**
Cost		15 106 960	3 767 323	18 874 283
Accumulated amortisation and impairment		(6 180 959)	-	(6 180 959)
Closing carrying value as at 30 June 2025		**8 926 001**	**3 767 323**	**12 693 324**

2024

	Note	Computer software	Service, operating and land rights	Total
Opening carrying value as at 01 July 2023				
Cost		6 774 490	3 406 252	10 180 742
Accumulated depreciation and impairment		(970 253)	-	(970 253)
		5 804 237	**3 406 252**	**9 210 489**
Additions from acquisitions		5 588 148	-	5 588 148
Amortisation	33	(3 408 716)	-	(3 408 716)
		2 179 432	**-**	**2 179 432**
		7 983 669	**3 406 252**	**11 389 921**
Cost		12 362 638	3 406 252	15 768 890
Accumulated amortisation and impairment		(4 378 969)	-	(4 378 969)
Closing carrying value as at 30 June 2024		**7 983 669**	**3 406 252**	**11 389 921**

10.2 Intangible assets pledged as security

No portion of intangible assets has been pledged as security for liabilities.

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

* See Note 47

Notes to the Annual Financial Statements

	2025	2024 Restated*

10. Intangible assets (continued)

10.3 Funding of intangible asset additions

Additions to intangible assets were funded from the following sources:

	2025	2024 Restated*
Computer software		
Accumulated surplus	3 454 850	5 588 148
Servitudes		
Accumulated surplus	361 071	-

11. Heritage assets

11.1 Reconciliation of carrying value

2025

	Mayoral chain	Total
Opening carrying value as at 01 July 2024		
Cost	18 701	18 701

2024

	Mayoral chain	Total
Opening carrying value as at 01 July 2023		
Cost	18 701	18 701

11.2 Heritage assets pledged as security

No portion of heritage assets has been pledged as security for liabilities.

12. Trade and other payables from exchange transactions

		2025	2024 Restated*
Contractors	12.1	20 141 374	20 502 185
Employee benefits	12.2	22 959 718	19 570 600
Other payables	12.3	198 701 878	193 879 152
Total		**241 802 970**	**233 951 937**

12.1 Contractors

	2025	2024 Restated*
Retentions	20 141 374	20 502 185

12.2 Employee benefits

	2025	2024 Restated*
Leave accrual	22 959 718	19 570 600

* See Note 47

Notes to the Annual Financial Statements

	2025	2024 Restated*

12. Trade and other payables from exchange transactions (continued)

12.3 Other payables

	2025	2024 Restated*
Payables and accruals	137 267 708	147 595 074
Unallocated deposits	7 068 500	6 476 109
Advance payments	54 365 670	39 807 969
Total	**198 701 878**	**193 879 152**

The average credit period on purchases is 30 days from the receipt of the statement, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit time frame.

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

Payables are recognised net of trade discounts.

13. Borrowings

Total borrowings

	2025	2024 Restated*
Annuity and bullet loans	249 771 853	204 706 215
Less: Current portion transferred to current liabilities	(27 886 732)	(22 884 362)
Total non-current borrowings	**221 885 121**	**181 821 853**

13.1 Summary of arrangements

Annuity loans are repaid over periods varying from 10 to 30 (2024: 10 to 30) years and at interest rates varying from 6.75% to 13.54% (2024: 6.75% to 13.54%) per annum.

Annuity loans are not secured.

The fair value of borrowings was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

All loans were obtained in terms of section 45 and 46 of the MFMA.

	2025	2024 Restated*
Current Liabilities		
ABSA	1 673 344	1 512 471
First National Bank	1 531 106	1 382 432
Nedbank	1 048 775	924 117
Standard Bank	22 490 792	16 462 292
Development bank of South Africa	1 142 715	2 603 050
	27 886 732	**22 884 362**

	2025	2024 Restated*
Non current liabilities		
ABSA	1 368 550	3 041 895
First National Bank	13 330 448	14 861 553
Nedbank	12 049 419	13 098 195
Standard Bank	188 953 271	143 494 064
Development Bank of South Africa	6 183 433	7 326 146
	221 885 121	**181 821 853**

* See Note 47

Notes to the Annual Financial Statements

		2025	2024 Restated*

13. Borrowings (continued)

Details of loans	Redeemable	Balance at 30 June 2024	Received during the period	Redeemed during the period	Balance at 30 June 2025
ABSA - 0387231331	12 000 000	4 554 366	-	1 512 471	3 041 895
DBSA - L-029-M-103600/1	15 700 000	1 127 463	-	1 127 463	-
DBSA - L-030-M-103600/2	12 650 000	6 533 792	-	903 854	5 629 938
DBSA - L-031-M-103600/3	1 500 000	1 253 436	-	31 622	1 221 814
DBSA - L-032-M-103600/4	8 800 000	452 584	-	452 584	-
DBSA - L-033-M-103600/5	1 350 000	561 922	-	87 528	474 395
Standard Bank - 22044108	43 700 000	19 992 033	-	5 020 118	14 971 915
Standard Bank - 009733922	21 900 000	13 531 457	-	2 207 459	11 323 998
Standard Bank - 009733923	21 500 000	15 018 810	-	1 991 145	13 027 665
Standard Bank - 009733924	21 500 000	16 864 056	-	1 837 797	15 026 259
FNB	18 600 000	16 243 985	-	1 382 432	14 861 554
Nedbank	14 720 000	14 022 312	-	924 117	13 098 194
Standard Bank	94 550 000	94 550 000	-	5 405 773	89 144 226
Standard Bank	67 950 000	-	67 950 000	-	67 950 000
	356 420 000	**204 706 216**	**67 950 000**	**22 884 363**	**249 771 853**

14. Consumer deposits

	2025	2024 Restated*
Electricity	24 587 728	23 564 907
Rental properties	105 171	92 826
Total	**24 692 899**	**23 657 733**

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

The carrying amount of consumer deposits approximates its fair value.

15. Lease liabilities

	Note	2025	2024 Restated*
Finance lease liabilities	15.1	45 707 233	37 161 314
Less: Transferred to current liabilities		(11 599 851)	(9 429 633)
Total non-current liabilities		**34 107 382**	**27 731 681**

15.1 Obligation under finance leases

The municipality as lessee

	2025	2024 Restated*
Total future minimum lease payments		
Payable within 1 year	15 699 629	13 021 366
Payable within 2 to 5 years	39 944 217	32 975 997
Total minimum lease payments	**55 643 846**	**45 997 363**
Less: Future finance charges	(9 936 613)	(8 836 049)
Total	**45 707 233**	**37 161 314**
Present value of minimum lease payments		
Payable within 1 year	11 599 851	9 429 633
Payable within 2 to 5 years	34 107 382	27 731 681
Total	**45 707 233**	**37 161 314**
Current liability	11 599 851	9 429 633

* See Note 47

Notes to the Annual Financial Statements

	2025	2024 Restated*
15. Lease liabilities (continued)		
Non-current liability	34 107 382	27 731 681

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

The average lease term is 5 years and the average borrowing rate is between 6.5% - 12.54% (2024 : 6.5% - 12.54%). All leases have fixed repayments and no arrangements have been entered into for contingent rent.

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

* See Note 47

Notes to the Annual Financial Statements

Figures in Rand

16. Unspent conditional grant

		2025					2024			
		Opening balance	**Funds received**	**Transfer to revenue**	**Repayment unspent grants**	**Closing balance**	**Opening balance**	**Funds received**	**Transfer to revenue**	**Closing balance**
Capital										
Monetary Allocations	16.1	101 744	147 938 000	(147 938 000)	(101 744)	**-**	11 764 412	106 187 000	(117 849 668)	**101 744**
Operational										
Monetary Allocations	16.2	-	3 903 451	(3 502 910)	-	**400 541**	-	5 318 000	(5 318 000)	**-**
Total		**101 744**	**151 841 451**	**(151 440 910)**	**(101 744)**	**400 541**	**11 764 412**	**111 505 000**	**(123 167 668)**	**101 744**

16. Unspent conditional grant (continued)

16.1 Unspent capital monetary allocations

	2025				2024			
	Opening balance	**Funds received**	**Transfer to revenue**	**Repayment unspent grants**	**Opening balance**	**Funds received**	**Transfer to revenue**	**Closing balance**
National Government								
Integrated National Electrification Programme Grant	-	35 724 000	(35 724 000)	-	-	21 212 000	(21 212 000)	**-**
Municipal Infrastructure Grant	101 744	46 343 000	(46 343 000)	(101 744)	-	34 885 000	(34 783 256)	**101 744**
Neighbourhood Development Partnership Grant	-	10 000 000	(10 000 000)	-	6 551 292	8 820 000	(15 371 292)	**-**
Water Services Infrastructure Grant	-	32 599 000	(32 599 000)	-	-	19 712 000	(19 712 000)	**-**
Total	**101 744**	**124 666 000**	**(124 666 000)**	**(101 744)**	**6 551 292**	**84 629 000**	**(91 078 548)**	**101 744**
Provincial Government								
Libraries recapitalisation	-	21 072 000	(21 072 000)	-	1 594 410	19 358 000	(20 952 410)	**-**
Functional Fire Rescue Grant	-	2 200 000	(2 200 000)	-	3 618 710	2 200 000	(5 818 710)	**-**
Total	**-**	**23 272 000**	**(23 272 000)**	**-**	**5 213 120**	**21 558 000**	**(26 771 120)**	**-**
Total unspent capital monetary allocations	**101 744**	**147 938 000**	**(147 938 000)**	**(101 744)**	**11 764 412**	**106 187 000**	**(117 849 668)**	**101 744**

16. Unspent conditional grant (continued)

16.2 Unspent operational monetary allocations

	2025				2024		
	Opening balance	**Funds received**	**Transfer to revenue**	**Closing balance**	**Opening balance**	**Funds received**	**Transfer to revenue**
District Municipalities							
Sedibeng - HIV/AIDS	-	484 451	(83 910)	**400 541**	-	-	-
National Government							
Expanded Public Works Programme Integrated Grant	-	1 619 000	(1 619 000)	**-**	-	3 768 000	(3 768 000)
Local Government Financial Management Grant	-	1 800 000	(1 800 000)	**-**	-	1 550 000	(1 550 000)
Total	**-**	**3 419 000**	**(3 419 000)**	**-**	**-**	**5 318 000**	**(5 318 000)**
Total unspent operational monetary allocations	**-**	**3 903 451**	**(3 502 910)**	**400 541**	**-**	**5 318 000**	**(5 318 000)**

		2025	2024 Restated*

17. Income received in advance from developer contribution

Unspent developer contribution		1 750 616	8 075 234

18. Provisions (Current and non-current)

Provisions for landfill site fine	18.1	-	5 000 000
Provision for landfill rehabilitation	18.2	80 071 601	75 464 725
Total		**80 071 601**	**80 464 725**

Split between current and non-current

Current	-	5 000 000
Non-current	80 071 601	75 464 725
Total	**80 071 601**	**80 464 725**

18.1 Provisions for landfill site fine

Opening Balance	5 000 000	-
Additional provisions raised	-	5 000 000
Reductions (Payments, remeasurement etc.)	(5 000 000)	-
Closing balance	**-**	**5 000 000**

The fine arose on the non-compliance with the National Environmental Management Act for the Walkerville Landfill site. Council has taken a decision to pay the fine in order to speed up possible issuing of licence for the Walkerville Landfill site. The fine has been paid.

18.2 Provision for landfill rehabilitation

Opening Balance		75 464 725	76 721 025
Increases (Passage of Time/Discounted Rate)	36	7 080 169	7 047 024
Reversals -Adjustment for change in discount rate		(2 473 293)	(8 303 324)
Closing balance		**80 071 601**	**75 464 725**

The landfill rehabilitation provision is intended for the rehabilitation of the current operational sites which are evaluated at each year-end to reflect the best estimate at reporting date. The sites under consideration are the Henley on Klip, Vaal Marina and Walkerville landfill sites. The valuation for the landfill sites was performed by Mr. Rofhiwa Khaukanani B Eng (Hons) Technology management employed by Infratec (Pty) Ltd. Mr. Khaukanani is a registered member of the Engineering Council of South Africa (ECSA), World Partner in Asset Management (WPiAM) as well as The Association of Energy Engineers (AEE).

Key financial assumptions used in this calculation were as follows:

	Henley on Klip landfill	Vaal Marina landfill	Walkerville landfill
CPI	4.4 %	4.4 %	4.4 %
Discount rate	9.7 %	9.7 %	9.7 %
Nett effective discount rate	5.3 %	5.3 %	5.3 %

The 2025 amount of the discounted landfill closure provision of R80 071 601 (2024 : R75 464 724) represents a increase of R4 606 877 (2024 : decrease R1 256 300). Composition of this change relate to changes in the CPI, discount rate and unit costs. The interest charge relating to the assessment amounts to R7 080 169 (2024 : R7 047 024). The 2025 amount is a discounted amount based on the expected remaining life of the landfill site and based on the size of the area that had been used for waste disposal as at 30 June 2025. The size of the landfill sites used up until now and estimated remaining useful lives are as follows:

* See Note 47

		2025	2024 Restated*

18. Provisions (Current and non-current) (continued)

	Henley on Klip landfill	Vaal Marina landfill	Walkerville landfill
Approximate size used until 30 June 2025	1 110 922 cubm	127 905 cubm	288 031 cubm
Remaining useful lives	3 years	6 year	10 years

19. Employee benefits

Non-current employee benefits			
Post employment health care benefits	19.1	5 721 566	5 457 405
Long-service awards benefits	19.2	17 479 922	15 854 612
		23 201 488	**21 312 017**

19.1 Post employment health care benefits

The municipality provides certain post-retirement medical benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member aged 55 or older on 1 January 2005 with atleast 25 years of service is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for 50% of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2025 by Mr DT Mureriwa of One Pangaea. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The Post Employee Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follow:

	Number	**Number**
Continuation members (Retirees)	11	12

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

Continuation members (Retirees)	5 721 566	5 457 405
Non-current	5 721 566	5 457 405

The principal assumptions used for the purposes of the actuarial valuations were as follow:

	2025	2024 Restated*

19. Employee benefits (continued)

Rates of interest

Discount rate	9.59 %	11.30 %
Consumer Price Inflation (CPI)	4.33 %	5.90 %
Health care cost inflation rate	5.83 %	7.40 %
Net effective discount rate	3.55 %	3.63 %

GRAP 25 defines the determination of the investment return assumption to be used as follows:

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

Maturity Analysis	
30/06/2025	575 563
30/06/2026	574 726
30/06/2027	573 819
30/06/2028	572 838
30/06/2029	571 777
30/06/2030	570 630
30/06/2031	569 393
30/06/2032	568 060
30/06/2033	566 624
30/06/2034	565 081

Normal retirement age

The average retirement age for all active employees was assumed to be 62 years. This assumption implicitly allows for ill-health and early retirements. The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Amounts recognised in the statement of financial position

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

Opening balance	5 457 405	4 539 106
Net Interest expense	586 718	505 519
Actual benefit payments	(460 761)	(482 297)
Remeasurement over the financial year	138 204	895 077
Total benefit liability	**5 721 566**	**5 457 405**

Amounts recognised in the statement of financial performance

The amounts recognised in the statement of financial performance is as follows:

The service cost was nil as there were no active employees eligible for the post-employment medical subsidy during the actuarial valuation period.

* See Note 47

Notes to the Annual Financial Statements

		2025	2024 Restated*

19. Employee benefits (continued)

Remeasurement over the financial year consists of the following :

		2025	2024 Restated*
Financial assumptions		87 726	(39 207)
Demographic assumptions		50 478	934 284
		138 204	**895 077**

		2025	2024 Restated*
Net Interest expense		586 718	505 519
Remeasurements over the financial year		138 204	895 077
Total post-retirement benefit included in employee related costs	31	**724 922**	**1 400 596**

Movements in the present value of the defined benefit obligation

		2025	2024 Restated*
Opening balance		5 457 405	4 539 106
Net Interest expense		586 718	505 519
Actual employer benefit payments		(460 761)	(482 297)
Remeasurements over the financial year		138 204	895 077
Present value of fund obligation at the end of the year		**5 721 566**	**5 457 405**

History of experienced adjustments

The effect of a 1% movement in the assumed rate of health care cost inflation is as follow:

	+1% Increase	**+1% Decrease**
Effect on the defined benefit obligation	6 180 809	5 310 314
Effect on the aggregate of the interest cost	565 083	481 853

19.2 Long-service awards benefits

		2025	2024 Restated*
Provision for long-service awards	19.2.1	17 479 922	15 854 612
Non-current		17 479 922	15 854 612

	2025	2024 Restated*

19. Employee benefits (continued)

Long-service awards

During the 2024/2025 financial year, Midvaal employees accrued an extra year of service and as a result, the liability increased by R1,625,310.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2025 by Mr DT Mureriwa of One Pangaea. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. Accrued liabilities are defined as the actuarial present value of all benefits expected to be paid in future based on service accrued to the valuation date and awards projected to retirement date. In determining these liabilities, due allowance has been made for future award increases.

At year end 822 (2024: 822) employees were eligible for Long Services Awards.

The principal assumptions used for the purposes of the actuarial valuations were as follow:

Discount rates used	9.28 %	10.66 %
Consumer price inflation	4.10 %	5.50 %
Salary increase rate	5.01 %	6.50 %
Net discount rate	3.97 %	3.91 %

GRAP 25 defines the determination of the Discount Rate Assumption to be used as follow:

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

The Actuaries used the nominal and real zero curves as at 30 June 2025 supplied by the JSE to determine the discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, they used the prevailing yield at the time of performing their calculations.

Maturity Analysis	
30/06/2025	1 523 180
30/06/2026	2 153 164
30/06/2027	3 193 218
30/06/2028	2 690 603
30/06/2029	1 900 970
30/06/2030	2 135 756
30/06/2031	3 030 929
30/06/2032	4 292 287
30/06/2033	3 607 032
30/06/2034	2 925 369

Amounts recognised in the statement of financial position

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

Present value of unfunded obligations	17 479 922	15 854 612

* See Note 47

		2025	2024 Restated*

19. Employee benefits (continued)

Amounts recognised in the statement of financial performance

The amounts recognised in the statement of financial performance are as follow:

Service cost		1 583 186	1 518 059
Net Interest expense		1 627 957	1 507 158
Remeasurements over the financial year :		(242 123)	(128 866)
Total expense included in employee related costs	31	**2 969 020**	**2 896 351**

Remeasurements over the financial year		
Financial Assumptions	(145 276)	(75 531)
Demographic Assumptions	(96 847)	(53 335)
	(242 123)	**(128 866)**

19.2.1 Provision for long-service awards benefits

Movements in the present value of the defined benefit obligation		
Opening Balance	15 854 612	14 778 679
Service cost	1 583 186	1 518 059
Increases (Passage of Time/Discounted Rate)	(242 123)	(128 866)
Expected benefit payments	(1 343 710)	(1 820 418)
Net Interest expense	1 627 957	1 507 158
Closing balance	**17 479 922**	**15 854 612**
Non-current	17 479 922	15 854 612

The effect of a 1% movement in the salary increase rate are as follow on the ensuing years assumptions:

	1% Decrease	1% Increase
Effect on the defined benefit obligation	18 574 160	16 498 006
Effect on the aggregate of the current service cost	1 828 682	1 580 389
Effect on the aggregate of the interest cost	1 474 570	1 617 909

20. Services charges

Electricity		
Exchange - Consumption	592 323 057	487 421 178
Waste management		
Exchange - Consumption	64 379 446	61 185 921
Waste water management		
Exchange - Consumption	70 006 471	66 825 276
Water management		
Exchange - Consumption	281 574 302	271 745 032
Total	**1 008 283 276**	**887 177 407**

* See Note 47

		2025	2024 Restated*

21. Sales of goods and rendering of services

Advertisements		24 908	51 288
Building Plan Approval		288 298	381 436
Cemetery and Burial		719 214	894 826
Cleaning and Removal		559 780	1 189 964
Clearance Certificates		191 157	182 073
Entrance Fees		193 750	236 287
Escort Fees		93 070	3 946
Fire Services		1 850 369	1 442 337
Photo copies, Faxes and Telephone charges		2 530	4 319
Sale of Goods		76 525	51 132
Town Planning and Servitudes		3 600 457	3 675 644
Total		**7 600 058**	**8 113 252**

22. Interest earned from receivables

Exchange receivables	22.1	23 041 225	24 666 097
Non-exchange receivables	22.2	18 718 747	16 506 617
Total		**41 759 972**	**41 172 714**

22.1 Interest earned from exchange receivables

Consumer receivables			
Electricity		2 049 577	2 163 140
Water		13 771 501	14 200 949
Waste water management		3 253 246	3 760 404
Waste management		3 563 640	3 935 201
Sundries		403 261	606 403
		23 041 225	**24 666 097**

22.2 Interest earned from non-exchange receivables

Consumer receivables			
Property rates		18 718 747	16 506 617

23. Interests on investments

Short-term investments and call accounts		44 001 866	43 678 123

24. Hire of facilities

Hiring fees		1 115 015	1 234 092

Notes to the Annual Financial Statements

	2025	2024 Restated*

25. Operational revenue

Administrative Handling Fees	1 309 886	1 026 287
Breakages and Losses Recovered	681	1 335
Settlement claim	-	500 000
Incidental Cash Surpluses	5 093	11 546
Insurance Refund	2 501 282	-
Wayleave fee	40 814	5 000
Request for information	-	78
Skills Development Levy Refund	1 303 640	-
Staff and Councillors Recoveries	186 392	76 053
Total	**5 347 788**	**1 620 299**

26. Property rates

Agricultural property	9 665 655	8 686 564
Business and commercial properties	27 096 119	22 593 280
Industrial properties	60 483 115	58 763 799
Mining properties	33 229	31 055
Public service purposes properties	12 404 956	12 150 437
Residential properties	241 637 338	220 535 237
Total	**351 320 412**	**322 760 372**

The valuation roll was compiled in terms of the Municipal Property Rates Act, Act 6 of 2004 (MPRA) which is used as a basis to levy property rates. The valuation came into effect on 1 July 2025. All objections were referred to the valuer for his comments and letters of outcome. Supplementary valuations are attended to in line with the MPRA. Reconciliations between the valuation roll and billing are completed on a monthly basis.

Valuations on buildings are performed every 5 years. The current valuation roll is effective until 30 June 2030. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on a monthly basis and interest is levied after due date.

Valuation as at 30 June 2025	**R'000**	**R'000**
Agricultural property	3 390 818	-
Business and commercial properties	4 198 001	3 943 775
Municipal properties	457 541	447 761
Other categories	2 997 863	2 986 268
Residential properties	20 923 388	20 511 481
Small Holdings	-	3 236 263
State-owned properties	556 789	747 642
Total property valuations	**32 524 400**	**31 873 190**

A uniform rate for the same class and type of property was applied with the implementation of the Property Rates Act. A rate on different categories was applied to property valuations to determine assessment rates. Rebates of 85% are applied to pensioners.

Rates are levied for property owners on a monthly basis for monthly rate payers and are payable on the 7th of each month.

* See Note 47

Notes to the Annual Financial Statements

		2025	2024 Restated*

27. Fines, penalties and forfeits

Fines	27.1	39 050 536	45 061 686

27.1 Fines

Traffic fines		
Municipal fines	38 721 100	44 902 800
Other fines		
Wayleave fines	173 913	-
Overdue books	94 071	120 478
Pound fees	61 452	38 408
	329 436	**158 886**
Total	**39 050 536**	**45 061 686**

28. Transfers and subsidies - Revenue

Operational			
Monetary allocations	28.1.2	202 090 733	189 554 633
Capital			
Allocations in-kind	28.2	1 300 000	-
Monetary allocations	28.3.1	134 766 861	105 067 308
Total transfers and subsidies: Capital		**136 066 861**	**105 067 308**
Total		**338 157 594**	**294 621 941**

28.1 Monetary allocations: Operational

Provincial and District subsidy	7 529 408	7 193 861
National governments	7 391 834	8 463 772
National revenue fund	172 048 744	160 539 000
Provincial government	15 120 747	13 358 000
Total	**202 090 733**	**189 554 633**

28.1.1 National governments

Expanded Public Works Programme Integrated Grant	1 619 000	3 768 000
Local Government Financial Management Grant	1 800 000	1 550 000
Municipal Infrastructure Grant	1 972 834	1 645 772
Water Services Infrastructure Grant	2 000 000	1 500 000
	7 391 834	**8 463 772**

28.1.2 Provincial government

DSARC	15 120 747	13 358 000

28.2 Allocations in-kind: Capital

Private enterprises	1 300 000	-

* See Note 47

Notes to the Annual Financial Statements

	2025	2024 Restated*

28. Transfers and subsidies - Revenue (continued)

28.3 Monetary allocations: Capital

	2025	2024 Restated*
National governments	120 693 166	87 932 775
Private enterprises	5 922 442	3 721 413
Provincial government	8 151 253	13 413 120
Total	**134 766 861**	**105 067 308**

28.3.1 National government

	2025	2024 Restated*
Integrated National Electrification Programme	35 724 000	21 212 000
Municipal Infrastructure Grant	44 370 166	33 137 483
Neighbourhood Development Partnership Grant	10 000 000	15 371 292
Water Services Infrastructure Grant	30 599 000	18 212 000
	120 693 166	**87 932 775**

28.3.2 Provincial government

	2025	2024 Restated*
DSARC	5 951 253	7 594 410
Functional Fire Rescue Grant	2 200 000	5 818 710
	8 151 253	**13 413 120**

29. Inventory surplus / (write down)

	2025	2024 Restated*
Inventory	41 609	(4 204)

30. Bulk purchases

	2025	2024 Restated*
Electricity: Eskom	507 510 479	457 788 664

30.1 Electricity losses

	2025		2024	
	KWH	**Amount**	**KWH**	**Amount**
Units purchased	230 110 416	507 510 479	229 676 854	457 788 664
Units sold	(213 348 075)	(470 540 992)	(201 983 766)	(402 591 190)
Total loss	**16 762 341**	**36 969 487**	**27 693 088**	**55 197 474**
Comprising of:				
Technical losses	5 586 888	12 321 930	9 230 106	18 397 318
Non-technical losses	11 175 453	24 647 557	18 462 982	36 800 156
Total	**16 762 341**	**36 969 487**	**27 693 088**	**55 197 474**

	2025	2024
Percentage loss:		
Technical losses	2.43 %	4.02 %
Non-technical losses	4.85 %	8.04 %
Total	**7.28 %**	**12.06 %**

Notes to the Annual Financial Statements

		2025	2024 Restated*

30. Bulk purchases (continued)

Cost of free basic services			
Cost of free basic water		8 403 892	5 318 717
Cost of free basic electricity		6 442 842	5 167 434
		14 846 734	**10 486 151**
Electricity bulk purchases			
Cost of electricity billed		464 098 151	397 423 756
Electricity technical losses		12 321 930	18 397 318
Electricity non-technical losses		24 647 556	36 800 156
Free basic electricity		6 442 842	5 167 434
		507 510 479	**457 788 664**

31. Employee related cost

Senior management	31.1	9 016 687	7 948 172
Municipal staff	31.2	399 891 599	360 415 562
Total		**408 908 286**	**368 363 734**

* See Note 47

31. Employee related cost (continued)

31.1 Senior management costs

2025

	Municipal manager	Chief financial officer	ED Corporate Services	ED Development & Planning	ED Community Services	ED Engineering Services	ED Public Safety & Roads	Total
Basic salary	943 461	1 236 194	1 176 194	750 468	759 195	750 925	807 103	6 423 540
Bonuses	116 326	81 508	108 677	82 282	54 621	122 262	54 814	620 490
Service-related benefits - Leave Pay	146 239	-	-	-	-	-	-	146 239
Allowances	61 000	149 275	204 000	204 000	180 000	153 000	192 000	1 143 275
Bargaining council	96	143	143	-	143	108	143	776
Medical	20 442	-	-	29 257	44 388	-	53 190	147 277
Pension	46 440	-	-	88 560	88 560	131 220	166 320	521 100
Unemployment insurance	1 771	2 125	2 125	2 125	2 125	1 594	2 125	13 990
	1 335 775	**1 469 245**	**1 491 139**	**1 156 692**	**1 129 032**	**1 159 109**	**1 275 695**	**9 016 687**

2024

	Municipal manager	Chief financial officer	ED Corporate Services	ED Development & Planning	ED Community Services	ED Engineering Services	ED Public Safety & Roads	Total
Basic salary	1 643 769	1 187 666	1 106 625	311 439	355 931	1 040 518	393 727	6 039 675
Bonuses	160 872	97 580	48 790	43 460	27 915	104 278	54 910	537 805
Allowances	27 883	151 647	204 000	119 000	120 000	204 000	98 020	924 550
Bargaining council	137	137	137	-	91	137	68	707
Medical	36 119	-	-	13 203	28 598	-	25 535	103 455
Pension	-	-	-	50 400	57 600	142 560	79 200	329 760
Unemployment insurance	2 125	2 125	2 125	1 240	1 417	2 125	1 063	12 220
	1 870 905	**1 439 155**	**1 361 677**	**538 742**	**591 552**	**1 493 618**	**652 523**	**7 948 172**

		2025	2024 Restated*

31. Employee related cost (continued)

31.2 Municipal staff costs

	2025	2024 Restated*
Basic salary	249 003 372	224 570 959
Service-related benefits	63 267 562	53 588 817
Allowances	18 369 872	17 901 294
Bargaining council	112 740	103 901
Group life insurance	133 579	143 200
Medical	22 949 650	21 015 989
Pension	44 328 400	41 427 047
Unemployment insurance fund	1 726 424	1 664 355
Total	**399 891 599**	**360 415 562**

	2025	2024 Restated*
Acting allowances for Sec 56 appointments		
Municipal Manager	92 217	-
Executive Director Engineering	20 179	-
Executivr Director Development and Planning	-	33 029
Executive Director Roads and Public Safety	-	31 920
Executive Director Community Services	-	63 332
	112 396	**128 281**

32. Contracted services

	Note	2025	2024 Restated*
Consultants and professional services	32.1	12 691 986	20 729 293
Contractors	32.2	78 844 859	80 762 301
Outsourced services	32.3	102 591 306	92 119 295
Total		**194 128 151**	**193 610 889**

32.1 Consultants and professional services

	2025	2024 Restated*
Business advisory services		
Accounting and auditing	569 225	601 401
Business and financial management	4 663 478	8 156 986
Communications	-	39 551
Forensic investigators	-	147 918
Human resources	1 988 302	2 936 339
Management fee	807 826	-
Project management	2 155 001	5 812 474
Research and advisory	776 371	759 772
Total business advisory services	**10 960 203**	**18 454 441**
Legal services		
Collection	13 866	59 774
Legal advice and litigation	1 287 719	2 114 773
Total legal services	**1 301 585**	**2 174 547**
Infrastructure and planning services		
Town planner infrastructure and planning	430 198	100 305
Total consultants and professional services	**12 691 986**	**20 729 293**

Notes to the Annual Financial Statements

	2025	2024 Restated*

32. Contracted services (continued)

32.2 Contractors

	2025	2024 Restated*
General services		
Artists and performers	1 000	22 460
Catering services	382 535	319 016
Chipping	-	1 658
Employee wellness	36 976	43 194
Fire services	1 907	7 055
Medical services	5 723	24 872
Pest control and fumigation	329 910	337 090
Plants, flowers and other decorations	464 171	103 984
Safeguard and security	11 695	68 877
Sports and recreation	170 279	298 190
Stage and sound crew	3 600	9 600
Tracing agents and debt collectors	695 151	569 095
Transportation	53 677	38 900
Total general services	**2 156 624**	**1 843 991**
Maintenance services		
Maintenance of buildings and facilities	7 775 948	8 884 490
Maintenance of equipment	2 657 909	2 360 129
Maintenance of unspecified assets	66 254 378	67 673 691
Total maintenance service	**76 688 235**	**78 918 310**
Total contractor	**78 844 859**	**80 762 301**

32.3 Outsourced services

	2025	2024 Restated*
Business and advisory services		
Occupational Health and Safety	389 834	454 404
Valuer	2 103 631	404 608
Total business and advisory services	**2 493 465**	**859 012**
General services		
Burial Services	1 341 222	1 271 112
Call Centre	1 373 070	1 391 548
Catering Services	1 060 914	697 439
Clearing and Grass Cutting Services	5 794 374	5 460 600
Hygiene Services	1 548 117	1 233 900
Illegal Dumping	1 203 749	1 455 655
Meter Management	1 028 129	1 015 810
Personnel and Labour	11 684 436	9 396 179
Refuse Removal	19 646 889	17 868 840
Removal of Structures and Illegal Signs	3 390 883	2 871 040
Traffic Fines Management	774 814	346 200
Transport Services	69 800	37 850
Total general services	**48 916 397**	**43 046 173**

* See Note 47

Notes to the Annual Financial Statements

		2025	2024 Restated*

32. Contracted services (continued)

Trading services			
Connection/Dis-connection: Electricity		4 193 333	4 099 250
Connection/Dis-connection: Restricted water flow		1 998 050	1 497 825
Connection/Dis-connection: Water		8 841 713	7 816 839
Security Services		36 148 348	34 800 196
Total trading services		**51 181 444**	**48 214 110**
Total outsourced services		**102 591 306**	**92 119 295**

33. Depreciation and amortisation

Amortisation			
Intangible assets	10.1	2 345 519	3 408 716
Depreciation			
Property, plant and equipment	8.2	115 754 913	101 031 164
Total		**118 100 432**	**104 439 880**

34. Debt impairment

Impairment provision	173 059 039	151 414 870

35. Operational cost

Achievements and Awards	127 902	223 202
Advertising, Publicity and Marketing	7 768 664	7 354 317
Bank Charges, Facility and Card Fees	744 355	682 405
Bargaining Council	4 145 640	4 032 688
Bursaries (Employees)	1 187 326	1 271 442
Cleaning Services	14 332	15 913
Commission	4 171 273	3 127 381
Communication	865 292	1 399 683
Courier and Delivery Services	335 595	362 720
Electricity Compliance Certificate	-	61 402
Entertainment	21 296	22 653
External Audit Fees	3 817 377	3 682 245
External Computer Service	25 289 555	27 703 615
Fines and Penalties	-	5 000 000
Hire Charges	21 253 615	20 164 373
Insurance Underwriting	8 587 409	8 314 658
Licences	1 529 380	1 255 099
Printing, Publications and Books	510 579	824 114
Professional Bodies, Membership and Subscription	511 944	380 812
Registration Fees	433 954	391 172
Remuneration to Ward Committees	739 000	779 500
Skills Development Fund Levy	3 510 784	3 173 794
Toll Gate Fees	4 984	(396)
Travel and Subsistence	877 689	1 241 307
Uniform and Protective Clothing	6 589 123	5 577 855
Vehicle Tracking	584 815	544 850
Workmen's Compensation Fund	1 998 613	1 784 503
Total	**95 620 496**	**99 371 307**

* See Note 47

		2025	2024 Restated*

36. Interest

36.1 Interest cost

Annuity loans	13	21 241 599	12 541 703
Finance leases	15.1	3 585 936	2 082 849
Interest costs non-current provisions	18	7 080 169	7 047 024
Total		**31 907 704**	**21 671 576**

37. Inventory consumed

Water consumed or billed	181 491 893	167 888 779
Consumables	18 379 433	19 993 941
Materials and supplies	6 584 924	8 360 132
Total	**206 456 250**	**196 242 852**

38. Remuneration of councillors

Executive Mayor	38.1	1 059 993	1 040 254
Chief whip	38.2	471 040	463 692
Speaker	38.3	857 394	842 114
Mayoral committee	38.4	4 834 260	4 753 656
Section 79 committee chairperson	38.5	2 221 271	2 155 083
All other councillors	38.6	6 008 383	5 912 840
Total		**15 452 341**	**15 167 639**

38.1 Executive Mayor

Allowances and service related benefits		
Basic salary	1 012 989	990 646
Cell phone allowance	47 004	49 608
	1 059 993	**1 040 254**

38.2 Chief whip

Allowances and service related benefits		
Travelling allowance	101 690	103 521
Basic salary	322 346	310 563
Cell phone allowance	47 004	49 608
	471 040	**463 692**

38.3 Speaker

Allowances and service related benefits		
Basic salary	810 390	792 506
Cell phone allowance	47 004	49 608
	857 394	**842 114**

		2025	2024 Restated*

38. Remuneration of councillors (continued)

38.4 Mayoral committee

Allowances and service related benefits			
Basic salary		4 156 569	4 270 341
Cell phone allowance		312 954	297 648
Travelling allowance		364 737	185 667
		4 834 260	**4 753 656**

38.5 Section 79 committee chairperson

Allowances and service related benefits			
Basic salary		1 765 460	1 616 400
Cell phone allowance		199 767	236 940
Travelling allowance		256 044	301 743
		2 221 271	**2 155 083**

38.6 All other councillors

Allowances and service related benefits			
Basic salary		4 450 945	4 093 894
Cell phone allowance		771 090	804 828
Travelling allowance		786 348	1 014 118
		6 008 383	**5 912 840**

		Amount outstanding for more than 90 days	
Name of the councillor which at any time during the relevant financial year was in arears for more than 90 days			
Councillor PM Lehloka		-	8 582
Councillor NL Bushula		51 624	-
		51 624	**8 582**

39. Gain/(Loss) on disposal of fixed and intangible assets

Gains/(losses) on disposals		(19 206 402)	(2 332 928)

40. Transfers and subsidies

Operational			
Mayoral Donations	40.1	1 774 405	1 278 205

40.1 Monetary allocations: Operational

Mayoral donations		1 774 405	1 278 205

* See Note 47

Notes to the Annual Financial Statements

	2025	2024 Restated*
41. Net cash from/(used) operating activities		
Surplus for the year	64 554 141	33 753 138
Adjustments for:		
Depreciation and amortisation	118 100 432	104 439 880
Bad debts written off	68 330 974	86 001 470
(Gains) / Losses on disposal of assets	19 206 402	2 332 928
Increase / (Decrease) in provisions	2 080 169	12 047 023
Inventory losses	(41 609)	4 204
Employee benefits	1 889 471	1 994 232
Donation	(1 300 000)	-
Movement in working capital		
(Increase) / Decrease in receivables from non-exchange transactions	(64 322 488)	(64 508 860)
(Increase) / Decrease in inventory	(13 349 692)	902 960
(Increase) / Decrease in receivables from exchange transactions	(22 206 228)	(54 265 776)
VAT receivable	(1 319 720)	(6 184 792)
Increase / (Decrease) in trade and other payables	7 851 039	36 758 553
Increase / (Decrease) in unspent conditional grants and receipts trade and other payable non-exchange transactions	298 797	(11 662 668)
Unspent developers contribution	(6 324 618)	1 703 581
Increase / (Decrease) in consumer deposits	1 035 166	1 282 956
Net cash flows from operating activities	**174 482 236**	**144 598 829**

42. Financial instruments

42.1 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. 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:

* See Note 47

Notes to the Annual Financial Statements

	2025	2024 Restated*

42. Financial instruments (continued)

		2025		2024	
		Carrying amount	**Amortised cost**	**Carrying amount**	**Amortised cost**
Financial assets					
Amortised cost					
Trade and other receivables from exchange transactions	4	234 594 636	234 594 636	235 657 205	235 657 205
Cash and cash equivalents	3	464 001 229	464 001 229	484 529 708	484 529 708
		698 595 865	**698 595 865**	**720 186 913**	**720 186 913**
Financial liabilities					
Amortised cost					
Unsecured bank facilities:					
Borrowings	13	221 885 121	221 885 121	181 821 853	181 821 853
Lease liabilities	15	34 107 382	34 107 382	27 731 681	27 731 681
		255 992 503	**255 992 503**	**209 553 534**	**209 553 534**
Trade and other payables:					
Consumer deposits	14	24 692 899	24 692 899	23 657 733	23 657 733
Trade and other payables from exchange transactions	12	164 477 580	164 477 580	174 573 366	174 573 366
Current portion of borrowings	13	27 886 732	27 886 732	22 884 362	22 884 362
Current portion of lease liabilities	15	11 599 851	11 599 851	9 429 633	9 429 633
		228 657 062	**228 657 062**	**230 545 094**	**230 545 094**
Total financial liabilities		**484 649 565**	**484 649 565**	**377 010 193**	**377 010 193**
Total financial instruments		**213 946 300**	**213 946 300**	**336 465 960**	**336 465 960**

42.2 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**	**5 years +**	**Total**
Maturity analysis				
Trade and other payables from exchange transactions	241 802 979	-	-	241 802 979
Borrowing	27 886 732	113 565 867	80 432 522	221 885 121
Consumer deposits	24 692 899	-	-	24 692 899
Finance lease obligation	11 599 851	34 107 382	-	45 707 233
	305 982 461	**147 673 249**	**80 432 522**	**534 088 232**

	2025	2024 Restated*

42. Financial instruments (continued)

30 June 2024

	Within 1 year	2 to 5 years	5 years +	Total
Maturity analysis				
Trade and other payables from exchange transactions	242 024 845	-	-	242 024 845
Borrowing	22 884 362	115 618 314	66 203 540	204 706 216
Consumer deposits	23 657 733	-	-	23 657 733
Finance lease obligations	9 429 633	27 731 680	-	37 161 313
	297 996 573	**143 349 994**	**66 203 540**	**507 550 107**

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.

42.3 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.

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 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:

Trade and other receivables from exchange transactions	4	234 594 636	235 657 205
Bank and cash balances	3	464 001 229	484 529 708
Maximum credit and interest risk exposure		**698 595 865**	**720 186 913**

43. Capital commitments

Commitments in respect of capital expenditure:

All capital commitments include VAT.

* See Note 47

Notes to the Annual Financial Statements

	2025	2024 Restated*

43. Capital commitments (continued)

Authorised capital expenditure

Already contracted for but not provided for		
• Infrastructure	5 520 000	13 184 154
Total capital commitments		
Already contracted for but not provided for	5 520 000	13 184 154

* See Note 47

	2025	2024 Restated*
44. Contingent liabilities		
LNS Laboratory Supplies CC Case # 772/2024	19 425	-
Claim for damage as a result of alleged pothole. The matter is dormant.		
Mr and Mrs Fereira Erf 702 Golf park Case # 158465 - 842641	9 250 917	9 250 917
Property damages by a broken sewer pipe. The matter is in active litigation. Experts are appointed and are in the progress of providing a final report.		
Jay Mothobi Inc Case # 2024/072183	171 187	-
Claim based on Section 118 refund.		
Busisiwe Tsiki/Midvaal Case #573/2024	-	41 964
Claim for damage as a result of alleged pothole. Midvaal has filed Notice of intention to defend. The matter is finalised.		
Outsurance / L Bodemer Case # 168680 - 851884	247 647	247 647
Car damaged by ditch. Attorney requested contract documents for the construction of the road.		
Cupido E.C Case # 1712/2022	25 000	-
Claim for damage as a result of alleged pothole.		
Thakgoga Case # 94324/19	813 782	-
Midvaal claiming damages, Thakgoga has introduced a counterclaim.		
Nkewu Transport CC Case # 171601 - 854231	288 291	288 291
Vehicle damaged by potholes. Matter was set-down for condonation. No further steps have been taken by the plaintiff's attorneys.		
King Price Insurance/ MA Makhananise Case #166791 - 850230	122 494	122 494
Vehicle damaged by potholes. Matter was set-down for condonation. No activity from plaintiff.		
Luigi Giacomozzi Case # 158465 - 842641	9 470 000	9 470 000
Property damaged as a result of leaking sewer pipes and sinkholes. Experts are appointed and are in the progress of providing a final report.		
Toptrack Thirty Five (Pty) Ltd Case # 158465 -842641	11 730 000	11 730 000
Property damages as a result of leaking sewer pipes / sinkholes. Experts are appointed and are in the progress of providing a final report.		
DV Brussouw and JMM Brussouw Case # 158465 -842641	2 000 000	2 000 000
Property damages as a result of leaking sewer pipe. Experts are appointed and are in the progress of providing a final report.		

Notes to the Annual Financial Statements

	2025	2024 Restated*
44. Contingent liabilities (continued)		
C Khan Case # AON001-000055356	-	25 013
Vehicle damaged on gravel road. Case has been closed.		
TE Ramovha Case # 894096	2 600 136	-
House damaged by a burst water pipe.		
YPN351GP/DX93RZGP Case # 905214	8 350	-
Vehicle collided with municipal vehicle.		
Wesizwe Risk Solutions (Pty) Ltd Case # AIP322075	-	119 308
Municipal vehicle collided with the third party's vehicle. Matter is settled and is now closed.		
King Price Insurance/AN Mdletye Case # CKP3093211/1	109 603	-
Vehicle damaged by potholes.		
King Price Insurance/M Mdletye Case # CKP2984297/1	26 340	-
Vehicle damaged by potholes.		
Irmarie Spamers Case #354/2024	47 448	47 448
Claim for damage as a result of alleged pothole. Midvaal is awaiting Plaintiff's discovery affidavit - matter is dormant.		
Erane Viljoen/Midvaal Case #1345/2023	94 384	94 384
Claim for damage as a result of alleged pothole. Matter is dormant.		
BM Meyer Case #896434	-	21 992
Fell in a manhole and got injured. Claim has been closed and settlement has bee made		
ABSA RT46 Vehicle Maintenance #2024/078605	358 000	-
Based on RT46 contract, nonpayment. Litigation is ongoing.		
Discovery/ Ngoako Mohale Case #850272	211 837	211 837
Vehicle damaged by a pothole. Currently awaiting pre-trial notices. No movement on the matter.		
XRS 198 GP - M Khauoe Case #884378	-	99 850
Collided with third party vehicle. Claim was closed and settled.		
	37 594 841	**33 771 145**

Notes to the Annual Financial Statements

	2025	2024 Restated*

45. Related party disclosures

45.1 Nature of related party relationships

Related party	**Nature of relationship**
Accounting Officer	Refer to accounting officer's report note 6
Councillors	Refer to acconting officer's page for Councillor names The remuneration to Councillors have been included in note 38
Close family member of management	There were no transactions between close family members of management
Joint venture of key management	None
Associate of close family member of key management	None
Post employment benefit plan for employees of entity and/or other related parties	Refer to note 19
Members of management	No other payments were made outside the contractual employment payments from employment for remuneration refer to note 31

46. Deviations from SCM regulations - SCM Regulation 36

	2025	2024
Emergency	372 613	890 019
Sole providers / accredited agents	392 896	3 203 969
Impractical or impossible to follow process	19 619 524	25 382 392
Total amount approved by the accounting officer and noted by council	**20 385 033**	**29 476 380**

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

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

The majority of items mentioned were due to circumstances where it was impractical or impossible to follow a competitive bidding process.

47. Prior period error and reclassification

The following reclassifications occurred which are set out below:

As per the MSCOA chart, water purchases was moved from bulk purchases to inventory consumed. This includes both the water sold as well as the water losses.

According to the National Treasury template, transfers and subsidies were reclassified between operational and capital on the face of the Statement of Financial Performance.

The prior period error arose from:

In the year prior to 23/24, the R8,072,910 received from the 60% deduction in prepaid electricity from the vending supplier was incorrectly debited to the revenue instead of the advance payment account. The revenue was understated and the creditors were overstated.

There were assets that have been depreciating without taking realisable value into account which lead to an overstatement of depreciation.

* See Note 47

47. Prior period error and reclassification (continued)

47.1 Adjustments of Statement of financial performance items

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Revenue					
Exchange revenue					
Services charges – Electricity	20	487 421 178	-	-	**487 421 178**
Services charges – Waste management	20	61 185 921	-	-	**61 185 921**
Services charges – Waste water management	20	66 825 276	-	-	**66 825 276**
Services charges – Water management	20	271 745 032	-	-	**271 745 032**
Interests on investments	21	8 113 252	-	-	**8 113 252**
Interest earned from receivables	22	24 666 097	-	-	**24 666 097**
Interests on investments	23	43 678 123	-	-	**43 678 123**
Hire of facilities	24	1 234 092	-	-	**1 234 092**
Operational revenue	25	1 620 299	-	-	**1 620 299**
		966 489 270	**-**	**-**	**966 489 270**
Non-exchange revenue					
Property rates	26	322 760 372	-	-	**322 760 372**
Fines, penalties and forfeits	27	45 061 686	-	-	**45 061 686**
Transfers and subsidies – Operational	28	294 621 941	-	(105 067 308)	**189 554 633**
Transfers and subsidies – Capital	28	-	-	105 067 308	**105 067 308**
Interest earned from receivables	22	16 506 617	-	-	**16 506 617**
		678 950 616	**-**	**-**	**678 950 616**
Total revenue		**1 645 439 886**	**-**	**-**	**1 645 439 886**
Expenditure					
Employee related cost	31	368 363 734	-	-	**368 363 734**
Remuneration of councillors	38	15 167 639	-	-	**15 167 639**
Bulk purchases	30	625 677 443	-	(167 888 779)	**457 788 664**
Inventory consumed	37	28 354 073	-	167 888 779	**196 242 852**
Depreciation and amortisation	33	104 713 764	(273 884)	-	**104 439 880**
Interest	36	21 671 576	-	-	**21 671 576**
Contracted services	32	193 610 889	-	-	**193 610 889**
Transfers and subsidies	40	1 278 205	-	-	**1 278 205**
Debt impairment	34	151 414 870	-	-	**151 414 870**
Operational cost	35	99 371 307	-	-	**99 371 307**
Losses	39	(2 332 928)	-	-	**(2 332 928)**
Inventories (write-down)	29	(4 204)	-	-	**(4 204)**
Total expenditure		**1 607 286 368**	**(273 884)**	**-**	**1 607 012 484**
Surplus for the year		**38 153 518**	**273 884**	**-**	**38 427 402**

* See Note 47

Notes to the Annual Financial Statements

	2025	2024 Restated*

47. Prior period error and reclassification (continued)

47.2 Adjustments of Statement of financial position items

2024

	Note	Previously reported	Correction of error	Restated
Assets				
Current assets				
Cash and cash equivalents	3	484 529 708	-	**484 529 708**
Trade and other receivables from exchange transactions	4	246 143 336	-	**246 143 336**
Receivables from non-exchange transactions	5	129 690 225	-	**129 690 225**
Inventory	6	22 859 269	-	**22 859 269**
VAT Receivable	7	24 070 199	-	**24 070 199**
		907 292 737	**-**	**907 292 737**
Non-current assets				
Investment property	9	49 234 032	-	**49 234 032**
Property, plant and equipment	8	2 274 027 156	273 886	**2 274 301 042**
Heritage assets	11	18 701	-	**18 701**
Intangible assets	10	11 389 921	-	**11 389 921**
		2 334 669 810	**273 886**	**2 334 943 696**
Total assets		**3 241 962 547**	**273 886**	**3 242 236 433**
Liabilities				
Current liabilities				
Borrowings	13	(22 884 362)	-	**(22 884 362)**
Lease liabilities	15	9 429 633	-	**9 429 633**
Consumer deposits	14	23 657 733	-	**23 657 733**
Trade and other payables from exchange transactions	12	242 024 840	(8 072 903)	**233 951 937**
Trade and other payables from non-exchange transactions	16	101 744	-	**101 744**
Provisions	18	5 000 000	-	**5 000 000**
Income received in advance from developer contribution	17	8 075 234	-	**8 075 234**
		265 404 822	**(8 072 903)**	**257 331 919**
Non-current liabilities				
Borrowings	13	181 821 853	-	**181 821 853**
Lease liabilities	15	27 731 681	-	**27 731 681**
Employee benefits	19	21 312 017	-	**21 312 017**
Provisions	18	75 464 725	-	**75 464 725**
		306 330 276	**-**	**306 330 276**
Total liabilities		**571 735 098**	**(8 072 903)**	**563 662 195**
Net assets				
Accumulated surplus		2 624 458 720	8 346 794	**2 632 805 514**

48. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of R 2 697 359 681 and that the municipality's total liabilities exceed its assets by R 2 697 359 681.

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.

48. Going concern (continued)

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note of these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

49. Non-adjusting events after the reporting date

No events after the reporting date were identified by management that will affect the operations of the municipality or the results of those operations significantly.

	2025	2024 Restated*

50. Unauthorised, irregular, fruitless and wasteful expenditure

50.1 Irregular expenditure

	2025	2024
Opening balance as previously reported	4 039 504	3 098 167
Add: Irregular expenditure - current	474 494	-
Add: Irregular expenditure – prior period	-	941 337
Closing balance	**4 513 998**	**4 039 504**

Incident	Disciplinary steps/criminal proceedings	2025	2024
Pricing schedule indicated a monthly rate, however invoices were paid on a weekly tariff structure.		-	196 260
Contract expired and services continued up until November and Section 36 Deviation was never authorized by then HOD and Municipal Manager		-	380 614
Department used a supplier on panel without sourcing request for quotations as per TORs of the tender thus giving instructions to do work to bidder whose tax matters are not in order.		-	234 727
Department used a supplier on panel without sourcing request for quotations as per TORs of the tender thus giving instructions to do work to bidder whose tax matters are not in order.		-	129 736
Non-Complaince with S13(b) and (c) of the SCM Regulations		178 550	-
MFMA Regulation 36 form not approved by the CFO and the Municipal Manager		6 486	-
Service provider was not registered on CSD and tax compliance could not be confirmed		28 875	-
Purchase Order was issued to a service provider who did not submit a quotation		35 113	-
Councillor incorrectly remunerated as a S79 Chairperson instead of an ordinary Councillor		163 830	-
Strip, quote and repair work completed without S36 deviation form being completed		7 820	-
Service Provider instructed to provide services before the SCM process was completed		53 820	-
Total		**474 494**	**941 337**

* See Note 47

	2025	2024 Restated*

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

50.2 Fruitless and wasteful expenditure

	2025	2024 Restated*
Opening balance as previously reported	1 408 672	1 315 873
Add: Fruitless and wasteful expenditure – current	5 123 568	30 450
Add: Fruitless and wasteful expenditure expenditure – prior period	-	62 349
Closing balance	**6 532 240**	**1 408 672**

Incident	Disciplinary steps/criminal proceedings	2025	2024 Restated*
D&P Strat Plan was cancelled but venue hire was incurred		21 562	-
This amount was an overpayment of salary.		-	62 349
Non-attendence by MMC. Authorisation declined by the Executive Mayor as due procedures in terms of Council's policy were not followed.		-	10 231
Non-attendance by the MM due to illness (medical certificate submitted).		-	4 544
Late check in at accomodation.		-	2 556
Cancellation fee due to non-attendance of polygraph interview.		-	2 650
Penalty on late payment of vehicle licences		102 006	10 469
S24G Administrative fine for Landfill Site		5 000 000	-
Total		**5 123 568**	**92 799**

There are investigations which are still pending finalisation as at the date of audit submission. These matters will be reported on as part of the submission of the next audit, pending the completion during that financial year.

51. Additional disclosure in terms of Municipal Finance Management Act

SALGA Contributions

	2025	2024 Restated*
Current year subscription / fee	4 223 991	4 145 640
Amount paid - current year	(4 223 991)	(4 145 640)
Amount approved by the director and noted by council	**-**	**-**

Audit fees

	2025	2024 Restated*
Current year subscription / fee	3 817 377	4 268 498
Amount paid - current year	(3 817 377)	(4 268 498)
Amount approved by the director and noted by council	**-**	**-**

PAYE, UIF and SDL

	2025	2024 Restated*
Amount paid - current year	65 668 477	57 008 103

Pension deductions

* See Note 47

	2025	2024 Restated*

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

Amount paid - current year	62 993 630	58 361 325

Medical aid deductions

Amount paid - current year	38 837 830	34 155 462

52. Budget information

The budget has been prepared on the accrual basis of accounting in accordance with the prescripts of the Municipal budget regulations as well as MFMA budget circulars. In accordance with the Municipal budget regulations, the classification basis the municipality presents its budget is per economic as well as per functional classification (per Vote (Department) and GFS classification). It should be noted that minor budget differences between the basis the budget is prepared (accrual basis and prescripts of NT guidance) and actual financial results (accrual basis in accordance with GRAP) exists, mainly related to technical GRAP adjustments required. These differences are not material and as the basis of preparation is the same (accrual basis) no restatements have been made to the financial information compared to the budgeted amounts, but where found to be material is explained below:

Explanation of variances between approved and final budget amounts

The reason for the variances between the approved and final budgets are mainly due to reallocations made within the approved budget parameters allowed for by the Virement Policy of Midvaal Local Municipality as approved by Council.

Explanation of variances greater than 10%: Final Budget and Actual Amounts.

53. Additional disclosure in terms of the Broad-Based Black Economic Empowerment Act

Information on compliance with the Broad-Based Black Economic Empowerment Act (B-BBEE) is included in the Annual Report under the section titled Employment Equity.

54. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of four major functional areas: Community and public safety, Economic and environmental services, Trading services and Governance and administration.. The segments were organised around the type of service delivered and the target market.

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

Reportable segments are identified based on activities performed of the municipality that generates economic benefits or service potential including internal services that contribute to achieving the municipality's objectives without necessarily generating net cash inflows.

Segmental reporting was based and identified on the MFMA s71 monthly budget statements/reports that are reviewed by senior management and Council to make strategic decisions andin monitoring segment performance. The disclosure of information about segments in these reports are organised around the type of service delivered, in a standardised format namely the C2 schedule. This is considered appropriate for external reporting purposes to achieve the objectives of GRAP 18.

Separate financial and other relevant information on geographical areas in which the municipality operates is not available as the municipality only operates in the Gauteng Province, and within its demarcated boundaries.

* See Note 47

54. Segment information (continued)

Aggregated segments

Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Community and public safety	Primary services providing community safety, crime prevention and law enforcement
Economic and environmental services	Urban and development planning in accordance with the relevant laws and regulations. Environmental planning and protection for long term sustainability.
Trading services	Primary basic service provision including water, electricity, sanitation and refuse.
Governance and administration	Support services in relation to financial management and financial governance decision making.

Segment surplus or deficit, assets and liabilities

By function

Figures in Rand	Community and public safety	Economic and environmental services	Trading services	Governance and administration	Total
2025					
Segment revenue					
External revenue from non-exchange transactions	85 850 837	33 875 091	176 633 829	432 210 394	728 570 151
External revenue from exchange transactions	3 613 242	3 913 663	1 008 583 060	6 236 172	1 022 346 137
Interests on investments	-	-	-	44 001 866	44 001 866
Interest earned from receivables	-	-	-	41 759 972	41 759 972
	89 464 079	**37 788 754**	**1 185 216 889**	**524 208 404**	**1 836 678 126**
Segment expenses					
Total segment expenses	175 453 251	84 035 666	1 066 921 435	276 499 095	1 602 909 447
Depreciation, amortisation and impairment	15 160 815	29 910 369	63 704 193	9 325 055	118 100 432
Loss on disposal of assets	2 605 382	13 933 552	1 760 897	906 571	19 206 402
Interest expense	1 337 226	4 766 745	24 567 897	1 235 836	31 907 704
	194 556 674	**132 646 332**	**1 156 954 422**	**287 966 557**	**1 772 123 985**
Surplus for the year	**(105 092 595)**	**(94 857 578)**	**28 262 467**	**236 241 847**	**64 554 141**
Other information					
Segment assets	203 565 794	562 002 552	1 565 806 703	1 033 383 833	3 364 758 882
Segment liabilities	(12 872 960)	21 560 037	109 404 888	549 307 236	667 399 201
Additions to non-current assets	42 822 025	54 827 465	129 696 401	23 376 806	250 722 697

	2025	2024 Restated*

54. Segment information (continued)

2024

Segment revenue					
External revenue from non-exchange transactions	92 944 069	19 181 694	143 717 192	406 601 044	662 443 999
External revenue from exchange transactions	3 973 745	4 111 947	887 222 625	2 836 733	898 145 050
Interests on investments	-	-	-	43 678 123	43 678 123
Interest earned from receivables	-	-	-	41 172 714	41 172 714
	96 917 814	**23 293 641**	**1 030 939 817**	**494 288 614**	**1 645 439 886**
Segment expenses					
Total segment expenses	174 097 288	85 651 415	944 299 379	279 190 078	1 483 238 160
Depreciation, amortisation and impairment	13 156 847	27 689 699	54 502 337	9 090 997	104 439 880
Loss on disposal of assets	1 041 918	99 028	1 054 652	141 534	2 337 132
Interest expense	649 840	1 784 099	19 086 109	151 528	21 671 576
	188 945 893	**115 224 241**	**1 018 942 477**	**288 574 137**	**1 611 686 748**
Surplus for the year	**(92 028 079)**	**(91 930 600)**	**11 997 340**	**205 714 477**	**33 753 138**
Other information					
Segment assets	160 934 007	534 821 000	1 513 288 187	1 033 193 238	3 242 236 432
Segment liabilities	-	23 970 717	141 999 571	443 460 630	609 430 918
Additions to non-current assets	60 350 205	32 899 512	127 200 131	27 520 080	247 969 928

* See Note 47