



Mangaung Metropolitan Municipality  
Annual Financial Statements  
for the year ended 30 June 2025

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## General Information

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### Nature of business and principal activities

Providing municipal services and maintaining the best interest of the local community, mainly in the Mangaung area.

### Mayoral committee

Executive Mayor

Nthatsi GMS

Mayoral Committee Members

Jonas-Malephane VE

Kruger CL

Letawana MM

Mosala MT

Nhlapo NA

Qai A

Soqaga VS

Titi-Odili VE

Tsoleli SP

Twala PS

### Deputy Executive Mayor

Titi-Odili LM

### Speaker

Mathae BL

### Accounting Officer

More S

### Chief Financial Officer

Thekisho ZL

### Registered office

Bram Fischer Building  
Cnr Nelson Mandela Drive and Markgraaff Street  
Bloemfontein  
9301

### Postal address

PO Box 3704  
Bloemfontein  
9301

### Bankers

ABSA  
Development Bank of South Africa  
Nedbank  
Standard Bank

### Auditors

Auditor General of South Africa

### Enabling legislation

Division of Revenue Act, (Act 16 of 2019)  
Municipal Demarcation Act, (Act 27 of 1998)  
Municipal Finance Management Act, (Act 56 of 2003)  
Municipal Property Rates Act, (Act 3 of 2017)  
Municipal Structures Act, (Act 117 of 1998)  
Municipal Systems Act, (Act 32 of 2000)

# Mangaung Metropolitan Municipality

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

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# Mangaung Metropolitan Municipality

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### Abbreviations used within the financial statements:

ACT	Actual
BAL	Balance
CAPEX	Capital expenditure
CFO	Chief Financial Officer
CoGTA	Department of Cooperative Governance and Traditional Affairs
COID	Compensation for Occupational Injuries and Diseases
CPI	Consumer Price Index
DBSA	Development Bank of South Africa
FRESHCO	Free State Social Housing Company
GRAP	Generally Recognised Accounting Practice
HOD	Head of Directorate
IGRAP	Interpretation of the Standards of Generally Recognised Accounting Practice
IPTN	Integrated Public Transport Network
ISUPG	Informal Settlements Upgrading Partnership Grant
LGSETA	Local Government Sector Education & Training Authority
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act, (Act 56 of 2003)
MMM	Mangaung Metro Municipality
OPEX	Operational expenditure
PAYE	Pay As You Earn
PFMA	Public Finance Management Act
PPE	Property, Plant and Equipment
SALGA	South African Local Government Association
SARS	South African Revenue Service
SCM	Supply Chain Management
SOC	State Owned Company
UIF	Unemployment Insurance Fund
USDG	Urban Settlements Development Grant
VAT	Value Added Tax
WIP	Work-in-Progress

## **Accounting Officer's Responsibilities and Approval**

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

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner.

The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is responsible for the preparation of these annual financial statements in terms of Section 126(1) of the Municipal Finance Management Act, (Act 56 of 2003), and has signed on behalf of the municipality.

The accounting officer certifies that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 45 of these annual financial statements are not within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act, (Act 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

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

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

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors to express an independent opinion on the fair presentation of the annual financial statements.

The external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 426 to 549, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2025 and were signed by:

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**More S**  
**City Manager**

## Annual Financial Statements for the year ended 30 June 2025

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## Main business and operations

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.

Refer to note 69.

Effective from 1 July 2025, Mangaung Metropolitan Municipality is introducing ring-fenced business units for the Water and Sanitation Departments, in line with the National Treasury Municipal Budget and Reporting Regulations (2021) and the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA). These reforms are designed to strengthen financial sustainability, service delivery and governance in essential municipal trading services.

None.

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

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Statement of Financial Position as at 30 June 2025

Figures in Rand	Notes	2025	2024 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventory	3	436 295 070	425 668 037
Consumer receivables from exchange transactions	5	973 823 973	1 036 913 368
Consumer receivables from non-exchange transactions	6	435 453 044	449 935 403
Other receivables from exchange transactions	7	72 018 033	60 881 480
Other receivables from non-exchange transactions	4	6 292 732	3 801 564
VAT receivables	8	16 749 198	6 666 931
Centlec intercompany loan	9	1 106 629 079	822 297 757
Cash and cash equivalents	10	1 064 527 330	483 750 375
Centlec receivables	16	6 554 416	6 554 416
VAT input tax accrual and provision for VAT impairment	8	330 833 177	294 013 457
		<b>4 449 176 052</b>	<b>3 590 482 788</b>
<b>Non-Current Assets</b>			
Investment properties	11	1 604 198 979	1 590 665 600
Property, plant and equipment	12	11 157 298 907	11 486 568 658
Intangible assets	13	95 532 983	87 662 950
Heritage assets	14	263 297 202	261 740 952
Investments in controlled entities	15	100	100
Centlec receivables	16	563 821 120	838 245 325
Non-current receivables	17	190 938	181 690
Living resources	18	3 650 000	3 194 500
		<b>13 687 990 229</b>	<b>14 268 259 775</b>
<b>Total Assets</b>		<b>18 137 166 281</b>	<b>17 858 742 563</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	19	1 603 659 439	1 761 532 933
Payables from non-exchange transactions	20	131 026 442	162 419 023
Consumer deposits	21	34 145 032	33 698 339
Unspent conditional grants and receipts	22	191 730 084	193 594 528
Borrowings	23	96 269 377	156 246 602
Provisions	24	156 297 404	152 602 161
Employee benefit obligations	25	39 335 000	39 381 000
VAT output tax accrual	8	200 104 648	204 648 350
		<b>2 452 567 426</b>	<b>2 704 122 936</b>
<b>Non-Current Liabilities</b>			
Borrowings	23	54 304 749	150 576 463
Provisions	24	884 508 730	933 855 705
Employee benefit obligations	25	603 544 000	563 310 000
FRESHCO	26	107 136 548	121 264 444
Land availability	27	220 049 006	235 886 474
		<b>1 869 543 033</b>	<b>2 004 893 086</b>
<b>Total Liabilities</b>		<b>4 322 110 459</b>	<b>4 709 016 022</b>
<b>Net Assets</b>		<b>13 815 055 822</b>	<b>13 149 726 541</b>
<b>Reserves</b>			
Revaluation reserve	28	855 465 420	867 249 077
Self-insurance reserve	29	10 000 000	10 000 000
COLD reserve	30	13 625 156	15 749 079
Accumulated surplus		12 935 965 246	12 256 728 385
<b>Total Net Assets</b>		<b>13 815 055 822</b>	<b>13 149 726 541</b>

\* See Note 72

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Statement of Financial Performance

Figures in Rand	Notes	2025	2024 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	31	2 240 763 065	1 926 678 529
Rental of facilities and equipment	32	43 812 053	40 388 217
Other income from exchange transactions	34	44 947 764	36 303 539
Interest received from exchange transactions	35	989 894 418	885 032 125
Dividends received	35	9 271	8 036
Service concession arrangements	36	29 969 321	29 967 588
Commission received	37	31 186 147	30 566 927
Transport fees	38	14 138 795	-
<b>Total revenue from exchange transactions</b>		<b>3 394 720 834</b>	<b>2 948 944 961</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	39	1 792 354 861	1 448 159 127
Interest received from non-exchange transactions	40	206 878 034	172 226 079
<b>Transfer revenue</b>			
Fines, penalties and forfeits	33	44 841 943	92 918 436
Government grants & subsidies	41	2 346 106 978	2 191 147 817
Public contributions and donations	42	100 000	1 287 837
Municipal debt relief	43	287 409 280	-
<b>Total revenue from non-exchange transactions</b>		<b>4 677 691 096</b>	<b>3 905 739 296</b>
<b>Total revenue</b>		<b>8 072 411 930</b>	<b>6 854 684 257</b>
<b>Expenditure</b>			
Employee related costs	44	(2 060 142 456)	(1 904 927 871)
Remuneration of councillors	45	(77 818 081)	(74 551 839)
Depreciation and amortisation	46	(613 566 650)	(579 785 634)
Finance costs	48	(319 515 565)	(308 572 139)
Debt impairment and bad debt write off	50	(2 085 327 433)	(1 526 849 080)
General expenses	51	(531 017 469)	(486 216 142)
Bulk purchases	52	(993 348 140)	(914 593 751)
Contracted services	53	(660 201 687)	(647 205 404)
Grants, transfers and subsidies	54	(54 834 783)	(72 173 913)
<b>Total expenditure</b>		<b>(7 395 772 264)</b>	<b>(6 514 875 773)</b>
<b>Operating surplus</b>		<b>676 639 666</b>	<b>339 808 484</b>
Inventory losses/write-downs	3	(6 623 760)	(1 995 706)
Gain on biological assets	18	570 500	630 600
Remeasurement of provision	24	50 517 361	100 360 677
Remeasurements of the net defined benefit liability	25	16 156 898	11 122 400
Impairment loss	47	(56 441 463)	(54 865 231)
Fair value adjustments	55	13 548 324	3 814 817
Gain/(loss) on disposal of assets and liabilities	56	(29 108 028)	8 506 209
		<b>(11 380 168)</b>	<b>67 573 766</b>
<b>Surplus for the year</b>		<b>665 259 498</b>	<b>407 382 250</b>

\* See Note 72



# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Insurance reserve	COVID reserve	Total reserves	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	875 069 544	10 000 000	17 383 704	902 453 248	11 974 334 952	12 876 788 200
Adjustments						
Prior year adjustments - note 72	-	-	-	-	(138 482 449)	(138 482 449)
<b>Balance at 01 July 2023 as restated*</b>	<b>875 069 544</b>	<b>10 000 000</b>	<b>17 383 704</b>	<b>902 453 248</b>	<b>11 835 852 503</b>	<b>12 738 305 751</b>
Changes in net assets						
Insurance claims processed	-	-	(1 634 625)	(1 634 625)	1 634 625	-
Contribution received	-	1 145 719	-	1 145 719	(1 145 719)	-
Insurance claims processed	-	(1 145 719)	-	(1 145 719)	1 145 719	-
Net income (losses) recognised directly in net assets	-	-	(1 634 625)	(1 634 625)	1 634 625	-
Surplus for the year as previously reported	-	-	-	-	471 400 544	471 400 544
Total recognised income and expenses for the year	-	-	(1 634 625)	(1 634 625)	473 035 169	471 400 544
Prior year adjustments - note 72	-	-	-	-	(64 018 299)	(64 018 299)
Realisation of the revaluation reserve - through depreciation	(11 859 012)	-	-	(11 859 012)	11 859 012	-
Revaluation of assets	4 312 585	-	-	4 312 585	-	4 312 585
Disposals	(274 040)	-	-	(274 040)	-	(274 040)
Total changes	(7 820 467)	-	(1 634 625)	(9 455 092)	420 875 882	411 420 790
<b>Restated* Balance at 01 July 2024</b>	<b>867 249 077</b>	<b>10 000 000</b>	<b>15 749 079</b>	<b>892 998 156</b>	<b>12 256 728 386</b>	<b>13 149 726 542</b>
Changes in net assets						
Insurance claims processed	-	-	(2 123 923)	(2 123 923)	2 123 923	-
Contribution received	-	1 150 672	-	1 150 672	-	1 150 672
Insurance claims processed	-	(1 150 672)	-	(1 150 672)	-	(1 150 672)
Net income (losses) recognised directly in net assets	-	-	(2 123 923)	(2 123 923)	2 123 923	-
Surplus for the year	-	-	-	-	665 259 498	665 259 498
Total recognised income and expenses for the year	-	-	(2 123 923)	(2 123 923)	667 383 421	665 259 498
Realisation of the revaluation reserve - through depreciation	(11 853 439)	-	-	(11 853 439)	11 853 439	-
Revaluation of assets	69 782	-	-	69 782	-	69 782
Total changes	(11 783 657)	-	(2 123 923)	(13 907 580)	679 236 860	665 329 280
<b>Balance at 30 June 2025</b>	<b>855 465 420</b>	<b>10 000 000</b>	<b>13 625 156</b>	<b>879 090 576</b>	<b>12 935 965 246</b>	<b>13 815 055 822</b>
Notes	28	29	30			

\* See Note 72

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Cash Flow Statement

Figures in Rand	Notes	2025	2024 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Cash receipts from customers		3 219 312 645	2 491 786 771
Grants		2 344 242 534	1 932 315 809
Interest income		132 859 586	79 262 783
Dividends received		9 271	8 036
		<u>5 696 424 036</u>	<u>4 503 373 399</u>
<b>Payments</b>			
Employee costs		(2 131 096 055)	(1 961 649 732)
Suppliers		(2 383 406 405)	(2 074 393 999)
Finance costs		(5 910 231)	(6 049 158)
Grants paid		(54 834 783)	(72 173 913)
		<u>(4 575 247 474)</u>	<u>(4 114 266 802)</u>
<b>Net cash flows from operating activities</b>	57	<b><u>1 121 176 562</u></b>	<b><u>389 106 597</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	12	(352 069 009)	(338 752 896)
Purchase of other intangible assets	13	(6 058 800)	(46 535 102)
Purchase of financial assets		5 697	(2 657)
<b>Net cash flows from investing activities</b>		<b><u>(358 122 112)</u></b>	<b><u>(385 290 655)</u></b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(156 248 939)	(163 002 198)
Finance cost		(26 028 556)	(43 929 200)
<b>Net cash flows from financing activities</b>		<b><u>(182 277 495)</u></b>	<b><u>(206 931 399)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>580 776 955</b>	<b>(203 115 457)</b>
Cash and cash equivalents at the beginning of the year		483 750 375	686 865 832
<b>Cash and cash equivalents at the end of the year</b>	10	<b><u>1 064 527 330</u></b>	<b><u>483 750 375</u></b>

\* See Note 72

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Virements	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	2 195 424 869	-	2 195 424 869	2 240 763 065	45 338 196	70.1
Rental of facilities and equipment	47 142 881	-	47 142 881	43 812 053	(3 330 828)	70.2
Other income from exchange transactions	57 674 169	-	57 674 169	44 947 764	(12 726 405)	70.3
Interest received from exchange transactions	668 856 078	-	668 856 078	989 894 418	321 038 340	70.4
Dividends received	12 398	-	12 398	9 271	(3 127)	70.5
Service concession arrangements	1 271 032	-	1 271 032	29 969 321	28 698 289	70.6
Commission received	30 998 835	-	30 998 835	31 186 147	187 312	70.7
Transport fees	22 193 760	-	22 193 760	14 138 795	(8 054 965)	70.8
<b>Total revenue from exchange transactions</b>	<b>3 023 574 022</b>	<b>-</b>	<b>3 023 574 022</b>	<b>3 394 720 834</b>	<b>371 146 812</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	1 654 053 207	-	1 654 053 207	1 792 354 861	138 301 654	70.9
Interest received from non-exchange transactions	150 407 722	-	150 407 722	206 878 034	56 470 312	70.10
<b>Transfer revenue</b>						
Fines, penalties and forfeits	27 022 453	-	27 022 453	44 841 943	17 819 490	70.11
Government grants & subsidies	2 452 441 305	-	2 452 441 305	2 346 106 978	(106 334 327)	70.12
Public contributions and donations	-	-	-	100 000	100 000	70.13
Municipal debt relief	-	-	-	287 409 280	287 409 280	70.14
<b>Total revenue from non-exchange transactions</b>	<b>4 283 924 687</b>	<b>-</b>	<b>4 283 924 687</b>	<b>4 677 691 096</b>	<b>393 766 409</b>	
<b>Total revenue</b>	<b>7 307 498 709</b>	<b>-</b>	<b>7 307 498 709</b>	<b>8 072 411 930</b>	<b>764 913 221</b>	
<b>Expenditure</b>						
Employee related cost	(1 990 838 482)	-	(1 990 838 482)	(2 060 142 456)	(69 303 974)	70.15
Remuneration of councillors	(78 406 200)	-	(78 406 200)	(77 818 081)	588 119	70.16
Depreciation and amortisation	(581 288 119)	-	(581 288 119)	(613 566 650)	(32 278 531)	70.17
Finance costs	(27 015 891)	-	(27 015 891)	(319 515 565)	(292 499 674)	70.18

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Virements	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Debt impairment	(1 800 000 000)	-	<b>(1 800 000 000)</b>	(2 085 327 433)	<b>(285 327 433)</b>	70.19
Bulk purchases	(507 699 999)	-	<b>(507 699 999)</b>	(993 348 140)	<b>(485 648 141)</b>	70.20
Contracted services	(646 804 814)	(3 612 417)	<b>(650 417 231)</b>	(660 201 687)	<b>(9 784 456)</b>	70.21
Grants, transfers and subsidies	(361 381)	310 000	<b>(51 381)</b>	(54 834 783)	<b>(54 783 402)</b>	70.22
General expenses	(294 763 945)	3 302 417	<b>(291 461 528)</b>	(531 017 469)	<b>(239 555 941)</b>	70.23
<b>Total expenditure</b>	<b>(5 927 178 831)</b>	-	<b>(5 927 178 831)</b>	<b>(7 395 772 264)</b>	<b>(1 468 593 433)</b>	
<b>Operating surplus</b>	<b>1 380 319 878</b>	-	<b>1 380 319 878</b>	<b>676 639 666</b>	<b>(703 680 212)</b>	
Inventory losses/write-downs	-	-	-	(6 623 760)	<b>(6 623 760)</b>	70.24
Gain on biological assets	-	-	-	570 500	<b>570 500</b>	70.25
Remeasurement of provision	-	-	-	50 517 361	<b>50 517 361</b>	70.26
Remeasurements of the net defined benefit liability	-	-	-	16 156 898	<b>16 156 898</b>	70.27
Fair value adjustments	-	-	-	13 548 324	<b>13 548 324</b>	70.28
Impairment loss	-	-	-	(56 441 463)	<b>(56 441 463)</b>	70.29
Gain/(loss) on disposal of assets and liabilities	(371 700 000)	-	<b>(371 700 000)</b>	(29 108 028)	<b>342 591 972</b>	70.30
	<b>(371 700 000)</b>	-	<b>(371 700 000)</b>	<b>(11 380 168)</b>	<b>360 319 832</b>	
<b>Surplus/(deficit)</b>	<b>1 008 619 878</b>	-	<b>1 008 619 878</b>	<b>665 259 498</b>	<b>(343 360 380)</b>	

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Virements	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Current assets</b>						
Total current assets	3 969 170 918	-	3 969 170 918	4 449 176 052	480 005 134	70.31
<b>Non-Current Assets</b>						
Total non-current assets	14 596 441 457	-	14 596 441 457	13 687 990 229	(908 451 228)	70.32
<b>Total Assets</b>	<b>18 565 612 375</b>	<b>-</b>	<b>18 565 612 375</b>	<b>18 137 166 281</b>	<b>(428 446 094)</b>	
<b>Current Liabilities</b>						
Total current liabilities	1 518 354 214	-	1 518 354 214	2 452 567 426	934 213 212	70.33
<b>Non-Current Liabilities</b>						
Total non-current liabilities	397 830 281	-	397 830 281	1 869 543 033	1 471 712 752	70.34
<b>Total Liabilities</b>	<b>1 916 184 495</b>	<b>-</b>	<b>1 916 184 495</b>	<b>4 322 110 459</b>	<b>2 405 925 964</b>	
<b>Net Assets</b>	<b>16 649 427 880</b>	<b>-</b>	<b>16 649 427 880</b>	<b>13 815 055 822</b>	<b>(2 834 372 058)</b>	
<b>Reserves</b>						
Total reserves	16 649 427 880	-	16 649 427 880	13 815 055 822	(2 834 372 058)	70.35
<b>Cash Flow Statement</b>						
Net cash flows from operating activities	1 791 455 651	-	1 791 455 651	1 121 176 562	(670 279 089)	70.36
Net cash flows from investing activities	(1 062 821 198)	-	(1 062 821 198)	(358 122 112)	704 699 086	70.36
Net cash flows from financing activities	5 333 222	-	5 333 222	(182 277 495)	(187 610 717)	70.36
<b>Total</b>	<b>733 967 675</b>	<b>-</b>	<b>733 967 675</b>	<b>580 776 955</b>	<b>(153 190 720)</b>	
Net increase/(decrease) in cash and cash equivalents	733 967 675	-	733 967 675	580 776 955	(153 190 720)	

Budget variances are disclosed in note 70.

## Accounting Policies

Figures in Rand	Notes	2025	2024
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### 1. Significant accounting policies

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

#### 1.1 Basis of preparation

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

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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.

#### 1.2 Going concern assumption

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

#### 1.3 Materiality

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

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

#### 1.4 Significant judgements and sources of estimation uncertainty

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

##### Significant judgements include:

##### Trade receivables, loans and receivables

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

Where the impairment for trade receivables, loans and receivables are calculated on a portfolio basis, based on historical loss ratios. These annual loss ratios are applied to the balances in the portfolio. The impairment is measured as the difference between the receivables' carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate, computed at initial recognition. The impairment loss is recognised in surplus or deficit when there is objective evidence that it is impaired.

##### Allowance for slow moving, damaged and obsolete stock

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

## **Accounting Policies**

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### **1.4 Significant judgements and sources of estimation uncertainty (continued)**

#### **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 investment property is determined on the basis of a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

The fair value of items of land and buildings is determined from market-based evidence by appraisal. An appraisal of the value of the asset is undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification.

The fair value of heritage assets is the price at which the heritage asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The fair value of heritage assets is determined from market-based evidence determined by appraisal. An appraisal of the value of the asset is normally undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification.

#### **Impairment testing**

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

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

#### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosures of these estimates of provisions are included in note 24 - Provisions.

#### **Useful lives and residual values**

The municipality's management determines the estimated useful lives and related depreciation charges for assets as noted in accounting policies 1.5 and 1.6. These estimates are based on industry norm.

Management will increase the depreciation charge prospectively where useful lives are less than previously estimated useful lives. Management will decrease the depreciation charge prospectively where useful lives are more than previously estimated useful lives.

Where changes are made to the estimated residual lives, management also makes these changes prospectively.

#### **Employee benefit obligation**

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in note 25 - Employee benefit obligation.

## Accounting Policies

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### 1.5 Investment properties

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

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

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

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

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

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

Cost is the amount of cash or cash equivalents or the fair value of the consideration given to acquire an asset at the time of its acquisition or construction. 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 properties, the carrying amount of the replaced part is derecognised.

#### **Fair value**

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

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

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

Although unlikely, if the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

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

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

#### **Derecognition**

Items of investment property are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of investment property is included in surplus or deficit when the item is derecognised.

The gain or loss arising from the derecognition of an item of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 11 - Investment property).

### 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 (other than investment property), or for administrative purposes, and are expected to be used during more than one period.



## Accounting Policies

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### 1.6 Property, plant and equipment (continued)

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

#### Subsequent measurement

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land, buildings, water meters and zoo animals which are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

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

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

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

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

#### Depreciation and impairment

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

Land, except for landfill and quarry sites, is not depreciated as it has an indefinite useful life.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

### 1.6 Property, plant and equipment (continued)

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent to initial recognition, property, plant and equipment on the cost model is carried at cost less accumulated depreciation and any accumulated impairment losses. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

Item	Depreciation method	Average useful life
Land	None	Indefinite
Buildings	Straight-line	30 - 60
Landfill sites	Straight-line	10 - 55
Firearms	Straight-line	5 - 40
Environmental facilities	Straight-line	5 - 50
Roads and stormwater	Straight-line	3 - 100
Equipment under finance leases	Straight-line	3 - 5
Community/recreational	Straight-line	10 - 30
Sewerage and mains	Straight-line	10 - 60
Water network	Straight-line	5 - 100
Security	Straight-line	10
Housing	Straight-line	5 - 30
Other vehicles	Straight-line	5 - 20
Other assets	Straight-line	3 - 20
Zoo animals	Straight-line	4 - 100

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

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

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

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

#### Derecognition

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 12 - Property, plant and equipment).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 12 - Property, plant and equipment).

## Accounting Policies

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### 1.7 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

#### Subsequent measurement

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

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

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

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

Amortisation begins when intangible assets are in the location and condition necessary for it to be capable of operating in the manner intended by management and ceases at the date that the asset is derecognised.

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

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Item	Depreciation method	Average useful life
Computer software	Straight-line	3 - 30
Servitudes	None	Indefinite

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The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 13 - Intangible assets).

#### 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 included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

## Accounting Policies

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### 1.8 Living resources

Zoo animals comprise of animals held at Bloemfontein Zoo, Kwaggafontein and other nature areas.

Zoo animals are accounted for in terms of GRAP 110 as living resources. The majority of animals are received as donations and transfers from other similar institutions for no consideration or from procreation. These assets are recorded at fair value at the time of donation or transfer, and are depreciated accordingly.

Market determined prices or values are not available for certain animals due to lack of market because they are not commodities, as well as restrictions on trade of exotic animals which precludes the determination of a fair value. The fair value of zoo animals is determined based on market prices of zoo animals of similar age, breed and genetic merit.

Zoo animals are also acquired through supply chain process and these newly acquired animals are carried at cost less accumulated depreciation and any impairment losses. The offspring of newly acquired animals shall be recorded at a fair value at the time of birth and will also be depreciated accordingly.

#### Depreciation and impairment

Zoo animals are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

The useful lives of zoo animals listed below reflect useful lives of the different classes of animals at the various nature areas. Within the different classes of animals are a number of different species whose useful lives differ. Therefore, the useful lives of zoo animals listed below reflect the useful lives of the different species contained within a specific class of animals.

The longevity of zoo animals has been assessed as follows:

Aves	12 - 90 years
Mammalia	9 - 45 years
Reptilia	4 - 100 years

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

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

#### Subsequent measurement

Zoo animals are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

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

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

The revaluation surplus in equity related to a specific item of zoo animals is transferred directly to accumulated surplus as the zoo animal is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the zoo animal.

#### Accounting treatment of other costs

The entity does not recognise in the carrying amount of a living resource the day-to-day costs, or the costs to maintain or to hold the living resource. Day-to-day costs are those costs incurred by an entity to manage the qualitative and quantitative changes of the biological transformation. Depending on its reason for holding the living resource, the entity assesses whether the costs incurred are day-to-day operating costs, or whether the incurred costs will enhance the future economic benefits or service potential of the resource.

Living resources comprise resources that are held for research, for example animals and plants used in testing facilities or laboratory animals. The principles in the Standard of GRAP on Intangible Assets (GRAP 31) indicate that during the research phase of an internal project, expenditure incurred as part of the research project should be recognised as an expense, because the entity cannot demonstrate that an asset exists that will generate future economic benefits or service potential. The principles in GRAP 31 are applied to assess whether costs incurred for research activities should be recognised as research or development costs.

## Accounting Policies

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### Transfers of living resources

Transfers from living resources shall be made when, and only when, the particular asset no longer meets the definition of a living resource and/or is no longer within the scope of this Standard.

For a transfer from living resources carried at a revalued amount to property, plant and equipment (including bearer plants), inventories or to a biological asset, the living resource's deemed cost for subsequent accounting in accordance with the applicable Standard of GRAP shall be its revalued amount at the date of transfer. The entity shall apply the principles in this Standard up to the date of transfer. The entity treats any difference at that date between the carrying amount of the living resource and its fair value in the same way as a revaluation in accordance with GRAP 110 Living and Non-living Resources (Issued March 2017).

If an item of property, plant and equipment (including bearer plants) carried at a revalued amount, or a biological asset carried at fair value less cost to sell, is reclassified as a living resource carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that living resource.

For a transfer from inventories or a biological asset to living resources at a revalued amount, any difference between the fair value of the living resource at that date and its previous carrying amount shall be recognised in surplus or deficit.

### Custodian assets

Where the entity acts as a custodian of a living or non-living resource, or group of living or non-living resources, other than land, the entity shall explain the nature of its custodial responsibility, including the legislation or similar means that establish.

## 1.9 Heritage assets

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

### Recognition

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

### Initial measurement

Heritage assets are measured at cost.

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

### Subsequent measurement

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

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

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

### Impairment

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

Compensation from third parties for items of heritage assets property that were impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### Transfers

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

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

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.9 Heritage assets (continued)

#### Derecognition

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

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

The entity separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (refer to note 14 - Heritage assets).

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (refer to note 14 - Heritage assets).

### 1.10 Investment in controlled entities

Investments in controlled entities are carried at cost less any accumulated impairment.

The cost of an investment in a controlled entity is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the entity; plus
- any costs directly attributable to the purchase of the controlled entity.

### 1.11 Financial instruments

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

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

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

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

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

## Accounting Policies

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### 1.11 Financial instruments (continued)

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unutilised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

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

#### Classification

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

- Financial instruments measured at fair value;
- Financial instruments measured at amortised cost; and
- Financial instruments measured at cost.

## Accounting Policies

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### 1.11 Financial instruments (continued)

#### Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus, 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 asset or financial liability.

#### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

#### Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

#### Gains and losses

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

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



## Accounting Policies

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### 1.11 Financial instruments (continued)

#### Impairment and uncollectibility of financial assets

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

The entity assesses financial assets individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset (whether individually significant or not), an entity includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment of impairment.

For collective assessments of impairment, assets with similar credit risk characteristics are grouped together. The credit risk characteristics are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

In making this assessment management may consider the following indicators as guidance for possible impairment:

- Significant financial difficulty experienced by the borrower/debtor;
- Delays in payments (including interest payments) or failure to pay/defaults;
- For economic or legal reasons, allowing disadvantaged customers who are experiencing financial difficulties to pay as and when they can. The entity would not otherwise have considered this concession. For example, allowing disadvantaged customers to pay their account when they can due to the fact that the water it supplies to the customer is a basic human right;
- It is probable that the borrower/debtor will enter sequestration (bankruptcy) or other financial reorganisation;
- The disappearance of an active market for the financial asset because of financial difficulties;
- Observable data, for example historical data, indicating that there is a decrease in the estimated future cash flows that will be received (which can be measured reliably), from a group of financial assets (financial assets with similar credit risk characteristics grouped together) since the initial recognition of those assets. The decrease may not yet be identified for the individual financial assets in the group. These can include:
  - the payment status of borrowers/debtors in the group has deteriorated (e.g. an increased number of delayed payments); or
  - national or local economic conditions that are in line with non-payments in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers/debtors, or adverse changes in market conditions that affect the borrowers/debtors in the group).
- Accounts in arrears for a period longer than the initial estimated repayment period;
- Accounts with arrears of over 90 days showing no repayments in the last financial year;
- Accounts handed over for collection;
- Any negative changes in the ability of debtors and borrowers to repay the amounts due to the entity (e.g. an increased number of late payments);
- A breach in contract, such as a default in interest or capital payments.

Management need not utilize all the indicators given above as guidance but only use the indicators to which management has sufficient information to make the assessment for possible or actual impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

## **Accounting Policies**

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### **1.11 Financial instruments (continued)**

#### **Financial assets measured at cost:**

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

#### **Derecognition**

#### **Financial assets**

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognises the new financial asset, financial liability or servicing liability at fair value.

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

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

#### **Financial liabilities**

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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

## Accounting Policies

### 1.11 Financial instruments (continued)

#### Presentation

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

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

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

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

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

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

Class	Category
Consumer receivables from exchange transactions	Financial asset measured at amortised cost
Other receivables from exchange transactions	Financial asset measured at amortised cost
Centlec intercompany loan	Financial asset measured at amortised cost
Centlec receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Non-current receivables	Financial asset measured at amortised cost
Non-current receivables	Financial asset measured at fair value
Investment in controlled entity	Financial asset measured at cost

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

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

### 1.12 Statutory receivables

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.

#### Recognition

The municipality recognises statutory receivables as follows:

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

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

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

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

## Accounting Policies

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### 1.12 Statutory receivables (continued)

#### Accrued interest

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

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

#### Other charges

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

#### Impairment losses

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

The entity assesses statutory receivables individually, when assets are individually significant, and individually or collectively for statutory receivables that are not individually significant. Where no objective evidence of impairment exists for an individually assessed debtor (whether individually significant or not), an entity includes the assets in a group of statutory receivables with similar credit risk characteristics and collectively assesses them for impairment.

Statutory receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment of impairment.

For collective assessments of impairment, statutory receivables with similar credit risk characteristics are grouped together. The credit risk characteristics are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

In making this assessment management may consider the following indicators as guidance for possible impairment:

- Significant financial difficulty experienced by the borrower/debtor;
- Delays in payments (including interest payments) or failure to pay/defaults;
- For economic or legal reasons, allowing disadvantaged customers who are experiencing financial difficulties to pay as and when they can. The entity would not otherwise have considered this concession. For example, allowing disadvantaged customers to pay their account when they can due to the fact that the water it supplies to the customer is a basic human right;
- It is probable that the borrower/debtor will enter sequestration (bankruptcy) or other financial reorganisation;
- Observable data, for example historical data, indicating that there is a decrease in the estimated future cash flows that will be received (which can be measured reliably), from a group of statutory receivables (statutory receivables with similar credit risk characteristics grouped together) since the initial recognition of those receivables. The decrease may not yet be identified for the individual financial receivable in the group.

These can include:

- the payment status of borrowers/debtors in the group has deteriorated (e.g. an increased number of delayed payments); or
- national or local economic conditions that are in line with non-payments in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers/debtors, or adverse changes in market conditions that affect the borrowers/debtors in the group);
- Accounts in arrears for a period longer than the initial estimated repayment period;
- Accounts with arrears of over 90 days showing no repayments in the last financial year;
- Accounts handed over for collection;
- Any negative changes in the ability of debtors and borrowers to repay the amounts due to the entity (e.g. an increased number of late payments);
- A breach in contract, such as a default in interest or capital payments.

Management need not utilize all the indicators given above as guidance but only use the indicators to which management has sufficient information to make the assessment for possible or actual impairment.

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

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

# Mangaung Metropolitan Municipality

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## Accounting Policies

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### 1.12 Statutory receivables (continued)

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

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

#### Derecognition

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

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

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

### 1.13 Tax

#### VAT

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

### 1.14 Leases

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

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

#### Finance leases - lessee

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

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

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

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

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

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

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

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

## **Accounting Policies**

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### **1.14 Leases (continued)**

#### **Operating leases - lessee**

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

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

### **1.15 Inventory**

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

Subsequently inventory is measured at the lower of cost and net realisable value.

Inventory is measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventory of items that are interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

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

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

### **1.16 Cash and cash equivalents**

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Bank overdrafts which are repayable on demand forms an integral part of the entity's cash management activities, and as such are included as a component of cash and cash equivalents.

### **1.17 Impairment of cash-generating assets**

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

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

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

## Accounting Policies

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### 1.17 Impairment of cash-generating assets (continued)

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

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

Depreciation and amortisation are the systematic allocation of the depreciable amount of an asset over its useful life.

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

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

Useful life is either:

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

All assets of the entity are accounted for as non-cash generating assets.

#### Identification

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

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

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

#### Value in use

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

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

#### 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.

## Accounting Policies

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### 1.17 Impairment of cash-generating assets (continued)

#### Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

#### Discount rate

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

#### Recognition and measurement (individual asset)

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

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

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

#### Cash-generating units

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

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

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

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

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



## Accounting Policies

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### 1.17 Impairment of cash-generating assets (continued)

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.

#### Reversal of impairment loss

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

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

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

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

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

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

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

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

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

#### Redesignation

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

### 1.18 Impairment of non-cash-generating assets

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

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

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

## **Accounting Policies**

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### **1.18 Impairment of non-cash-generating assets (continued)**

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

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

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

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

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

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

Useful life is either:

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

All assets of the entity are accounted for as non-cash-generating assets.

#### **Identification**

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

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

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

#### **Value in use**

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

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

#### **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.

## **Accounting Policies**

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### **1.18 Impairment of non-cash-generating assets (continued)**

#### **Service units approach**

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

#### **Recognition and measurement**

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

#### **Reversal of an impairment loss**

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

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

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

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

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

#### **Redesignation**

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

### **1.19 Employee benefits**

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

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

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

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

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

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

## **Accounting Policies**

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### **1.19 Employee benefits (continued)**

#### **Short-term employee benefits**

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

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

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

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

#### **Post-employment benefits**

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

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

## Accounting Policies

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### 1.19 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Accounting Policies

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### 1.19 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

## Accounting Policies

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### 1.19 Employee benefits (continued)

#### Other long-term employee benefits

The entity provides other long-term employee benefits to qualifying employees in the form of long service award.

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

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

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

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

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

The entity uses the Projected Unit Credit Method to determine the present value of its long service employee benefit and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

### 1.20 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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

## Accounting Policies

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### 1.20 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 60 - Contingencies.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

#### **Decommissioning, restoration and similar liability**

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

If the related asset is measured using the cost model:

- changes in the liability are added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.17 and 1.18.



## **Accounting Policies**

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### **1.20 Provisions and contingencies (continued)**

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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

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

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

### **1.21 Commitments**

Where the entity has a contractual commitment in respect of the acquisition of property, plant and equipment, these are disclosed in note 59 - Commitments.

The commitments as disclosed are the contractual amount less any payments made in respect of the contract.

### **1.22 Revenue from exchange transactions**

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

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

Revenue from exchange transactions consists primarily of services charges, rentals, interest received and other services rendered.

When considering the probability of the future economic benefits that will flow to the entity, consideration is given to the requirements as outlined in IGRAP 1.

#### **Measurement**

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

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

#### **Estimates**

Specific properties that were not billed through normal billing processes were identified. An estimate of usage was calculated by determining the average consumption per suburb and using the respective average consumption per suburb to quantify the estimated usage for such a property in an applicable suburb. The approved tariffs were used to determine the financial impact of the estimation.

## Accounting Policies

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### 1.22 Revenue from exchange transactions (continued)

#### Sale of goods

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

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

#### Rendering of services

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

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

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Rendering of services consists out of solid waste, sanitation, sewerage and water services.

#### Interest, royalties and dividends

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

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

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

#### Rental income

Leases revenue from operating leases shall be recognised as revenue on a straight-line basis over the lease term in accordance with the accounting policy on Leases.

Revenue arising from the use by others of entity assets yielding rental income is recognised when:

- a) it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- b) the amount of the revenue can be measured reliably.

## **Accounting Policies**

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### **1.23 Revenue from non-exchange transactions**

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

Revenue from non-exchange transactions consists primarily of grants from National - and Provincial Government, Property rates and Fines revenue.

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

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

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

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

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

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

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

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

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

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

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

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

#### **Recognition**

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

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

When considering the probability of the future economic benefits that will flow to the entity, consideration is given to the requirements as outlined in IGRAP 1.

## **Accounting Policies**

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### **1.23 Revenue from non-exchange transactions (continued)**

#### **Measurement**

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

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

#### **Taxes**

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

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

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

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

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

Taxation revenue is not grossed up for the amount of tax expenditures.

#### **Transfers**

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

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

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

#### **Debt forgiveness and assumption of liabilities**

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

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

#### **Fines**

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

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

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

## Accounting Policies

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### 1.23 Revenue from non-exchange transactions (continued)

#### Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

#### Gifts and donations, including goods in-kind

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

#### Services in-kind

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

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

#### Concessionary loans received

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

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

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

#### Conditional grants and receipts

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

### 1.24 Investment income

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

### 1.25 Borrowing costs

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

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

## **Accounting Policies**

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### **1.26 General expenditure**

General expenditure consists of operating expenses incurred in the normal course of the municipality's activities, other than those separately disclosed under specific accounting policies (such as employee-related costs, depreciation, impairments, finance costs, or provisions).

#### **Recognition**

General expenditure is recognised in the Statement of Financial Performance when it is probable that a decrease in future economic benefits or service potential has occurred, and the amount of the expense can be measured reliably in accordance with the Framework and relevant Standards of GRAP.

#### **Measurement**

General expenditure is measured at the amount paid or payable, being the fair value of the consideration given, and is accounted for on an accrual basis. This includes, but is not limited to:

- Contracted services;
- Inventory consumed (other than items capitalised as assets);
- Repairs and maintenance not qualifying for capitalisation;
- Utilities, communication and IT costs;
- Legal and professional fees;
- Insurance, licenses and subscriptions;
- Other day-to-day operational costs.

#### **Presentation and disclosure**

General expenditure is presented separately in the Statement of Financial Performance. Significant classes of expenditure within general expenditure are disclosed in the notes to the financial statements where material, in line with GRAP 1 on Presentation of Financial Statements.

### **1.27 Comparative figures**

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

### **1.28 Unauthorised expenditure**

#### **Initial recognition:**

Unauthorised expenditure is recognised in the notes to the financial statements when confirmed and determined at year end. The amount recorded is equal to the value of the overspending of the approved budget.

Unauthorised expenditure is any expenditure incurred by a municipality otherwise than in accordance with the approved budget as well as expenditure exceeding the limits of the amounts appropriated for in the different votes in the approved budget.

Depending on circumstances, identified unauthorised expenditure will be authorised by council in an adjustment budget, certified by municipal council as irrecoverable and written off by council or recovered from a liable official or political office bearer. In cases where unauthorised expenditure is recoverable from an official or political office bearer, resulting from necessary investigations, revenue and receivables are recognised. Unauthorised expenditure is disclosed in the notes to the financial statements.

### **1.29 Fruitless and wasteful expenditure**

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

#### **Initial recognition:**

Fruitless and wasteful expenditure is recognised in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the fruitless and wasteful expenditure incurred.

Fruitless and wasteful expenditure which was incurred and identified during the financial year and also condoned by council in terms of the MFMA, is only disclosed in the notes to the financial statements. However, fruitless and wasteful expenditure which was incurred and identified during the financial year but failed to be condoned by council is initially recognised as expenditure based on its nature and after further investigations classified to revenue and receivables. Where it is not possible to recover the revenue recognised from fruitless and wasteful, the receivable is written-off following proper write-off processes in terms of the MFMA.

Detailed disclosures are made in note 65 to the annual financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

## **Accounting Policies**

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### **1.30 Irregular expenditure**

Irregular expenditure is expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Municipal Finance Management Act, the Municipal Systems Act, or the Public Office-Bearers Act, and which has not been condoned in terms of the MFMA.

#### **Initial recognition:**

Irregular expenditure is recognised in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred.

Irregular expenditure which was incurred and identified during the financial year is disclosed in the financial statements. It will be accounted for as expenditure in the statement of financial performance and disclosed separately in the notes to the financial statements.

National Treasury circular 68 which was issued in terms of sections 32 of the Municipal Finance Management Act, Act 56 of 2003 on 10 May 2013 requires the following:

Irregular expenditure that was incurred and identified during the current financial year and which was written off 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 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 approval for write off 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 written off in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount written off.

Irregular expenditure that was incurred and identified during the current financial year and which was not written off 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 written off 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.

Detailed disclosures are made in note 66 to the annual financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

### **1.31 Internal reserves**

#### **Self-insurance reserve**

The municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that cannot be insured externally. The balance of the Self-Insurance Reserve is determined based on the insurance risk carried by the municipality, which is calculated by the entity's external insurance broker and is reinstated or increased by a transfer from the accumulated surplus or deficit.

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

#### **Compensation for occupational injuries and diseases (COID) reserve**

The Compensation for Occupational Injuries and Diseases Act (Act 130 of 1993) is to provide for payment of medical treatment and compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment, or for death resulting from such injuries or diseases. The contribution to the COID fund is 0.75% of the salary expense. The municipality is an exempt employer in terms of Section 84 (1) (a)(ii) & (2) and as such does not pay any assessments to the COID Commissioner. In terms of the exempt status the municipality is mandated to establish its own fund and administers this fund in terms of the COID Act.

Amounts are transferred to the COID reserve from the accumulated surplus or deficit based on the amounts as approved in the annual budget and determined by the Compensation Commissioner as well as additional amounts deemed necessary to ensure that the balance of the reserve is adequate to offset potential claims.

Claims are paid as determined by the Compensation Commissioner. Claims are settled by transferring a corresponding amount from the COID reserve to the accumulated surplus or deficit.

## **Accounting Policies**

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### **1.32 Revaluation reserve**

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

Any impairment loss of a revalued asset shall be treated as a revaluation decrease. To the extent that the impairment loss exceeds the revaluation surplus for the same asset, the impairment loss is recognised in the accumulated surplus/(deficit).

### **1.33 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.

Segmental information on property, plant and equipment, as well as income and expenditure are set out in note 73 - Segment reporting, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The entity operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the annual financial statements.

### **1.34 Budget information**

Municipalities 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 the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by nature classification. The approved budget and the annual financial statements are prepared on the same basis.

The annual budget figures included in the annual financial statements are for the entity and do not include budget information relating to subsidiaries. The separate budget for the entity has been recompiled for the presentation in the annual financial statements. The recompilation does not constitute changes or revisions of the consolidated budget as approved by the Council.

Explanatory comments to material differences are provided in note 70 - Budget differences to the annual financial statements.



# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.35 Related parties

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

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

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

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

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

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

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

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

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

### 1.36 Events after reporting date

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

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

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

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

## Accounting Policies

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### 1.37 Service concession arrangements: Entity as grantor

#### Identification

Service concession arrangement is a contractual arrangement between a grantor and an operator in which an operator uses the services concession asset to provide a mandated function on behalf of a grantor for a specified period, where the operator is compensated for its services over the period of service concession arrangement.

A grantor is the entity that grants the right to use the service concession asset to the operator.

A mandated function involves the delivery of a public service by an operator on behalf of a grantor that falls within the grantor's mandate.

An operator is the entity that uses the service concession asset to provide a mandated function subject to the grantor's control of the asset.

A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:

- is provided by the operator which:
  - the operator constructs, develops, or acquires from a third party; or
  - is an existing asset of the operator; or
- is provided by the grantor which:
  - is an existing asset of the grantor; or
  - is an upgrade to an existing asset of the grantor.

#### Recognition of asset and liability

The entity recognises an asset provided by the operator and an upgrade to an existing asset of the entity, as a service concession asset if the entity controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price, and if the entity controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the asset at the end of the term of the arrangement. This applies to an asset used in a service concession arrangement for its entire economic life (a "whole-of-life" asset).

After initial recognition or reclassification, service concession assets are clearly identified from other assets within the same asset category, and are clearly identified from owned and/or leased assets.

Where the entity recognises a service concession asset, and the asset is not an existing asset of the entity (grantor), the entity (grantor) also recognises a liability.

The entity does not recognise a liability when an existing asset of the entity is reclassified as a service concession asset, except in circumstances where additional consideration is provided by the operator.

#### Measurement of asset and liability

The entity initially measures the service concession asset as follows:

- Where the asset is not an existing asset of the entity, the asset is measured at its fair value.
- Where the asset is an existing asset of the entity and it meets the recognition criteria of a service concession asset, the asset is reclassified as a service concession asset, and the asset is accounted for in accordance with the policy on Investment properties, Property, plant and equipment, Intangible assets, or Heritage assets, as appropriate.

The entity initially measures the liability at the same amount as the service concession asset, adjusted by the amount of any other consideration from the entity to the operator, or from the operator to the entity.

## **Accounting Policies**

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### **1.37 Service concession arrangements: Entity as grantor (continued)**

#### **Financial liability model**

Where the entity has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, the entity accounts for the liability as a financial liability.

The entity allocates the payments to the operator and accounts for them according to their substance as a reduction in the liability recognised, a finance charge, and charges for services provided by the operator.

The finance charge and charges for services provided by the operator in a service concession arrangement are accounted for as expenses.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments from the entity to the operator are allocated by reference to the relative fair values of the service concession asset and the services.

Where the asset and service components are not separately identifiable, the service component of payments from the entity to the operator is determined using estimation techniques.

#### **Grant of a right to the operator model**

Where the entity does not have an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the entity accounts for the liability as the unearned portion of the revenue arising from the exchange of assets between the entity and the operator.

The entity recognises revenue and reduces the liability according to the substance of the service concession arrangement.

#### **Dividing the arrangement**

If the entity pays for the construction, development, acquisition, or upgrade of a service concession asset partly by incurring a financial liability and partly by the grant of a right to the operator, it accounts separately for each part of the total liability.

#### **Other liabilities, contingent liabilities and contingent assets**

The entity accounts for other liabilities, contingent liabilities, and contingent assets arising from a service concession arrangement in accordance with the policy on Provisions, Contingent liabilities and Contingent assets and Financial instruments.

#### **Other revenues**

The entity accounts for revenues from a service concession arrangement, other than those relating to the grant of a right to the operator model, in accordance with the Standard of GRAP on Revenue from exchange transactions.

## Accounting Policies

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### 1.37 Service concession arrangements: Entity as grantor (continued)

#### Recognition of the performance obligation and the right to receive a significant interest in a service concession asset

If the entity controls a significant residual interest in a service concession asset at the end of the service concession arrangement through ownership, beneficial entitlement or otherwise, and the arrangement does not constitute a finance or an operating lease, the entity recognises its right to receive the residual interest (i.e. a receivable) in the service concession asset at the commencement of the arrangement.

The right to receive a residual interest in the service concession asset to be received at the end of the arrangement, is an exchange consideration. This is because the entity will receive an asset in exchange for granting the operator access to the asset while providing a mandated function on its behalf in accordance with the substance of the arrangement.

In terms of the policy on Revenue from exchange transactions, the exchange consideration is recognised and measured at fair value. The value of the receivable (the right to the residual interest in the asset), receivable at the end of the service concession arrangement, reflects the value of the service concession asset as if it were already in the age and in the condition expected at the end of the service concession arrangement.

When the entity recognises the right to receive a residual interest in the service concession asset, it also recognises its performance obligation for granting the operator access to the service concession asset in accordance with the substance of the arrangement. The value of the performance obligation is the same as the receivable interest recognised at the commencement of the service concession arrangement.

The performance obligation is reduced and revenue is recognised based on the substance of the arrangement.

Where service concession arrangements include provisions to adjust the arrangement for changes, the effect of such changes is deemed to have taken place at the inception of the service concession arrangements.

### 1.38 Advance receipts

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

In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

All receipts received in advance are classified as non-exchange transactions as no approximate equal value is exchanged between the parties.

Refer to note 20 - Payables from non-exchange transactions where these receipts in advance are disclosed.

### 1.39 Grants and subsidies paid

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

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

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

##### **iGRAP 22 Foreign Currency Transactions and Advance Consideration**

###### **Background**

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

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

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

###### **Issue**

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

###### **Consensus**

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

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

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

The municipality expects to adopt the standard for the first time in the 2025/2026 annual financial statements.

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

## Notes to the Annual Financial Statements

### 2. New standards and interpretations (continued)

#### GRAP 104 (as revised): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments.

This included that:

- information on credit losses and defaults on financial assets received too late to enable proper decision-making,
- using fair value in certain instances was inappropriate, and
- some of the existing accounting requirements were seen as too rules based.

As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

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

The most significant changes to the Standard affect:

- Financial guarantee contracts issued;
- Loan commitments issued;
- Classification of financial assets;
- Amortised cost of financial assets;
- Impairment of financial assets; and
- Disclosures

The effective date of the revisions is for years beginning on or after 01 April 2025.

The municipality expects to adopt the revisions for the first time in the 2025/2026 annual financial statements.

The impact of this standard is currently being assessed; however, the impact is likely to be material.

### 2.2 Standards and interpretations not yet effective or relevant

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

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

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 3. Inventory

Consumable stores	12 627 926	10 297 054
Fuel	1 775 892	1 379 512
Maintenance materials	2 189 650	4 203 441
Unsold properties held for resale	415 669 345	405 447 863
Water for distribution (in pipes and reservoirs)	4 032 257	4 340 167
	<b>436 295 070</b>	<b>425 668 037</b>

Inventories written off	6 623 760	1 995 706
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Inventories recognised as an expense during the year	46 273 244	40 745 701
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#### Prior period error:

Prior year figures were restated due to errors identified in the current financial year, refer to note 72.

The municipality does not extract any non-regenerative resources for its use or for the use of others. All inventories, including water inventory, are acquired from third parties.

#### Inventory pledged as security

No inventory was pledged as security for any financial liability.

### 4. Other receivables from non-exchange transactions

Impound fees receivable	2 827 118	1 135 760
Traffic fines receivable	27 917 671	21 216 436
Impairment - Traffic fines receivable	(24 452 057)	(18 550 632)
	<b>6 292 732</b>	<b>3 801 564</b>

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

Traffic fines receivable	3 465 614	2 665 804
Impound fees receivable	2 827 118	1 135 760
	<b>6 292 732</b>	<b>3 801 564</b>

<b>Total net Other receivables from non-exchange transactions</b>	<b>6 292 732</b>	<b>3 801 564</b>
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#### Other receivables from non-exchange transactions above relates to:

Traffic fines arise from fines revenue as disclosed in note 33 in accordance with Section 341 of the Criminal Procedure Act (Act 51 of 1977) and the National Traffic Act (Act 93 of 1996).

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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#### 4. Other receivables from non-exchange transactions (continued)

##### Credit quality of other receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

None of the financial assets that are fully performing have been renegotiated in the last year.

The entity does not hold any collateral as security.

##### Other receivables from non-exchange transactions pledged as security

None of the other receivables from non-exchange transactions were pledged as security for any financial liability.

##### Statutory receivables general information

##### Traffic fines receivable:

Revenue type: Non-exchange revenue

Legislation that gives rise to the transactions - In accordance with the Administrative Adjudication of Road Traffic Offences Act, 1998.

Rates and interest charges - The Act determines rates; no interest is charged.

Impairment consideration - Collection rate of the balance as a whole, thereafter discounting is considered in terms of materiality.

##### Interest or other charges levied/charged

No other receivables from non-exchange transactions generated interest income and no other levies were charged.

##### Statutory receivables past due but not impaired

Statutory receivables which are past due are considered to be impaired. At 30 June 2025, R6 292 732 (2024: R3 801 564) were past due but not impaired.

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

Other receivables from non-exchange transactions are assessed in terms of their respective overall payment percentages. Some receivables are therefore past due, but the balances are still expected to be recoverable based on the payment percentages.

##### Statutory receivables impaired

As at 30 June 2025, statutory receivables of R24 452 057 (2024: R18 550 632) were impaired and provided for.

The amount of the provision was R24 452 057 as at 30 June 2025 (2024: R18 550 632).

##### Reconciliation of provision for impairment of statutory receivables

Opening balance	18 550 632	125 731 030
Amounts written off as uncollectible	-	(114 350 195)
Provision for impairment	7 369 156	7 563 430
Reversal of impairment - Expired traffic fines	(1 467 731)	(393 633)
	<b>24 452 057</b>	<b>18 550 632</b>

##### Main events and circumstances that led to the recognition or reversal of impairment losses on statutory receivables

##### Significant impairment losses recognised or reversed

##### Impairment Recognised - Traffic fines receivables:

Annually the outstanding receivables are assessed in terms of the value of fines issued in comparison to the receipts generated from such fines. The remaining balance is considered recoverable based on this payment percentage. The impairment loss is similar to our expectation, but quantitatively the impairment is significant and therefore disclosed separately.



# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>5. Consumer receivables from exchange transactions</b>		
<b>Gross balances</b>		
Water	6 221 920 307	5 215 525 204
Sewerage	1 648 111 935	1 416 516 822
Refuse	741 550 281	640 120 629
Housing rental	84 584 982	74 037 453
	<b>8 696 167 505</b>	<b>7 346 200 108</b>
<b>Less: Allowance for impairment</b>		
Water	(5 559 393 213)	(4 490 343 100)
Sewerage	(1 437 941 715)	(1 202 190 147)
Refuse	(644 786 258)	(547 756 625)
Housing rental	(80 222 346)	(68 996 868)
	<b>(7 722 343 532)</b>	<b>(6 309 286 740)</b>
<b>Net balance</b>		
Water	662 527 094	725 182 104
Sewerage	210 170 220	214 326 675
Refuse	96 764 023	92 364 004
Housing rental	4 362 636	5 040 585
	<b>973 823 973</b>	<b>1 036 913 368</b>
<b>Water</b>		
Current (0 -30 days)	211 785 458	206 126 808
31 - 60 days	183 807 771	233 709 702
61 - 90 days	137 695 680	128 149 795
91+ days	5 656 700 766	4 626 561 107
Meter reading estimate	31 930 632	20 977 792
Less: Impairment	(5 559 393 213)	(4 490 343 100)
	<b>662 527 094</b>	<b>725 182 104</b>
<b>Sewerage</b>		
Current (0 -30 days)	51 591 734	52 305 335
31 - 60 days	36 158 733	36 794 921
61 - 90 days	35 796 348	34 125 630
91+ days	1 524 565 120	1 293 290 936
Less: Impairment	(1 437 941 715)	(1 202 190 147)
	<b>210 170 220</b>	<b>214 326 675</b>
<b>Refuse</b>		
Current (0 -30 days)	19 354 038	17 789 078
31 - 60 days	15 073 899	14 925 512
61 - 90 days	14 040 803	14 054 759
91+ days	693 081 541	593 351 279
Less: Impairment	(644 786 258)	(547 756 624)
	<b>96 764 023</b>	<b>92 364 004</b>
<b>Housing rental</b>		
Current (0 -30 days)	1 212 292	1 080 990
31 - 60 days	1 014 540	1 061 643
61 - 90 days	1 051 658	1 221 862
91+ days	81 306 492	70 672 957
Less: Impairment	(80 222 346)	(68 996 867)
	<b>4 362 636</b>	<b>5 040 585</b>

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>5. Consumer receivables from exchange transactions (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Residential and Sundry</b>		
Current (0 -30 days)	199 204 821	180 027 461
31 - 60 days	176 429 502	193 489 247
61 - 90 days	134 400 633	128 809 357
91+ days	5 825 477 099	4 854 664 072
Meter reading estimate	31 930 632	20 977 792
	<u>6 367 442 687</u>	<u>5 377 967 929</u>
Less: Allowance for impairment	<u>(5 780 600 312)</u>	<u>(4 761 752 272)</u>
	<b>586 842 375</b>	<b>616 215 657</b>
<b>Business/Commercial</b>		
Current (0 -30 days)	51 230 751	60 668 213
31 - 60 days	25 478 147	26 531 476
61 - 90 days	23 158 902	21 518 298
91+ days	1 095 889 466	921 726 285
	<u>1 195 757 266</u>	<u>1 030 444 272</u>
Less: Allowance for impairment	<u>(1 000 370 056)</u>	<u>(823 981 240)</u>
	<b>195 387 210</b>	<b>206 463 032</b>
<b>National and provincial government</b>		
Current (0 -30 days)	33 507 949	36 606 537
31 - 60 days	34 147 295	66 472 055
61 - 90 days	31 024 953	27 224 391
91+ days	1 034 287 354	807 485 923
	<u>1 132 967 551</u>	<u>937 788 906</u>
Less: Allowance for impairment	<u>(941 373 164)</u>	<u>(723 553 228)</u>
	<b>191 594 387</b>	<b>214 235 678</b>
<b>Total</b>		
Current (0 -30 days)	283 943 522	277 302 211
31 - 60 days	236 054 944	286 491 778
61 - 90 days	188 584 488	177 552 046
91+ days	7 955 653 919	6 583 876 281
Meter reading estimate	31 930 632	20 977 792
	<u>8 696 167 505</u>	<u>7 346 200 108</u>
Less: Allowance for impairment	<u>(7 722 343 532)</u>	<u>(6 309 286 740)</u>
	<b>973 823 973</b>	<b>1 036 913 368</b>

### Consumer receivables pledged as security

None of the consumer receivables from exchange transactions were pledged as security for any financial liability.

### Credit quality of consumer receivables

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

None of the consumer receivables from exchange transactions that are fully performing have been renegotiated in the last year.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 5. Consumer receivables from exchange transactions (continued)

#### Consumer receivables past due but not impaired

Consumer receivables which are less than 90 days past due are not considered to be impaired. At 30 June 2025, R708,582,954 (2024: R741,346,035) were past due but not impaired.

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

Current (0 - 30 days)	283 943 522	277 302 211
1 month past due (31 - 60 days)	236 054 944	286 491 778
2 months past due (61 - 90 days)	188 584 488	177 552 046
	<b>708 582 954</b>	<b>741 346 035</b>

#### Consumer receivables impaired

As of 30 June 2025, consumer receivables of R7,722,343,532 (2024: R6,309,286,740) were impaired and provided for.

The amount of the provision was R7,722,343,532 as of 30 June 2025 (2024: R6,309,286,740).

The ageing of these consumer receivables is as follows:

Over 3 months	7 722 343 532	6 309 286 740
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#### Reconciliation of allowance for impairment of consumer receivables from exchange transactions

Opening balance	6 309 286 740	5 782 351 504
Allowance for impairment	1 413 056 792	526 935 236
	<b>7 722 343 532</b>	<b>6 309 286 740</b>

Due to the limitations of the financial system, it is impractical to disclose the impaired interest on consumer receivables from exchange transactions.

### 6. Consumer receivables from non-exchange transactions

#### Gross balances

Consumer receivables - Rates	2 814 076 099	2 443 907 456
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#### Less: Allowance for impairment

Consumer receivables - Rates	(2 378 623 055)	(1 993 972 053)
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#### Net balance

Consumer receivables - Rates	435 453 044	449 935 403
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#### Rates

Current (0 -30 days)	134 598 942	123 162 324
31 - 60 days	80 170 289	86 193 315
61 - 90 days	78 932 776	79 302 767
91+ days	2 520 374 092	2 155 249 050
Less: Allowance for impairment	(2 378 623 055)	(1 993 972 053)
	<b>435 453 044</b>	<b>449 935 403</b>

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>6. Consumer receivables from non-exchange transactions (continued)</b>		
<b>Summary by customer classification</b>		
<b>Residential and Sundry</b>		
Current (0 -30 days)	60 793 586	59 853 146
31 - 60 days	40 519 787	42 428 588
61 - 90 days	35 285 604	39 066 922
91+ days	1 382 464 951	1 220 219 597
	<u>1 519 063 928</u>	<u>1 361 568 253</u>
Less: Allowance for impairment	(1 335 656 738)	(1 166 910 693)
	<b><u>183 407 190</u></b>	<b><u>194 657 560</u></b>
<b>Business/Commercial</b>		
Current (0 -30 days)	55 550 732	57 625 894
31 - 60 days	21 766 562	22 561 101
61 - 90 days	19 734 048	19 655 111
91+ days	734 172 816	588 921 284
	<u>831 224 158</u>	<u>688 763 390</u>
Less: Allowance for impairment	(687 010 987)	(521 480 905)
	<b><u>144 213 171</u></b>	<b><u>167 282 485</u></b>
<b>Government</b>		
Current (0 -30 days)	18 254 624	5 683 285
31 - 60 days	17 883 940	21 203 626
61 - 90 days	23 913 124	20 580 733
91+ days	403 736 325	346 108 169
	<u>463 788 013</u>	<u>393 575 813</u>
Less: Allowance for impairment	(355 955 330)	(305 580 456)
	<b><u>107 832 683</u></b>	<b><u>87 995 357</u></b>
<b>Total</b>		
Current (0 -30 days)	134 598 942	123 162 324
31 - 60 days	80 170 289	86 193 315
61 - 90 days	78 932 776	79 302 767
91+ days	2 520 374 092	2 155 249 050
	<u>2 814 076 099</u>	<u>2 443 907 456</u>
Less: Allowance for impairment	(2 378 623 055)	(1 993 972 053)
	<b><u>435 453 044</u></b>	<b><u>449 935 403</u></b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	1 993 972 053	1 703 007 287
Contributions to allowance	384 651 002	290 964 766
	<b><u>2 378 623 055</u></b>	<b><u>1 993 972 053</u></b>

Due to the limitations on the financial system, it is impractical to disclose the impaired interest on consumer receivables from non-exchange transactions.

### Credit quality of consumer receivables from non-exchange transactions

Consumer receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired.

### Consumer receivables from non-exchange transactions pledged as security

None of the consumer receivables from non-exchange transactions were pledged as security for any financial liability.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 6. Consumer receivables from non-exchange transactions (continued)

#### Statutory receivables general information

#### Consumer receivables from non-exchange transactions past due but not impaired

Consumer receivables from non-exchange transactions which are less than 90 days past due are not considered to be impaired. At 30 June 2025, R293,702,007 (2024: R288,658,406) were past due but not impaired.

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

Current (0 - 30 days)	134 598 942	123 162 324
1 month past due (31 - 60 days)	80 170 289	86 193 315
2 months past due (61 - 90 days)	78 932 776	79 302 767
	<b>293 702 007</b>	<b>288 658 406</b>

#### Consumer receivables from non-exchange transactions impaired

As at 30 June 2025, consumer receivables from non-exchange transactions of R2,378,623,055 (2024: R1,993,972,053) were impaired and provided for.

The ageing of amounts impaired is as follows:

Over 3 months	2 378 623 055	1 993 972 053
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#### Statutory receivables general information

#### Rates

Revenue type - Non-exchange revenue

Legislation that gives rise to the transactions - Municipal Property Rates Act (Act 6 of 2004).

Rates and interest charges - Municipal Tariff Policy, interest charged

Impairment consideration - Individual collection rates, interest charged at discount rate.

#### Interest or other charges levied/charged

Interest was only charged on outstanding rates accounts. No other levies were charged.

#### Statutory receivables past due but not impaired

Statutory receivables which are less than 90 days past due are not considered to be impaired. As of 30 June 2025, Statutory receivables of R293,702,007 (2024: R288,658,406) were past due but not impaired.

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

Current (0 - 30 days)	134 598 942	123 162 324
1 month past due (31 - 60 days)	80 170 289	86 193 315
2 months past due (61 - 90 days)	78 932 776	79 302 767
	<b>293 702 007</b>	<b>288 658 406</b>

#### Statutory receivables impaired

As of 30 June 2025, statutory receivables of R2,378,623,055 (2024: R1,993,972,053) were impaired and provided for.

The amount of the provision was R2,378,623,055 as at 30 June 2025 (2024: R1,999,972,053).

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 6. Consumer receivables from non-exchange transactions (continued)

#### Reconciliation of provision for impairment for statutory receivables

Opening balance	1 993 972 053	1 703 007 287
Provision for impairment	384 651 002	290 964 766
	<b>2 378 623 055</b>	<b>1 993 972 053</b>

### 7. Other receivables from exchange transactions

#### Non-impaired receivables

Accrued interest on investments	287 259	209 044
Deferred lease	3 934 091	4 602 701
Garnishee orders	1 149 273	1 187 606
Overpayment of suppliers	140 295	-
Prepaid water vendors	19 681 752	17 035 446
Staff leave days receivable	119 332	2 486
	<b>25 312 002</b>	<b>23 037 283</b>

#### Impaired receivables

Housing and erven selling schemes	3 464 580	3 310 905
Impairment - Housing and erven selling schemes	(3 280 594)	(3 117 388)
Sundry receivables	197 238 514	166 459 707
Impairment - Sundry receivables	(150 716 469)	(128 809 027)
	<b>46 706 031</b>	<b>37 844 197</b>
	<b>72 018 033</b>	<b>60 881 480</b>

#### Credit quality of other receivables from exchange transactions

The credit quality of other receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

None of the other receivables from exchange transactions that are fully performing have been renegotiated in the last year.

#### Other receivables from exchange transactions pledged as security

None of the other receivables from exchange transactions were pledged as security for any financial liability.

#### Other receivables from exchange transactions past due but not impaired

Other receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2025, R9,581,519 (2024: R9,246,222) were past due but not impaired.

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

1 month past due	9 581 519	9 246 222
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#### Other receivables from exchange transactions impaired

As of 30 June 2025, other receivables from exchange transactions of R153,997,063 (2024: R131,926,415) were impaired and provided for.

The amount of the provision was R153,997,063 as of 30 June 2025 (2024: R131,926,415).

The ageing of these receivables is as follows:

Over 3 months	153 997 063	131 926 415
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## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 7. Other receivables from exchange transactions (continued)

#### Reconciliation of provision for impairment of other receivables from exchange transactions

Opening balance	131 926 415	100 869 845
Provision for impairment	22 070 648	31 056 570
	<b>153 997 063</b>	<b>131 926 415</b>

Other receivables from exchange transactions consist of receivables raised from other income from exchange transactions recognised, refer to note 34.

Due to the limitations on the financial system, it is impractical to disclose the impaired interest on other receivables from exchange transactions.

#### Prior period error

Prior year figures were restated due to errors identified in the current financial year, refer to note 72.

### 8. VAT receivable

VAT receivables	16 749 198	6 666 931
VAT input tax accrual and provision for VAT impairment	330 833 177	294 013 457
VAT output tax accrual	(200 104 648)	(204 648 350)

VAT is payable on the payment basis. VAT is paid over to SARS only once payment is received from debtors.

VAT Receivable and VAT Payable are exchange transactions.

Prior year figures were restated due to errors identified in the current financial year, refer to note 72.

#### Statutory receivables included in VAT receivables above are as follows:

VAT receivable	16 749 198	6 666 931
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#### Statutory receivables general information:

Revenue type - Exchange transactions

Legislation that gives rise to the transactions - Value Added Tax Act (Act 89 of 1991).

Rates and interest charges - The act determines rates and interest charge.

Impairment consideration - No impairment, balance expected to be fully recoverable.

#### Interest or other charges levied/charged:

No VAT receivable generated interest income and no other levies were charged.

#### Statutory receivables impaired:

VAT receivables included in statutory receivables are not impaired nor considered for impairment, balance expected to be fully recoverable.

#### Prior period error:

Prior year figures were restated due to errors identified in the current financial year, refer to note 72.

### 9. Centlec intercompany loan

Centlec intercompany loan	1 106 629 079	822 297 757
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# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 9. Centlec intercompany loan (continued)

The intercompany loan balance is the net balance payable or receivable of all transactions between Centlec (SOC) Limited and the municipality and interest is levied on the average balance for the year at the effective prime interest rate on the first day of the financial year. The applicable interest rate was 11.75% (2024: 11.75%).

#### Prior period error:

Prior year figures were restated due to errors identified in the current financial year, refer to note 72.

### 10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	140 549	140 549
Bank balances	35 149 464	52 343 056
Short-term deposits	1 029 237 317	431 266 770
	<b>1 064 527 330</b>	<b>483 750 375</b>

#### 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:

#### Credit rating

Ba1	1 064 386 781	483 609 826
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#### Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for the COID Reserve	31 456 157	29 413 934
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The term deposit investment is pledged as security to the Compensation Commissioner of the Workmen's Compensation Fund to guarantee the payment of claims in respect of injuries while on duty.

#### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
Nedbank - Primary Account - 1186196793	24 050 821	45 729 484	39 053 647	24 050 821	45 809 818	41 117 133
Nedbank - Traffic - 1186245379	-	-	-	23 894	1 530	10 920
Nedbank - Charges - 1186660643	-	-	-	(53 356)	(43 275)	(53 416)
Nedbank - Cashiers - 1186239778	21 530	-	-	4 829 235	(38 588)	2 779 685
Nedbank - Fresh Produce Market - 1186414936	5 635 062	6 129 551	4 835 437	5 635 062	6 129 551	4 835 437
ABSA - Primary Account - 470000465	663 808	484 021	1 402 707	663 808	484 020	1 402 707
<b>Total</b>	<b>30 371 221</b>	<b>52 343 056</b>	<b>45 291 791</b>	<b>35 149 464</b>	<b>52 343 056</b>	<b>50 092 466</b>

The cash book balances indicated in the table above are balances prior to the sweeping of sub-accounts to the main account done by the bank at year end.

#### Summary of short-term deposits held

ABSA	31 456 157	29 413 934
Nedbank	997 781 160	401 852 836
	<b>1 029 237 317</b>	<b>431 266 770</b>



## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 11. Investment properties

	2025			2024		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Investment property	1 604 198 979	-	1 604 198 979	1 590 665 600	-	1 590 665 600

#### Reconciliation of investment properties - 2025

	Opening balance	Fair value adjustments	Total
Investment property	1 590 665 600	13 533 379	1 604 198 979

#### Reconciliation of investment properties - 2024

	Opening balance	Fair value adjustments	Total
Investment property	1 587 424 015	3 241 585	1 590 665 600

#### Pledged as security

No investment property has been pledged as security for any financial liability.

#### Investment property in the process of being constructed or developed

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

#### Details of property

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

#### Details of valuation

The effective date of the valuation was 30 June 2025. The municipality's investment properties were revalued by independent professional qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and categories of the investment properties valued.

The investment properties were revalued with reference to comparable market data where available, as well as information from the valuation roll.

#### Investment properties above include the following:

Revenue generating investment property	1 182 768 224	1 180 410 000
Non-revenue generating investment property	421 430 755	410 255 600
	<b>1 604 198 979</b>	<b>1 590 665 600</b>

#### Amounts recognised in surplus or deficit

Rental revenue from Investment property	6 347 613	6 133 283
Direct operating expenses	<b>6 358 020</b>	<b>6 924 293</b>

This cost consists of payments made to contractors for repairing and maintaining these assets.

No staff member is engaged in any labour towards the repair and maintenance of investment property.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand

### 12. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 303 499 019	-	1 303 499 019	1 305 349 388	-	1 305 349 388
Buildings	1 073 865 448	(117 626 478)	956 238 970	1 071 940 728	(78 393 329)	993 547 399
Buildings - Service concession asset	304 960 000	-	304 960 000	304 960 000	-	304 960 000
Buildings - WIP	6 716 572	-	6 716 572	5 349 987	-	5 349 987
Infrastructure - Roads and roads related	6 731 543 145	(4 281 746 159)	2 449 796 986	6 685 864 998	(3 987 084 277)	2 698 780 721
Infrastructure - Sanitation network	3 583 972 290	(1 482 318 962)	2 101 653 328	3 538 417 132	(1 358 919 880)	2 179 497 252
Infrastructure - Water meters	159 525 923	(56 509 395)	103 016 528	138 007 962	(43 464 743)	94 543 219
Infrastructure - Water network	2 594 572 315	(1 328 259 950)	1 266 312 365	2 582 579 562	(1 227 369 781)	1 355 209 781
Infrastructure - WIP	1 098 230 494	-	1 098 230 494	873 812 552	-	873 812 552
Community - Landfill sites and quarries	939 149 769	(663 756 957)	275 392 812	1 045 428 415	(644 492 280)	400 936 135
Community - Other	1 342 122 249	(857 748 370)	484 373 879	1 331 321 237	(828 370 803)	502 950 434
Community - WIP	222 588 745	-	222 588 745	173 795 582	-	173 795 582
Fleet	693 571 152	(329 473 754)	364 097 398	667 957 990	(295 076 120)	372 881 870
Other property, plant and equipment	96 474 487	(65 304 271)	31 170 216	162 668 287	(126 965 544)	35 702 743
Infrastructure - Roads and roads related - Service concession asset	140 558 103	-	140 558 103	140 558 103	-	140 558 103
Infrastructure - Sanitation network - Service concession asset	35 548 674	-	35 548 674	35 548 674	-	35 548 674
Infrastructure - Water network - Service concession asset	14 836 180	(1 691 362)	13 144 818	14 836 180	(1 691 362)	13 144 818
<b>Total</b>	<b>20 341 734 565</b>	<b>(9 184 435 658)</b>	<b>11 157 298 907</b>	<b>20 078 396 777</b>	<b>(8 591 828 119)</b>	<b>11 486 568 658</b>

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand

### 12. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Impairment loss	Total
Land	1 305 349 388	4 000	-	(1 854 369)	-	-	-	1 303 499 019
Buildings	993 547 399	2 352 397	-	(402 539)	-	(39 258 287)	-	956 238 970
Buildings - Service concession asset	304 960 000	-	-	-	-	-	-	304 960 000
Buildings - WIP	5 349 987	2 922 830	-	(1 556 245)	-	-	-	6 716 572
Infrastructure - Roads and roads related	2 698 780 721	46 363 079	(251 044)	-	-	(295 095 770)	-	2 449 796 986
Infrastructure - Sanitation network	2 179 497 252	45 567 805	(12 646)	-	-	(97 312 739)	(26 086 344)	2 101 653 328
Infrastructure - Water meters	94 543 219	23 394 066	(1 108 545)	-	-	(13 812 212)	-	103 016 528
Infrastructure - Water network	1 355 209 781	12 556 769	(289 307)	-	-	(70 809 758)	(30 355 120)	1 266 312 365
Infrastructure - WIP	873 812 552	278 315 096	-	(53 897 154)	-	-	-	1 098 230 494
Community - Landfill sites and quarries	400 936 135	2 607 864	-	-	(108 886 509)	(19 264 678)	-	275 392 812
Community - Other	502 950 434	10 801 012	-	-	-	(29 377 567)	-	484 373 879
Community - WIP	173 795 582	66 006 511	(17 213 348)	-	-	-	-	222 588 745
Fleet	372 881 870	30 784 010	(3 390 686)	-	-	(36 177 796)	-	364 097 398
Other property, plant and equipment	35 702 743	13 912 553	(6 651 479)	-	-	(11 793 601)	-	31 170 216
Infrastructure - Roads and roads related - Service concession asset	140 558 103	-	-	-	-	-	-	140 558 103
Infrastructure - Sanitation network - Service concession asset	35 548 674	-	-	-	-	-	-	35 548 674
Infrastructure - Water network - Service concession asset	13 144 818	-	-	-	-	-	-	13 144 818
	<b>11 486 568 658</b>	<b>535 587 992</b>	<b>(28 917 055)</b>	<b>(57 710 307)</b>	<b>(108 886 509)</b>	<b>(612 902 408)</b>	<b>(56 441 464)</b>	<b>11 157 298 907</b>

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand

### 12. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Impairment loss	Total
Land	1 283 715 171	28 542 000	(1 026 000)	(5 881 783)	-	-	-	1 305 349 388
Buildings	1 029 362 083	3 462 114	(19 285)	-	-	(39 257 513)	-	993 547 399
Buildings - Service concession asset	304 960 000	-	-	-	-	-	-	304 960 000
Buildings - WIP	3 788 636	1 561 351	-	-	-	-	-	5 349 987
Infrastructure - Roads and roads related	2 759 985 738	59 890 469	(9 997 873)	136 937 200	-	(248 034 813)	-	2 698 780 721
Infrastructure - Sanitation network	2 271 285 365	4 589 936	-	23 602 543	-	(119 980 592)	-	2 179 497 252
Infrastructure - Water meters	101 242 736	21 295 932	(762 899)	-	-	(13 825 787)	(13 406 763)	94 543 219
Infrastructure - Water network	1 415 295 214	4 075 677	-	7 994 332	-	(72 155 442)	-	1 355 209 781
Infrastructure - WIP	866 094 524	176 435 145	-	(168 717 117)	-	-	-	873 812 552
Community - Landfill sites and quarries	123 716 102	-	(2 036 919)	-	292 894 129	(7 739 860)	(5 897 317)	400 936 135
Community - Other	578 136 375	2 220 474	(5 051 934)	-	-	(36 793 330)	(35 561 151)	502 950 434
Community - WIP	149 069 966	24 725 616	-	-	-	-	-	173 795 582
Fleet	282 870 945	121 356 898	(121 725)	-	-	(31 224 248)	-	372 881 870
Other property, plant and equipment	31 112 746	14 801 989	(42 712)	-	-	(10 169 280)	-	35 702 743
Infrastructure - Roads and roads related - Service concession asset	140 558 103	-	-	-	-	-	-	140 558 103
Infrastructure - Sanitation network - Service concession asset	35 548 674	-	-	-	-	-	-	35 548 674
Infrastructure - Water network - Service concession asset	13 144 818	-	-	-	-	-	-	13 144 818
	<b>11 389 887 196</b>	<b>462 957 601</b>	<b>(19 059 347)</b>	<b>(6 064 825)</b>	<b>292 894 129</b>	<b>(579 180 865)</b>	<b>(54 865 231)</b>	<b>11 486 568 658</b>

#### Pledged as security

No property, plant and equipment were pledged as security for any financial liability.

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 12. Property, plant and equipment (continued)

#### Revaluations

##### Revaluation of land and buildings:

The effective date of the revaluation was 30 June 2022. Revaluations were performed by independent professionally qualified valuers who hold a recognised professional qualification and have recent experience in the locations and categories of the properties valued. The values of the properties were determined based on the market values and the information obtained from the valuation roll.

##### Revaluations of water meters:

The effective date of the revaluation was 30 June 2022. Revaluations were performed by an independent firm who have recent experience in the locations and categories of the meters valued.

##### The valuations were performed after the following factors were taken into account:

- the useful lives; and
- the condition of the asset.

#### Details of properties

A register containing the information required by section 63 of the Municipal Finance Management Act, (Act 56 of 2003) is available for inspection at the registered office of the municipality.

#### Prior period errors

Certain prior period figures were restated due to errors identified in the current financial year, refer to note 72 for further detail.

#### Change in estimate

For certain classes of property, plant and equipment the remaining useful lives were adjusted to a minimum remaining useful life of 3 years, refer to note 71 for further detail.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 12. Property, plant and equipment (continued)

Carrying value of property, plant and equipment that is taking a significantly longer period

Implementation of projects affected by the appointment of new service providers:

Project C273/PP3 & C534 - Botshabelo Node Phase 2	22 597 512	22 597 512
Project C415/B1 - Internal sewer reticulation	11 736 430	11 736 430
Project W1107(1), (3) - Refurbishment of Water Supply Systems	34 893 642	34 893 642
Project W1404, A, B, C - Botshabelo and Thaba Nchu internal bulk	63 758 655	63 758 655
Project T1432, -Man 10786 Bergman Square	30 605 220	30 322 913
	<b>163 591 459</b>	<b>163 309 152</b>

Implementation of projects affected by budgetary constraints:

Project C063/A1 - Vistapark 2 - Re-align bulk water pipeline	24 038 124	24 038 124
Project T1419B, B (!) - Road 6 (Phase 2) Upgrading of Street & Storm Water	3 424 081	3 424 081
Project T1522 - Thaba Nchu Rd 2029	436 992	436 992
Project W1515 - Maselspoort WTW Refurbishment	2 809 609	2 809 609
Project T1527B, C - Botshabelo: Bogach St: Upgrading of streets	11 562 502	753 831
Project C480, C380/A1, C380/W1 - New office block (Botshabelo)	2 234 859	2 234 859
	<b>44 506 167</b>	<b>33 697 496</b>

Contracts/Projects placed on hold:

Project C288, 155 - Relocation of zoo	-	17 213 348
Project C550 - Waaihoek Precinct	4 860 048	4 860 048
Project C582/D1 - IPTN Bus Depot	46 634 298	46 634 298
Project C652, C685 - Grassland, Phase 4, Bot R Water Retic	47 032 249	47 032 249
Project C615 - Moroka Ins of Water and Sewer	5 732 552	5 732 552
Project T1428, -1, 2, A, A3, A4 - Man Road 198, 199, 200	16 210 403	15 627 170
Project C639/X2 - Pig farming unit	2 769 170	2 769 170
	<b>123 238 720</b>	<b>139 868 835</b>
	<b>331 336 346</b>	<b>336 875 483</b>

Expenditure incurred to repair and maintain property, plant and equipment

Contracted services	272 500 984	234 545 998
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Prior period figures for contracted services (repairs and maintenance) were restated due to errors, refer to note 72 for prior period errors.

Reconciliation of additions for the Cash Flow Statement

Cash additions	352 069 009	338 752 896
Non-cash additions	183 518 983	124 204 705
	<b>535 587 992</b>	<b>462 957 601</b>

Deemed cost

Deemed cost was determined using depreciated replacement cost.

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 13. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Acquisition of rights	74 058 800	-	74 058 800	68 000 000	-	68 000 000
Computer software	13 911 417	(10 574 977)	3 336 440	13 911 417	(10 100 740)	3 810 677
Intangible assets - WIP	17 832 036	-	17 832 036	15 546 566	-	15 546 566
Servitudes	305 707	-	305 707	305 707	-	305 707
<b>Total</b>	<b>106 107 960</b>	<b>(10 574 977)</b>	<b>95 532 983</b>	<b>97 763 690</b>	<b>(10 100 740)</b>	<b>87 662 950</b>

#### Reconciliation of intangible assets - 2025

	Opening balance	Additions	Amortisation	Total
Acquisition of rights	68 000 000	6 058 800	-	74 058 800
Computer software	3 810 677	-	(474 237)	3 336 440
Intangible assets - WIP	15 546 566	2 285 470	-	17 832 036
Servitudes	305 707	-	-	305 707
	<b>87 662 950</b>	<b>8 344 270</b>	<b>(474 237)</b>	<b>95 532 983</b>

#### Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Acquisition of rights	27 200 000	40 800 000	-	68 000 000
Computer software	3 498 053	692 600	(379 976)	3 810 677
Intangible assets - WIP	10 504 064	5 042 502	-	15 546 566
Servitudes	305 707	-	-	305 707
	<b>41 507 824</b>	<b>46 535 102</b>	<b>(379 976)</b>	<b>87 662 950</b>

#### Pledged as security

None of the intangible assets were pledged as security.

#### Intangible assets in the process of being constructed or developed

##### Cumulative expenditure recognised in the carrying value of Intangible assets

Telemetry and Scada	14 950 728	13 166 826
MAST System	2 881 308	2 379 741
	<b>17 832 036</b>	<b>15 546 567</b>

#### Intangible assets with indefinite useful lives

Servitudes	305 707	305 707
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The servitudes held by the municipality are land rights that have been issued to the taxi route agreements. the municipality entered into restraint of trade agreements with various taxi operators using the Brandwag route due to the planned implementation of the Starter Service Route of Hauweng on this route.

The land held by the municipality, including servitudes, is deemed to have an indefinite useful life.

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 13. Intangible assets (continued)

#### Reconciliation of additions for the Cash Flow Statement

Cash additions	6 058 800	46 535 102
Non-cash additions	2 285 470	-
	<b>8 344 270</b>	<b>46 535 102</b>

Deemed cost:

Deemed cost was determined using depreciated replacement cost.

#### Prior period error:

Prior year figures were restated due to errors identified in the current financial year, refer to note 72.



## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 14. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Buildings and statues	248 191 138	-	248 191 138	246 634 888	-	246 634 888
Vintage fleet	10 029 320	-	10 029 320	10 029 320	-	10 029 320
Other movable heritage assets	3 116 744	-	3 116 744	3 116 744	-	3 116 744
Land	1 960 000	-	1 960 000	1 960 000	-	1 960 000
<b>Total</b>	<b>263 297 202</b>	<b>-</b>	<b>263 297 202</b>	<b>261 740 952</b>	<b>-</b>	<b>261 740 952</b>

#### Reconciliation of heritage assets 2025

	Opening balance	Additions	Total
Buildings and statues	246 634 888	1 556 250	248 191 138
Vintage fleet	10 029 320	-	10 029 320
Other movable heritage assets	3 116 744	-	3 116 744
Land	1 960 000	-	1 960 000
	<b>261 740 952</b>	<b>1 556 250</b>	<b>263 297 202</b>

#### Reconciliation of heritage assets 2024

	Opening balance	Additions	Revaluation decrease	Total
Buildings and statues	246 634 888	-	-	246 634 888
Vintage fleet	10 029 320	-	-	10 029 320
Other movable heritage assets	3 232 332	-	(115 588)	3 116 744
Land	1 960 000	-	-	1 960 000
	<b>261 856 540</b>	<b>-</b>	<b>(115 588)</b>	<b>261 740 952</b>

#### Pledged as security

No heritage assets have been pledged as security for any financial liability.

#### Revaluations

##### Other heritage assets

The effective date of the revaluation was 30 June 2024. Revaluations were performed by independent professionally qualified valuers who hold a recognised professional qualification and have recent experience in the locations and categories of the properties valued.

The values of the properties were determined based on the market values and the information obtained from the municipal valuation roll.

The valuation was performed after the following factors were taken into account:

- the useful life of the asset;
- the condition of the asset; and
- the location of the asset.

##### Heritage assets in the process of being constructed or developed

No heritage assets are in the process of being constructed or developed.

##### Deemed costs

Deemed cost was determined using depreciated replacement cost.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 15. Investments in controlled entities

#### Centlec (SOC) Limited

Opening balance	100	100
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Mangaung Metro Municipality has a 100% (2024: 100%) ownership in Centlec (SOC) Limited.

The carrying amounts of controlled entities are shown net of impairment losses.

On the 4th of June 2021, there was a council resolution for the determination of a new sale of business agreement between Centlec and the municipality. The agreement was to be implemented within 21 days, however, based on the legal and accounting implications, council resolved to defer the implementation's financial period of the resolution from 2020/21 to a further period that would be determined by council.

A Due Diligence investigation was performed on this matter during the current year and the report will be presented to council during the following financial year for consideration and action.

### 16. Centlec receivables

#### Controlled entities

Capital advances - current	6 554 416	6 554 416
Capital advances - non-current	28 081 541	34 635 957
Shareholders loan - non-current	535 739 579	803 609 368
	<b>570 375 536</b>	<b>844 799 741</b>

Non-current assets	563 821 120	838 245 325
Current assets	6 554 416	6 554 416
	<b>570 375 536</b>	<b>844 799 741</b>

#### Capital advances

The amount is composed of various advances that have been loaned to Centlec (SOC) Limited by the entity during prior years. Each portion has a different redemption period that extends over the useful life of each specific asset, at an interest rate of 11.75% (2024: 11.75%).

#### Shareholders loan

The capital amount outstanding shall bear interest at the lower of 15% of Centlec (SOC) Limited's prior year revenue or the interest rate used as at 30 June 2010 (i.e. 8,7%), adjusted for CPI as per the Public Finance Sector.

The adjusted interest rate as at 30 June 2025 was 22.38% (2024: 21.93%). The applicable rate for the current year and the prior year was based on the adjusted CPI as per the Public Finance Sector.

The loan is repayable from 2015 over a period of 21 years.

### 17. Non-current receivables

#### Designated at fair value

2535 Unlisted shares (Thaba Nchu) - OVK Limited	63 670	56 625
2573 Unlisted shares (Naledi) - OVK Limited	70 294	62 395
3685 Unlisted shares - Senwes Ltd	48 006	48 006
	<b>181 970</b>	<b>167 026</b>

#### At amortised cost

Housing and erven selling schemes	9 980 776	9 926 873
Impairment - Housing and erven selling schemes	(9 971 808)	(9 912 209)
	<b>8 968</b>	<b>14 664</b>
<b>Total other financial assets</b>	<b>190 938</b>	<b>181 690</b>

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 17. Non-current receivables (continued)

#### Non-current assets

Designated at fair value  
At amortised cost

181 970	167 026
8 968	14 664
<b>190 938</b>	<b>181 690</b>

#### Terms and conditions:

#### Housing and erven selling schemes

Loans were granted to qualifying individuals and public organisations in terms of the housing program. These loans attract interest of between 6% and 14% per annum and are repayable on a monthly basis by way of salary deductions for officials and six-monthly payments for public organisations over a period of 20 years.

#### Financial assets at fair value

#### Fair value hierarchy of financial assets at fair value

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

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

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

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

#### Level 3

Class 1 (unlisted shares)

181 970	167 026
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#### Financial assets at amortised cost

#### Financial assets at amortised cost past due but not impaired

Other non-current assets which are less than 3 months past due are not considered to be impaired. None of the other financial assets were past due but not impaired.

#### Financial assets at amortised cost impaired

As of 30 June 2025, other non-current assets of R9,971,808 (2024: R9,912,209) were impaired and provided for.

The amount of the provision was R9,971,808 as of 30 June 2025 (2024: R9,912,209).

The ageing of these loans is as follows.

Over 6 months	9 971 808	9 912 209
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#### Reconciliation of provision for impairment of financial assets at amortised cost

#### Housing and erven selling scheme

Opening balance  
Provision for impairment

9 912 209	9 874 415
59 599	37 794
<b>9 971 808</b>	<b>9 912 209</b>

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

#### Financial assets pledged as security

None of the non-current receivables were pledged as security for any financial liability.

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 18. Living resources

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Zoo animals	5 500 265	(1 850 265)	3 650 000	5 044 765	(1 850 265)	3 194 500

#### Reconciliation of living resources - 2025

	Opening balance	Decrease due to death	Increase through non-exchange functions	Revaluation increase recognised in net assets	Depreciation	Total
Zoo animals	3 194 500	(194 973)	570 500	269 978	(190 005)	3 650 000

#### Reconciliation of living resources - 2024

	Opening balance	Decrease due to death	Increase through non-exchange functions	Revaluation increase recognised in net assets	Depreciation	Total
Zoo animals	3 171 000	(1 250 482)	630 600	868 175	(224 793)	3 194 500

#### Revaluations

##### Zoo animals

The effective date of the revaluation was 30 June 2025. The revaluations were performed by Beryl Wilson (Zoologist & Conservation Biologist), an independent professionally qualified valuer, who holds a recognised professional qualification and has recent experience in valuations of zoo animals.

Currently the day-to-day costs of living resources are accounted for as operating costs as it is not capital of nature.

No research costs relating to living resources occurred.

None of the living resource assets are held for less than 12 months.

Currently the municipality is not acting as a custodian for any living resources.

The average value of an animal in a family group was used and the following significant assumptions were applied by the expert, as per the valuation report obtained:

- Market availability
- Current market trends
- Conservation status
- Educational and popularity value to the public
- Husbandry costs
- Health management and disease risks
- Physical condition
- Age and gender
- Reproductive status

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>19. Payables from exchange transactions</b>		
Accrued bonus	38 563 040	36 791 359
Accrued leave pay	295 525 365	275 419 611
Bulk water purchases	642 048 753	921 667 119
Debt collection services	16 202 472	-
Other payables - Salary related	2 886 197	14 238 358
Retentions	116 402 333	110 201 903
Trade payables	492 031 279	403 214 583
	<b>1 603 659 439</b>	<b>1 761 532 933</b>

The municipality defaulted on the payment of suppliers within 30 days. The average term of payment of suppliers for the year was 168 (2024: 207 days).

### Prior period errors

Prior year figures were restated due to errors identified in the current financial year, refer to note 72.

## 20. Payables from non-exchange transactions

Deposits	916 057	948 631
Other	1 932 503	1 797 848
Payments received in advance	127 696 069	159 221 652
Unallocated receipts - Lawyers	481 813	450 892
	<b>131 026 442</b>	<b>162 419 023</b>

### Prior period errors

Prior year figures were restated due to errors identified in the current financial year, refer to note 72.

## 21. Consumer deposits

Water deposits	34 145 032	33 698 339
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Guarantees in lieu of consumer deposits amounted to R3,358,579 (2024: R3,164,673).

Consumer deposits are paid by consumers on application for new water connections. The deposits are repaid when the water connections are terminated. In cases where consumers default on their accounts, the council can utilise the deposit as payment for the outstanding account. No interest is paid on consumer deposits held.

### Prior period error:

Prior year figures were restated due to errors identified in the current financial year, refer to note 72.

## 22. Unspent conditional grants and receipts

### Unspent conditional grants and receipts comprises of:

Department of Sports, Arts and Culture - Admin Libraries Grant	4 514 418	3 492 857
Finance Management Grant	260 700	-
Human Settlements Provincial Grant	22 430 246	22 814 789
Informal Settlements Upgrading Partnership Grant	49 010 871	43 529 819
Local Government Sector Education and Training Authority Grant	14 472 641	12 312 473
Municipal Disaster Relief Grant	-	11 993 451
Municipal Human Settlements Capacity Grant	2 000 000	2 000 000
Programme and Project Preparation Support Grant	5 673 253	-
Public Transport Network Grant	93 367 955	91 908 038
Urban Settlements Development Grant	-	5 543 101
	<b>191 730 084</b>	<b>193 594 528</b>

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 22. Unspent conditional grants and receipts (continued)

#### Movement during the year

Balance at the beginning of the year	193 594 528	368 393 282
Surrendered to National Treasury	(140 980 958)	(296 655 460)
Current year receipts	927 642 532	870 092 523
Conditions met - transferred to revenue	(788 526 018)	(748 235 817)
	<b>191 730 084</b>	<b>193 594 528</b>

See note 41 for reconciliation of grants from National and Provincial Government.

### 23. Borrowings

#### At amortised cost

ABSA	110 151 339	174 979 499
Nr: 23135 - redeemable on 30 October 2026		
DBSA	32 474 909	49 862 520
Nr: 103433/01 - redeemable on 29 January 2027		
DBSA	7 947 878	12 543 521
Nr: 103433/02 - redeemable on 29 January 2027		
DBSA	-	46 112 907
Nr: 61007294 - redeemed on 30 June 2025		
Standard Bank	-	23 324 618
Nr: 041303636 - redeemed on 30 December 2024		
	<b>150 574 126</b>	<b>306 823 065</b>

#### Total other financial liabilities

<b>150 574 126</b>	<b>306 823 065</b>
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These loans are from ABSA, The Development Bank of South Africa and Standard Bank of South Africa Limited. Repayments are made either monthly or on a six-monthly basis. The final loan will be redeemed on 29 January 2027 and the loans bear interest between 6% and 14%.

#### Non-current liabilities

At amortised cost	54 304 749	150 576 463
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#### Current liabilities

At amortised cost	96 269 377	156 246 602
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## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 24. Provisions

Rehabilitation of landfill sites	400 211 354	426 010 751
Rehabilitation of quarry sites	640 594 780	660 447 115
	<b>1 040 806 134</b>	<b>1 086 457 866</b>

#### Reconciliation of provisions - 2025

	Opening Balance	Unwinding	Change in provisions	Remeasurement of provision	Total
Rehabilitation of landfill sites	426 010 751	44 603 326	(69 991 232)	(411 491)	400 211 354
Rehabilitation of quarry sites	660 447 115	69 148 814	(38 895 277)	(50 105 872)	640 594 780
	<b>1 086 457 866</b>	<b>113 752 140</b>	<b>(108 886 509)</b>	<b>(50 517 363)</b>	<b>1 040 806 134</b>

#### Reconciliation of provisions - 2024

	Opening Balance	Unwinding	Change in provision	Remeasurement of provision	Total
Rehabilitation of landfill sites	242 605 001	25 546 308	157 859 442	-	426 010 751
Rehabilitation of quarry sites	566 156 795	59 616 311	135 034 686	(100 360 677)	660 447 115
	<b>808 761 796</b>	<b>85 162 619</b>	<b>292 894 128</b>	<b>(100 360 677)</b>	<b>1 086 457 866</b>

Non-current liabilities	884 508 730	933 855 705
Current liabilities	156 297 404	152 602 161
	<b>1 040 806 134</b>	<b>1 086 457 866</b>

#### Rehabilitation of landfill sites

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Act, (Act 28 of 2002).

Management has included the best estimate amount as the actual amount is uncertain. The payment of total closure and rehabilitation dates are uncertain.

The provision was determined by an independent expert for the rehabilitation cost in 2025 and then approximated the expected future cash flows using reasonable estimation techniques.

#### Landfill sites consist of: Restoration date:

Botshabelo Landfill Site	2115
Northern Landfill Site	2025
Southern Landfill Site	2034
Van Stadensrus Landfill Site	2035
Wepener Landfill Site	2032
Dewetsdorp Landfill Site	2028
Soutpan/Ikgomotseng Landfill Site	2032

The final restoration of landfill sites is expected to be in the year listed above, being the estimated useful lives of landfill sites. The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 24. Provisions (continued)

#### Rehabilitation of quarry sites

The provision for rehabilitation of quarry sites relates to the legal obligation to rehabilitate quarry sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act 28 of 2002).

The provision was determined by an independent expert for the rehabilitation cost in 2025 and then approximated the expected future cash flows using reasonable estimation techniques.

Quarries consist of:	Restoration date:	Quarries consist of:	Restoration date:
<b>Bloemfontein</b>		<b>Thaba Nchu</b>	
Cecelia	2028	Seroala	2028
Sunnyside	2028	Thubisi	2028
Kgotsong	2028	Potsane	2028
Ipopeng	2028	Merino	2028
Chris Hani	2028	Rakhoi	2028
Caleb Motsoabi	2028	Sediba	2028
N1	2028	Rooibult	2028
		Kgalala	2028
<b>Botshabelo</b>		Baraclava 1	2028
K-Section	2028	Baraclava	2028
F1-Section	2028	Bultfontein 3	2028
F2.1-Section	2028	Modutung	2028
F2.2-Section	2028	Talla	2028
W-Section	2028	Nogas Post	2028
S-Section	2028	Motlatla	2028
B-Section	2028		

The final restoration of quarry sites is expected to be in the years listed above, being the estimated useful lives of quarry sites. The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

#### Discount rate assumptions

The key assumptions used in the valuation, with prior year's assumptions shown for comparison, are summarised as follows:

Inflation rate	3.00%	5.10%
Risk-free rate	10.38%	10.53%

The inflation rate was derived from the yearly inflation rate of the relevant financial year.

The weighted-average cost of debt of the municipality was determined to be the most appropriate discount rate as it represents the risk of the liability.



# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 25. Employee benefit obligations

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

#### Carrying value

Present value of the Long Service Award benefit	113 097 000	107 477 000
Present value of the Pension Fund benefit	1 375 000	1 499 000
Present value of the Post-Employment Medical Aid benefit	528 407 000	493 715 000
	<b>642 879 000</b>	<b>602 691 000</b>

Non-current liabilities	603 544 000	563 310 000
Current liabilities	39 335 000	39 381 000
	<b>642 879 000</b>	<b>602 691 000</b>

#### Defined benefit plan

The defined benefit liability as disclosed below is represented by three different post-employment benefits. None of the benefits set out below are externally funded.

#### Post-retirement medical aid plan

Active members receive a fixed subsidy of 60% of medical aid contributions during the current working year, up to a specified maximum employer contribution. The spouse or adult dependant of an active member is entitled to a 60% subsidy of their contributions. This proportion of the subsidy will continue to be paid in the event of the principal member's death.

Continuation members receive a fixed subsidy of 60% of medical aid contributions during the current working year, up to a specified maximum employer contribution. The spouse or adult dependant of a continuation member is entitled to a 60% subsidy of their contributions.

#### Pension benefits

Pension gratuities are payable to retired employees and pensioners who were in service of the council on or before 1 October 1981, who did not qualify to be members of the Free State Joint Municipal Pension Fund or Free State Local Government Pension Fund, or who were not members of a pension fund by this date, with 20 years of uninterrupted service and a minimum retirement age of 60 years have been obtained.

#### Long service awards

Long service awards are payable to qualifying in-service employees. The leave benefits are in accordance with paragraph 11 of the South African Local Government Bargaining Council (SALGBC) collective agreement on conditions of service for the Free State division of SALGBC.

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

Opening balance	602 691 000	561 011 600
Interest cost	71 241 000	66 088 800
Current service cost	24 088 000	24 090 000
Benefits paid	(38 984 102)	(37 377 000)
Remeasurements of the net defined benefit liability	(16 156 898)	(11 122 400)
	<b>642 879 000</b>	<b>602 691 000</b>

#### Net expense recognised in the statement of financial performance

Interest cost	71 241 000	66 088 800
Current service cost	24 088 000	24 090 000
Remeasurements of the net defined benefit liability	(16 156 898)	(11 122 400)
	<b>79 172 102</b>	<b>79 056 400</b>

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 25. Employee benefit obligations (continued)

#### Changes in present value of the defined benefit obligations

2025	Pension fund	Medical aid	Long service award	Total
Opening balance	1 499 000	493 715 000	107 477 000	602 691 000
Interest cost	146 000	60 396 000	10 699 000	71 241 000
Current service cost	-	16 887 000	7 201 000	24 088 000
Benefits paid	(285 102)	(20 466 000)	(18 233 000)	(38 984 102)
Remeasurements of the net defined benefit liability	15 102	(22 125 000)	5 953 000	(16 156 898)
	<b>1 375 000</b>	<b>528 407 000</b>	<b>113 097 000</b>	<b>642 879 000</b>

  

2024	Pension fund	Medical aid	Long service award	Total
Opening balance	1 677 600	454 699 000	104 635 000	561 011 600
Interest cost	156 800	55 742 000	10 190 000	66 088 800
Current service cost	-	16 779 000	7 311 000	24 090 000
Benefits paid	(280 000)	(19 462 000)	(17 635 000)	(37 377 000)
Remeasurements of the net defined benefit liability	(55 400)	(14 043 000)	2 976 000	(11 122 400)
	<b>1 499 000</b>	<b>493 715 000</b>	<b>107 477 000</b>	<b>602 691 000</b>

#### Key assumptions used

The following key assumptions were used at the reporting date:

Discount rate - Pension Fund	8,69 %	9,71 %
Discount rate - Medical Aid	12,41 %	13,67 %
Discount rate - Long Service Award	8,95 %	10,65 %
Health care cost inflation rate	8,35 %	9,58 %
Maximum subsidy inflation rate	4,42 %	5,62 %
General earnings inflation rate	4,89 %	6,50 %
Pension fund inflation rate	3,76 %	4,69 %
Expected retirement age (years)	62 years	62 years

#### Pension fund assumptions

##### Pension fund discount rate:

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

Consequently, a discount rate of 8.69% (2024: 9.71%) per annum has been used. The corresponding index-linked yield at this term is 4.76%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2025.

##### Pension fund inflation rate:

This assumption is required to reflect estimated future changes to pensions. The expected CPI inflation assumption of 3.76% (2024:4.79%) was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (4.76%) and those of fixed interest bonds (8.69%).

This was therefore determined as follows:  $((1+8.69\%) / (1+4.76\%)) - 1$ .

Therefore, a pension inflation rate of 3.76% has been assumed i.e. 100% of expected CPI inflation. This implies a net discount rate of 4.76%, which derives from  $((1+8.69\%) / (1+3.76\%)) - 1$ .

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 25. Employee benefit obligations (continued)

#### Medical aid assumptions

##### Medical aid discount rate:

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

Consequently, a discount rate of 12.41% (2024: 13.67%) per annum has been used. The corresponding index-linked yield at this term is 5.20%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2025.

##### Health care cost inflation rate:

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

A health care cost inflation rate of 8.35% (2024: 9.58%) has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 6.85%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 3.74% which derives from  $((1+12.41\%) / (1+8.35\%)) - 1$ .

The inflation assumption of 6.85% (2024: 8.08%) was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (5.20%) and those of fixed interest bonds (12.41%). This was determined as follows:  $((1+12.38\%) / (1+5.20\%)) - 1$ .

##### Maximum subsidy inflation rate:

This assumption is required to reflect estimated future changes in the maximum amount to which subsidies are limited. This maximum amount is set at R5,971.15 per family per month for the year ending 30 June 2025. The annual increases to this maximum amount are periodically specified by the local government bargaining council.

Recent past annual increases balanced with sustainability needs of employees have resulted in this assumption being set at 75% of salary inflation. The future salary inflation assumption of 4.89%, was set to be 1.00% above expected CPI inflation. Thus, a maximum subsidy inflation assumption of 4.42% per annum was used.

#### Long service award assumptions

##### Discount rate:

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

Consequently, a discount rate of 8.95% (2024: 10.65%) per annum has been used. The corresponding liability-weighted index-linked yield is 4.87%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2025.

##### General earnings inflation rate:

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

The underlying future rate of consumer price index inflation (CPI inflation) was derived from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. The assumed rate of salary inflation was set as the assumed value of CPI plus 1%.

The CPI inflation at the implied duration is 3.89%. This was determined as  $((1+8.95\%) / (1+4.87\%)) - 1$ . The normal salary inflation rate 4.89% (2024: 6.5%) is then 1% higher than the estimate of CPI over the same term.

#### Other assumptions

The effect of one percentage point increase/decrease in the rates of the main assumptions is as follows for the 2025 financial year:

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 25. Employee benefit obligations (continued)

	1 % point increase	1 % point decrease
Unfunded Accrued Liability (Pension fund inflation rate)	1 428 000	1 325 000
Aggregate of current service and interest cost (Pension fund inflation rate)	124 000	115 000
Unfunded Accrued Liability (Pension fund discount rate)	1 328 000	1 426 000
Aggregate of current service and interest cost (Pension fund discount rate)	129 000	110 000
Unfunded Accrued Liability (Health care cost inflation rate)	561 727 000	488 648 000
Aggregate of current service and interest cost (Health care cost inflation rate)	87 411 000	75 157 000
Unfunded Accrued Liability (Medical aid discount rate)	471 390 000	597 256 000
Aggregate of current service and interest cost (Medical aid discount rate)	76 838 000	87 742 000
Unfunded Accrued Liability (General earnings inflation rate)	118 813 000	107 789 000
Aggregate of current service and interest cost (General earnings inflation rate)	17 763 000	15 996 000
Unfunded Accrued Liability (Long service award discount rate)	108 034 000	118 632 000
Aggregate of current service and interest cost (Long service award discount rate)	17 058 000	16 603 000

Amounts for the current and previous four years are as follows:

	2025	2024	2023	2022	2021
Defined benefit obligation	642 879 000	602 691 000	561 011 600	585 833 000	582 996 000

### 26. FRESHCO

FRESHCO (Free State Social Housing Company)	107 136 548	121 264 444
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The municipality has entered into an agreement with the Free State Social Housing Company (FRESHCO), a section 21 company, to implement and pursue a programme of Social Housing suitable for low to medium income households.

The agreement commenced on 1 February 2010 and shall be terminated on 31 January 2033 unless both parties agree to extend the agreement period. The entity charges FRESHCO a nominal rental amount on a monthly basis which escalates by 5% annually. The rental amount is included in note 36.

In terms of the agreement, FRESHCO will refurbish and maintain 351 existing municipal flats and build 592 additional flats in the suburb called Brandwag. This will remain the property of the entity. The entity will provide municipal infrastructure where these are not currently in existence.

FRESHCO will utilise a portion of the rental income earned from renting out these properties to maintain and refurbish these flats.

The amount is recognised as revenue over the period of the agreement upon completion of the assets.

Council has approved the winding up of the Free State Social Housing Company (FRESHCO) on 4 July 2024 and approved the following:

- The Social Housing Regulatory Authority (SHRA) to find an alternative funding arrangement to fund the strategy.
- The Brandwag social housing land be released on a 30 year lease to the new accredited social housing institution, to confer undisturbed use and enjoyment of the property let and to avoid sacrificing higher annuity income in the future and losing the long-term assets in perpetuity.
- Decanting of occupants of the Brandwag social housing project, endorse the mass eviction of all not paying tenants and illegal occupants of the project and remove all illegal connections post the evictions.

In December 2019, CALGRO as the developer of the Brandwag Social Housing units applied for the liquidation of FRESHCO for non-payment of the work done. The application was heard at the Bloemfontein High Court and an interim liquidation order was granted against FRESHCO.

FRESHCO is currently under administration, and the Social Housing Regulatory Authority has appointed ALCARI Consulting to manage and administer the affairs of FRESHCO till a new section 21 company is appointed to take over from FRESHCO.

# Mangaung Metropolitan Municipality

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## Notes to the Annual Financial Statements

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### 27. Land availability

Hillside view	220 049 006	235 886 474
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The entity has entered into agreements with developers to implement and pursue a programme of land development which will provide infrastructure and housing suitable for low to medium income households.

#### Hillside view:

The agreement commenced on 10 July 2014 and shall be terminated on 31 October 2032, unless both parties agree to extend the agreement period. In terms of the agreement, the developer will develop 762 erven in Mangaung Extension 34, and 1580 erven in Mangaung Extension 35. This development will be known as the Hillside View.

The land shall remain the property of the entity throughout the development. Upon completion of development, the entity shall retain 30% of the single residential erven within the development, as well as the infrastructure services. The developer shall be entitled to sell the remaining developed and serviced erven to third parties, and will retain the proceeds of these sales as compensation for the developed assets retained by the entity.

The developer shall contribute to the bulk infrastructure installations within the development and shall provide a contribution for the land, upon sale to the third parties.

The revenue from these sales will be recognised upon transfer to the third party, and the related liability shall be derecognised.

The buildings retained by the entity shall be capitalised throughout the development process.

There were no changes in the service concession arrangement that occurred during the current financial year. There were no breaches in contract by either party involved in the service concession arrangement during the current financial year.

#### Vista Park III:

The agreement commenced on 11 September 2014 and shall be terminated on 31 October 2032, unless both parties agree to extend the agreement period. In terms of the agreement, the developer will develop approximately 6529 erven of various categories in Mangaung Extension 256 to 266. This development will be known as the Vista Park III.

The land shall remain the property of the entity throughout the development. Upon completion of development, the entity shall retain 30% of the single residential erven within the development, as well as the infrastructure services. The developer shall be entitled to sell the remaining developed and serviced erven to third parties, and will retain the proceeds of these sales as compensation for the developed assets retained by the entity.

The developer shall contribute to the bulk infrastructure installations within the development and shall provide a contribution for the land, upon sale to the third parties.

The revenue from these sales will be recognised upon transfer to the third party, and the related liability shall be derecognised.

The buildings retained by the municipality shall be capitalised throughout the development process.

Management is in discussions with the developer regarding the updating of the existing contract.

There were no changes in the service concession arrangement that occurred during the current financial year. There were no breaches in contract by either party involved in the service concession arrangement during the current financial year.

As at the end of the current financial year, all costs were incurred by the municipality. The municipality therefore has no liability for the development to date.

### 28. Revaluation reserve

Opening balance	867 249 077	875 069 544
Disposals	-	(274 040)
Revaluation of assets	69 782	4 312 585
Realisation of revaluation reserve - through depreciation	(11 853 439)	(11 859 012)
	<b>855 465 420</b>	<b>867 249 077</b>

There are no restrictions on the distribution of the revaluation reserve.

# Mangaung Metropolitan Municipality

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## Notes to the Annual Financial Statements

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<b>29. Self-insurance reserve</b>		
Opening balance	10 000 000	10 000 000
Contribution received	1 150 672	1 145 719
Insurance claims processed	(1 150 672)	(1 145 719)
	<b>10 000 000</b>	<b>10 000 000</b>
<b>30. COLD reserve</b>		
Opening balance	15 749 079	17 383 704
Insurance claims processed	(2 123 923)	(1 634 625)
	<b>13 625 156</b>	<b>15 749 079</b>
<b>31. Service charges</b>		
Sale of water - Conventional meters	1 676 495 060	1 382 032 571
Sale of water - Prepaid meters	65 911 575	71 178 804
Sewerage and sanitation charges	718 049 738	648 835 211
Refuse removal	307 041 938	289 273 684
Other service charges	1 385 933	1 254 711
Revenue foregone	(528 121 179)	(465 896 452)
	<b>2 240 763 065</b>	<b>1 926 678 529</b>
<b>Revenue foregone:</b>		
Included in service charges is revenue foregone amounting to R528 121 179 (2024: R465 896 452) which mainly consists of financial relief provided to indigent community members for basic services. These indigent community members are funded by a portion of the equitable share grant received by the municipality. Refer to note 41 for more detail on the equitable share.		
<b>32. Rental of facilities and equipment</b>		
<b>Facilities and equipment</b>		
Rental of facilities	41 161 602	38 459 032
Rental of equipment	2 650 451	1 929 185
	<b>43 812 053</b>	<b>40 388 217</b>
<b>33. Fines, penalties and forfeits</b>		
Impound fees	18 140 420	8 609 491
Other fees	436 529	368 837
Retention forfeits	-	282 836
Traffic fines	12 574 600	11 332 130
Unclaimed deposits and stale cheques	639 177	32 394 402
Unclaimed deposits - prescribed amounts	-	18 738 485
Unclaimed money forfeits	13 051 217	21 192 255
	<b>44 841 943</b>	<b>92 918 436</b>

### Unclaimed deposits and stale cheques:

Council approved the write-off of both the unallocated or unclaimed deposits of the suspense accounts that are older than 3 years.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>34. Other income from exchange transactions</b>		
Advertising	9 790 574	9 247 651
Building plan fees	5 611 356	5 009 509
Clearance certificates	2 932 692	2 459 526
Entrance fees	615 699	473 962
Grave plots	3 400 775	3 258 727
Insurance collection	3 773 159	3 611 021
Parking	2 560 795	1 713 954
Sale of erven	110 488	812 613
Sale of tender documents	1 544 712	2 296 969
Sundry income	7 943 154	5 443 229
Training	6 664 360	1 976 378
	<b>44 947 764</b>	<b>36 303 539</b>
<b>Prior period error:</b>		
Prior year figures were restated due to errors identified in the current financial year, refer to note 72.		
<b>35. Investment revenue</b>		
<b>Dividends received</b>		
Unlisted financial assets - Local	9 271	8 036
<b>Interest received from exchange transactions</b>		
Centlec (SOC) Limited - Capital advances	4 839 869	5 610 013
Centlec (SOC) Limited - Intercompany loan	107 036 195	90 783 581
Centlec (SOC) Limited - Shareholders loan	179 836 578	176 223 986
Interest charged on consumer and other receivables	604 347 787	536 608 404
Interest earned on cash and cash equivalents	93 833 989	75 806 141
	<b>989 894 418</b>	<b>885 032 125</b>
	<b>989 903 689</b>	<b>885 040 161</b>
<b>36. Service concession arrangements</b>		
<b>Revenue from service concession arrangements - Exchange</b>		
Land availability liability	15 837 467	15 837 467
Rental income	14 131 854	14 130 121
	<b>29 969 321</b>	<b>29 967 588</b>
<b>Details of service concession arrangements:</b>		
The service concession rental income relates to the revenue recognised (rentals) from the FRESHCO liability. Refer to note 26 for further information.		
The service concession revenue for land availability relates to the revenue recognised from the land availability liability. Refer to note 27 for further information.		
<b>37. Commission received</b>		
Commission - Fresh produce market	31 186 147	30 566 927
<b>38. Transport fees</b>		
Integrated Public Transport Network - IPTN	14 138 795	-

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 39. Property rates

#### Rates received

Residential and business/commercial	1 568 383 016	1 495 681 384
Government	479 816 060	187 234 305
Less: Revenue forgone	(255 844 215)	(234 756 562)
	<b>1 792 354 861</b>	<b>1 448 159 127</b>

#### Valuations

Residential	86 826 292 360	86 610 948 310
Commercial	24 543 576 200	23 870 862 310
Government	12 587 344 540	13 620 775 450
Municipal	5 602 876 040	5 426 106 470
	<b>129 560 089 140</b>	<b>129 528 692 540</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2022. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The first R100,000 of the rateable value of residential property is exempted from taxes, including properties which are zoned for the purpose of town houses and flats, as well as smallholdings and farms used solely for residential and agricultural purposes.

In respect of qualifying senior citizens and disabled persons, an additional R200,000 of the rateable value of their residential properties is exempted from rates subject to the property value not exceeding R2,500,000.

#### 2025:

From 1 July 2024, the basic rates were adjusted as follows (exempt from VAT):

- R0.0106020, multiply by comma two five cent (0.25), per rand on the rateable value of farm property;
- R0.0106020, on the value of rateable residential property;
- R0.0106020, on the value of rateable property under development;
- R0.0360560, on the value of rateable government property;
- R0.0360560, on the value of rateable business property;
- R0.0026510, on the value of rateable public service infrastructure.

#### 2024:

From 1 July 2023, the basic rates were adjusted as follows (exempt from VAT):

- R0.0099740, multiply by comma two five cent (0.25), per rand on the rateable value of farm property;
- R0.0099740, on the value of rateable residential property;
- R0.0099740, on the value of rateable property under development;
- R0.0339190, on the value of rateable government property;
- R0.0339190, on the value of rateable business property;
- R0.0024940, on the value of rateable public service infrastructure.

#### Revenue foregone:

Included in property rates is revenue foregone consisting of R205,787,426 (2024: R192,199,183) of rebates on property rates provided, while R50,056,789 (2024: R42,557,379) is indigent rebates at 100%. These indigent community members are funded by a portion of the equitable share grant received. Refer to note 41 for more detail on the equitable share.

### 40. Interest received from non-exchange transactions

Interest charged on consumer and other receivables	206 878 034	172 226 079
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# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>41. Government grants &amp; subsidies</b>		
<b>Operating grants</b>		
Equitable share	1 113 937 958	1 037 664 000
Department of Sports, Arts and Culture - Admin Libraries Grant	2 978 440	5 544 036
Expanded Public Works Programme Integrated Grant	1 839 000	1 263 000
Finance Management Grant	1 739 300	2 200 000
Fuel levy	443 643 000	405 248 000
Municipal Disaster Relief Grant	11 993 451	1 156 549
Neighbourhood Development Partnership Grant	38 267 259	-
Local Government Sector Education and Training Authority Grant	1 360 365	741 718
Programme and Project Preparation Support Grant	4 326 747	7 138 000
Public Transport Network Grant	60 520 657	36 045 997
Urban Settlements Development Grant	55 163 516	137 690 042
	<b>1 735 769 693</b>	<b>1 634 691 342</b>
<b>Capital grants</b>		
Human Settlements Provincial Grant	384 543	30 931 271
Informal Settlements Upgrading Partnership Grant	183 933 129	132 002 181
Neighbourhood Development Partnership Grant	1 774 741	16 908 000
Public Transport Network Grant	13 797 388	42 073 965
Urban Settlements Development Grant	410 447 484	334 541 058
	<b>610 337 285</b>	<b>556 456 475</b>
	<b>2 346 106 978</b>	<b>2 191 147 817</b>
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies received:		
Conditional grants received	788 526 020	748 235 817
Unconditional grants received	1 557 580 958	1 442 912 000
	<b>2 346 106 978</b>	<b>2 191 147 817</b>
<b>Equitable Share</b>		
Current-year receipts	1 113 937 958	1 037 664 000
Conditions met - transferred to revenue	(1 113 937 958)	(1 037 664 000)
	-	-
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
<b>Department of Sports, Arts and Culture - Admin Libraries Grant</b>		
Balance unspent at beginning of year	3 492 857	6 036 893
Current-year receipts	4 000 000	3 000 000
Conditions met - transferred to revenue	(2 978 439)	(5 544 036)
	<b>4 514 418</b>	<b>3 492 857</b>
Conditions still to be met - remain liabilities (see note 22).		
The purpose of this grant is to fund the administration of public libraries within the Mangaung Metropolitan area.		
<b>Expanded Public Works Programme Integrated Grant</b>		
Balance unspent at beginning of year	-	183 852
Surrendered to National Treasury	-	(183 852)
Current-year receipts	1 839 000	1 263 000
Conditions met - transferred to revenue	(1 839 000)	(1 263 000)
	-	-

The purpose of the grant is to expand work creation efforts through the use of labour incentive delivery methods in identified focus areas, in compliance with Expanded Public Works Programme (EPWP) guidelines.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 41. Government grants & subsidies (continued)

#### Finance Management Grant

Balance unspent at beginning of year	-	120 208
Surrendered to National Treasury	-	(120 208)
Current-year receipts	2 000 000	2 200 000
Conditions met - transferred to revenue	(1 739 300)	(2 200 000)
	<b>260 700</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 22).

The purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA.

#### Fuel Levy

Current-year receipts	443 643 000	405 248 000
Conditions met - transferred to revenue	(443 643 000)	(405 248 000)
	<b>-</b>	<b>-</b>

The fuel levy is allocated to the entity from the General Fuel Levy Revenue Fund.

#### Municipal Disaster Relief Grant

Balance unspent at beginning of year	11 993 451	-
Current-year receipts	-	13 150 000
Conditions met - transferred to revenue	(11 993 451)	(1 156 549)
	<b>-</b>	<b>11 993 451</b>

The purpose of the grant is to enable timely response to address community needs regarding impending or disastrous events, classified by the National Disaster Management Centre, to provide for the immediate release of funds for disaster response if an occurrence cannot be adequately addressed in line with paragraph 2(1)(b) of the Disaster Management Act.

#### Local Government Sector Education and Training Authority Grant

Balance unspent at beginning of year	12 312 473	9 962 668
Current-year receipts	3 520 532	3 091 523
Conditions met - transferred to revenue	(1 360 364)	(741 718)
	<b>14 472 641</b>	<b>12 312 473</b>

Conditions still to be met - remain liabilities (see note 22).

The grant is a learnership grant from LGSETA for interns seconded at different entities.

#### Programme and Project Preparation Support Grant

Balance unspent at beginning of year	-	4 089 154
Surrendered to National Treasury	-	(4 089 154)
Current-year receipts	10 000 000	7 138 000
Conditions met - transferred to revenue	(4 326 747)	(7 138 000)
	<b>5 673 253</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 22).

The purpose of the grant is to provide funding to metropolitan municipalities to enhance the performance of their urban built environment programmes by supporting programme and project preparation. It reflects commitments contained in the National Development Plan to streamline funding for urban public investments to support the restructuring of the urban built environment.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 41. Government grants & subsidies (continued)

#### Urban Settlements Development Grant

Balance unspent at beginning of year	5 543 101	31 572 049
Surrendered to National Treasury	(5 543 101)	(31 579 848)
Current-year receipts	465 611 000	477 782 000
Conditions met - transferred to revenue	(465 611 000)	(472 231 100)
	<b>-</b>	<b>5 543 101</b>

Conditions still to be met - remain liabilities (see note 22).

The purpose of the grant is to supplement the capital revenues of metropolitan municipalities in order to support the national human settlements development programme, focusing on poor households.

#### Human Settlements Provincial Grant

Balance unspent at beginning of year	22 814 789	53 746 060
Conditions met - transferred to revenue	(384 543)	(30 931 271)
	<b>22 430 246</b>	<b>22 814 789</b>

Conditions still to be met - remain liabilities (see note 22).

This is a conditional grant with the specific purpose of providing for the upgrading of informal settlements.

#### Informal Settlements Upgrading Partnership Grant

Balance unspent at beginning of year	43 529 819	115 228 772
Surrendered to National Treasury	(43 529 819)	(115 228 772)
Current-year receipts	232 944 000	175 532 000
Conditions met - transferred to revenue	(183 933 129)	(132 002 181)
	<b>49 010 871</b>	<b>43 529 819</b>

Conditions still to be met - remain liabilities (see note 22).

This is a conditional grant with the specific purpose of providing for the upgrading of informal settlements.

#### Other information:

An amount of R38,640,000 was approved by Council for the acquisition of land.

#### Neighbourhood Development Partnership Grant

Current-year receipts	40 042 000	16 908 000
Conditions met - transferred to revenue	(40 042 000)	(16 908 000)
	<b>-</b>	<b>-</b>

The purpose of the grant is to be used for the development of urban network plans and improve the quality of life and access of residents in under-served neighbourhoods.

#### Public Transport Network Grant

Balance unspent at beginning of year	91 908 038	145 453 626
Surrendered to National Treasury	(91 908 038)	(145 453 626)
Current-year receipts	167 686 000	170 028 000
Conditions met - transferred to revenue	(74 318 045)	(78 119 962)
	<b>93 367 955</b>	<b>91 908 038</b>

Conditions still to be met - remain liabilities (see note 22).

The purpose of the grant is to improve public transport infrastructure and systems, in accordance with agreed project plans.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 41. Government grants & subsidies (continued)

#### Municipal Human Settlements Capacity Grant

Balance unspent at beginning of year	2 000 000	2 000 000
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Conditions still to be met - remain liabilities (see note 22).

The purpose of the grant is to build capacity in municipalities to deliver and subsidise the operational costs of administering human settlement programmes.

#### Allocation-in-kind grant

Integrated National Electrification Programme Grant (Eskom)	937 000	1 622 000
Municipal Systems Improvement Grant (CoGTA)	2 215 000	-
Regional Bulk Infrastructure Grant (Vaal Central Water/Bloemwater)	-	13 500 000
	<b>3 152 000</b>	<b>15 122 000</b>

#### Other info:

These Schedule 6(B) grants is allocations-in-kind to municipalities for designated special programmes. These funds are not paid to the municipality directly but rather to implementing agents by different departments. Only when capital projects are completed a PFMA s.42 transfer will be done by the implementing department to the municipality.

#### Purpose of each grant is as follows:

##### Integrated National Electrification Programme (Eskom) Grant

To implement the Integrated National Electrification Programme by providing capital subsidies to Eskom to address the electrification backlog of all existing and planned residential dwellings (including informal settlements, farm dwellers, new and existing dwellings) and the installation of relevant bulk infrastructure in Eskom licensed areas. These funds were directly transferred to Eskom.

##### Municipal Systems Improvement Grant

To assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related local government legislation. These funds were directly transferred to the Department of Cooperative Governance and Traditional Affairs (CoGTA).

##### Regional Bulk Infrastructure Grant

To develop new, refurbish, upgrade and replace ageing bulk water and sanitation infrastructure of regional significance that connects water resources to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area within a municipality; to implement bulk infrastructure with a potential of addressing water conservation and water demand management projects or facilitate and contribute to the implementation of local water conservation and water demand management projects that will directly impact on bulk infrastructure requirements. These funds were directly transferred to Bloemwater.

#### Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 4 of 2020), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

### 42. Public contributions and donations

Capital donations	100 000	1 287 837
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### 43. Municipal debt relief

Vaal Central Water (Bloemwater)	287 409 280	-
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Vaal Central Water (Bloemwater) wrote-off R287,409,280 of interest accrued over the past few years in the current financial year. This write-off was due to negotiations between the municipality and Vaal Central Water (Bloemwater) and that the municipality complied with the approved repayment plan between the entities.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>44. Employee related costs</b>		
Basic salaries and wages	1 267 299 866	1 171 886 339
Contributions to Medical aid	116 511 018	108 899 690
Contributions to Pension funds	195 505 483	185 512 034
Contributions to UIF	6 823 790	6 745 157
Defined benefit plan - Current service cost	24 088 000	24 090 000
Housing benefits and allowances	8 878 804	5 895 907
Leave pay	52 453 840	55 309 723
Overtime	199 745 637	173 676 748
Shift and standby allowances	43 531 469	39 681 730
Travel, motor car, accommodation, subsistence and other allowances	145 304 549	133 230 543
	<b>2 060 142 456</b>	<b>1 904 927 871</b>

### Changes to key management during the 2024/25 financial year:

- Maswabi NS was appointed as Acting Head of Corporate Services from 27 December 2024 to 16 January 2025.

### Changes to key management during the 2023/24 financial year:

#### City Managers:

- Dumalisile NR was appointed as Acting City Manager from 01 May 2023 to 31 August 2023;
- Ntshudisane MJ was seconded to act as Acting City Manager from 01 September 2023 to 31 October 2023;
- More SJ was appointed as City Manager on 01 November 2023.

#### Chief Financial Officers:

- Denge LA was seconded to act as Acting Chief Financial officer from 19 December 2022 to 31 August 2023;
- Sitishi N was appointed as Acting Chief Financial Officer from 01 September 2023 to 31 March 2024;
- Pienaar GH was appointed as Acting Chief Financial Officer from 01 April 2024 to 31 May 2024;
- Thekisho ZL was appointed as Chief Financial Officer from 01 June 2024.

#### Head of Departments:

- Duma MV was permanently appointed as Head of Corporate Services from 01 December 2023;
- Mpangane NG was seconded to act as Head of Corporate services from 20 April 2022 to 30 November 2023;
- Masobeng IR was appointed as acting Head of Technical Services from 15 August 2023 to 30 November 2023;
- Masobeng IR was permanently appointed as Head of Technical Services from 1 December 2023;
- Mcleod C was seconded to act as Head of Engineering Services from 02 May 2022 to 14 August 2023;
- Chakane N was permanently appointed as Head of Economic and Rural Development on 01 December 2023;
- Manyungwana XC was seconded to act as Head of Economic & Rural Development 16 May 2022 to 30 November 2023;
- Nel F was seconded to act as Head of Waste & Fleet from 01 June 2022 to 30 November 2023;
- Mabunda NP was seconded to act as Head of Planning, Human Settlement and Housing from 01 May 2023 to 30 November 2023;
- Thinda KT was permanently appointed as Head of Community Services from 01 December 2023;
- Mafisa MA was appointed as acting Head of Social Services & Public Safety from 13 February 2023 to 30 November 2023;
- Ntlabezo L was appointed as acting Head of Performance Management Office from 01 January 2024 to 31 May 2024;
- Kgamanyane KI was permanently appointed as Head of Public Safety and Security from 01 December 2023;
- Ntoyi L was appointed as Head of Performance Management Office from 01 June 2024.

### Other information:

An amount of R854,673 (2024: R246,354) has been overpaid to employees, of which R572,532 relates to overpayments of senior management remuneration.

### Irregular Expenditure – Overtime Payments

It was identified that certain officials worked overtime in excess of the maximum thresholds permitted by the Basic Conditions of Employment Act. The payments amounting to R71,448,901 (2024: R67,995,110) were therefore incurred in contravention of applicable legislation and have been classified as irregular expenditure.

Management has initiated investigations to determine the root cause and whether any amounts are recoverable. No receivable has been raised at this stage pending the outcome of the investigation.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 44. Employee related costs (continued)

#### Detailed remuneration of key management

2025	Name and Initials	Annual Remuneration	Car and other allowances	Contribution to UIF, Medical Aid and Pension Funds	Total
Position					
City Manager	More SJ	3 071 276	24 000	2 080	3 097 356
Chief Financial Officer	Thekisho ZL	1 763 602	42 834	295 263	2 101 699
Acting Chief Financial Officer	Sitishi N	37 470	-	-	37 470
HOD: Corporate Services	Duma MV	1 947 864	179 652	198 278	2 325 794
Acting HOD: Corporate Services	Maswabi NS	105 778	23 045	27 980	156 803
HOD: Technical Services	Masobeng IR	1 865 501	317 881	309 040	2 492 422
HOD: Economic and Rural Development	Chakane N	2 292 851	151 914	71 229	2 515 994
HOD: Community Services	Thinda KT	2 283 151	53 742	80 929	2 417 822
HOD: Performance Management Office	Ntoyi L	868 648	330 991	1 323	1 200 962
HOD: Public Safety and Security	Kgamanyane KI	1 688 304	500 162	209 949	2 398 415
		<b>15 924 445</b>	<b>1 624 221</b>	<b>1 196 071</b>	<b>18 744 737</b>

2024	Name and Initials	Annual Remuneration	Car and other allowances	Contribution to UIF, Medical Aid and Pension Funds	Total
Position					
Acting City Manager (Secondment)	Dumalisile NR	119 292	-	1 370	120 662
Acting City Manager (Secondment)	Ntshudisane NJ	202 856	-	2 206	205 062
City Manager	More SJ	1 146 147	16 000	13 130	1 175 277
Acting Chief Financial Officer (Secondment)	Denge LA	382 370	-	3 824	386 194
Acting Chief Financial Officer	Sitishi N	777 032	129 274	187 753	1 094 059
Acting Chief Financial Officer	Pienaar GH	219 271	71 470	52 465	343 206
Chief Financial Officer	Thekisho ZL	117 791	1 600	1 383	120 774
Acting HOD: Corporate Services (Secondment)	Mpangane NG	287 255	-	3 581	290 836
HOD: Corporate Services	Duma MV	824 534	11 200	9 677	845 411
HOD: Technical Services	Masobeng IR	1 058 232	271 001	246 810	1 576 043
Acting HOD: Engineering Services (Secondment)	Mcleod C	138 776	-	1 565	140 341
HOD: Economic and Rural Development	Chakane N	808 154	11 200	26 057	845 411
Acting HOD: Human Settlements & Housing (Secondment)	Mabunda NP	529 314	-	6 002	535 316
Acting HOD: Economic & Rural Development (Secondment)	Manyungwana XC	238 199	-	3 090	241 289
Acting HOD: Waste and Fleet Management (Secondment)	Nel F	343 828	-	4 147	347 975
HOD: Community Services	Thinda KT	786 770	11 200	47 441	845 411
Acting HOD: Social Services & Public Safety	Mafisa MA	563 158	168 384	153 878	885 420
Acting HOD: Performance Management Office	Ntlabezo L	449 407	366 312	147 957	963 676
HOD: Performance Management Office	Ntoyi L	117 791	1 000	1 377	120 168
HOD: Public Safety and Security	Kgamanyane KI	500 544	234 410	77 000	811 954
		<b>9 610 721</b>	<b>1 293 051</b>	<b>990 713</b>	<b>11 894 485</b>

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>45. Remuneration of councillors</b>		
Cell phone allowance	4 723 638	4 661 525
Councillors allowance	57 760 772	54 553 433
Councillors medical aid contributions	456 480	465 120
Councillors pension contributions	666 819	705 490
Housing allowance	-	18 000
Travel allowance	14 210 372	14 148 271
	<b>77 818 081</b>	<b>74 551 839</b>

### In-kind benefits

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

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

The Executive Mayor and Deputy Executive Mayor have two bodyguards on a rotational basis and an official driver at the cost of Council.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand

### 45. Remuneration of councillors (continued)

#### Analysis of Councillors Remuneration

##### 2025

Council as at 30 June 2025

	Councillor	Councillor Allowance	Travel and other allowances	Pension and Medical Aid	Total
Executive Mayor	Nthatisi GMS	1 380 239	309 141	-	1 689 380
Deputy Executive Mayor & MMC: Public Safety and Security	Titi-Odili LM	1 051 755	293 933	17 280	1 362 968
Speaker	Mathae BL	1 065 726	293 933	-	1 359 659
Chief Whip	Nikelo VE	988 007	286 689	17 280	1 291 976
MMC: Waste and Fleet Management	Mosala MT	980 425	286 689	17 280	1 284 394
MMC: Infrastructure and Engineering	Soqaqa VS	983 145	286 689	17 280	1 287 114
MMC: Corporate Services	Letawana MM	1 001 074	286 689	-	1 287 763
MMC: Finance	Kruger CL	1 058 073	286 689	-	1 344 762
MMC: Planning and Economic Development	Jonas-Malephane	982 240	286 689	17 280	1 286 209
MMC: Agriculture and Rural Development	Twala PS	1 040 317	286 689	-	1 327 006
MMC: Community Services	Qai A	984 727	286 689	17 280	1 288 696
MMC: Human Settlements	Nhlapo NA	937 219	286 689	87 571	1 311 479
MMC: IDP and Performance	Tsoleli SP	1 062 512	286 689	-	1 349 201
S79 Chairperson: Municipal Public Accounts Committee	Makoloane IJ	993 606	286 689	-	1 280 295
S79 Chairperson: Public Places & Street Naming Committee	Mogotloane TJ	944 041	286 689	17 280	1 248 010
S79 Chairperson: Remunerations Committee	Tladi MM	921 162	286 689	17 280	1 225 131
S79 Chairperson: Rules Committee	Mokgothu TKW	943 681	286 689	-	1 230 370
S79 Chairperson: Petitions and Motions Committee	Morake MA	923 930	286 689	17 280	1 227 899
Part-time councillors		39 518 893	13 736 668	880 208	54 135 769
		<b>57 760 772</b>	<b>18 934 010</b>	<b>1 123 299</b>	<b>77 818 081</b>



# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand

### 45. Remuneration of councillors (continued)

2024	Councillor	Councillor Allowance	Travel and other allowances	Pension and Medical Aid	Total
Council as at 30 June 2024					
Executive Mayor	Nthatsi GMS	1 259 932	304 748	-	1 564 680
Deputy Executive Mayor	Titiodili LM	635 315	196 312	11 520	843 147
Speaker	Mathae BL	746 003	231 465	-	977 468
Chief Whip	Nikelo VE	920 446	286 038	14 400	1 220 884
MMC: Social Services until 19 October 2023 & Waste and Fleet Management from 19 October 2023	Mosala MT	926 745	286 038	17 280	1 230 063
MMC: Corporate Services until 19 October 2023 & Finance from 19 October 2023	Kruger CL	929 872	286 038	-	1 215 910
MMC: Waste and Fleet Management until 19 October 2023 & Corporate Services from 19 October 2023	Letawana MM	910 549	286 038	-	1 196 587
MMC: Public Safety until 19 October 2023 & IDP and Performance from 19 October 2023	Tsoleli SP	910 549	286 038	-	1 196 587
MMC: Human Settlements	Nhlapo NA	713 596	238 691	67 920	1 020 207
MMC: Infrastructure & Engineering	Soqaqa VS	893 269	286 038	17 280	1 196 587
MMC: Planning & Economic Development	Jonas-Malephane VE	926 741	286 038	17 280	1 230 059
MMC: Agriculture and Rural Development	Twala PS	944 025	286 038	-	1 230 063
MMC: Community Services	Qai A	743 306	238 691	38 209	1 020 206
S79 Chairperson: Rules Committee	Mokgothu TKW	920 027	286 038	-	1 206 065
S79 Chairperson: Petitions & Motions Committee	Morake MA	753 934	238 691	14 400	1 007 025
S79 Chairperson: Municipal Public Accounts Committee	Makoloane IJ	814 366	268 927	-	1 083 293
S79 Chairperson: Public Places & Street Naming Committee until 17 August 2023	Nhlapo NA	125 755	47 348	12 312	185 415
S79 Chairperson: Public Places & Street Naming Committee	Mogotloana TJ	717 154	238 691	14 400	970 245
Previous council:					
Deputy Executive Mayor & MMC (IDP & Performance Management) (Expelled from Council in prior year)	Mothibi-Nkoane MM	39 161	-	-	39 161
Speaker (Resigned from Council)	Lockman SB	35 245	-	-	35 245
Executive Mayor (Resigned from Council)	Siyonzana MA	38 378	-	-	38 378
Speaker (Removed as Speaker)	Davies M	228 861	72 832	4 320	306 013
MMC: IDP & Performance	Morake MA	143 446	47 347	2 880	193 673
MMC: Finance	Titi-Odili LM	336 601	94 912	5 760	437 273
MMC: Human Settlements	Tladi MM	140 566	47 348	2 880	190 794
S79 Chairperson: Public Places & Street Naming Committee (Expelled from Council in the prior year)	Mokoakoa MI	39 592	-	-	39 592
S79 Chairperson: Municipal Public Accounts Committee	Tladi MM	761 046	238 691	14 400	1 014 137
S79 Chairperson: Public Places & Street Naming Committee	Seleke PL	35 993	-	-	35 993
S79 Chairperson: Petitions & Motions Committee (Resigned 17 August from the committee)	Qai A	125 755	47 348	12 312	185 415
Part-time councillors		37 837 211	13 701 416	903 047	52 441 674
		<b>54 553 439</b>	<b>18 827 800</b>	<b>1 170 600</b>	<b>74 551 839</b>

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 45. Remuneration of councillors (continued)

#### Overpayment of councillors:

Councillors were overpaid due to upper limit differences during the current and prior financial year by R567,757 (2024: R219,778).

As a result of the revised Government Gazette, no. 51407, the amount for the 2023/24 financial year was recalculated, resulting in reduced overpayments of R478,225. R1,543 of the R219,778 prior period overpayment has been recovered through the councillors backpay adjustments, the remaining amount relates to overpayments to terminated councillors and could not be recovered.

### 46. Depreciation and amortisation

Property, plant and equipment	612 902 408	579 180 865
Living resources	190 005	224 793
Intangible assets	474 237	379 976
	<b>613 566 650</b>	<b>579 785 634</b>

#### Prior period error:

Prior year figures were restated due to errors identified in the current financial year, refer to note 72.

### 47. Impairment loss

#### Impairments

Property, plant and equipment	56 441 463	54 865 231
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The recoverable amount of the asset was assessed at the end of the financial year and it was found to be less than the carrying amount of the asset and an impairment loss was raised.

The main events and circumstances that led to the recognition of these impairment losses are as follows:

- Loss of service potential of assets due to lack of maintenance;
- Vandalism and theft due to a lack of safeguarding of assets; and
- Water meters unaccounted for at yearend and to be investigated.

### 48. Finance costs

Borrowings	26 028 556	43 929 200
Employee benefit obligation	71 241 000	66 088 800
Trade and other payables	108 493 870	113 391 521
Unwinding of provisions	113 752 139	85 162 618
	<b>319 515 565</b>	<b>308 572 139</b>

#### Prior period error:

Prior year figures were restated due to errors identified in the current financial year, refer to note 72.

### 49. Auditors' remuneration

Fees	26 760 220	25 963 733
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### 50. Debt impairment and bad debt write off

Debt impairment - Consumer and other receivables	1 695 396 382	826 741 017
Debt impairment - Traffic fines receivable	7 580 075	7 619 996
Bad debts written off	382 350 976	692 488 067
	<b>2 085 327 433</b>	<b>1 526 849 080</b>

During the financial year, the write off amounting to R382,350,976 (2024: R692,488,067) related to the write off of indigent consumers' debt as at the date of registration on the indigent register. The amounts exclude VAT.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>51. General expenses</b>		
Animal Costs	951 445	929 303
Auditors' remuneration	26 760 220	25 963 733
Bank charges and commissions	18 147 853	16 553 062
Bursaries to employees	2 096 178	1 971 586
Chemicals	25 964 783	17 067 798
Consumables	19 692 017	19 534 847
Electricity	219 316 861	194 831 232
Fuel and oil	26 470 248	25 977 083
Indigent relief - Free electricity	41 990 203	37 932 639
Insurance	19 927 519	17 907 481
Marketing and advertising	1 777 911	2 487 265
Motor vehicle expenses	5 583 891	5 500 256
Operating lease expenditure	18 972 649	27 331 557
Postage and courier	1 006 318	101 068
Printing and stationery	5 292 779	4 099 406
Remuneration of ward committees	8 434 762	8 454 845
Royalties and license fees	25 361 202	21 681 147
Skills development levy	17 815 104	16 383 111
Subscriptions and membership fees	26 018 874	24 105 558
Sundry expenses	254 014	289 502
Telephone and fax	4 757 102	4 549 049
Title deed search fees	529 069	436 465
Transport and freight	943 602	1 357 516
Travel - Local	5 377 735	2 644 392
Water research	5 701 192	6 229 184
Workmen's compensation	1 873 938	1 897 057
	<b>531 017 469</b>	<b>486 216 142</b>
<b>Prior period error:</b>		
Prior year figures were restated due to errors identified in the current financial year, refer to note 72.		
<b>52. Bulk purchases</b>		
Water purchases	993 348 140	914 593 751
<b>Water losses</b>		
Units purchased (KL)	85 022 499	83 954 556
Units sold (KL)	(43 898 109)	(42 276 352)
<b>Total loss (KL)</b>	<b>41 124 390</b>	<b>41 678 204</b>
<b>Rand value of loss:</b>		
Units loss (KL)	41 124 390	41 678 204
Rand value per unit (KL)	12,05	11,77
<b>Total rand value for loss</b>	<b>495 548 900</b>	<b>490 552 461</b>
<b>Percentage Loss:</b>		
Technical losses	48 %	49 %

Material bulk water losses are not recoverable. The main reason for incurring water losses relate to burst water pipes, leaks and illegal water connections.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 53. Contracted services

#### Outsourced Services

Burial services	1 370 909	1 120 335
Connection/disconnection services	5 873 173	-
Litter picking and street cleaning	-	689 000
Meter management services	8 032 494	3 068 327
Refuse removal services	41 723 370	89 343 278
Sewerage services	28 721 557	23 827 600
Transport services	33 541 304	4 667 010

<b>119 262 807</b>	<b>122 715 550</b>
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#### Consultants and Professional Services

Business and advisory services	83 157 704	71 504 240
Legal Cost	55 689 129	77 006 345

<b>138 846 833</b>	<b>148 510 585</b>
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#### Contractors

Catering services	2 056 215	1 873 142
Electrical	1 516 219	1 105 905
Gardening services	2 067 868	2 012 564
Repairs and maintenance	272 500 984	234 545 998
Safeguard and security services	102 769 346	122 596 238
Uniform & protective clothing	10 920 615	9 794 513
Other contracted services	10 260 800	4 050 909

<b>402 092 047</b>	<b>375 979 269</b>
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<b>660 201 687</b>	<b>647 205 404</b>
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#### Prior period errors:

Prior year figures were restated due to errors identified in the current financial year, refer to note 72.

### 54. Grants, transfers and subsidies

#### Grants paid to municipal entity

Informal Settlements Upgrading Partnership Grant	32 782 609	50 434 783
Urban Settlements Development Grant	22 052 174	21 739 130

<b>54 834 783</b>	<b>72 173 913</b>
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#### Informal Settlements Upgrading Partnership Grant:

The programme facilitates the structured upgrading of informal settlements. It applies to in situ upgrading of informal settlements as well as where communities are to be relocated for a variety of reasons. The programme entails extensive community consultation and participation, emergency basic services provision, permanent services provision and security of tenure.

#### Urban Settlements Development Grant:

The Urban Settlements Development Grant is an integrated source of funding for infrastructure for municipal services and upgrades to informal settlements. The grant was transferred in part to Centlec (SOC) Ltd. The grant is used to provide capital subsidies to licensed distributors to address the national electrification programme in order to mitigate the risk of loadshedding and supply interruptions.

### 55. Fair value adjustments

Investment property (Fair value model)	13 533 379	3 241 585
Non-current receivables (Designated as at fair value through surplus or deficit)	14 945	23 256
Property, plant and equipment	-	549 976

<b>13 548 324</b>	<b>3 814 817</b>
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#### Prior period error:

Prior year figures were restated due to errors identified in the current financial year, refer to note 72.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024		
<b>56. Gain/(loss) on disposal of assets and liabilities</b>				
Living resources	194 973	1 250 482		
Property, plant and equipment	(29 303 001)	7 255 727		
	<b>(29 108 028)</b>	<b>8 506 209</b>		
<b>57. Cash generated from operations</b>				
Surplus	665 259 498	407 382 250		
<b>Adjustments for:</b>				
Depreciation and amortisation	613 566 650	579 785 634		
Loss on disposal of assets	29 108 028	(8 506 209)		
Remeasurement of provisions	(50 517 361)	(100 360 677)		
Fair value adjustments	(13 548 324)	(3 814 817)		
Impairment loss	56 441 463	54 865 231		
Movements in retirement benefit liabilities	40 188 000	41 679 400		
Finance charges	26 028 556	43 929 200		
Public contributions and donations	(100 000)	(1 287 837)		
Unwinding of FRESHCO liability	(14 127 896)	(14 127 896)		
Unwinding of Land availability liability	(15 837 468)	(15 837 467)		
Unwinding of provisions	113 752 139	85 162 618		
Living resources	(570 500)	(630 600)		
Interest received	(184 676 447)	(181 833 999)		
<b>Changes in working capital:</b>				
Inventory	(10 627 033)	(24 128 094)		
Other receivables from exchange transactions	(11 136 553)	60 927 711		
Consumer receivables from exchange transactions	63 089 395	(269 621 586)		
Other receivables from non-exchange transactions	(2 491 168)	(2 684 864)		
Consumer receivables from non-exchange transactions	14 482 359	(31 027 608)		
Payables from exchange transactions	(287 620 085)	(324 445 360)		
VAT	(51 445 689)	191 348 285		
Payables from non-exchange transactions	(31 392 581)	(102 174 393)		
Unspent conditional grants and receipts	(1 864 444)	(174 798 754)		
Consumer deposits	446 693	(709 879)		
Centlec receivable operating activities	174 769 330	180 016 308		
	<b>1 121 176 562</b>	<b>389 106 597</b>		
<b>58. Financial instruments disclosure</b>				
<b>Categories of financial instruments</b>				
<b>2025</b>				
<b>Financial assets</b>				
	At fair value	At amortised cost	At cost	Total
Cash and cash equivalents	-	1 064 386 781	-	1 064 386 781
Centlec intercompany loan	-	1 106 629 079	-	1 106 629 079
Centlec receivables	-	570 375 536	-	570 375 536
Consumer receivables form exchange transactions	-	973 823 973	-	973 823 973
Investment in controlled entity	-	-	100	100
Non-current receivables	181 970	8 968	-	190 938
Other receivables from exchange transactions	-	48 282 858	-	48 282 858
	<b>181 970</b>	<b>3 763 507 195</b>	<b>100</b>	<b>3 763 689 265</b>

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 58. Financial instruments disclosure (continued)

#### Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	1 269 571 034	1 269 571 034
Borrowings	150 574 126	150 574 126
Consumer deposits	34 145 032	34 145 032
	<b>1 454 290 192</b>	<b>1 454 290 192</b>

#### 2024

#### Financial assets

	At fair value	At amortised cost	At cost	Total
Cash and cash equivalents	-	483 609 826	-	483 609 826
Centlec intercompany loan	-	822 297 757	-	822 297 757
Centlec receivables	-	844 799 741	-	844 799 741
Consumer receivables form exchange transactions	-	1 036 913 368	-	1 036 913 368
Investment in controlled entity	-	-	100	100
Non-current receivables	167 026	14 664	-	181 690
Other receivables from exchange transactions	-	39 240 847	-	39 240 847
	<b>167 026</b>	<b>3 226 876 203</b>	<b>100</b>	<b>3 227 043 329</b>

#### Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	1 449 321 963	1 449 321 963
Borrowings	306 823 065	306 823 065
Consumer deposits	33 698 339	33 698 339
	<b>1 789 843 367</b>	<b>1 789 843 367</b>

Comparative figures were restated due to prior period errors affecting other financial line items. Refer to note 72 for further detail on prior period errors.

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>59. Commitments</b>		
<b>Commitments in respect of capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Infrastructure	297 312 950	249 757 510
<b>The capital expenditure will be financed from</b>		
• Unspent conditional grants	291 258 854	247 676 195
• Own funding	6 054 096	2 081 315
	<b>297 312 950</b>	<b>249 757 510</b>
<b>Operating leases - as lessor (income)</b>		
<b>Minimum lease payments due</b>		
- within one year	4 430 861	5 471 297
- in second to fifth year inclusive	10 776 153	12 180 113
- later than five years	4 750 334	2 426 513
	<b>19 957 348</b>	<b>20 077 923</b>

The entity leases various fixed properties under non-cancellable operating leases to various institutions. The lease agreements have escalations between 4% to 12% per year with the agreements varying between 2 and 50 years,

Rental income for these agreements, to the value of R41 161 602 (2024: R38 459 032) have been recognised in the Statement of Financial Performance during the year. Renewal options have been taken into account during the calculation of the deferred lease.

There were no purchase options or contingent rent during the year.

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 60. Contingencies

#### Contingent liabilities

##### Guarantees

Housing guarantees	130 790	349 014
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The entity has provided housing guarantees for bonds of municipal officials. The certainty and the timing of the outflow of these guarantees are uncertain. The amounts disclosed are the possible outflow amounts.

##### Other contingent liabilities

Claims by individuals due to property damages in various incidents	457 140	5 166 560
Claims by individuals due to various incidents	40 007 775	18 760 033
	<b>40 464 915</b>	<b>23 926 593</b>

The entity is involved in the abovementioned classes of pending claims. These include labour, insurance claims, breaches in supply chain management and other small related claims. All the claims are being contested based on legal advice. The certainty and timing of the outflows of these liabilities are uncertain. The amounts disclosed are possible outflow amounts.

Legal firms assisting the municipality are rate based and therefore the legal cost to the municipality in such matters cannot be determined.

#### Contingent assets

##### Guarantees

Quarry rehabilitation guarantees	10 260 812	9 800 493
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Petra Quarry is owned by the municipality but is leased and operated by a private firm. It should be noted that the lease agreement with the current operator states that the tenant is responsible for rehabilitation costs. However, in the event that the tenant cannot fulfil the rehabilitation duties, the municipality was guaranteed for the amount of R10 260 812 (2024: R9 800 493) during the 2024/2025 evaluations, to ensure that the Petra Quarry will be rehabilitated. Petra Quarry has a financial guarantee in place that covers rehabilitation. This was renewed on 14 November 2024.



# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 61. Related parties

Relationships:

Accounting Officers	Refer to accounting officers' report
Controlled entities	Refer to note 15
Members of key management	Refer to note 44
Members of the mayoral committee	Refer to note 45

The entity was placed under administration under Section 139(5)(a) and 139(5)(c) of the Constitution of the Republic of South Africa effective from 01 January 2020, and as per the terms of reference, the administrators had significant influence over the Metro.

Thus, during this period of temporary control, the Metro (and any entities under its control) is required to include, as per GRAP 20, all related party disclosures in its financial statements from the date that it was placed under administration.

**The interim intervention team is comprised of the following members and their assumed positions:**

- Dumalisile NR (Department of Human Settlements) - Acting City Manager (from 25 April 2023 until 31 August 2023).
- Denge L (National Treasury) - Acting Chief Financial Officer (from 19 December 2022 until 31 August 2023).
- Adv Mpangane N (National CoGTA) - Acting HOD Corporate Services (term ended on 30 November 2023).
- McLeod WR (MISA) - Acting HOD Engineering Services (term ended 14 August 2023).
- Manyungwana XC (seconded from the Department of Transport).
- Nel F (Department of Forestry, Fisheries and the Environment) - Waste and Fleet Management (term ended on 30 November 2023).
- Mabunda N (MISA) - Acting HOD Human Settlements and Housing (from 25 April 2023 until 30 November 2023).

**The National Intervention team were as follows:**

- Malaza G - National Cabinet Representative
- Kunene V - Finance Specialist
- Cibane T - Governance Specialist
- Nkosi M - Governance Specialist

There were no related party transactions with any of the administrators listed above during the current or prior year. All transactions with provincial and national departments were within normal operating parameters.

### Related party balances

#### Investment in controlled entities

Centlec (SOC) Limited	100	100
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Refer to note 15 for further details for the above investments.

#### Loan accounts - Owing by related parties

Centlec (SOC) Limited - Capital advances	34 635 957	41 190 373
Centlec (SOC) Limited - Intercompany loan	1 106 629 079	822 297 757
Centlec (SOC) Limited - Shareholders loan	535 739 579	803 609 368
	<b>1 677 004 615</b>	<b>1 667 097 498</b>

Refer to notes 9 and 16 for further details for the above loan accounts.

### Related party transactions

#### Interest received from related parties

Centlec (SOC) Limited - Capital advances	(4 839 869)	(5 610 013)
Centlec (SOC) Limited - Intercompany loan	(107 036 195)	(90 783 581)
Centlec (SOC) Limited - Shareholders loan	(179 836 578)	(176 223 986)
	<b>(291 712 642)</b>	<b>(272 617 580)</b>

# Mangaung Metropolitan Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>61. Related parties (continued)</b>		
<b>Expenses paid to/(income received from) related parties</b>		
Centlec (SOC) Limited - Capital advance redemption	(6 554 416)	(6 554 416)
Centlec (SOC) Limited - Free basic electricity	39 673 257	29 734 070
Centlec (SOC) Limited - Fuel issued to MMM by Centlec (SOC) Ltd	799 095	174 136
Centlec (SOC) Limited - Grants paid - ISUPG	32 782 609	50 434 783
Centlec (SOC) Limited - Grants paid - USDG	22 052 174	21 739 130
Centlec (SOC) Limited - Municipal building electricity consumption	85 612 544	75 571 157
Centlec (SOC) Limited - Streetlight electricity consumption	132 401 928	117 449 370
	<b>306 767 191</b>	<b>288 548 230</b>
<b>Receipts on behalf of related parties</b>		
Centlec (SOC) Limited - Bank receipts	2 033	176 802
Centlec (SOC) Limited - Telephone expenses	98 145	-
	<b>100 178</b>	<b>176 802</b>
<b>Transfers made to/(received from) related parties</b>		
Mangaung Metro Municipality - Cash transfers	31 495 610	16 878 167
Refer to note 35 for further details for interest received from related parties.		
<b>Expenses paid to close family members of municipal officials</b>		
Relebeletse Trading (PTY) Ltd - Moopedi KS - Assistant Forensic Investigator	3 582 842	-
Setlhare Group (Pty) Ltd - Setlhare SS - Cashier	3 229 568	-
	<b>6 812 410</b>	<b>-</b>
<b>Remuneration of management</b>		
<b>Councillors/Mayoral committee members:</b>		
Refer to note 45 for details relating to remuneration of councillors.		
Councillors have accounts with the entity for the provision of normal municipal services. These are not disclosed as related parties as it is done on terms and conditions which is no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and those terms and conditions are within the normal operating parameters established by the reporting entity's legal mandate.		
No further transactions took place between the entity and key management personnel or their close family members during the reporting period.		
Refer to appendix A for councillor arrear consumer accounts.		
<b>Key management:</b>		
Refer to note 44 for details relating to the remuneration of executive management.		
Key management have accounts with the entity for the provision of normal municipal services. These are not disclosed as related parties as it is done on terms and conditions which is no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and those terms and conditions are within the normal operating parameters established by the reporting entity's legal mandate.		
No further transactions took place between the entity and key management personnel or their close family members during the reporting period.		

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 62. Risk management

#### Financial risk management

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

This note presents information about the entity's exposure to each of the financial risks below and the entity's objectives, policies and processes for measuring and managing the financial risks. Further quantitative disclosures are included throughout the annual financial statements.

The Council has overall responsibility for the establishment and oversight of the entity's risk management framework.

The entity's audit committee oversees the monitoring of compliance with the entity's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the entity. The audit committee is assisted in its oversight role by the entity's internal audit function.

The entity monitors and manages the financial risks relating to the operations of the entity through internal risk reports which analyses exposures by degree and magnitude of risks.

The entity seeks to minimise the effects of these risks in accordance with the entity's policies approved by the Council. The policies provide written principles on interest rate risk, credit risk and the investment of excess liquidity.

Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The entity does not enter into or trade in financial instruments for speculative purposes.

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

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

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

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

The entity is exposed to a number of guarantees for housing loans to employees. Refer to note 60 for additional details.

As at 30 June 2025	Less than 1 year	Between 1 and 5 years	Over 5 years
Borrowings	107 762 443	56 218 570	-
Payables from exchange transactions	1 603 659 439	-	-
Payables from non-exchange transactions	131 026 442	-	-
	<b>1 842 448 324</b>	<b>56 218 570</b>	<b>-</b>
As at 30 June 2024	Less than 1 year	Between 1 and 5 years	Over 5 years
Borrowings	182 364 862	163 984 415	-
Payables from exchange transactions	1 761 532 933	-	-
Payables from non-exchange transactions	162 419 023	-	-
	<b>2 106 316 818</b>	<b>163 984 415</b>	<b>-</b>

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 62. Risk management (continued)

#### Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

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

Financial instrument:		
Cash and cash equivalents	1 064 386 781	483 609 826
Centlec intercompany loan	1 106 629 079	822 297 757
Centlec receivables	570 375 536	844 799 741
Consumer receivables from exchange transactions	973 823 973	1 036 913 368
Investment in controlled entity	100	100
Non-current receivables - at amortised cost	8 968	14 664
Non-current receivables - at fair value	181 970	167 026
Other receivables from exchange transactions	48 282 858	39 240 847
	<u>3 763 689 265</u>	<u>3 227 043 329</u>

These balances represent the maximum exposure to credit risk.

There has been no change, since the previous financial year, to the entity's exposure to credit risks or the manner in which it manages and measures risks.

#### Market risk

##### Interest rate risk

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

The entity's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer term borrowings are therefore usually at fixed rates.

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

- Call, notice and fixed deposits
- Development Bank of South Africa, Standard Bank of South Africa Limited and ABSA loans
- Finance lease obligations

The entity's interest rate risk arises from long-term borrowings and finance leases. Borrowings and finance leases issued at variable rates expose the entity to cash flow interest rate risk.

Borrowings and finance leases issued at fixed rates expose the entity to fair value interest rate risk. Entity policy is to maintain the majority of its borrowings and finance leases in fixed rate instruments. During 2025 and 2024 financial years, the entity's borrowings and finance leases at variable rate were denominated in the Rand.

##### Foreign exchange risk

The entity does not enter into significant foreign currency transactions and has had very limited exposure to foreign currency risk.

The entity does not hedge foreign exchange fluctuations.

**Notes to the Annual Financial Statements**

Figures in Rand	2025	2024
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**62. Risk management (continued)**

**Price risk**

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

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

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 63. Going concern

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.

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of R12 935 965 246 (2024: R12 256 728 385) and that the municipality's total assets exceed its total liabilities by R13 815 055 822 (2024: R13 149 726 541).

The municipality had a surplus of R665 259 498 (2024: R407 382 250) for the year. The current assets exceed the current liabilities by R1 996 608 626 (2024: R886 359 852).

However, the following events or conditions, along with other matters as set forth in this note indicates that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern:

The municipality is under financial distress requiring the implementation of a mandatory Financial Recovery Plan (FRP) during the year ended 30 June 2025. There is slow progress in dealing with financial difficulties, as only 58% of the activities contained in the FRP have been fully implemented.

The outstanding amount owed for bulk water supplies is R642 048 753 (2024: R921 667 119) which was long overdue, and the municipality incurred material water losses, refer to note 52 for further detail.

As disclosed in note 19, the municipality is taking an average period of 168 days (2024: 207 days) to pay their creditors. This indicates that the municipality is not adequately managing its working capital and effective internal controls are not in place to ensure prompt payments. In addition, the municipality is experiencing cash flow problems, which may be indicative of or lead to possible financial viability difficulties.

The average number of days required for the municipality to receive payment from its consumers for bills/invoices issued to them for goods and/or services is 108 days (2024: 135 days). In addition to this, the municipality is expecting that 88% (2024: 85%) of their receivables will be uncollectable. The extensive period in collecting debt, coupled with the significant un-collectability rate, could indicate that municipality's credit control policy is not effective or properly implemented, however collection is one of the main pillars of the Financial Recovery Plan.

This is further confirmed by the fact that only 2% (2024: 2%) of municipal expenditure was channelled to repairs and maintenance of critical service delivery infrastructure and the current overall spending on critical service delivery infrastructure amounts to 9% (2024: 8%) of total expenditure, leading growing service delivery backlogs. The costs incurred by the municipality in relation to refurbishment, rehabilitation and reconstruction of service delivery assets to ensure the sustainability of service delivery amounts to 56% (2024: 18%) of total capital expenditure. The municipality is steadily investing more in service delivery infrastructure to improve the condition of existing infrastructure, that will ensure the continued delivery of services.

The combination of slow recovery of payments for consumer bills/invoices and the period taken to pay creditors indicates that the municipality is experiencing challenges in the collection of outstanding amounts due to it. This exposes it to cash flow risk and likely liquidity problems, which may lead to continued financial health difficulties, because a significant amount of potential cash is tied up in consumer debtors which in turn is required to pay creditors.

While the municipality's current assets exceed its current liabilities, the municipality will not be able to settle all its current and short-term obligations with cash and investments (i.e. liquid assets) as they fall due at any specific point. This is caused by the municipality not adequately managing its operating activities and working capital, as the municipality tends to over commit itself and not managing cash-flow in line with the approved budget.

Thus, there is a risk that that non-current assets will need to be liquidated to settle current liabilities or that additional government funding may be required. An unfavourable liquidity position may therefore be indicative of an inability to continue operating optimally.

Furthermore, there was a net increase/(decrease) in cash and cash equivalents per cash flow statement of R580 776 955 (2024: R(203 115 457)).

Currently, 22% (2024: 27%) of the municipal current liabilities will have to be funded by next year's budget, which is an improvement compared to the previous financial year, and is due to the ongoing efforts through the Financial Recovery Plan. Even though there has been an improvement, this ratio still highlights possible additional future cash flow problems/shortfall that may lead to financial viability difficulties in future and a failure by the municipality to fund its current and future operations. To implement next year's planned activities and realising its objectives, the shortfall may have to be funded by some other means such as additional government funding.

There is a real risk that the municipality and its service delivery requirements may be unsustainable, unless additional government funding is obtained.

The municipality has received a credit rating of Caa1 – stable from Moody's Rating Agency. This rating reflects the city's weak operating performance and fragile liquidity as well as a low likelihood that the Government of South Africa (Ba2 stable) would provide support if the city were to face acute liquidity stress. The credit profile is further supported by the municipality's low debt levels compared to those of other rated Metropolitan Municipality's in the country and its medium-sized economic base.

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 63. Going concern (continued)

The following areas and key activities will be focused on within the next 6-12 months after year end to improve on the financial situation of the municipality:

**Funded Budget Status: Capital Budget –** Ring-fencing and monitoring of unspent conditional grants. Monthly progress reports detailing the implementation of both the procurement plan and project implementation plans to be provided for monitoring purposes.

**Revenue management –** The municipality is planning to implement revenue enhancement initiatives including robust billing, collection, and credit control procedures that must be adhered to. Furthermore, aggressive debt collection mechanisms will be implemented by taking legal action. Payment agreements will be entered into with all revenue owing government departments where the municipality will be seeking Provincial Treasury intervention if necessary. The municipality will also engage with debtors to agree on payment arrangements.

**Indigent Management -** Updating and cleansing of data on the system to provide correct details of customers. A review of the data captured on the system will be done by senior personnel to ensure accuracy and completeness with correction of accounts done on a monthly basis.

**Supply Chain Management Compliance and Value for Money Procurement –** The municipality will embark on a process to interrogate all UIF&W expenditure with reasons therefore and which will be submitted to Council for their decision on what action should be taken based on management's recommendations. Appropriate legal action to be instituted and consequence management taken based on the outcomes of the investigations.

**Cost Containment and Realistic Cash Flow Management –** The municipality will implement a system of expenditure control where no expenditure/ order is authorised unless it is provided for in the cash flow management system.

**Revenue Raising Measures -** To increase revenue, an audit will be conducted on all Municipal owned billboards and facilities that can generate revenue, implement by-laws and charge penalties where there is transgression and implement billing at the landfill sites once the weighbridges are operational.

**Creditor Management –** The Service Level Agreement with Bloem Water will be reviewed and the bulk supply tariffs will be renegotiated as well as renegotiating parts of amounts owed such as penalties relating to Eskom.

**Financial Control Environment –** Conduct a review on the audit action plan immediately after the issue of the audit report, provide practical action plan and track progress thereof.

**Debt Restructuring –** ESKOM: Apply for MFMA Circular No. 124 – Municipal Debt Relief through National Treasury.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 64. Unauthorised expenditure

Opening balance as previously reported	7 799 697 647	6 456 556 095
Add: Unauthorised expenditure - identified during the current year	1 125 802 477	1 343 141 552
<b>Closing balance</b>	<b>8 925 500 124</b>	<b>7 799 697 647</b>

#### Unauthorised expenditure per department

Current vote structure:

##### Unauthorised expenditure - OPEX

Vote 1 - Office of the City Manager	12 924 290	-
Vote 2 - Office of the Executive Mayor	19 749 289	-
Vote 3 - Corporate Services	172 630 124	-
Vote 4 - Financial Services	34 596 819	-
Vote 5 - Community and Social Development	71 692 451	-
Vote 7 - Planning and Rural Development	2 622 363	-
Vote 8 - Roads and Transport	90 704 213	-
Vote 9 - Water and Sanitation	498 757 169	-
Vote 10 - Municipal General	146 031 885	-
Vote 11 - Public Safety and Security	22 894 829	-
Vote 15 - Other (Naledi and Soutpan)	53 199 045	-

Previous vote structure:

##### Unauthorised expenditure - OPEX

Vote 1 - Office of the City Manager	-	1 952 763
Vote 3 - Corporate Services	-	210 289 212
Vote 4 - Finance	-	292 924 983
Vote 7 - Human Settlements	-	42 061 035
Vote 8 - Technical Services	-	629 991 074
Vote 10 - Miscellaneous	-	74 201 703
Vote 11 - Public Safety	-	53 819 725

##### Unauthorised expenditure - CAPEX

Vote 3 - Corporate Services	-	37 898 758
Vote 4 - Finance	-	2 299
	<b>1 125 802 477</b>	<b>1 343 141 552</b>

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

Non-cash	146 772 996	662 881 167
Cash	1 378 563 961	1 030 253 051
	<b>1 525 336 957</b>	<b>1 693 134 218</b>

The total overspend per line item as per the Statement of Financial Performance does not agree to the total overspend as per the departmental votes due to certain departmental votes not being overspent in total, but includes line items which is overspent per line item on the Statement of Financial Performance.

#### Analysed as follows: non-cash

Debt impairment	47 817 801	323 496 091
Depreciation and amortisation	66 951 606	282 524 139
Impairment loss	-	54 865 231
Inventory losses/write-downs	4 302 059	1 995 706
Loss on disposal of assets	27 701 530	-
	<b>146 772 996</b>	<b>662 881 167</b>



## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 64. Unauthorised expenditure (continued)

#### Analysed as follows: cash

##### Operational expenditure

Bulk purchases	485 648 141	386 735 751
Contracted services	84 219 632	47 377 516
Employee related cost	183 713 163	40 180 910
Finance costs	293 523 110	262 464 609
General expenditure	276 986 513	189 720 379
Grants, transfers and subsidies	54 473 402	72 149 413

##### Capital expenditure

Intangible assets	-	31 624 473
	<b>1 378 563 961</b>	<b>1 030 253 051</b>

#### Disciplinary steps taken/criminal proceedings

No investigations were performed or disciplinary steps taken during the year.

#### Other information

Unauthorised expenditure figures disclosed above have been presented in this set of Annual Financial Statements are exclusive of VAT, for both the current and prior financial years.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>65. Fruitless and wasteful expenditure</b>		
Opening balance as previously reported	448 506 744	325 987 004
Add: Fruitless and wasteful - current year	27 643 504	117 547 457
Add: Previous year identified in current year	-	4 972 283
Less: Amount written off by service providers	(192 309 887)	-
<b>Closing balance</b>	<b>283 840 361</b>	<b>448 506 744</b>

Fruitless and wasteful expenditure is presented inclusive of VAT

Expenditure identified in the current year include those listed below:

Class of fruitless expenditure	Details		
Interest and penalties (late payments)	Benetech	-	581 289
	Down Touch Investments	-	325 462
	Eskom	261 878	98 827
	FSPG: Police, Road and Transport	825 602	448 411
	Khanya Lesedi Trading	-	440 738
	Maine Management Consultants	-	1 243 201
	Molefi Thoabala	-	874 369
	Mthombeni & Associates Consulting	1 574 792	-
	Nkungama MG	201 742	-
	Phiriphiri Security Services	-	664 663
	Razzmatazz	-	1 152 288
	SALA Pension Fund	4 295 522	3 246 752
	Seqhobong Construction	277 373	-
	Vaal Central Water (Bloemwater)	5 253 456	103 152 811
	Vemisani Security Services	-	640 692
	Other payables and suppliers	704 112	1 174 724
Overpayments	To various suppliers	-	2 115 072
	Botshabelo West	1 815 492	-
	Mangaung employees	845 437	-
	Refurbishment of Maselspoort	2 225 817	-
	WTW - additional VO approved	-	-
Fines	Free State Traffic	-	850
Delays on capital projects (Interest and standing time paid)	Refurbishment of Hamilton Water Pump Station	-	316 368
	Widening of Vereeniging Avenue	-	6 043 223
	Dual Carriage Way T1534B	-	-
	-	-	-
Vandalism of capital projects	Development of Vista Park 3	9 362 281	-
		<b>27 643 504</b>	<b>122 519 740</b>

No investigations were performed during the year and no amounts were approved to be written off.

Vaal Central Water (Bloemwater) wrote-off R192,309,887 of interest accrued over the past few years in the current financial year. This write-off was due to negotiations between the municipality and Vaal Central Water (Bloemwater) and that the municipality complied with the approved repayment plan between the entities.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>66. Irregular expenditure</b>		
Opening balance as previously reported	3 398 426 957	3 123 242 828
Add: Irregular expenditure - current	182 608 408	276 678 025
Add: Irregular expenditure - prior year	78 152 755	-
Less: Amount recovered - prior year	(1 543)	(1 493 896)
<b>Closing balance</b>	<b>3 659 186 577</b>	<b>3 398 426 957</b>

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

Description	Disciplinary steps taken		
Expenditure items identified where supply chain processes were not followed	None	90 416 688	276 458 247
Councillors whose remuneration was overpaid, contrary to the requirements of the Remuneration of Public Office Bearers, Act 20 of 1998	Prior year reduced, current year still under investigation	567 757	219 778
Employees who worked overtime in excess of the maximum thresholds permitted by the Basic Conditions of Employment Act during the 2023/2024 financial year	None	67 995 110	-
Employees who worked overtime in excess of the maximum thresholds permitted by the Basic Conditions of Employment Act during the 2024/2025 financial year	None	71 448 901	-
Contract amount exceeded	None	6 491 095	-
Deviation from personal security gazette guidelines during the 2023/2024 financial year	None	10 157 645	-
Deviation from personal security gazette guidelines during the 2024/2025 financial year	None	13 683 967	-
		<b>260 761 163</b>	<b>276 678 025</b>

The amounts disclosed are inclusive of VAT.

### Disciplinary steps taken/criminal proceedings:

No investigations were performed or disciplinary steps taken during the year.

### Amounts recovered:

Councillors were overpaid due to upper limit differences during the current and prior financial year by R567,757 (2024: R219,778).

As a result of the revised Government Gazette, no. 51407, the amount for the 2023/2024 financial year was recalculated, resulting in reduced overpayments of R478,225. R1,543 of the R219,778 prior period overpayment has been recovered through the councillors backpay adjustments, the remaining amount relates to overpayments to terminated councillors and could not be recovered.

### Other information:

The nature, cause and circumstances of the irregular identified are indicative of other similar irregular expenditure in the population. The irregular expenditure disclosed is not complete as management is still in the process of quantifying the full extent of irregular expenditure. Accordingly, the entire population will be investigated during the next financial year, to determine the full extent of irregular expenditure.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>67. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government (SALGA)</b>		
Current year subscription / fee	19 894 406	18 592 903
Amount paid - current year	(19 894 406)	(18 592 903)
	-	-
<b>Audit fees (Excluding VAT)</b>		
Opening balance	174 270	593 437
Amount paid - current year	(25 805 035)	(25 112 852)
Amount paid - previous years	(174 270)	(563 079)
Current year fees	26 133 828	25 287 122
Non-adjusting prior period error	-	(30 358)
	<b>328 793</b>	<b>174 270</b>
<b>PAYE, UIF and SDL</b>		
Opening balance	(13 148)	22 821 028
Amount paid - current year	(416 912 708)	(362 540 538)
Amount paid - previous years	-	(22 834 243)
Current year fees	416 912 991	362 526 335
Non-adjusting prior period error	-	13 215
Penalties and interest	50	1 055
	<b>(12 815)</b>	<b>(13 148)</b>
<b>Pension and Medical Aid Deductions</b>		
Opening balance	-	37 135 285
Amount paid - previous years	-	(37 135 285)
Current year payroll deductions and council contributions	493 770 620	465 762 683
Amount paid - current year	(493 770 620)	(465 762 683)
	-	-
<b>VAT</b>		
VAT receivable	16 749 198	6 666 931
All VAT returns have been submitted by the due date throughout the year.		
<b>Bulk water losses</b>		
Material bulk water losses are not recoverable.		
The main reason for incurring water losses relate to burst water pipes, leaks and illegal connections.		
Refer to note 52 for further information on the water loss amount.		
<b>Grants withheld</b>		
The following amounts were withheld by National Treasury due to the slow implementation of projects. The amounts were subsequently forfeited.		
Expanded Public Works Programme Incentive Grant	-	183 852
Finance Management Grant	-	120 208
Informal Settlements Upgrading Partnership Grant	43 529 819	115 228 772
Programme and Project Preparation Support Grant	-	4 089 154
Public Transport Network Grant	91 908 038	145 453 626
Urban Settlement Development Grant	5 543 101	31 579 848
	<b>140 980 958</b>	<b>296 655 460</b>

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

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### 68. Deviation from supply chain management regulations

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

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

For the current financial year there were instances where goods and services were procured and deviated from the normal Supply Chain Management Policy, as provided for in sections 15.8.3 and 16.3.1 of the Supply Chain Management Policy.

#### Class of deviation in amounts

Emergency	873 100	-
Exceptional case	4 861 055	14 121 725
Ratifying of SCM procedures	7 960 528	-
Sole supplier	6 070 215	5 442 086
	<b>19 764 898</b>	<b>19 563 811</b>

#### Class of deviation in numbers

Emergency	2	-
Exceptional cases	242	350
Ratifying of SCM procedures	1	-
Sole supplier	9	13
	<b>254</b>	<b>363</b>

### 69. Subsequent events

The accounting officer is aware of the following matters and/or circumstances arising since the end of the financial year:

- On 11 November 2025, the municipality received correspondence from the National Treasury indicating its intention to invoke section 216(2) of the Constitution and section 38 of the MFMA, arising from ongoing concerns relating to compliance with section 32 of the MFMA on the prevention and resolution of unauthorised, irregular, and fruitless and wasteful expenditure. The letter notes that National Treasury may withhold the December 2025 equitable share tranche unless the municipality provides sufficient reasons within 14 days for the decision to be reconsidered. While this development may influence the municipality's short-term cash flows, service-delivery commitments, and operational funding, the potential financial impact cannot yet be reliably determined. The municipality has submitted the required representations to National Treasury, and the outcome of this process was still pending.
- Subsequent to the reporting date, the municipality received a Labour Court judgment relating to the implementation of a revised shift system for municipal employees. The Court found that the municipality had not fully met the consultation requirements when amending working hours and conditions and directed that previous working arrangements be reinstated. As a result, the implementation of the new shift system has been paused pending the finalisation of the municipality's appeal. The financial implications of this judgment are not yet reasonably measurable. The appeal process is currently under way, and the final outcome remains outstanding.
- On 31 July 2025, Council considered and resolved to write-off old debts from closed accounts, totalling R26,57 million across 5 299 accounts. Council further approved the write-off of interest raised on municipal debtor accounts as of 30 June 2025, amounting to R2,90 billion across 217 517 accounts.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

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### 70. Budget differences

#### Material differences between budget and actual amounts

The following are explanations for material variances of more than 10% between budget and actual amounts.

#### Financial Performance:

##### 70.1 Service charges:

The variance is attributed to customers consuming more than anticipated during the budget process and the increased demand in water consumption.

##### 70.2 Rental of facilities and equipment:

The variance is due to less rental revenue generated than anticipated due to current economic conditions and the high cost of living.

##### 70.3 Other income from exchange transactions:

The variance is due to lower revenue collected for rendering services than anticipated and the separate disclosure of service concession arrangements which was budgeted as part of other income from exchange transactions.

##### 70.4 Interest received from exchange transactions:

The variance is mainly due to increased consumer receivables from exchange transactions, especially on the debtors over 90 days due, increasing the interest charged on consumer receivables.

##### 70.5 Dividends received:

Immaterial amount.

##### 70.6 Service concession arrangements:

The service concession arrangements were budgeted for as part of other income from exchange transactions but remained consistent year to year.

##### 70.7 Commission received:

The variance is due to the increased commission received by the Fresh Produce Market.

##### 70.8 Transport fees:

Less income from tickets sales of IPTN bus services were generated than anticipated.

##### 70.9 Property rates:

The difference is due to a conservative budgeting approach to property rates and new developments and building alterations during the year.

##### 70.10 Interest received from non-exchange transactions:

The variance is due to an increase in accounts receivable from non-exchange transactions, especially on the debtors over 90 days due, resulting in an increase in interest received from non-exchange transactions, which was not anticipated with the budget.

##### 70.11 Fines, penalties and forfeits:

Council approved the write-off of the unallocated or unclaimed deposits of the suspense accounts older than three years. In addition, various sundry accounts were prescribed. These amounts were not budgeted for as they were not anticipated.

##### 70.12 Government grants & subsidies:

The variance is due to funds surrendered to the Treasury and the decreased budget allocations from the Treasury, which was below the expected norm.

##### 70.13 Public contributions and donations:

Immaterial amount.

##### 70.14 Municipal debt relief:

Settlement discount was received from Vaal Central Water that was not anticipated or budgeted for due to contractual obligations to be met.

##### 70.15 Employee related cost:

The variance is due to annual salary increases, overtime, and leave pay provisions, which were slightly more than anticipated.

##### 70.16 Remuneration of councillors:

The variance is due to the less-than-anticipated adjustment of the upper limits of councillors in terms of the SALGA resolution.

## Notes to the Annual Financial Statements

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### 70. Budget differences (continued)

#### 70.17 Depreciation and amortisation:

The variance is due to under-estimation of the depreciation and amortisation values, which are influenced by the condition assessment of individual assets at year-end and the revaluation of assets at the end of the prior financial year.

#### 70.18 Finance cost:

The variance is due to an insufficient budget for finance charges on borrowings, trade payables and the employee benefit obligation.

#### 70.19 Debt impairment:

The variance is due to the result of the high rate of uncollectibility of debtors and the unpredictable movement of the consumer debtors' accounts.

#### 70.20 Bulk purchases:

The variance is due to the high unexpected water losses incurred due to the ageing water infrastructure and the increase demand of water consumption by customers.

#### 70.21 Contracted services:

The variance is attributable to increased costs of services linked to increased fuel prices and the current economic conditions and the implementation and operation of the IPTN bus services.

#### 70.22 Grants, transfers and subsidies:

The variance is due to additional funding that was received to be transferred to Centlec (SOC) Ltd, which was not budgeted for.

#### 70.23 General expenses:

The variance is mainly attributable to the significant increase in the cost of electricity and increased costs of general expenditure items.

#### 70.24 Inventory losses/write-downs:

The conditions that give rise to losses are unpredictable when preparing the budget.

#### 70.25 Gain on biological assets:

The variance is due to revaluation adjustments and natural attrition of the living resources, which were not budgeted for.

#### 70.26 Remeasurement of provision:

The variance is mainly due to the upward revaluation of the quarries and landfill sites which was not anticipated when the budget was prepared.

#### 70.27 Remeasurements of the net defined benefit liability:

The variance is mainly due to a separate budget not provided for employee benefits.

#### 70.28 Fair value adjustments:

The variance is mainly due to an increase in the valuation of Investment Property, which was not anticipated when the budget was prepared.

#### 70.29 Impairment loss:

The entity did not expect to lose any value in assets through impairment and thus did not budget for this type of expenditure, but it is also linked to the inventory valuation process at year end that is not taken into account during the budget preparation process. Other items include the impairment of Property, plant and equipment whose recoverable amounts are not readily available at the time of budget preparation thus are not taken into account.

#### 70.30 Gain/(loss) on disposal of assets and liabilities:

The proceeds on disposals are unpredictable at the time of preparing the budget. Asset disposals have decreased since the prior year.

#### Financial Position:

#### 70.31 Current assets:

The variance is less than 10% (but material), but the variance is due to more cash in the bank than anticipated in the budget. Additionally, the intercompany balances between the metro and Centlec (SOC) Ltd are not budgeted for in the consolidated budget. As a result, the variance is affected by the Centlec intercompany loan included under current assets. A VAT receivable was also not provided for in the budget process.

#### 70.32 Non-current assets:

The variance is less than 10% (but material). The budget process is affected by unpredictability in the revaluation of investment property, landfill sites, and quarries, the timing of asset completion that affects the depreciation charge, and impairment losses. There was also an underspending of capital grants.

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 70. Budget differences (continued)

#### 70.33 Current liabilities:

The variance can be attributable to an increase in bulk water purchases, comprising the price per kilo-liter, the increase in quantity, and significant water losses. Additionally, the variance is aligned with the increased contracted services and general expenses and the current portion of provisions and employee benefits is unpredictable at the time of preparing the budget due to estimations.

#### 70.34 Non-current liabilities:

The variance is due to the budget differences on Freshco and land availability service concessions. Provisions and defined employee benefit liabilities are unpredictable during budget preparation due to the estimations involved.

#### 70.35 Reserves:

The variance is due to the impact of over- and underperformance on revenue and expenditure items, as indicated above under financial performance and financial position.

#### 70.36 Cash flow:

The variance is due to the impact of the over and under performance on revenue and expenditure items as indicated above under financial performance and financial position.

### 71. Change in estimate

#### Property, plant and equipment

For the following classes of property, plant and equipment the remaining useful lives were adjusted to a minimum remaining useful life of 3 years.

Condition assessments were also performed on the community assets therefore also a change in estimate effect.

It is impractical to estimate the effect on future periods as the remaining useful lives are reviewed at each reporting date.

The effect of the change has resulted in a change in depreciation as follows:

	Depreciation before change in estimate	Change in depreciation	Depreciation after change in estimate
Community - Landfill sites and quarries	19 395 680	(164 203)	19 231 478
Community - Other	29 483 956	(292 120)	29 191 835
Fleet	42 759 894	(6 895 948)	35 863 946
Infrastructure - Roads and roads related	248 968 290	43 387 465	292 355 755
Infrastructure - Sanitation network	120 369 682	(23 115 260)	97 254 423
Infrastructure - Water network	72 085 873	(3 439 683)	68 646 190
Intangible assets	489 759	(219 002)	270 757
Other property, plant and equipment	13 068 403	(2 382 987)	10 685 417
	<b>546 621 537</b>	<b>6 878 262</b>	<b>553 499 801</b>



## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 72. Prior-year adjustments

Presented below are those items contained in the statement of financial position and statement of financial performance that have been affected by prior-year adjustments:

#### Statement of Financial Position

	Audited 2024	Prior year adjustments	Re-classification	Restated 2024
<b>Assets</b>				
Current assets				
Inventory	425 668 038	(2)	-	425 668 036
Other receivables from exchange transactions	115 663 079	(54 781 599)	-	60 881 480
VAT receivable	176 699 187	11 126 427	(181 158 683)	6 666 931
Centlec intercompany loan	821 949 485	348 272	-	822 297 757
VAT input tax accrual and provision for VAT impairment	-	(91 793 577)	385 807 033	294 013 456
	<b>1 539 979 789</b>	<b>(135 100 479)</b>	<b>204 648 350</b>	<b>1 609 527 660</b>
Non-current assets				
Property, plant and equipment	11 533 275 481	(46 706 825)	-	11 486 568 656
Intangible assets	88 481 114	(818 164)	-	87 662 950
Heritage assets	258 244 752	3 496 200	-	261 740 952
	<b>11 880 001 347</b>	<b>(44 028 789)</b>	<b>-</b>	<b>11 835 972 558</b>
<b>Total Assets</b>	<b>13 419 981 136</b>	<b>(179 129 268)</b>	<b>204 648 350</b>	<b>13 445 500 218</b>
<b>Liabilities</b>				
Current liabilities				
Payables from exchange transactions	1 726 878 524	34 654 409	-	1 761 532 933
Payables from non-exchange transactions	172 979 509	(10 560 486)	-	162 419 023
Consumer deposits	33 693 611	4 728	-	33 698 339
VAT output tax accrual	-	-	204 648 350	204 648 350
	<b>1 933 551 644</b>	<b>24 098 651</b>	<b>204 648 350</b>	<b>2 162 298 645</b>
<b>Total Liabilities</b>	<b>1 933 551 644</b>	<b>24 098 651</b>	<b>204 648 350</b>	<b>2 162 298 645</b>
<b>Net Assets</b>				
Reserves				
Revaluation reserve	867 976 243	(727 166)	-	867 249 077
Accumulated surplus	12 459 229 134	(202 500 749)	-	12 256 728 385
<b>Total Net Assets</b>	<b>13 327 205 377</b>	<b>(203 227 915)</b>	<b>-</b>	<b>13 123 977 462</b>

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 72. Prior-year adjustments (continued)

#### Statement of Financial Performance

	Audited 2024	Prior year adjustments	Re-classification	Restated 2024
Revenue				
Revenue from exchange transactions				
Other income from exchange transactions	35 453 858	849 681	-	36 303 539
Total revenue from exchange transactions	<b>35 453 858</b>	<b>849 681</b>		<b>36 303 539</b>
Revenue from non-exchange transactions				
Transfer revenue				
Living resources	630 600		(630 600)	
Total revenue from non-exchange transactions	630 600		(630 600)	
Expenditure				
Depreciation and amortisation	579 973 028	(187 392)	-	579 785 636
Finance cost	307 525 018	1 047 121	-	308 572 139
Contracted services	585 841 842	61 363 563	-	647 205 405
General expenses	483 021 480	3 194 662	-	486 216 142
Total expenditure	<b>1 956 361 368</b>	<b>65 417 954</b>	-	<b>2 021 779 322</b>
Operating surplus				
Gain on biological assets	-	-	630 600	630 600
Fair value adjustments	3 264 841	549 975	-	3 814 816
Surplus for the year	-	<b>(64 018 298)</b>	-	-

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 72. Prior-year adjustments (continued)

#### 72.1 Accruals

Contracted services	5 469 698
VAT receivable	2 827 380
Payables from exchange transactions	(23 184 314)
General expenses	2 500 923
Property, plant and equipment	10 885 656
Accumulated surplus	1 500 657
	<u>-</u>

During the year under review, expenditure items that should have been accrued for or reversed in the prior year were identified, as were accruals with incorrect amounts. The errors were subsequently corrected, and the adjustments were made retrospectively to the prior year figures.

#### 72.2 Consumer deposits

Consumer deposits	(4 728)
Accumulated surplus	4 728
	<u>-</u>

An error was identified between the billing integration reports and the general ledger. A reconciliation was performed and the errors were subsequently corrected. The adjustments were made retrospectively to the prior year figures.

#### 72.3 Debtors collection commission

Contracted services	53 856 825
Other receivables from exchange transactions	(53 856 825)
	<u>-</u>

This adjustment was to correctly account for the commission on debt collection services performed. The adjustment was made retrospectively to the prior year figures.

#### 72.4 Expenditure capitalised which should have been expensed

Depreciation and amortisation	(14 553)
Property, plant and equipment	(337 948)
Accumulated surplus	352 501
	<u>-</u>

During the year under review, certain expenditure items were identified which were incorrectly capitalised in the prior year. The population was revisited to determine the full extent. The adjustments were made retrospectively to the prior year figures.

#### 72.5 Fleet written off

Depreciation and amortisation	(96 701)
Property, plant and equipment	(1 696 393)
Accumulated surplus	1 793 094
	<u>-</u>

During the year under review, certain fleet was identified that had to be written-off. The adjustments were made retrospectively to the prior year figures.

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 72. Prior-year adjustments (continued)

#### 72.6 Intangible assets

Depreciation and amortisation	(93 028)
Intangible assets	(818 164)
Accumulated surplus	911 192
	-

During the year under review, certain items of intangible assets in the intangible asset register could not be verified and were subsequently corrected. The adjustments were made retrospectively to the prior year figures.

#### 72.7 Legal cases

Contracted services	1 438 518
Other receivables from exchange transactions	(924 774)
VAT receivable	373 595
Payables from exchange transactions	(14 350 958)
Finance cost	1 047 121
Accumulated surplus	12 416 498
	-

During the year under review, certain expenditure items relating to legal cases were paid, however the amounts paid relate to prior year legal costs and their respective splits. The adjustments were made retrospectively to the prior year figures.

#### 72.8 Rollup of votes (Centlec intercompany telephone expense)

Centlec intercompany loan	348 272
Telephone and fax	(348 272)
	-

At the end of the prior year audit, certain adjustments were not effected in the prior year general ledger, before the system closure. This adjustment aims to correct the rollup of the votes on the Solar system.

#### 72.9 Staff recoveries

Payables from exchange transactions	2 711 900
Sundry income	(849 681)
Accumulated surplus	(1 862 219)
	-

During the year under review, it has been identified that certain staff recoveries have been incorrectly accounted for, and has subsequently been correctly reallocated. The adjustments were made retrospectively to the prior year figures.

#### 72.10 Unallocated deposits

Payables from non-exchange transactions	10 560 486
Accumulated surplus	(10 560 486)
	-

During the year under review, certain deposits which previously were unallocated have been substantiated and properly accounted for. The adjustments were made retrospectively to the prior year figures.

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 72. Prior-year adjustments (continued)

#### 72.11 Unbundling of Property, plant and equipment

Depreciation and amortisation	4 192
Property, plant and equipment	545 783
Fair value adjustments	(549 975)
	-

During the year under review, certain assets were unbundled. The population was revised to determine the full extent. The adjustments were made retrospectively to the prior year figures.

#### 72.12 VAT apportionment

Contracted services	598 522
Inventory	(2)
VAT receivable	7 925 452
Depreciation and amortisation	12 697
General expenses	1 042 011
Property, plant and equipment	573 870
Accumulated surplus	(10 152 550)
	-

The VAT apportionment was revisited and, due to the change in the apportionment percentage, certain expenditure items were subsequently corrected. The adjustments were made retrospectively to the prior year figures.

#### 72.13 Work in progress correction

Property, plant and equipment	(168 969)
Payables from exchange transactions	168 969
	-

During the year under review, it was identified that a payment certificate's retention amount should have been adjusted for in the prior year, and should not have remained in work in progress. The adjustment was made retrospectively to the prior year figures.

#### 72.14 Gain on biological assets

Living resources	(630 600)
Gain on biological assets	630 600
	-

During the year under review, it was identified that gains on living resources should have been disclosed under gain on biological assets rather than transfer revenue on the statement of financial position. The reclassification was made retrospectively to the prior year figures.

#### 72.15 Hillside View WIP

Property, plant and equipment	(53 681 824)
Accumulated surplus	53 681 824
	-

During the year under review, it was identified that the provision raised for the development of Hillside View should have been reversed. The adjustments were made retrospectively to the prior year figures.

#### 72.16 Heritage assets

Property, plant and equipment	(2 827 000)
Heritage assets	3 496 200
Revaluation reserve	727 166
Accumulated surplus	(1 396 366)
	-

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 72. Prior-year adjustments (continued)

During the year under review, it was identified that certain cemeteries have been accounted for as land, but should be classified as heritage assets. The adjustments were made retrospectively to the prior year figures.

#### 72.17 VAT take on balances

VAT input tax accrual and provision for VAT impairment	(91 793 577)
Accumulated surplus	91 793 577
	-

During the year under review, it was identified that certain balances relating to VAT could not be substantiated, as it relates to take on balances when moving from the old system to Solar in the 2017/2018 financial year. The adjustments were made retrospectively to the prior year figures.

#### 72.18 VAT classification

Other receivables from exchange transactions	385 807 033
VAT receivable	(181 158 683)
Payables from exchange transactions	(204 648 350)
	-

During the year under review, it was identified that VAT was incorrectly classified in accordance with GRAP. The reclassification was made retrospectively to the prior year figures.

#### 72.19 Government grants

Government grants and subsidies	36 045 997
Government grants and subsidies	(36 045 997)
	-

During the year under review, it was identified that the Public Transport Network Grant was incorrectly disclosed between operational and capital. The reclassification was made retrospectively to the prior year figures.

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 73. Segment information

#### General information

##### Identification of segments

The municipality considers internal sources of information in identifying reportable segments. These include the IDP, SDBIP, Budget and monthly and quarterly reporting.

For management purposes, the municipality is organised and operates in eight key functional segments (or business units) as well as governance and administration units. To this end, management monitors the operating results of these segments for the purpose of making decisions about resource allocations and assessment of performance. Segments were aggregated for reporting purposes.

Revenue and expenditure relate to segments are allocated at a transactional level.

##### Aggregated segments

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

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (if any):

##### Types of goods and/or services by segment

##### The eight key functional segments comprise of:

##### Finance

Finance department is charged with the responsibility of budget and treasury. It is also responsible for the financial wellness of the city including generating revenue and billing, maintaining financial records, financial reporting and encourages responsible spending in terms of relevant legislations. It incorporates organisational billing process and generates tax revenue such as property rates and other tax.

##### Water Services

Municipality provides water as one of the basic services to the community. This is one of main revenue stream of the municipality billed on a monthly basis in some cases when used. There is availability charge and additionally billing based on usage (pre-paid water or conventional meters billed monthly).

##### Waste Water and Sanitation Services

Municipality provides sewer systems for residents, businesses and government as one of the basic services. This is one of main revenue stream of the municipality billed on a monthly basis in on the bases of property value.

##### Human Settlements and Rural Development

The directorate is charged with the responsibility of developing and providing housing and dwellings for the residents of the city. Funding is generated mainly through grants and internally generated revenue.

##### Road and Infrastructure

The department is charged with developing and maintaining strategic infrastructure that mainly provides service delivery (e.g. Roads, Water, Sewer, Refuse, etc.). Revenue is mainly generated through Grants.

##### Community Services and Public Safety

The department is charged with the responsibility of improving the well-being of every individual in society so they can reach their full potential. Social development means investing in people (e.g. maintaining of parks, Zoo and museums, interactions, wellness and health).

Public Safety is charged with the responsibility of keeping order in the city and ensuring compliance with relevant legislation (e.g. Criminal Procedures act). Public Safety includes traffic department and law enforcement. Social and Public Safety includes the Mangaung Metro Unit.

**Notes to the Annual Financial Statements**

Figures in Rand	2025	2024
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**73. Segment information (continued)**

**Refuse Removal Services**

Municipality provides Refuse collections as one of the basic services to the community. This is one of main revenue stream of the municipality billed on a monthly basis in some cases when provided. Refuse removal is billed based on the nature of collections, business, government, complex or residential.

**Public Transport (IPTN)**

Public transport network, is a transport management system developed by the municipality to assist the city in improving the means of transport and the traffic flow within the municipality.

**Other units:**

The following non-economic units (i.e. indirectly responsible for service delivery) are aggregated and included in the segment report for purpose of disclosing the reconciliation of the information in the segment report to the financial statements.

**Governance and Administration**

Support and administration are obtained from corporate services, office of the City Manager, Political offices, economical and rural development, Town planning and similar functions. Ensuring that structures and governance processes are in place and aligned to achieve the strategic objectives of the municipality in line with the relevant legislations. It also ensures that citizens are given sufficient information, opportunity and encouragement to participate in and influence the affairs of the municipality.



# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand

### 73. Segment information (continued)

#### Segment surplus or deficit, assets and liabilities

2025

	Finance	Water Services	Waste Water and Sanitation Services	Human Settlements and Rural Development	Road and Infrastructure	Community Services and Public Safety	Refuse Removal Services	Public Transport (IPTN)	Other: Governance and Administration	Total
<b>Revenue</b>										
Revenue from exchange transactions	8 478 106	1 518 801 599	530 055 676	50 376 253	15 837 467	12 059 307	190 519 856	14 138 795	64 559 355	2 404 826 414
Revenue from non-exchange transactions	3 584 484 303	378 998 228	166 181 492	-	-	339 610 655	-	-	1 538 382	4 470 813 060
Interest revenue	602 897 106	423 267 592	116 901 151	-	-	-	53 213 557	-	493 045	1 196 772 451
<b>Total segment revenue</b>	<b>4 195 859 515</b>	<b>2 321 067 419</b>	<b>813 138 319</b>	<b>50 376 253</b>	<b>15 837 467</b>	<b>351 669 962</b>	<b>243 733 413</b>	<b>14 138 795</b>	<b>66 590 782</b>	<b>8 072 411 925</b>
<b>Entity's revenue</b>										<b>8 072 411 925</b>
<b>Expenditure</b>										
Employee related costs	240 574 806	151 164 550	133 588 858	95 451 217	133 786 818	703 664 079	12 821 076	15 389 400	573 701 653	2 060 142 457
Remuneration of councillors	-	-	-	-	-	-	-	-	77 818 081	77 818 081
Depreciation and amortisation	11 734 782	84 621 970	97 312 739	-	331 273 566	47 649 433	-	-	40 974 160	613 566 650
Finance costs	108 493 870	-	22 278 073	-	-	-	-	-	188 743 622	319 515 565
Debt impairment	442 817 734	1 252 889 078	246 011 778	32 878 698	-	7 580 075	102 927 265	-	222 805	2 085 327 433
General expenditure	135 257 360	6 696 382	559 967	20 413 471	134 708 646	24 112 908	(1 277 083)	872 431	209 673 379	531 017 461
Bulk purchases	-	987 832 264	-	-	-	5 515 877	-	-	-	993 348 141
Contracted services	80 760 979	99 576 351	128 199 694	11 057 226	37 402 134	165 027 654	-	64 053 490	74 124 159	660 201 687
Grants and subsidies paid	54 834 783	-	-	-	-	-	-	-	-	54 834 783
Gains and losses	10 938 593	31 752 972	26 098 989	(13 533 379)	251 044	16 837 821	3 390 687	-	(64 356 558)	11 380 169
<b>Total segment expenditure</b>	<b>1 085 412 907</b>	<b>2 614 533 567</b>	<b>654 050 098</b>	<b>146 267 233</b>	<b>637 422 208</b>	<b>970 387 847</b>	<b>117 861 945</b>	<b>80 315 321</b>	<b>1 100 901 301</b>	<b>7 407 152 427</b>
<b>Total segmental surplus/(deficit)</b>	<b>3 110 446 608</b>	<b>(293 466 148)</b>	<b>159 088 221</b>	<b>(95 890 980)</b>	<b>(621 584 741)</b>	<b>(618 717 885)</b>	<b>125 871 468</b>	<b>(66 176 526)</b>	<b>(1 034 310 519)</b>	<b>665 259 498</b>

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand

### 73. Segment information (continued)

2024

	Finance	Water Services	Waste Water and Sanitation Services	Human Settlements and Rural Development	Road and Infrastructure	Community Services and Public Safety	Refuse Removal Services	Public Transport (IPTN)	Other: Governance and Administration	Total
<b>Revenue</b>										
Revenue from exchange transactions	8 491 109	1 267 373 127	475 633 599	49 257 153	15 837 467	9 841 688	182 417 091	-	55 061 600	2 063 912 834
Revenue from non-exchange transactions	2 915 914 788	354 352 180	154 794 246	-	-	307 715 492	-	-	736 509	3 733 513 215
Interest revenue	531 077 230	375 479 382	102 444 308	-	-	-	47 793 605	-	463 679	1 057 258 204
<b>Total segment revenue</b>	<b>3 455 483 127</b>	<b>1 997 204 689</b>	<b>732 872 153</b>	<b>49 257 153</b>	<b>15 837 467</b>	<b>317 557 180</b>	<b>230 210 696</b>	<b>-</b>	<b>56 261 788</b>	<b>6 854 684 253</b>
<b>Entity's revenue</b>										<b>6 854 684 253</b>
<b>Expenditure</b>										
Employee related costs	224 627 250	144 384 393	123 156 520	94 025 320	132 507 359	653 583 041	9 472 953	15 761 309	507 409 725	1 904 927 870
Remuneration of councillors	-	-	-	-	-	-	-	-	74 551 839	74 551 839
Depreciation and amortisation	10 103 354	85 981 229	119 980 592	-	279 288 780	43 253 170	(29 719)	-	41 208 230	579 785 636
Finance costs	113 391 521	-	35 693 363	-	-	-	-	-	159 487 256	308 572 140
Debt impairment	324 637 931	826 411 965	34 727 032	37 602 766	-	7 619 996	295 944 898	-	(95 507)	1 526 849 081
General expenditure	125 226 733	1 408 693	3 742 070	12 386 053	129 152 632	27 732 370	(1 267 435)	237 599	187 597 418	486 216 133
Bulk purchases	-	910 222 228	-	-	-	4 371 524	-	-	-	914 593 752
Contracted services	74 193 552	49 372 195	117 675 983	22 353 450	56 246 196	222 874 543	-	22 049 154	82 440 332	647 205 405
Grants and subsidies paid	72 173 913	-	-	-	-	-	-	-	-	72 173 913
Gains and losses	1 850 146	14 169 662	-	(3 241 585)	9 569 623	47 821 152	-	-	(137 742 764)	(67 573 766)
<b>Total segment expenditure</b>	<b>946 204 400</b>	<b>2 031 950 365</b>	<b>434 975 560</b>	<b>163 126 004</b>	<b>606 764 590</b>	<b>1 007 255 796</b>	<b>304 120 697</b>	<b>38 048 062</b>	<b>914 856 529</b>	<b>6 447 302 003</b>
<b>Total segmental surplus/(deficit)</b>	<b>2 509 278 727</b>	<b>(34 745 676)</b>	<b>297 896 593</b>	<b>(113 868 851)</b>	<b>(590 927 123)</b>	<b>(689 698 616)</b>	<b>(73 910 001)</b>	<b>(38 048 062)</b>	<b>(858 594 741)</b>	<b>407 382 250</b>

# Mangaung Metropolitan Municipality

Appendix A to the Annual Financial Statements for the year ended 30 June 2025

## Councillors' arrear consumer accounts (over 90 days)

Surname & Initials	July 24	August 24	September 24	October 24	November 24	December 24	January 25	February 25	March 25	April 25	May 25	June 25
Banyane Z N	42 689	42 978	43 293	43 668	44 071	44 475	44 875	45 275	45 671	46 067	46 459	46 852
Bothma AF	-	-	7 017	6 923	3 815	4 467	-	-	-	-	-	-
Bouwer CL	15 184	14 594	13 985	12 112	10 238	8 365	6 492	4 619	2 745	872	-	-
De Bruin J M	123 875	126 258	128 639	131 137	133 632	136 142	138 465	140 791	143 121	145 452	147 776	150 155
De-huis D J	8 501	8 786	9 075	9 386	9 701	10 017	10 335	10 655	10 575	10 997	10 420	10 846
Dintlhwane M A	25 287	25 763	26 241	26 727	27 215	27 706	28 196	28 688	29 180	29 674	30 166	30 661
Hashatsi R	75 327	76 214	77 148	78 143	79 156	80 133	81 120	82 111	83 084	84 063	85 008	85 986
Jonas-Malephane V E	5 767	5 139	6 008	6 923	6 597	6 271	5 945	5 619	5 284	5 275	4 633	4 605
Klaasen R S	32	33	33	33	33	33	33	33	34	34	34	34
Kotze P M	1 280	-	-	1 417	1 813	1 213	1 617	2 014	1 415	1 310	1 708	1 101
Kruger C L	412 650	422 159	431 999	436 109	445 932	455 866	465 731	475 654	480 716	490 086	491 019	501 291
Lekgetho L W	75 979	77 357	78 782	80 225	81 676	83 150	84 620	86 085	87 519	89 015	90 494	91 967
Lekhwele M J	9 561	9 722	9 884	10 092	10 273	10 456	7 172	7 272	7 318	7 360	7 456	7 510
Letawana M M	84 621	75 438	76 165	60 528	47 692	37 223	28 508	25 077	18 977	17 413	10 551	10 551
Mabena M J	-	32 481	30 768	30 893	33 083	33 083	33 457	33 871	29 853	31 943	-	-
Makau PE	102 785	102 611	101 967	101 752	101 529	101 270	100 026	98 794	97 560	97 835	95 654	95 654
Maliela M E	97 870	80 552	81 715	82 916	98 516	95 304	93 082	89 305	85 528	85 528	78 001	78 001
Mathe L J	403 972	407 352	410 182	413 086	412 704	412 793	413 231	413 348	409 937	409 937	403 319	403 319
Matobole M A	90 518	93 149	95 785	90 089	92 875	95 682	97 427	99 129	101 044	103 854	106 660	109 535
Matsephe D E	9 357	9 599	9 837	10 091	10 343	10 597	10 680	10 765	10 680	10 680	9 505	9 505
Matsoso MF	9 187	9 253	11 077	11 317	10 959	11 213	11 339	11 411	11 477	11 585	11 719	11 674
Menyatso T V	-	-	-	2 374	2 440	2 505	2 577	2 643	2 715	2 780	-	-
Mohatle M S	119 382	121 850	124 335	126 930	129 540	132 168	134 791	137 432	140 067	142 719	145 365	148 027
Mohibidu P M	68 217	67 489	66 775	67 114	67 535	69 061	70 258	69 758	69 258	69 258	68 258	68 258
Mohono T A	12 446	13 319	13 457	13 537	13 672	13 807	14 040	14 269	14 502	14 732	14 961	15 205
Mohulatsi M M	9 102	9 767	10 424	37 535	38 238	38 942	40 105	41 250	32 188	33 332	-	-
Mokgothu T K W	58 871	60 062	61 254	62 508	63 762	65 025	66 292	67 560	68 832	70 105	71 376	72 674
Mokoena J I	1 731	1 069	-	-	-	-	-	-	-	-	-	-
Mongale M W	42 058	40 162	42 117	42 774	44 327	45 101	45 499	46 174	46 847	47 744	48 429	49 133
Moreeng K C	3 145	3 157	3 170	3 182	3 195	3 207	3 219	3 231	3 243	3 255	3 267	3 279
Mosala M T	119 137	120 831	122 062	123 333	124 610	125 892	127 163	128 439	128 804	130 174	129 532	130 896
Mothupi M L	7 651	7 818	7 811	7 888	7 966	7 988	8 092	8 182	8 257	8 333	8 380	8 456
Nhlapo N A	5 867	6 379	6 882	6 007	5 131	4 256	3 381	2 505	1 630	1 630	-	-
Nikelo V E	6 952	7 017	7 055	7 121	7 173	7 240	7 292	5 816	4 382	4 447	1 642	1 612
Njiva-Lebajoa M	55 515	56 763	57 921	59 122	60 331	61 549	62 617	63 593	63 768	64 852	64 182	65 519
Nthatsi G M S	241 808	222 151	217 622	215 132	209 274	203 681	198 049	195 560	186 903	186 903	173 721	173 721
Nyaphudi L J	192 012	195 365	195 895	195 681	199 665	174 494	171 874	171 309	163 014	163 014	158 461	154 774
Pretorius S	21 405	19 167	16 954	14 847	12 717	15 378	13 988	13 988	13 988	15 658	13 988	13 988
Ramatlana M J	44 900	46 144	46 667	47 606	48 541	50 038	51 459	52 423	52 246	54 256	53 223	53 963
Rammile T K	-	-	-	12 452	12 579	12 797	12 938	13 081	13 222	13 364	13 505	13 647
Ramolelle M S	3 758	4 564	4 475	6 162	6 945	7 456	8 061	8 843	6 496	7 279	-	-
Sefaki S	6 236	6 384	6 433	6 488	6 494	6 500	6 492	6 484	6 125	6 266	5 405	1 492
Sehloho S C	19 235	22 360	25 597	26 455	26 046	26 486	26 717	27 044	27 284	27 573	26 858	27 144
Setlai T L	-	-	-	-	-	-	848	-	-	-	-	-

# Mangaung Metropolitan Municipality

Appendix A to the Annual Financial Statements for the year ended 30 June 2025

## Councillors' arrear consumer accounts (over 90 days) (continued)

<b>Surname &amp; Initials</b>	<b>July 24</b>	<b>August 24</b>	<b>September 24</b>	<b>October 24</b>	<b>November 24</b>	<b>December 24</b>	<b>January 25</b>	<b>February 25</b>	<b>March 25</b>	<b>April 25</b>	<b>May 25</b>	<b>June 25</b>
Shale N R	39 794	40 454	41 118	41 537	42 230	42 926	43 606	44 603	45 602	46 603	47 604	48 624
Soqaga V S	3 448	3 097	2 745	2 394	2 043	1 691	1 340	-	-	-	-	-
Supi M H	143 386	145 080	146 782	148 525	150 277	152 036	153 785	155 542	157 289	159 042	160 785	162 535
Swartz SM	-	-	-	-	-	-	-	-	229 810	232 156	234 720	237 170
Tshwane K D	4 629	4 667	4 690	4 729	4 754	4 820	4 858	4 924	4 962	4 974	5 081	5 119
Tsoleli SP	-	-	-	-	-	-	-	-	-	4 650	5 052	14 604
Tukula T D	58 086	318 544	319 435	320 361	321 292	322 228	323 161	324 099	325 033	325 972	67 335	68 275
Van Der Ross KE	8 487	9 533	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2 891 698</b>	<b>3 172 630</b>	<b>3 201 274</b>	<b>3 245 364</b>	<b>3 272 630</b>	<b>3 262 730</b>	<b>3 264 855</b>	<b>3 279 271</b>	<b>3 478 186</b>	<b>3 520 051</b>	<b>3 151 713</b>	<b>3 187 361</b>

# Mangaung Metropolitan Municipality

Appendix A to the Annual Financial Statements for the year ended 30 June 2024

## Councillors' arrear consumer accounts (over 90 days)

Surname & Initials	July 23	August 23	September 23	October 23	November 23	December 23	January 24	February 24	March 24	April 24	May 24	June 24
Bouwer CL	-	-	-	-	-	-	-	16 807	18 037	19 277	17 525	15 784
De Kock V B	-	-	-	-	-	-	-	-	-	-	1 749	-
Jonas-Malephane V E	1 929	3 007	4 095	5 252	5 293	4 218	4 961	5 036	5 111	5 175	4 872	4 569
Kruger C L	160 332	162 691	165 107	167 603	170 118	172 645	163 367	160 374	157 101	154 947	151 479	153 988
Letawana M M	51 728	57 342	58 678	64 682	70 767	82 835	86 994	93 368	99 216	106 986	97 184	87 852
Makau PE	106 475	105 925	105 413	105 953	105 524	104 124	104 389	104 047	103 744	103 456	103 207	102 987
Maliela M E	82 584	83 769	84 981	86 238	87 502	88 773	90 051	91 336	92 628	93 928	95 235	96 549
Matsoetlane M J	1 981	2 044	2 101	2 165	2 226	3 138	514	1 226	1 949	8 836	8 539	7 227
Matsoso MF	9 217	9 359	9 499	9 645	9 790	9 936	10 059	10 184	9 116	9 241	8 888	9 124
Mohatle M S	91 173	93 348	95 568	97 879	100 205	102 546	104 903	107 277	109 666	112 071	114 492	116 929
Mohibidu P M	49 881	51 483	53 114	54 824	56 546	58 281	60 029	61 789	63 562	65 347	67 146	68 957
Mokoena J I	5 170	4 065	5 441	6 902	-	58	1 538	3 033	4 443	3 743	3 057	2 387
Nthatisi GMS	2 814	3 668	4 526	5 408	6 345	7 290	8 555	9 814	11 098	12 379	11 406	10 473
Nyaphudi L J	170 687	173 441	176 254	179 150	182 091	185 048	188 175	191 313	186 544	189 718	183 672	193 675
Pretorius J C	11 770	14 187	16 632	-	-	-	2 677	5 140	-	-	-	-
Pretorius S	6 887	6 149	7 757	12 313	12 921	15 531	18 165	15 825	18 510	21 221	23 956	26 668
Soqaga V S	7 664	7 313	6 961	6 961	6 259	5 907	5 907	5 205	4 853	4 502	4 151	3 799
Van Der Ross KE	8 103	9 064	10 036	11 066	12 105	13 153	14 211	15 278	13 715	12 162	10 618	9 083
Tsoleli SP	-	-	-	-	-	-	-	14	39	-	-	-
Nhlapo N A	-	-	-	-	-	1 844	3 135	4 445	5 768	7 104	6 229	5 368
<b>Total</b>	<b>768 395</b>	<b>786 853</b>	<b>806 163</b>	<b>816 041</b>	<b>827 690</b>	<b>855 326</b>	<b>867 632</b>	<b>901 511</b>	<b>905 102</b>	<b>930 094</b>	<b>913 405</b>	<b>915 418</b>

# Mangaung Metropolitan Municipality

Appendix B to the Annual Financial Statements for the year ended 30 June 2025

## Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of grants	Name or organ of state/municipal entity	Vote	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Yes/No
Finance Management grant	National	Vote 10 - Municipal General	-	2 000 000	-	-	91 800	71 400	61 200	1 514 900	Yes
Fuel levy	National	Vote 10 - Municipal General	147 881 000	147 881 000	147 881 000	-	110 910 750	110 910 750	110 910 750	110 910 750	Yes
Urban Settlements Development Grant	National		148 571 000	-	317 040 000	-	44 756 043	98 903 204	72 130 815	249 820 938	Yes
		Vote 5 - Community and Social Development	-	-	-	-	-	9 512 045	4 117 048	7 930 073	
		Vote 6 - Planning and Human Settlements	-	-	-	-	856 240	9 689 144	7 858 350	34 650 669	
		Vote 7 - Planning and Rural Development	-	-	-	-	-	-	537 786	6 128 809	
		Vote 8 - Roads and Transport	-	-	-	-	442 643	4 878 063	1 526 701	69 002 660	
		Vote 9 - Water and sanitation	-	-	-	-	38 880 467	75 549 343	47 730 930	111 575 421	
		Vote 10 - Municipal General	-	-	-	-	4 576 693	(725 391)	10 360 000	20 533 307	
Informal Settlements Upgrading Partnership Grant	National		85 500 000	115 701 000	31 743 000	-	18 385 178	48 501 357	39 951 469	77 095 126	Yes
		Vote 6 - Planning and Human Settlements	-	-	-	-	(6 071 774)	21 387 774	10 718 259	59 566 321	
		Vote 8 - Roads and Transport	-	-	-	-	1 572 140	7 097 823	5 436 185	8 504 536	
		Vote 9 - Water and sanitation	-	-	-	-	3 142 892	19 745 661	4 219 458	14 422 866	
		Vote 10 - Municipal General	-	-	-	-	19 741 920	270 099	19 577 567	(5 398 597)	
Expanded Public Works Programme Integrated Grant	National	Vote 10 - Municipal General	460 000	827 000	552 000	-	137 609	547 282	604 550	549 559	Yes
Department of Sports, Arts and Culture - Admin Libraries Grant	National		-	-	-	4 000 000	-	196 769	2 579 062	202 609	Yes
		Vote 5 - Community and Social Development	-	-	-	-	-	-	826 893	202 609	
		Vote 11 - Public Safety and Security	-	-	-	-	-	196 769	1 752 170	-	
Neighbourhood Development Partnership Grant	National		17 554 000	13 982 000	8 506 000	(2 000 000)	1 754 169	6 840 184	9 760 784	21 686 863	Yes
		Vote 9 - Water and sanitation	-	-	-	-	-	-	-	12 471 531	
		Vote 10 - Municipal General	-	-	-	-	1 754 169	6 840 184	9 760 784	9 215 332	
Programme and Project Preparation Support Grant	National	Vote 7 - Planning and Rural Development	2 000 000	6 000 000	2 000 000	-	-	-	1 366 226	2 960 521	Yes
Public Transport Network Grant	National		90 673 000	-	77 013 000	-	15 001 132	21 705 297	15 636 383	21 975 233	Yes
		Vote 1 - Office of the CM	-	-	-	-	10 250	12 211	10 032	9 928	
		Vote 8 - Roads and Transport	-	-	-	-	14 990 882	21 693 086	15 626 351	21 690 435	
		Vote 10 - Municipal General	-	-	-	-	-	-	-	274 870	
Human Settlements Provincial Grant	National		-	-	-	-	-	-	-	384 543	Yes
		Vote 8 - Roads and Transport	-	-	-	-	-	-	-	334 385	
		Vote 10 - Municipal General	-	-	-	-	-	-	-	50 158	
Local Government Sector Education and Training Authority Grant	National		2 595 596	(1 162 819)	40 000	2 047 755	89 385	639 433	481 607	149 940	Yes
		Vote 3 - Corporate Services	-	-	-	-	89 385	639 433	481 607	93 330	
		Vote 10 - Municipal General	-	-	-	-	-	-	-	56 610	

Mangaung Metropolitan Municipality

Appendix B to the Annual Financial Statements for the year ended 30 June 2025

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003 (continued)

Name of grants	Name of organ or state/municipal entity	Vote	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Municipal Disaster Relief Grant	National		-	-	-	-	-	-	625 444	11 368 006	Yes
		Vote 8 - Roads and Transport	-	-	-	-	39 714	-	625 444	10 725 712	
		Vote 10 - Municipal General	-	-	-	-	(39 714)	-	-	642 295	