uMGUNGUNDLOVU

UMASIPALA WESIFUNDA

DISTRICT MUNICIPALITY

DISTRIK MUNISIPALITEIT

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

(Registration number DC 22)

General Information

Nature of business and principal activities	Local Authority
Executive Committee	
Mayor	M Zuma (ANC)
Deputy Mayor	AS Mabaso (ANC)
Speaker	NMN Gabela (ANC)
Chief Whip	SR Majozi (ANC)
	HM Lake (DA)
	TC Madondo (DA)
	DS Mkhize (ANC)
	MS Mthethwa (ANC)
	BA Mkhize (IFP)
	ME Mpulo (EFF)
	SP Zungu (ANC)
Councillors	NB Ahmed (ANC)
	MS Branches (EFF)
	SD Chonco (DA)
	GM Dladla (ANC)
	ME Dladla (ANC)
	GN Dlamini (ANC)
	TI Dlamini (ANC)
	ZW Dlamini (ANC)
	NW Gasa (ANC)
	TA Hlatshwayo (DA)
	K Jansen van Rensburg (DA)
	NR Khanyile (ANC)
	PN Maphanga (IFP)
	V Maphumulo (ANC)
	B Mkhize (IFP)
	SA Mkhize (ANC)
	TS Mkhize (ANC)
	SN Mncwabe (EFF)
	GS Mncwango (ANC)
	MC Mshengu (ANC)
	K Msomi (ANC)
	NW Mtshwara (EFF)
	AB Ngcobo (EFF)
	S Ngidi (ANC)
	MA Ngubane (IFP)
	RZ Ngubo (DA)
	AN Phungula (DA)
	VM Phungula (ANC)
	S Reddy (DA)
	RS Sokhela (ANC)
	LW Wynne (ANC)
	NC Zondi (IFP)
	MB Zuma (ANC)
	NJ Zungu (ANC)
	Former Councillors
	NE Cebekhulu (ANC)

General Information

	L Pienaar (IFP)
Auditors	Auditor General of South Africa Registered Auditors
Registered office	242 Langalibalele Street Pietermaritzburg 3201
Postal address	P O Box 3235 Pietermaritzburg 3200
Controlling entity	uMgungundlovu District Municipality - [Not Consolidated]
Bankers	First National Bank

Index

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

ABSA	ABSA Bank Limited and its subsidiaries
AFS	Annual Financial Statements
AG	Auditor-General of South Africa
AWIP	Accelerated Water Intervention Project
COGTA	Co-operative Governance and Traditional Affairs
DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
EPWP	Expanded Public Works Programme
FAR	Fixed Asset Register
FNB	First National Bank
FMG	Local Government Finance Management Grant
IDP	Integrated Development Plan
IPSAS	International Public Sector Accounting Standards
GRAP	Generally Recognised Accounting Practice
ME's	Municipal Entities
MFMA	Municipal Finance Management Act No. 56 of 2003
MTREF	Medium-term Revenue and Expenditure Framework
MIG	Municipal Infrastructure Grant
PAYE	Pay-as-you-Earn
RASSET	Radical Agrarian Socio-Economic Transformation
RRAMS	Rural Roads Asset Management Grant
SANBI	South African National Biodiversity Institute
SCM	Supply Chain Management
SDBIP	Service Delivery Budget and Implementation Plan
SDL	Skills Development Levy
SEM	Senior Executive Manager
SETA	Sector Education and Training Authority
UIF	Unemployment Insurance Fund
UIFWE	Unauthorised, Irregular, Fruitless and Wasteful Expenditure
UMDM	uMgungundlovu District Municipality
UMEDA	uMgungundlovu Economic Development Agency
URP	Umngeni Resilience Project
VAT	Value Added Tax
WCA	Workmen's Compensation
WIP	Work-in-progress
WSIG	Water Services Infrastructure Grant

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The accounting officer certifies that the salaries, allowances and benefits of councillors as disclosed in note 26 to these financial statements are within the upper limits of the framework as envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, No. 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The annual financial statements set out on pages 5 to 89, which have been prepared on the going concern basis, were approved and signed by the accounting officer on 31 August 2025.

Accounting Officer
Dr EX Muthwa

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	213 192 676	228 462 986
Consumer debtors from exchange transactions	4	104 562 973	57 416 317
Receivables from exchange transactions	5&6	19 828 653	9 914 767
Receivables from non-exchange transactions	7	9 889 140	15 842 772
Inventories	8	8 182 057	8 316 729
		355 655 499	**319 953 571**
Non-Current Assets			
Property, plant and equipment	9	2 746 505 097	2 664 614 171
Intangible assets	10	396 759	35 283
Heritage assets	11	4 000	4 000
		2 746 905 856	**2 664 653 454**
Total Assets		**3 102 561 355**	**2 984 607 025**
Liabilities			
Current Liabilities			
Transfers and Subsidies Unspent & Grants received in advance	12	16 350 365	21 500 138
Payables from exchange transactions	13	247 526 249	225 592 887
Consumer deposits	14	7 802 342	7 533 347
Other financial liabilities	15	16 941 312	15 160 831
Provisions	16	5 613 723	4 721 822
		294 233 991	**274 509 025**
Non-Current Liabilities			
Other financial liabilities	15	117 439 732	134 381 043
Provisions	16	66 621 340	60 647 000
		184 061 072	**195 028 043**
Total Liabilities		**478 295 063**	**469 537 068**
Net Assets		**2 624 266 292**	**2 515 069 957**
Reserves			
Revaluation reserve	53	67 264 998	50 512 172
Accumulated surplus	54	2 557 001 294	2 464 557 785
Total Net Assets		**2 624 266 292**	**2 515 069 957**

* See Note 57

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	524 258 991	483 921 128
Other income from exchange transactions	20	461 694	468 304
Interest on investments and bank accounts	21	30 508 914	34 566 256
Interest from outstanding debtors	22	106 203 210	83 822 289
Total revenue from exchange transactions		**661 432 809**	**602 777 977**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	23	982 639 109	933 442 381
Public contributions and donations	24	-	3 338 731
Debt waived	19	-	17 382 096
Taxation revenue			
Total revenue from non-exchange transactions		**982 639 109**	**954 163 208**
Total revenue		**1 644 071 918**	**1 556 941 185**
Expenditure			
Employee related costs	25	(365 308 143)	(317 177 634)
Remuneration of councillors	26	(16 501 166)	(16 517 850)
Depreciation and amortisation	27	(66 706 726)	(55 638 526)
Finance costs	28	(15 204 210)	(16 859 324)
Lease rentals on operating lease	29	(25 004 850)	(20 946 140)
Debt impairment	30	(61 996 778)	(294 711 255)
Bad debts written off	31	(244 280 342)	(8 290 617)
Inventory consumed	32	(247 150 716)	(203 735 886)
Contracted services	33	(271 550 199)	(252 235 277)
Transfers and subsidies	34	(12 700 000)	(12 037 045)
General expenses	35	(59 961 872)	(58 572 839)
Total expenditure		**(1 386 365 002)**	**(1 256 722 393)**
Operating surplus	52	**257 706 916**	**300 218 792**
Loss on disposal of assets	36	1 260 944	(54 328)
Actuarial gains / (losses)	37	(711 343)	(1 163 000)
Impairment of non-current assets	55	(724 009)	(35 423 368)
Inventories losses/adjustments	44	(165 088 979)	(47 554 701)
		(165 263 387)	**(84 195 397)**
Surplus for the year		**92 443 529**	**216 023 395**

* See Note 57

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	51 703 936	2 311 402 895	2 363 106 831
Adjustments			
Correction of errors	-	(62 868 526)	(62 868 526)
Balance at 01 July 2023 as restated*	**51 703 936**	**2 248 534 390**	**2 300 238 326**
Changes in net assets			
Surplus for the year	-	216 023 395	216 023 395
Realisation of reserve	(1 191 764)	-	(1 191 764)
Total changes	(1 191 764)	216 023 395	214 831 631
Opening balance as previously reported	50 512 172	2 468 402 435	2 518 914 607
Adjustments	-	(3 844 670)	(3 844 670)
Restated* Balance at 01 July 2024 as restated*	**50 512 172**	**2 464 557 765**	**2 515 069 937**
Changes in net assets			
Revaluation of Buildings	10 794 000	-	10 794 000
Adjustments in respect of revaluation of Buildings	5 958 826	-	5 958 826
Net income (losses) recognised directly in net assets	16 752 826	-	16 752 826
Surplus/(Deficit) for the year	-	92 443 529	92 443 529
Total recognised income and expenses for the year	16 752 826	92 443 529	109 196 355
Total changes	16 752 826	92 443 529	109 196 355
Balance at 30 June 2025	**67 264 998**	**2 557 001 294**	**2 624 266 292**
Note(s)	53		

* See Note 57

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Services charges and other receipts from exchange transactions		275 343 713	230 544 771
Transfers and Subsidies and Public contributions		977 489 335	934 412 378
Interest Received		32 312 762	34 899 398
		1 285 145 810	1 199 856 547
Payments			
Employees and Councillors		(374 943 065)	(330 392 903)
Suppliers, Service Providers and other		(752 382 862)	(725 276 349)
Finance costs		(6 400)	(23 057)
Transfers and subsidies		(12 700 000)	(12 037 045)
		(1 140 032 327)	(1 067 729 354)
Cash generated from operations	39	**145 113 483**	**132 127 193**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(129 583 724)	(201 809 987)
Purchase of other intangible assets	10	(441 429)	-
Net cash flows from investing activities		**(130 025 153)**	**(201 809 987)**
Cash flows from financing activities			
Repayment of other financial liabilities		(15 160 830)	(13 677 958)
Finance costs- borrowings		(15 197 810)	(16 836 267)
Net cash flows from financing activities		**(30 358 640)**	**(30 514 225)**
Net increase/(decrease) in cash and cash equivalents		**(15 270 310)**	**(100 197 019)**
Cash and cash equivalents at the beginning of the year		228 462 986	328 660 005
Cash and cash equivalents at the end of the year	3	**213 192 676**	**228 462 986**

* See Note 57

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	-	15 000	**15 000**	-	**(15 000)**	
Service charges	619 549 000	(77 224 000)	**542 325 000**	524 258 991	**(18 066 009)**	Note 50.1
Other income from exchange transactions	429 000	(259 000)	**170 000**	461 694	**291 694**	
Interest received - bank accounts and investment	25 713 000	8 594 000	**34 307 000**	30 508 914	**(3 798 086)**	Note 50.2
Interest from outstanding debtors	73 959 000	16 151 000	**90 110 000**	106 203 210	**16 093 210**	Note 50.3
Total revenue from exchange transactions	**719 650 000**	**(52 723 000)**	**666 927 000**	**661 432 809**	**(5 494 191)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	973 252 000	9 753 000	**983 005 000**	982 639 109	**(365 891)**	Note 50.4
Public contributions and donations	-	-	**-**	-	**-**	
Total revenue from non-exchange transactions	**973 252 000**	**9 753 000**	**983 005 000**	**982 639 109**	**(365 891)**	
Total revenue	**1 692 902 000**	**(42 970 000)**	**1 649 932 000**	**1 644 071 918**	**(5 860 082)**	
Expenditure						
Employee Related Costs	(365 584 000)	9 140 000	**(356 444 000)**	(365 308 143)	**(8 864 143)**	Note 50.5
Remuneration of councillors	(16 484 000)	165 000	**(16 319 000)**	(16 501 166)	**(182 166)**	
Depreciation and amortisation	(60 943 000)	-	**(60 943 000)**	(66 706 726)	**(5 763 726)**	Note 50.6
Impairment of non-current assets	-	-	**-**	(724 009)	**(724 009)**	Note 50.9
Finance costs	(15 921 000)	-	**(15 921 000)**	(15 204 210)	**716 790**	
Debt Impairment	(167 840 000)	(67 160 000)	**(235 000 000)**	(61 996 778)	**173 003 222**	Note 50. 7
Bad debts written off	-	-	**-**	(244 280 342)	**(244 280 342)**	
Inventory Consumed	(296 339 000)	30 805 000	**(265 534 000)**	(247 150 716)	**18 383 284**	Note 50.8
Contracted Services	(244 121 000)	(18 670 000)	**(262 791 000)**	(271 550 199)	**(8 759 199)**	Note 50.9
Transfers and Subsidies	(12 900 000)	(79 000)	**(12 979 000)**	(12 700 000)	**279 000**	
General Expenses	(100 078 000)	1 710 000	**(98 368 000)**	(84 966 722)	**13 401 278**	Note 50.10
Total expenditure	**(1 280 210 000)**	**(44 089 000)**	**(1 324 299 000)**	**(1 387 089 011)**	**(62 790 011)**	
Operating surplus	**412 692 000**	**(87 059 000)**	**325 633 000**	**256 982 907**	**(68 650 093)**	
Gain on disposal of assets and liabilities	-	(120 000)	**(120 000)**	1 260 944	**1 380 944**	
Actuarial gains/losses	-	-	**-**	(711 343)	**(711 343)**	
Inventories losses/adjustments	(105 826 000)	(36 870 000)	**(142 696 000)**	(165 088 979)	**(22 392 979)**	Note 50.8
	(105 826 000)	**(36 990 000)**	**(142 816 000)**	**(164 539 378)**	**(21 723 378)**	
Surplus before taxation	**306 866 000**	**(124 049 000)**	**182 817 000**	**92 443 529**	**(90 373 471)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**306 866 000**	**(124 049 000)**	**182 817 000**	**92 443 529**	**(90 373 471)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	3 923 000	4 394 000	**8 317 000**	8 182 057	**(134 943)**	
Receivables from exchange transactions	454 950 000	(287 238 000)	**167 712 000**	19 828 653	**(147 883 347)**	
Receivables from non-exchange transactions	-	-	**-**	9 889 140	**9 889 140**	
VAT receivable	154 069 000	(19 701 000)	**134 368 000**	-	**(134 368 000)**	
Consumer debtors	-	-	**-**	104 562 973	**104 562 973**	
VAT Receivable	3 355 000	(333 000)	**3 022 000**	-	**(3 022 000)**	
Cash and cash equivalents	453 564 000	(309 475 000)	**144 089 000**	213 192 676	**69 103 676**	
	1 069 861 000	**(612 353 000)**	**457 508 000**	**355 655 499**	**(101 852 501)**	
Non-Current Assets						
Property, plant and equipment	2 788 374 000	(49 288 000)	**2 739 086 000**	2 746 505 097	**7 419 097**	
Intangible assets	1 160 000	(629 000)	**531 000**	396 759	**(134 241)**	
Heritage assets	4 000	-	**4 000**	4 000	**-**	
	2 789 538 000	**(49 917 000)**	**2 739 621 000**	**2 746 905 856**	**7 284 856**	
Total Assets	**3 859 399 000**	**(662 270 000)**	**3 197 129 000**	**3 102 561 355**	**(94 567 645)**	
Liabilities						
Current Liabilities						
Other financial liabilities	16 942 000	-	**16 942 000**	16 941 312	**(688)**	
Payables from exchange transactions	457 985 000	(339 013 000)	**118 972 000**	247 526 245	**128 554 245**	
Consumer deposits	7 233 000	300 000	**7 533 000**	7 802 342	**269 342**	
Transfers and Subsidies Unspent & Grants received in advance	16 350 000	5 150 000	**21 500 000**	16 350 365	**(5 149 635)**	
Provisions	12 338 000	1 136 000	**13 474 000**	5 613 723	**(7 860 277)**	
VAT Payable	95 351 000	44 373 000	**139 724 000**	-	**(139 724 000)**	
	606 199 000	**(288 054 000)**	**318 145 000**	**294 233 987**	**(23 911 013)**	
Non-Current Liabilities						
Other financial liabilities	117 440 000	-	**117 440 000**	117 439 732	**(268)**	
Provisions	60 352 000	295 000	**60 647 000**	66 621 340	**5 974 340**	
	177 792 000	**295 000**	**178 087 000**	**184 061 072**	**5 974 072**	
Total Liabilities	**783 991 000**	**(287 759 000)**	**496 232 000**	**478 295 059**	**(17 936 941)**	
Net Assets	**3 075 408 000**	**(374 511 000)**	**2 700 897 000**	**2 624 266 296**	**(76 630 704)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	51 704 000	(1 192 000)	**50 512 000**	67 264 998	**16 752 998**	
Accumulated surplus	3 023 874 000	(373 489 000)	**2 650 385 000**	2 557 001 294	**(93 383 706)**	
Total Net Assets	**3 075 578 000**	**(374 681 000)**	**2 700 897 000**	**2 624 266 292**	**(76 630 708)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Service charges and other receipts from exchange transactions	379 877 000	(65 411 000)	**314 466 000**	275 343 713	**(39 122 287)**	
Interest received	25 713 000	52 748 000	**78 461 000**	32 312 762	**(46 148 238)**	
Transfers and Subsidies and Public contributions	612 800 000	9 753 000	**622 553 000**	977 489 335	**354 936 335**	
Other revenue	360 945 000	(281 000)	**360 664 000**	-	**(360 664 000)**	
	1 379 335 000	**(3 191 000)**	**1 376 144 000**	**1 285 145 810**	**(90 998 190)**	
Payments						
Suppliers and employees	(982 593 000)	(288 231 000)	**(1 270 824 000)**	(1 127 325 927)	**143 498 073**	
Transfers & Subsidies	(15 921 000)	-	**(15 921 000)**	(12 700 000)	**3 221 000**	
Finance costs	-	-	**-**	(6 400)	**(6 400)**	
	(998 514 000)	**(288 231 000)**	**(1 286 745 000)**	**(1 140 032 327)**	**146 712 673**	
Net cash flows from operating activities	**380 821 000**	**(291 422 000)**	**89 399 000**	**145 113 483**	**55 714 483**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(211 903 000)	48 463 000	**(163 440 000)**	(129 583 724)	**33 856 276**	
Purchase of intangible assets	-	-	**-**	(441 429)	**(441 429)**	
Net cash flows from investing activities	**(211 903 000)**	**48 463 000**	**(163 440 000)**	**(130 025 153)**	**33 414 847**	
Cash flows from financing activities						
Repayment of loan	-	-	**-**	(15 160 830)	**(15 160 830)**	
Finance cost – Borrowings	-	-	**-**	(15 197 810)	**(15 197 810)**	
Net cash flows from financing activities	**-**	**-**	**-**	**(30 358 640)**	**(15 197 810)**	
Net increase/(decrease) in cash and cash equivalents	168 918 000	(242 959 000)	**(74 041 000)**	(15 270 310)	**73 931 520**	
Cash and cash equivalents at the beginning of the year	299 809 000	(71 582 000)	**228 227 000**	228 462 986	**235 986**	
Cash and cash equivalents at the end of the year	**468 727 000**	**(314 541 000)**	**154 186 000**	**213 192 676**	**74 167 506**	

Accounting Policies

1. Presentation of Annual Financial Statements

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.

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.

1.1 Presentation currency

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

All amounts presented are rounded off to the nearest Rand.

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 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

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

The impairment for trade receivables is calculated on an individual account basis, based on ageing, historical payments and/or payment arrangements.

Impairment testing

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of waste and water network and other assets

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

1.4 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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.

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

Item	Depreciation method	Average useful life
Buildings	Straight line	Fair value (5-100 years)
Plant and machinery	Straight line	10 to 20 years
Furniture and fixtures	Straight line	10 to 15 years
Transport Assets	Straight line	10 to 15 years
IT equipment	Straight line	10 to 15 years
Computer software	Straight line	5 to 15 years
Infrastructure: Water & Sanitation	Straight line	10 to 100 years
Fire Engines	Straight line	15 to 20 years
Mobile Offices	Straight line	15 to 20 years
Heavy machinery	Straight line	15 to 20 years

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

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

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

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

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

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

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

1.5 Intangible assets

An asset is identifiable if it either:

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

Accounting Policies

1.5 Intangible assets (continued)

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

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

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

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

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

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

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

An intangible asset that 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 periods and the amortisation methods for intangible assets are reviewed at each reporting date.

The re-assessment of the useful life of an intangible asset to a finite useful life where it was initially classified as indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software	Straight line	3 - 5 years
Websites	Straight line	3 - 5 years

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

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

Accounting Policies

1.6 Heritage assets

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

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

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

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

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

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

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

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

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

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

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

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

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.

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.

1.7 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.

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.

Accounting Policies

1.7 Financial instruments (continued)

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

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

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

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

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

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.

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

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

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

Accounting Policies

1.7 Financial instruments (continued)

Classification

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

Class	Category
Trade and other receivables	Financial asset measured at amortised cost
Consumer Debtors	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

Class	Category
Trade and other payables	Financial liability measured at amortised cost
Loan from Development Bank of South Africa	Financial liability measured at amortised cost
Consumer Deposits	Financial liability measured at amortised cost

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 Municipality 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.

Accounting Policies

1.7 Financial instruments (continued)

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.

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

Gains and losses

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

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

Impairment and collectability 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.

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.

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.

1.8 Tax

Value Added Tax

The municipality accounts for Value Added Tax (VAT) on the cash/payments basis, based on the approval received from the Commissioner for South African Revenue Services to an application by the Municipality. Permission has been granted to the Municipality to remit or claim for VAT on the cash/payments basis for receivables or payables.

1.9 Leases

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.

1.10 Inventories

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

Subsequently inventories are measured at the lower of cost and net realisable value or current replacement cost.

Inventories are measured at the lower of cost, net realisable value or current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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.

1.11 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

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.

Basis for estimates of future cash flows

In measuring value in use the municipality:
- Base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- Base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts 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 in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

1.12 Impairment of non-cash-generating assets

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).

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.

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.

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

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.

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

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.

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.

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

1.13 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

1.13 Employee benefits (continued)

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

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

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 cell phones) for current employees.

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

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

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

Post-employment benefits

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

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

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

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

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

Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits; and are available to be used only to pay or fund employee benefits; and 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 recognise past service cost as an expense in the reporting period in which the plan is amended.

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

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

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

The entity 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.

1.13 Employee benefits (continued)

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.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is 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.

1.13 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Other post-retirement obligations

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

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

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

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

Accounting Policies

1.13 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.14 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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

1.14 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

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.

1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash. These can either be operational or capital in nature.

A capital commitment is a binding agreement to undertake capital expenditure at some set time in the future which has not yet become an actual liability.

An operating commitment is a binding agreement to undertake operating expenditure at some set time in the future which has not yet become an actual liability.

Disclosures in the notes to the financial statements are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 Revenue from exchange transactions

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

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

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

Measurement

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

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.

1.17 Revenue from non-exchange transactions

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

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

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

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.

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.

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

Recognition

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

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

Measurement

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

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.

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.

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

1.18 Investment income

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

1.19 Borrowing costs

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

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

1.20 Comparative figures

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

Accounting Policies

1.20 Comparative figures (continued)

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are re-classified.

1.21 Unauthorised expenditure

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

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Irregular expenditure

Irregular expenditure incurred by the municipality is expenditure inclusive of VAT which is in contravention of, or that is not in accordance with, the Municipal Finance Management Act (Act No.56 of 2003); the Municipal Systems Act (Act No.32 of 2000); the Public Office-Bearers Act (Act No. 20 of 1998); or the Supply Chain Management Policy of the municipality or any of the municipality's by-laws giving effect to such policy.

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 also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which write off is 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 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.

Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Accounting Policies

1.24 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment 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.

1.25 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.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity’s financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment’s surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment’s assets and segment’s liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment’s surplus or deficit, the segment’s assets or the segment’s liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment’s surplus or deficit, the segment’s assets or the segment’s liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity’s financial statements.

1.26 Use of Estimates

The preparation of the annual financial statements in conformity with Generally Recognised Accounting Practice requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.27 Budget information

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

General purpose financial reporting by 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 functional classification linked to performance outcome objectives.

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

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

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

Accounting Policies

1.28 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties

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.

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

1.29 Events after reporting date

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

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

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

1.30 General expenses

Expenses (such as contracted services, general expenses and transfers and subsidies) are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decrease in net assets, other than those relating to distributions to owners. Generally, expenses are accounted for on an accrual basis at fair value. Under the accrual basis of accounting, expenses are recognised when incurred, usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for. 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.

1.31 Councillors' Remuneration

Salaries, allowances and benefits of councillors as disclosed in note 25 to these annual financial statements are determined with reference to the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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: Years beginning on or after	Expected impact:
• GRAP 107 Mergers	To be determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 106 Transfer of Functions Between Entities Not Under Common Control	To be determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 105 Transfer of Functions Between Entities Under Common Control	To be determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	To be determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	To be determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

3. Cash and cash equivalents

Cash and cash equivalents consist of:

	2025	2024
Cash on hand	295 273	233 857
Bank balances	212 897 403	228 229 129
	213 192 676	**228 462 986**

An amount of R 100 000 is pledged as security for a guarantee to the South African Post office on behalf of the municipality.

R 2 369 is held as a court order notified by the Sheriff.

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
FNB BANK - Salaries Account -50940092196	1 721 564	4 317 392	10 691 059	1 721 564	4 317 392	10 398 239
FNB BANK Projects Account - 62023616462	(552)	5 964 273	51 519 019	(552)	5 964 273	51 519 018
FNB BANK NSTD Call-Account -62215748289	182 345 368	201 100 000	627 782	182 345 368	201 100 000	627 782
FNB BANK Mandela Race Account - 62411577193	951 464	899 722	852 605	951 464	899 722	851 740
FNB BANK Main Account - 50940026773	7 547 576	9 940 881	260 945 111	7 547 576	9 940 881	261 227 398
FNB BANK SANBI Account - 62597807125	5 070 349	4 783 698	2 776 483	5 070 349	4 783 698	2 776 458
ABSA BANK Mandela Marathon Account - 409362410	1 218 305	1 223 163	1 228 165	1 218 305	1 223 163	1 228 165
FNB BANK - MIG Account -63110015822	382 714	-	-	382 714	-	-
FNB BANK - Retentions Account - 63110016987	11 248 555	-	-	11 248 555	-	-
FNB BANK - RRAMS Account-63110016490	27 221	-	-	27 221	-	-
FNB BANK - WSIG Account -63110014618	2 384 838	-	-	2 384 838	-	-
Total	**212 897 402**	**228 229 129**	**328 640 224**	**212 897 402**	**228 229 129**	**328 628 800**

4. Consumer debtors from exchange transactions

	2025	2024
Gross balances		
Water	943 662 332	809 481 764
Sewerage	129 269 422	103 515 026
Interest	236 157 289	265 400 480
	1 309 089 043	**1 178 397 270**
Less: Allowance for impairment		
Water	(868 285 999)	(768 346 452)
Sewerage	(118 944 670)	(96 333 310)
Interest	(217 295 401)	(256 301 191)
	(1 204 526 070)	**(1 120 980 953)**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

4. Consumer debtors from exchange transactions (continued)

	2025	2024
Net balance		
Water	75 376 333	41 135 312
Sewerage	10 324 752	7 181 716
Interest	18 861 888	9 099 289
	104 562 973	**57 416 317**

	2025	2024
Water		
Current (0 -30 days)	49 277 696	45 341 915
31 - 60 days	30 422 854	28 611 223
61 - 90 days	27 172 755	23 728 597
91 - 120 days	19 580 043	25 177 630
121 - 365 days	19 762 342	22 993 937
> 365 days	797 446 642	663 628 462
	943 662 332	**809 481 764**

	2025	2024
Sewerage		
Current (0 -30 days)	5 995 201	4 848 031
31 - 60 days	4 274 665	4 016 361
61 - 90 days	3 805 554	3 514 340
91 - 120 days	2 857 066	4 949 273
121 - 365 days	3 014 727	3 274 090
> 365 days	109 322 209	82 912 930
	129 269 422	**103 515 025**

	2025	2024
Interest		
Current (0 -30 days)	8 426 835	8 573 024
31 - 60 days	8 763 793	8 659 488
61 - 90 days	9 709 522	8 103 142
91 - 120 days	7 954 424	7 862 229
121 - 365 days	7 267 290	7 281 456
> 365 days	194 035 425	224 921 139
	236 157 289	**265 400 478**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

4. Consumer debtors from exchange transactions (continued)

Summary of debtors by customer classification

	2025	2024
Households		
Current (0 -30 days)	43 761 252	48 503 364
31 - 60 days	34 748 842	34 596 898
61 - 90 days	36 364 473	30 605 524
91 - 120 days	27 241 678	29 549 329
121 - 365 days	26 623 595	29 810 499
> 365 days	992 351 944	882 053 299
	1 161 091 784	1 055 118 913
Less: Allowance for impairment	(1 082 282 139)	(1 044 933 251)
	78 809 645	**10 185 662**
Industrial/ commercial		
Current (0 -30 days)	(6 057 164)	12 019 990
31 - 60 days	5 015 567	3 185 725
61 - 90 days	3 826 848	2 274 303
91 - 120 days	2 894 123	3 972 971
121 - 365 days	3 816 122	1 354 347
> 365 days	67 459 374	48 383 547
	76 954 870	71 190 883
Less: Allowance for impairment	(59 859 078)	(42 593 650)
	17 095 792	**28 597 233**
National and provincial government		
Current (0 -30 days)	5 723 398	5 276 703
31 - 60 days	3 513 706	2 835 269
61 - 90 days	(257 468)	1 725 668
91 - 120 days	1 298 297	4 403 863
121 - 365 days	1 125 845	2 301 055
> 365 days	54 496 598	32 105 739
	65 900 376	48 648 297
Less: Allowance for impairment	(57 719 259)	(30 022 987)
	8 181 117	**18 625 310**
Place of Worship		
Current (0 -30 days)	290 340	825
31 - 60 days	168 001	822
61 - 90 days	171 780	812
91 - 120 days	123 823	801
121 - 365 days	102 405	795
> 365 days	4 285 664	3 435 120
	5 142 013	3 439 175
Less: Allowance for impairment	(4 665 594)	(3 431 065)
	476 419	**8 110**
Less: Allowance for impairment		
Allowance for impairment	(1 204 526 070)	(1 120 980 953)
Total debtor past due but not impaired		
Current (0 -30 days)	13 565 757	8 878 797
31 - 60 days	15 432 377	6 702 233
61 - 90 days	11 007 712	6 258 854
91 - 120 days	3 513 210	3 875 249

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

4. Consumer debtors from exchange transactions (continued)

121 - 365 days	3 986 483	49 184 749
> 365 days	60 670 500	5 072 595
	108 176 039	**79 972 477**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(1 022 980 954)	(826 269 699)
Contributions to allowance	(181 545 116)	(294 711 255)
	(1 204 526 070)	**(1 120 980 954)**

Consumer debtors pledged as security

There were no consumer debtors that were pledged as security for any liabilities during the period under review
None of the Consumer debtors have been renegotiated.

Consumer debtors past due but not impaired

Consumer debtors which are past due but are not considered to be impaired as at 30 June 2025 , R 40 005 846 2024: R45 301 473 were past due but not impaired.

Consumer debtors impaired

As of 30 June 2025, consumer debtors of R 181 545 116 (2024: R294 711 255) impaired and provided for.

The amount of the provision was R 1 204 526 070 as at 30 June 2025 (2024: R 1 120 980 954).

The ageing of these debtors past due and impaired is as follows:

3 to 6 months	91 207 951	84 946 270
Over 6 months	1 108 891 181	970 469 864

5. Receivables from exchange transactions

Staff Recoveries	538 002	490 090
Deposits	1 180 640	1 180 640
Interest :Eskom Deposits	203 288	-
Interest Accrued	37 833	1 841 681
Prepaid Expenses	465 940	-
VAT: Input Accrual	17 367 611	6 366 617
Other debtors	35 339	35 339
Sundry debtors	-	400
	19 828 653	**9 914 767**

Trade and other receivables pledged as security

There were no trade and other receivables pledged as security during the year under review.

None of the receivables from exchange transactions have been renegotiated.

6. Sundry debtors disclosure

Gross balances		
Sundry debtors	15 371 890	15 371 890

Less: Allowance for impairment		
Sundry debtors	(15 371 890)	(15 371 490)

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Sundry debtors disclosure (continued)

Net balance		
Sundry debtors	-	400
Included in above is receivables from exchange transactions		
Sundry debtors	-	400
Net balance	**-**	**400**
Water		
> 365 days	-	400

Summary of debtors by customer classification

Reconciliation of allowance for impairment		
Balance at beginning of the year	15 371 490	15 371 890
Contributions to allowance	400	-
Reversal of allowance	(15 371 890)	(15 371 490)
	-	**400**

7. Receivables from non-exchange transactions

Receivables from non exchange: VAT Control	9 889 140	15 842 772
Unauthorised, Irregular, Fruitless and Wasteful Expenditure	16 035 182	16 035 182
Unauthorised, Irregular, Fruitless and Wasteful Expenditure - Impairment	(16 035 182)	(16 035 182)
	9 889 140	**15 842 772**

8. Inventories

Work in progress	4 396 840	4 556 537
Consumables	221 556	654 700
Materials	2 802 175	2 646 021
Water for distribution	761 486	459 471
	8 182 057	**8 316 729**

Inventories recognised as expense	247 150 716	203 735 886

Inventory has been recorded using the weighted average cost method. Consumables are carried at lower of cost or current replacement cost. Materials are carried at lower of cost or net realisable value. No inventory was written down, reversed or written-off as obsolete during the year under review.

Inventory pledged as security

There was no inventory that was pledged as security for liabilities during the year under review.

9. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	2 970 350	-	2 970 350	2 970 350	-	2 970 350
Buildings	71 536 554	(2 443 458)	69 093 096	60 234 185	(6 705 498)	53 528 687
Plant and machinery	21 503 898	(7 617 849)	13 886 049	20 943 770	(6 163 136)	14 780 634
Furniture and fixtures	6 097 333	(2 734 947)	3 362 386	5 748 884	(2 488 394)	3 260 490
Transport Assets	15 299 092	(3 655 048)	11 644 044	10 124 598	(281 433)	9 843 165
IT equipment	15 230 784	(5 066 268)	10 164 516	13 211 993	(4 454 977)	8 757 016
Infrastructure	3 711 453 680	(1 283 757 298)	2 427 696 382	3 235 354 835	(1 221 644 558)	2 013 710 277
Infrastructure Work-in-Progress	253 107 599	(45 419 325)	207 688 274	603 182 878	(45 419 326)	557 763 552
Total	**4 097 199 290**	**(1 350 694 193)**	**2 746 505 097**	**3 951 771 493**	**(1 287 157 322)**	**2 664 614 171**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfers	Revaluations	Adjustments	Depreciation	Impairment loss	Total
Land	2 970 350	-	-	-	-	-	-	-	2 970 350
Buildings	53 528 687	508 369	-	-	10 794 000	5 958 826	(1 696 786)	-	69 093 096
Plant and machinery	14 780 634	36 657	-	-	-	-	(931 242)	-	13 886 049
Furniture and fixtures	3 260 490	420 481	(31 109)	-	-	-	(287 476)	-	3 362 386
Transport Assets	9 843 165	2 381 274	-	-	-	-	(580 395)	-	11 644 044
IT equipment	8 757 016	2 876 788	(109 032)	-	-	-	(1 360 256)	-	10 164 516
Infrastructure	2 013 710 277	4 070 942	(68 116)	472 478 907	-	-	(61 771 620)	(724 009)	2 427 696 382
Other PPE - Infrastructure Work-in-Progress	557 763 552	119 289 213	-	(472 478 907)	-	3 114 416	-	-	207 688 274
	2 664 614 171	**129 583 724**	**(208 257)**	**-**	**10 794 000**	**9 073 242**	**(66 627 775)**	**(724 009)**	**2 746 505 097**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Donations received	Transfers to completed assets	adjustments	Depreciation	Impairment loss	Impairment reversal	Total
Land	2 970 350	-	-	-	-	-	-	-	-	2 970 350
Buildings	54 663 021	167 800	-	-	-	-	(1 302 134)	-	-	53 528 687
Plant and machinery	13 909 185	1 201 231	-	523 471	-	-	(853 253)	-	-	14 780 634
Furniture and fixtures	2 377 455	1 139 288	(2 483)	-	-	-	(253 770)	-	-	3 260 490
Transport Assets	7 460 795	-	-	2 793 220	-	-	(410 850)	-	-	9 843 165
IT equipment	4 062 169	5 711 072	(51 845)	22 040	-	-	(986 420)	-	-	8 757 016
Infrastructure	1 750 858 427	503 638	-	-	318 092 756	-	(51 831 465)	-	(3 913 079)	2 013 710 277
Other PPE - Infrastructure Work-in-Progress	713 965 702	193 086 958	-	-	(318 092 756)	313 937	-	(35 423 368)	3 913 079	557 763 552
	2 550 267 104	**201 809 987**	**(54 328)**	**3 338 731**	**-**	**313 937**	**(55 637 892)**	**(35 423 368)**	**-**	**2 664 614 171**

Pledged as security

There were no property, plant and equipment that was pledged as security during the year under review.

Allocations to Cost of Inventory

The depreciation expense of infrastructure assets to the value of R (2024: R330 023) has been accounted for as part of the cost for Own Source Water (inventory).

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

9. Property, plant and equipment (continued)

Revaluations

The effective date of the revaluations was Monday, 01 July 2024. The municipal buildings fall within the jurisdiction of uMsunduzi Local Municipality. The valuation was performed by uMsunduzi Municipality as prescribed by legislation.

A general valuation roll is determined and produced every four years, as stipulated within the Municipal Property Rates Act (MPRA) No 6 of 2004.

Property valuation data is compiled in a general valuation roll document, which consists of property information of all registered properties, inclusive of the market value and property category.

Buildings are re-valued in line with any amendments made to the respective valuation roll.

The assumptions were based on market conditions during the period of the valuation.

Reconciliation of Work-in-Progress 2025

	Total
Opening balance	557 763 636
Additions/capital expenditure	119 289 213
Transferred to completed items	(472 478 908)
Retention	3 114 203
	207 688 144

Reconciliation of Work-in-Progress 2024

	Total
Opening balance	727 874 737
Additions/capital expenditure	193 400 981
Transferred to completed items	(318 092 757)
Transfer of impairment	(45 419 325)
	557 763 636

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

9. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Employee related costs	52 282 078	48 192 393
Contracted services	38 181 036	37 563 462
Inventory consumed	3 796 842	3 927 655
General Expenditure	723 577	4 122 197
Sewerage Services	91 805 862	93 092 487
	186 789 395	**186 898 194**

The Capital Projects within Work-in-Progress which have exceeded the initial completion date by more than six months are as follows:

Project Name	Location	Nature of Project	Initial Completion Date	Expected Completion date	Lastest Completion Date	Reasons for Delays	2025	2024
Camperdown CBD AC Pipes Replacement	Mkhambathini	Water	Planning only	30-Jun-26	26-Nov-26	Limited availability of funds on MTREF - Implementation of this project is prioritised for 2025/2026. Completion of designs delayed by two months which lead to tender process delay.	3 694 994,00	3 694 994,46
Cedara Bulk Services	Umgeni	Water	Planning only	30-Jun-27	30-Jun-30	Limited availability of funds on MTREF - Engineering consultant appointed in 2023/24 to revise business plans and to seek external sources of funding.	1 496 436,00	1 496 435,52

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

9. Property, plant and equipment (continued)

Construction of Boreholes	District-wide	Water	30 June 2023	30-Sep-24	30-Jun-26	Delays experienced due to dry conditions (poor water quality / no water found after drilling) which resulted to limited budget. Therefore application for addition funding and borehole equipping business plan was approved by DWS March 2025	61 141 593	37 802 231,05
Ebuhleni Housing Project Bulk Water	Mpofana	Water	Planning only	TBC	TBC	Limited availability of funds on the MTREF, ,expenditure was only for planning no asset attached to it.	2 997 287,00	2 997 286,67
Embuthweni Water Phase 4	Mkhambathini	Water	Planning only	TBC	TBC	Limited availability of funds on MTREF - engineering consultants appointed at risk to seek external sources of funding but due to time lost planning documents done previously is now outdated.	1 517 864,00	1 517 863,63

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

9. Property, plant and equipment (continued)

Gengeshe Water	Richmond	Water	Planning only	TBC	TBC	Limited availability of funds on MTREF - engineering consultants appointed at risk to seek external sources of funding but due to time lost planning documents done previously is now outdated.	1 790 190,00	1 790 189,71
Hilton Corridor Development	uMgeni	Water	Planning only	TBC	-	projects is transfered to be implemented by umngeni-Uthukela water	3 322 094,00	3 322 093,95
Kwamathwanya Water	Mpofana	Water	2021/07/31	28-Feb-25	30-Sep-25	Initial contractor was teminated due to poor perfomance - procurement process to appoint new contractor delayed.During Construction extensionof time is granted to the new contractor.	18 612 901,00	14 987 336,00

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

9. Property, plant and equipment (continued)

Mkhambathini Waste Water Works	Mkhambathini	Sanitation	Planning only	TBC	TBC	Limited availability of funds on MTREF - engineering consultants appointed at risk to seek external sources of funding.	3 016 720,00	3 016 719,85
Mooi River Bulk Mains Upgrading	Mpofana	Water	Planning only	TBC	16-Sep-2026	Limited availability of funds on MTREF over past years - Consulting engineer was appointed to undertake designs and Construction commenced in 2024/25	16 063 902,00	2 659 250,00
Mooiriver Ac Pipes Replacement	Mpofana	Water	Planning only	TBC	TBC	Limited availability of funds on MTREF - engineering consultants appointed at risk to seek external sources of funding but due to time lost planning documents done previously is now outdated	1 289 426,00	1 289 425,94

Notes to the Annual Financial Statements

9. Property, plant and equipment (continued)

Nhlambamasoka,Nhlathimbe & Khathikjathi Water	Impendle	Water	Planning only	TBC	28-Feb-27	Limited availability of funds on MTREF - revised business plan approved by DWS. Engineering consultants appointed to undertake designs and they were approved by UMDM. Project is currently at tender stage.	11 182 766,00	1 359 540,27
Nkangala Water	Mkhambathini	Water	Planning only	TBC	TBC	Plan awaiting completion of Phase 2 of Impendle bulk which is to be implemented by Umgeni-Uthukela Water	208 612,00	208 612,31

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

9. Property, plant and equipment (continued)

Phumlas Water Supply Upgrade	Mpofana	Water	Planning only	TBC	16-Sep-26	Limited availability of funds on MTREF over past years - Consulting engineer was appointed to undertake designs and Construction commenced in 2024/25 .This project is implemented as one project with Mooi River Bulk Mains Upgrade	820 881,00	820 881,00
Richmond AC Pipes Replacement	Richmond	Water	Planning only	TBC	TBC	Limited availability of funds on MTREF - engineering consultants appointed at risk to seek external sources of funding but due to time lost planning documents done previously is now outdated.	5 906 405,00	5 906 404,58

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

9. Property, plant and equipment (continued)

Rosetta Water Upgrade	Mpofana	Water	Planning only	TBC	30-Sep-26	Limited availability of funds on MTREF for past financial years - Implementation of this project is prioritised for 2025/2026. Completion of designs delayed by two months which lead to tender process delay.	635 500,00	635 499,75
Umshwathi Slum Water / Trustfeeds	uMshwathi	Water	22-Mar-22	29-Apr-24	17-Nov-25	Previous Contactor was teminated due to poor perfomance - New Contractor to complete the works was appointed in April 2025	49 564 252,00	47 930 102,92
Wartburg AC Pipes Replacement	uMshwathi	Water	Planning only	TBC	TBC	Limited availability of funds on MTREF - engineering consultants appointed at risk to seek external sources of funding but due to time lost planning documents done previously is now outdated.	653 594,00	653 594,16

Impairment Recognised

Notes to the Annual Financial Statements

9. Property, plant and equipment (continued)

2025: The municipality recognised an impairment loss of R0 relating to the work in progress.

The municipality has not recognised an impairment loss for any further work-in-progress as these projects will be implemented as and when funding avails whereby the municipality anticipates that the completed project infrastructure assets will be capable of providing the municipality with the intended service potential once construction is completed.

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.

Notes to the Annual Financial Statements

Figures in Rand

10. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	481 428	(84 669)	396 759	6 983 019	(6 947 736)	35 283

Reconciliation of intangible assets - 2025

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	35 283	441 429	(1 000)	(78 953)	396 759

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software, other	35 918	(635)	35 283

Pledged as security

There were no intangible assets pledged as security during the year under review.

Notes to the Annual Financial Statements

Figures in Rand

11. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Other - Mayoral Chain	4 000	-	4 000	4 000	-	4 000

Reconciliation of heritage assets 2025

	Opening balance	Total
Other - Mayoral Chain	4 000	4 000

Reconciliation of heritage assets 2024

	Opening balance	Total
Other - Mayoral Chain	4 000	4 000

Pledged as security

There were no heritage assets pledged as security during the year under review.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

12. Transfers and Subsidies Unspent & Grants received in advance

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Rural Roads Asset Management Grant	88	88
Geospatial Grant	34	34
Water Services Infrastructure Grant	207	208
Camperdown WWTP Grant	4 000 095	4 000 095
Local Financial Management Grant	113	-
ORIO Grant	11 550 860	11 550 860
RASSET & DGDS Grant	126 989	126 989
Municipal Infrastructure Grant - Operational	13	4 999 999
Public Transport Plan Grant	308 817	308 817
Spatial Planning Grant	15 255	15 255
IDP Spatial Development Grant	335 275	335 275
Accelerated Water Intervention Grant - Capital	3	3
Disaster Recovery Grant	179	179
Accelerated Water Intervention Grant - Operational	12 336	12 336
South African National Biodiversity Grant	101	150 000
	16 350 365	**21 500 138**

Movement during the year

Balance at the beginning of the year	21 500 138	20 530 141
Receipts during the year	226 947 000	216 546 000
Repayments during the year	(4 763)	(4 180 000)
Income recognition during the year	(232 092 010)	(211 396 003)
	16 350 365	**21 500 138**

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

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

13. Payables from exchange transactions

Trade Payables	63 539 448	52 016 115
Payments Received in Advance (Consumers)	13 434 647	25 828 397
Employee Related Accruals	7 105 348	4 247 866
Leave Pay Provision	24 511 641	22 748 304
Accrued Bonus	8 827 919	8 022 656
Accrued Interest - DBSA Loan	6 013 463	6 736 513
Unallocated Deposits	6 619 488	6 532 920
Retentions	10 899 027	20 708 864
VAT: Output Accrual	106 575 268	78 751 252
	247 526 249	**225 592 887**

14. Consumer deposits

Water	7 802 342	7 533 347

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

15. Other financial liabilities

	2025	2024
At amortised cost		
DBSA Loan	134 381 044	149 541 874

The loan from the Development Bank of Southern Africa is a total of R230 000 000 borrowed over a 15-year term subject to a fixed 15 year swap rate plus 230 basis points (Average 10%) over the loan period.

	2025	2024
Non-current liabilities		
At amortised cost	117 439 732	134 381 043
Current liabilities		
At amortised cost	16 941 312	15 160 831

16. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	Utilised during the year	Transfer to Current Portion	Total
Legal proceedings	224 822	-	(224 822)	-	-
Post-employment Benefits - short term	1 615 000	2 171 919	(1 841 633)	-	1 945 286
Long Service Awards - short term	2 882 000	2 778 547	(1 992 110)	-	3 668 437
Post-employment Benefits - long term	43 269 000	8 442 826	-	(2 171 919)	49 539 907
Long Service awards - long term	17 378 000	2 481 980	-	(2 778 547)	17 081 433
	65 368 822	**15 875 272**	**(4 058 565)**	**(4 950 466)**	**72 235 063**

Reconciliation of provisions - 2024

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Transfer to current portion	Total
Legal proceedings	4 446 241	224 822	-	(4 446 241)	-	224 822
Post-employment Benefits - short term	1 133 000	1 615 000	(1 133 000)	-	-	1 615 000
Long Service Awards - short term	2 453 000	2 882 000	(2 453 000)	-	-	2 882 000
Post-employment Benefits - long term	37 389 000	7 495 000	-	-	(1 615 000)	43 269 000
Long Service Awards - long term	16 645 000	3 615 000	-	-	(2 882 000)	17 378 000
	62 066 241	**15 831 822**	**(3 586 000)**	**(4 446 241)**	**(4 497 000)**	**65 368 822**

	2025	2024
Non-current liabilities	66 621 340	60 647 000
Current liabilities	5 613 723	4 721 822
	72 235 063	**65 368 822**

These provisions relate to post-employment benefits which the municipality is obliged to honour in terms of the prevailing conditions of employment for all staff members.

17. VAT payable

The municipality submits monthly VAT submissions to SARS and files on a cash basis.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

18. Service charges

Other service charges	536 105	346 926
Sale of water	468 946 036	430 622 293
Sewerage and sanitation service charges	54 776 850	52 951 909
	524 258 991	**483 921 128**

19. Debt waived

The municipality was awarded a debt waiver by Umgeni-Uthukela Water for interest charged on outstanding amounts relating to sewerage services rendered to the municipality. This debt waiver was granted following the settlement of all amounts that were in arrears.

20. Other income from exchange transactions

Tender Documents	14 739	1 391
Interest Received	203 288	-
Licences and Permits	157 095	332 227
Insurance Refunds	-	134 686
Staff Recoveries	86 572	-
	461 694	**468 304**

21. Interest Received - Investments and Bank Accounts

Interest revenue		
Investments and Bank Accounts	30 508 914	34 566 256
	30 508 914	**34 566 256**

22. Interest from Outstanding Debtors

Interest from outstanding debtors	106 203 210	83 822 289

23. Government grants and subsidies

Operating grants		
Equitable share	389 256 000	364 715 000
RSC Levy	360 452 000	353 805 000
Sector Education and Training Authorities Grant	839 099	608 357
Expanded Public Works Programme Grant	1 889 000	2 794 000
Local Government Financial Management Grant	1 199 886	1 200 000
South African National Biodiversity Institute Grant	145 136	2 918 022
Rural Roads Asset Management Grant	2 840 000	2 718 002
Municipal Infrastructure Grant	29 291 560	7 788 529
Water Services Infrastructure Grant	21 218 049	-
	807 130 730	**736 546 910**
Capital grants		
Municipal Infrastructure Grant	96 726 427	106 245 471
Water Services Infrastructure Grant	78 781 952	90 650 000
	175 508 379	**196 895 471**
	982 639 109	**933 442 381**

Conditional and Unconditional

Included in above are the following grants and subsidies realised:

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

23. Government grants and subsidies (continued)

	2025	2024
Conditional grants received	232 931 108	214 922 381
Unconditional grants received	749 708 000	718 520 000
	982 639 108	**933 442 381**

A total of R232 931 108 (**202**4: R214 922 381) was transferred / paid to the municipality as conditional grants during the year under review.

Equitable Share

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

The municipality provides fully subsidised water and sanitation at a maximum of 6kl per month, including the basic charges for such supply, to approved indigent registered households.

Rural Roads Asset Management Grant

	2025	2024
Balance unspent at beginning of year	88	90
Current year receipts	2 840 000	2 718 090
Conditions met - transferred to revenue	(2 840 000)	(2 718 092)
	88	**88**

This grant was spent on the conditional assessment of roads and road structures in line with the conditions of the grant.

Geospatial Grant

	2025	2024
Balance unspent at beginning of year	34	34

Water Services Infrastructure Grant - Capital

	2025	2024
Balance unspent at beginning of year	208	208
Current-year receipts	78 781 952	90 650 000
Conditions met - transferred to revenue	(78 781 953)	(90 650 000)
	207	**208**

This grant was spent on the construction of water infrastructure in line with the conditions of the grant.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

23. Government grants and subsidies (continued)

Camperdown WWTP Grant

Balance unspent at beginning of the year	4 000 095	4 000 095

Conditions still to be met - remain liabilities (see note 12).

Expanded Public Works Programme Grant

Current-year receipts	1 889 000	2 794 000
Conditions met - transferred to revenue	(1 889 000)	(2 794 000)
	-	-

This grant was spent on the upskill of the unemployed through various programmes in line with the conditions of the grant.

Municipal Infrastructure Grant - Capital

Current-year receipts	96 726 440	106 245 471
Conditions met - transferred to revenue	(96 726 440)	(106 245 471)
	-	-

This grant was spent on the construction of water infrastructure in line with the conditions of the grant.

ORIO Grant

Balance unspent at beginning of the year	11 550 860	11 550 860

Conditions still to be met - remain liabilities (see note 12).

Sector Education and Training Authority Grant

Current-year receipts	839 099	608 357
Conditions met - transferred to revenue	(839 099)	(608 357)
	-	-

RASET & DGDS Grant

Balance unspent at beginning of the year	126 989	126 989

Conditions still to be met - remain liabilities (see note 12).

Local Government Finance Management Grant

Current-year receipts	1 200 000	1 200 000
Conditions met - transferred to revenue	(1 199 886)	(1 200 000)
	114	-

This grant was spent on activities and services to assist the municipality to achieve sound financial management in line with the conditions of the grant.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

23. Government grants and subsidies (continued)

SANBI Grant

Balance unspent at beginning of year	150 000	-
Current-year receipts	-	150 000
Conditions met - transferred to revenue	(145 136)	-
Roll over repayment	(4 763)	-
	101	**150 000**

Water Services Infrastructure Grant-Operational

Current-year receipts	21 218 049	-
Conditions met - transferred to revenue	(21 218 049)	-
	-	**-**

Municipal Infrastructure Grant - Operational

Balance unspent at beginning of year	4 999 999	-
Current-year receipts	24 291 560	12 788 528
Conditions met - transferred to revenue	(29 291 559)	(7 788 529)
	-	**4 999 999**

This grant was spent on the construction of VIP toilets in line with the conditions of the grant.

An advance of R5 million of the 2024/25 DoRA allocation was received in May 2024 to allow for the prioritisation of repairs and maintenance of infrastructure assets.

Public Transport Plan Grant

Balance unspent at beginning of the year	308 817	308 817

Conditions still to be met - remain liabilities (see note 12).

Spatial Planning Grant

Balance unspent at beginning of the year	15 255	15 255

Conditions still to be met - remain liabilities (see note 12).

IDP Spatial Development Grant

Balance unspent at beginning of the year	335 275	335 275

Conditions still to be met - remain liabilities (see note 12).

Disaster Recovery Grant

Balance unspent at beginning of the year	179	179

Conditions still to be met - remain liabilities (see note 12).

Accelerated Water Intervention Grant - Operational

Balance unspent at beginning of the year	12 336	12 336

Conditions still to be met - remain liabilities (see note 12).

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

24. Public contributions and donations

Santam	-	545 511
Development Bank of South Africa	-	2 793 220
	-	**3 338 731**

25. Employee related costs

Basic	202 546 787	178 465 371
Bonus	16 340 351	13 763 616
Medical aid - company contributions	17 066 613	15 139 253
UIF	1 352 676	1 205 866
WCA	2 384 271	2 010 161
SDL	2 812 411	2 391 344
Other - Bargaining Council	97 392	91 667
Leave pay provision charge	3 073 093	4 282 121
Cell phone Allowances	435 100	287 452
Group Life Contributions	4 933 970	4 693 303
Standby Allowances	13 366 157	9 253 625
Other - Tool Allowances	1 370 839	1 277 309
Defined contribution plans	39 056 908	36 804 933
Travel, motor car, accommodation, subsistence and other allowances	17 168 670	13 860 717
Overtime payments	11 842 043	8 267 450
Long-service awards	6 206 686	3 916 472
Acting allowances	4 358 124	1 935 214
Housing benefits and allowances	1 267 664	1 258 842
Uniforms & Clothing Allowances	5 470	23 703
Shift Allowance	14 429 278	12 909 124
Termination benefits - Curtailment and Settlements	5 193 640	5 340 091
	365 308 143	**317 177 634**

Remuneration of Municipal Manager - DR EX Muthwa

Annual Remuneration	1 375 781	-
Car Allowance	-	19 746
Other	15 495	375
	1 391 276	**20 121**

The Municipal Manager was appointed 01 October 2024.

The remuneration of the Municipal Manager is included in the employee related costs of the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

25. Employee related costs (continued)

Remuneration of Chief Financial Officer - Mr. O.V. Kunene

Annual Remuneration	1 114 748	699 909
Travel Allowance	284 622	213 644
Leave Pay	71 706	-
Tools of Trade	21 600	16 200
Statutory Contributions	17 298	10 744
Other	49 410	-
	1 559 384	**940 497**

Remuneration of Senior Executive Manager: Corporate Services - Ms TS Hadebe

Annual Remuneration	1 226 119	-
Travel Allowance	187 000	-
Tools of Trade	19 800	-
Statutory Contributions	16 035	-
	1 448 954	**-**

**Remuneration of Senior Executive Manager: Corporate Services-
Mrs N Mkhize**

Annual Remuneration	-	693 355
Acting Allowance	-	2 042
Bonus	-	80 639
Travel Allowance	-	132 295
Leave payout	-	212 633
Tools of Trade	-	14 400
Statutory Contributions	-	12 453
	-	**1 147 817**

Senior executive manager: Corporate services Ms TS Hadebe was appointed in 01 August 2024.

The remuneration of the Senior Executive Manager: Corporate Services is included in the employee related costs of the municipality.

**Remuneration of Senior Executive Manager: Community Services -
EX Muthwa**

Annual Remuneration	327 840	1 085 241
Acting Allowance	42 903	134 714
Bonus	-	56 566
Tools of Trade	5 400	21 600
Non-pensionable Cash Gratuity	-	15 027
Other	88 938	-
Statutory Contributions	6 827	-
Leave Pay	148 586	-
	620 494	**1 313 148**

Council appointed EX Muthwa as Senior Executive Manager: Community Services as from 01 April 2023.

Dr E.X. Muthwa acted in the capacity of Municipal Manager for the year under review.

The remuneration of the Senior Executive Manager: Community Services is included in the employee related costs of the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

25. Employee related costs (continued)

Remuneration of Senior Executive Manager: Economic Development and Planning - Mr. M Sithole

Annual Remuneration	1 191 387	983 142
Acting Allowance	-	12 072
Bonus	-	44 356
Travel Allowance	222 686	207 236
Tools of Trade	21 600	21 600
Statutory Contributions	16 893	13 872
Non-pensionable gratuity	-	-
Other	100 796	-
	1 553 362	**1 282 278**

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The remuneration of the Senior Executive Manager: Economic Development and Planning is included in the employee related costs of the municipality.

Remuneration of Senior Executive Manager: Technical Services - Mr. R.J Dlamini

Annual Remuneration	1 108 755	189 846
Travel Allowance	195 663	42 800
Statutory Contributions	15 425	-
Tools of Trade	19 800	3 600
Non-pensionable gratuity	-	2 530
Other	49 410	-
	1 389 053	**238 776**

26. Remuneration of councillors

Mayor	1 375 330	1 404 224
Deputy Mayor	995 364	981 416
Executive Committee Members	5 610 150	5 898 535
Speaker	996 554	983 635
Councillors	6 445 053	6 007 513
Chief Whip	936 915	1 102 130
Skills Development Levy	141 800	140 397
	16 501 166	**16 517 850**

In-kind benefits

The Mayor, Deputy Mayor and Speaker were full-time from the date of assumption of office. Each was provided with an office and secretarial support at the cost of the Council.

The Chief Whip and Executive Committee Members of the current Council who assumed office were authorised by the Department of Cooperative Governance and Traditional Affairs to assume full-time status. Each was provided with an office and secretarial support at the cost of the Council.

The Deputy Mayor and Speaker have the use of separate Council leased vehicles for official duties.

The Mayor, Deputy Mayor and Speaker each have two full-time bodyguards.

27. Depreciation and amortisation

Property, plant and equipment	66 627 773	55 637 891
Intangible assets	78 953	635
	66 706 726	**55 638 526**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

28. Finance costs

Trade and other payables	6 400	23 057
Non-current borrowings	15 197 810	16 836 267
	15 204 210	**16 859 324**

29. Lease rentals on operating lease

Premises		
Contractual amounts	1 991 220	1 102 323
Motor vehicles		
Contractual amounts	14 794 877	12 523 021
Equipment		
Contractual amounts	8 218 753	7 320 796
	25 004 850	**20 946 140**

30. Debt impairment

Debt impairment	61 996 778	294 711 255

31. Bad Debts Written Off

Write-off Approved by Council	72 186 573	8 290 617
Write-off Approved by Accounting Officer	172 093 769	-
	244 280 342	**8 290 617**

As provided for by the municipality's debt write off policy, the Chief Financial Officer and Accounting Officer have authorised write offs on various categories of debtors. The CFO and Accounting Officer have delegated authority to write off debt that has a balance of R100 000 and below. The policy provides that all debt write offs shall be reported to the Municipal Council. The policy also provides that any debt over and above R100 000 must be approved by Council.

32. Inventory Consumed

VIP Toilets	42 316 805	14 088 218
Water	194 610 643	178 015 862
Materials	3 796 842	3 927 655
Consumables	1 179 642	490 524
Community Programmes	5 246 784	7 213 627
	247 150 716	**203 735 886**

Community Programmes include items procured for Disaster Relief / Response and SMME support initiatives.

Reconciliation of Water for Distribution Till June 2025

Opening Balance	459 471	320 539
Water Purchased and Produced	362 139 274	278 441 964
Revenue Water: Authorised - Billed	(110 595 651)	(91 672 468)
Non-revenue Water: Authorised - Unbilled	(65 552 223)	(86 324 798)
Subtotal	**186 450 871**	**100 765 237**
Water Losses	(167 226 608)	(100 305 766)
Closing Balance	**19 224 263**	**459 471**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

33. Contracted services

Outsourced Services		
ICT Support Services	532 112	599 028
Catering Services	2 429 084	1 956 960
Hygiene Services	64 560	40 000
Security Services	20 524 974	18 139 172
Sewerage Services	91 805 662	93 092 487
Water Tankers	68 448 897	69 462 669
Consultants and Professional Services		
Business and Advisory	34 462 889	24 552 828
Geoinformatic Services	547 279	540 320
Laboratory Services	1 753 340	1 404 181
Legal Cost	6 534 953	10 374 455
Contractors		
Employee Wellness	24 235	42 750
Event Coordinators	5 403 281	6 695 197
Maintenance of Buildings and Facilities	1 080 390	1 363 061
Maintenance of Equipment	3 887 547	1 849 180
Maintenance of Infrastructure Assets	33 237 551	21 238 161
Management of Informal Settlements	-	12 428
Medical Services	813 445	872 400
	271 550 199	**252 235 277**

34. Transfers and Subsidies

Other subsidies		
UMEDA Transfer	12 700 000	11 500 000
Arbitration Awards	-	303 403
Allocation-in-kind: equipment	-	233 642
	12 700 000	**12 037 045**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

35. General expenses

Achievements and awards	300	108 889
Advertising	456 024	346 130
Assets expensed	324 425	297 554
Auditors remuneration	4 139 779	4 028 553
Bank charges	1 651 829	1 484 761
Bursaries	356 138	138 229
Communications	360 890	1 171 158
Conferences and Training	1 910 265	1 103 745
Electricity - Infrastructure	14 590 198	9 851 594
Entertainment	22 963	23 080
Fuel and oil	7 675 170	8 354 362
Gifts and promotional items	1 790 421	1 529 862
Guarantees and warranties	214 264	-
Hire	1 259 464	4 823 118
Insurance	1 751 220	1 599 517
Motor vehicle expenses	321 935	319 607
Placement fees	152 196	141 800
Postage and courier	1 539	583
Printing	-	136 163
Permits	73 396	-
Signage	90 860	191 095
Software expenses	8 081 068	8 313 540
Subscriptions and membership fees	3 828 727	3 477 488
Telecommunications	2 722 522	1 489 261
Travel - local	3 008 422	3 772 501
Uniforms	2 324 143	3 295 340
Utilities - municipal services	2 853 714	2 574 909
	59 961 872	**58 572 839**

36. Gain/ (Loss)on Disposal of Assets

Gain / (Loss) on disposal of assets	1 260 944	(54 328)

The loss on disposal of assets relates to assets written off due to theft and/or major breakages in compliance with Chapter 3, Section 14 of the Municipal Finance Management Act and the Fixed Assets Policy of the municipality. Cases have been opened with the South African Police Services in instances of theft.

37. Employee benefit obligations

Defined benefit plan

The actuarial valuation determined that the retirement plan was in a sound financial position.

Post retirement medical aid plan

The municipality operates on five accredited medical aid schemes, namely, Bonitas, KeyHealth, LA Health, SAMWUMed and HosMed.

Pension benefits

Pensioners have the option to continue on the option they belonged to on the day of their retirement. The independent valuers, Maksure Risk Solutions, have carried out the annual statutory valuation and provided the information required to be disclosed in terms of GRAP 25.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

37. Employee benefit obligations (continued)

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

Opening balance	65 144 000	57 620 000
Benefits paid	(3 833 743)	(3 586 000)
Net expense recognised in the statement of financial performance	10 924 806	11 110 000
	72 235 063	**65 144 000**

Net expense recognised in the statement of financial performance

Current service cost	2 195 055	3 173 000
Interest cost	8 018 368	6 774 000
Actuarial (gains) losses	711 383	1 163 000
	10 924 806	**11 110 000**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Long service award	(696 210)	128 000
Actuarial (gains) losses – Medical aid	1 407 593	1 035 000
	711 383	**1 163 000**

Changes in the fair value of plan obligations are as follows:

Opening balance	65 144 000	57 620 000
Actuarial gains (losses)	711 383	1 163 000
Contributions by Employer	8 018 368	6 774 000
Contributions by Plan Participants	2 195 055	3 173 000
Benefits paid	(3 833 743)	(3 586 000)
	72 235 063	**65 144 000**

Key assumptions used

Assumptions used at the reporting date:

Health care cost inflation	10,57 %	7,79 %
Discount Rate	14,97 %	12,32 %
Real discount rate	3,98 %	4,20 %
Spouse age difference	5 years	5 years
Medical cost trend rates	12,32 %	12,32 %
Expected increase in salaries	7,79 %	7,79 %
Expected pension increases	4,20 %	4,20 %
Proportion of employees opting for early retirement	5,47 %	5,47 %
Expected increase in healthcare costs	6,50 %	6,50 %

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

38. Auditors' remuneration

Fees	4 139 779	4 028 553

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

39. Cash generated from operations

Surplus	92 443 529	216 023 395
Adjustments for:		
Depreciation and amortisation	66 706 726	55 638 526
Loss on disposal of assets	(1 260 944)	54 328
Donations received	-	(3 338 731)
Actuarial gains and losses	711 343	1 163 000
Impairment Loss	62 720 786	330 134 623
Bad debts written off	244 280 342	8 290 617
Debt waived	-	(17 382 096)
Changes in working capital:		
Inventories	134 672	(3 655 828)
Inventory adjustments and Water losses	165 088 979	47 554 701
Receivables from Non-exchange transactions - Gross	5 953 632	(15 842 772)
Receivables from exchange transactions	(9 913 886)	(6 033 475)
Receivables from non-exchange transactions	(47 146 656)	16 177 772
Movement in provisions	6 866 241	3 302 581
Payables from exchange transactions	21 933 358	(119 351 555)
Receivables (debt impairment and Gross movement)	(214 236 890)	(373 587 882)
Debt written off	(244 280 342)	(8 290 617)
Transfers and Subsidies Unspent & Grants	(5 149 773)	969 997
Consumer deposits	262 366	300 609
	145 113 483	**132 127 193**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	80 882 742	30 891 039
Total capital commitments		
Already contracted for but not provided for	80 882 742	30 891 039

Authorised operational expenditure

Already contracted for but not provided for		
• Office rentals	2 359 001	625 340
• Other general commitments	79 365 846	27 513 015
	81 724 847	**28 138 355**

Total commitments

Total commitments		
Authorised capital expenditure	80 882 742	30 891 039
Authorised operational expenditure	81 724 847	28 138 355
	162 607 589	**59 029 394**

The committed capital expenditure relates to Property plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, government grants, etc.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	32 680 466	19 138 377
- in second to fifth year inclusive	49 129 685	8 999 977
	81 810 151	**28 138 354**

Operating lease payments represent rentals payable by the municipality for certain of its office properties and vehicles. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years. No contingent rent is payable.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

41. Contingencies

41.1 Contingent Liabilities

A matter between the municipality and ORIO Funding. The matter is in relation to work done and damages relating to ORIO Funded Projects to the value of R91 769 621.

A motor vehicle claim against the municipality by T Sheshoka for R346 640.

A civil claim of R546 062 by G Shabalala against the municipality for damage to property caused by storm water drainage.

A matter between the municipality and JJ Construction to the value of R7 490 512.

A matter between the municipality and Ms N Moodley where she is seeking reinstatement to her previous role as well as back pay to the value of R500 000.

A matter between the municipality and M Bhengu & 23 Others for Travel Allowance to the value of R5 000 000.

A claim by M Bhengu for unfair dismissal to the value of R700 000.

A claim by M Bhengu for pension funds to the value of R450 000.

A claim by M Khumalo for unfair dismissal to the value of R1 500 000.

A matter between UMDM and Magma Risk Solutions for non-payment of invoices to the value of R2 044 056.

A motor vehicle claim against the municipality by DM Garlicke to the value of R1 500 000.

A claim by JG Hauliers Pty Ltd against UMDM -restoration of water supply - R18150

A claim by GS Madlala Attorneys (on behalf of Themba Ndulini) against UMDM - for burst fire hydrant - R100 000

A claim by COGTA against UMDM for breach of agreement R300 000.

A claim by Estate Late Alisha Salome Govender against UMDM - loss of life R 14 700 000

A claim for by Stegen Property Trust against UMDM for collision of vehicle - R 1 308 542.
.
No provision has been made in the financial statements for all of the above liabilities.

41.2 Contingent Assets

A matter between the municipality and ORIO Funding. The matter is in relation to amounts owing to the municipality to the value of R8 000 000.

A matter between the municipality and M Bhengu to the value of R988 966 where the municipality is instituting civil recovery for overpayment on travel allowances.

A matter between UMDM and Magma Risk Solutions for damages to the value of R900 000.

No provision has been made in the financial statements for all of the above assets.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

42. Related parties

Relationships	
Accounting Officer	Refer to note 25
Municipal Entity	uMgungundlovu Economic Development Agency
Councillors	Refer to note 48 and 26
Senior Executive Managemnt	Refer to note 25

Related party balances

	2025	2024
Amounts included in Trade Payables regarding related parties		
uMgungundlovu Development Agency	-	32 962

The above related party balance relates to allocations owing to the agency that were not paid at year end but were due and payable to UMEDA. In the current year the was no outstanding amount due to UMEDA .

Related party transactions

	2025	2024
Allocated to Entity		
uMgungundlovu Development Agency -Operational Cost Allocation	12 700 000	11 500 000

43. Events after the reporting date

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

44. Inventories losses/adjustments

	2025	2024
Inventory adjustment	(2 137 629)	(52 751 065)
Water Lossess	167 226 608	100 305 766
	165 088 979	**47 554 701**

The municipality notes that the water loss percentage has increased from 36% in the prior year to 46% for the year under review. This figure exceeds the MFMA Circular 71 norm of 15%–30%.

To address this challenge, the municipality continues to implement targeted interventions aimed at strengthening water accountability and reducing non-revenue water losses. These include:

The rollout of prepaid water meters, which is expected to enhance consumption control, billing accuracy, and customer responsiveness.

Installation of check meters to quantify usage from standpipes.

45. Fruitless and wasteful expenditure

	2025	2024
Opening balance as previously reported	293 358	20 081 061
Opening balance as restated	**293 358**	**20 081 061**
Add: Fruitless and Wasterful Expenditure	6 400	13 945
Less: Amounts recoverable - current	-	(3 460)
Less: Amount written off by Council	(299 758)	(19 798 188)
Closing balance	**-**	**293 358**

Interest Expense charges amounting to R6,400 were incurred due to late payment of invoices.

Figures in Rand	2025	2024

45. Fruitless and wasteful expenditure (continued)

Amounts written-off

Fruitless and Wasteful Expenditure Incurred During the Year		
Interest Expense	6 400	13 946

	2025	2024
Fruitless and Wasteful Expenditure written off by Council		
Cost incurred on infrastructure projects	293 358	19 776 517
Interest Expense	6 400	21 671
	299 758	**19 798 188**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

46. Irregular expenditure

Opening balance as previously reported	12 401 867	589 768
Correction of prior period error	-	6 995 674
Opening balance as restated	**12 401 867**	**7 585 442**
Add: Amounts recoverable - current	156 924 810	169 427 440
Less: Amount written off by Council	(118 850 429)	(164 611 015)
Closing balance	**50 476 248**	**12 401 867**

Irregular Expenditure Written off by Council

Irregular expenditure amounting to R31 957 related to traveling costs wherein the department was unable to advertise for the requisite minimum number of days.

Amounts of R105 576 511 pertaining to the operation and maintenance of wastewater treatment plants were recognised as irregular expenditure. This contract was investigated by MPAC and expenditures were written off These amounts were written off in line with section 32(2)(b) of the MFMA which states that after investigation by a council committee.

Amounts of R 50 476 248 were incurred for failure to advertise long-term contracts for the minimum of 30 days.

Rental costs of R840,093 expenditure relates to payments without a lease agreement..

Irregular Expenditure Written off by Council	-	-
Failure to follow SCM Processes	506 203	40 824
Non-Compliance with SCM Regulation 17(C)	11 895 665	-
Non-compliance with Section 33(1) of MFMA	105 576 511	164 471 878
Non-Compliance with SCM Regulation 18(A) (7-Day Advert)	31 957	53 983
Non-compliance with Section 116(3) of MFMA	-	44 329
Payments made outside a Contract	840 094	-
	118 850 430	**164 611 014**

Irregular Expenditure Incurred During the Year		
Non-compliance with Section 33(1) of MFMA	105 576 511	164 471 878
Non-Compliance with SCM Regulation 18(a)	31 957	-
Failure to follow SCM Processes	-	11 242
Failure to follow Section 116(3) of the MFMA	-	44 329
Non-compliance with SCM Regulation 17(c)	-	4 899 991
Non-Compliance with SCM Regulation 22(1)(B)	50 476 248	-
Payments made outside a Contract	840 094	-
	156 924 810	**169 427 440**

Irregular Expenditure Incurred During the Prior Year		
Non-Compliance with SCM Regulation 17(C)	-	6 995 674

47. Unauthorised expenditure

Opening balance as previously reported	186 537 712	270 839 407
Opening balance as restated	**186 537 712**	**270 839 407**
Add: Unauthorised Expenditure - current	84 513 389	186 531 936
Less: Amount written off - prior period	(186 531 936)	(270 833 631)
Closing balance	**84 519 165**	**186 537 712**

An amount of R84 513 389 unauthorised expenditure was incurred in the current financial year (2024: R186 531 936). The unauthorised expenditure is computed at vote level and disclosed at category level for purposes of providing further detail on the constituents of the amount.

Notes to the Annual Financial Statements

Figures in Rand

47. Unauthorised expenditure (continued)

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

Non-cash	78 476 198	244 750 376
Cash	6 037 191	(58 218 440)
	84 513 389	**186 531 936**

Analysed as follows: non-cash

Depreciation and amortisation	5 763 726	(2 760 775)
Impairment of Non-Current Assets	724 009	-
Provision of impairment	(173 003 222)	239 220 534
Bad debts written off	244 280 342	8 290 617
Acturial Gain	711 343	-
	78 476 198	**244 750 376**

Analysed as follows: cash

Inventory consumed	(18 383 284)	(19 654 688)
Inventory losses/adjustments	22 392 979	(28 534 315)
Contracted services	8 759 199	(10 003 586)
Loss on disposal of fixed assets	(1 380 944)	-
Employee related costs	9 046 309	3 679 551
Lease rentals on operating lease	-	(1 836 076)
Finance cost	(716 790)	-
Operational costs	(13 401 278)	(1 869 326)
Transfer andsubsidies	(279 000)	-
	6 037 191	**(58 218 440)**

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	3 849 182	3 457 032
Amount paid - current year	(3 849 182)	(3 457 032)
	-	**-**

Audit fees

Opening balance	-	3 542
Current year subscription / fee	4 139 779	4 631 669
Amount paid - current year	(4 139 779)	(4 635 211)
	-	**-**

PAYE, SDL and UIF

Current year subscription / fee	63 125 394	52 693 170
Amount paid - current year	(63 125 394)	(52 693 170)
	-	**-**

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

Pension and Medical Aid

Current year subscription / fee	55 865 965	76 470 506
Amount paid - current year	(55 865 965)	(76 694 676)
	-	**(224 170)**

VAT

VAT payable is made up VAT receivable from SARS based on VAT returns submitted as well as VAT output and VAT input accruals.

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

Councillors' arrear consumer accounts

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

30 June 2025	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Dladla ME (Mr)	1 420	-	1 420
Lake H (Ms)	573	-	573
	1 993	**-**	**1 993**

30 June 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Dladla ME (Mr)	1 704	4 054	5 758
Lake H (Ms)	356	-	356
	2 060	**4 054**	**6 114**

49. 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.

The municipality recorded deviations totalling Rnil (2024: Rnil) in the current financial year.

Notes to the Annual Financial Statements

Figures in Rand

50. Budget differences

Material differences between budget and actual amounts

Income

50.1 Service Charges budget amount is based on estimated consumption, during the year consumption went below the level that was estimated. Consumption is driven by individual consumer usage. There were water curtailment measures applied by Umgeni Water during the financial year.

50.2 The interest earned on investments was below the budget estimate. Short term investments made during the year were withdrawn during the third quarter..

50.3 The increase is interest on oustanding debtors is,mainly, due to the increase of gross consumer debtors from R1 219 821 889 to R1 295 654 394.

50.4 The municipality received re-imbursive grant funding from SETA and SANBI and this funds were spent during the current financial year.

Expenditure

50.5 The over-expenditure on employee-related costs was driven by unexpectedly high leave payouts from contract terminations affecting leave provisions, and unforeseen non-cash movements in post-retirement benefits that were not included in the original budget , standby and overtime allowances.

50.6 The increases in depreciation is due to the completed capital projects , capitalised in the current financial year.

50.7 The decrease in impairment is due to debt write offs effected during the current year.

50.8 The increase in debt write off : was due to indigent balances of R244 million as at 31 March that were written off

50.9. The inventory consumed was due to the increase in bulk water purchases and VIP toilets.

50.10 Savings were realised in Operational costs, the municipality is committed in monitoring and controling operational expenditure through the implementation of the Cost Containment Policy.

A decrease was due to the drop in fuel cost, hire charges and protective clothing.

51. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	134 381 044	149 541 874
Used to finance property, plant and equipment	(128 367 581)	(142 805 437)
	6 013 463	**6 736 437**

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

52. Operating surplus

Operating surplus for the year is stated after accounting for the following:

Income from controlled entities		
Interest from outstanding debtors	106 203 210	83 822 289

Notes to the Annual Financial Statements

52. Operating surplus (continued)

Operating lease charges		
Premises		
• Contractual amounts	(1 991 220)	(1 102 323)
Motor vehicles		
• Contractual amounts	(14 794 877)	(12 523 021)
Equipment		
• Contractual amounts	(8 218 753)	(7 320 796)
	(25 004 850)	**(20 946 140)**

Loss on disposal of assets	1 260 944	(54 328)
Impairment on property, plant and equipment	-	(35 423 368)
Reversal of impairment on trade and other receivables	(724 009)	-
Amortisation on intangible assets	(78 953)	(635)
Depreciation on property, plant and equipment	(66 627 773)	(55 637 891)
Employee costs and Councillors' remuneration	(381 809 309)	(333 695 484)

53. Revaluation reserve

Opening balance	50 512 172	51 703 936
Change during the year	16 752 826	(1 191 764)
	67 264 998	**50 512 172**

54. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2025

	Housing development fund	Total
Opening balance	8 127	8 127

Ring-fenced internal funds and reserves within accumulated surplus - 2024

	Housing development fund	Total
Opening balance	8 127	8 127

Notes to the Annual Financial Statements

55. Impairment of Non-current Assets

Impairments		
Property, plant and equipment	-	35 423 368
The planning and design work was done for projects, however, due to limitations on funding the implementation has delayed. The municipality recognised an impairment loss of R35 423 368 relating to the work in progress for the Impendle Bulk Water Works Project at R13 949 423; the Mpofana Waste Water Treatment Works Project at R8 549 988; the Mpophomeni Sanitation Plant Project at R8 172 038 and the Richmond Waste Water Treatment Works Project at R4 751 919 due to the projects being handed over to Umngeni-Uthukela Water for review and implementation.		
Impairments		
Property Plant & Equipment :Water Supply Infrastructure	724 009	-
Upon conducting the conditional assessment the municipality discovered that there were boreholes vandalised during the current financial year. The Municipality further went on to perform a conditional assessment on all the poor and very poor assets including the vandalised assets.		
Total impairment losses (recognised) reversed	**724 009**	**35 423 368**

56. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	124 391 626	124 391 626
Cash and cash equivalents	213 192 676	213 192 676
	337 584 302	**337 584 302**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	247 526 250	247 526 250

2024

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	67 331 084	67 331 084
Cash and cash equivalents	228 462 986	228 462 986
	295 794 070	**295 794 070**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	225 592 887	225 592 887

Notes to the Annual Financial Statements

57. Correction of errors

Presented below are those items contained in the statement of financial position, have been affected by correction of errors.

Statement of financial position

2024

	Note	As previously reported	Correction of error	Restated
Property Plant and Equipment	9	2 664 332 205	281 966	2 664 614 171
Trade and other payables from exchange transactions	13	(130 278 035)	(95 314 852)	(225 592 887)
VAT Payable		(55 992 795)	55 992 795	-
Consumer Debtors		44 668 431	12 747 886	57 416 317
Accumulated Surplus		(2 468 402 455)	3 844 670	(2 464 557 785)
Cash and cash Equivalents		228 224 840	238 146	228 462 986
Receivables from exchange transactions		3 548 150	6 366 617	9 914 767
Receivables from non exchange		-	15 842 772	15 842 772
		-	-	-

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Restated
Service Charges		487 382 051	(3 460 923)	483 921 128
Interest on outstanding debtors		89 199 707	(5 377 418)	83 822 289
Depreciation		(55 276 533)	(361 993)	(55 638 526)
Debt Impairment		(363 797 166)	69 085 911	(294 711 255)
Inventories losses/adjustments		(47 884 723)	330 022	(47 554 701)
Debt waived - exchange transactions		17 382 096	(17 382 096)	-
Debt waived- Non exchange transactions		-	17 382 096	17 382 096
Surplus for the year		-	-	-

Cash flow statement

2024

Cash flow from operating activities	Note	As previously reported	Correction of error			Restated
Service charges and other receipts from exchange transactions		305 726 645	13 439 628	-	-	319 166 273
Other receipts from non-exchange		-	566 568	-	-	566 568
Suppliers , service Providers and other		(788 654 560)	(13 152 497)	-	-	(801 807 057)

Notes to the Annual Financial Statements

57. Correction of errors (continued)

Errors

The following prior period errors adjustments occurred:

Property Plant And Equipment

a) A prior period error has been presented relating to Work-in-Progress amounting to R 313 937 which was as result of retention being being previously ommitted

Infrastructure assets-Increase in carrying value due to capitalisation of borehalls that were omitted in the prior year amounting to R 61 281

Computer Equipment-increase in the assets carrying value due prior year review of useful life R25 240
.
Transport assets-increase in the assets carrying value due prior year review of useful life R 3610
.
Furniture and fittings-increase in the assets carrying value due prior year review of useful life R 475.

Trade and other payables from exchange transactions

a) The prior period correction relates to adjustments made to retention amounting to R 361 028. This amount was erroneously ommitted on the retentions register.

Furthermore, debit notes were erroneously not raised relating to the Umngeni Water account where adjustments have been madeagainst the Advance pPyments - Trade Payables.

Reversal of prior year accrued interest amounting to R 1 151 836.

The decrease in cash and cash and cash equivalents was due to unauthorized debit orders amounting to R 913 690 that went to the FNB main bank account.

The VAT was restated to trade and other payables as per the new disclosure issue by the GRAP standards (GRAP 104,GRAP 19 & GRAP 1) amounting to R 78 751 252.

VAT

a) The prior period correction relating to VAT amounting to R 47 091. This is relating to the VAT portion from the raised retention.

b) The VAT amount to R 3 485 865 relates to VAT portion on accounts reversals/adjustments relating to prior years.

c) Vat amounting to R 926 277 was reversed due to debtors adjustments and reversals relating to prior years.

d) Vat amounting to R 5 008 301 was reversed due to debtors adjustments and reversals relating to prior year.

The VAT was restated to trade and other payables as per the new disclosure issue by the GRAP standards (GRAP 104,GRAP 19 & GRAP 1) R 55 992 795.

Notes to the Annual Financial Statements

57. Correction of errors (continued)

Consumer Debtors

a) Consumer Debtors amounting to R 33 160 127 was reduced due to reversals of prior year billing of debtors accounts

b) Consumer Debtors amounting to R 12 031 072 were reversed due to prior year billing on debtors accounts.

c) Debt impairment amounting was recalculated and an amounting 134 790 316 was reversed as a result of debtors account adjustments/ reversals in the prior year

d) Consumer Debtors amounting to R 30 277 793 was increased due to reversals of prior year billing of debtors accounts

e) Reversal of debt impairment R 139 899.

Service Charges

a) Service charges amounting to R6 175 183 was reversed due to debtors accounts reversals and adjustments. The reversal of sale of water amounted to R 6 175 183. and the reversal of sanitation charges amounted to R 570 744.

Service charges of R 2 714 260 was reversed due to debtors accounts reversals and adjustments.

Interest on outstanding debtors

a) Interest on oustanding debtors amounting to R 4 929 612 was reversed due to interest charged on outstanding debtors in the prior year.
b) Interest on oustanding debtors amounting to R 447 806 was reversed due to interest charged on outstanding debtors in prior year.

Debt Impairment

Debt impairment amounting was recalculated and an amounting 134 510 831 was reversed as a result of debtors account adjustments/ reversals in the prior year.

Accumulated surplus

a) An amount of R 6 671 224 relates to the reversals to prior year accumulated surplus for debtors accounts that were billed in error and adjusted .

b) Debt impairment amounting was recalculated and an amounting R134 510 831 was reversed as a result of debtors account adjustments/ reversals in the prior year. This then affected accumulated surplus.

c) An amount of R 23 003 037 relates to the reversal of prior year accumulated surplus for debtor accounts that were billed in error and adjusted.

d) Service charges amounting to R 3 460 923, and interest amounting to R 5 377 418 related to reversals for prior year .

e) The depreciation amounting R31 955 was adjusted for in the prior year.

f) Reversal of prior year accrued interest amounting to R 1 151 836

Depreciation

The depreciation amounting R31 955 was adjusted for in the prior year.

Notes to the Annual Financial Statements

57. Correction of errors (continued)

Infrastructure assets-Increase in depreciation amount due to assets that were not capitalised amounting R 61 284

Computer Equipment-decrease in depreciation amount due to prior year review of useful lives R25 240

Transport assets-decrease in depreciation amount due to prior year review of useful lives R 3610

Furniture and fittings-decrease in depreciation amount due to prior year review of useful lives R475.

Cash and cash equivalents

Reversal of prior year accrued interest amounting to R 1 151 836.

The decrease in cash and cash and cash equivalents was due to unauthorized debit orders amounting to R 913 690 that went to the FNB main bank account.

Inventories losses/adjustments

The change of R 330 022 was a reclassification to the inventory adjustment and the depreciation .

Trade receivables from exchange transactions

The VAT was restated to trade and other payables as per the new disclosure issue by the GRAP standards (GRAP 104,GRAP 19 & GRAP 1) amounting to R 6 366 617

Receivables from non exchange transcations

The VAT was restated to trade and other payables as per the new disclosure issue by the GRAP standards (GRAP 104,GRAP 19 & GRAP 1) amounting to R 15 842 772.

58. Risk management

Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

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. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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.

Trade and other payables from Exchange transactions	247 526 250	225 592 890

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

58. 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 counterparty.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Financial instrument	2025	2024
Cash and cash equivalents	213 192 676	228 462 986
Trade receivables from exchange transactions	124 391 626	67 331 084
Trade receivables from non- exchange transactions	9 889 140	15 842 772

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality’s income and operating cash flows are substantially independent of changes in market interest rates.

The municipality’s interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

59. Going concern

The current ratio for the current financial year is 1.15:1; the collection rate is 59 % and the cash coverage ratio is 2.31:1. This indicates that the municipality has sufficient cash resources to meet its obligations. Furthermore, when considering the overall picture, the total assets exceed the total liabilities which indicates that the municipality is solvent. The municipality receives grants to fund operating activities as well as capital commitments.

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of R 2 557 001 294 and that the municipality's total assets exceed its liabilities by R 2 624 266 292.

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.

There are no material uncertainties which may cast significant doubt upon the municipalitys ability to continue as going concern. Therefore the annual financial statements were on going concern basis.

Notes to the Annual Financial Statements

60. Segment information

General information

Identification of segments

The municipality is organised and reports to management and governance structures on the basis of five major functional areas: Budget and Treasury, Community Services, Planning and Economic Development/LED/Tourism, Technical Services and Corporate services and other support services/units. These are based on municipal powers as cited on the IDP as well as municipal classification per the standard chart of accounts.

A segment is an activity of an entity:

(a) that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity.

(b) whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and

(c) for which separate financial information is available.

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

The identified reportable segments are as follows:

Community Services

Planning and Economic Development

Trading Services

Aggregated segments

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.

Types of goods and/or services by segment

The type of goods and services in these services are those consistent with the provision of basic services to municipal customers and community. The nature of the services generate economic benefits for the municipality as well improve the service potential of the municipality.

Notes to the Annual Financial Statements

Figures in Rand

60. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Community Services	Planning and Economic Development	Trading Services	Total
Revenue				
Revenue from non-exchange transactions	2 034 136	-	980 604 972	982 639 108
Revenue from exchange transactions	-	-	524 258 991	524 258 991
Interest revenue from outstading debtors	-	-	106 203 210	106 203 210
Other Income - Licences	157 095	-	304 599	461 694
Interest from investments	-	-	30 508 914	30 508 914
Total segment revenue	**2 191 231**	**-**	**1 641 880 686**	**1 644 071 917**
Municipality's revenue	**2 191 231**	**-**	**1 641 880 686**	**1 644 071 917**
Expenditure				
Salaries and wages	(112 525 343)	(15 075 945)	(237 706 855)	(365 308 143)
Other operational expenses	(14 896 377)	(342 007)	(44 723 488)	(59 961 872)
Remmuneration of councillors	-	-	(16 501 166)	(16 501 166)
Finance Costs	-	-	(15 204 210)	(15 204 210)
Depreciation and amortisation	-	-	(66 706 726)	(66 706 726)
Debt Impairment	-	-	(61 996 778)	(61 996 778)
Bad debts written off	-	-	(244 280 342)	(244 280 342)
Inventories losses/ adjustments	-	-	(165 088 979)	(165 088 979)
Lease rentals on operating lease	-	-	(25 004 850)	(25 004 850)
Inventory consumed	(5 246 784)	-	(241 903 932)	(247 150 716)
Contracted services	(2 980 897)	(1 443 486)	(267 125 816)	(271 550 199)
Transfers and subsidies	-	(12 700 000)	-	(12 700 000)
Asset Impairment	-	-	(724 009)	(724 009)
Loss on disposal of assets	-	-	1 260 944	1 260 944
Actuarial gains / (losses)	-	-	(711 343)	(711 343)
Total segment expenditure	**(135 649 401)**	**(29 561 438)**	**(1 386 417 550)**	**(1 551 628 389)**

Notes to the Annual Financial Statements

Figures in Rand

60. Segment information (continued)

	Community Services	Planning and Economic Development	Trading Services	Total
Total segmental surplus/(deficit)	-	-	-	**92 443 528**
Assets				
Current Assets				
Receivables from exchange	-	-	124 391 626	124 391 626
Receivables from non-exchange transactions	-	-	9 889 140	9 889 140
Inventories	-	3 516 087	4 665 970	8 182 057
Non Current Assets	1 476 268	-	2 745 429 588	2 746 905 856
Cash and cash Equivalents	-	-	213 192 676	213 192 676
Total Assets	**1 476 268**	**3 516 087**	**3 097 569 000**	**3 102 561 355**
Total assets as per Statement of financial position	1 476 268	3 516 087	3 097 569 000	**3 102 561 355**
Liabilities				
Current Liabilities	(139 426 179)	(467 409)	(154 340 403)	(294 233 991)
Non-current Liabilities	-	-	(184 061 072)	(184 061 072)
Total liabilities as per Statement of financial position	**(139 426 179)**	**(467 409)**	**(338 401 475)**	**(478 295 063)**
Reserves				
Reserves				(67 264 998)
Accumulated Surplus				(2 557 001 294)
Total liabilities as per Statement of financial Position	**(139 426 179)**	**(467 409)**	**(338 401 475)**	**(2 624 266 292)**

60. Segment information (continued)

Measurement of segment surplus or deficit, assets and liabilities

The nature of differences between the measurements of the reportable segments’ surplus or deficit and the entity’s surplus or deficit and discontinued operations

The municipality applies the same measurement basis on the information disclosed for the reportable segment as that of the municipal financial statements, except for departmental charges which are allocated between the departments based on consumption, expenditure incurred or any other relevant basis of allocation agreed-upon by the respective departments. On the municipal financial statements, departmental charges are eliminated. There are no other allocations to the reportable segments.

Information about geographical areas

Although the municipality operates in several geographical areas across different regions, the necessary information for disclosure of geographical information is not available and the cost to develop it is anticipated to be excessive.