Zululand District Municipality
(Demarcation code DC26)
Annual Financial Statements
for the year ended 30 June 2025

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

Abbreviations

AFS	Annual Financial Statements
CPI	Consumer Price Index
LGSETA	Local Government Services Sector Education and Training Authority
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
SALGA	South African Local Government Association
PAYE	Pay As You Earn
SETA	Sector Education and Training Authority
SDL	Skills Development Levy
GFS	Government Finance Statistics
mSCOA	Municipal Standard Chart of Accounts
SARS	South African Revenue Service
SCM	Supply Chain Management
VAT	Value Added Tax
UIF	Unemployment Insurance Fund

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996) Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The provision of services (water and sanitation) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment
Legislation governing the municipality's operations	The Constitution of the Republic of South Africa,1996 The Local Government: Municipal Structures Act, 1998 (Act 117 of 1998) The Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) The Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004) Municipal Fiscal Powers and Functions Act, 2007 (Act 12 of 2007) Local Government: Municipal Demarcation Act, 1998 (Act 27 of 1998) Intergovernmental Relations Framework Act, 2005 (Act 13 of 2005) Division of Revenue Act (Act 1 of 2007)

Mayor and executive committee

Portfolio	**Councillor**
Mayor	Cllr. Khumalo MB
Deputy Mayor	Cllr. Mbatha SI
Speaker	Cllr. Memela DT
Chief WHIP	Cllr Ndlovu TD
Member of the Executive Committee	Cllr. Hadebe ISM
Member of the Executive Committee	Cllr. Zulu RM
Member of the Executive Committee	Cllr. Mncwango SA
MPAC Chairperson	Cllr. Shelembe S

General Information

Council members

Nr	Surname	Initials	Nr	Surname	Initials
Cllr.	Barnes	IR	Cllr.	Dlamini	FM
Cllr	Dlamini	VV	Cllr	Dubazane	MR
Cllr.	Jiyane	KR	Cllr.	Khumalo	BK
Cllr.	Magagula	NS	Cllr.	Masondo	ND
Cllr.	Mavundla	CN	Cllr.	Mavundla	JB
Cllr.	Mavuso	NP	Cllr.	Mncwango	BJ
Cllr.	Mngomezulu	ND	Cllr.	Mtambo	M
Cllr.	Ndwandwe	TM	Cllr.	Nhlabathi	BC
Cllr.	Nkosi	SR	Cllr.	Nkwanyana	SE
Cllr.	Ntombela	SS	Cllr.	Ntshangase	TA
Cllr.	Ntuli	KM	Cllr.	Nxumalo	SV
Cllr.	Nxumalo-Sibiya	CM	Cllr.	Selepe	PP
Cllr.	Sibiya	AM	Cllr.	Sikhakhane	HN
Cllr.	Williams	MP	Cllr.	Xaba	NG
Cllr.	Zungu	NF	Cllr.	Zungu	ZH

Executive management

Position	Name
Municipal Manager	Mr Hlongwa RN
Chief Operations Officer	Mr Mosia SP
Chief Financial Officer	Ms Msibi NS
General Manager Corporate Services	Ms Linda MS
General Manager Community Services	Ms Ntombela TA
General Manager Technical Services	Mr Jele TM (from December 2024)
General Manager Planning Services	Mr Soko TG
General Manager Community Services	Ms FK Nene (until August 2024)
Chief Operations & Maintenance Specialist	Mr Jele TM (until November 2024)

Members of the Audit Committee

Chairperson	Mr EN Sithole
Member	Mr VR Nhleko
Member	Ms N Thungo

Business address

B-400 GAGANE STREET
ULUNDI
KWAZULU-NATAL
SOUTH AFRICA
3838

Postal address

PRIVATE BAG X76
ULUNDI
KWAZULU-NATAL
SOUTH AFRICA
3838

General Information

Legal representative	Stowels & Co. Inc. Ntanga Nkuhlu Inc. Attorneys Garlicke & Bousfield Inc.
Telephone	035 874 5500
Bankers	ABSA Bank Limited
Auditors	Auditor-General of South Africa (AGSA)
Fax	035-874 5589/91
Demarcation code	DC26
Email address	mm@zululand.org.za

Accounting Officer's Responsibilities and Approval

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

The annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

I certify that the salaries, allowances and benefits of councillors as disclosed in note 33 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

Accounting Officer
Mr Hlongwa RN

31 August 2025

Statement of Financial Position as at 30 June 2025

	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	23 102 938	57 070 895
Trade and other receivables from exchange transactions	4	16 131 345	36 516 228
Receivables from non-exchange transactions	5	1 379 825	5 270 621
Deposits	6	26 293 204	19 406 873
VAT Receivable	7	98 520 655	68 764 749
Inventories	8	3 013 249	3 965 972
Operating lease receivable	9	8 558	5 225
Total Current Assets		**168 449 774**	**191 000 563**
Non-Current Assets			
Operating lease receivable	9	780	10 144
Property, plant and equipment	10	6 099 628 303	5 438 868 548
Intangible assets	11	7 627	27 945
Heritage assets	12	7 816 633	7 816 633
Total Non-Current Assets		**6 107 453 343**	**5 446 723 270**
Total Assets		**6 275 903 117**	**5 637 723 833**
Liabilities			
Current Liabilities			
Consumer deposits	13	3 371 869	3 380 853
Trade and other payables from exchange transactions	14	741 342 369	525 427 543
VAT Payable	15	1 343 448	836 419
Payables from non-exchange transactions	16	9 219 279	1 445 896
Employee benefit obligation	17	1 161 000	747 000
Provisions	18	36 776 130	34 192 639
Borrowings	19	17 492 000	17 711 896
Lease liabilities	20	459 014	1 076 911
Total Current Liabilities		**811 165 109**	**584 819 157**
Non-Current Liabilities			
Employee benefit obligation	17	34 997 000	30 750 000
Provision	18	15 517 000	13 320 000
Borrowings	19	74 626 764	80 511 409
Lease liabilities	20	1 076 859	907 399
Trade and other payables from exchange transactions	21	-	2 924 971
Total Non-Current Liabilities		**126 217 623**	**128 413 779**
Total Liabilities		**937 382 732**	**713 232 936**
Net Assets		**5 338 520 385**	**4 924 490 897**
Community Wealth / Equity			
Accumulated surplus		5 338 520 387	4 924 490 897

* See Note 58

Statement of Financial Performance

	Note(s)	2025	2024 Restated*
Revenue			
Exchange Revenue			
Services charges – Water management	22	55 414 085	58 876 864
Services charges – Waste water management	22	18 129 405	16 024 007
Sales of goods and rendering of services	23	627 005	752 848
Interest earned from receivables	24	745 747	691 101
Interests on current assets	25	8 128 592	15 458 240
Licences or permits	26	276 956	106 561
Rent from fixed assets	27	462 924	558 834
Operational revenue	28	1 542 178	593 899
Total Exchange Revenue		**85 326 892**	**93 062 354**
Non-Exchange Revenue			
Fines, penalties and forfeits	29	448 937	875 061
Transfers and subsidies - Operational	30	680 582 791	645 810 207
Transfers and subsidies - Capital	30	851 485 498	768 395 478
Gains on disposal	31	-	173 933
Actuarial gain	32	1 434 000	5 704 000
Total Non-Exchange Revenue		**1 533 951 226**	**1 420 958 679**
Total Revenue		**1 619 278 118**	**1 514 021 033**
Expenditure			
Employee related cost	33	343 349 177	308 944 198
Remuneration of councillors	34	10 538 833	10 362 182
Inventory consumed	35	57 949 843	45 332 025
Debt impairment	36	30 773 114	41 360 596
Depreciation and amortisation	37	119 753 243	112 207 505
Interest	38	18 090 621	14 236 704
Contracted services	39	276 562 990	273 353 584
Transfers and subsidies	40	9 064 417	3 533 875
Irrecoverable debts written off	41	2 724 368	8 134 277
Operating leases	42	36 786 234	23 700 334
Operational cost	43	298 654 078	216 065 847
Impairment losses / (reversal) of impairment	44	995 975	-
Losses	31	5 742	-
Total Expenditure		**1 205 248 635**	**1 057 231 127**
Surplus for the year		**414 029 483**	**456 789 906**

* See Note 58

Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
Balance at 01 July 2023	**4 467 700 966**	**4 467 700 966**
Surplus for the year	456 789 906	456 789 906
Total changes	456 789 906	456 789 906
Opening balance as previously reported	5 051 610 511	5 051 610 511
Adjustments		
Correction of errors	(127 119 612)	(127 119 612)
Restated* Balance at 01 July 2024 as restated*	**4 924 490 899**	**4 924 490 899**
Surplus for the year	414 029 483	414 029 483
Total changes	414 029 483	414 029 483
Balance at 30 June 2025	**5 338 520 387**	**5 338 520 387**

Note(s)

* See Note 58

Cash Flow Statement

	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Sales of goods and services		41 676 163	40 128 521
Operational revenue		1 542 178	593 899
Transfers and Subsidies – Operational		688 418 619	645 716 143
Transfers and Subsidies – Capital		851 477 000	768 386 000
Interest earned from investment		8 185 859	15 873 965
Rental from fixed assets		38 342	242 087
Fines and penalties		448 690	664 899
Licences or permits		276 956	106 561
Payments			
Payments to employees and councillors		(341 875 834)	(308 455 451)
Payments to suppliers for goods and services		(526 722 789)	(530 388 032)
Finance costs		(11 576 266)	(7 254 932)
Net cash from(used) operating activities	45	**711 888 918**	**625 613 660**
Cash flows from investing activities			
Receipts			
Proceeds on disposal of fixed and intangible assets		-	679 653
Payments			
Purchase of property, plant and equipment		(739 136 867)	(693 388 330)
Net cash flows from investing activities		**(739 136 867)**	**(692 708 677)**
Cash flows from financing activities			
Receipts			
Increase in borrowing long-term		-	100 000 000
Payments			
Decrease in borrowings		(6 104 541)	(1 776 695)
Decrease in finance lease		(615 472)	(1 483 996)
Net cash flows from financing activities		**(6 720 013)**	**96 739 309**
Net increase/(decrease) in cash		**(33 967 962)**	**29 644 292**
Cash and cash equivalents at year begin		57 070 895	27 426 613
Cash and Cash Equivalents at year end		**23 102 933**	**57 070 905**

* See Note 58

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

	Approved budget	Adjustments	***Virement	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual outcome as % of final budget	Reason for the material variance
2025								
Financial performance								
Revenue by source								
Exchange revenue								
Service charges - Water	68 294 245	(6 977 084)		61 317 161	55 414 083	(5 903 078)	90.37 %	BD1
Service charges - Waste Water Management	17 732 004	-		17 732 004	18 129 405	397 401	102.24 %	
Sale of goods and rendering of services	578 301	(347 882)		230 419	627 005	396 586	272.12 %	BD2
Interest earned from receivables	822 778	-		822 778	745 748	(77 030)	90.64 %	BD3
Interest earned from current and non current assets	7 500 000	-		7 500 000	8 128 592	628 592	108.38 %	BD4
Rental from fixed assets	503 998	-		503 998	462 924	(41 074)	91.85 %	BD5
Licence and permits	176 276	106 403		282 679	276 956	(5 723)	97.98 %	
Operational revenue	565 265	722 980		1 288 245	1 542 178	253 933	119.71 %	BD6
	96 172 867	**(6 495 583)**		**89 677 284**	**85 326 891**	**(4 350 393)**	**95.15 %**	
Non-exchange revenue								
Fines, penalties and forfeits	1 466 871	(886 650)		580 221	448 937	(131 284)	77.37 %	BD7
Transfer and subsidies - Operational	768 030 055	(37 124 070)		730 905 985	680 582 791	(50 323 194)	93.11 %	BD8
Other gains	-	-		-	1 706 000	1 706 000	- %	BD9
	769 496 926	**(38 010 720)**		**731 486 206**	**682 737 728**	**(48 748 478)**	**93.34 %**	
Total Revenue by source (excl. capital transfers and contributions)	**865 669 793**	**(44 506 303)**		**821 163 490**	**768 064 619**	**(53 098 871)**	**93.53 %**	
Expenditure								
Employee costs	(310 171 839)	(17 250 156)	-	(327 421 995)	(343 349 179)	(15 927 184)	104.86 %	BD10
Remuneration of councillors	(9 465 497)	(1 289 410)	-	(10 754 907)	(10 538 833)	216 074	97.99 %	
Inventory consumed	(25 676 000)	401 600	(7 131 013)	(32 405 413)	(57 949 844)	(25 544 431)	178.83 %	BD11

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

	Approved budget	Adjustments	***Virement	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual outcome as % of final budget	Reason for the material variance
Debt impairment	(6 000 000)	-	-	(6 000 000)	(30 773 114)	(24 773 114)	512.89 %	BD12
Depreciation and amortisation	(91 314 524)	-	-	(91 314 524)	(120 749 219)	(29 434 695)	132.23 %	BD13
Finance charges	(7 013 197)	(4 982 812)	-	(11 996 009)	(18 090 622)	(6 094 613)	150.81 %	BD14
Contracted services	(203 357 643)	(113 125 010)	14 811 826	(301 670 827)	(276 562 990)	25 107 837	91.68 %	BD15
Transfers and subsidies	(2 100 000)	(236 100)	(20 482)	(2 356 582)	(9 064 417)	(6 707 835)	384.64 %	BD16
Irrecoverable debts written off	-	-	-	-	(2 724 368)	(2 724 368)	- %	BD17
Operational costs	(112 987 600)	(82 133 146)	(19 141 799)	(214 262 545)	(335 440 310)	(121 177 765)	156.56 %	BD18
Losses on disposal of Assets	-	-	-	-	(5 742)	(5 742)	- %	BD19
Other Losses	-	-	-	-	(272 000)	(272 000)	- %	BD20
Total Expenditure	**(768 086 300)**	**(218 615 034)**	**(11 481 468)**	**(998 182 802)**	**(1 205 520 638)**	**(207 337 836)**	**120.77 %**	
Deficit	**97 583 493**	**(263 121 337)**	**(11 481 468)**	**(177 019 312)**	**(437 456 019)**	**(260 436 707)**	**247.12 %**	
Transfers and subsidies - capital (monetary allocations)	576 195 000	275 282 000		851 477 000	851 477 000	-	100.00 %	
Transfers and subsidies - capital (in-kind)	-	-		-	8 498	8 498	- %	BD21
Surplus for the year	**673 778 493**	**12 160 663**	**(11 481 468)**	**674 457 688**	**414 029 479**	**(260 428 209)**	**61.39 %**	

Capital expenditure and funds sources

	Approved budget	Adjustments	***Virement	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual outcome as % of final budget	Reason for the material variance
Capital expenditure	500 594 868	274 997 569	(4 740 162)	770 852 275	781 494 399	10 642 124	101.38 %	
Transfers recognised – capital	496 247 041	242 823 656	(4 740 162)	734 330 535	732 521 814	(1 808 721)	99.75 %	
Borrowings	-	32 173 913	-	32 173 913	48 200 346	16 026 433	149.81 %	BD22
Internally generated funds	4 347 827	-	-	4 347 827	772 239	(3 575 588)	17.76 %	BD23
	500 594 868	**274 997 569**	**(4 740 162)**	**770 852 275**	**781 494 399**	**10 642 124**	**101.38 %**	

Financial position

Assets

Current assets

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

	Approved budget	Adjustments	***Virement	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual outcome as % of final budget	Reason for the material variance
Cash and cash equivalents	417 028 947	(391 958 955)	-	25 069 992	23 102 939	(1 967 053)	92.15 %	BD24
Trade and other receivables from exchange transactions	79 728 825	(13 421 796)	-	66 307 029	16 131 342	(50 175 687)	24.33 %	BD25
Receivables from non-exchange transactions	7 820 520	(1 828 787)	-	5 991 733	1 250 761	(4 740 972)	20.87 %	BD26
Inventory	2 824 420	1 141 553	-	3 965 973	3 013 250	(952 723)	75.98 %	BD27
VAT	80 813 069	(16 069 043)	-	64 744 026	99 250 022	34 505 996	153.30 %	BD28
Other current assets	23 941 597	(652 569)	-	23 289 028	26 430 827	3 141 799	113.49 %	BD29
Total current assets	**612 157 378**	**(422 789 597)**	**-**	**189 367 781**	**169 179 141**	**(20 188 640)**	**89.34 %**	
Non-current assets								
Property, plant and equipment	5 311 270 073	791 361 120	-	6 102 631 193	6 099 628 300	(3 002 893)	99.95 %	
Heritage assets	7 816 633	-	-	7 816 633	7 816 633	-	100.00 %	
Intangible assets	32 007	(23 883)	-	8 124	7 626	(498)	93.87 %	BD30
Other non-current assets	-	10 144	-	10 144	780	(9 364)	7.69 %	BD31
Total non-current assets	**5 319 118 713**	**791 347 381**	**-**	**6 110 466 094**	**6 107 453 339**	**(3 012 755)**	**99.95 %**	
Total assets	**5 931 276 091**	**368 557 784**	**-**	**6 299 833 875**	**6 276 632 480**	**(23 201 395)**	**99.63 %**	
Liabilities								
Current liabilities								
Financial liabilities	1 555 789	16 762 226	-	18 318 015	17 951 014	(367 001)	98.00 %	
Consumer deposits	3 702 415	(239 307)	-	3 463 108	3 371 869	(91 239)	97.37 %	
Trade and other payables from exchange transactions	450 405 630	35 311 302	-	485 716 932	741 342 370	255 625 438	152.63 %	BD32
Trade and other payables from non-exchange transactions	-	1 445 895	-	1 445 895	9 219 280	7 773 385	637.62 %	BD33
Provision	2 154 000	32 038 639	-	34 192 639	36 776 130	2 583 491	107.56 %	BD34
VAT	10 311 114	(4 932 964)	-	5 378 150	2 072 814	(3 305 336)	38.54 %	BD35
Other current liabilities	-	747 000	-	747 000	1 161 000	414 000	155.42 %	BD36
Total current liabilities	**468 128 948**	**81 132 791**	**-**	**549 261 739**	**811 894 477**	**262 632 738**	**147.82 %**	

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

	Approved budget	Adjustments	***Virement	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual outcome as % of final budget	Reason for the material variance
Non-current liabilities								
Financial liabilities	80 589 331	(11 529 269)	-	69 060 062	75 703 623	6 643 561	109.62 %	BD37
Provision	41 109 000	2 961 000	-	44 070 000	50 514 000	6 444 000	114.62 %	BD38
Long term portion of trade payables	32 779 089	(29 854 118)	-	2 924 971	-	(2 924 971)	- %	BD39
Total non-current liabilities	**154 477 420**	**(38 422 387)**	**-**	**116 055 033**	**126 217 623**	**10 162 590**	**108.76 %**	
Total liabilities	**622 606 368**	**42 710 404**	**-**	**665 316 772**	**938 112 100**	**272 795 328**	**141.00 %**	
Net assets	**5 308 669 723**	**325 847 380**	**-**	**5 634 517 103**	**5 338 520 380**	**(295 996 723)**	**94.75 %**	
Community wealth/ Equity								
Accumulated Surplus/(Deficit)	5 308 219 723	326 185 807	(11 481 468)	5 622 924 062	5 338 520 378	(284 403 684)	94.94 %	
Cash flow								
Cash flow from operating activities								
Receipts								
Service charges	60 766 213	(4 699 970)	-	56 066 243	41 676 163	(14 390 080)	74.33 %	BD40
Other revenue	121 897 671	24 147 604	-	146 045 275	2 306 166	(143 739 109)	1.58 %	BD41
Transfers and Subsidies - Operational	768 030 055	8 725 464	-	776 755 519	688 418 619	(88 336 900)	88.63 %	BD42
Transfers and Subsidies - Capital	576 195 000	276 078 000	-	852 273 000	851 477 000	(796 000)	99.91 %	
Interest	7 994 592	-	-	7 994 592	8 185 859	191 267	102.39 %	
	1 534 883 531	**304 251 098**	**-**	**1 839 134 629**	**1 592 063 807**	**(247 070 822)**	**86.57 %**	
Payments								
Suppliers and employees	(789 533 488)	(285 153 050)	-	(1 074 686 538)	(868 598 623)	206 087 915	80.82 %	BD43
Finance charges	-	-	-	-	(11 576 266)	(11 576 266)	- %	BD44
Transfers and subsidies	(2 415 000)	(304 750)	-	(2 719 750)	-	2 719 750	- %	BD45
	(791 948 488)	**(285 457 800)**	**-**	**(1 077 406 288)**	**(880 174 889)**	**197 231 399**	**81.69 %**	
Net cash from/(used) operating activities	**742 935 043**	**18 793 298**	**-**	**761 728 341**	**711 888 918**	**(49 839 423)**	**93.46 %**	

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

	Approved budget	Adjustments	***Virement	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual outcome as % of final budget	Reason for the material variance
Cash flow from investing activities								
Payments								
Capital assets	(500 594 868)	(274 997 569)	-	(775 592 437)	(739 136 867)	36 455 570	95.30 %	BD46
Cash flow from financing activities								
Receipts								
Increase (decrease) in consumer deposits	3 297	-	-	3 297	-	(3 297)	- %	BD47
Payments								
Repayment of borrowing	(18 096 397)	-	-	(18 096 397)	(6 720 013)	11 376 384	37.13 %	BD48
Net cash from/(used) financing activities	**(18 093 100)**	**-**	**-**	**(18 093 100)**	**(6 720 013)**	**11 373 087**	**37.14 %**	
Net Increase/ (Decrease) in cash held	**224 247 075**	**(256 204 271)**	**-**	**(31 957 196)**	**(33 967 962)**	**(2 010 766)**	**106.29 %**	
Cash/cash equivalents at the year begin:	192 463 232	(135 392 337)	-	57 070 895	57 070 895	-	100.00 %	BD49
Cash/cash equivalents at the year end:	416 710 307	(391 596 608)	-	25 113 699	23 102 933	(2 010 766)	91.99 %	BD50

Commentary

Refer to note 56 for budget variance explanations.

Accounting Policies

The annual financial statements have been prepared in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003)

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

1. Summary of significant accounting policies

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and all values are rounded to the nearest hundred.

1.2 Significant judgements and estimates

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

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

1.2.1 Judgements

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

Lease classification – municipality as lessor

The municipality has entered into lease agreements to rent a small portion of its administration building. The municipality has determined that it retains all the significant risks and rewards of ownership of these properties, and so accounts for them as operating leases.

Lease classification – municipality as lessee

The municipality has entered into a number of leases for office equipment. In determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the municipality.

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. The municipality has exercised its judgement on the appropriate classification of equipment leases, and has determined a number of lease arrangements are finance leases.

Determination of repairs and maintenance cost

Repairs and maintenance is based on management's own judgement of costs incurred in cost centres responsible for the maintenance and repair of municipality owned assets. This includes internal charges (inter departmental charges) such as internal transport costs, charged out to the different departments.

1.2 Significant judgements and estimates (continued)

Componentisation of infrastructure assets

All infrastructure assets, acquired before the adoption of GRAP where the acquisition cost could not be obtained, with significant components relating to different useful lives are unbundled into their components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market replacement cost of each component, depreciated for age and condition and recalculated to deemed cost at the acquisition date if known or to the date of initially adopting the Standards of GRAP. All infrastructure assets acquired after the adoption of GRAP with significant components relating to different useful lives are unbundled into their components based on the actual expenditure incurred.

1.2.2 Estimates and assumptions

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

Post-retirement benefits and Other long term obligations

The cost of defined benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

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

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

Other key assumptions for pension obligations are based on current market conditions.

Classification of financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. The Accounting Policy on Financial Instruments describes the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: Financial Instruments.

Impairment of financial assets

The Accounting Policy on Financial Instruments describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considers the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of service debtors (receivables from exchange and non-exchange transactions) is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

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

1.2 Significant judgements and estimates (continued)

Review of useful lives of property, plant and equipment and intangible assets

The useful lives of assets are based on management’s estimation. Management considers whether there is any indication that expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. These include changes in the composition, condition and nature of the asset, its susceptibility and adaptability to changes in technology and processes, the nature of the processes and environment in which the asset is deployed availability of funding to replace the asset and changes in the market in relation to the asset, as well as planned repairs and maintenance including refurbishments.

Impairment of property, plant and equipment, intangible assets, heritage assets and inventory

The Accounting Policies on impairment of cash and non-cash generating assets as well as inventory describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to the impairment of property, plant and equipment, intangible assets and heritage assets and the write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considers the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Cash generating Assets and GRAP 26: Impairment of non-cash generating assets.

Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions, and when measuring contingent liabilities. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Non-Cash Generating Assets

The Municipality considers its objective of using an asset to designate non-cash generating assets. Those assets that are not used in the objective of generating a commercial return but to deliver services are designated as non-cash generating assets

1.3 Going concern assumption

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

1.4 Offsetting

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

1.5 Current year comparatives

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

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

The presentation and classification of items in the current year is consistent with prior periods.

1.6 Change in accounting policies, estimates and errors

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

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

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

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

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

1.7 Property, plant and equipment

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

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

Initial recognition and measurement

Property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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

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

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

Subsequent measurement - cost mode

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Incomplete construction work

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

1.7 Property, plant and equipment (continued)

Impairment

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

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Depreciation on new acquisitions is charged to the statement of financial performance in the financial year in which the asset is available for use after taking into account the assets' residual value where applicable

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

Item	Depreciation method	Average useful life
Land	Straight-line	indefinite
Machinery and equipment	Straight-line	
• Emergency equipment		10-30 years
• Office equipment		3-25 years
Furniture and office equipment	Straight-line	
• Furniture and fittings		3-5 years
Transport assets	Straight-line	
• Specialist vehicles		4-15 years
• Other vehicles		4-15 years
Computer equipment	Straight-line	3-11 years
Community assets	Straight-line	
• Buildings		15-70 years
• Recreational Facilities		15-70 years
Sanitation infrastructure	Straight-line	7-70 years
Water supply infrastructure	Straight-line	7-70 years
Buildings	Straight-line	10-50 years

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

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

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.

1.7 Property, plant and equipment (continued)

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 10).

Effective interest rate

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

1.8 Heritage assets

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

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

Initial recognition and measurement

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held and preserved indefinitely for the benefit of present and future generations. A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and the cost or fair value of the asset can be measured reliably.

Heritage asset is initially measured at cost at the date of acquisition or in the case where a heritage asset is acquired through a non-exchange transaction (i.e. donation or grant) at deemed cost, being the fair value of the asset at acquisition date.

The cost of a heritage asset is a purchase price and other costs directly attributable to bring the heritage asset to the location and condition necessary for it to be capable of operating in the manner intended by management of the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes attributable costs of dismantling and removing the asset and restoring the site on which the asset is located.

Where there is no evidence to determine the market value of an item of heritage asset in an active market, a valuation technique is used to determine the fair value.

Subsequent measurement

The municipality uses the cost model to value each class of heritage asset. Subsequent expenditure relating to heritage assets is capitalised if that expenditure meets all the requirements of heritage asset and can be measured reliably. Subsequent expenditure is only capitalised when that expenditure increases the level of benefit from present and future generations.

Heritage assets are not depreciated; however, the municipality assesses impairment to all heritage assets at each reporting date.

Derecognition

The carrying amount of an item of heritage asset is de-recognised on disposal or when no future economic benefit or service potential or for the benefit of present and future generations.

The gains or losses derived from derecognition is recognised in the surplus or deficit when the heritage asset is derecognised.

Gains and losses are determined as the difference between the carrying amount (cost less accumulated depreciation and impairment) and the disposal proceeds and included in the Statement of Financial Performance.

1.9 Intangible assets

Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. The municipality recognises an intangible asset in its Statement of Financial Position only 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.

1.9 Intangible assets (continued)

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

Intangible assets are initially recognised at cost.

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

Where an intangible asset 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.

Subsequent measurement - Cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test

Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method.

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	5 - 7 years

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.10 Inventory

Initial recognition

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or

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

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

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

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

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

1.10 Inventory (continued)

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.

Subsequent measurement

Inventories, consisting of consumable stores, materials and water, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

1.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity. Financial instruments are classified into three categories namely, financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost. The municipality determines the classification of its financial instruments at initial recognition.

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets or financial liabilities.

A financial instrument is recognised if the municipality becomes a party to the contractual provisions of the instrument.

1.11.1 Classification of financial instruments

Financial assets

A financial asset is any asset that is a cash or contractual right to receive cash. In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

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

Financial assets measured at fair value being financial assets that meet either of the following conditions:

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

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

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

Type of financial asset	Classification in terms of GRAP 104
Cash and cash equivalents	Financial assets at amortised cost
Accounts receivable	Financial assets at amortised cost

Accounting Policies

1.11 Financial instruments (continued)

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

Financial liabilities

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

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

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

Type of financial liability	Classification in terms of GRAP 104
Long-term liabilities	Financial liability at amortised cost
Current portion of long-term liabilities	Financial liability at amortised cost
Accounts payables	Financial liability at amortised cost

1.11.2 Initial and subsequent measurement

Initial recognition and measurement

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

Subsequent measurement – Financial assets

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

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

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

Trade and other receivables (excluding Input VAT paid, Output VAT receipted , VAT claimed, prepayments and operating lease receivables), Input VAT accrual, Output VAT accrual are classified as financial assets at amortised cost.

Subsequent measurement – Financial Liabilities

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

Bank borrowings, consisting of interest-bearing long-term bank loans, repayable on demand and recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing and they are settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

1.11 Financial instruments (continued)

1.11.3 Impairment of financial assets

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

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.

Consumer debtors

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

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

Other debtors

Other debtors are reviewed individually considering payment histories and disputes about certain amounts. Provision for impairment is made accordingly.

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

1.11.4 Derecognition

Financial assets

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

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

Financial liabilities

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

An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as having extinguished the original financial liability, and a new financial liability recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a nonexchange transaction, are accounted for in accordance with GRAP 23.

1.11.5 Fair value measurement considerations

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

Accounting Policies

1.12 Cash and cash equivalents

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

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

1.13 Accumulated surplus

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

1.14 Unauthorised expenditure

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

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

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

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

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

1.15 Irregular expenditure

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

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. 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.

Irregular expenditure is disclosed in the notes to the financial statement inclusive of VAT.

1.16 Fruitless and wasteful expenditure

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

1.17 Leases

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

Entity as lessee - operating leases

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

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

Any contingent rent is expensed in the period in which they are incurred.

Entity as lessor - operating leases

Operating lease revenue is recognised as revenue 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.

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

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

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

Municipality as lessee

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

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

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

1.18 Contingent assets and contingent liabilities

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

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

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

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

1.19 Revenue

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.

1.19 Revenue (continued)

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

Recognition and measurement

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

1.19.1 Revenue from exchange transactions

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

Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly by the system if the reading was not obtained. The provisional estimates of consumption are recognised as revenue when invoiced. The system automatically reverse the provisional readings, when the reading has been captured on the system.

Interest revenue is recognised on a time proportion basis, Interest earned on investments is recognised in the statement of financial performance on the time proportionate basis that takes into account the effective yield on the investment.

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

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

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Rendering of services

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

- the amount of revenue can be measured reliably;

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;.

- the stage of completion of the transaction at the reporting date can be measured reliably; and

- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Sale of goods

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

- the municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;

1.19 Revenue (continued)

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.19.2 Revenue from non-exchange transactions

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

Fines constitute both spot fines in the form of meter tampering fines. Fines are recognised when payment is received.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Fines

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

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

Donations and contributions

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

Transfers and subsidies

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.

Unconditional grants

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

Conditional grants

1.19 Revenue (continued)

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

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

Revenue recognition of unclaimed deposits

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

Revenue recognition of forfeited retention

Retention forfeited is recognised as revenue in the statement of financial performance.

Retention forfeit is recognised when service provider does not meet the retention release conditions.

1.20 Grants, transfer and donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset or expense is recognised.

1.21 Borrowing costs

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

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

1.22 Employee benefits

Short-term employee benefits

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

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a provision in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Leave pay

Leave pay is recognised in the statement of financial performance for leave days accumulated, and recognised as a provision in the statement of financial position.

Bonus provisions

Bonus provision is recognised in the statement of financial performance for months accumulated towards the 12 month cycle, and recognised as a provision in the statement of financial position.

Post-employment benefits: Defined contribution plans

1.22 Employee benefits (continued)

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

Post-retirement health care benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits for current employees of the municipality. According to the municipality, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund in which case the municipality is liable for a certain portion of the medical aid membership fee.

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

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

Interest costs are recognised immediately in the Statement of Financial Performance.

Long-service allowance

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

Pension obligations

The Municipality’s personnel are members of either the Government Employees Pension Fund (GEPF) or one of the Natal Joint Municipal Pension (NJMPF) retirement funds, namely the Superannuation, Retirement and Provident Funds. Except for the NJMPF Provident fund, the aforementioned funds are defined benefit funds. As these defined benefit funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific employer and is of no relevance to users of the municipality’s financial statements. As the required disclosure information cannot be obtained the funds are all treated as defined contribution funds.

Municipal Councillors

Councillors belong to the Councillors Pension Fund which is a defined contribution fund and employers have no legal or constructive obligation for any shortfalls in valuation of the fund.

1.23 Value Added Tax

The municipality accounts for VAT on the accrual basis, based on the approval received from the Commissioner for South African Revenue Service, permission has been given to remit or claim for value - added tax on the payments basis for debtors and creditors.

VAT is a statutory receivable in terms of the VAT act, levied at 15% on qualifying payments and receipts.

Input VAT accrual and input VAT (General and Capital) are recognised when expenditure is incurred and when cash payments are made, respectively.

Output VAT accrual is recognised when revenue is billed. Output VAT (payable to SARS) is recognised once payment is received from debtors or when cash receipts are recorded. Output VAT impairment is recognised when debtors are impaired. Output VAT accrual and Output VAT impairment are treated as a financial instrument in terms of GRAP 104.

Statutory receivables/payables are recognised when VAT201 submission has been made to SARS.

Accounting Policies

1.24 Budget information

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

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

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

Explanatory comments on material differences are provided in a separate note in the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over or under spending in line items. The changes between the approved and final budget are a consequence of reallocations within the approved budget by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan.

Materiality utilized for the statement of budget comparison (GRAP 24) comprises of the following components:

The explanations of variances are given depending on the acceptable materiality.

Statement of financial Performance.

Revenue: More than 5% variance.

Expenditure: More than 5% variance.

Statement of financial position.

More than 5% variance of each assets and Liabilities.

More than 5% variance of accumulated surplus.

Cashflow statement.

More than 5% variance.

The approved budget is classified by economic nature per items on the same basis as adopted in the financial statements.

1.25 Commitments

Disclosures are required in respect of unrecognised contractual commitments.

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

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

Commitments are disclosed inclusive of VAT.

1.26 Non-cash-generating assets

The municipality holds Non-Cash-Generating Assets that are used for service delivery purposes. All assets that are used for service delivery purposes are categorised as Non-cash-generating assets. GRAP is used to determine impairment of Non-Cash-Generating assets. Impairment loss is the amount the carrying value exceeds recoverable service amount of an asset. Impairment is assessed annually during year-end reporting. Impairment loss is recognised to the Statement of Financial Performance. Reversal of the impairment loss affects surplus or deficit for that reporting period.

The municipality determines present value of the remaining service potential of non-generating assets (value in use) through depreciated replacement cost model.

1.27 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.

All cash generating assets are measured at amortised cost, or cost, these assets are subject to an impairment review. The entity assesses at the end of each reporting period whether there is any objective evidence that a cash generating asset or group of cash generating assets is impaired.

Impairment is assessed annually during year-end reporting. Impairment loss is recognised to the Statement of Financial Performance. Reversal of the impairment loss affects surplus or deficit for that reporting period.

Designation

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

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

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

1.28 Consumer deposits

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

1.29 Segment information

A segment is an activity of an entity:

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

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

Segmental information was based and identified on the MFMA S71 monthly budget statement/reports that are reviewed by senior management and council to make strategic decisions and in monitoring segment performance. The disclosure of information about segments in these reports is organised around the type of service delivered, in a standardised format, namely the C2 schedule.

The municipality manages its assets and liability as a whole and is not reviewed on a segregated basis for each town. Segment reporting per geographical area is not deemed relevant.

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.

1.29 Segment information (continued)

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.

1.30 Related parties and related party transactions

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

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

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

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

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

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

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

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

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

1.31 Events after reporting date

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

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

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

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

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

1.32 Transfers and subsidies paid

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

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

These transfers are recognised in the annual financial statements as expenses in the period that the events giving rise to the transfer occurred.

1.33 Principal-agent arrangements

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

Accounting Policies

Revaluation reserve (continued)

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

2. New standards and interpretations

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

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 2023: Improvements to the Standards of GRAP 2023	To be determined	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	To be determined	Unlikely there will be a material impact
• GRAP 103 (amended): Heritage Assets	To be determined	Unlikely there will be a material impact
• GRAP 105(as revised): Transfer of Functions Between Entities Under Common Control	To be determined	Unlikely there will be a material impact
• GRAP 106 (as revised): Transfer of Functions Between Entities Not Under Common Control	To be determined	Unlikely there will be a material impact
• GRAP 107 (as revised): Mergers	To be determined	Unlikely there will be a material impact
• iGRAP 22: Foreign Currency Transactions and Advance Consideration	01 April 2025	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

3. Cash and cash equivalents

3.1 Cash and cash equivalents

Cash flow statement consist of the following:

	2025	2024
Cash at bank		
Bank account	23 102 138	57 070 095
Cash on hand	800	800
Total cash and cash equivalents	**23 102 938**	**57 070 895**

For the purposes of the cash flow statement, bank balances, cash and cash equivalents include cash-on-hand, cash in banks and investments less than 12 months.

The management of the municipality is of the opinion that the carrying value of bank balances, cash and cash equivalents recorded at amortised cost in the annual financial statements approximate their fair values.

The fair value of bank balances, cash and cash equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

		2025	2024

3. Cash and cash equivalents (continued)

3.2 Bank accounts

The municipality has the following bank accounts:

ABSA Bank Limited (Primary bank account)	Cheque Account - Account Number 404-716-2045	23 080 635	54 738 471
ABSA Bank Limited (National skills fund grant)	Cheque Account - Account Number 937-555-1092	21 503	2 331 624
Total		**23 102 138**	**57 070 095**

3.3 Difference between cash book and bank statement

2025

	Cash book	Bank statement
ABSA Bank Limited (Primary bank account)	23 080 635	23 080 635
ABSA Bank Limited (National skills fund grant)	21 503	21 503
	23 102 138	**23 102 138**

2024

	Cash book	Bank statement
ABSA Bank Limited (Primary bank account)	54 738 471	54 738 471
ABSA Bank Limited (National skills fund grant)	2 331 624	2 331 624
	57 070 095	**57 070 095**

2023

	Cash book	Bank statement
ABSA Bank Limited (Primary bank account)	27 075 408	27 075 408
ABSA Bank Limited (National skills fund grant)	350 405	350 405
	27 425 813	**27 425 813**

4. Trade and other receivables from exchange transactions

Trade service and consumer service debtors	4.1		
Waste water management		1 416 301	1 278 952
Water		9 213 580	4 934 065
Service charges		43 436	6 672
		10 673 317	**6 219 689**
Other receivables from exchange transactions	4.2		
Prepayments and advances		5 421 032	30 289 333
Property rental debtors		36 996	7 206
		5 458 028	**30 296 539**
Total trade and other receivables from exchange transactions		**16 131 345**	**36 516 228**

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

4.1 Consumer receivables

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

consumer receivables are recognised as financial instruments since the customer willingly enters into a contractual agreement with the municipality for the supply of services. The transaction arises as a result of billed revenue for the use of water and sewer services.

	2025			2024		
	Gross	**Impairment**	**Total**	**Gross**	**Impairment**	**Total**
Consumer receivables from exchange transactions						
Waste water management	54 119 376	(52 703 075)	**1 416 301**	47 490 769	(46 211 817)	**1 278 952**
Water	215 240 760	(206 027 180)	**9 213 580**	185 794 917	(180 860 852)	**4 934 065**
Service charges	873 273	(829 837)	**43 436**	284 205	(277 533)	**6 672**
Total consumer receivables from exchange transactions	**270 233 409**	**(259 560 092)**	**10 673 317**	**233 569 891**	**(227 350 202)**	**6 219 689**

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

4.1.1 Ageing of consumer receivables

2025

		Not due	Past due				
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Consumer receivables from exchange transactions							
Total by debt type							
Waste water management	**54 119 376**	1 359 142	993 814	858 289	1 011 714	939 053	48 957 364
Water	**215 240 760**	6 643 306	3 953 813	4 422 579	3 903 581	3 926 400	192 391 081
Service charges	**873 273**	21 253	175 619	18 971	51 943	23 196	582 291
Total by debt type	**270 233 409**	**8 023 701**	**5 123 246**	**5 299 839**	**4 967 238**	**4 888 649**	**241 930 736**
Aging per customer group							
Organs of state	**36 357 033**	2 818 506	1 119 359	1 105 185	1 458 438	1 306 935	28 548 610
Commercial customers	**18 750 782**	1 067 716	592 297	859 347	599 653	580 081	15 051 688
Households	**214 845 881**	3 979 616	3 289 740	3 335 307	2 909 147	3 001 633	198 330 438
Total by customer group	**269 953 696**	**7 865 838**	**5 001 396**	**5 299 839**	**4 967 238**	**4 888 649**	**241 930 736**

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

2024

		Not due	Past due				
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Consumer receivables from exchange transactions							
Total by debt type							
Waste water management	**47 490 769**	1 547 093	1 021 055	880 688	898 664	852 642	42 290 627
Water	**185 794 917**	7 557 483	4 868 071	4 294 216	3 864 258	4 210 097	161 000 792
Service charges	**284 205**	5 975	261 567	1 920	240	-	14 503
Total by debt type	**233 569 891**	**9 110 551**	**6 150 693**	**5 176 824**	**4 763 162**	**5 062 739**	**203 305 922**
Aging per customer group							
Organs of state	**26 685 496**	4 037 568	1 380 270	1 060 198	1 107 613	1 125 905	17 973 942
Commercial customers	**17 207 435**	1 129 838	773 666	523 423	595 116	727 140	13 458 252
Households	**189 676 960**	3 943 145	3 996 757	3 593 203	3 060 433	3 209 694	171 873 728
Total by customer group	**233 569 891**	**9 110 551**	**6 150 693**	**5 176 824**	**4 763 162**	**5 062 739**	**203 305 922**

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

4.1.2 Impairment reconciliation of consumer receivables

	2025			2024		
	Opening balance	Impairment raised	Closing balance	Opening balance	Impairment raised	Closing balance
Consumer receivables from exchange transactions						
Waste water management	(46 211 817)	(6 491 258)	**(52 703 075)**	(41 772 092)	(4 439 725)	**(46 211 817)**
Water	(180 860 852)	(25 166 328)	**(206 027 180)**	(149 306 192)	(31 554 660)	**(180 860 852)**
Service charges	(277 534)	(552 303)	**(829 837)**	(15 770)	(261 763)	**(277 533)**
Total consumer receivables	**(227 350 203)**	**(32 209 889)**	**(259 560 092)**	**(191 094 054)**	**(36 256 148)**	**(227 350 202)**

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

4.1.3 Ageing of impaired consumer receivables

2025

		Not due			Past due		
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Consumer receivables from exchange transactions							
Aging by debt type							
Waste water management	**(52 703 075)**	(862 970)	(832 496)	(765 567)	(942 395)	(887 127)	(48 412 520)
Water	**(206 027 180)**	(4 202 246)	(3 351 953)	(4 015 185)	(3 685 670)	(3 783 182)	(186 988 944)
Service charges	**(829 837)**	(204)	(175 113)	(18 971)	(51 943)	(23 196)	(560 410)
Total by debt type	**(259 560 092)**	**(5 065 420)**	**(4 359 562)**	**(4 799 723)**	**(4 680 008)**	**(4 693 505)**	**(235 961 874)**
Aging per customer group							
Organs of state	**(34 206 426)**	(1 636 903)	(824 304)	(854 023)	(1 397 657)	(1 263 900)	(28 229 639)
Commercial customers	**(17 623 308)**	(380 257)	(507 628)	(807 262)	(552 583)	(546 578)	(14 829 000)
Households	**(207 730 358)**	(3 048 260)	(3 027 630)	(3 138 438)	(2 729 768)	(2 883 027)	(192 903 235)
Total by customer group	**(259 560 092)**	**(5 065 420)**	**(4 359 562)**	**(4 799 723)**	**(4 680 008)**	**(4 693 505)**	**(235 961 874)**

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

2024

		Not due	Past due				
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Consumer receivables from exchange transactions							
Aging by debt type							
Waste water management	**(46 211 817)**	(1 055 490)	(894 899)	(804 527)	(830 978)	(801 806)	(41 824 117)
Water	**(180 860 852)**	(5 105 890)	(4 269 311)	(3 946 233)	(3 590 818)	(4 011 137)	(159 937 463)
Service charges	**(277 533)**	-	(261 084)	(1 796)	(226)	-	(14 427)
Total by debt type	**(227 350 202)**	**(6 161 380)**	**(5 425 294)**	**(4 752 556)**	**(4 422 022)**	**(4 812 943)**	**(201 776 007)**
Aging per customer group							
Organs of state	**(23 767 607)**	(2 293 249)	(1 108 705)	(896 782)	(958 141)	(1 009 316)	(17 501 414)
Commercial customers	**(15 980 016)**	(515 737)	(552 645)	(428 076)	(522 982)	(674 116)	(13 286 460)
Households	**(187 602 579)**	(3 352 394)	(3 763 944)	(3 427 698)	(2 940 899)	(3 129 511)	(170 988 133)
Total by customer group	**(227 350 202)**	**(6 161 380)**	**(5 425 294)**	**(4 752 556)**	**(4 422 022)**	**(4 812 943)**	**(201 776 007)**

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

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

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

Included in the Allowance for Doubtful Debts are individually impaired consumer receivables. The impairment recognised represents the difference between the carrying amount of these consumer receivables and the present value of the recoverable amount. The municipality holds no collateral over these balances.

Category O - Debtors with credit balance. These are not financial assets and will not be considered for impairment assessment.
Category A - Debtors with only current balances. There are no indicators of impairment and as such not to be impaired.
Category B - Debtors that are paying but not enough to clear their balance to at least current but enough to the amount paid is more than opening balance.
Category C - Debtors paying below their opening and debtors without payment at all in the year.

4.1.4 Consumer debt past due not impaired

2025

	Total	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions						
Waste management	**665 640**	156 581	89 905	67 294	50 269	301 591
Water	**2 082 009**	459 951	375 908	160 149	129 926	956 075
Service charges	**3 726**	506	-	-	-	3 220
Total consumer receivables	**2 751 375**	**617 038**	**465 813**	**227 443**	**180 195**	**1 260 886**

2024

	Total	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions						
Waste management	**785 551**	125 529	75 994	66 683	50 836	466 509
Water	**2 211 134**	513 717	294 008	240 040	177 998	985 371
Service charges	**696**	483	124	14	-	75
Total consumer receivables	**2 997 381**	**639 729**	**370 126**	**306 737**	**228 834**	**1 451 955**

4.1.5 Consumer receivables pledged as security

There are no debtors pledged as security.

4.1.6 Credit quality of consumer receivables

Based on historical information, the debtors that are past due nor impaired do pay within a period of 12 months.

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

4.2 Other receivables

	2025			2024		
	Gross	**Impairment**	**Total**	**Gross**	**Impairment**	**Total**
Other receivables from exchange transactions						
Prepayments and advances	5 421 032	-	**5 421 032**	30 289 333	-	**30 289 333**
Property rental debtors	437 819	(400 823)	**36 996**	325 693	(318 487)	**7 206**
Total	**5 858 851**	**(400 823)**	**5 458 028**	**30 615 026**	**(318 487)**	**30 296 539**

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

4.2.1 Ageing of other receivables from exchange transactions

2025

		Not due			Past due		
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Other receivables from exchange transactions							
Prepayments and advances	**5 421 032**	-	-	-	-	-	5 421 032
Property rental debtors	**437 819**	31 807	12 797	12 700	12 634	17 037	350 844
Total	**5 858 851**	**31 807**	**12 797**	**12 700**	**12 634**	**17 037**	**5 771 876**

2024

		Not due			Past due		
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Other receivables from exchange transactions							
Prepayments and advances	**30 289 333**	-	-	-	-	-	30 289 333
Property rental debtors	**325 693**	47 100	18 231	18 159	112 502	11 059	118 642
Total	**30 615 026**	**47 100**	**18 231**	**18 159**	**112 502**	**11 059**	**30 407 975**

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

4.2.2 Impairment reconciliation of other receivables from exchange transactions

	2025			2024			
	Opening balance	Impairment raised	Closing balance	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance
Other receivables from exchange transactions							
Prepayments and advances	-	-	**-**	(1 062 894)	-	1 062 894	**-**
Property rental debtors	(318 487)	(82 336)	**(400 823)**	(40 850)	(277 637)	-	**(318 487)**
Total	**(318 487)**	**(82 336)**	**(400 823)**	**(1 103 744)**	**(277 637)**	**1 062 894**	**(318 487)**

4.2.3 Ageing of other impaired receivables from exchange transactions

2025

		Not due			Past due		
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Other receivables from exchange transactions							
Property rental debtors	**(400 823)**	(11 852)	(11 782)	(11 684)	(11 618)	(15 623)	(338 264)

2024

		Not due			Past due		
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Other receivables from exchange transactions							
Property rental debtors	**(318 487)**	(47 100)	(18 231)	(18 159)	(112 502)	(11 059)	(111 436)

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

4.2.4 Other receivables from exchange transactions past due not impaired

2025

		Past due				
	Total	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Other receivables from exchange transactions						
Property rental debtors	**17 041**	1 016	1 016	1 016	1 414	12 579

2024

	Past due	
	Total	**120+ days**
Other receivables from exchange transactions		
Property rental debtors	**7 791**	7 791

4.2.5 Other receivables from exchange transactions pledged as security

There are no debtors pledged as security.

4.2.6 Credit quality of other receivables from exchange transactions

Based on historical information, the debtors that are past due nor impaired do pay within a period of 12 months.

Based on historical information, the debtors under other receivables from exchange transactions are accrual in nature and are reversed in line with accrual accounting at the beginning of the financial year.

5. Receivables from non-exchange transactions

		2025	2024
Other receivables	5.1		
Shared services debtors		21 544	576 247
Insurance claims		139 076	-
UIFWE Debtors		851 823	4 362 361
Accrued interest		238 317	295 469
Other debtors		129 065	36 544
		1 379 825	**5 270 621**

Notes to the Annual Financial Statements

	2025	2024

5. Receivables from non-exchange transactions (continued)

5.1 Receivables from non-exchange transactions

	2025			2024		
	Gross	**Impairment**	**Total**	**Gross**	**Impairment**	**Total**
Other receivables						
Shared services debtors	3 291 733	(3 270 189)	**21 544**	3 833 034	(3 256 787)	**576 247**
Insurance claims	139 076	-	**139 076**	-	-	**-**
UIFWE Debtors	4 790 973	(3 939 150)	**851 823**	5 696 264	(1 333 903)	**4 362 361**
Unidentified debit orders	5 957 655	(5 957 655)	**-**	5 957 655	(5 957 655)	**-**
Accrued interest	238 317	-	**238 317**	295 469	-	**295 469**
Other debtors	129 065	-	129 065	36 544	-	36 544
	14 546 819	**(13 166 994)**	**1 379 825**	**15 818 966**	**(10 548 345)**	**5 270 621**

Notes to the Annual Financial Statements

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5. Receivables from non-exchange transactions (continued)

5.1.1 Impairment reconciliation of receivables from non-exchange transactions

	2025				2024		
	Opening balance	**Impairment raised**	**Impairment reversed**	**Closing balance**	**Opening balance**	**Impairment raised**	**Closing balance**
Other receivables							
Shared services debtors	(3 256 787)	(429 517)	416 115	**(3 270 189)**	-	(3 256 787)	**(3 256 787)**
UIFWE Debtors	(1 333 903)	(3 939 150)	1 333 903	**(3 939 150)**	-	(1 333 903)	**(1 333 903)**
Unidentified debit orders	(5 957 655)	-	-	**(5 957 655)**	-	(5 957 655)	**(5 957 655)**
	(10 548 345)	**(4 368 667)**	**1 750 018**	**(13 166 994)**	**-**	**(10 548 345)**	**(10 548 345)**

Impairment has been recognised in the current year and restated in the prior year.

Notes to the Annual Financial Statements

		2025	2024

5. Receivables from non-exchange transactions (continued)

5.1.2 Other receivables from non-exchange transactions pledged as security

There are no debtors pledged as security.

5.1.3 Credit quality of other receivables from non-exchange transactions

Most debtors under non exchange struggle to pay, impairment has been recognised.

Receivables from non exchange transactions - Other receivables list

	2025	2024
Debtor: Abaqulusi Municipality	12 653	31 221
Debtor: Ulundi Municipality	-	230 209
Debtor: eDumbe Municipality	833 416	178 163
Debtor: Upongola Municipality	-	136 653
Debtor: Nsakazi	-	279 070
Debtor: Sizolwenkosi	-	116 841
Debtor: Employee cost in advance	66 621	36 544
Debtor: Accrued Interest	238 316	295 470
Debtor: Insurance claim	139 076	-
Debtor: Grant CoGTA	62 445	-
Debtor: Irregular expenditure	27 298	3 966 450
	1 379 825	**5 270 621**

6. Deposits

		2025	2024
Deposits	6.1	26 293 204	19 406 873

6.1 Deposits

	2025	2024
Opening Balance	19 406 873	18 178 535
Deposits	6 886 331	1 228 338
Total	**26 293 204**	**19 406 873**

The municipality recognises deposits as current assets when the deposit is paid. Deposits are recognised as an asset as the municipality is entitled to the money once the deposit holder or the municipality has closed the account. As timing of when a deposit holder or the municipality will close the account is unknown, the deposits are classified as a current assets.

The municipality pays deposits to Eskom when a new service account is opened. these deposits are held as security by Eskom. The municipality also paid a deposit when a new attorneys was appointed.

7. VAT Receivable

	2025	2024
Input VAT accrual	80 953 315	51 458 272
Input VAT receivable	11 700 493	14 742 094
Statutory receivables	5 866 847	2 564 383
Total	**98 520 655**	**68 764 749**

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

The VAT 201 return for June 2025 was outstanding at 30 June 2025 amounting to R5 866 847.

Notes to the Annual Financial Statements

	2025	2024

8. Inventories

Consumables	1 287 127	2 570 009
Water	1 726 122	1 395 963
Total Inventories	**3 013 249**	**3 965 972**

Consumables		
Opening Balance	2 570 009	1 204 838
Acquisitions	7 127 274	6 720 909
Issues	(8 410 156)	(5 355 738)
	1 287 127	**2 570 009**

Materials and supplies		
Acquisitions	6 105 337	5 752 371
Issues	(6 105 337)	(5 752 371)
	-	-

Water		
Opening balance	1 395 963	1 631 243
Acquisitions	52 829 106	37 475 885
Issues	(52 498 947)	(37 711 165)
	1 726 122	**1 395 963**

Refer to note 35 for inventory consumed and recognised as expense.

8.1 Inventory pledged as security

There was no inventory pledged as security.

9. Operating lease receivable

Operating lease	8 558	5 225

The municipality leases out some of its office space to three tenants, two of the tenants have a fixed escalation, and one has an escalation linked to CPI.

The first tenant has an escalation of 10% annually at anniversary date, the lease term is for a period on 36 months, from 01 October 2022 to 30 September 2025. This lease agreement has been terminated as at 30 September 2024. Straight lining in relation to the 10% annual escalation has been reversed.

The second tenant has an escalation of 7% annually at anniversary date, the lease term is for a period of 36 months, from 01 August 2023 to 31 July 2026.

The third tenant has an escalation linked to CPI annually at anniversary date, the lease term is for a period of 36 months, from 01 July 2023 to 30 June 2026.

No contingent rent is receivable.

The operating lease asset resulted from straight-lining.

	2025	2024

9. Operating lease receivable (continued)

Split between current and non-current

	2025	2024
Current assets	8 558	5 225
Non-current assets	780	10 144
Total	**9 338**	**15 369**

Operating leases - as lessor (income)

	2025	2024
Minimum lease payments due		
- within one year	574 734	603 055
- in second to fifth year inclusive	12 182	579 724
	586 916	**1 182 779**

10. Property, plant and equipment

10.1 Reconciliation summary

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	470 000	-	**470 000**	470 000	-	**470 000**
Water Supply Infrastructure	6 858 530 796	(888 645 130)	**5 969 885 666**	6 126 008 983	(777 695 500)	**5 348 313 483**
Sanitation Infrastructure	31 618 909	(12 233 807)	**19 385 102**	31 618 909	(11 551 071)	**20 067 838**
Community Assets	47 657 343	(18 685 851)	**28 971 492**	47 657 343	(17 476 043)	**30 181 300**
Transport Assets	42 794 973	(39 281 561)	**3 513 412**	43 756 553	(37 344 663)	**6 411 890**
Machinery and Equipment	63 799 612	(11 454 381)	**52 345 231**	15 599 266	(9 635 991)	**5 963 275**
Furniture and Office Equipment	4 814 233	(3 582 180)	**1 232 053**	4 782 840	(3 031 472)	**1 751 368**
Computer Equipment	11 185 858	(9 300 966)	**1 884 892**	10 558 732	(8 035 710)	**2 523 022**
Other assets						
Operational Buildings	45 445 591	(23 505 136)	**21 940 455**	45 445 591	(22 259 219)	**23 186 372**
Total	**7 106 317 315**	**(1 006 689 012)**	**6 099 628 303**	**6 325 898 217**	**(887 029 669)**	**5 438 868 548**

10.2 Reconciliation of carrying value

Reconciliation of property, plant and equipment – 2025

10. Property, plant and equipment (continued)

	Opening balance	Additions	Disposals	Depreciation	Impairment loss/ reversal	Total
Land	470 000	-	-	-	-	**470 000**
Water Supply Infrastructure	5 348 313 483	732 521 814	-	(110 949 631)	-	**5 969 885 666**
Sanitation Infrastructure	20 067 837	-	-	(682 735)	-	**19 385 102**
Community Assets	30 181 300	-	-	(1 209 808)	-	**28 971 492**
Transport Assets	6 411 891	-	(783)	(1 961 136)	(936 560)	**3 513 412**
Machinery and Equipment	5 963 276	48 200 346	-	(1 785 402)	(32 989)	**52 345 231**
Furniture and Office Equipment	1 751 368	37 098	-	(555 869)	(544)	**1 232 053**
Computer Equipment	2 523 021	735 141	(4 960)	(1 344 339)	(23 971)	**1 884 892**
Other assets						
Operational Buildings	23 186 372	-	-	(1 245 917)	-	**21 940 455**
Total	**5 438 868 548**	**781 494 399**	**(5 743)**	**(119 734 837)**	**(994 064)**	**6 099 628 303**

Reconciliation of property, plant and equipment – 2024

	Opening balance	Additions	Disposals	Depreciation	Total
Land	470 000	-	-	-	**470 000**
Water Supply Infrastructure	4 788 769 823	660 218 994	-	(100 675 334)	**5 348 313 483**
Sanitation Infrastructure	20 751 150	-	-	(683 312)	**20 067 838**
Community Assets	31 407 416	-	-	(1 226 116)	**30 181 300**
Transport Assets	9 526 814	920 014	(489 422)	(3 545 516)	**6 411 890**
Machinery and Equipment	7 633 596	431 982	-	(2 102 303)	**5 963 275**
Furniture and Office Equipment	1 990 064	348 145	-	(586 841)	**1 751 368**
Computer Equipment	3 995 987	623 772	(16 297)	(2 080 440)	**2 523 022**
Other assets					
Operational Buildings	24 470 130	-	-	(1 283 758)	**23 186 372**
Total	**4 889 014 980**	**662 542 907**	**(505 719)**	**(112 183 620)**	**5 438 868 548**

10. Property, plant and equipment (continued)

10.3 Property, plant and equipment under construction

2025

	Infrastructure assets	Machinery and equipment	Total
Accumulated expenditure included in carrying value of property, plant and equipment			
Of which:			
Opening balance	897 140 741	-	897 140 741
Additions/capital expenditure	732 521 814	48 200 346	780 722 160
Transferred to completed items	(206 822 497)	-	(206 822 497)
	1 422 840 058	**48 200 346**	**1 471 040 404**

2024

	Infrastructure assets	Total
Accumulated expenditure included in carrying value of property, plant and equipment		
Of which:		
Opening balance	1 315 352 780	1 315 352 780
Additions/capital expenditure	660 218 994	660 218 994
Transferred to completed items	(1 078 431 033)	(1 078 431 033)
	897 140 741	**897 140 741**

10.4 Restrictions on property, plant and equipment

There is no restriction on title and Property, plant and Equipment.

10.5 Property, plant and equipment pledged as security

There is no Property, plant and Equipment. pledged as security.

Correction of prior period error

	2025	2024
Transferred to completed items		
As previously reported	-	620 645 478
Correction of prior period error - Transferred to completed items	-	457 785 555
	-	**1 078 431 033**

Correction of prior period error relates assets practically completed and not transferred to PPE in 2024.

10.6 Maintenance of property, plant and equipment

Class of Property Plant and Equipment (Repairs and Maintenance)

Notes to the Annual Financial Statements

	2025	2024
Transport assets	10 987 652	5 261 470
Maintenance of buildings and facilities	434 603	2 537 562
Infrastructure	166 302 900	152 390 844
Machinery and equipment	197 900	-
Furniture and office equipment	-	154 081
Total	**177 923 055**	**160 343 957**

	2025	2024
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Zululand rudimentary programme: siting, driling, testing and equiping of boreholes-South Payment from the client which needs COGTA Approval. This is the only outstanding item to finish the project.	18 331 119	-
Mandlakazi Regional Water Supply Phase 5, 5.2 Mahlomane Zone E1 & E2 Reticulation Network The project delayed due to budget constraints.	9 593 751	-
Mandlakazi Regional Water Supply Phase 5, 5.4 Magxanyine Zone D3 Domestic Reticulation Network The project delayed due to budget constraints.	17 905 703	-
Extension to Ulundi Water Treatment Works Phase 2 The project delayed due to budget constraints.	80 511 145	-
Mandlakazi Phase 5.4 Bulk Water Supply: Construction of ~23km of DN 110 -160 HDPE/oPVC/Steel pipelines, 5 x RC Reservoirs (100-500Kl), 1 x 250Kl Elevated tank and refurbishment of Ph1-4 chambers. The contractors is slow, they have been sent a notice of slow progress.	71 262 366	-
Construction of odushwini domestic reticulation network zone I1b The project delayed due to budget constraints.	15 657 119	-
Mandlakazi regional water supply phase 5; 5.5 umsebe zone i1 and i2 reticulation network. The project delayed due to budget constraints.	11 263 004	-
Simdlangentsha West Regional Water Supply Scheme - Construction Frischgewaagd, Abstraction Works, Staff Accommodation and Bilanyoni Booster Pumpstation Reason for delay: Budget Constraint.	-	34 597 917
Construction of Rising Main from Ulundi Water Treatment Works to Mabedlane Reservoir Delays on the delivery of high lift Pumps. All cables have been installed and the transformer is connected. The high lift pumps have been delivered, installation is underway and commissioning of the pumps will take place on 06 September 2024.	-	70 670 165
Emhlangeni Water Supply Scheme Eskom power supply delays. Eskom Installation is complete and there is energy supply but the installed meters were faulty. Faulty meters have taken by Eskom for calibration and returned at the end of August 2024	-	42 623 372
Ulundi Water Treatment Works 22KV Medium Voltage Switch Gear Upgrade Delays on the delivery of high lift Pumps. All cables have been installed and the transformer is connected. The high lift pumps have been delivered, installation is underway and commissioning of the pumps will take place on 06 September 2024.	-	17 242 572
	224 524 207	**165 134 026**

	2025	2024
Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
Construction of mandlakazi phase 5.5 isibonelo zone j1, j2, and j3 reticulation network The contractor is currently off-site due to budget limitations. Work was halted on 17 February 2025.	6 962 065	-
	6 962 065	**-**

11. Intangible assets

11.1 Reconciliation of carrying value

2025

		Computer software	Total
Opening carrying value as at 01 July 2024			
Cost		237 902	237 902
Accumulated depreciation and impairment		(209 957)	(209 957)
		27 945	**27 945**
Amortisation	37	(18 407)	(18 407)
Impairment loss / reversal of impairment	37	(1 911)	(1 911)
Closing carrying value as at 30 June 2025		**7 627**	**7 627**
Cost		237 902	237 902
Accumulated amortisation and impairment		(230 275)	(230 275)
		7 627	**7 627**

2024

		Computer software	Total
Opening carrying value as at 01 July 2023			
Cost		237 902	237 902
Accumulated depreciation and impairment		(186 074)	(186 074)
		51 828	**51 828**
Amortisation	37	(23 883)	(23 883)
Closing carrying value as at 30 June 2024		**27 945**	**27 945**
Cost		237 902	237 902
Accumulated amortisation and impairment		(209 957)	(209 957)
		27 945	**27 945**

11.2 Restrictions on intangible assets

There were no items of intangible assets that have restricted title in the current financial year.

11.3 Intangible assets pledged as security

There were no items of intangible assets that were pledged as security in the current financial year.

		2025	2024

12. Heritage assets

12.1 Reconciliation of carrying value

2025

		Other assets	Total
Opening carrying value as at 01 July 2024			
Cost	-	7 816 633	7 816 633
Cost		7 816 633	7 816 633

2024

	Other assets	Total
Opening carrying value as at 01 July 2023		
Cost	7 816 633	7 816 633
Cost	7 816 633	7 816 633

12.2 Restrictions on heritage assets

There were no items of heritage assets that have restricted title in the current financial year.

12.3 Heritage assets pledged as security

There were no heritage assets pledged as security during the current financial year.

13. Consumer deposits

	2025	2024
Rental properties	38 378	41 060
Water	3 333 491	3 339 793
Total	**3 371 869**	**3 380 853**

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

14. Trade and other payables from exchange transactions

		2025	2024
Bulk purchases	14.1	173 236 680	103 295 059
Contractors	14.2	119 295 276	86 977 473
Payroll accruals	14.3	2 082 682	945 997
Other payables	14.4	446 727 731	333 923 999
Statutory payables	14.5	-	285 015
Total		**741 342 369**	**525 427 543**

14.1 Bulk purchases

	2025	2024
Bulk water	158 942 515	91 464 948
Bulk electricity	14 294 165	11 830 111
Total	**173 236 680**	**103 295 059**

Notes to the Annual Financial Statements

	2025	2024

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

14.2 Contractors

Retentions	119 295 276	86 977 473

14.3 Payroll accruals

Bonus	586 094	4 115
Leave accrual	788 938	109 540
Overtime	449 986	412 240
Standby	257 664	420 102
Total	**2 082 682**	**945 997**

14.4 Other payables

Payables and accruals	444 399 708	331 333 829
Unallocated deposits	222 795	474 695
Advance payments	2 105 228	2 115 475
Total	**446 727 731**	**333 923 999**

14.5 Statutory payables

PAYE deductions	-	285 015

15. VAT Payable

VAT credit: Output accrual	34 418 335	29 773 547
Output VAT: Provision for doubtful debt impairment	(33 074 887)	(28 937 128)
Total	**1 343 448**	**836 419**

Notes to the Annual Financial Statements

Figures in Rand

16. Payables from non-exchange transactions

		2025				2024			
		Opening balance	**Funds received**	**Transfer to revenue**	**Closing balance**	**Opening balance**	**Funds received**	**Transfer to revenue**	**Closing balance**
Capital									
Monetary Allocations	16.1	1 445 896	851 477 000	(851 477 000)	**1 445 896**	1 445 896	768 386 000	(768 386 000)	**1 445 896**
Operational									
Monetary Allocations	16.2	-	59 538 584	(51 765 201)	**7 773 383**	114 064	114 659 130	(114 773 194)	**-**
Total		**1 445 896**	**911 015 584**	**(903 242 201)**	**9 219 279**	**1 559 960**	**883 045 130**	**(883 159 194)**	**1 445 896**

16.1 Unspent capital monetary allocations

	2025				2024			
	Opening balance	**Funds received**	**Transfer to revenue**	**Closing balance**	**Opening balance**	**Funds received**	**Transfer to revenue**	**Closing balance**
National Government								
Municipal Infrastructure Grant	-	262 939 000	(262 939 000)	**-**	-	256 512 000	(256 512 000)	**-**
Regional Bulk Infrastructure Grant	-	431 247 000	(431 247 000)	**-**	-	413 905 000	(413 905 000)	**-**
Rural Road Asset Management Systems Grant	-	1 857 000	(1 857 000)	**-**	-	2 969 000	(2 969 000)	**-**
Water Services Infrastructure Grant	-	155 434 000	(155 434 000)	**-**	-	95 000 000	(95 000 000)	**-**
Total	**-**	**851 477 000**	**(851 477 000)**	**-**	**-**	**768 386 000**	**(768 386 000)**	**-**
Provincial Government								
KwaZulu-Natal	1 445 896	-	-	**1 445 896**	1 445 896	-	-	**1 445 896**
Total unspent capital monetary allocations	**1 445 896**	**851 477 000**	**(851 477 000)**	**1 445 896**	**1 445 896**	**768 386 000**	**(768 386 000)**	**1 445 896**

16. Payables from non-exchange transactions (continued)

16.2 Unspent operational monetary allocations

	2025				2024		
	Opening balance	**Funds received**	**Transfer to revenue**	**Closing balance**	**Opening balance**	**Funds received**	**Transfer to revenue**
Departmental Agencies and Accounts							
National departmental agencies	-	42 760 184	(42 760 184)	**-**	79 821	102 248 030	(102 327 851)
National Government							
Expanded Public Works Programme Integrated Grant	-	5 227 000	(5 227 000)	**-**	-	7 077 000	(7 077 000)
Local Government Financial Management Grant	-	1 200 000	(1 200 000)	**-**	-	1 200 000	(1 200 000)
Municipal Disaster Relief Grant	-	9 085 000	(1 959 715)	**7 125 285**	-	-	-
Total	**-**	**15 512 000**	**(8 386 715)**	**7 125 285**	**-**	**8 277 000**	**(8 277 000)**
Provincial Government							
KwaZulu-Natal	-	1 266 400	(618 302)	**648 098**	34 243	4 134 100	(4 168 343)
Total unspent operational monetary allocations	**-**	**59 538 584**	**(51 765 201)**	**7 773 383**	**114 064**	**114 659 130**	**(114 773 194)**

Notes to the Annual Financial Statements

		2025	2024

17. Employee benefit obligation

Non-current employee benefits			
Post employment health care benefits	17.1	34 997 000	30 750 000
Current employee benefits			
Post employment health care benefits	17.1	1 161 000	747 000
Total		**36 158 000**	**31 497 000**

Multi-employer pension funds

Employees belong to a variety of approved pension and provident funds.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

(i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.

(ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.

(iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided in sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

17.1 Post employment health care benefits

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

Present value of the defined benefit obligation-partly or wholly unfunded	36 158 000	31 497 000
Current	1 161 000	747 000
Non-current	34 997 000	30 750 000

Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	31 497 000	30 926 000
Net expense recognised in the statement of financial performance	4 661 000	571 000
	36 158 000	**31 497 000**

Net expense recognised in the statement of financial performance		
Current service cost	2 353 000	1 597 000
Interest cost	4 468 000	4 494 000
Actuarial (gains) losses	(1 706 000)	(4 781 000)
Benefits paid	(454 000)	(739 000)
	4 661 000	**571 000**

		2025	2024

17. Employee benefit obligation (continued)

Key assumptions used

The Municipality operated on five accredited Medical Aid schemes, namely Keyhealth, LA Health, SAMWUMED, Bonitas and Hosmed.

Financial variables: Two most important variables used in our valuation are discount rate and medical aid inflation rate. Nominal and real zero curve as at 30 June 2024 that was supplied by JSE to determine discount rate and CPI assumptions at each relevant time period.

Assumptions used at the reporting date:

	2025	2024
Average retirement age	63	63
Discount rates used	12.80 %	13.83 %
Consumer price inflation	7.27 %	8.20 %
Medical cost trend rates	8.77 %	9.70 %
Net effective discount rate	3.71 %	3.77 %
	SA 85-90	SA 85-90
	PA 90-1	PA 90-1

18. Provision

		2025	2024
Employee benefits	18.1	52 293 130	47 512 639

Split between current and non-current

	2025	2024
Current	36 776 130	34 192 639
Non-current	15 517 000	13 320 000
Total	**52 293 130**	**47 512 639**

18.1 Employee benefits

		2025	2024
Bonus	18.1.1	6 728 953	6 334 779
Leave	18.1.2	28 853 177	25 850 860
Long-service awards	18.1.3	16 711 000	15 327 000
Total		**52 293 130**	**47 512 639**

18.1.1 Bonus

	2025	2024
Opening Balance	6 334 779	5 745 257
Additional provisions raised	394 174	589 522
Total	**6 728 953**	**6 334 779**

Split between current and non-current

	2025	2024
Current	6 728 953	6 334 779

18.1.2 Leave

	2025	2024
Opening Balance	25 850 860	21 777 588
Additional provisions raised	3 002 317	4 073 272
Total	**28 853 177**	**25 850 860**

	2025	2024

18. Provision (continued)

Split between current and non-current

Current	28 853 177	25 850 860

18.1.3 Long-service awards

Opening Balance	15 327 000	14 715 000
Additional provisions raised	3 308 000	3 343 000
Reductions (Payments, remeasurement etc.)	(1 924 000)	(1 808 000)
Reversals	-	(923 000)
Total	**16 711 000**	**15 327 000**

Split between current and non-current

Current	1 194 000	2 007 000
Non-current	15 517 000	13 320 000
Total	**16 711 000**	**15 327 000**

Long-service award

Characteristics

As there is no planned asset, the net defined benefit liability is equal to the defined benefit obligation. The Municipality offers employees long service award for every five years of service completed, from five years of service to 45 years of service.
Upon completion of 20 years of continuous service, an employee’s long-service leave entitlement is capped at 30 days. No additional leave accrues beyond 30 days for service after the 20 years milestone. In the month that each “completed service” milestone is reached, the employee is granted a LSA. Working days awarded are valued at 1/249th of annual earnings per day. Employees’ basic salaries, referred to as “earnings” in this report, are used to determine the Rand value of LSA.
An employee with five or more years’ service with the Municipality, who leaves the service of the Municipality for any reason whatsoever, excluding reasons relating to misconduct, shall receive a pro-rata LSA for any uncompleted (five-year) period of service. The pro-rata factor applicable is the number of years of service since an employee’s most recent service milestone, divided by five. The encashment or taking of LSA leave days must occur in the same year that the employee qualifies for the award.

Risks

Inflation: The risk that future CPI inflation and earnings inflation are higher than assumed and present in an uncontrolled manner. Termination of service: The risk that fewer eligible employees terminate their service at the Municipality i.e. more long service awards vest than expected. Volatility of open-ended, long-term DBO: The risk that the DBO may be volatile which is exacerbated by its long-term nature.

Independent actuaries and consultants carry out a statutory valuation on an annual basis.

The principal actuarial assumptions used were as follows:

Discount rate	9.63%	11.38%
General Salary inflation	4.36%	6.62%
Normal salary increase rate CPI+1	5.36%	0
Net effective discount rate	4.05%	3.80%
Average retirement age	63	63

		2025	2024

18. Provision (continued)

Eligible employees	Member	Member
Age 20-29	27	23
Age 30-39	173	179
Age 40-49	252	232
Age 50-59	118	109
Age 60+	48	50

Membership summary		
Number of members	618	593
Average past service (years)	12	11
Average salary (annual)	296 900	287 165

Benefit Structure

Service years	Award (Number of days)	Award (Number of days)
5	5	5
10	10	10
15	20	20
20	30	30
25	30	30
30	30	30
35	30	30
40	30	30
45	30	30

Amounts recognised in the statement of financial performance

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

Current service cost		1 353 000	1 360 000
Interest cost		1 683 000	1 630 000
Expected benefit payments		(1 924 000)	(1 455 000)
Recognised actuarial (gains) losses		272 000	(923 000)
Total expense included in employee related costs and finance cost	33	**1 384 000**	**612 000**

19. Borrowings

The municipality entered into an annuity loans agreement with ABSA Bank.

Total borrowings

Annuity loans	92 118 764	98 223 305
Less: Current portion transferred to current liabilities	(17 492 000)	(17 711 896)
Total non-current borrowings	**74 626 764**	**80 511 409**

19.1 Summary of arrangements

The annuity loan has a settlement period of 10 years at a fixed interest rate of 11.56% per annum.

Instalments are payable half yearly (December) and at financial year end (June).

Notes to the Annual Financial Statements

		2025	2024

20. Lease liabilities

Finance lease liabilities	20.1	586 252	1 201 724
Operating lease liabilities	20.2	949 621	782 586
Sub-total		**1 535 873**	**1 984 310**
Less: Transferred to current liabilities			
Current portion of Finance lease liabilities	20.1	(459 014)	(1 076 911)
Total non-current liabilities		**1 076 859**	**907 399**

20.1 Obligation under finance leases

The municipality as lessee

The obligations under finance leases are as follow:

Total future minimum lease payments		
Payable within 1 year	459 014	1 133 736
Payable within 2 to 5 years	168 632	124 813
Total minimum lease payments	**627 646**	**1 258 549**
Less: Future finance charges	(41 394)	(56 825)
Total	**586 252**	**1 201 724**
Present value of minimum lease payments		
Payable within 1 year	459 014	1 076 911
Payable within 2 to 5 years	127 238	124 813
Total	**586 252**	**1 201 724**
Current liability	459 014	1 076 911
Non-current liability	127 238	124 813

The municipality entered into the following lease agreements for the procurement of laptops, printers and tablets.

The first lease agreement is for the procurement of laptops, the lease agreement is for a period of 36 months commencing in December 2021 and ending in November 2024 at a borrowing rate of 7.25% per annum

The second lease agreement is for the procurement of additional laptops, the lease agreement is for a period of 36 months commencing from September 2021 and ending in August 2025 at a borrowing rate of 9.75% per annum

The third lease agreement is for the procurement of printers, the lease agreement is for a period of 36 months commencing from September 2021 and ending in August 2025 at a borrowing rate of 9.75% per annum

The forth lease agreement is for the procurement of tablets, the lease agreement is for a period of 24 months commencing in February 2025 and ending in January 2027 at a borrowing rate of 11.25% per annum.

20.2 Obligation under operating leases

The municipality as lessee

The obligations under operating leases are as follow:

Total future minimum lease payments		
Payable within 2 to 5 years	560 791	278 879
More than 5 years	388 830	503 707
Total minimum lease payments	**949 621**	**782 586**

	2025	2024

20. Lease liabilities (continued)

	2025	2024
Present value of minimum lease payments		
Payable within 2 to 5 years	560 791	278 879
More than 5 years	388 830	503 707
Total	**949 621**	**782 586**
Non-current liability	949 621	782 586

Operating leases - as lessee (expense)

	2025	2024
Minimum lease payments due		
- within one year	4 397 348	41 046 104
- in second to fifth year inclusive	4 929 691	10 726 095
- later than five years	1 827 340	2 101 442
	11 154 379	**53 873 641**

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of 9 years 11 months, from November 2021 to September 2031, rentals shall escalate at a rate of 7% per annum. No contingent rent is payable.

The operating lease liability resulted from straight lining.

Operating lease payments represent rentals payable by the municipality for the rental of municipal vehicles. Leases are negotiated for an average term of 3 years, from August 2022 to July 2025, rentals shall escalate at a rate linked to CPI on the anniversary date of the lease contract. No contingent rent is payable.

No lease liability is recognised as the escalation is based on the CPI.

Operating lease payments represent rentals payable by the municipality for the rental of Machinery and equipment. Leases are negotiated for an average term of 3 years, from April 2023 to March 2026, rentals are fixed for an average of three years. No contingent rent is payable.

No lease liability is recognised as there is no escalation.

	2025	2024
Rental expenses relating to operating leases		
Minimum lease payments	36 715 054	23 700 334

21. Trade and other payables from exchange transactions

	2025	2024
Bulk water		
Opening Balance	2 924 971	32 779 089
Transfer to(from) current liabilities	(2 924 971)	(29 854 118)
	-	**2 924 971**

22. Services charges

	2025	2024
Waste water management		
Exchange – Consumption	18 129 405	16 024 007
Water management		
Exchange – Consumption	55 411 187	58 876 864
Other – Water management	2 898	-
Sub-total	**55 414 085**	**58 876 864**
Total	**73 543 490**	**74 900 871**

Notes to the Annual Financial Statements

		2025	2024

22. Services charges (continued)

The amounts disclosed above for service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

23. Sales of goods and rendering of services

		2025	2024
Clearance Certificates		96	367
Sale of Goods		626 909	617 217
Shared Services		-	135 264
Total		**627 005**	**752 848**

24. Interest earned from receivables

		2025	2024
Exchange receivables	24.1	745 747	691 101

24.1 Interest earned from exchange receivables

		2025	2024
Consumer receivables			
Water		643 625	630 996
Waste water management		85 281	54 920
Service charges		1 375	(659)
		730 281	**685 257**
Other receivables			
Property rental debtors		15 466	5 844
Total		**745 747**	**691 101**

25. Interests on current assets

		2025	2024
Bank accounts		1 716 935	3 031 237
Short-term investments and call accounts		6 411 657	12 427 003
Total		**8 128 592**	**15 458 240**

26. Licences or permits

		2025	2024
Exchange revenue	26.1	276 956	106 561

26.1 Licenses and permits – Exchange revenue

		2025	2024
Health certificates		276 956	106 561

27. Rent from fixed assets

		2025	2024
Market related		462 924	558 834

27.1 Rental by asset class

		2025	2024
Market related			
Property, plant and equipment		462 924	558 834

27.2 Rental by type

Market related

Notes to the Annual Financial Statements

		2025	2024

27. Dividends (continued)

Property, plant and equipment

Other assets			
• Ad-hoc rentals		462 924	558 834
Total		**462 924**	**558 834**

28. Operational revenue

Exchange revenue			
Commission		7 423	7 666
Inspection fees		18 581	-
Insurance Refund		968 915	35 000
Registration fees		38 319	44 886
Skills Development Levy Refund		508 940	506 347
Total		**1 542 178**	**593 899**

29. Fines, penalties and forfeits

Penalties	29.1	448 690	664 899
Forfeits	29.2	247	210 162
Total		**448 937**	**875 061**

29.1 Penalties

Disconnection fees		448 690	664 899

29.2 Forfeits

Deposits		247	8 542
Retentions		-	201 620
Total		**247**	**210 162**

30. Transfers and subsidies - Revenue

Operational			
Monetary allocations	30.1	680 582 791	645 810 207
Capital			
Allocations in-kind	30.2	8 498	9 478
Monetary allocations	30.3	851 477 000	768 386 000
Total transfers and subsidies: Capital		**851 485 498**	**768 395 478**
Total		**1 532 068 289**	**1 414 205 685**

30.1 Monetary allocations: Operational

National governments		8 386 715	8 277 000
Provincial government		1 285 477	4 168 343
Departmental agencies and accounts		723 599	1 693 864
National revenue fund		670 187 000	631 671 000
Total		**680 582 791**	**645 810 207**

National governments

		2025	2024

30. Transfers and subsidies - Revenue (continued)

Expanded Public Works Programme Integrated Grant		5 227 000	7 077 000
Local Government Financial Management Grant		1 200 000	1 200 000
Municipal Disaster Relief Grant		1 959 715	-
		8 386 715	**8 277 000**

Provincial government

KZN grant Indonsa Culture Center		370 101	1 911 000
KZN COGTA grant		667 175	-
National Arts Council Grant		68 201	57 343
KZN Amafa and Research Institute		180 000	200 000
Prince Mangosuthu Airport Grant		-	2 000 000
		1 285 477	**4 168 343**

Departmental agencies and accounts

Local Government, Water and Related Service SETA		723 600	1 693 864
National Skills Fund		(1)	-
		723 599	**1 693 864**

30.2 Allocations in-kind: Capital

Private enterprises		8 498	9 478

30.3 Monetary allocations: Capital

National government		851 477 000	768 386 000

National government

Municipal Infrastructure Grant		262 939 000	256 512 000
Rural Road Asset Management Systems Grant		1 857 000	2 969 000
Water Services Infrastructure Grant		155 434 000	95 000 000
Regional Bulk Infrastructure Grant		431 247 000	413 905 000
		851 477 000	**768 386 000**

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

Gains/(losses) on disposals	31.1	(5 742)	173 933

31.1 Gains/(losses) on disposals

Property, plant and equipment		(5 742)	173 933

32. Actuarial (losses) gain

Fair value adjustment	32.1	1 434 000	5 704 000

32.1 Fair value adjustment

Actuarial Assessments		1 434 000	5 704 000

Notes to the Annual Financial Statements

Figures in Rand

33. Employee related cost

Senior management	33.1	11 172 743	12 551 365
Municipal staff	33.2	332 176 434	296 392 833
Total		**343 349 177**	**308 944 198**

Figures in Rand

33. Employee related cost (continued)

33.1 Senior management costs

2025

	Municipal manager - Mr Hlongwa RN	Chief financial officer - Ms Msibi NS	General Manager Corporate Services - Ms Linda MS	General Manager Community Services - Ms FK Nene	General Manager Planning Services - Mr Soko TG	General Manager Technical Services - Mr Jele TM	Chief Operations Officer - Mr Mosia SP	Chief Operations & Maintenance Specialist - Mr Jele TM	General Manager Community Services - Ms Ntombela TA	General Manager Technical Services - Ms Msimango RN	Total
Basic salary	1 322 958	963 696	1 231 262	80 308	963 696	643 973	1 028 036	414 555	963 696	-	7 612 180
Bonuses	115 469	82 106	104 047	41 053	82 106	34 546	86 174	-	20 527	61 580	627 608
Service-related benefits	7 013	-	5 888	-	6 983	-	-	-	-	-	19 884
Allowances	428 027	310 779	383 235	29 944	310 124	209 852	393 037	158 193	316 607	-	2 539 798
Bargaining council	143	143	143	24	143	84	143	60	143	-	1 026
Medical	-	237	-	-	237	6 195	65 703	24 801	-	-	97 173
Pension	-	-	-	-	-	-	185 046	74 620	-	-	259 666
Unemployment insurance	2 303	2 125	2 125	354	2 125	1 240	2 125	886	2 125	-	15 408
	1 875 913	**1 359 086**	**1 726 700**	**151 683**	**1 365 414**	**895 890**	**1 760 264**	**673 115**	**1 303 098**	**61 580**	**11 172 743**

33. Employee related cost (continued)

2024

	Municipal manager - Mr Hlongwa RN	Chief financial officer - Ms Msibi NS	Director of Corporate services - Ms Linda MS	Director of Community services - Ms FK Nene	Director of Planning - Mr Soko TG	Director Technical Services - Mr Jele TM	Chief Operations Officer - Mr Mosia SP	Chief Operations & Maintenance Specialist - Mr Jele TM	Director of Community services - Ms Ntombela TA	Total
Basic salary	1 315 154	979 584	1 223 895	960 532	964 733	723 809	955 894	908 295	241 301	8 273 197
Bonuses	106 030	88 835	88 835	88 835	88 835	88 835	79 341	77 481	-	707 027
Service-related benefits	6 492	-	255 001	16 167	-	-	-	18 585	-	296 245
Allowances	458 754	364 323	422 677	328 554	346 897	262 789	278 224	254 975	84 272	2 801 465
Bargaining council	137	137	137	68	137	102	137	137	34	1 026
Medical	-	-	-	-	270	-	63 329	52 918	-	116 517
Pension	-	-	-	-	-	-	172 061	167 358	-	339 419
Unemployment insurance	2 125	2 125	2 125	1 240	2 125	1 948	2 125	2 125	531	16 469
	1 888 692	**1 435 004**	**1 992 670**	**1 395 396**	**1 402 997**	**1 077 483**	**1 551 111**	**1 481 874**	**326 138**	**12 551 365**

Notes to the Annual Financial Statements

33. Employee related cost (continued)

2025

Acting General Manager Corporate services - Ms MS Buthelezi	-	5 888
Acting General Manager Planning services - Mr S Kheswa	-	6 983
Acting Municipal Manager - Mr SP Mosia	-	7 013
Pensionable allowance for former Municipal Manager - Mr Manqele PM	-	16 391
	-	**36 275**

General Manager technical services Ms Msimango RN received a performance bonus during the financial year.

Included in the above is former Municipal Manager Mr Manqele PM non pensionable allowance paid during the financial year.

Included in the above are acting allowances for the below mentioned employees.

Ms MS Buthelezi acted as General Manager corporate services for a period of 10 days.

Mr S Kheswa acted as General Manager Planning services for a period of 15 days.

Mr SP Mosia acted as Municipal Manager for a period of 11 days.

2024

Acting Municipal Manager - Mr SP Mosia	-	6 492
Acting General Manager community services- Mr SP Mosia	-	16 167
Acting General Manager technical services- Mr SM Mhlongo	-	18 585
	-	**41 244**

Included in the above are acting allowances for the beolw mentioned employees.

Mr SP Mosia acted as Municipal Manager for a period of 12 days.

Mr SP Mosia acted as General Manager community services for a period of 41 days.

Mr SM Mhlongo acted as Municipal Manager for a period of 11 days.

The Municipal Manager and Executive Directors are remunerated in terms of the Upper Limits of Total Remuneration Packages Payable to Municipal Managers and Managers Directly Accountable to Municipal Managers, issued in terms of the Local Government: Municipal Systems Act 32 of 2000.

The Remuneration of Executives as disclosed above refer to the actual amounts paid to them during the 2025 and 2024 years respectively.

Where other officials acted in the Executive Director positions and was remunerated accordingly, only the additional remuneration for acting in that position is disclosed.

Refer to note 55 for related party disclosures

		2025	2024

33. Employee related cost (continued)

33.2 Municipal staff costs

Basic salary	217 140 914	201 041 835
Service-related benefits	36 919 330	36 519 136
Allowances	27 439 998	13 958 252
Bargaining council	213 026	197 733
Medical	18 984 172	16 898 483
Pension	28 459 155	25 400 524
Post-retirement benefit: Medical	1 899 000	858 000
Post-retirement benefit: Other benefits	(571 000)	(95 000)
Unemployment insurance	1 691 839	1 613 870
Total	**332 176 434**	**296 392 833**

34. Remuneration of councillors

Mayor	34.1	1 065 066	1 163 491
Chief whip	34.2	869 831	721 632
Speaker	34.3	853 416	830 416
Deputy mayor	34.4	853 275	826 555
Executive committee	34.5	2 398 582	1 997 873
Section 79 committee chairperson	34.6	449 676	446 742
All other councillors	34.7	4 048 987	4 375 473
Total		**10 538 833**	**10 362 182**

34.1 Executive Mayor/Mayor

Allowances and service related benefits		
Cell phone allowance	43 200	43 705
Housing allowance	-	180 000
Motor vehicle allowance	255 792	237 148
Office-bearer allowance	670 569	602 888
	969 561	**1 063 741**
Social contributions		
Medical aid benefits	-	13 680
Pension fund contributions	95 505	86 070
	95 505	**99 750**
Total	**1 065 066**	**1 163 491**

34.2 Chief whip

Allowances and service related benefits		
Office-bearer allowance	568 829	502 525
Travelling allowance	-	16 933
Cell phone allowance	43 200	42 000
Motor vehicle allowance	187 479	153 636
	799 508	**715 094**
Social contributions		
Pension fund contributions	70 323	6 538

	2025	2024
34. Remuneration of councillors (continued)		
Total	**869 831**	**721 632**

34.3 Speaker

	2025	2024
Allowances and service related benefits		
Cell phone allowance	43 200	45 600
Motor vehicle allowance	203 472	198 126
Office-bearer allowance	530 340	513 201
	777 012	**756 927**
Social contributions		
Pension fund contributions	76 404	73 489
Total	**853 416**	**830 416**

34.4 Deputy executive mayor

	2025	2024
Allowances and service related benefits		
Cell phone allowance	43 200	45 600
Motor vehicle allowance	205 654	195 660
Office-bearer allowance	517 459	512 481
	766 313	**753 741**
Social contributions		
Medial aid benefits	10 260	-
Pension fund contributions	76 702	72 814
	86 962	**72 814**
Total	**853 275**	**826 555**

34.5 Executive committee

	2025	2024
Allowances and service related benefits		
Cell phone allowance	129 600	136 800
Motor vehicle allowance	568 249	456 804
Office-bearer allowance	1 557 411	1 303 375
	2 255 260	**1 896 979**
Social contributions		
Medial aid benefits	-	2 280
Pension fund contributions	143 322	98 614
	143 322	**100 894**
Total	**2 398 582**	**1 997 873**

	2025	2024

34. Remuneration of councillors (continued)

34.6 Section 79 committee chairperson

Allowances and service related benefits		
Cell phone allowance	43 200	45 600
Motor vehicle allowance	101 686	99 336
Office-bearer allowance	253 981	252 106
	398 867	**397 042**
Social contributions		
Medical aid benefits	13 680	13 680
Pension fund contributions	37 129	36 020
	50 809	**49 700**
Total	**449 676**	**446 742**

34.7 All other councillors

Allowances and service related benefits		
Cell phone allowance	435 600	499 600
Motor vehicle allowance	799 619	882 979
Office-bearer allowance	2 690 680	2 838 337
	3 925 899	**4 220 916**
Social contributions		
Medial aid benefits	34 200	11 400
Pension fund contributions	88 888	143 157
	123 088	**154 557**
Total	**4 048 987**	**4 375 473**

In kind benefits

The Speaker, the Mayor, the Deputy Mayor and the Executive Committee Members are full-time.

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

The Speaker, Mayor and Deputy Mayor are provided with bodyguards.

The Councillors are provided with body guards where request has been approved.

Refer to note 55 for related party disclosures.

35. Inventory consumed

Consumables	1 704 983	1 868 489
Materials and supplies	3 745 913	5 752 371
Water	52 498 947	37 711 165
Total	**57 949 843**	**45 332 025**

Notes to the Annual Financial Statements

		2025	2024

36. Debt impairment

Trade and other receivables from exchange transactions	4	27 594 225	31 875 145
Non Specific Accounts		3 178 889	9 485 451
Total		**30 773 114**	**41 360 596**

37. Depreciation and amortisation

Amortisation			
Intangible assets	11.1	18 407	23 883
Depreciation			
Property, plant and equipment		119 734 836	112 183 622
Total		**119 753 243**	**112 207 505**

38. Interest

Interest	38.1	18 090 621	14 236 704

38.1 Interest cost

Financial liabilities			
• Annuity loans		11 497 297	7 079 143
Finance leases	20.1	78 969	175 789
Interest costs non-current provisions	18	4 468 000	4 494 000
Long service awards		1 683 000	1 630 000
Overdue accounts	14.4	363 355	857 772
Total		**18 090 621**	**14 236 704**

39. Contracted services

Consultants and professional services	39.1	21 011 534	27 057 905
Contractors	39.2	130 948 984	135 310 066
Outsourced services	39.3	124 602 472	110 985 613
Total		**276 562 990**	**273 353 584**

39.1 Consultants and professional services

Business advisory services			
Accounting and auditing		26 050	26 000
Actuaries		25 000	24 000
Audit committee		184 926	200 468
Forensic investigators		-	1 108 887
Human resources		780 115	1 715 907
Medical examinations		36 550	343 161
Project management		15 414 680	14 760 611
Quality control		39 497	35 776
System support		2 135 886	2 118 683
Total business advisory services		**18 642 704**	**20 333 493**
Legal services			
Collection		113 518	751 259
Legal advice and litigation		2 255 312	5 973 153
Total legal services		**2 368 830**	**6 724 412**

Notes to the Annual Financial Statements

		2025	2024
39. Contracted services (continued)			
Total consultants and professional services		**21 011 534**	**27 057 905**

39.2 Contractors

	2025	2024
General services		
Artists and performers	1 570 261	1 379 850
Audio-visual services	-	38 500
Fire protection	-	130 000
Gardening services	5 298 078	4 448 771
Medical services	538 250	334 600
Photographer	-	24 500
Preservation/Restoration/Dismantling/Cleaning services	8 501	-
Safeguard and security	166 098	274 866
Stage and sound crew	1 293 283	3 264 760
Total general services	**8 874 471**	**9 895 847**
Maintenance services		
Maintenance of buildings and facilities	434 603	1 739 130
Maintenance of equipment	197 900	154 081
Maintenance of unspecified assets	121 442 010	123 521 008
Total maintenance service	**122 074 513**	**125 414 219**
Total contractor	**130 948 984**	**135 310 066**

39.3 Outsourced services

	2025	2024
Business and advisory services		
Business and Financial Management	-	456 713
Human Resources	210 000	29 600
Qualification Verification	63 261	31 588
Research and Advisory	21 668	-
Total business and advisory services	**294 929**	**517 901**
General services		
Catering Services	8 455 952	6 173 575
Hygiene Services	851 995	692 705
Internal Auditors	2 774 328	2 828 231
Meter Management	722 773	517 140
Transport Services	-	59 400
Water Takers	59 292 528	52 465 350
Total general services	**72 097 576**	**62 736 401**
Trading services		
Security Services	52 209 967	47 731 311
Total outsourced services	**124 602 472**	**110 985 613**

40. Transfers and subsidies - Expenditure

		2025	2024
Operational			
Allocations in-kind	40.1	9 064 417	3 533 875

	2025	2024

40. Transfers and subsidies - Expenditure (continued)

40.1 Allocations in-kind: Operational

Households	48 000	252 000
Non-profit Institutions	9 016 417	3 281 875
Total	**9 064 417**	**3 533 875**

41. Irrecoverable debts written off

Exchange	1 354 820	2 643 698
Non-exchange	1 369 548	5 490 579
	2 724 368	**8 134 277**

Write offs resulted from successful indigent applications and a subsequent council resolution.

Exchange		
Water	978 771	1 580 804
Waste water management	374 081	-
Non specific accounts	1 968	1 062 894
	1 354 820	**2 643 698**

Non-exchange		
Non specific accounts	1 369 548	5 490 579

42. Operating leases

Machinery and Equipment	623 413	705 801
Other Assets	1 119 380	1 115 643
Transport Assets	35 043 441	21 878 890
Total	**36 786 234**	**23 700 334**

		2025	2024

43. Operational cost

Advertising, Publicity and Marketing		1 253 642	3 684 840
Assets less than the Capitalisation Threshold		-	200 043
Bank Charges, Facility and Card Fees		673 791	677 397
Bargaining Council		3 182 268	2 960 307
Bursaries (Employees)		154 930	159 810
Cash Discount		256 112	3 467 942
Cleaning Services		25 570	60 600
Communication		4 017 004	3 019 998
Entertainment		62 968	56 710
Eskom Connection Fees		32 756	443 699
External Audit Fees		4 097 514	4 554 351
External Computer Service		5 352 387	8 225 939
Fines and Penalties		59 116 217	-
Hire Charges		62 817 557	50 997 374
Honoraria (Voluntarily Workers)		394 404	94 900
Insurance Underwriting		6 010 163	3 211 254
Licences		281 941	284 284
Management Fee		12 207 795	7 103 907
Municipal Services		99 849 177	84 778 635
Printing, Publications and Books		27 600	105 580
Professional Bodies, Membership and Subscription		199 500	29 589
Registration Fees		111 536	117 158
Seating Allowance for Traditional Leaders		-	3 131
Signage		-	149 640
Skills Development Fund Levy		2 978 133	2 693 967
Taking over Contractual Obligations		699 718	-
Transport Provided as Part of Departmental Activit		4 931 250	4 556 740
Travel and Subsistence		9 985 021	13 203 805
Uniform and Protective Clothing		-	2 235 588
Vehicle Tracking		189 138	169 669
Wet Fuel		18 969 761	17 153 116
Workmen's Compensation Fund		776 225	1 665 874
Total		**298 654 078**	**216 065 847**

44. Impairment losses / (reversal) of impairment

Impairment loss / Reversal of impairment			
Intangible assets	11.1	1 911	-
Property, plant and equipment		994 064	-
Total		**995 975**	**-**

Notes to the Annual Financial Statements

	2025	2024

45. Net cash from/(used) operating activities

	2025	2024
Surplus for the year	414 029 483	456 789 906
Adjustments for:		
Depreciation and amortisation	119 753 243	112 207 505
Bad debts written off	2 724 368	8 134 277
Impairment Losses	995 975	-
(Gains) / Losses on disposal of assets	5 742	(173 933)
Actuarial gains/losses	1 434 000	5 704 000
Movements in employees benefits	8 007 491	141 794
Debtors Impairment	30 773 114	41 360 596
Public contributions and donations	(8 498)	(9 478)
Transfers and subsidies in-kind	9 064 417	3 533 875
Retention forfeits	-	(201 620)
Deposit forfeits	(247)	(8 542)
Movement in working capital		
(Increase) / Decrease in receivables from non-exchange transactions	3 890 796	13 111 695
(Increase) / Decrease in inventory	(8 111 694)	(4 663 765)
(Increase) / Decrease in receivables from exchange transactions	(42 118 659)	(55 821 627)
(Increase) / Decrease in VAT receivables	(14 010 006)	17 209 887
(Increase) / Decrease in prepayments	24 868 301	(28 406 208)
(Increase) / Decrease in deposits made	(6 886 331)	(1 228 337)
(Increase) / Decrease in operating lease receivable	6 031	(15 369)
Increase / (Decrease) in consumer deposits	(8 737)	(230 764)
Increase / (Decrease) in trade and other payables	157 819 894	83 027 411
Increase / (Decrease) in payables from non-exchange transactions	7 773 383	(114 064)
Increase / (Decrease) in operating lease liability	167 035	239 995
Increase / (Decrease) in VAT payable	4 644 788	4 880 544
Increase / (Decrease) in non-current payables from exchange transactions	(2 924 971)	(29 854 118)
Net cash flows from operating activities	**711 888 918**	**625 613 660**

Notes to the Annual Financial Statements

	2025	2024

46. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	1 406 341 125	1 201 640 099

Total capital commitments		
Already contracted for but not provided for	1 406 341 125	1 201 640 099

Total commitments

Total commitments		
Authorised capital expenditure	1 406 341 125	1 201 640 099

The Municipality has entered into various contracts for capital infrastructure projects that are expected to be completed in future. All commitments disclosed are VAT inclusive.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	4 397 348	41 046 104
- in second to fifth year inclusive	6 385 075	10 726 095
- later than five years	371 957	2 101 442
	11 154 380	**53 873 641**

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of 9 years 11 months, rentals shall escalate at a rate of 7% per annum. No contingent rent is payable.

Operating lease payments represent rentals payable by the municipality for the rental of municipal vehicles. Leases are negotiated for an average term of 3 years, rentals shall escalate at a rate linked to CPI on the anniversary date of the lease contract. No contingent rent is payable.

Operating lease payments represent rentals payable by the municipality for the rental of Machinery and equipment. Leases are negotiated for an average term of 3 years, rentals are fixed for an average of three years. No contingent rent is payable.

Rental expenses relating to operating leases		
Minimum lease payments	36 715 054	23 700 334

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	574 734	603 055
- in second to fifth year inclusive	12 182	579 724
	586 916	**1 182 779**

The municipality leases out some of its office space to three tenants, two of the tenants have a fixed escalation, and one has an escalation linked to CPI.

The first tenant has an escalation of 10% annually and the lease term is for a period on 36 months, from 01 October 2022 to 30 September 2025.

Notes to the Annual Financial Statements

	2025	2024

. Other non-current assets 2 (continued)

the second tenant has an escalation of 7% annually and the lease term is for a period of 36 months, from 01 August 2023 to 31 July 2026.

the third tenant has an escalation linked to CPI annually and the lease term is for a period of 36 months, from 01 July 2023 to 30 June 2026.

No contingent rent is receivable.

47. Water losses

	2025	2024
Unavoidable annual real losses	50 719 332	90 582 130

	2025	2024
Water loss volumes		
Purified	22 554 397	20 680 906
Units sold	(3 427 092)	(5 218 698)
Supplied through water tankers	(231 392)	(201 152)
Unbilled unmetered consumption	(16 254 538)	(10 102 149)
	2 641 375	**5 158 907**

	2025	2024
Water loss percentage %		
Technical losses	12 %	25 %

Zululand District Municipality produces water for both urban and rural areas. The Municipality currently has mainly urban areas on their billing system. Water is supplied through subsidised schemes in the rural areas hence the municipality is incurring water losses due to the difference between consumers who qualified to be billed versus households that do not fall into this category. In addition water leaks, illegal connections and aging infrastructure are also contributing factors.

	2025	2024

48. Contingent liabilities

Contingent liability 1	50 000	50 000

Zululand District Municipality // Employee 1

G&B ref: P1402/22

Labour Court case no: D 768/ 2021

Employee 1 launched a review application to review and set aside an arbitration award declaring his suspension fair. ZDM has filed its answering affidavit. No further steps have been taken by Employee 1 at this stage.

Labour Court Case No: D 68/ 23

Employee 1 launched an urgent application to find the Municipality, the Municipal Manager and other officials in contempt of court of the arbitration award under case no: KPD 042202. ZDM is opposing the urgent application.

The prospects of succeeding with the review application are reasonable if the preliminary points are successful.

The prospects of succeeding with the urgent application are reasonable.

Contingent liability 2	100 000	10 000

Zululand District Municipality // Employee 2

G&B ref: P 2728/23

Bargaining council case no: KPD 072309

Employee 2 was charged for misconduct and subsequently dismissed. Following an appeal hearing, the dismissal was upheld in May 2023.

Employee 2 referred a dispute to the SALGBC in July 2023 arguing that the dismissal is substantively and procedurally unfair.

The SALGBC issued an award on 8 July 2024 in favour of the Municipality, namely that the dismissal was substantively and procedurally fair.

Thereafter, Employee 2 launched a review application in the Labour Court. The Municipality is opposing the review.

The matter is pending a date for the review application..

	2025	2024

48. **Contingent liabilities (continued)**

Contingent liability 3	-	250 000

Zululand District Municipality // Employee 3

G&B ref: P 1686/23

The arbitration is set down for 26 July 2024 and 14 August 2024.

On 30 October 2023, Employee 3 was charged by the Municipality for misconduct pertaining to dishonesty. Employee 3 plead not guilty.

Following an internal disciplinary, Employee 3 was found guilty of the charges and dismissed.

Employee 3 has referred an unfair dismissal dispute to the SALGBC under case number KPD032407.

The arbitration was set for 26 July 2024 and 14 August 2024.

The municipality has agreed to settle the matter and a lumpsum has been paid in respect of employee 3.

Contingent liability 4	-	75 000

Zululand District Municipality // Employee 4

G&B ref: P 1035/24

Bargaining council case no: KPD062322

The Municipality dismissed Employee 4 in May 2023. Employee 4 referred an unfair dismissal dispute to the SALGBC under case number KPD062322.

In January 2024, a Default Award was obtained against the Municipality

The Municipality subsequently successfully applied for the award to be rescinded. The award was issued on 5 July 2024.

The Municipality is currently waiting for the set down date for the arbitration.

The rescission and condonation applications were successful.

The matter was finalised and the municipality was ordered to reinstate the employee.

Contingent liability 5	100 000	75 000

Zululand District Municipality // Employee 5

G&B ref: P 0333/24

CCMA under case number KNDB10170/21

Employee 5 has instituted proceedings in the CCMA under case number KNDB10170/21 alleging various acts of harassment and discrimination against him.

The matter is part-heard and last sat in March 2025. The Municipality is awaiting a new set down date.

Reasonable prospects of success.

	2025	2024

48. Contingent liabilities (continued)

Contingent liability 6	-	150 000

Zululand District Municipality // Employee 6

G&B ref: P 0145/24

Internal disciplinary proceedings

The Municipality instituted internal disciplinary proceedings against Employee 6 in February 2024 for misconduct relating to breaching policies specifically the IT and SCM policies. Employee 6 was found guilty and dismissed.

He referred a matter to the SALGBC but the dispute was subsequently settled.

Reasonable prospects of success.

No estimated future cost

Contingent liability 7	-	500 000

Zululand District Municipality // MEC COGTA (COGTA's report)

G&B ref: P 1175/20

High Court Case No: 5660/2020

ZDM successfully applied to have COGTA's report purportedly conducted in terms of section 106(1)(b) of the Municipal Systems Act declared unlawful, reviewed and set aside.

COGTA filed an application for leave to appeal and ZDM has served a notice of opposition.

The Municipality successfully defended the application for leave to appeal.

COGTA then petitioned the SCA for leave to appeal. The Municipality opposed this petition. On the 18th May 2023 the SCA granted COGTA's petition for leave to appeal to the full court of the KwaZulu-Natal Division of the High Court, Pietermaritzburg. The costs order of the court a quo in dismissing the application for leave to appeal was set aside and the costs of the application for leave to appeal in the SCA and the court a quo are now costs in the appeal.

The appeal is set down for 1 November 2024 before the full court of the KwaZulu Natal Division of the High Court, Pietermaritzburg.

The outcome was in favour of the Municipality and the legal costs were recovered.

Notes to the Annual Financial Statements

	2025	2024

48. Contingent liabilities (continued)

Contingent liability 8	-	-

Zululand District Municipality // MEC COGTA (Exco Composition)

G&B ref: L0572/22

Application before KwaZulu-Natal High Court, Pietermaritzburg – CASE NO: 2565/22P

MEC-COGTA – KwaZulu-Natal instituted an application against the Municipality and Nongoma Local Municipality to challenge the composition numbers of the Municipal Executive Committee.

The Municipality opposed this application on the basis that it believes the MEC COGTA – KZN has misconstrued and misinterpreted the 2021 amendments of the Municipal Systems Act as placing a restriction on when the Municipal Council is able to change the composition of the Municipal Executive Committee.

The matter was set down for 27 July 2023 but COGTA has removed the matter from the roll. The matter was then re-enrolled for 11th September 2023 and argued on that date. Unfortunately the presiding judge passed away before delivering his judgment. The Judge President directed the matter be reargued.

The matter was reargued on 23 April 2024 before a new judge and judgment remains outstanding.

The Municipality has good prospects of opposing this application.

No estimated future cost.

Contingent liability 9	-	1 000 000

Zululand District Municipality // Rocla

High Court urgent application brought by Rocla. Declarator order sought compelling ZDM to purchase 15000 units per the contract data. Matter referred to the SCA.

ZDM lost at the SCA. Rocla has not taxed its costs as yet but has indicated that it will be suing for damages in respect of the balance of the contract price.

The municiplaity has agreed to pay a settlement out of court, a payment arrangement has been signed and if the municipality defaults, interest will be charged on arrears and Rocla reserves the right to refer the matter back to court.

Contingent liability 10	-	350 000

Zululand District Municipality // JB Mavundla & Another

Mr Mavundla and Mr Nkosi have issued papers against ZDM to have the court declare them the lawful NFP councillors at the Municipality, The matter has been adjourned sine die.

The matter has been adjourned sine di*e*

This matter has gone dormant.

	2025	2024
48. Contingent liabilities (continued)		
Contingent liability 11	-	2 196 570

Zululand District Municipality // ESKOM Holdings

Eskom has sued ZDM for damages sustained to its aircraft at the ZDM airport.

A plea has been filed and Eskom has not taken the matter further.

This matter has gone dormant.

Contingent liability 12	-	40 000 000

Zululand District Municipality // Minister of Water & Sanitation

Minister is suing ZDM for approximately R40million for water and water levies charges. The Minister of Water and Sanitation is pushing this matter to trial despite attempts at settlement.

The municipality has acknowledged the creditor. The municipality has also entered into a debt incentive programme with a condition to honour current billing for the whole financial year and get one third write off of the historic debt.

The matter has been resolved.

Contingent liability 13	-	400 000

Zululand District Municipality // Moteko Construction
Moteko Construction has issued summons against ZDM for R156 6847.58 and ZDM has filed a counter-claim for R638 612.06.

Plaintiff has not yet set the matter down for trial. It has remained dormant for years.

This matter has gone dormant.

Contingent liability 14	-	350 000

Zululand District Municipality // TMS

TMS has issued papers against ZDM to review and set aside a tender for water services but have not proceeded to set it down.

The matter has been adjourned sine die

This matter has gone dormant

Contingent liability 15	8 213 829	8 213 829

Zululand District Municipality // Multisolution

Multisolutions has issued an application against ZDM for payment of R8 213 829, 00 in respect of services rendered. ZDM has opposed the application.

The matter has been set down for argument on opposed roll. The matter should be settled. Multisoulutions has sent a counter proposal for payment in 3 months instead of 12 instalments per ZDM offer.

Notes to the Annual Financial Statements

	2025	2024
48. Contingent liabilities (continued)		
Contingent liability 16	100 000	-
Zululand District Municipality / /FNB & Siyakhulisa distributors		
Court order was obtained for the freezing of FNB bank accounts wherein ZDM funds were fraudulently transferred out of ZDM bank account on 27 December 2023.		
order remains in place and accounts remain frozen.		
The accounts remain frozen and we hold instruction to go back to court to have the money transferred back to ZDM.		
Contingent liability 17	-	320 000
Zululand District Municipality / /JAMJO CIVILS		
Jamjo filed an internal appeal and various interdicts against ZDM in respect of a tender in which they were not successful.		
ZDM was successful in the MBAT hearings however Jamjo has taxed it’s bills as against ZDM with the amount of R320 000.00 being due in respect of their legal fees as a result of a costs order against ZDM. ZDM will have to pay this amount to avoid a warrant of attachment being served		
This matter was concluded with an outcome favourable to the Municipality.		
Contingent liability 18	350 000	-
Zululand District Municipality // Mhlongo		
Mhlongo has issued an application against ZDM for setting aside of an internal appeal against a tender awarded to Aros Protection Services instead of Mhlongo		
Pleadings are still being filed		
The matter will be likely heard in 2026		
	8 913 829	**53 940 399**

49. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of 5 338 520 387 and that the municipality's total assets exceed its liabilities by 5 338 520 387.

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.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

	2025	2024

49. Going concern (continued)

The municipality is operating at a net asset position.
-There municipality has 10 year fixed term borrowing agreement of R 100 000 000 with ABSA bank.
- There is no indication of withdrawals of support from creditors.
- The Municipality is not operating at an overdraft facility.
- The current ratio (CA/CL) is 0,21:1. However included in this calculation is retention of R 119 295 276 which is dependent on the future grant receipts and R 622 047 093 creditors at year-end. This retention does not have to be cash backed. Norm ratio is 2:1.
- The municipality has resulted to surplus for the current financial year and there is no significant deterioration in the value of assets used to generate cash flows.
- The municipality is experiencing financial pressures as its creditors continue to increase, the creditors payment period increased from 141 days in the prior year to 170 days in the current year.
- The municipality is also experiencing collection shortfalls which in is below norm of 95% coupled with increasing debtors impairment sitting at 96% of debtors which is an increase of 1% compared to the prior year of 95%. the net debtors days is 57 days in the current year and 54 days in the prior year.
- The overall working capital of the municipality is negative and cash reserves have decreased in the current year, from R57 million in the prior year to R23 million in the current year.
-To this end the municipality has approved the 2025/2026 budget together with a financial recovery plan to assist the municipality in improving its financial position.
- The financial recovery plan includes establishment of a debt incentives schemes to improve collection and signing of payment arrangements with creditors to manage cashflow and commitment by service providers, the most fruitful activity included in the plan is the process of reducing commitments whilst maintaining service delivery standards to reduce the strain on the cashflow.
- National Sphere of Government will continue to allocate equitable share of national revenue and other Division of Revenue Act grants to municipalities.
- There is no labour difficulties that will render the Municipality dysfunctional.
- There are no material pending legal claims that may render municipality dysfunctional.
- There are no legal changes in law or regulation or government policy that may result in the liquidation of the municipality.
- The Municipal original budget was assessed as funded and later the adjustment budget was assessed as unfunded and the municipality adopted a budget funding plan.

Notes to the Annual Financial Statements

50. Risk management

Financial risk management

The Department Financial Services monitors and manages the financial risk relating to the operations through internal policies and procedures. These risks include interest rate and liquidity risk. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis and annually by external auditors. The municipality does not enter or trade financial instruments for speculative purposes.

Revenue

On assessment of the outstanding debtors material impairment was noted as most customers are a subject of indigent verification. Revenue Enhancement Strategy is in place that is looking to different ways to expand revenue base.

Expenses

Due to increased expectation for access to better hygiene practices, water as the core service delivery mandate of the municipality, must reach communities at an increased volume.

Therefore intervention through grant reprioritisation is seen as the solution. The diverting of grants for capital projects to support operations and operation expenditure. This has a possibility of sustained expectation.

Assets

There is no indication that an impairment loss has been incurred on assets except for the ones already recognised in the statement of financial position.

Liabilities

There are no promises, commitments or obligations that have been made that requires to determine whether a liability exist at the reporting date or whether disclosure is needed in the notes to the financial statement.

Liquidity risk

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

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangement are established at competitive rates to ensure that cash flow requirements are met. The municipality has agreed to a payment plan with the respective creditor to settle its non-current liabilities.

Capital risk management

The municipality’s objectives when managing capital structure are to safeguard the municipality’s ability to continue as a going concern to provide returns and benefits for all stakeholders, while delivering sustainable services and to maintain an optional capital structure to reduce the cost of capital.

The capital structure of the municipality consists of cash and cash equivalents disclosed in Note 3 and accumulated surplus as disclosed in the Statement of Changes in Net Assets.

Gearing ratio.

The municipality entered into a loan agreement with ABSA bank, the gearing ratio is 0.02.

Notes to the Annual Financial Statements

51. Other compulsory disclosures

	SALGA contributions	Audit fees	PAYE and UIF	SDL	Pension and medical aid	Value added tax
As at 30 June 2025						
Opening balance	-	-	285 015	-	-	2 564 383
Subscription/fees	3 182 268	4 097 514	50 651 523	2 978 164	76 692 708	175 137 253
Amount paid – current year	(3 182 268)	(4 097 514)	(50 651 523)	(2 978 164)	(76 692 708)	(171 834 788)
Amount paid – previous years	-	-	(285 015)	-	-	-
Total amount approved by the accounting officer and noted by council	**-**	**-**	**-**	**-**	**-**	**5 866 848**

	SALGA contributions	Audit fees	PAYE	SDL	Pension and medical aid	Value added tax
As at 30 June 2024						
Opening balance	-	-	-	-	155 803	27 524 833
Subscription/fees	2 960 307	4 554 351	43 133 792	2 693 968	68 359 330	153 250 434
Amount paid – current year	(2 960 307)	(4 554 351)	(43 133 792)	(2 693 968)	(68 359 330)	(178 210 884)
Amount paid – previous years	-	-	-	-	(155 803)	-
Balance unpaid (included in payables)	-	-	285 015	-	-	-
Total amount approved by the accounting officer and noted by council	**-**	**-**	**285 015**	**-**	**-**	**2 564 383**

52. Councillor's municipal accounts in arrears

	Amount outstanding for more than 90 days	
List the name of the councillor which at any time during the relevant financial year was in arears for more than 90 days		
Cllr. Nkwanyana SE	2 299	961
Cllr. Nxumalo-Sibiya CM	108 923	85 358
Cllr Mncwango BJ	-	845
Cllr. Mavundla CN	25 030	18 643
	136 252	**105 807**

Cllr. Mavundla CN was not reported in the prior year and has been restated. Cllr Nxumalo-Sibiya CM balance has been restated to exclude balances with 60 days aging.

Notes to the Annual Financial Statements

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

Correction of prior period error - Cllr. Mavundla CN		
As previously reported	-	-
Correction of prior period error	-	18 643
	-	**18 643**

Correction of prior period error - Cllr. Nxumalo-Sibiya CM		
As previously reported	-	87 228
Correction of prior period error	-	(1 870)
	-	**85 358**

Notes to the Annual Financial Statements

53. Unauthorised, irregular, fruitless and wasteful expenditure

53.1 Unauthorised expenditure

Opening balance as previously reported	233 746 094	233 980 163
Correction of prior period error	2 225 705	-
Opening balance as restated	**235 971 799**	**233 980 163**
Add: Unauthorised expenditure – current	243 303 871	233 746 094
Less: Amounts written-off – prior period	(235 971 799)	(233 980 163)
Closing balance	**243 303 871**	**233 746 094**

Unauthorised expenditure opening balance has been restated. The restatement relates to amounts included on the register that do not meet the definition of a unauthorised expenditure.

Unauthorised expenditure was taken to council and written off, no unauthorised expenditure is under investigation.

Analysis of unauthorised expenditure

The over expenditure incurred by the municipal departments during the year is attributable to the following categories		
Non-cash items	71 481 751	75 485 973
Cash items	171 822 120	158 260 121
	243 303 871	**233 746 094**

Analysed as follows: non-cash items		
Employee related cost	8 177 219	13 907 957
Depreciation and amortisation	29 434 695	25 013 066
Bad Debts written off	2 724 368	8 134 277
Debt Impairment	24 773 114	20 812 249
Finance costs	6 094 613	7 112 704
Actuarial (losses)gains	272 000	-
Losses on disposal of Assets	5 742	505 720
	71 481 751	**75 485 973**

Analysed as follows: cash items		
Employee related costs	7 749 965	-
Remuneration of councillors	-	578 267
Contracted services	-	84 267 244
Inventory consumed	25 544 431	(1 495 658)
Transfers and subsidies	6 707 835	(730 047)
Operational cost	121 177 765	33 666 077
Capital expenditure	10 642 124	-
Funds not used for capital expenditure as intended	-	41 974 238
	171 822 120	**158 260 121**

Notes to the Annual Financial Statements

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

53.2 Irregular expenditure

Opening balance as previously reported	23 552 559	89 232 856
Correction of prior period error (Incorrect write off)	3 966 450	-
Correction of prior period error (duplicate invoice)	(87 917)	-
Opening balance as restated	**27 431 092**	**89 232 856**
Add: Irregular expenditure - current	203 501 878	154 294 644
Add: Irregular expenditure – prior period	7 244 291	-
Less Amount recoverable – prior period	-	(3 966 450)
Less: Amounts written-off – current	(59 372 144)	(130 742 084)
Less: Amounts written-off – prior period	(25 853 693)	(85 266 407)
Closing balance	**152 951 424**	**23 552 559**

Irregular expenditure opening balance has been restated. The restatement relates to amounts referred by council to be recovered, these amounts were incorrectly written off before being actually recovered in line with MFMA guidelines which only require recovered amounts to be written off.

The correction of error also relates to an duplicate invoice that was included as part of the prior year irregular balance.

Incidents/cases identified in the current year include those listed below:

Non- compliance MSCMR	80 971 395	14 423 866
Non-compliance with CIDBR	66 138 981	9 128 694
Non-compliance with PPPFA	5 841 048	-
	152 951 424	**23 552 560**

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R25 853 693 the total irregular expenditure amount as it was proven without reasonable doubt that the amount was no financial loss and no recovery is required in respect of the said amount

Correction of prior period error

Add: Irregular expenditure - current

As previously reported	-	159 294 202
Correction of error (a)	-	(4 999 558)
	-	**154 294 644**

(a) The correction of error relates to overstatement of irregular expenditure identified.

Less: Amounts written-off – current

As previously reported	-	135 741 642
Correction of error (a)	-	(4 999 558)
	-	**130 742 084**

(a) The correction of error relates to overstatement of irregular expenditure written off.

Notes to the Annual Financial Statements

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

53.3 Fruitless and wasteful expenditure

Opening balance as previously reported	3 248 400	1 046 939
Add: Fruitless and wasteful expenditure – current	52 090 445	3 108 256
Add: Fruitless and wasteful expenditure expenditure – prior period	-	140 144
Less Amount recovered – prior period	(395 911)	-
Less: Amounts written-off – current	(2 852 489)	(1 046 939)
Closing balance	**52 090 445**	**3 248 400**

Details of fruitless and wasteful expenditure

Interest on overdue accounts	396 792	666 422
Over payment of suppliers	-	395 911
Fines/penalties/settlements on litigations	47 451 652	-
Interest on excess loan	4 242 001	2 186 067
	52 090 445	**3 248 400**

Amount written-off

After the council committee investigations, council adopted the council committee recommendations to write-off an amount of R2 852 489 from the total fruitless and wasteful expenditure amount as none of the expenditure attributed to gross negligence.

54. Deviations from SCM regulations - SCM Regulation 36

In terms of section 36 of the municipality SCM regulations, any deviations from SCM policy needs to be approved by the accounting officer and noted by Council. The awards listed below have been approved by the accounting officer and noted by Council.

Deviation from supply chain management regulations

In terms of section 36(2) of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the annual financial statements.

SGM paragraph reverence			
36 (1)(a) i	Dispense with the official procurement processes in an emergency	-	718 047
36 (1)(a) ii	Dispense with official procurement processes if such goods or services are produced or available from a single source or sole provider.	2 138 056	847 950
36 (1)(a) iii	Dispense with official procurement processes if such goods or services are produced for acquisition of special work of art or historical object	63 522	105 000
36 (1)(a) v	Dispense with official procurement processes in any other exceptional case where it is impractical or impossible to follow the official procurement processes.	1 453 756	1 444 893
Total deviations		**3 655 334**	**3 115 890**

The deviations rand value disclosed is representative of the award value. In the event of a rates based award, an estimate is utilised based on certain projected provisions. In the event that an award value in not present, nor an estimate due to certain conditions, the actual expenditure incurred will be disclosed.

Notes to the Annual Financial Statements

55. Related party disclosures

55.1 Nature of related party relationships

Related party	Nature of relationship
Accounting Officer	Refer to accounting officer's report note

Management class: Councillors/mayoral committee members

2025

Name	Basic salary	Other short-term employee benefits	Other benefits received	Total
Cllr Barnes IR	228 817	126 872	11 400	367 089
Cllr Buthelezi TD (until June 2024)	20 985	7 167	-	28 152
Cllr Dlamini FM	29 586	-	-	29 586
Cllr Dlamini VV	15 334	-	-	15 334
Cllr Dubazane MR	22 509	-	-	22 509
Cllr Hadebe ISM	572 031	234 021	-	806 052
Cllr Khumalo BK	199 414	124 271	42 120	365 805
Cllr Khumalo MB	649 583	291 825	95 505	1 036 913
Cllr Magagula NS	18 970	-	-	18 970
Cllr Masondo ND	22 509	-	-	22 509
Cllr Mavundla CN	26 047	-	-	26 047
Cllr Mavundla JB	232 141	123 690	9 120	364 951
Cllr Mavuso NP	51 093	-	-	51 093
Cllr Mbatha SI	517 459	248 854	86 962	853 275
Cllr Memela DT	530 340	246 672	76 404	853 416
Cllr Mncwango BJ	209 792	123 690	30 224	363 706
Cllr Mncwango SA	489 312	230 388	71 661	791 361
Cllr Mngomezulu ND	20 150	-	-	20 150
Cllr Mntambo M	247 664	123 690	-	371 354
Cllr Ndlovu TD	480 153	230 679	70 323	781 155
Cllr Ndwandwe TM	24 868	-	-	24 868
Cllr Nhlabathi BC	241 261	123 690	-	364 951
Cllr Nkosi SR	214 957	110 986	-	325 943
Cllr Nkwanyana SE	209 792	123 690	30 224	363 706
Cllr Ntombela SS	26 047	-	-	26 047
Cllr Ntshangase TA	23 688	-	-	23 688
Cllr Ntuli KM	9 436	-	-	9 436
Cllr Nxumalo B (until April 2024)	88 675	-	-	88 675
Cllr Nxumalo SV	21 329	-	-	21 329
Cllr Nxumalo - Sibiya CM	26 047	-	-	26 047
Cllr Selepe PP	16 513	-	-	16 513
Cllr Sikhakhane HN	233 626	121 075	-	354 701
Cllr Shelembe S	253 981	144 886	50 809	449 676
Cllr Sibiya AM	27 227	-	-	27 227
Cllr Williams MP	241 261	123 690	-	364 951
Miss Xaba NG	18 874	-	-	18 874
Cllr Zulu RM	496 067	233 440	71 661	801 168
Cllr Zungu NF	18 970	-	-	18 970
Cllr Zungu ZH	23 688	-	-	23 688
	6 800 196	**3 093 276**	**646 413**	**10 539 885**

Cllr TD Buthelezi (until June 2024) and Cllr B Nxumalo (until April 2024) received back pays during the financial year. The back pay relates to their remuneration for 2023/2024. The back pays were payable in the current year since the upper limits for public office bearers was issued by the minister during the current year and approved by council in the current year.

55. Related party disclosures (continued)

2024

Name	Basic salary	Other short-term employee benefits	Other benefits received	Total
Cllr Barnes IR (from June 2024)	-	-	-	-
Cllr Buthelezi TD (until June 2024)	602 888	460 854	99 750	1 163 492
Cllr Dlamini FM	27 483	-	-	27 483
Cllr Dlamini VV	13 636	-	-	13 636
Cllr Dubazane MR	20 579	-	-	20 579
Cllr Hadebe ISM	553 544	231 267	-	784 811
Cllr Jiyane KR (from May 2024)	-	-	-	-
Cllr Khumalo BK	247 996	144 527	47 535	440 058
Cllr Khumalo MB	266 095	143 162	32 155	441 412
Cllr Magagula NS	17 170	-	-	17 170
Cllr Masondo ND	24 031	-	-	24 031
Cllr Mavundla CN	22 895	-	-	22 895
Cllr Mavundla JB	233 464	123 975	-	357 439
Cllr Mavuso NP	24 031	-	-	24 031
Cllr Mbatha SI	512 481	241 260	72 814	826 555
Cllr Memela DT	513 201	243 726	73 489	830 416
Cllr Mncwango BJ	203 012	123 975	29 071	356 058
Cllr Mncwango SA	201 002	120 960	28 804	350 766
Cllr Mngomezulu ND	20 579	-	-	20 579
Cllr Mntambo M	233 464	123 975	-	357 439
Cllr Ndlela NP	8 910	5 815	-	14 725
Cllr Ndlovu TD	245 738	137 074	32 940	415 752
Cllr Ndwandwe TM	25 211	-	-	25 211
Cllr Nhlabathi BC	233 464	123 975	-	357 439
Cllr Nkosi SR (until June 2024)	467 354	245 185	-	712 539
Cllr Nkwanyana SE	203 012	123 975	29 071	356 058
Cllr Ntombela SS	23 988	-	-	23 988
Cllr Ntshangase TA	22 852	-	-	22 852
Cllr Ntuli KM	-	-	-	-
Cllr Nxumalo B (until April 2024)	458 263	192 036	-	650 299
Cllr Nxumalo SV	20 579	-	-	20 579
Cllr Nxumalo-Sibiya CM	23 988	-	-	23 988
Cllr Selepe PP	14 772	-	-	14 772
Cllr Sikhakhane HN (from June 2024)	-	-	-	-
Cllr Shelembe S	252 106	144 936	49 700	446 742
Cllr Sibiya AM	26 304	-	-	26 304
Cllr Sithole BH	734	-	-	734
Cllr Williams MP	238 490	118 807	-	357 297
Miss Xaba NG (from October 2023)	46 005	19 755	-	65 760
Cllr Zulu RM	428 667	210 290	62 414	701 371
Cllr Zungu NF	19 486	-	-	19 486
Cllr Zungu ZH	26 304	-	-	26 304
	6 523 778	**3 279 529**	**557 743**	**10 361 050**

Management class: Executive management

2025

	Basic salary	Other short-term employee benefits	Other benefits received	Total

Notes to the Annual Financial Statements

55. Related party disclosures (continued)

Name				
Hlongwa RN	1 322 958	527 106	2 446	1 852 510
Mosia SP	1 028 036	486 223	253 019	1 767 278
Msibi NS	963 696	392 885	2 506	1 359 087
Linda MS	1 231 262	487 282	2 269	1 720 813
Msimango RN	-	61 580	-	61 580
Jele TM	1 058 528	402 593	107 885	1 569 006
Soko TG	963 696	392 230	2 506	1 358 432
Nene FK	80 308	70 997	378	151 683
Ntombela TA	963 696	337 134	2 269	1 303 099
Ms MS Buthelezi	-	5 888	-	5 888
Mr Kheswa S	-	6 983	-	6 983
Mr Manqele PM	-	16 390	-	16 390
	7 612 180	**3 187 291**	**373 278**	**11 172 749**

2024

Name	Basic salary	Other short-term employee benefits	Other benefits received	Total
Hlongwa RN	1 315 154	564 785	2 262	1 882 201
Mosia SP	955 894	380 223	237 651	1 573 768
Msibi NS	979 584	453 157	2 262	1 435 003
Linda M S	1 223 895	599 685	9 267	1 832 847
Msimango RN	723 809	511 445	2 051	1 237 305
Jele TM	908 295	332 456	222 538	1 463 289
Soko TG	964 733	435 731	2 532	1 402 996
Nene FK	965 675	417 387	1 308	1 384 370
Ntombela TA	236 158	84 271	566	320 995
Mr SM Mhlongo	-	18 585	-	18 585
	8 273 197	**3 797 725**	**480 437**	**12 551 359**

56. Budget information

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

Explanation of variances between approved and final budget amounts

56. Budget information (continued)

56.1. Statement of financial performance

Revenue from exchange transactions

The determining materiality range used was 5 % above or below final budget.

BD1 - Services charges - Water - The meters installed have assisted in correcting the billing. However, there are still customers who are billed on average due to faulty meters, therefore resulted to lower billing than budgeted.

BD2 - Sale of Goods and Rendering of Services - This includes sale of tender documents, the actual is higher than the budget, it depends on the sale of tenders of new project, they were more tender sale toward the end of the financial year.

BD3 - Interest earned from receivables - The municipality charged the interest on outstanding water account for the businesses only as per credit policy. The interest is less than budgeted due to its dependence on outstanding account.

BD4 - Interests earned from current and non-current assets - Interest on investment is interest received when the Municipality makes cash investments or call accounts. The investment performance during the second half of the year was good, the performance further improved in the second half of the year due to available cash from grants that were not utilised immediately and invested.

BD5 - Rental from fixed assets - There is a tenant that vacated the building prior to the year end, the municipality entered into new lease agreement with revised rates.

BD6 - Operational revenue - Other revenue consists of Skills development levy refund, Registration fees, landing fees, administrative handling fees & clearance certificates. Major increase above budget is on skills development levy refund and insurance refund.

Revenue from non-exchange transactions

BD7 - Fines, penalties and forfeits - Fines, penalties, forfeits are amounts charged on illegal connections, deposit forfeits and municipal health fines based on approved tariffs and reconnection fees on non-paying disconnected customers.

BD8 - Transfer and subsidies - Operational - The municipality received Disaster grant, Art and culture grant and were not fully spent at the end of the financial year and therefore no income was recognised.

BD9 - Other gains - This is actual gains, this non cash item was not forecasted during the budget stage.

Expenditure

BD10 - Employee related costs - The employee related cost includes leave provision, overtime and post-retirement benefits. The municipality has overspent on post-retirement benefits, leave pay was overspent, overtime is incurred by the municipality due to circumstances that arise during the year in water and sewer plants.

BD11 - Inventory consumed - This includes the purchase of raw water, portable water, material, and supplies. The variance results from consumable stores and material & supplies.

BD12 - Debt impairment - This depends on the actual debtors balance as at the end of the financial year.

BD13 - Depreciation and amortisation - The significant increase in depreciation was due to completed assets transferred from work in progress and started to depreciate and extended above budget. The depreciation was underbudgeted.

BD14 - Finance charges - This is interest on employee cost benefit obligation and Long service awards as calculated by Actuaries, these non cash items were not forecasted during the budget stage.

BD15 - Contracted services - The contracted services comprise outsourced services, consultants and professional services and contractors. The main affected is contractors, the part of maintenance of municipal infrastructure or assets. The major cost drivers are water tankers, security, bulk maintenance, leases of fleet. These major cost drivers that has increased beyond the budget while striving to provide service delivery is maintenance of bulk infrastructure.

BD16 - Transfers and subsidies - This is support given to the community by municipality. This includes assistance with seedlings, planting, and other LED activities. There has been overspending in Senior citizen Christmas, community participation, SALGA Games, Mayoral cup.

Notes to the Annual Financial Statements

56. Budget information (continued)

BD17 - Irrecoverable debts written off - These are the debtors written off following the council resolution on debtors that are indigent and UIFW, there was no budget allocated to write offs hence it depends on the annual performance.

BD18 - Operational costs - There has been spending on litigations and court orders that the municipality did not make any provision in the budget, there has been overspending in plant hire and budget roadshows.

BD19 - Losses on disposal of Assets - This is the loss on disposal of assets, no budget was forecasted.

BD20 - Other losses - This is actual loss, this non cash item was not forecasted during the budget stage.

BD21 - Transfers and subsidies - capital (in-kind) - This is donation received by the municipality, no budget was forecasted.

BD22 - Capital expenditure - funded by Borrowings - Budget was not forecasted during the adjustment budget, the overspending resulted from allocation of prepayments recognised in the prior year.

BD23 - Capital expenditure - funded by Internally funded assets - Budgeted projects were postponed to future financial years which resulted to savings in the current year.

Notes to the Annual Financial Statements

56. Budget information (continued)

56.2. Statement of financial position

Current assets

BD24 - Cash and cash equivalents - Cash and cash equivalent is estimated based on the expected performance on expenditure (Considering payments of suppliers, employees, and capital grants) and revenue, and considering the collection level of the municipality. The large variance is because the municipality has paid huge amounts of creditors from previous year on top of the current budgeted payment. The large variance also results from how the budget is presented, the budget does not take into account movements in working capital

BD25 - Trade and other receivables from exchange transactions - Trade and other receivables from exchange transactions include debtors from water, sanitation services, other service charges and rental of properties. The municipality's actual debtors have decreased compared to the budget. This decrease was due to an increase in impairment due to non collection.

BD26 - **Receivables from non-exchange transactions** - This includes mainly shared services debtors from Local municipalities. The variance resulted from an increase in impairment due to non collection.

BD27 - **Inventory** - Inventories consist of water stock, material and supplies and consumable stores. the variance resulted from lower stock levels kept on consumables.

BD28 - **VAT** - VAT Receivable is the net amount of input VAT and out put VAT raised . The variance resulted from an increase in year end creditors.

BD29 - **Other current assets** - These are the deposit payments to Eskom, Attorneys that the municipality paid when opening new accounts. A significant amount of Eskom deposits was paid during the year and was not anticipated and forecasted in the budget.

Non-current assets

BD30 - Intangible assets - This is the carrying vale of intangible assets, the municipality did not purchase new intangible assets

BD31 - Other non-current assets - This is non current portion of the operating lease received by the municipality, the municipality over budgeted.

Current liabilities

BD32 - Trade and other payables from exchange transactions - The Payables from exchange transactions consist of trade payables and all other payables. This includes the bulk purchase such as DWS, payables such maintenance payables and all other payables. The significant increase in payables resulted from non payment of creditors due to cashflow constraints.

BD33 - Payables from non-exchange transactions - The municipality has unspent grants, the municipality has spent grants within the limits of grant conditions. Unspent grants will be spent in 2025-2026 financial year, the municipality has never budgeted for unspent grants, the unspent grant is borehole intervention grant, Disaster grant and Indonsa Grant.

BD34 - **Provision** - Consist of leave pay, annual bonus and long service benefit obligation, this variance resulted from an increase in leave days and annual notches used to calculate these amounts, the budget was under forecasted.

BD35 - **VAT payable** - This is the VAT output resulting from revenue generated, the variance resulted from an increase in output VAT impairment caused by non collection of debtors.

BD36 - **Other current liabilities** - This is the post employment medical aid benefit obligation, this amount is determined by actuaries, the variance resulted from under forecast of the budget

Non-current Liabilities

BD37 - Financial liabilities - The municipality is in a lease agreement with Business Connections (BCX), the contract is for the laptops that the municipality will use for the agreed period and will be given to the Municipality at the end of the contract. The municipality has also acquired loan. This is the non-current portion for both loan and finance lease. the variance resulted from under forecast of the interest to be capitalised on the loan.

Notes to the Annual Financial Statements

56. Budget information (continued)

BD38 - Provision - Non current portion of medical aid benefit obligation and long service provision was under forecasted during the budget process.

BD39 - Long term portion of trade payables - This was DWS long term portion of the agreed debt, the municipality entered into a new agreement with DWS and this long term portion was transferred to current.

56.3. Cashflow flow statement

Cashflows from operating activities

BD40 - Service charges - The budgeted collection of Service charges is 65%. The actual collection rate is 66% of budgeted collection rate. This results from low or poor collection level from debtors. There is higher level of unemployment and mostly is rural area, that results in low collection level.

BD41 - Other revenue - The budget for other revenue includes amounts for tender fees, skills development levy refund and any other revenue the Municipality may be entitled to receive such as VAT refund. The Treasury template for cash flow statements presentation in the budget is different from cash flow statements presented in AFS. On the AFS refund from SARS is considered in working capital under payments to suppliers and employees, while on the budget is treated direct as other revenue.

BD42 - Transfers and Subsidies - Operational - NSF grant was budgeted, no actual transactions were recorded as the NSF grant qualified as principal transactions in line with GRAP 109 principal agent.

BD43 - Suppliers and employees - Payments to suppliers and employees reflects all payments paid to suppliers and employees, actual is below budget. The reason for underspending is that the municipality is experiencing financial constraints, due to commitments above the budget.

BD44 - **Finance charges** - Repayment of borrowings was budgeted including both finance costs and capital repayments, actual cashflow figures were presented separately, finance cost presented under operating activities and capital repayment presented under financing activities.

BD45 - **Transfers and subsidie**s - Transfers and subsidies is support, relief or aid provided by the municipality to the communities for poverty alleviation or community development and/or any other support that may be required by community and provided by the municipality. In terms of actual amounts, these were non cash transactions and no presentation was made on the cashflow statement.

Cashflows from investing activities

BD46 - Capital assets - The municipality's capital acquisition budget is high than the actual acquisition because there are expenditures that were capital in nature, but could not be capitalised, so they were expensed, such as project management expenses.

Cashflows from financing activities

BD47 - Consumer deposits - The actual cashflow statement presented movements in consumer deposits under service charges receipts.

BD48 - Repayment of borrowing - Repayment of borrowings was budgeted including both finance costs and capital repayments, actual cashflow figures were presented separately, finance cost presented under operating activities and capital repayment presented under financing activities.

BD49 - Cash/cash equivalents at the year begin - The large variance results from how the budget is presented, the budgeted cash at the beginning is based on prior year adjustment budget closing balance which is before taking into account movements in working capital, whilst actual cashflow is net of working capital movements.

BD50 - Cash/cash equivalents at the year end - The large variance results from how the budget is presented, the budgeted cash at the end is before taking into account working capital movements whilst the actual cashflow is net working capital, this difference in calculation result in a significant variance.

57. Events after the reporting date

Performance bonuses for senior management were finalized and approved after year end. the AFS have been adjusted to present the accrual of performance bonuses.

58. Prior year error and reclassification

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

58.1 Adjustments of Statement of financial position items

2025

	Note	Previously reported	Correction of error	Re-classification	Restated
Assets					
Current assets					
Cash and cash equivalents	3	57 070 895	-	-	**57 070 895**
Trade and other receivables from exchange transactions	4	36 516 228	-	-	**36 516 228**
Receivables from non-exchange transactions	5	15 825 418	(10 554 797)	-	**5 270 621**
Deposits	6	19 406 873	-	-	**19 406 873**
VAT Receivable	7	64 191 360	4 573 389	-	**68 764 749**
Inventories	8	3 965 972	-	-	**3 965 972**
Operating lease receivable	9	5 225	-	-	**5 225**
		196 981 971	**(5 981 408)**	**-**	**191 000 563**
Non-current assets					
Operating lease receivable	9	10 144	-	-	**10 144**
Property, plant and equipment	10	5 521 477 607	(82 609 059)	-	**5 438 868 548**
Intangible assets	11	27 945	-	-	**27 945**
Heritage assets	12	7 816 633	-	-	**7 816 633**
		5 529 332 329	**(82 609 059)**	**-**	**5 446 723 270**
Total assets		**5 726 314 300**	**(88 590 467)**	**-**	**5 637 723 833**
Liabilities					
Current liabilities					
Consumer deposits	13	3 380 853	-	-	**3 380 853**
Trade and other payables from exchange transactions	14	487 862 149	37 565 394	-	**525 427 543**
VAT Payable	15	836 419	-	-	**836 419**
Trade and other payables from non-exchange transactions	16	1 445 896	-	-	**1 445 896**
Employee benefit obligation	17	747 000	-	-	**747 000**
Provisions	18	34 192 639	-	-	**34 192 639**
Borrowings	19	17 711 896	-	-	**17 711 896**
Lease liabilities	20	1 076 911	-	-	**1 076 911**
		547 253 763	**37 565 394**	**-**	**584 819 157**
Non-current liabilities					
Employee benefit obligation	17	30 750 000	-	-	**30 750 000**
Provisions	18	13 320 000	-	-	**13 320 000**
Borrowings	19	79 547 656	963 753	-	**80 511 409**
Lease liabilities	20	907 399	-	-	**907 399**
Trade and other payables from exchange transactions	21	2 924 971	-	-	**2 924 971**
		127 450 026	**963 753**	**-**	**128 413 779**
Total liabilities		**674 703 789**	**38 529 147**	**-**	**713 232 936**
Community Wealth / Equity					
Accumulated surplus		5 051 610 509	(127 119 612)	-	**4 924 490 897**

58.2 Adjustments of Statement of financial performance items

2025

	Note	As previously reported	Correction of error	Re-classification	Restated

58. Prior year error and reclassification (continued)

Revenue					
Exchange revenue					
Services charges – Water management	22	58 876 864	-	-	**58 876 864**
Services charges – Waste water management	22	16 024 007	-	-	**16 024 007**
Sales of goods and rendering of services	23	760 200	(7 352)	-	**752 848**
Interest earned from receivables	24	691 101	-	-	**691 101**
Interests on current assets	25	15 458 240	-	-	**15 458 240**
Licences or permits	26	106 561	-	-	**106 561**
Rent from fixed assets	27	558 834	-	-	**558 834**
Operational revenue	28	593 899	-	-	**593 899**
		93 069 706	**(7 352)**	**-**	**93 062 354**
Non-exchange revenue					
Fines, penalties and forfeits	29	875 061	-	-	**875 061**
Transfers and subsidies		1 514 839 672	(100 633 987)	(1 414 205 685)	**-**
Transfers and subsidies – Operational	30	-	-	645 810 207	**645 810 207**
Transfers and subsidies – Capital	30	-	-	768 395 478	**768 395 478**
Gains on disposal	31	173 933	-	-	**173 933**
Actuarial gain		5 704 000	-	-	**5 704 000**
		1 521 592 666	**(100 633 987)**	**-**	**1 420 958 679**
Total revenue		**1 614 662 372**	**(100 641 339)**	**-**	**1 514 021 033**
Expenditure					
Employee related cost	33	315 068 198	-	(6 124 000)	**308 944 198**
Remuneration of councillors	34	10 362 182	-	-	**10 362 182**
Inventory consumed	35	45 329 983	2 042	-	**45 332 025**
Debt impairment	36	30 812 251	10 548 345	-	**41 360 596**
Depreciation and amortisation	37	114 268 903	(2 061 398)	-	**112 207 505**
Interest	38	7 148 951	963 753	6 124 000	**14 236 704**
Contracted services	39	370 958 209	(97 604 625)	-	**273 353 584**
Transfers and subsidies	40	3 533 875	-	-	**3 533 875**
Irrecoverable debts written off		8 134 277	-	-	**8 134 277**
Operating leases	42	23 700 334	-	-	**23 700 334**
Operational cost	43	212 762 695	3 303 152	-	**216 065 847**
Total expenditure		**1 142 079 858**	**(84 848 731)**	**-**	**1 057 231 127**
Surplus for the year		**472 582 514**	**(15 792 608)**	**-**	**456 789 906**

Statement of financial position

Receivables from non-exchange transactions

As previously reported	15 825 418
Correction of prior period error - debtor disclosed as creditor (a)	900
Correction of prior period error - Debt impairment (b)	(10 548 345)
Correction of prior period error - Sales of goods and rendering of services (c)	(7 352)
	-
	-
	5 270 621

(a) Correction of prior period error relates to debtor disclosed as creditor.

(b) Correction of prior period error relates to recognition of impairment.

(c) Correction of prior period error relates to over recognised shared services revenue.

VAT Receivable

58. Prior year error and reclassification (continued)

As previously reported	64 191 360
Correction of prior period error - Payables from exchange transactions 2024 (a)	355 712
Correction of prior period error - Payables from exchange transactions 2023 (b)	248 203
Correction of prior period error - Payables from exchange transactions 2024 (c)	189 452
Correction of prior period error - Payables from exchange transactions 2023 (d)	167 325
Correction of prior period error - Payables from exchange transactions 2023 (e)	3 582 955
Correction of prior period error - Inventory 2024 (f)	(2 042)
Correction of prior period error - Operational cost 2024 (g)	177 900
Correction of prior period error - Payables from exchange transaction 2024 (h)	(146 116)
	68 764 749

(a) Correction of prior period error relates to adjustment of input VAT on contracted services payments accrued as at 30 June 2024.

(b) Correction of prior period error relates to adjustment of input VAT on contracted services payments accrued as at 30 June 2023.

(c) Correction of prior period error relates to adjustment of input VAT on operating cost payments accrued as at 30 June 2024.

(d) Correction of prior period error relates to adjustment of input VAT on operating cost payments accrued as at 30 June 2023.

(e) Correction of prior period error relates to adjustment of input VAT on Inventory acquisition payments accrued as at 30 June 2024.

(f) Correction of prior period error relates to adjustment of input VAT on Inventory acquisition payments accrued as at 30 June 2024.

(g) Correction of prior period error relates to correction of input VAT claimed on inventory acquisition payments, 2024.

(h) Correction of prior period error relates to adjustment on cancelled payments 2024.

Inventories

As previously reported	3 965 972
Correction of prior period error - Payables from exchange transactions 2023 (a)	23 886 367
Correction of prior period error - Accumulated surplus 2023 (b)	(23 886 367)
Correction of prior period error - VAT Receivable 2024 (c)	2 042
Correction of prior period error - Inventory consumed 2024 (d)	(2 042)
	3 965 972

(a) Correction of prior period error relates to adjustment of payments accrued as at 30 June 2023.

(b) Correction of prior period error relates to adjustment of inventory issues as at 30 June 2023.

(c) Correction of prior period error relates to adjustment of input VAT on Inventory acquisition payments accrued as at 30 June 2024.

(d) Correction of prior period error relates to adjustment of inventory issues as at 30 June 2024.

Property, plant and equipment

As previously reported	5 521 477 607
Correction of prior period error - Depreciation and amortisation 2024 (a)	(2 069 081)
Correction of prior period error - Transfer of cost 2023 (b)	(155 666 657)
Correction of prior period error - Transfer of accumulated depreciation 2023 (b)	70 996 202
Correction of prior period error - Depreciation and amortisation 2024 (b)	4 130 480
	5 438 868 551

Notes to the Annual Financial Statements

58. Prior year error and reclassification (continued)

(a) Correction of prior period error relates to depreciation of practically completed assets not transferred to PPE in 2024.

(b) Correction of prior period error relates to assets transferred from water service authority ZDM, to water service provider Abaqulusi LM in terms of the signed agreement and substance over form GRAP requirements.

Payables from exchange transactions - Current

As previously reported	487 862 149
Correction of prior period error - Contracted services as at 30 June 2024 (a)	2 881 058
Correction of prior period error - VAT Receivable as at 30 June 2024 (a)	355 712
Correction of prior period error - Contracted services as at 30 June 2023 (b)	1 654 684
Correction of prior period error - VAT Receivable as at 30 June 2023 (b)	248 203
Correction of prior period error - Operational cost as at 30 June 2024 (a)	3 629 355
Correction of prior period error - VAT Receivable as at 30 June 2024 (a)	189 452
Correction of prior period error - Operational cost as at 30 June 2023 (b)	1 115 500
Correction of prior period error - VAT Receivable as at 30 June 2023 (b)	167 325
Correction of prior period error - Inventory consumed as at 30 June 2023 (b)	23 886 367
Correction of prior period error - VAT Receivable as at 30 June 2023 (b)	3 582 954
Correction of prior period error - Receivables from non-exchange transactions (c)	900
Correction of prior period error - VAT Receivable (d)	(146 116)
	525 427 543

(a) Correction of prior period error relates to adjustment of payments accrued as at 30 June 2024.

(b) Correction of prior period error relates to adjustment of payments accrued as at 30 June 2023.

(c) Correction of prior period error relates to debtor disclosed as creditor.

(d) Correction of prior period error relates to VAT on cancelled payments.

Borrowings - Non-current

As previously reported	79 547 656
Correction of prior period error - Interest (a)	963 753
	80 511 409

(a) The correction of error relates to adjustment of Interest on loan.

Accumulated surplus

Notes to the Annual Financial Statements

58. Prior year error and reclassification (continued)

As previously reported	5 051 610 504
Correction of prior period error - Contracted services 2024 (a)	(2 881 058)
Correction of prior period error - Operational cost 2024 (a)	(3 629 355)
Correction of prior period error - Contracted services 2023 (b)	(1 654 685)
Correction of prior period error - Operational cost 2023 (b)	(1 115 500)
Correction of prior period error - Operational cost 2024 (c)	177 900
Correction of prior period error - Inventory consumed 2024 (d)	(2 042)
Correction of prior period error - Interest 2024 (e)	(963 753)
Correction of prior period error - Inventory consumed 2023 (f)	(23 886 367)
Correction of prior period error - Debt Impairment 2024 (g)	(10 548 345)
Correction of prior period error - Sale of goods and rendering of services 2024 (h)	(7 345)
Correction of prior period error - Contracted services 2024 (i)	100 633 987
Correction of prior period error - Transfers and subsidies 2024 (i)	(100 633 987)
Correction of prior period error - Contracted services 2023 (j)	59 319 810
Correction of prior period error - Transfers and subsidies 2023 (j)	(59 319 810)
Correction of prior period error - Depreciation and amortisation (k)	(2 069 081)
Correction of prior period error - PPE cost transfer out 2023 (l)	(155 666 658)
Correction of prior period error - PPE accumulated depreciation transfer out 2023 (l)	70 996 202
Correction of prior period error - Depreciation and amortisation 2024 (l)	4 130 480
	4 924 490 897

(a) Correction of prior period error relates to adjustment of accruals raised as at 30 June 2024.

(b) Correction of prior period error relates to adjustment of accruals raised as at 30 June 2023.

(c) Correction of prior period error relates to adjustment of input VAT on operational cost as at 30 June 2024.

(d) Correction of prior period error relates to Adjustment of Inventory consumed 2023.

(e) Correction of prior period error relates to Adjustment of interest on loan for 2024.

(f) Correction of prior period error - Inventory consumed 2023

(g) Correction of prior period error - Debt Impairment 2024

(h) Correction of prior period error - Shared services revenue 2024.

(i) Correction of error relates to principal agent transactions incorrectly recognised as revenue and expenditure for 2024.

(j) Correction of error relates to principal agent transactions incorrectly recognised as revenue and expenditure for 2023.

(k) Correction of prior period error relates to depreciation of practically completed assets not transferred to PPE in 2024.

(l) Correction of prior period error relates to assets transferred from water service authority ZDM, to water service provider Abaqulusi LM in terms of the signed agreement and substance over form GRAP requirements

Statement of Financial Performance

Transfers and subsidies

As previously reported	1 514 839 672
Reclassification to Transfers and subsidies – Operational (a)	(645 810 207)
Reclassification to Transfers and subsidies - Capital (b)	(768 395 478)
Correction of prior period error - Principal agent transactions (c)	(100 633 987)
	-

(a) Reclassification from Transfers and subsidies to Transfers and subsidies – Operational.

(b) Reclassification from Transfers and subsidies to Transfers and subsidies - Capital.

Notes to the Annual Financial Statements

58. Prior year error and reclassification (continued)

Transfers and subsidies was reclassified to align with mSCOA classification.

(c) Correction of error relates to principal agent transactions incorrectly recognised in the books of the municipality.

Transfers and subsidies – Operational

As previously reported	-
Reclassification from Transfers and subsidies (a)	645 810 207
	645 810 207

(a) Reclassification from Transfers and subsidies to Transfers and subsidies – Operational.

Transfers and subsidies - Capital

As previously reported	-
Reclassification from Transfers and subsidies (a)	768 395 478
	768 395 478

(a) Reclassification from Transfers and subsidies to Transfers and subsidies - Capital.

Sales of goods and rendering of services

As previously reported	760 200
Correction of prior period error - Receivables from non-exchange transactions (a)	(7 352)
	752 848

(a) Correction of prior period error relates to over recognised shared services revenue.

Employee related cost

As previously reported	315 068 196
Re-classification - Interest (a)	(6 124 000)
	308 944 196

(a) Reclassification of interest cost from employee related cost to interest to present transactions by nature.

58. Prior year error and reclassification (continued)

Depreciation and amortisation

As previously reported	114 268 903
Correction of prior period error - Property, plant and equipment (a)	2 069 081
Correction of prior period error - Property, plant and equipment (b)	(4 130 480)
	112 207 504

(a) Correction of prior period error relates to depreciation of practically completed assets not transferred to PPE in 2024.

(b) Correction of prior period error relates to assets transferred from water service authority ZDM, to water service provider Abaqulusi LM in terms of the signed agreement and substance over form GRAP requirements.

Debt impairment

As previously reported	30 812 251
Correction of prior period error - receivables from non exchange transactions (a)	10 548 345
	41 360 596

(a) Correction of prior period error relates to recognition of impairment of non exchange receivables.

Inventory consumed

As previously reported	45 329 983
Correction of prior period error - Inventory (a)	2 042
	45 332 025

(a) Correction of prior period error relates to adjustment of input VAT on Inventory consumed as at 30 June 2024.

Contracted services

As previously reported	370 958 209
Correction of prior period error - Payables from exchange transactions as at 30 June 2024 (a)	3 029 362
Correction of prior period error - Principal agent transactions (b)	(100 633 987)
	273 353 584

(a) Correction of prior period error relates to adjustment of accruals raised as at 30 June 2024.

(b) Correction of error relates to principal agent transactions incorrectly recognised in the books of the municipality.

Operational cost

As previously reported	212 762 695
Correction of prior period error - Payables from exchange transactions as at 30 June 2024 (a)	3 481 052
Correction of prior period error - VAT Receivables (b)	(177 900)
	216 065 847

(a) Correction of prior period error relates to adjustment of accruals raised as at 30 June 2024.

(b) Correction of prior period error relates to adjustment of input VAT claimed.

Interest

Notes to the Annual Financial Statements

58. Prior year error and reclassification (continued)

As previously reported	-	7 148 951
Correction of prior period error - adjustment of Interest on loan (a)	-	963 753
Re-classification - Employee related cost (b)	-	6 124 000
	-	**14 236 704**

(a) Correction of prior period error relates to adjustment of Interest on loan.

(a) Reclassification of interest cost from employee related cost.

59. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: Community and public safety, Economic and environmental services, Trading services and other. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Segment surplus or deficit, assets and liabilities

By function

	Community and public safety	Economic and environmental services	Trading services	Other	Unallocated	Total
2025						
Segment revenue						
External revenue from non-exchange transactions	2 578 017	1 857 000	854 951 597	-	673 130 612	1 532 517 226
External revenue from exchange transactions	295 537	-	73 543 490	38 319	2 575 207	76 452 553
Interests on investments	-	-	-	-	8 128 592	8 128 592
Interest earned from receivables	-	-	730 281	-	15 466	745 747
Gain on disposal of assets	-	-	-	-	1 429 040	1 429 040
	2 873 554	**1 857 000**	**929 225 368**	**38 319**	**685 278 917**	**1 619 273 158**
Segment expenses						
Total segment expenses	27 546 999	23 621 575	562 908 564	8 878 008	412 674 794	1 035 629 940
Depreciation, amortisation and impairment	-	114 771 593	-	-	4 981 650	119 753 243
Loss on disposal of assets	397	-	385	-	-	782
Debt impairment	-	437	28 520 420	123	3 248 109	31 769 089
Interest expense	-	11 497 297	-	-	6 593 324	18 090 621
	27 547 396	**149 890 902**	**591 429 369**	**8 878 131**	**427 497 877**	**1 205 243 675**

Notes to the Annual Financial Statements

59. Segment information (continued)

Surplus for the year	**(24 673 842)**	**(148 033 902)**	**337 795 999**	**(8 839 812)**	**257 781 040**	**414 029 483**
Other information						
Segment assets	673 505	22 304 522	6 051 873 627	(4 872 826)	205 916 071	6 275 894 899
Segment liabilities	7 773 383	-	4 886 354	-	924 714 777	937 374 514
Additions to non-current assets	-	60 672	780 722 160	-	711 567	781 494 399

2024

Segment revenue						
External revenue from non-exchange transactions	2 177 821	2 969 000	772 850 483	2 000 000	635 083 442	1 415 080 746
External revenue from exchange transactions	107 604	135 264	74 900 871	44 886	1 724 388	76 913 013
Interests on investments	-	-	-	-	15 458 240	15 458 240
Interest earned from receivables	-	-	685 257	-	5 844	691 101
Gain on disposal of assets	-	-	-	-	5 877 933	5 877 933
	2 285 425	**3 104 264**	**848 436 611**	**2 044 886**	**658 149 847**	**1 514 021 033**
Segment expenses						
Total segment expenses	26 637 509	29 276 254	500 466 631	12 362 134	320 683 794	889 426 322
Depreciation, amortisation and impairment	-	105 349 660	-	-	6 857 845	112 207 505
Debt impairment	-	-	31 370 039	-	9 990 557	41 360 596
Interest expense	-	7 079 143	-	-	7 157 561	14 236 704
	26 637 509	**141 705 057**	**531 836 670**	**12 362 134**	**344 689 757**	**1 057 231 127**
Surplus for the year	**(24 352 084)**	**(138 600 793)**	**316 599 941**	**(10 317 248)**	**313 460 090**	**456 789 906**
Other information						
Segment assets	1 143 823	22 294 714	5 382 102 618	(4 671 383)	236 825 355	5 637 695 127
Segment liabilities	-	-	4 369 084	-	708 835 146	713 204 230
Additions to non-current assets	286 210	74 570	660 238 794	-	1 943 333	662 542 907

Notes to the Annual Financial Statements

	2025	2024

60. Principal-agent arrangements

60.1 Municipality acting as the agent

	2025	2024
Revenue received or to be received on behalf of the principal	42 036 584	100 633 987
Expenditure paid or incurred on behalf of the principal	42 036 584	100 633 987
	-	-

Receivables held on behalf of the principal		
Opening balance	366 088	-
Revenue receivable	434 803	366 088
Amounts received	(366 088)	-
Closing balance	**434 803**	**366 088**

Zululand district municipality sustainability programme.

The municipality is a party to a principal-agent arrangement.

Zululand district municipality entered into an agreement with the National Skills Fund through the Department of education, the agreement required the municipality undertake the recruitment and selection of learners for the purpose of upskilling them whilst they get a stipend. NSF will provide funding to the municipality and the municipality will pay a stipend to learners on behalf of NSF.

The municipality is an agent to a principal-agent arrangement. The municipality signed an MoA with NSF to which the municipality will receive a grant and make payments to third parties, the municipality does not have powers to determine any significant terms and conditions of the transactions. The municipality will follow the project plan and submit reports on the progress of the project. The municipality is entitled to a project management fee. No fees have been recognised to date.

The municipality is required to open a separate bank account, NSF will advance funds to this separate account. The municipality shall utilise funds received including the interest received thereon sole for the purpose of the project.

No changes were noted during the financial year regarding the agreement.

The agreement commenced on the signing date which was November 2022 and will end in May 2026 and may be extended when both parties agree.